ARAB BANK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Ernst & Young Jordan
P.O. Box 1140
300 King Abdulla Street
Amman 11118
Jordan
Tel:00962 6 580 0777 /00962 6552 6111
Fax:00962 6 5538 300
www.ey.com

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arab Bank Group
Amman - Jordan

Opinion

We have audited the consolidated financial statements of Arab Bank Group (the "Group") which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><td colspan="2">1. Inadequate allowances (ECL) for credit facilities
Refer to note (12) to the consolidated financial statements</td></tr>
<tr><td>Key audit matter:

This is considered as a key audit matter as the group exercises significant judgement to determine when and how much to record as impairment.

Credit facilities form a major portion of the Group's assets, there is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 and determining related provision requirements, this audit area is considered a key audit risk.

As at 31 December 2020, the Group's gross credit facilities amounted to USD 26.5 billion and the related impairment provisions amounted to USD 2 billion. The impairment provision policy is presented in the accounting policies in note (4) to the consolidated financial statements.</td><td>How the key audit matter was addressed in the audit:

Our audit procedures included the following:

• We gained an understanding of the Group's key credit processes comprising granting and booking and tested the operating effectiveness of key controls over these processes.

• We read the Group's impairment provisioning policy and compared it with the requirements of IFRS 9 as well as relevant regulatory guidelines and pronouncements.

• We assessed the Group's expected credit loss model, in particular focusing on its alignment of the expected credit loss model and its underlying methodology with the requirements of IFRS 9.

• We examined a sample of exposures, assessed on an individual basis and performed procedures to evaluate the following:

o Appropriateness of the group's staging.
o Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations
o Appropriateness of the PD, EAD and LGD used for different exposures at different stages.

o Appropriateness of the internal rating and the objectivity,</td></tr>
</table>

	competency and independence of the experts involved in this exercise. ◦ Soundness and mathematical integrity of the ECL Model. ◦ For exposures moved between stages we have checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality. ◦ For exposures determined to be individually impaired, we re-preformed the ECL calculation. We also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements. • For forward looking assumptions used by the Group in its Expected Credit Loss ("ECL") calculations, we held discussions with management and corroborated the assumptions using publicly available information. • We assessed the financial statements disclosures to ensure compliance with IFRS 9. Refer to the accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and on ECL in notes (4), (5), (6) and (12) to the consolidated financial statements.
2. Valuation of Unquoted Investments & Derivatives Refer to notes (11) and (41) to the consolidated financial statements	
Key audit matter:	**How the key audit matter was addressed in the audit:**
The valuation of investments in private equities and the valuation of derivatives are complex areas that require the use of models and forecasting of future cash flows including other factors to determine the fair value of investments and derivatives. As at 31 December 2020, the unquoted equities, positive and negative fair value of derivatives amounted to USD 287 million, USD 92 million and USD 171 million, respectively.	Our audit procedures included, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value the unquoted equities and derivatives. As part of these audit procedures, we assessed the reasonableness of key inputs used in the valuation such as the expected cash flows, discount rate by benchmarking them with external data. Disclosures of unquoted investments and derivatives are detailed in notes (11) and (41) to the consolidated financial statements.

Other information included in the Group's 2020 annual report.

Other information consists of the information included in the Bank's 2020 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Bank maintains proper books of accounts, which are in agreement with the consolidated financial statements.

The partner in charge of the audit resulting in this auditor's report was Bishr Ibrahim Baker; license number 592.

Amman – Jordan
1 February 2021

Ernst + Young

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2020	31 December 2019
ASSETS		**USD '000**	**USD '000**
Cash and balances with central banks	7	10 807 627	7 905 810
Balances with banks and financial institutions	8	4 601 165	4 258 593
Deposits with banks and financial institutions	9	288 165	313 556
Financial assets at fair value through profit or loss	10	304 054	519 053
Financial derivatives - positive fair value	41	91 510	54 212
Direct credit facilities at amortized cost	12	23 907 858	23 960 625
Financial assets at fair value through other comprehensive income	11	409 715	385 933
Other financial assets at amortized cost	13	8 762 789	8 894 618
Investments in associates	14	3 804 212	3 513 651
Fixed assets	15	458 518	461 117
Other assets	16	763 137	792 291
Deferred tax assets	17	214 933	155 385
Total Assets		**54 413 683**	**51 214 844**
LIABILITIES AND OWNERS' EQUITY			
Banks' and financial institutions' deposits	18	3 974 226	3 761 895
Customers' deposits	19	36 235 138	33 154 995
Cash margin	20	2 483 253	3 082 753
Financial derivatives - negative fair value	41	170 956	75 887
Borrowed funds	21	609 791	332 936
Provision for income tax	22	275 406	345 054
Other provisions	23	230 069	226 521
Other liabilities	24	1 040 409	1 125 950
Deferred tax liabilities	25	5 672	6 402
Total Liabilities		**45 024 920**	**42 112 393**
Equity			
Share capital	26	926 615	926 615
Share premium	26	1 225 747	1 225 747
Statutory reserve	27	926 615	926 615
Voluntary reserve	28	977 315	977 315
General reserve	29	1 141 824	1 141 824
General banking risks reserve	30	224 274	238 952
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve	31	(160 209)	(252 925)
Investments revaluation reserve	32	(295 797)	(298 403)
Retained earnings	33	2 775 635	2 584 537
Total Equity Attributable to the Shareholders of the Bank		**9 282 915**	**9 011 173**
Non-controlling interests	33	105 848	91 278
Total Shareholders' Equity		**9 388 763**	**9 102 451**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**54 413 683**	**51 214 844**

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF INCOME

	Notes	2020	2019
REVENUE		**USD '000**	**USD '000**
Interest income	34	2 068 368	2 430 077
Less: interest expense	35	865 306	1 088 786
Net interest income		**1 203 062**	**1 341 291**
Net commissions income	36	270 398	291 305
Net interest and commissions income		**1 473 460**	**1 632 596**
Foreign exchange differences		100 624	112 915
Gain from financial assets at fair value through profit or loss	37	3 580	7 053
Dividends on financial assets at fair value through other comprehensive income	11	5 710	6 964
Group's share of profits of associates	14	296 365	424 019
Other revenue	38	51 296	47 283
TOTAL INCOME		**1 931 035**	**2 230 830**
EXPENSES			
Employees' expenses	39	509 633	499 542
Other expenses	40	327 420	299 623
Depreciation and amortization	15/16	63 350	61 806
Provision for impairment - ECL	6	658 330	187 971
Other provisions	23	22 221	31 086
TOTAL EXPENSES		**1 580 954**	**1 080 028**
PROFIT FOR THE YEAR BEFORE INCOME TAX		**350 081**	**1 150 802**
Less: Income tax expense	22	154 797	304 254
PROFIT FOR THE YEAR		**195 284**	**846 548**
Attributable to :			
Bank's shareholders		192 791	844 937
Non-controlling interests	33	2 493	1 611
Total		**195 284**	**846 548**
Earnings per share attributable to the Bank's Shareholders			
- Basic and Diluted (US Dollars)	55	0.30	1.32

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
	USD '000	**USD '000**
Profit for the Year	**195 284**	**846 548**
Add: Other comprehensive income items - after tax		
Items that will be subsequently transferred to the consolidated statement of Income		
Exchange differences arising from the translation of foreign operations	105 061	15 875
Items that will not be subsequently transferred to the consolidated statement of Income		
Net change in fair value of financial assets at fair value through other comprehensive income	1 848	**20 610**
Revaluation gains on equity instruments at fair value through other comprehensive income	4 101	22 804
Loss from sale of financial assets at fair value through other comprehensive income	(2 253)	(2 194)
Total Other Comprehensive Income Items - after tax	**106 909**	**36 485**
TOTAL COMPREHNSIVE INCOME FOR THE YEAR	**302 193**	**883 033**
Attributable to :		
- Bank's shareholders	285 538	878 890
- Non-controlling interests	16 655	4 143
Total	**302 193**	**883 033**

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking Risks Reserve	Reserves with Associates	Foreign Currency Translation Reserve	Investments Revaluation Reserve	Retained Earnings	Total Equity Attributable to the Shareholders of the Bank	Non-Controlling Interests	Total Share holoders' Equity
		USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
2020														
Balance at the Beginning of the year		**926 615**	**1 225 747**	**926 615**	**977 315**	**1 141 824**	**238 952**	**1 540 896**	**(252 925)**	**(298 403)**	**2 584 537**	**9 011 173**	**91 278**	**9 102 451**
Profit for the year		-	-	-	-	-	-	-	-	-	192 791	**192 791**	2 493	**195 284**
Other comprehensive income for the year		-	-	-	-	-	-	-	92 716	31	-	92 747	14 162	106 909
Total Comprehensive Income for the Year		-	-	-	-	-	-	-	**92 716**	**31**	**192 791**	**285 538**	**16 655**	**302 193**
Transferred from general banking risk reserve		-	-	-	-	-	(14 678)	-	-	-	14 678	-	-	-
Transferred from Investments revaluation reserve to retained earnings		-	-	-	-	-	-	-	-	2 575	(2 575)	-	-	-
Investments revaluation reserve transferred to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(322)	**(322)**
Dividends	33	-	-	-	-	-	-	-	-	-	-	-	(1 763)	**(1 763)**
changes in associate equity **		-	-	-	-	-	-	-	-	-	(5 504)	**(5 504)**	-	**(5 504)**
Adjustments during the year		-	-	-	-	-	-	-	-	-	(8 292)	**(8 292)**	-	**(8 292)**
Balance at the End of the Year		**926 615**	**1 225 747**	**926 615**	**977 315**	**1 141 824**	**224 274**	**1 540 896**	**(160 209)**	**(295 797)**	**2 775 635**	**9 282 915**	**105 848**	**9 388 763**
2019														
Balance at the Beginning of the year		**926 615**	**1 225 747**	**919 507**	**977 315**	**1 141 824**	**237 124**	**1 540 896**	**(264 651)**	**(322 831)**	**2 192 006**	**8 573 552**	**91 037**	**8 664 589**
Effect of IFRS (16) adoption		-	-	-	-	-	-	-	-	-	(5 327)	**(5 327)**	-	**(5 327)**
Restated Balance at the Beginning of the year		**926 615**	**1 225 747**	**919 507**	**977 315**	**1 141 824**	**237 124**	**1 540 896**	**(264 651)**	**(322 831)**	**2 186 679**	**8 568 225**	**91 037**	**8 659 262**
Profit for the year		-	-	-	-	-	-	-	-	-	844 937	**844 937**	1 611	**846 548**
Other comprehensive income for the year		-	-	-	-	-	-	-	11 726	22 227	-	**33 953**	2 532	**36 485**
Total Comprehensive Income for the Year		-	-	-	-	-	-	-	**11 726**	**22 227**	**844 937**	**878 890**	**4 143**	**883 033**
Transferred to statutory reserve		-	-	7 108	-	-	-	-	-	-	(7 108)	-	-	-
Transferred to general banking risk reserve		-	-	-	-	-	1 828	-	-	-	(1 828)	-	-	-
Transferred from Investments revaluation reserve to retained earnings		-	-	-	-	-	-	-	-	2 201	(2 201)	-	-	-
Investments revaluation reserve transferred to non- controlling interests		-	-	-	-	-	-	-	-	-	0	-	(7)	**(7)**
Dividends	33	-	-	-	-	-	-	-	-	-	(417 997)	**(417 997)**	(2 604)	**(420 601)**
changes in associate equity **		-	-	-	-	-	-	-	-	-	(13 724)	**(13 724)**	-	**(13 724)**
Adjustments during the year		-	-	-	-	-	-	-	-	-	(4 221)	**(4 221)**	(1 291)	**(5 512)**
Balance at the End of the Year		**926 615**	**1 225 747**	**926 615**	**977 315**	**1 141 824**	**238 952**	**1 540 896**	**(252 925)**	**(298 403)**	**2 584 537**	**9 011 173**	**91 278**	**9 102 451**

- Retained earnings include restricted deferred tax assets in the amount of USD 214.9 million. Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances, as a result of adopting of certain International Accounting Standards, amounted to USD 2.8 million as of 31 December 2020.

- The Bank cannot use a restricted amount of USD (295.8) million which represents the negative investments revaluation reserve in accordance with the instructions of the Jordan Securities Commission and Central Bank of Jordan as of 31 December 2020.

** Changes in associates equity represents the Group's share from the changes in the associates equities which resulted mainly from the adoption of IFRSs.

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		**USD '000**	**USD '000**
Profit for the year before income tax		**350 081**	**1 150 802**
Adjustments for:			
- Depreciation	15	48 906	48 981
- Amortization of intangible assets	16	14 444	12 825
- Expected credit losses on financial assets	6	658 330	187 971
- Net accrued interest		(50 881)	23 118
- (Gain) from sale of fixed assets		(795)	(453)
- (Gain) from revaluation of financial assets at fair value through profit or loss	37	(516)	(4 017)
- Dividends from financial assets at fair value through other comprehensive income	11	(5 710)	(6 964)
- Group's share of profits of associates	14	(296 365)	(424 019)
- Impairment of investment held for sale		13 000	-
- Other provisions		22 221	31 086
Total		**752 715**	**1 019 330**
(Increase) decrease in assets:			
Balances with central banks (maturing after 3 months)		68 001	(54 411)
Deposits with banks and financial institutions (maturing after 3 months)		24 326	10 765
Direct credit facilities at amortized cost		(450 370)	(374 978)
Financial assets at fair value through profit and loss		215 515	(75 207)
Other assets and financial derivatives		(35 652)	(168 596)
Increase (decrease) in liabilities:			
Bank and financial institutions deposits (maturing after 3 months)		362 743	(3 162)
Customers' deposits		3 080 143	1 724 082
Cash margin		(599 500)	169 282
Other liabilities and financial derivatives		43 622	83 480
Net Cash from Operating Activities before Income Tax		**3 461 543**	**2 330 585**
Income tax paid	22	(284 714)	(301 419)
Net Cash from Operating Activities		**3 176 829**	**2 029 166**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) Sale of financial assets at fair value through other comprehensive income		(23 751)	7 304
Maturity (Purchase) of other financial assets at amortized cost		131 029	(386 955)
(Increase) of investments in associates	14	(139 532)	(4 383)
Dividends received from associates	14	143 364	222 950
Dividends from financial assets at fair value through other comprehensive income	11	5 710	6 964
(Purchase) of fixed assets	15	(47 827)	(58 572)
Proceeds from selling fixed assets - Net		2 672	5 022
(Purchase) of intangible assets	16	(18 425)	(19 453)
Net Cash generated from (used in) Investing Activities		**53 240**	**(227 123)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increased borrowed funds		276 855	51 457
Dividends paid to shareholders		(928)	(414 933)
Dividends paid to non-controlling interests		(1 763)	(2 604)
Net Cash generated From (Used in) Financing Activities		**274 164**	**(366 080)**
Net increase in Cash and Cash Equivalents		3 504 233	1 435 963
Exchange differences - change in foreign exchange rates		92 716	11 726
Cash and cash equivalent at the beginning of the year		8 815 119	7 367 430
Cash and Cash Equivalent at the End of the Year	57	**12 412 068**	**8 815 119**
Operational cash flows from interest			
Interest Received		2 089 363	2 423 145
Interest Paid		937 182	1 058 736

The accompanying notes from (1) to (60) are an integral part of these consolidated financial statements and should be read with them.

1. GENERAL

Arab Bank was established in 1930, and is registered as a Jordanian public shareholding limited company. The Head Office of the Bank is domiciled in Amman – Hashemite Kingdom of Jordan and the Bank operates worldwide through its 82 branches in Jordan and 129 branches abroad. Also, the Bank operates through its subsidiaries and Arab Bank (Switzerland).

Arab Bank PLC shares are traded on Amman Stock Exchange. The shareholders of Arab Bank PLC are the same shareholders of Arab Bank Switzerland (every 18 shares of Arab Bank PLC equal/ traded for 1 share of Arab Bank Switzerland).

The accompanying consolidated financial statements were approved by the Board of Directors in its meeting number (1) on 25 January 2021 and are subject to the approval of the General Assembly and the Central Bank of Jordan.

2. (A) BASIS OF PREPARATION

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Arab Bank Group adheres to the local regulations and instructions of the Central Bank of Jordan, as well as to the prevailing regulations in the countries where the Group operates.

The financial statements are prepared in accordance with the historical cost principle, except for financial assets through profit or loss , financial assets through other comprehensive income and financial derivatives which are stated at fair value as of the date of the financial statements.

The consolidated financial statements are presented in US dollars (USD). For each entity in the group, the Bank determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. (B) BASIS OF CONSOLIDATION

The accompanying consolidated financial statements of Arab Bank Group, presented in US dollars, comprise the financial statements of Arab Bank plc, Arab Bank Switzerland (Limited) and the following key subsidiaries:

Company Name	Percentage of ownership (%) 2020	Percentage of ownership (%) 2019	Date of Acquisition	Principal Activity	Place of Incorporation	Paid-up Capital
Europe Arab Bank plc	100.00	100.00	2006	Banking	United Kingdom	€ 570m
Arab Bank Australia Limited	100.00	100.00	1994	Banking	Australia	AUD 119.3m
Islamic International Arab Bank plc	100.00	100.00	1997	Banking	Jordan	JD 100m
Arab National Leasing Company L.L.C.	100.00	100.00	1996	Financial Leasing	Jordan	JD 50m
Al-Arabi Investment Group L.L.C.	100.00	100.00	1996	Brokerage and Financial Services	Jordan	JD 14m
Arab Sudanese Bank Limited	100.00	100.00	2008	Banking	Sudan	SDG 117.5m
Al Arabi Investment Group - Palestine	100.00	100.00	2009	Brokerage and Financial Services	Palestine	JD 1.7m
Arab Tunisian Bank	64.24	64.24	1982	Banking	Tunisia	TND 100m
Arab Bank Syria	51.29	51.29	2005	Banking	Syria	SYP 5.05b
Al Nisr Al Arabi Insurance Company PLC	50.00	50.00	2006	Insurance	Jordan	JD 10m

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new standards effective as of 1 January 2020:

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Bank, but may impact future periods should the Bank enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Bank.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Bank.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. This relates to any reduction in lease payments which are originally due on or before 30 June 2021. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

The Bank did not have any leases impacted by the amendment.

4. SIGNIFICANT ACCOUNTING POLICIES

Recognition of Interest Income

The effective interest rate method

In accordance with IFRS 9, interest income is recognized using the effective interest rate method for all financial instruments at amortized cost and financial instruments at fair value through the income statement or through other comprehensive income. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial instrument, or, shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the consolidated statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in the consolidated statement of income.

Interest and similar income and expense

For all financial instruments measured at amortized cost, financial instruments designated at FVOCI and FVTPL, interest income or expense is recorded using the EIR. The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The Bank also holds investments in assets of countries with negative interest rates. The Bank discloses interest paid on these assets as interest expense.

Fee and commission income

Fee income can be divided into the following two categories:

A. Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and private wealth and asset management fees, custody and other management fees.

B. Fee income forming an integral part of the corresponding financial instrument

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees.

Financial Instruments – Initial Recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when

funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Measurement categories of financial assets and liabilities

The Group classifies its financial assets (Debt Instruments) based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- FVOCI
- FVTPL

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial Assets and Liabilities

Due from banks, loans and advances to customers and financial investments at amortized cost

The Group only measures due from banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group’s assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of

the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).
The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price، commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps، futures and cross-currency swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Debt instruments at FVOCI

The Group measures of debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR، taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the consolidated financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income and an ECL provision.

The premium received is recognized in the consolidated statement of income net of fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the consolidated statement of financial position.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

<u>Derecognition of financial assets and liabilities</u>

Derecognition due to substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

A. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset

Or

- The Group has neither transferred nor retained substantially all the risks and rewards of the asset، but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset، the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

B. Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms، or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Impairment of financial assets

Overview of the ECL principles

The Group records the allowance for expected credit loss for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case، the allowance is based on the 12 months’ expected credit loss.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When financial assets are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Financial assets considered credit-impaired. The Group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

<u>The Group's internal credit rating system:</u>

The main measure of Credit Risk is at the counterparty level where the exposure is measured in line with the bank's credit standards applicable by the bank and detailed in the policies and procedures. Therefore, Arab Bank implemented an Internal Rating methodology to assess the customers financially and non-financially. In parallel, Arab Bank is using Moody's Risk Analyst (MRA), it is a financial analysis and ratings platform that aggregates quantitative and qualitative information on individual obligors to obtain an assessment that can be used to determine a credit rating for each obligor and the related probability of default (PD). The MRA model went through validation, optimization and calibration phases which lead to the development of a new model. It worthwhile to mention that MRA is complementing AB Internal Rating to better comply with regulatory requirements i.e BASEL.

The MRA Rating System is centrally managed by Risk Management Department at Head Office noting that the Corporate and Investment Banking and the Credit Department are the main users. The Customers' Ratings are being reviewed on annual basis using the two rating methodology (AB Internal Rating and MRA) during the annual review of the customers' facilities.

<u>The calculation of ECLs</u>

The Group calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. Due to the recent developments and the abnormal situation resulted from COVID-19, an additional downside scenario was used by the management for calculating the ECL for the year ended 31 December 2020. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the year ended 31 December 2020 in addition to changing the probability of weights assigned to the macroeconomic scenarios by giving higher weight to the downside scenarios as follows:

Scenario	Weight assigned
Baseline	35%
Upside	15%
Downside 1	20%
Downside 2	30%

The machinery of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers four scenarios. Each of these is associated with different PDs، EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanism of the ECL method are summarized below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial assets which are considered credit-impaired, the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100% and with higher LGD than the first two stages.

Loan commitments and letter of credit: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Financial guarantee contracts	The Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income، and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognized within other liabilities.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

Credit cards and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade.

The interest rate used to discount the ECLs for credit cards is based on the effective interest rate.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables، inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group’s consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum، at inception and re-assessed periodically. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Group’s policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group’s policy.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, (rather than taking possession or to otherwise enforce collection of collateral.) The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. (Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department). Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. (Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms). It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Foreign currency translation

1) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the income statement.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2) Group companies

On consolidation, the assets and liabilities in foreign operations are translated into dollars at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

Fixed assets

Fixed assets are stated at historical cost, net of accumulated depreciation and any accumulated impairment in value. Such cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

Depreciation is charged so as to allocate the cost of assets using the straight-line method, using the useful lives of the respective assets

Land and assets under construction are not depreciated.

Assets under construction is carried at cost, less any accumulated impairment losses and is depreciated when the assets are ready for intended use using the same depreciation rate of the related category with fixed assets.

Fixed assets are derecognized when disposed of or when no future benefits are expected from their use or disposal.

The gain or loss arising on the disposal of an item (the difference between the net realizable value and the carrying amount of the asset) is recognized in the consolidated statement of income in the year that the assets were disposed.

Impairment of non-financial assets -

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Intangible Assets

Goodwill

Goodwill is recorded at cost, and represents the excess amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, while goodwill resulting from the investment in an associated company constitutes part of the investment in that company.

Goodwill is distributed over the cash generating units for the purpose of testing the impairment in its value.

The value of goodwill is tested for impairment on the date of the consolidated financial statements. Goodwill value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating units is less than book value. The decline in the values is recoded in the consolidated statement of income as impairment loss.

Other Intangible Assets

Other intangible assets acquired through mergers are stated at fair value at the date of acquisition, while other intangible assets (not acquired through mergers) are recorded at cost.

Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives using the straight line method, and recorded as an expense in the consolidated statement of income. Intangible assets with indefinite lives are reviewed in statement income for impairment as of the consolidated financial statements date, and impairment loss is recorded in the consolidated statement of income.

Intangible assets resulting from the banks operations are not capitalized. They are rather recorded in the consolidated statement of income in the same period.

Any indications of impairment in the value of intangible assets as of the consolidated financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the consolidated financial statements as a result of the bank's continuous control over these assets and as the related risk and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.

Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the consolidated financial statements because the bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recoded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recoded as interest revenue amortized over the life of the contract using the effective interest rate method.

Capital

Cost of issuing or purchasing the Group's shares are recorded in retained earnings net of any tax effect related to these costs. If the issuing or purchase process has not been completed, these costs are recorded as expenses in the consolidated statement of income.

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associates initially recognised at cost, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income (OCI). In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Income Taxes

Income tax expenses represent current and deferred taxes for the year.

Income tax expense is measured on the basis of taxable income. Taxable income differs from income reported in the consolidated financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the enacted tax rates according to the prevailing laws, regulations and instructions of countries where the Group operates.

Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred taxes are calculated on the basis of the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized. Deferred tax assets are reviewed on the date of the consolidated financial statements, and reduced if it is expected that no benefit will arise from the deferred tax, partially or totally.

Fair value

The Bank measures financial instruments is at fair value at each financial statements date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial derivatives

Financial derivatives (e.g. currency forward contracts, forward rate agreements, swaps and option contracts) are recognized at fair value in the consolidated statement of financial position.

Financial derivatives held for hedge purposes

Fair value hedge: Represents hedging for changes in the fair value of the Group's assets and liabilities. When the conditions for an effective fair value hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income. Changes in the fair value of the hedged assets or liabilities are also recognized in the consolidated statement of income.

Cash flow hedge: Represents hedging for changes in the current and expected cash flows of the Group's assets and liabilities that affects the consolidated statement of income. When the conditions for an effective cash flow hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in other comprehensive income and are reclassified to the statement of income in the period in which the hedge transaction has an impact on the consolidated statement of income.

When the conditions for an effective hedge are not met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income.

The ineffective portion is recognized in the consolidated statement of income.

Hedge for net investment in foreign entities when the conditions of the hedge for net investment in foreign entities are met, fair value is measured for the hedging instrument of the hedged net assets. In case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in the consolidated statement of comprehensive income and recorded in the consolidated statement of income when the investment in foreign entities is sold. The ineffective portion is recognized in the consolidated statement of income.

When the conditions of the effective hedge do not apply, gain or loss resulting from the change in the fair value of the hedging instrument is recorded in the consolidated statement of income.

Financial derivatives for trading

Financial derivatives held for trading are recognized at fair value in the consolidated statement of financial position with changes in fair value recognized in the consolidated statement of income.

Foreclosed assets

Such assets are those that have been the subject of foreclosure by the Group, and are initially recognized among "other assets" at the foreclosure value or fair value whichever is least.

At the date of the consolidated financial statements, foreclosed assets are revalued individually (fair value less selling cost); any decline in fair value is recognized in the consolidated statement of income. Any subsequent increase in value is recognized only to the extent that it does not exceed the previously recognized impairment losses.

Provisions

Provisions are recognized when the Group has an obligation as of the date of the consolidated financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

Provision for employees' end-of-service indemnities is estimated in accordance with the prevailing rules and regulations in the countries in which the Group operates. The expense for the year is recognized in the consolidated statement of income. Indemnities paid to employees are reduced from the provision.

Segments Information

Segment business represents a group of assets and operations shared to produce products or risk attributable services different from which related to other segments.

Geographic sector linked to present the products or the services in a specific economic environment attributable for risk and other income different from which related to other sectors work in other economic environment.

Assets under Management

These represent the accounts managed by the Group on behalf of its customers, but do not represent part of the Group's assets. The fees and commissions on managing these accounts are taken to the consolidated statement of income. Moreover, a provision is taken for the decline in the value of capital-guaranteed portfolios managed on behalf of its customers.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is presented in the consolidated statement of financial position only when there is a legal right to offset the recognized amounts, and the Group intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with central banks and balances with banks and financial institutions maturing within three months, less restricted funds and balances owing to banks and financial institutions maturing within three months.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Management believes that the assumptions adopted in the consolidated financial statements are reasonable. The details are as follows:

- Impairment loss for foreclosed assets is booked after a recent valuation of the acquired properties has been conducted by approved surveyors. The impairment loss is reviewed periodically.

- The fiscal year is charged with its portion of income tax expenditures in accordance with the regulations, laws, and accounting standards. Moreover, deferred tax assets and liabilities and the income tax provision are recorded.

- The Management periodically reassesses the economic useful life of tangible and Intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and assessing their expected useful life in the future. The impairment loss is recorded in the consolidated income statement..

- A provision is set for lawsuits raised against the Group. This provision is based to an adequate legal study prepared by the Group’s legal advisor. Moreover, the study highlights potential risks that the Group may encounter in the future. Such legal assessments are reviewed periodically.

- Fair value hierarchy:
  The level in the fair value hierarchy is determined and disclosed into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. The difference between Level 2 and Level 3 fair value measurements represents whether inputs are observable and whether the unobservable inputs are significant, which may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

- Provisions for impairment - ECL

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

In accordance with IFRS 9, a significant increase in credit risk can be assessed at the group / portfolio level if the common risk characteristics are shared. Any instruments that are collectively assessed must have common credit risk characteristics. The bank has followed the following criteria for determining the ECL calculation on a collective versus individual basis as follows

- Retail Portfolio: on Collective Basis based on the product level (Loans, Housing Loans, Car Loans, and Credit Cards)
- Corporate Portfolio: individual basis at customer/ facility level
- Financial Institutions: Individual Basis at Bank/ facility Level.
- Debt instruments measured at amortized cost: Individual Level at Instrument level.

- **Assessment of Significant Increase in Credit Risk (SICR)**

To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group’s existing risk management processes.

Our assessment of significant increases in credit risk will be performed periodically for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. We have established thresholds for significant increases in credit risk based on movement in the customer’s internal credit grade and the related PDs relative to initial recognition.
2. Restructuring and/or Rescheduling on the customers’ accounts/ facilities during the assessment period is considered as indicator for SICR.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9, is mentioned in the “Definition of default” below.

- **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment in cooperation with international expert in this area.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.
The estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of four future macroeconomic scenarios.

The base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate). Upside, downside1 and downside 2 scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenarios will be probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

- **Definition of default**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Notwithstanding the above, the classification of credit facilities is governed by the Central Bank of Jordan regulations unless local regulations in other countries are stricter, or the Bank has to adopt the same by law.

The Group has set out the definition of default where a default is considered to have occurred when either or both of the two following events have taken place:

- The obligor is considered unlikely to pay its credit obligations in full
- The obligor is past due for 90 days or more on any material credit obligation.

- **Expected Life**

When measuring ECL, the Group must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

To ensure proper compliance of the IFRS9 implementation, a steering committee was formed consisting of the Chief Risk Officer, Chief Financial Officer, Chief Credit Officer, Head of IT and Head of Project Management with the responsibilities to provide decisions/ feedback on the work plan regarding implementation and adoption of IFRS 9 to ensure all relevant policies and procedures are updated in line with the new requirements and systems are modified / updated for the new requirements, in addition to present the ECL results to the CEO and related Committees of the Board of Directors.

6- Provision for Impariment - ECL

The below table shows the ECL charges on financial instruments for the year recorded in the consolidated statement of income:

	Notes	2020 Stage 1	Stage 2	Stage 3	**Total**
		USD '000	**USD '000**	**USD '000**	**USD '000**
Balances with central banks	7	54	133 538	-	133 592
Balances with banks and financial institutions	8	429	-	-	429
Deposits with banks and financial institutions	9	1 021	-	-	1 021
Direct credit facilities at amortized cost	12	26 824	152 915	323 398	503 137
Debt instruments included in financial assets at amortized cost	13	111	1 091	(402)	800
Indirect facilities	24	320	12 928	6 103	19 351
Total		**28 759**	**300 472**	**329 099**	**658 330**

	Notes	2019 Stage 1	Stage 2	Stage 3	**Total**
		USD '000	**USD '000**	**USD '000**	**USD '000**
Balances with central banks	7	1 730	5 303	-	**7 033**
Balances with banks and financial institutions	8	773	-	-	**773**
Deposits with banks and financial institutions	9	(863)	-	-	**(863)**
Direct credit facilities at amortized cost	12	(1 067)	62 265	138 697	**199 895**
Debt instruments included in financial assets at amortized cost	13	(5 260)	5 444	-	**184**
Indirect facilities	24	(964)	(16 048)	(2 039)	**(19 051)**
Total		**(5 651)**	**56 964**	**136 658**	**187 971**

7. Cash and Balances with Central Banks

The details of this item are as follows:

	31 December 2020	31 December 2019
	USD '000	USD '000
Cash in vaults	673 453	533 785
Balances with central banks:		
- Current accounts	4 614 615	2 378 879
- Time and notice	3 749 222	2 776 743
- Mandatory cash reserve	1 613 267	1 760 665
- Certificates of deposit	299 421	464 546
Less: Net ECL Charges	(142 351)	(8 808)
Total	**10 807 627**	**7 905 810**

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.

- Balances and certificates of deposit maturing after three months amounted to USD 25 million as of 31 December 2020 (USD 93 million as of 31 December 2019).

The Classification of gross balances with Central Banks according to the Group's internal credit rating is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	9 711 578	-	-	**9 711 578**	**7 168 198**
Acceptable risk / performing	-	564 947	-	564 947	**212 635**
Total	**9 711 578**	**564 947**	**-**	**10 276 525**	**7 380 833**

-Probability of default at low risk 0.0% - 0.22%

-Probability of default at acceptable risk 0.22% - 7.86%

The movement on total balances with central banks is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**7 168 198**	**212 635**	**-**	**7 380 833**	**7 523 123**
New balances (Additions)	2 721 751	352 312	-	**3 074 063**	**833 677**
Repaid balances (excluding write offs)	(261 483)	-	-	**(261 483)**	**(985 371)**
Translation Adjustments	83 112	-	-	**83 112**	**9 404**
Balance at the end of the year	**9 711 578**	**564 947**	**-**	**10 276 525**	**7 380 833**

The movement of ECL charges on balances with central banks is as follows:

	31 December 2020				31 December 2019
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**2 792**	**6 016**	**-**	**8 808**	**1 746**
New ECL charges during the year	1 579	133 538	-	**135 117**	**7 728**
Recoveries (excluding write offs)	(1 525)	-	-	**(1 525)**	**(695)**
Translation Adjustments	(49)	-	-	**(49)**	**29**
Balance at the end of the year	**2 797**	**139 554**	**-**	**142 351**	**8 808**

8. Balances with Banks and Financial Institutions

The details of this item are as follows:

Local banks and financial institutions

	31 December 2020	31 December 2019
	USD '000	**USD '000**
Current accounts	4 241	3 637
Time deposits maturing within 3 months	197 091	169 293
Total	**201 332**	**172 930**

Abroad Banks and financial institutions

	31 December 2020	31 December 2019
	USD '000	**USD '000**
Current accounts	1 918 206	1 899 046
Time deposits maturing within 3 months	2 484 520	2 132 930
Certificates of deposit maturing within 3 months	-	56 025
Total	**4 402 726**	**4 088 001**
Less: Net ECL Charges	**(2 893)**	**(2 338)**
Total balances with Banks and Financial Institutions Local and Abroad	**4 601 165**	**4 258 593**

There are no non interest bearing balances as of 31 December 2020 and 2019.
There are no restricted balances as of 31 December 2020 and 2019.

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2020				**31 December 2019**
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	3 693 046	-	-	**3 693 046**	**2 946 585**
Acceptable risk / performing	911 012	-	-	**911 012**	**1 314 346**
Total	**4 604 058**	-	-	**4 604 058**	**4 260 931**

-Probability of default at low risk 0.0% - 0.22%
-Probability of default at acceptable risk 0.22% - 7.86%

An Analysis of change in the gross carrying amount and the corresponding ECL allowance is as follows:

	31 December 2020				**31 December 2019**
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**4 260 931**			**4 260 931**	**3 199 193**
New balances (Additions)	363 850	-	-	**363 850**	**1 245 542**
Repaid balances (excluding write offs)	(130 416)	-	-	**(130 416)**	**(201 807)**
Translation Adjustments	109 693	-	-	**109 693**	**18 003**
Balance at the end of the year	**4 604 058**	-	-	**4 604 058**	**4 260 931**

The movement of ECL charges on balances with banks and financial institutions is as follows:

	31 December 2020				**31 December 2019**
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**2 338**	-	-	**2 338**	**1 550**
New ECL charges during the year	1 568	-	-	**1 568**	**2 312**
Recoveries (excluding write offs)	(1 139)	-	-	**(1 139)**	**(1 539)**
Adjustments during the year	(3)	-	-	**(3)**	-
Translation Adjustments	129	-	-	**129**	**15**
Balance at the end of the year	**2 893**	-	-	**2 893**	**2 338**

9. Deposits with Banks and Financial Institutions

The details of this item are as follows:

Local banks and financial institutions	31 December 2020	31 December 2019
	USD '000	USD '000
Time deposits maturing after 6 months and before 9 months	20 552	-
Time deposits maturing after 9 months and before one year	33 280	-
Time deposits maturing after one year	21 150	167 726
Total	**74 982**	**167 726**

Abroad banks and financial institutions	31 December 2020	31 December 2019
	USD '000	USD '000
Time deposits maturing after 3 months and before 6 months	110 419	33 883
Time deposits maturing after 6 months and before 9 months	100 354	57 600
Time deposits maturing after 9 months and before one year	5 153	-
Certificates of deposit maturing after 9 months and before one year	-	56 025
Total	**215 926**	**147 508**
Less: Net ECL Charges	(2 743)	(1 678)
Total Deposits with banks and financial institutions Local and Abroad	**288 165**	**313 556**

There are no restricted deposits as of 31 December 2020 and 2019.

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	137 258	-	-	**137 258**	**261 745**
Acceptable risk / performing	153 650	-	-	**153 650**	**53 489**
Total	**290 908**	-	-	**290 908**	**315 234**

-Probability of default at low risk 0.0% - 0.22%

-Probability of default at acceptable risk 0.22% - 7.86%

An Analysis of change in the gross carrying amount and the corresponding ECL allowance is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**315 234**	-	-	**315 234**	**325 960**
New balances (Additions)	110 422	-	-	**110 422**	**47 015**
Repaid balances (excluding write offs)	(143 615)	-	-	**(143 615)**	**(60 607)**
Translation Adjustments	8 867	-	-	**8 867**	**2 866**
Balance at the end of the year	**290 908**	-	-	**290 908**	**315 234**

The movement of ECL charges on Deposits with Banks and Financial Institutions is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**1 678**	-	-	**1 678**	**2 517**
New ECL charges during the year	1 801	-	-	**1 801**	**151**
Recoveries (excluding write offs)	(780)	-	-	**(780)**	**(1 014)**
Adjustments during the year	3	-	-	3	-
Translation Adjustments	41	-	-	**41**	**24**
Balance at the end of the year	**2 743**	-	-	**2 743**	**1 678**

10. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	31 December	
	2020	2019
	USD '000	USD '000
Treasury bills and Government bonds	79 694	207 411
Corporate bonds	204 136	257 574
Loans and advances	-	29 624
Corporate shares	2 532	1 767
Mutual funds	17 692	22 677
Total	**304 054**	**519 053**

	31 December 2020		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Treasury bills and Government bonds	79 694	-	79 694
Corporate bonds	204 136	-	204 136
Corporate shares	-	2 532	2 532
Mutual funds	-	17 692	17 692
Total	**283 830**	**20 224**	**304 054**

	31 December 2019		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Treasury bills and Government bonds	207 411	-	207 411
Corporate bonds	257 574	-	257 574
Loans and advances	29 624	-	29 624
Corporate shares	-	1 767	1 767
Mutual funds	-	22 677	22 677
Total	**494 609**	**24 444**	**519 053**

11. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

	31 December 2020	31 December 2019
	USD '000	USD '000
Quoted shares	122 363	133 480
Un-quoted shares	287 352	252 453
Total	**409 715**	**385 933**

* Cash dividends from investments above amounted to USD 5.7 million for the year ended 31 December 2020 (USD 7 million as of 31 December 2019).

	31 December 2020		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Quoted shares	-	122 363	122 363
Un-quoted shares	-	287 352	287 352
Total	**-**	**409 715**	**409 715**

	31 December 2019		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Quoted shares	-	133 480	133 480
Un-quoted shares	-	252 453	252 453
Total	**-**	**385 933**	**385 933**

12. Direct Credit Facilities at Amortized Cost

The details of this item are as follows:

	31 December 2020					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	68 294	91 600	549 247	157 770	13 764	880 675
Overdrafts *	92 404	1 136 980	3 359 056	5 662	442 991	5 037 093
Loans and advances *	3 533 021	1 967 850	11 255 638	32 626	906 931	17 696 066
Real-estate loans	2 336 319	145 412	210 500	-	-	2 692 231
Credit cards	185 802	-	-	-	-	185 802
Total	**6 215 840**	**3 341 842**	**15 374 441**	**196 058**	**1 363 686**	**26 491 867**
Less: Interest and commission in suspense	92 524	115 426	411 265	53	-	619 268
Provision for impairment - ECL	260 547	300 441	1 390 880	5 230	7 643	1 964 741
Total	**353 071**	**415 867**	**1 802 145**	**5 283**	**7 643**	**2 584 009**
Net Direct Credit Facilities at Amortized Cost	**5 862 769**	**2 925 975**	**13 572 296**	**190 775**	**1 356 043**	**23 907 858**

* Net of interest and commission received in advance, which amounted to USD 123.5 million as of 31 December 2020.

- Rescheduled loans during the year ended 31 December 2020 amounted to USD 491.7 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2020 amounted to USD 8 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of 31 December 2020 amounted to USD 77.9 million, or 0.3% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2020 amounted to USD 2358.4 million, or 8.9% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of 31 December 2020 amounted to USD 1763.3 million or 6.8% of direct credit facilities, after deducting interest and commission in suspense.

	31 December 2019					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	72 273	135 087	495 919	218 956	40 575	962 810
Overdrafts *	111 828	1 258 110	3 340 082	5 044	307 513	5 022 577
Loans and advances *	3 248 797	1 786 258	11 596 328	32 627	707 599	17 371 609
Real-estate loans	2 228 624	165 225	201 243	-	-	2 595 092
Credit cards	182 689	-	-	-	-	182 689
Total	**5 844 211**	**3 344 680**	**15 633 572**	**256 627**	**1 055 687**	**26 134 777**
Less: Interest and commission in suspense	71 191	110 022	359 718	59	-	540 990
Provision for impairment - ECL	165 691	236 333	1 222 169	5 013	3 956	1 633 162
Total	**236 882**	**346 355**	**1 581 887**	**5 072**	**3 956**	**2 174 152**
Net Direct Credit Facilities at Amortized Cost	**5 607 329**	**2 998 325**	**14 051 685**	**251 555**	**1 051 731**	**23 960 625**

* Net of interest and commission received in advance, which amounted to USD 136.2 million as of 31 December 2019.

- Rescheduled loans during the year ended 31 December 2019 amounted to USD 1105.8 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2019 amounted to USD 2.9 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of 31 December 2019 amounted to USD 116.6 million, or 0.5% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2019 amounted to USD 1929.1 million, or 7.4% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of 31 December 2019 amounted to USD 1412.6 million, or 5.5 % of direct credit facilities, after deducting interest and commission in suspense.

The details of movement on the provision for impairment - ECL as of 31 December 2020 are as follows:

	31 December 2020						
		Corporates					
	Consumer Banking	Small and Medium	Large	Banks and Financial Institutions	Government and Public Sector	Total	The Total includes movement on the real-estate loans provision as follows
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	165 691	236 333	1 222 169	5 013	3 956	**1 633 162**	20 720
ECL charges during the year	67 307	92 667	345 868	1 601	3,666	**511 109**	14 244
Recoveries	(13 230)	(16 682)	(63 756)	(1 054)	(725)	**(95 447)**	(2 290)
Transferred to Stage 1	(343)	(456)	(2 165)	-	(112)	**(3 076)**	(36)
Transferred to Stage 2	(11)	(1 716)	(34 171)	-	112	**(35 786)**	298
Transferred to Stage 3	354	2 172	36 336	-	-	**38 862**	(262)
Impact on year end ECL caused by transfers between stages during the year	20 763	5 267	60 808	-	637	**87 475**	4 157
Used from provision (written off or transferred to off statement of financial position)	(3 452)	(1 515)	(151 362)	-	-	**(156 329)**	(56)
Adjsutments during the year	20 991	(18 032)	(23 729)	-	-	**(20 770)**	130
Translation Adjustments	2 477	2 403	882	(330)	109	**5 541**	16
Balance at the End of the Year	**260 547**	**300 441**	**1 390 880**	**5 230**	**7 643**	**1 964 741**	**36 921**

The details of the movement of the provision for impairment - ECL for direct credit facilities at amortized cost as of 31 December 2019 was as follows :

	31 December 2019						
		Corporates					
	Consumer Banking	Small and Medium	Large	Banks and Financial Institutions	Government and Public Sector	Total	The total includes movement on the real - estates loans provision as follows:
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	163 495	171 933	1 232 759	505	5 241	**1 573 933**	18 560
ECL charges during the year	27 567	58 158	164 861	1 081	1 850	**253 517**	5 408
Recoveries	(20 650)	(20 793)	(44 703)	(115)	(3 005)	**(89 266)**	(5 029)
Transferred to Stage 1	(494)	3 725	1 964	-	199	**5 394**	(54)
Transferred to Stage 2	(1 290)	(10 866)	(34 734)	-	(199)	**(47 089)**	(11)
Transferred to Stage 3	1 784	7 141	32 770	-	-	**41 695**	65
Impact on year end ECL caused by transfers between stages during the year	6 125	17 346	12 458	-	(285)	**35 644**	559
Used from provision (written off or transferred to off statement of financial position)	(14 773)	(4 241)	(136 879)	-	-	**(155 893)**	(19)
Adjsutments during the year	(118)	4 831	(9 498)	3 525	28	**(1 232)**	1 244
Translation Adjustments	4 045	9 099	3 171	17	127	**16 459**	(3)
Balance at the End of the Year	**165 691**	**236 333**	**1 222 169**	**5 013**	**3 956**	**1 633 162**	**20 720**

- There are no provisions no longer required as a result of settlement or repayment, transferred to non-performing direct credit facilities as of 31 December 2020 and 2019.

- Impairment is assessed based on individual customer accounts.

* Non-performing direct credit facilities transferred to off consolidated statement of financial position amounted to USD 175.3 million as of 31 December 2020. (USD 152.6 million as of 31 December 2019) noting that these non-performing direct credit facilities are fully covered by set provisions and suspended interest.

The following tables outline the impact of multiple scenarios on the ECL (Without Consumer banking):

	31 December 2020							
	Due from Banks	Financial Assets at amortized Cost	Small and Medium Corporates	Large Corporates	Banks and Financial Institutions	Government and Public Sector	items off statement of financial position	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Upside (15%)	126 477	34 214	1 188 717	256 772	4 470	6 532	78 585	**1 695 767**
Base case (35%)	135 682	36 704	1 275 231	275 460	4 795	7 007	84 305	**1 819 184**
Downside 1 (20%)	156 634	42 372	1 472 154	317 997	5 536	8 090	97 323	**2 100 106**
Downside 2 (30%)	167 333	45 266	1 572 703	339 716	5 914	8 642	103 970	**2 243 544**

	31 December 2019							
	Due from Banks	Financial Assets at amortized Cost	Small and Medium Corporates	Large Corporates	Banks and Financial Institutions	Government and Public Sector	items off statement of financial position	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Upside (30%)	10 880	34 543	1 036 854	200 498	4 253	3 356	50 235	**1 340 619**
Base case (40%)	12 227	38 823	1 165 307	225 337	4 780	3 772	56 458	**1 506 704**
Downside (30%)	15 564	49 417	1 483 300	286 828	6 084	4 801	71 865	**1 917 859**

The following tables outline the impact of multiple scenarios on the ECL (Consumer banking):

	31 December 2020	31 December 2019
	USD '000	**USD '000**
Upside (30%)	249 214	158 484
Base case (40%)	257 993	164 067
Downside (30%)	275 286	175 064

The above table shows both the contribution to the total ECL for each probability-weighted scenario, in addition to the total additional impact on the ECL for applying multiple economic scenarios compared to the ECL that would have resulted from applying a 100% weighting to the base case scenario.

The of movement on interest and commissions in suspense are as follows:

	31 December 2020						
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	The total includes interest and commission in suspense movement on real - estates loans as follows:
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	71 191	110 022	359 718	59	-	**540 990**	13 611
Interest and commission suspended during the year	20 019	20 317	100 421	-	-	**140 757**	5 793
Interest and commission in suspense settled (written off or transferred to off consolidated statement of financial position)	(4 259)	(4 148)	(26 905)	-	-	**(35 312)**	(190)
Recoveries	(3 855)	(1 857)	(15 733)	-	-	**(21 445)**	(1 771)
Adjustments during the year	8 941	(9 140)	199	-	-	**-**	-
Translation adjustments	487	232	(6 435)	(6)	-	**(5 722)**	(28)
Balance at the End of the Year	**92 524**	**115 426**	**411 265**	**53**	**-**	**619 268**	**17 415**

	31 December 2019						
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	The total includes interest and commission in suspense movement on real - estates loans as follows:
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	73 128	98 914	273 939	7 955	-	**453 936**	14 211
Interest and commission suspended during the year	18 020	19 913	94 017	1 581	-	**133 531**	4 061
Interest and commission in suspense settled (written off or transferred to off consolidated statement of financial position)	(15 621)	(7 146)	(3 858)	(9 534)	-	**(36 159)**	(1 632)
Recoveries	(3 561)	(4 095)	(5 256)	-	-	**(12 912)**	(3 076)
Adjustments during the year	(33)	(190)	166	57	-	**-**	-
Translation adjustments	(742)	2 626	710	-	-	**2 594**	47
Balance at the End of the Year	**71 191**	**110 022**	**359 718**	**59**	**-**	**540 990**	**13 611**

Classification of direct credit facilities at amortized cost based on the geographical and economic sectors as follows:

					ECL
	Inside Jordan	Outside Jordan	31 December 2020	31 December 2019	31 December 2020
Economic Sector	USD '000	USD '000	USD '000	USD '000	USD '000
Consumer Banking	2 997 448	2 865 321	5 862 769	5 607 329	260 547
Industry and mining	1 450 785	3 123 178	4 573 963	4 609 887	288 339
Constructions	473 045	1 391 931	1 864 976	1 949 459	293 432
Real - Estates	355 456	1 274 621	1 630 077	1 851 056	43 498
Trade	1 412 865	2 494 098	3 906 963	4 201 680	277 192
Agriculture	169 904	165 111	335 015	357 273	21 515
Tourism and Hotels	240 615	393 181	633 796	572 124	382 605
Transportations	105 223	248 190	353 413	341 686	56 034
Shares	-	11 985	11 985	11 984	2 738
General Services	852 365	2 335 718	3 188 083	3 154 861	325 968
Banks and Financial Institutions	9 898	180 877	190 775	251 555	5 230
Government and Public Sector	173 304	1 182 739	1 356 043	1 051 731	7 643
Net Direct Credit Facilities at amortized Cost	**8 240 908**	**15 666 950**	**23 907 858**	**23 960 625**	**1 964 741**

	31 December 2020							
	Direct Credit Facilites (excluding Interest in suspense)				Provision for impairment			
	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Inside Jordan	6 726 741	1 588 836	382 346	**8 697 923**	32 708	104 177	320 130	**457 015**
Outside Jordan	14 056 962	1 736 719	1 380 995	**17 174 676**	87 943	335 970	1 083 813	**1 507 726**
Total	**20 783 703**	**3 325 555**	**1 763 341**	**25 872 599**	**120 651**	**440 147**	**1 403 943**	**1 964 741**

Direct Credit Facilities at Amortized Cost

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	5 518 512	-	-	**5 518 512**	**5 276 498**
Acceptable risk / performing	15 265 861	3 349 075	-	**18 614 936**	**18 929 201**
Non-performing:					
- Substandard	-	-	240 839	**240 839**	**93 429**
- Doubtful	-	-	448 661	**448 661**	**259 862**
- Problematic	-	-	1 668 919	**1 668 919**	**1 575 787**
Total	**20 784 373**	**3 349 075**	**2 358 419**	**26 491 867**	**26 134 777**

The movement on total direct credit facilities at amortized cost - Total:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**21 465 979**	**2 739 720**	**1 929 078**	**26 134 777**	**25 813 411**
New balances (Additions)	5 736 942	570 932	281 639	**6 589 513**	**5 739 666**
Repaid balances (excluding write offs)	(5 695 816)	(501 563)	(103 114)	**(6 300 493)**	**(5 367 502)**
Transfers to stage 1	154 192	(151 203)	(2 989)	-	-
Transfers to stage 2	(889 112)	897 367	(8 255)	-	-
Transfers to stage 3	(235 780)	(219 164)	454 944	-	-
Written off balances or transferred to off statement of financial position	-	(571)	(189 776)	**(190 347)**	**(177 248)**
Adjustments during the year	-	-	-	**-**	**-**
Translation Adjustments	247 968	13 557	(3 108)	**258 417**	**126 450**
Total	**20 784 373**	**3 349 075**	**2 358 419**	**26 491 867**	**26 134 777**

The movement of ECL charges on direct credit facilities at amortized cost by stage is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**94 539**	**319 979**	**1 218 644**	**1 633 162**	**1 573 933**
ECL charges during the year	59 308	145 474	306 327	**511 109**	**253 517**
Recoveries (excluding write offs)	(32 484)	(27 405)	(35 558)	**(95 447)**	**(89 266)**
Transfers to stage 1	4 759	(4 487)	(272)	-	-
Transfers to stage 2	(5 802)	6 750	(948)	-	-
Transfers to stage 3	(2 033)	(38 049)	40 082	-	-
Impact on year end ECL caused by transfers between stages during the year	-	34 846	52 629	**87 475**	**35 644**
Written off balances or transferred to off statement of financial position	-	(571)	(155 758)	**(156 329)**	**(155 893)**
Adjustments during the year	264	3 928	(24 962)	**(20 770)**	**(1 232)**
Translation Adjustments	2 100	(318)	3 759	**5 541**	**16 459**
Total	**120 651**	**440 147**	**1 403 943**	**1 964 741**	**1 633 162**

Direct Credit Facilities at Amortized Cost - Consumer Banking

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	1 126 771	-	-	1 126 771	**1 023 206**
Acceptable risk / performing	4 551 804	167 930	-	4 719 734	**4 568 172**
Non-performing:					
- Substandard	-	-	52 036	52 036	**31 443**
- Doubtful	-	-	36 538	36 538	**32 056**
- Problematic	-	-	280 761	280 761	**189 334**
Total	**5 678 575**	**167 930**	**369 335**	**6 215 840**	**5 844 211**

-Probability of default at low risk 2% -3.5%
-Probability of default at acceptable risk 3.5% - 57%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - consumer banking is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**5 499 320**	**92 058**	**252 833**	**5 844 211**	**5 667 836**
New balances (Additions)	1 146 092	65 047	104 846	**1 315 985**	**1 046 334**
Repaid balances (excluding write offs)	(964 916)	(29 001)	(17 333)	**(1 011 250)**	**(872 282)**
Transfers to stage 1	6 563	(4 795)	(1 768)	-	-
Transfers to stage 2	(47 172)	49 440	(2 268)	-	-
Transfers to stage 3	(32 215)	(6 384)	38 599	-	-
Written off balances or transferred to off statement of financial position	-	-	(7 612)	**(7 612)**	**(22 827)**
Adjustments during the year	-	-	-	-	-
Translation Adjustments	70 903	1 565	2 038	**74 506**	**25 150**
Total	**5 678 575**	**167 930**	**369 335**	**6 215 840**	**5 844 211**

The movement of ECL charges on direct credit facilities at amortized cost - consumer banking is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**16 375**	**4 096**	**145 220**	**165 691**	**163 495**
ECL charges during the year	16 059	10 004	41 244	**67 307**	**27 567**
Recoveries (excluding write offs)	(4 342)	(2 205)	(6 683)	**(13 230)**	**(20 650)**
Transfers to stage 1	267	(90)	(177)	-	-
Transfers to stage 2	(252)	501	(249)	-	-
Transfers to stage 3	(358)	(422)	780	-	-
Impact on year end ECL caused by transfers between stages during the year	-	5 845	14 918	**20 763**	**6 125**
Written off balances or transferred to off statement of financial position	-	-	(3 452)	**(3 452)**	**(14 773)**
Adjustments during the year	(756)	454	21 293	**20 991**	**(118)**
Translation Adjustments	142	33	2 302	**2 477**	**4 045**
Total	**27 135**	**18 216**	**215 196**	**260 547**	**165 691**

Direct Credit Facilities at Amortized Cost - Small & Medium Enterprises

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	1 227 985	-	-	**1 227 985**	**1 221 724**
Acceptable risk / performing	1 105 146	590 518	-	**1 695 664**	**1 730 610**
Non-performing:					
- Substandard	-	-	14 958	**14 958**	**31 083**
- Doubtful	-	-	53 161	**53 161**	**51 435**
- Problematic	-	-	350 074	**350 074**	**309 828**
Total	**2 333 131**	**590 518**	**418 193**	**3 341 842**	**3 344 680**

-Probability of default at low risk 0.0% -0.12%
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - Small & Medium Enterprises is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**2 480 241**	**472 093**	**392 346**	**3 344 680**	**3 288 007**
New balances (Additions)	441 225	91 251	46 008	**578 484**	**790 300**
Repaid balances (excluding write offs)	(579 061)	(52 222)	(35 543)	**(666 826)**	**(769 964)**
Transfers to stage 1	43 065	(42 061)	(1 004)	**-**	**-**
Transfers to stage 2	(123 245)	123 932	(687)	**-**	**-**
Transfers to stage 3	(4 761)	(11 626)	16 387	**-**	**-**
Written off balances or transferred to off statement of financial position	-	-	(5 178)	**(5 178)**	**(5 624)**
Adjustments during the year	-	-	-	-	-
Translation Adjustments	75 667	9 151	5 864	**90 682**	**41 961**
Total	**2 333 131**	**590 518**	**418 193**	**3 341 842**	**3 344 680**

The movement of ECL charges on direct credit facilities at amortized cost - Small & Medium Enterprises is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**16 017**	**31 882**	**188 434**	**236 333**	**171 933**
ECL charges during the year	5 478	27 758	59 431	**92 667**	**58 158**
Recoveries (excluding write offs)	(7 036)	(1 359)	(8 287)	**(16 682)**	**(20 793)**
Transfers to stage 1	418	(344)	(74)	**-**	**-**
Transfers to stage 2	(847)	1 012	(165)	**-**	**-**
Transfers to stage 3	(27)	(2 384)	2 411	**-**	**-**
Impact on year end ECL caused by transfers between stages during the year		3 559	1 708	**5 267**	**17 346**
Written off balances or transferred to off statement of financial position	-	-	(1 515)	**(1 515)**	**(4 241)**
Adjustments during the year	376	1 224	(19 632)	**(18 032)**	**4 831**
Translation Adjustments	521	90	1 792	**2 403**	**9 099**
Total	**14 900**	**61 438**	**224 103**	**300 441**	**236 333**

Direct Credit Facilities at Amortized Cost - Large Corporates

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	2 246 233	-	-	**2 246 233**	**2 343 500**
Acceptable risk / performing	9 123 922	2 438 120	-	**11 562 042**	**12 010 797**
Non-performing:					
- Substandard	-	-	173 845	**173 845**	**30 903**
- Doubtful	-	-	358 962	**358 962**	**176 371**
- Problematic	-	-	1 033 359	**1 033 359**	**1 072 001**
Total	**11 370 155**	**2 438 120**	**1 566 166**	**15 374 441**	**15 633 572**

-Probability of default at low risk 0.0% -0.12%
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - Large Corporates is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**12 202 607**	**2 151 690**	**1 279 275**	**15 633 572**	**15 685 051**
New balances (Additions)	3 359 677	399 955	130 785	**3 890 417**	**3 437 414**
Repaid balances (excluding write offs)	(3 577 791)	(418 223)	(50 153)	**(4 046 167)**	**(3 426 636)**
Transfers to stage 1	104 564	(104 347)	(217)	**-**	**-**
Transfers to stage 2	(603 790)	609 090	(5 300)	-	-
Transfers to stage 3	(198 276)	(201 154)	399 430	**-**	**-**
Written off balances or transferred to off statement of financial position	-	(571)	(176 986)	**(177 557)**	**(114 025)**
Translation Adjustments	83 164	1 680	(10 668)	**74 176**	**51 768**
Total	**11 370 155**	**2 438 120**	**1 566 166**	**15 374 441**	**15 633 572**

The movement of ECL charges on direct credit facilities at amortized cost - Large Corporates is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**58 812**	**282 989**	**880 368**	**1 222 169**	**1 232 759**
ECL charges during the year	33 296	107 448	205 124	**345 868**	**164 861**
Recoveries (excluding write offs)	(19 470)	(23 841)	(20 445)	**(63 756)**	**(44 703)**
Transfers to stage 1	4 074	(4 053)	(21)	**-**	**-**
Transfers to stage 2	(4 591)	5 125	(534)	-	-
Transfers to stage 3	(1 648)	(35 243)	36 891	-	-
Impact on year end ECL caused by transfers between stages during the year	-	24 805	36 003	**60 808**	**12 458**
Written off balances or transferred to off statement of financial position	-	(571)	(150 791)	**(151 362)**	**(136 879)**
Adjustments during the year	644	2 250	(26 623)	**(23 729)**	**(9 498)**
Translation Adjustments	1 370	(489)	1	**882**	**3 171**
Total	**72 487**	**358 420**	**959 973**	**1 390 880**	**1 222 169**

Direct Credit Facilities at Amortized Cost - Banks & Financial Institutions

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	70 097	-	-	70 097	67 000
Acceptable risk / performing	121 790	-	-	121 790	185 638
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	4 171	4 171	3 989
Total	191 887	-	4 171	196 058	256 627

-Probability of default at low risk 0.0% -0.12%
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - Banks & Financial Institutions is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	252 638	-	3 989	256 627	116 864
New balances (Additions)	182 899	-		182 899	293 628
Repaid balances (excluding write offs)	(244 468)	-	-	(244 468)	(118 373)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	(528)		528	-	-
Written off balances or transferred to off statement of financial position	-	-	-	-	(34 772)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	1 346	-	(346)	1 000	(720)
Total	191 887	-	4 171	196 058	256 627

The movement of ECL charges on direct credit facilities at amortized cost - Banks & Financial Institutions is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	1 085	-	3 928	5 013	505
ECL charges during the year	1 073	-	528	1 601	1 081
Recoveries (excluding write offs)	(1 054)	-	-	(1 054)	(115)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Adjustments during the year	-	-	-	-	3 525
Translation Adjustments	6		(336)	(330)	17
Total	1 110	-	4 120	5 230	5 013

Direct Credit Facilities at Amortized Cost - Government & Public Sector

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	847 426	-	-	**847 426**	**621 068**
Acceptable risk / performing	363 199	152 507	-	**515 706**	**433 984**
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	554	**554**	**635**
Total	**1 210 625**	**152 507**	**554**	**1 363 686**	**1 055 687**

-Probability of default at low risk 0.0% -0.12%
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - Government & Public Sector is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**1 031 173**	**23 879**	**635**	**1 055 687**	**1 055 653**
New balances (Additions)	607 049	14 679	-	**621 728**	**171 990**
Repaid balances (excluding write offs)	(329 580)	(2 117)	(85)	**(331 782)**	**(180 247)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	(114 905)	114 905	-	-	-
Transfers to stage 3	-	-	-	-	-
Translation Adjustments	16 888	1 161	**4**	**18 053**	**8 291**
Total	**1 210 625**	**152 507**	**554**	**1 363 686**	**1 055 687**

The movement of ECL charges on direct credit facilities at amortized cost - Government & Public Sector is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**2 250**	**1 012**	**694**	**3 956**	**5 241**
ECL charges during the year	3 402	264	-	**3 666**	**1 850**
Recoveries (excluding write offs)	(582)	-	(143)	**(725)**	**(3 005)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	(112)	112	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	-	637	-	**637**	**(285)**
Adjustments during the year	-	-	-	-	**28**
Translation Adjustments	61	48	-	**109**	**127**
Total	**5 019**	**2 073**	**551**	**7 643**	**3 956**

13. Other financial assets at amortized cost

The details of this item are as follows:

	31 December	
	2020	**2019**
	USD '000	**USD '000**
Treasury bills	1 965 105	2 220 784
Government bonds and bonds guaranteed by the government	5 583 556	5 180 877
Corporate bonds	1 254 161	1 533 674
Less: Net ECL Charges	(40 033)	(40 717)
Total	**8 762 789**	**8 894 618**

Analysis of bonds based on interest nature:

	31 December	
	2020	**2019**
	USD '000	**USD '000**
Floating interest rate	491 348	647 408
Fixed interest rate	8 311 474	8 287 927
Less: Net ECL Charges	(40 033)	(40 717)
Total	**8 762 789**	**8 894 618**

Analysis of financial assets based on market quotation:

	31 December	
Financial assets quoted in the market:	**2020**	**2019**
	USD '000	**USD '000**
Treasury bills	216 465	663 617
Government bonds and bonds guaranteed by the government	1 131 354	988 913
Corporate bonds	1 149 860	1 428 472
Total	**2 497 679**	**3 081 002**

	31 December	
Financial assets unquoted in the market:	**2020**	**2019**
	USD '000	**USD '000**
Treasury bills	1 748 640	1 557 167
Government bonds and bonds guaranteed by the government	4 452 202	4 191 964
Corporate bonds	104 301	105 202
Total	**6 305 143**	**5 854 333**
Less: Net ECL Charges	**(40 033)**	**(40 717)**
Grand Total	**8 762 789**	**8 894 618**

Other Financial Assets at Amortized Cost

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
Internal rating grade performing	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	8 430 731	-	-	**8 430 731**	**8 574 582**
Acceptable risk / performing	239 060	133 031	-	**372 091**	**355 977**
Non-performing:				-	
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	-	-	**4 776**
Total	**8 669 791**	**133 031**	**-**	**8 802 822**	**8 935 335**

-Probability of default at low risk 0.0% -0.9%
-Probability of default at acceptable risk 0.9% - 40.2%
-Probability of default at High risk 100%

An analysis of change in the gross carrying amount and the corresponding ECL allowance is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**8 742 991**	**187 568**	**4 776**	**8 935 335**	**8 548 363**
New investments (Additions)	7 180 164	40 187	-	**7 220 351**	**5 321 961**
Matured investments	(7 334 914)	(103 294)	-	**(7 438 208)**	**(4 953 129)**
Transfers to stage 1	-	-	-	**-**	**-**
Transfers to stage 2	(4 000)	4 000	-	-	**-**
Transfers to stage 3	-	-	-	-	**-**
Investments written off	-	-	(4 776)	**(4 776)**	**-**
Adjustments during the year	-	-		-	-
Translation Adjustments	85 550	4 570	-	**90 120**	**18 140**
Total	**8 669 791**	**133 031**	**-**	**8 802 822**	**8 935 335**

The movement of ECL charges on other financial assets at amortized cost is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**17 153**	**18 788**	**4 776**	**40 717**	**40 516**
ECL charges during the year	11 245	2 150	-	**13 395**	**7 552**
Recoveries from matured investments	(11 134)	(1 059)	(402)	**(12 595)**	**(9 294)**
Transfers to stage 1	-	-	-	-	**-**
Transfers to stage 2	(46)	46	-	-	-
Transfers to stage 3	-	-	-	-	**-**
Impact on year end ECL caused by transfers between stages during the year	-	-	-	**-**	**1 926**
Investments written off	-	-	(4 374)	**(4 374)**	**-**
Adjustments during the year	1 565	842	-	**2 407**	**(137)**
Translation Adjustments	417	66	-	**483**	**154**
Total	**19 200**	**20 833**	**-**	**40 033**	**40 717**

During the year ended 31 December 2020 certain financial assets at amortized cost amounted to USD 81.1 million were sold (USD 10.2 million during the year ended 31 December 2019).

14. Investments in Associates

The details of this item are as follows:

	31 December 2020						
	Ownership and Voting Rights	Investment Carrying Value	Place of Incorporation	Fair Value	Published Financial Statements Date	Principal Activity	Date of Acquisition
2020	**%**	**USD '000**					
Oman Arab Bank S.A.O.	49.00	499 805	Oman	420 665	2020	Banking	1984
Arab National Bank	40.00	3 231 147	Saudi Arabia	3 216 000	2020	Banking	1979
Arabia Insurance Company	42.51	38 455	Lebanon	Unquoted	2019	Insurance	1972
Commercial buildings	35.39	9 631	Lebanon	Unquoted	2019	Real Estate Operating Lease	1966
Ubhar Capital SAOC (An Associate Company of Arab Bank Switzerland)	34.00	9 678	Oman	Unquoted	2020	Investment and Financial Services	2016
Other Associates (Mostly owned by Arab Tunisian Bank)*	Various	15 496	Various			Various	
Total		**3 804 212**					

	31 December 2019						
	Ownership and Voting Rights	Investment Carrying Value	Place of Incorporation	Fair Value	Published Financial Statements Date	Principal Activity	Date of Acquisition
2019	**%**	**USD '000**					
Oman Arab Bank S.A.O.	49.00	375 439	Oman	Unquoted	2019	Banking	1984
Arab National Bank	40.00	3 068 877	Saudi Arabia	4 384 000	2019	Banking	1979
Arabia Insurance Company	42.51	36 296	Lebanon	Unquoted	2018	Insurance	1972
Commercial buildings	35.39	9 369	Lebanon	Unquoted	2018	Real Estate Operating Lease	1966
Ubhar Capital SAOC (An Associate Company of Arab Bank Switzerland)	34.00	8 614	Oman	Unquoted	2019	Investment and Financial Services	2016
Other Associates (Mostly owned by Arab Tunisian Bank)*	Various	15 056	Various			Various	
Total		**3 513 651**					

The details of movement on investments in associates are as follows:

	2020	2019
	USD '000	USD '000
Balance at the beginning of the year	3 513 651	3 298 251
Purchase of investments in associates	139 532	4 383
Group's share of profits for the year	296 365	424 019
Dividends received	(143 364)	(222 950)
Translation Adjustment	1 270	828
Group's share of other changes in equity	(3 242)	9 120
Balance at the end of the year	**3 804 212**	**3 513 651**
Group's share of taxes	**69 862**	**92 877**

* This account represents mostly the investments in Arab Tunisian Lease Company, Arabia Sicaf and Arab Tunisian Invest Company amounting to USD 10.5 million, USD 2 million and USD 1 million respectively, as of 31 December 2020. (As of 31 December 2019 these investments amounted to USD 10 million, USD 1.7 million and USD 1.1 million respectively.)

The Group's share from the profit and loss of the associates are as follows:

	31 December	
	2020	2019
	USD '000	USD '000
Oman Arab Bank S.A.O.	9 947	41 436
Arab National Bank	283 982	378 885
Arabia Insurance Company	1 583	2 054
Other	853	1 644
Total	**296 365**	**424 019**

The Group's share of associates are as follows:

	31 December							
	2020				2019			
	Arab National Bank	Oman Arab Bank S.A.O.	Others	Total	Arab National Bank	Oman Arab Bank S.A.O.	Others	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total Assets	19 664 106	4 224 625	264 464	**24 153 195**	19 567 198	3 176 258	256 432	**22 999 888**
Total Liabilities	16 432 959	3 724 820	191 204	**20 348 983**	16 498 321	2 800 819	187 097	**19 486 237**
Total Revenue	624 315	130 407	18 554	**773 276**	719 357	118 315	18 244	**855 916**
Total Expenses	340 333	120 460	16 118	**476 911**	340 471	76 879	14 547	**431 897**
Net Profit	**283 982**	**9 947**	**2 436**	**296 365**	**378 885**	**41 436**	**3 697**	**424 019**

15. Fixed Assets

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Computers and Communication Equipment	Motor Vehicles	Other	Total
Historical Cost:	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance as of 1 January 2019	**69 968**	**414 895**	**210 321**	**162 773**	**14 468**	**89 498**	**961 923**
Additions	-	21 283	7 950	22 016	2 047	5 276	**58 572**
Disposals	(2 112)	-	(2 722)	(8 746)	(1 424)	(5 201)	**(20 205)**
Adjustments during the year	-	(2)	(167)	(1 902)	-	2	**(2 069)**
Translation Adjustments	99	2 224	239	596	221	998	**4 377**
Balance as of 31 December 2019	**67 955**	**438 400**	**215 621**	**174 737**	**15 312**	**90 573**	**1 002 598**
Additions	29 599	24 958	36 721	23 166	975	6 083	121 502
Disposals	(99)	(75 064)	(1 588)	(823)	(760)	(2 977)	(81 311)
Adjustments during the year	-	-	10	(10)	-	-	-
Translation Adjustments	(1 084)	2 294	503	2 078	168	1 896	5 855
Balance at 31 December 2020	**96 371**	**390 588**	**251 267**	**199 148**	**15 695**	**95 575**	**1 048 644**
Accumulated Depreciation :							
Balance as of 1 January 2019	-	**145 518**	**167 605**	**123 019**	**10 641**	**59 421**	**506 204**
Depreciation charge for the year	-	9 670	11 127	19 655	1 400	7 129	**48 981**
Disposals	-	-	(2 670)	(8 537)	(1 420)	(3 009)	**(15 636)**
Adjustments during the year	-	54	(28)	(26)	-	-	-
Translation adjustments	-	533	148	429	161	661	**1 932**
Balance as of 31 December 2019	**-**	**155 775**	**176 182**	**134 540**	**10 782**	**64 202**	**541 481**
Depreciation charge for the year	-	10 051	11 635	19 441	1 537	6 242	**48 906**
Disposals	-	(3)	(1 647)	(836)	(643)	(2 630)	**(5 759)**
Adjustments during the year	-	-	-	-	-	-	**-**
Translation adjustments	-	1 520	542	1 858	121	1 457	**5 498**
Balance at 31 December 2020	**-**	**167 343**	**186 712**	**155 003**	**11 797**	**69 271**	**590 126**
Net Book Value as of 31 December 2020	**96 371**	**223 245**	**64 555**	**44 145**	**3 898**	**26 304**	**458 518**
Net Book Value as of 31 December 2019	**67 955**	**282 625**	**39 439**	**40 197**	**4 530**	**26 371**	**461 117**

* The cost of fully depreciated fixed assets amounted to USD 335.2 million as of 31 December 2020 (USD 293.7 million as of 31 December 2019).

16. Other Assets

The details of this item are as follows:

	31 December 2020	31 December 2019
	USD '000	USD '000
Accrued interest receivable	192 113	213 108
Prepaid expenses	71 568	100 410
Foreclosed assets *	152 401	121 457
Intangible assets **	34 272	29 820
Right of use assets ***	86 315	98 608
Other miscellaneous assets	226 468	228 888
Total	**763 137**	**792 291**

* The Central Bank of Jordan instructions require a disposal of these assets during a maximum period of two years from the date of foreclosure.

*** The details of movement on foreclosed assets are as follows:**

	2020			
	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	51 803	69 654	-	**121 457**
Additions	24 990	16 733	271	**41 994**
Disposals	(1 700)	(1 824)	-	**(3 524)**
Provision for impairment and impariment losses	(3 802)	(753)	-	**(4 555)**
Translation adjustments	(1 695)	(1 276)	-	**(2 971)**
Balance at the end of the year	**69 596**	**82 534**	**271**	**152 401**

	2019			
	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	50 377	37 967	-	**88 344**
Additions	4 414	32 787	-	**37 201**
Disposals	(75)	(1 089)	-	**(1 164)**
Provision for impairment and impariment losses	(2 913)	(77)	-	**(2 990)**
Translation adjustments	-	66	-	**66**
Balance at the End of the Year	**51 803**	**69 654**	**-**	**121 457**

**** The details of movement on intangible assets are as follows:**

	31 December 2020	31 December 2019
	USD '000	USD '000
Balance at the beginning of the year	29 820	22 587
Additions	18 425	19 453
Amortization charge for the year	(14 444)	(12 825)
Adjustment during the yeat and translation adjustments	471	605
Balance at the End of the Year	**34 272**	**29 820**

***** The dateails of movement of right of use assets are as follows :**

	2020	2019
	USD '000	USD '000
Balance at the beginning of the year	98 608	104 211
Additions	5 004	11 929
Depreciation	(17 297)	(17 532)
Balance at the End of the Year	**86 315**	**98 608**

17. Deferred Tax Assets

The details of this item are as follows :

Items attributable to deferred tax assets are as follows:

	2020					
	Balance at the Beginning of the Year (Restated)	**Amounts Added**	**Amounts Released**	**Adjustments During the Year and Translation Adjustments**	**Balance at the End of the Year**	**Deferred Tax**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
ECL on direct credit facilities at amortized cost	376 802	315 180	(99 694)	1 392	593 680	147 028
End-of-Service indemnity	72 173	7 920	(4 087)	777	76 783	22 038
Interest in suspense	52 497	43 661	(16 252)	-	79 906	19 937
Other	113 399	4 772	(35 580)	(2 164)	80 427	25 930
Total	**614 871**	**371 533**	**(155 613)**	**5**	**830 796**	**214 933**

	2019					
	Balance at the Beginning of the Year	**Amounts Added**	**Amounts Released**	**Adjustments During the Year and Translation Adjustments**	**Balance at the End of the Year**	**Deferred Tax**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
ECL on direct credit facilities at amortized cost	315 176	170 516	(108 742)	(148)	376 802	91 569
End-of-Service indemnity	68 401	9 300	(5 370)	(158)	72 173	20 716
Interest in suspense	30 695	26 817	(5 125)	110	52 497	12 536
Other	101 686	29 019	(19 446)	2 140	113 399	30 564
Total	**515 958**	**235 652**	**(138 683)**	**1 944**	**614 871**	**155 385**

Deferred tax results from temporary timing differences of the provisions not deducted for tax purposes in the current year or previous years. This is calculated according to the regulations of the countries where the Group operates.

The details of movements on deferred tax assets are as follows:

	2020	2019
	USD '000	**USD '000**
Balance at the beginning of the year	155 385	131 946
Additions during the year	105 382	63 698
Amortized during the year	(45 846)	(40 515)
Adjustments during the year and translation adjustments	12	256
Balance at the end of the year	**214 933**	**155 385**

18. Banks and Financial Institutions Deposits

The details of this item are as follows:

	31 December 2020			31 December 2019		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Current and demand	-	746 957	746 957	-	411 539	411 539
Time deposits	104 836	3 122 433	3 227 269	136 654	3 213 702	3 350 356
Total	**104 836**	**3 869 390**	**3 974 226**	**136 654**	**3 625 241**	**3 761 895**

19. Customers' Deposits

The details of this item are as follows:

	31 December 2020				
	Consumer Banking	**Corporates**		**Government and Public Sector**	**Total**
		Small and Medium	**Large**		
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Current and demand	9 878 466	2 482 453	2 583 737	221 441	15 166 097
Savings	3 574 548	113 032	15 119	63 868	3 766 567
Time and notice	9 202 810	1 382 303	3 482 528	2 524 787	16 592 428
Certificates of deposit	507 979	69 222	94 423	38 422	710 046
Total	**23 163 803**	**4 047 010**	**6 175 807**	**2 848 518**	**36 235 138**

	31 December 2019				
	Consumer Banking	**Corporates**		**Government and Public Sector**	**Total**
		Small and Medium	**Large**		
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Current and demand	7 707 130	2 161 544	2 087 225	219 873	12 175 772
Savings	3 139 015	100 503	15 204	10 545	3 265 267
Time and notice	9 302 986	1 128 913	4 914 718	1 763 826	17 110 443
Certificates of deposit	406 515	29 008	119 607	48 383	603 513
Total	**20 555 646**	**3 419 968**	**7 136 754**	**2 042 627**	**33 154 995**

- Government of Jordan and Jordanian public sector deposits amounted to USD 1057.7 million, or 2.9 % of total customer deposits as of 31 December 2020 (USD 869.8 million , or 2.6% of total customer deposits as of 31 December 2019).
- Non-interest bearing deposits amounted to USD 13732.4 million, or 37.9 % of total customer deposits as of 31 December 2020 (USD 10968.4 million or 33.1% of total customer deposits as of 31 December 2019).
- Blocked deposits amounted to USD 159.8 million, or 0.4% of total customer deposits as of 31 December 2020 (USD 193.9 million or 0.6% of total customer deposit as of 31 December 2019).
- Dormant deposits amounted to USD 492.1 million, or 1.4% of total customer deposits as of 31 December2020 (USD 342.1 million , or 1% of total customer deposits as of 31 December 2019).

20. Cash Margin

The details of this item are as follows:

	31 December	
	2020	2019
	USD '000	USD '000
Against direct credit facilities at amortized cost	1 750 146	2 015 162
Against indirect credit facilities	723 870	1 058 857
Against margin trading	2 421	2 665
Other cash margins	6 816	6 069
Total	**2 483 253**	**3 082 753**

21. Borrowed Funds

The details of this item are as follows:

	31 December	
	2020	2019
	USD '000	USD '000
From Central Banks *	167 340	86 237
From banks and financial institutions **	442 451	246 699
Total	**609 791**	**332 936**

Analysis of borrowed funds according to interest nature is as follows:

	31 December	
	2020	2019
	USD '000	USD '000
Floating interest rate	364 386	210 210
Fixed interest rate	245 405	122 726
Total	**609 791**	**332 936**

* During 2013, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.6 million, for the duration of 15 years of which 5 years are grace period with an interest rate of (2.5%) for the year 2013 and a floating interest rate of (1.8%+LIBOR 6 months) for the years after 2013. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2020 amounted to USD 3.95 million (USD 4.5 million as of 31 December 2019).

* During 2014, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 3.95 million, for the duration of 10 years of which 3 years are grace period and with a fixed interest rate of 2.5%. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2020 amounted to USD 2 million (USD 2.5 million as of 31 December 2019).

* Untill December 31, 2020, Arab Bank (Jordan branches) granted loans against medium term advances from the Central Bank of Jordan with fixed interest rate equal to the discount rate disclosed on the grant day after deducting 0.5% for advances outside Amman and 1% for advances inside Amman , The advances are repaid in accordance with customers monthly installments, these advances amounted USD 98.2 million as of 31 December 2020 (USD 69.4 million as of 31 December 2019)

* During 2016, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.1 million, for the duration of 15 years of which 5 years are grace period with a floating interest rate of (1.85%+LIBOR 6 months). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2020 amounted to USD 4.8 million (USD 5.1 million as of 31 December 2019).

* During 2017, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 10.9 million, for the duration of 22 years of which 5 years are grace period with a fixed interest rate of 3% (CBJ has the right to amend the interest rate every two years up to 3.5%). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in May and November of each year. The Balance of the loan as of 31 December 2020 amounted to USD 6.6 million (USD 4.8 million as of 31 December 2019).

* During 2018, Arab Bank (Jordan branches) signed loans agreements with European investment Bank amounting to USD 331 million, for the duration of 7 years, in the same year Arab Bank withdrew the first installment in the amount of USD 100 million for the duration of 7 years with a floating interest rate of (1.392%+LIBOR 6 months) the interest is repaid in 2 installments during the year, the loan is repaid semi-annually in March and September of each year, the first installment started on 15 September 2020 and the last one will be on 15 September 2025. the Balance of the loan as of 31 December 2020 amounted to USD 90.88 million (USD 100 million as of 31 December

* During 2019, Arab Bank (Jordan branches) withdrew the second installment in the amount of USD 69.82 million for the duration of 7 years with a floating interest rate of (1.503%+LIBOR 6 months) the interest is repaid in 2 installments during the year, the loan is repaid semi-annually in March and September of each year, the first installment will be on 15 September 2021 and the last one will be on 16 March 2026. the Balance of the loan as of 31 December 2020 amounted to USD 69.82 million.

During 2020, Arab Bank (Jordan branches) withdrew the third installment in the amount of USD 161.81 million for the duration of 7 years with a floating interest rate of (1.704%+LIBOR 6 months) the interest is repaid in 2 installments during the year, the loan is repaid semi-annually in March and September of each year, the first installment will be on 15 September 2022 and the last one will be on 15 March 2027.

During 2020, Arab Bank (Jordan branches) granted loans against diminishing advances in response to the Central Bank of Jordan programe to support SMEs to face COVID-19 with 0% fixed interest rate, These loans are repaid on long term extended to 42 months, with a grace period up to 12 months. These loans as of 31 December 2020 amounted to USD 51.8 million.

**During 2020, Arab bank Morocco borrowed amounts from banks and financial institutoins with a fixed interest rate of 1.5%, the balance as of 31 December 2020 amounted to USD 6.8 million.

** During 2019 Arab National Leasing Co. signed loan agreement with Jordanian Mortgage Refinance Company for a duration of two years with a fixed interest rate of 5.6% , the balance of the loan as of 31 December 2020 amounted to USD 7.1 million (USD 7.1 million as of 31 December 2019)

** Arab Tunisian Bank borrowed amounts from banks and financial institutions, as well issued syndicated term loans, the balance amounted to USD 106.1 million as of 31 December 2020 (USD 69.9 million as of 31 December 2019) whereas the lowest interest rate is (0.7%) and the highest is (9.3%) and the last maturity date is on 19 May 2032, as per the following details:

	31 December	
	2020	2019
	USD '000	USD '000
Loans maturing within one year	8 986	6 850
Loans maturing after 1 year and less than 3 years	29 478	33 414
Loans maturing after 3 years	67 672	29 593
Total	**106 136**	**69 857**

22. Provision for Income Tax

The details of this item are as follows:

	31 December 2020	31 December 2019
	USD '000	USD '000
Balance at the beginning of the year	345 054	321 490
Income tax charge	215 066	324 983
Income tax paid	(284 714)	(301 419)
Balance at the end of the year	**275 406**	**345 054**

Income tax expense charged to the consolidated statement of income consists of the following:

	31 December 2020	31 December 2019
	USD '000	USD '000
Income tax charge for the year	215 066	324 983
Deferred tax assets for the year	(104 791)	(61 746)
Amortization of deferred tax assets	45 648	40 515
Deferred tax liabilities for the year	2 364	720
Amortization of deferred tax liabilities	(3 490)	(218)
Total	**154 797**	**304 254**

- The Banking income tax rate in Jordan is 38% (35% income tax + 3% national contribution tax).While the income tax rate in the countries where the Group has investments and branches ranges from zero to 38% as of 31 December 2020 and 2019. Arab Bank Group effective tax rate was 44.2% as of 31 December 2020 and 26.4% as of 31 December 2019.

-The subsidiaries and branches of Arab Bank Group have reached recent tax settlements ranging between 2019 such as Arab Bank United Arab Emirates and Arab Sudanese Bank and 2018 such as Arab Bank Egypt and Arab Investment Group Jordan Co.

23. Other Provisions

The details of this item are as follows:

2020	Balance at the Beginning of the Year	Additions during the Year	Utilized or transferred during the Year	Released to Income	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	122 761	14 607	(10 912)	(38)	162	126 580
Legal cases	9 744	872	(627)	(1 249)	43	8 783
Other	94 016	10 737	(6 907)	(2 708)	(432)	94 706
Total	**226 521**	**26 216**	(18 446)	(3 995)	(227)	**230 069**

2019	Balance at the Beginning of the Year	Addition during the Year	Utilized or transferred during the Year	Released to Income	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	116 787	16 103	(10 158)	(14)	43	122 761
Legal cases	6 473	4 858	(818)	(808)	39	9 744
Other	87 043	11 871	(4 227)	(924)	253	94 016
Total	**210 303**	**32 832**	**(15 203)**	**(1 746)**	**335**	**226 521**

24. Other Liabilities

The details of this item are as follows:

	31 December	
	2020	**2019**
	USD '000	**USD '000**
Accrued interest payable	139 822	211 698
Notes payable	203 883	168 629
Interest and commission received in advance	61 133	75 085
Accrued expenses	90 349	77 471
Dividends payable to shareholders	19 405	20 332
Provision for impairment - ECL of the indirect credit facilities*	91 950	59 213
Lease liabilities	84 245	95 880
Other miscellaneous liabilities	349 622	417 642
Total	**1 040 409**	**1 125 950**

Indirect Credit Facilities

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	770 296	-	-	**770 296**	**1 074 744**
Acceptable risk / performing	14 044 464	653 092	-	**14 697 556**	**16 035 613**
Non-performing:	-	-	168 269	**168 269**	**51 167**
Total	**14 814 760**	**653 092**	**168 269**	**15 636 121**	**17 161 524**

-Probability of default at low risk 0.0% -0.12%
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total indirect credit facilities is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at beginning of the year	**16 693 719**	**416 638**	**51 167**	**17 161 524**	**18 097 656**
New balances (Additions)	4 429 340	570 745	237	**5 000 322**	**6 433 697**
Matured balances	(6 014 780)	(510 201)	(24 816)	**(6 549 797)**	**(7 373 878)**
Transfers to stage 1	45 758	(45 132)	(626)	-	-
Transfers to stage 2	(287 172)	287 321	(149)	-	-
Transfers to stage 3	(75 659)	(66 736)	142 395	-	-
Balances written off	-	-	-	-	-
Adjustments during the year	-	-	-	-	-
Translation Adjustments	23 554	457	61	**24 072**	**4 049**
Total	**14 814 760**	**653 092**	**168 269**	**15 636 121**	**17 161 524**

The movement of ECL charges on indirect credit facilitiess is as follows:

	31 December 2020				31 December 2019
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at beginning of the year	**36 152**	**13 515**	**9 546**	**59 213**	77 358
ECL charges during the year	11 616	14 322	3 630	**29 568**	**14 823**
Recoveries (excluding write offs)	(11 296)	(1 769)	(72)	**(13 137)**	**(33 646)**
Transfers to stage 1	537	(537)	-	-	-
Transfers to stage 2	(890)	890	-	-	-
Transfers to stage 3	(14)	(16)	30	-	-
Impact on year end ECL caused by transfers between stages during the year	-	375	2 545	**2 920**	**(228)**
Balances written off	-	-	-	-	-
Adjustments during the year	346	275	12 372	**12 993**	**64**
Translation Adjustments	(88)	402	79	**393**	**842**
Total	**36 363**	**27 457**	**28 130**	**91 950**	**59 213**

25. Deferred Tax Liabilities

Items attributable to deferred tax liabilities are as follows:

	2020					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total	**31 792**	**12 094**	**(21 720)**	**1 152**	**23 318**	**5 672**

	2019					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total	**33 598**	**4 434**	**(5 310)**	**(930)**	**31 792**	**6 402**

The details of movements on deferred tax liabilities are as follows:

	2020	2019
	USD '000	USD '000
Balance at the beginning of the year	6 402	8 210
Additions during the year	2 364	811
Amortized during the year	(3 542)	(218)
Adjustments during the year and translation adjustments	448	(2 401)
Balance at the end of the year	**5 672**	**6 402**

26. Share Capital & Premium

a .Share Capital amounted to USD 926.6 million distributed to 640.8 million shares as of 31 December 2020 and 2019 with an authorized capital of 640.8 million shares (at a par value of USD1.41 per share).

b. Share premium amounted to USD 1225.7 million as of 31 December 2020 and 2019.

27. Statutory Reserve

Statutory reserve amounted to USD 926.6 million as of 31 December 2020 (USD 926.6 million as of 31 December 2019) according to the regulations of the Central Bank of Jordan and Companies Law and it can not be distributed to the shareholders of the banks.

28. Voluntary Reserve

The voluntary reserve amounted to USD 977.3 million as of 31 December 2020 and 2019. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

29. General Reserve

The general reserve amounted to USD 1141.8 million as of 31 December 2020 and 2019. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

30. General Banking Risks Reserve

The general banking risk reserve amounted to USD 224.3 million as of 31 December 2020 (USD 239 million as of 31 December2019).

31. Foreign currency translation reserve

The details of this item are as follows:

	31 December 2020	31 December 2019
	USD '000	USD '000
Balance at the beginning of the year	(252 925)	(264 651)
Changes during the year	92 716	11 726
Balance at the end of the year	**(160 209)**	**(252 925)**

32. Investment Revaluation Reserve

The details of this item are as follows:

	31 December 2020	31 December 2019
	USD '000	USD '000
Balance at the beginning of the year	(298 403)	(322 831)
Change in fair value during the year	31	22 227
Net realized losses transferred to retained earnings	2 575	2 201
Balance at the End of the Year	**(295 797)**	**(298 403)**

33. Retained Earnings and Non-controlling interests

The movement of retained earnings are as follows:

	31 December 2020	31 December 2019
	USD '000	USD '000
Balance at the beginning of the year	2 584 537	2 192 006
Profit for the year Attributable to Shareholders of the Bank	192 791	844 937
Investments revaluation reserve transferred to retained earnings	(2 575)	(2 201)
Dividends paid *	-	(417 997)
Transferred to statutory reserve	-	(7 108)
Transferred from / to general banking risk reserve **	14 678	(1 828)
Changes in associates equity	(5 504)	(13 724)
Adjustments during the year	(8 292)	(4 221)
Effect of IFRS (16)option	-	(5 327)
Balance at the end of the year **	**2 775 635**	**2 584 537**

* Arab Bank plc Board of Directors recommended a 12 % of USD 1.4 par value as cash dividend, equivalent to USD 108.4 million, for the year 2020. This proposal is subject to the approval of the General Assembly of shareholders. (According to Central Bank of Jordan circular no. 1/1/4693 dated 9 April 2020, Arab Bank did not distribute dividends for the year 2019).

The details of non-controlling interests are as follows:

	2020			2019		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
	Non-controlling interests %	Share of non-controlling interests of net assets	Share of non-controlling interests of net profits (loss)	Non-controlling interests %	Share of non-controlling interests of net assets	Share of non-controlling interests of net profits (loss)
Arab Tunisian Bank	35.76	68 057	(618)	35.76	63 868	287
Arab Bank Syria	48.71	22 318	671	48.71	12 744	(129)
Al Nisr Al Arabi Insurance Company plc	50.00	15 473	2 440	50.00	14 666	1 453
Total		**105 848**	**2 493**		**91 278**	**1 611**

The following are some basic financial data related to basic subsidiaries that contrains non contorlling interests:

	2020			2019		
	Arab Tunisian Bank	Arab Bank Syria	Al Nisr Al Arabi Insurance Company plc	Arab Tunisian Bank	Arab Bank Syria	Al Nisr Al Arabi Insurance Company plc
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total Assets	2 703 848	123 901	161 942	2 522 400	137 157	145 883
Total Liabilities	2 513 530	77 950	130 996	2 343 796	110 917	116 551
Net Assets	**190 318**	**45 951**	**30 946**	**178 604**	**26 240**	**29 332**
Total Income	94 792	3 746	14 230	83 157	3 591	11 540
Total Expenses	96 521	2 364	9 350	82 354	3 858	8 634
Net Profit (Loss)	**(1 729)**	**1 382**	**4 880**	**803**	**(267)**	**2 906**

34. Interest Income

The details of this item are as follows:

	2020	2019
	USD '000	USD '000
Direct credit facilities at amortized cost *	1 470 197	1 708 635
Central banks	42 558	95 575
Banks and financial institutions	38 036	87 275
Financial assets at fair value through profit or loss	15 467	23 788
Other financial assets at amortized cost	502 110	514 804
Total	**2 068 368**	**2 430 077**

* The details of interest income earned on direct credit facilities at amortized cost are as follows:

	2020					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	4 286	12 175	27 574	3 366	2 033	49 434
Overdrafts	11 323	75 186	204 084	223	18 363	309 179
Loans and advances	254 094	108 292	538 222	3 021	39 679	943 308
Real estate loans	127 178	9 198	11 537	-	-	147 913
Credit cards	20 363	-	-	-	-	20 363
Total	**417 244**	**204 851**	**781 417**	**6 610**	**60 075**	**1 470 197**

	2019					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	4 312	13 703	33 955	2 422	702	55 094
Overdrafts	7 443	97 928	280 312	545	15 882	402 110
Loans and advances	260 546	112 798	639 665	2 098	48 639	1 063 746
Real estate loans	143 304	12 731	12 767	-	-	168 802
Credit cards	18 883	-	-	-	-	18 883
Total	**434 488**	**237 160**	**966 699**	**5 065**	**65 223**	**1 708 635**

35. Interest Expense

The details of this item are as follows:

	2020	2019
	USD '000	USD '000
Customers' deposits *	715 643	889 421
Banks' and financial institutions' deposits	67 129	101 456
Cash margins	41 440	58 997
Borrowed funds	14 271	12 336
Deposit insurance fees	26 823	26 576
Total	**865 306**	**1 088 786**

* The details of interest expense paid on customer deposits are as follows:

	2020				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	22 284	4 135	14 827	5 505	46 751
Savings	43 233	1 387	111	157	44 888
Time and notice	287 232	36 649	165 823	63 544	553 248
Certificates of deposit	55 406	4 256	10 018	1 076	70 756
Total	**408 155**	**46 427**	**190 779**	**70 282**	**715 643**

	2019				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	27 440	4 998	20 580	3 767	56 785
Savings	39 535	2 088	151	71	41 845
Time and notice	357 055	46 133	220 395	92 863	716 446
Certificates of deposit	54 343	10 125	5 805	4 072	74 345
Total	**478 373**	**63 344**	**246 931**	**100 773**	**889 421**

36. Net Commission Income

The details of this item are as follows:

	2020	2019
	USD '000	USD '000
Commission income:		
- Direct credit facilities at amortized cost	75 760	92 566
- Indirect credit facilities	110 599	117 102
- Assets under management	24 059	19 163
- Other	112 568	114 024
Less: commission expense	(52 588)	(51 550)
Net Commission Income	**270 398**	**291 305**

37. Gains from Financial Assets at Fair Value Through Profit or Loss

The details of this item are as follows:

	2020			
	Realized Gains	Unrealized Gains (Losses)	Dividends	Total
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	3 011	(224)	-	2 787
Companies shares	-	147	53	200
Mutual funds	-	593	-	593
Total	**3 011**	**516**	**53**	**3 580**

	2019			
	Realized Gains	Unrealized Gains (Losses)	Dividends	Total
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	2 957	2 988	-	5 945
Companies shares	-	(47)	-	(47)
Mutual funds	-	1 076	79	1 155
Total	**2 957**	**4 017**	**79**	**7 053**

38. Other Revenue

The details of this item are as follows:

	2020	2019
	USD '000	USD '000
Revenue from customer services	14 246	14 876
Safe box rent	3 936	4 078
Losses from derivatives	(732)	(994)
Miscellaneous revenue	33 846	29 323
Total	**51 296**	**47 283**

39. Employees' Expenses

The details of this item are as follows:

	2020	2019
	USD '000	**USD '000**
Salaries and other benefits	371 098	360 191
Social security	37 265	36 090
Savings fund	3 052	5 099
Indemnity compensation	2 058	1 917
Medical	15 123	14 975
Training	1 718	3 105
Allowances	69 129	66 510
Other	10 190	11 655
Total	**509 633**	**499 542**

40. Other Expenses

The details of this item are as follows:

	2020	2019
	USD '000	**USD '000**
Utilities and rent	77 391	76 810
Office	60 714	69 920
Services	42 357	47 839
Fees	15 656	13 397
Information technology	55 602	48 087
Other administrative expenses	75 700	43 570
Total	**327 420**	**299 623**

41. Financial Derivatives

The details of this item is as follows:

(Held at FVTPL)	31 December 2020						
				Notional amounts by maturity			
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 months to 1 Years	From 1 Year to 3 Years	More than 3 Years
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	2 469	2 412	118 065	44 083	67 968	2 017	3,997
Interest rate swaps	20 028	22 634	1 443 508	304 765	347 653	501 948	289 142
Foreign currency forward contracts	29 174	91 283	11 369 879	9 001 494	2 366 389	1 996	-
Derivatives held for trading	**51 671**	**116 329**	**12 931 452**	**9 350 342**	**2 782 010**	**505 961**	**293 139**
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	39 839	54 627	2 117 272	199 626	569 603	1 100 915	247 128
Foreign currency forward contracts	-	-	71 444	71 431	13	-	-
Derivatives held for fair value hedge	**39 839**	**54 627**	**2 188 716**	**271 057**	**569 616**	**1 100 915**	**247 128**
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	-	-	-	-	-	-	-
Total	**91 510**	**170 956**	**15 120 168**	**9 621 399**	**3 351 626**	**1 606 876**	**540 267**

	31 December 2019						
				Notional amounts by maturity			
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 months to 1 Years	From 1 Year to 3 Years	More than 3 Years
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	9 731	8 862	708 656	94 066	553 172	61 418	-
Interest rate swaps	10 317	9 977	1 806 287	300 372	104 979	516 019	884 917
Foreign currency forward contracts	13 520	30 274	9 923 017	7 347 285	1 800 393	775 339	-
Derivatives held for trading	**33 568**	**49 113**	**12 437 960**	**7 741 723**	**2 458 544**	**1 352 776**	**884 917**
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	20 644	26 634	2 393 125	102 932	532 006	1 161 743	596 444
Foreign currency forward contracts	-	-	125 805	111 834	13,971	-	-
Derivatives held for fair value hedge	**20 644**	**26 634**	**2 518 930**	**214 766**	**545 977**	**1 161 743**	**596 444**
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	140	3 970	-	3 970	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives held for cash flow hedge	**-**	**140**	**3 970**	**-**	**3 970**	**-**	**-**
Total	**54 212**	**75 887**	**14 960 860**	**7 956 489**	**3 008 491**	**2 514 519**	**1 481 361**

The notional amount represents the value of the transactions at year-end and does not refer to market or credit risks.

42. Concentration of Assets, Revenues and Capital Expenditures According to the Geographical Distribution

The Group undertakes its banking activities through its branches in Jordan and abroad. The following are the details of the distribution of assets, revenues and capital expenditures inside and outside Jordan:

	Inside Jordan		Outside Jordan		Total	
	2020	2019	2020	2019	2020	2019
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenues	609 004	668 928	1 322 031	1 561 902	**1 931 035**	**2 230 830**
Assets	17 376 980	16 258 619	37 036 703	34 956 225	**54 413 683**	**51 214 844**
Capital Expenditures	20 064	27 261	119 863	50 764	**139 927**	**78 025**

43. BUSINESS SEGMENTS

The Group has an integrated group of products and services dedicated to serve the Group's customers and constantly developed in response to the ongoing changes in the banking business environment, and related state-of-the-art tools.
The following is a summary of these groups' activities stating their business nature and future plans:

1. Corporate and Institutional Banking

This group provides banking services and finances the following: corporate sector, private projects, foreign trading, small and medium sized projects, and banks and financial institutions.

2. Treasury Group

This group is considered a source of financing for the Group, in general, and for the strategic business units, in particular. It steers the financing of the Group, and manages both the Group's cash liquidity and market risks.

Moreover, this group is responsible for the management of the Group's assets and liabilities within the frame set by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal transfer prices within the Group's business unit, in addition to being a central unit for the financial organization and main dealing in the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money market instruments.
- Certificates of deposit.
- Interest rate swaps.
- Other various derivatives.

3. Consumer Banking

The Consumer Banking division is focused on offering customers an extensive range of feature-rich value proposition through its vast branch network and integrated direct banking channels, both locally and regionally. Consumer Banking provides a comprehensive range of programs that are specifically designed to cater to the needs of a diverse customer base. These range from Jeel Al Arabi, the special program for children, to Elite, the exclusive service offered to our high net worth clients. The bank believes in building meaningful customer relationships, placing client needs at the heart of our services and constantly reassessing those services in line with evolving customer needs and expectations.

Advanced digital solutions are important to our ability to serve customers efficiently and to streamline our internal operations. New solutions are constantly under review and are introduced regularly to ensure that customers benefit from the latest and most effective direct banking services and channels.

A key element of the bank's long term strategy is to offer banking services at a regional level by introducing cross-border solutions to our Elite and Arabi Premium clients throughout the bank's branch network and online banking services.

Information about the Group's Business Segments

	31 December 2020					
	Corporate and institutional Banking	Treasury	Consumer Banking		Other	Total
			Elite	Retail Banking		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	900 864	578 722	(121 126)	241 424	331 151	1 931 035
Net inter-segment interest income	(102 151)	(370 277)	313 154	159 274	-	-
Less :ECL expense on financial assets	447 649	135 844	3 671	71 166	-	658 330
Other provisions	7 078	3 441	3 375	8 327	-	22 221
Direct administrative expenses	137 423	24 331	38 203	185 239	8 980	394 176
Result of operations of segments	**206 563**	**44 829**	**146 779**	**135 966**	**322 171**	**856 308**
Indirect expenses on segments	204 338	59 059	52 559	174 908	15 363	**506 227**
Profit (Loss) for the year before income tax	2 225	**(14 230)**	**94 220**	(38 942)	**306 808**	**350 081**
Income tax expense	984	(6 292)	41 662	(17 219)	135 662	154 797
Profit (Loss) for the Year	**1 241**	**(7 938)**	**52 558**	**(21 723)**	**171 146**	**195 284**
Depreciation and amortization	20 365	5 126	6 431	31 428	-	63 350
Other information						
Segment assets	17 753 573	22 137 997	3 960 125	5 056 345	1 701 431	50 609 471
Inter-segment assets	-	-	12 414 665	3 367 033	5 817 812	-
Investment in associates	-	-	-	-	3 804 212	3 804 212
TOTAL ASSETS	**17 753 573**	**22 137 997**	**16 374 790**	**8 423 378**	**11 323 455**	**54 413 683**
Segment liabilities	14 986 115	3 305 945	16 374 790	8 423 378	1 934 692	45 024 920
Shareholdres' equity	-	-	-	-	9 388 763	9 388 763
Inter-segment liabilities	2 767 458	18 832 052	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17 753 573**	**22 137 997**	**16 374 790**	**8 423 378**	**11 323 455**	**54 413 683**

Information about the Group's Business Segments

	31 December 2019					
	Corporate and institutional Banking	Treasury	Consumer Banking: Elite	Consumer Banking: Retail Banking	Other	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	1 012 120	690 107	(176 147)	244 156	460 594	2 230 830
Net inter-segment interest income	(172 173)	(425 222)	424 583	172 812	-	-
ECL expense on financial assets	(174 396)	(2 308)	(412)	(10 855)	-	(187 971)
Other provisions	(14 820)	(3 556)	(3 375)	(9 335)	-	(31 086)
Direct administrative expenses	(137 520)	(22 959)	(38 220)	(176 421)	(8 353)	(383 473)
Result of operations of segments	**513 211**	**236 062**	**206 429**	**220 357**	**452 241**	**1 628 300**
Indirect expenses on segments	(208 146)	(59 377)	(54 122)	(153 469)	(2 384)	(477 498)
Profit for the year before income tax	**305 065**	**176 685**	**152 307**	**66 888**	**449 857**	**1 150 802**
Income tax expense	(81 440)	(51 629)	(44 222)	(21 044)	(105 919)	(304 254)
Profit for the Year	**223 625**	**125 056**	**108 085**	**45 844**	**343 938**	**846 548**
Depreciation and amortization	19 607	4 784	3 614	33 801	-	61 806
Other information						
Segment assets	18 287 524	19 370 170	3 887 063	4 616 489	1 539 947	47 701 193
Inter-segment assets	-	-	12 012 940	2 946 295	5 576 666	-
Investment in associates	-	-	-	-	3 513 651	3 513 651
TOTAL ASSETS	**18 287 524**	**19 370 170**	**15 900 003**	**7 562 784**	**10 630 264**	**51 214 844**
Segment liabilities	15 874 478	1 247 315	15 900 003	7 562 784	1 527 813	42 112 393
Shareholders' equity	-	-	-	-	9 102 451	9 102 451
Inter-segment liabilities	2 413 046	18 122 855	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**18 287 524**	**19 370 170**	**15 900 003**	**7 562 784**	**10 630 264**	**51 214 844**

44. BANKING RISK MANAGEMENT

Arab Bank Group addresses the challenges of banking risks comprehensively through an Enterprise-Wide Risk Management Framework. This framework is built in line with leading practices, and is supported by a risk governance structure consisting of risk-related Board Committees, Executive Management Committees, and three independent levels of control.

As part of the risk governance structure of the Bank, and as the second level of control, Group Risk Management is responsible for ensuring that the Bank has a robust system for the identification and management of risk. Its mandate is to:

- Establish risk management frameworks, policies and procedures for all types of risks and monitor their implementation
- Develop appropriate risk measurement tools and models
- Assess risk positions against established limits
- Monitor and report to Senior Management and the Board on a timely basis
- Advise and promote risk awareness based on leading practices

a. Credit Risk Management

Arab Bank maintains a low risk strategy towards the activities it takes on. This combined with its dynamic and proactive approach in managing credit risk are key elements in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and frameworks, solid structure and infrastructure, risk monitoring and control enable the Bank to deal with the emerging risks and challenges with a high level of confidence and determination. Portfolio management decisions are based on the Bank's business strategy and risk appetite as reflected in the tolerance limits. Diversification is the cornerstone for mitigating portfolio risks which is achieved through industry, geographical and customer tolerance limits.

b. Geographic Concentration Risk

The Bank reduces the geographic concentration risk through distributing its operations over various sectors and various geographic locations inside and outside the Kingdom.

Note (45- E) shows the details of the geographical distribution of assets.

c. Liquidity Risk

Liquidity is defined by the Bank for International Settlements as the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Arab Bank has built a robust infrastructure of policies, processes and people, in order to ensure that all obligations are met in a timely manner, under all circumstances and without undue cost. The Bank uses a variety of tools to measure liquidity risk in the balance sheet. These metrics help the Bank to plan and manage its funding and help to identify any mismatches in assets and liabilities which may expose the Bank to roll risk.

Note (48) shows the maturities of the assets and liabilities of the Bank.

d. Market Risk

Market risk is defined as the potential for loss from changes in the value of the Group's portfolios due to movements in interest rates, foreign exchange rates, and equity or commodity prices. The three main activities that expose the Group to market risk are: Money Markets, Foreign Exchange and Capital Markets, across the Trading and Banking books.

Note (46) shows the details of market risk sensitivity analysis.

1. Interest Rate Risk

Interest rate risk in the Group is limited, well managed, and continuously supervised. A large proportion of the interest rate exposure is concentrated in the short end of the yield curve, with durations of up to one year. Exposures of more than one year are particularly limited. Interest rate risk is managed in accordance with the policies and limits established by the ALCO.

Derivatives held for risk management purposes and hedge accounting:
The Group holds derivatives for risk management purposes, some of which are designated as hedging relationships and management is in the process of assessing the impact.

Note (47) shows the details of the interest rate risk sensitivity of the Group.

2. Capital Market Exposures

Investments in capital markets instruments are subject to market risk stemming from changes in their prices. Arab Bank Group's exposure to this kind of risk is limited due to its strong control over credit and interest rate risk. The equities investment portfolio represents a very small percent of the Bank's overall investments.

3. Foreign Exchange Risk

Foreign exchange activity arises principally from customers' transactions. Strict foreign exchange risk limits are set to define exposure and sensitivity tolerance for trading in foreign exchange. The Bank hedges itself appropriately against potential currency fluctuations in order to minimize foreign exchange exposure.

Note (49) shows the net positions of foreign currencies.

e. Operational Risk

Operational risk is defined as the loss incurred by the Bank due to disorder in work policies or procedures, personnel, automated systems, technological infrastructure, in addition to external accidents. Such risk is managed through a comprehensive framework, as part of the overall strengthening and continuous improvement of the controls within the Group.

45. Credit Risk

A. Gross exposure to credit risk (net of ECL provisions and interest in suspense and prior to collaterals and other risk mitigations):

	31 December	
	2020	**2019**
	USD '000	**USD '000**
Credit risk exposures relating to items on the consolidated statement of financial position:		
Balances with central banks	10 134 174	7 372 025
Balances with banks and financial institutions	4 601 165	4 258 593
Deposits with banks and financial institutions	288 165	313 556
Financial assets at fair value through profit or loss	283 830	494 609
Direct credit facilities at amortized cost	**23 907 858**	**23 960 625**
Consumer Banking	5 862 769	5 607 329
Small and Medium Corporate	2 925 975	2 998 325
Large Corporate	13 572 296	14 051 685
Banks and financial institutions	190 775	251 555
Government and public sector	1 356 043	1 051 731
Other financial assets at amortized cost	8 762 789	8 894 618
financial derivatives - positive fair value	91 510	54 212
Other assets	263 681	313 518
Total Credit Exposure related to items on the consolidated statement of financial position:	**48 333 172**	**45 661 756**
Credit risk exposures relating to items off the consolidated statement of financial position:		
Total of indirect facilities.	**15 544 171**	**17 102 311**
Grand Total for Credit Exposure	**63 877 343**	**62 764 067**

The table above shows the maximum limit of the bank credit risk as of 31 December 2020 and 2019 excluding collaterals and risks mitigations.

B. Fair value of collaterals obtained against total credit exposures :

	31 December 2020									
		Fair Value of Collaterals								
	Total Credit Risk Exposure	Cash	Banks accepted letters of guarantees	Real estate properties	Listed securities	Vehicles and equipment	Other	**Total**	**Net Exposure**	**Expected Credit Loss**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:										
Balances with central banks	10 276 525	-	-	-	-	-	-	-	10 276 525	142 351
Balances with banks and financial institutions	4 604 058	-	-	-	-	-	-	-	4 604 058	2 893
Deposits with banks and financial institutions	290 908	-	-	-	-	-	-	-	290 908	2 743
Financial assets at fair value through profit or loss	283 830	-	-	-	-	-	-	-	283 830	
Direct credit facilities at amortized cost	**26 491 867**	**1 660 086**	**254 573**	**3 899 447**	**553 005**	**599 820**	**4 868 866**	**11 835 797**	14 656 070	**1 964 741**
Consumer Banking	6 215 840	488 120	6 463	185 391	2 309	84 534	1 513 571	2 280 388	3 935 452	260 547
Small and Medium Corporates	3 341 842	327 976	34 067	681 345	159 276	23 199	524 678	1 750 541	1 591 301	300 441
Large Corporates	15 374 441	828 781	213 060	3 027 773	391 007	492 087	2 625 140	7 577 848	7 796 593	1 390 880
Banks and Financial Institutions	196 058	-	983	-	-	-	381	1 364	194 694	5 230
Government and Public Sector	1 363 686	15 209	-	4 938	413	-	205 096	225 656	1 138 030	7 643
Other financial assets at amortized cost	8 802 822	-	-	-	-	-	-	-	8 802 822	40 033
Financial derivatives - positive fair value	91 510	-	-	-	-	-	-	-	91 510	-
Other assets	263 681	-	-	-	-	-	-	-	263 681	-
Total	**51 105 201**	**1 660 086**	**254 573**	**3 899 447**	**553 005**	**599 820**	**4 868 866**	**11 835 797**	**39 269 404**	**2 152 761**
Credit exposures relating to items off statement of financial position:										
Total	**15 636 121**	**773 372**	**26 855**	**232 595**	**19 093**	**24 443**	**2 128 090**	**3 204 448**	**12 431 673**	**91 950**
Grand Total	**66 741 322**	**2 433 458**	**281 428**	**4 132 042**	**572 098**	**624 263**	**6 996 956**	**15 040 245**	**51 701 077**	**2 244 711**
Grand Total as of 31 December 2019	**65 050 973**	**2 869 447**	**399 597**	**3 890 000**	**569 094**	**440 816**	**6 936 650**	**15 105 604**	**49 945 369**	**1 745 916**

C. Fair value of collaterals obtained against Stage 3 Credit Exposures :

	31 December 2020									
		Fair Value of Collaterals								
	Total Credit Risk Exposure	Cash	Banks accepted letters of guarantees	Real estate properties	Listed securities	Vehicles and equipment	Other	**Total**	**Net Exposure**	**Expected Credit Loss**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:										
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	-
Balances with banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Direct credit facilities at amortized cost	**2 358 419**	**14 488**	**3 605**	**255 070**	**6 569**	**36 213**	**157 858**	**473 803**	**1 884 616**	**1 403 943**
Consumer Banking	369 335	35.00	59	40 772	4 845	169	30 868	76 748	292 587	215 196
Small and Medium Corporates	418 193	1 352	595	84 907	-	1 712	6 879	95 445	322 748	224 103
Large Corporates	1 566 166	13 101	2 951	129 391	1 724	34 332	120 111	301 610	1 264 556	959 973
Banks and Financial Institutions	4 171	-	-	-	-	-	-	-	4 171	4 120
Government and Public Sector	554	-	-	-	-	-	-	-	554	551
Other financial assets at amortized cost	-	-	-	-	-	-	-	-	-	
Financial derivatives - positive fair value	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**2 358 419**	**14 488**	**3 605**	**255 070**	**6 569**	**36 213**	**157 858**	**473 803**	**1 884 616**	**1 403 943**
Credit exposures relating to items off statement of financial position:										
Total	**168 269**	**3 076**	**1 017**	**14 933**	**-**	**-**	**5 892**	**24 918**	**143 351**	**28 130**
Grand Total	**2 526 688**	**17 564**	**4 622**	**270 003**	**6 569**	**36 213**	**163 750**	**498 721**	**2 027 967**	**1 432 073**
Grand Total as of 31 Decmeber 2019	**1 985 021**	**15 257**	**182**	**285 793**	**3 530**	**36 317**	**51 097**	**392 176**	**1 592 845**	**1 232 966**

The disclosures below were prepared on two stages: the first for the total exposures of credit facilities and the second for the size of the expected credit loss.

	31 December 2020					
	Stage 2		**Stage 3**		**Total**	**Percentage of**
	Total Credit Risk Exposure	Reclassified Credit Risk Exposure	Total Credit Risk Exposure	Reclassified Credit Risk Exposure	**Reclassified Credit Risk Exposure**	**Reclassified Credit Risk Exposure (%)**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:						
Balances with central banks	564 947	-	-	-	-	0%
Balances with banks and financial institutions	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-
Financial assets at fair value through profit or loss					-	
Direct credit facilities at amortized cost	3 349 075	527 000	2 358 419	443 700	970 700	17.0%
Other financial assets at amortized cost	133 031	4 000	-	-	4 000	3.0%
Total	**4 047 053**	**531 000**	**2 358 419**	**443 700**	**974 700**	**15.2%**
Credit exposures relating to items off statement of financial position:						
Total	**653 092**	**175 453**	**168 269**	**141 620**	**317 073**	**38.6%**
Grand Total	**4 700 145**	**706 453**	**2 526 688**	**585 320**	**1 291 773**	**17.9%**
Grand Total as of 31 December 2019	**3 556 561**	**(73 796)**	**1 985 021**	**312 125**	**238 329**	**4.3%**

	31 December 2020					
	Stage 2		**Stage 3**		**Total**	**Percentage of**
	Total Expected Credit Loss	Reclassified Expected Credit Loss	Total Expected Credit Loss	Reclassified Expected Credit Loss	**Reclassified Expected Credit Loss**	**Reclassified Expected Credit Loss (%)**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:						
Balances with central banks	139 554	-	-	-	-	0%
Balances with banks and financial institutions	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-		-	-	-	-
Direct credit facilities at amortized cost	440 147	(35 786)	1 403 943	38 862	3 076	0.2%
Other financial assets at amortized cost	20 833	46		-	46	0%
Total	**600 534**	**(35 740)**	**1 403 943**	**38 862**	**3 122**	**0.2%**
Credit exposures relating to items off statement of financial position:						
Total	**27 457**	**337**	**28 130**	**30**	**367**	**1%**
Grand Total	**627 991**	**(35 403)**	**1 432 073**	**38 892**	**3 489**	**0.2%**
Grand Total as of 31 December 2019	**358 298**	**(51 661)**	**1 232 966**	**42 122**	**(9 539)**	**-0.6%**

- Expected Credit Losses for Reclassified Credit Exposures:

	31 December 2020						
	Reclassified Credit Exposures			**Expected Credit Losses for Reclassified Credit Exposures:**			
	Reclassified Credit Exposures from Stage 2	Reclassified Credit Exposures from Stage 3	Total Reclassified Credit Exposures	Stage 2 (Individual)	Stage 2 (Collective)	Stage 3	Total
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:							
Balances with central banks	-	-	-	-	-	-	-
Balances with banks and financial institutions	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Direct credit facilities at amortized cost	527 000	443 700	970 700	**(6 774)**	**5 834**	91 491	90 551
Other financial assets at amortized cost	4 000	-	4 000	46	-	-	46
Total	**531 000**	**443 700**	**974 700**	**(6 728)**	**5 834**	**91 491**	**90 597**
Credit exposures relating to items off statement of financial position:							
Total	**175 453**	**141 620**	**317 073**	**712**	**-**	**2 575**	**3 287**
Grand Total	**706 453**	**585 320**	**1 291 773**	**(6 016)**	**5 834**	**94 066**	**93 884**
Grand Total as of 31 December 2019	**(73 796)**	**312 125**	**238 329**	**(34 322)**	**(1 049)**	**65 426**	**30 055**

D. Classification of debt securities facilities based on risk degree:

The table below analyzes the credit exposure of the debt securities using the credit rating as per the global credit rating agencies:

	31 December 2020		
	Financial assets at fair value through profit or loss	**Other financial assets at amortized cost**	**Total**
Credit rating	**USD '000**	**USD '000**	**USD '000**
Private sector:			
AAA to A-	185 726	845 683	1 031 409
BBB+ to B-		217 899	217 899
Below B-	9 607	-	9 607
Unrated	8 803	182 412	191 215
Governments and public sector	79 694	7 516 795	7 596 489
Total	**283 830**	**8 762 789**	**9 046 619**

	31 December 2019		
	Financial Assets at Fair Value through P&L	**Other Financial Assets at Amortized Cost**	**Total**
Credit rating	**USD '000**	**USD '000**	**USD '000**
Private sector:			
AAA to A-	240 142	1 172 701	1 412 843
BBB+ to B-	6 283	255 068	261 351
Below B-	9 259	-	9 259
Unrated	31 514	96 993	128 507
Governments and public sector	207 411	7 369 856	7 577 267
Total	**494 609**	**8 894 618**	**9 389 227**

E. Credit exposure categorized by geographical distribution:

	31 December 2020						
	Jordan	Other Arab Countries	Asia *	Europe	America	Rest of the World	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with central banks	3 818 078	3 688 772	372	2 615 394	-	11 558	**10 134 174**
Balances and deposits with banks and financial institutions	275 624	1 496 781	446 204	1 907 399	710 639	52 683	**4 889 330**
Financial assets at fair value through profit or loss	-	92 695	20 515	163 895	-	6 725	**283 830**
Direct credit facilities at amortized cost	8 240 908	13 288 426	359 683	1 186 119	9 517	823 205	**23 907 858**
Consumer Banking	2 997 448	2 379 220	13	133 981	-	352 107	**5 862 769**
Small and Medium Corporates	925 621	1 333 124	30 936	433 558	5 369	197 367	**2 925 975**
Large Corporates	4 134 637	8 303 158	328 717	527 905	4 148	273 731	**13 572 296**
Banks and Financial Institutions	9 898	180 860	17	-	-	-	**190 775**
Government and public Sector	173 304	1 092 064	-	90 675	-	-	**1 356 043**
Other financial assets at amortized cost	4 000 610	3 844 852	53 354	459 946	125 004	279 023	**8 762 789**
financial derivatives - positive fair value	18 522	64 416	-	8 566	4	2	**91 510**
Other assets	64 581	162 298	1 213	32 604	342	2 643	**263 681**
Total	**16 418 323**	**22 638 240**	**881 341**	**6 373 923**	**845 506**	**1 175 839**	**48 333 172**
Total - as of 31 December 2019	**15 388 603**	**22 551 532**	**864 029**	**4 611 622**	**1 122 361**	**1 123 609**	**45 661 756**

*** Excluding Arab Countries**

E. Credit exposure categorized by geographical distribution and stagings according to IFRS 9:

	31 December 2020					
	Stage 1		Stage 2		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Jordan	11 900 866	2 925 339	1 484 604	45 298	62 216	**16 418 323**
Other Arab Countries	18 228 928	2 262 077	1 764 188	83 539	299 508	**22 638 240**
Asia*	881 328	13	-	-	-	**881 341**
Europe	6 238 352	129 006	10 584	4 971	(8 990)	**6 373 923**
America	508 798	334 616	2 092	-	-	**845 506**
Rest of the World	1 141 440	-	14 681	13 991	5 727	**1 175 839**
Total	**38 899 712**	**5 651 051**	**3 276 149**	**147 799**	**358 461**	**48 333 172**
Total as of 31 December 2019	**37 213 261**	**5 482 313**	**2 676 611**	**87 398**	**202 173**	**45 661 756**

*** Excluding Arab Countries.**

F. Credit exposure categorized by economic sector

	31 December 2020												
		Corporates											
	Consumer Banking	Industry and Mining	Constructions	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	Shares	General Services	Banks and Financial Institutions	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with Central Banks	-	-	-	-	-	-	-	-	-	-	-	10 134 174	10 134 174
Balances and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	4 889 330	-	4 889 330
Financial assets at fair value through profit or loss	-	16 331	-	-	-	-	-	-	-	-	187 805	79 694	283 830
Direct credit facilities at amortized cost	5 862 769	4 573 963	1 864 976	1 630 077	3 906 963	335 015	633 796	353 413	11 985	3 188 083	190 775	1 356 043	23 907 858
Other financial assets at amortized cost	-	66 355	-	6 881	-	-	-	-	-	277 970	897 294	7 514 289	8 762 789
Financial derivatives - positive fair value	-	16 195	-	-	1 496	-	-	1 369	-	4	72 446	-	91 510
Other assets	20 584	27 354	7 281	6 667	17 779	1 587	3 187	3 776	-	44 699	22 027	108 740	263 681
Total	**5 883 353**	**4 700 198**	**1 872 257**	**1 643 625**	**3 926 238**	**336 602**	**636 983**	**358 558**	**11 985**	**3 510 756**	**6 259 677**	**19 192 940**	**48 333 172**
Total as of 31 December 2019	**5 623 802**	**4 749 338**	**1 963 260**	**1 864 346**	**4 230 169**	**358 643**	**574 675**	**376 120**	**11 984**	**3 367 976**	**6 373 184**	**16 168 259**	**45 661 756**

F. Credit exposure categorized by economic sector and stagings according to IFRS 9:

	31 December 2020					
	Stage 1		Stage 2			
	(Individual)	(Collective)	(Individual)	(Collective)	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Consumer Banking	20 584	5 651 051	-	147 799	63 919	**5 883 353**
Industry and Mining	3 946 807	-	715 734	-	37 657	**4 700 198**
Constructions	1 469 007	-	320 498	-	82 752	**1 872 257**
Real Estate	1 378 172	-	254 311	-	11 142	**1 643 625**
Trade	3 253 848	-	653 367	-	19 023	**3 926 238**
Agriculture	218 911	-	112 131	-	5 560	**336 602**
Tourism and Hotels	321 968	-	253 067	-	61 948	**636 983**
Transportation	274 388	-	82 443	-	1 727	**358 558**
Shares	11 985	-	-	-	-	**11 985**
General Service	3 239 453	-	196 573	-	74 730	**3 510 756**
Banks and Financial Institutions	6 259 677	-	-	-	-	**6 259 677**
Government and Public Sector	18 504 912	-	688 025	-	3	**19 192 940**
Total	**38 899 712**	**5 651 051**	**3 276 149**	**147 799**	**358 461**	**48 333 172**
Total as of 31 December 2019	**37 213 261**	**5 482 313**	**2 676 611**	**87 398**	**202 173**	**45 661 756**

46. Market Risk

Market Risk Sensitivity

Assuming market prices as at December 31, 2020 and 2019 change by 5%, the impact on statement of income and shareholders equity will be as follows:

	31 December 2020			31 December 2019		
	Statement of Income	Shareholders' Equity	Total	Statement of Income	Shareholders' Equity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Interest rate sensitivity	34 215	-	34 215	49 807	-	**49 807**
Foreign exchange rate sensitivity	668	6 780	7 448	1 375	6 348	**7 723**
Equity instruments price sensitivity	1 011	20 486	21 497	1 222	19 297	**20 519**
Total	**35 894**	**27 266**	**63 160**	**52 404**	**25 645**	**78 049**

47. Interest Rate Risk

Below is the Group Exposure to interest rate volatility as of 31 December 2020 (classification is based on interest rate repricing or maturity date, whichever is closer).

	Up to 1 month	More than 1 month and till 3 months	More than 3 months and till 6 months	More than 6 months and till 1 year	More than 1 year and till 3 years	More than 3 years	Not tied to interest rate risk	Total
ASSETS	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Cash at vaults	-	-	-	-	-	-	673 453	673 453
Mandatory cash reserve	-	-	-	-	-	-	1 613 267	1 613 267
Balances with central banks	3 841 204	561 880	-	-	25 000	-	4 092 823	8 520 907
Balances and deposits with banks and financial institutions	3 730 747	848 164	119 607	170 319	20 493	-	-	4 889 330
Financial assets at fair value through profit or loss	7 128	30 695	2 500	47 321	133 994	62 192	20 224	304 054
Direct credit facilities at amortized cost	8 112 608	3 368 324	3 059 725	1 825 026	2 418 899	5 123 276	-	23 907 858
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	409 715	409 715
Other financial assets at amortized cost	1 342 698	1 237 244	723 662	1 424 066	2 929 114	1 106 005	-	8 762 789
Investments in associates	-	-	-	-	-	-	3 804 212	3 804 212
Fixed assets	-	-	-	-	-	-	458 518	458 518
Other assets and financial derivatives - positive fair value	85 890	44 664	56 956	12 702	58 266	12 863	583 306	854 647
Deferred tax assets	-	-	-	-	-	-	214 933	214 933
TOTAL ASSETS	**17 120 275**	**6 090 971**	**3 962 450**	**3 479 434**	**5 585 766**	**6 304 336**	**11 870 451**	**54 413 683**
LIABILITIES								
Banks and financial institutions' deposits	1 580 838	669 833	836 839	56 032	82 509	1 218	746 957	3 974 226
Customer deposits	10 841 019	4 274 800	2 630 853	4 126 637	533 001	96 423	13 732 405	36 235 138
Cash margin	567 159	1 113 940	228 895	243 415	24 503	18 882	286 459	2 483 253
Borrowed funds	123 372	345 304	28 183	13 219	32 476	67 237	-	609 791
Provision for income tax	-	-	-	-	-	-	275 406	275 406
Other provisions	-	-	-	-	-	-	230 069	230 069
Other liabilities and financial derivatives - negative fair value	197 025	66 562	56 736	16 787	8 039	4 591	861 625	1 211 365
Deferred tax liabilities	-	-	-	-	-	-	5 672	5 672
Total liabilities	**13 309 413**	**6 470 439**	**3 781 506**	**4 456 090**	**680 528**	**188 351**	**16 138 593**	**45 024 920**
Gap	**3 810 862**	**(379 468)**	**180 944**	**(976 656)**	**4 905 238**	**6 115 985**	**(4 268 142)**	**9 388 763**

Below is the Group Exposure to interest rate volatility as of 31 December 2019 (classification is based on interest rate repricing or maturity date, whichever is closer).

	Up to 1 month	More than 1 month and till 3 months	More than 3 months and till 6 months	More than 6 months and till 1 year	More than 1 year and till 3 years	More than 3 years	Not tied to interest rate risk	Total
ASSETS	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Cash at vaults	-	-	-	-	-	-	533 785	533 785
Mandatory cash reserve	-	-	-	-	-	-	1 760 665	1 760 665
Balances with central banks	3 047 048	100 902	68 050	-	25 000	-	2 370 360	5 611 360
Balances and deposits with banks and financial institutions	3 840 499	516 063	33 872	113 105	-	68 610	-	4 572 149
Financial assets at fair value through profit or loss	11 899	81 179	121 005	21 475	126 361	132 690	24 444	519 053
Direct credit facilities at amortized cost	7 087 753	3 559 992	2 759 446	3 138 758	2 421 966	4 992 710	-	23 960 625
Financial assets at fair value through OCI	-	-	-	-	-	-	385 933	385 933
Other financial assets at amortized cost	1 166 331	1 212 308	1 097 739	840 723	3 420 596	1 156 921	-	8 894 618
Investments in associates	-	-	-	-	-	-	3 513 651	3 513 651
Fixed assets	-	-	-	-	-	-	461 117	461 117
Other assets and financial derivatives - positive fair value	42 832	46 033	49 022	8 709	17 854	17 452	664 601	846 503
Deferred tax assets	-	-	-	-	-	-	155 385	155 385
TOTAL ASSETS	**15 196 362**	**5 516 477**	**4 129 134**	**4 122 770**	**6 011 777**	**6 368 383**	**9 869 941**	**51 214 844**
LIABILITIES								
Banks and financial institutions' deposits	1 561 405	1 544 078	97 479	90 148	55 718	1 528	411 539	3 761 895
Customer deposits	10 723 528	4 747 273	2 848 527	3 107 765	634 207	125 295	10 968 400	33 154 995
Cash margin	680 950	215 626	1 447 022	397 446	12 615	7 932	321 162	3 082 753
Borrowed funds	56 146	186 624	13 655	5 389	33 333	37 789	-	332 936
Provision for income tax	-	-	-	-	-	-	345 054	345 054
Other provisions	-	-	-	-	-	-	226 521	226 521
Other liabilities and financial derivatives - negative fair value	137 742	56 209	60 924	13 843	10 697	5 344	917 078	1 201 837
Deferred tax liabilities	-	-	-	-	-	-	6 402	6 402
Total liabilities	**13 159 771**	**6 749 810**	**4 467 607**	**3 614 591**	**746 570**	**177 888**	**13 196 156**	**42 112 393**
Gap	**2 036 591**	**(1 233 333)**	**(338 473)**	**508 179**	**5 265 207**	**6 190 495**	**(3 326 215)**	**9 102 451**

Reference Rates

Following the decision by global regulators to phase out LIBOR rates and replace them with alternative reference rates, to be applied to loans and other banking products. Arab Bank formed the LIBOR Sucession Committee to manage this transition.
This committee is managed by the Head of Treasury and consists of senior representatives of other functions of the bank. In 2020 the committee drafted a comprehensive plan to prepare the bank to migrate to alternative reference rates after LIBOR, and these are the key areas of work.

1. Revise all the documents of the affected contracts.
2. Make any amendments required to the bank's systems.
3. Communicate with affected customers to keep them updated.
4. Communicate with regulators as necessary.
5. Plan for any changes required in hedge accounting.

There are some potential risks which the bank may be exposed to as a result of the changes. These have been identified, and for each one, plans were made and solutions were identified during 2020. The bank has been successful in its work, and all work will be completed to cover all the required modifications in 2021, to ensure the bnank's smooth transition to the post-LIBOR market environment.

The following table shows the bank’s assets, liabilities and derivatives linked to LIBOR whose maturity date is later than 31 December 2021.

	31 December 2020		
	Financial Assets other than derivatives at purchasing value	Financial Liabilities other than derivatives at purchasing value	Notional Value of derivatives
USD Libor (1 month)	-	-	38 774
USD Libor (3 months)	1 652 763	80 000	1 975 447
USD Libor (6 months)	68 000	436 711	450 092
Other	82 914	-	259 396
Total	**1 803 677**	**516 711**	**2 723 709**

The impact of changing interest rates is managed by the bank on an ongoing basis, as well as carefully hedging the effects of such change.

The table below shows the nominal value of the hedging instruments of the bank's assets and liabilities for contracts maturing after 12/31/2021 and the weighted rate for the remaining periods to maturity.

	31 December 2020	
	Notional Value	Average Period (years)
USD Libor (1 month)	38 774	6.7
USD Libor (3 months)	1 975 447	2.5
USD Libor (6 months)	450 092	7.4
Other	259 396	2.0
Total	**2 723 709**	

	31 December 2019	
	Notional Value	Average Period (years)
USD Libor (1 month)	237 850	1.0
USD Libor (3 months)	2 051 046	3.0
USD Libor (6 months)	378 153	5.5
Other	375 680	2.0
Total	**3 042 729**	

48. Liquidity Risk

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2020:

Liabilities	Within 1 month	After 1 months and till 3 months	After 3 months and till 6 months	After 6 months and till one year	After one year and till 3 years	After 3 years	Not tied to a specific maturity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Banks and financial institutions' deposits	1 579 616	609 576	1 035 296	45 035	83 532	1 218	621 870	3 976 143
Customer deposits	9 299 583	4 365 837	2 573 272	3 958 578	875 175	192 001	15 166 097	36 430 543
Cash margin	567 550	1 114 246	229 532	245 379	24 503	18 881	286 459	2 486 550
Borrowed funds	7 878	11 964	12 865	8 210	108 302	460 746	-	609 965
Provision for income tax	-	-	-	-	-	-	275 406	275 406
Other Provisions	-	-	-	-	-	-	230 069	230 069
Financial derivatives - negative fair value	60 024	17 409	11 602	12 386	49 645	19 890	-	170 956
Other liabilities	105 321	20 156	32 998	7 704	8 034	4 573	861 623	1 040 409
Deferred tax liabilities	-	-	-	-	-	-	5 672	5 672
Total Liabilities	**11 619 972**	**6 139 188**	**3 895 565**	**4 277 292**	**1 149 191**	**697 309**	**17 447 196**	**45 225 713**
Total Assets according to expected maturities	**12 136 537**	**4 552 044**	**3 103 825**	**3 696 577**	**7 574 387**	**9 311 484**	**14 038 829**	**54 413 683**

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2019

Liabilities	Within 1 month	After 1 months and till 3 months	After 3 months and till 6 months	After 6 months and till one year	After one year and till 3 years	After 3 years	Not tied to a specific maturity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Banks and financial institutions' deposits	1 360 495	1 484 474	283 540	57 947	154 697	1 528	422 743	3 765 424
Customer deposits	9 306 834	5 163 521	2 815 316	3 142 109	622 520	129 466	12 175 772	33 355 538
Cash margin	642 347	213 641	336 862	1 514 684	12 615	7 932	360 265	3 088 346
Borrowed funds	564	12 905	10 018	4 928	47 051	284 356	-	359 822
Provision for income tax	-	-	-	-	-	-	345 054	345 054
Other Provisions	-	-	-	-	-	-	226 521	226 521
Financial derivatives - negative fair value	17 173	14 459	1 778	5 335	11 809	25 333	-	75 887
Other liabilities	99 314	31 009	56 199	8 914	8 292	5 344	916 878	1 125 950
Deferred tax liabilities	-	-	-	-	-	-	6 402	6 402
Total Liabilities	**11 426 727**	**6 920 009**	**3 503 713**	**4 733 917**	**856 984**	**453 959**	**14 453 635**	**42 348 944**
Total Assets according to expected maturities	**10 440 621**	**4 325 168**	**3 337 315**	**3 987 435**	**7 957 709**	**9 596 532**	**11 570 064**	**51 214 844**

49. Net Foreign Currency Positions

The details of this item are as follows:

	31 December 2020		31 December 2019	
	Base currency in thousands	**Equivalent in USD 000**	**Base currency in thousands**	**Equivalent in USD 000**
USD	9 029	9 029	(17 006)	(17 006)
GBP	26 081	35 525	26 652	34 947
EUR	18 167	22 319	8 219	9 211
JPY	14 753	(143)	34 688	319
CHF	(1 260)	(1 428)	(893)	(922)
Other currencies *		(78 653)		(54 041)
		(13 351)		**(27 492)**

* Various foreign currencies translated to US Dollars.

50. Fair Value Hierarchy

Financial instruments include financial assets and financial liabilities.

The Bank uses the following methods and alternatives of valuating and presenting the fair value of financial instruments:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

a. Fair value of financial assets and financial liabilities measured at fair value on recurring basis.

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (valuation techniques and key inputs).

Financial assets / Financial liabilities	Fair Value as at 31 December		Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2020	2019				
Financial assets at fair value	**USD '000**	**USD '000**				
Financial assets at fair value through profit or loss						
Government Bonds and bills	79 694	207 411	Level 1	Quoted	Not Applicable	Not Applicable
Corporate bonds	204 136	257 574	Level 1	Quoted	Not Applicable	Not Applicable
Loans and advances	-	29 624	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Shares and mutual funds	20 224	24 444	Level 1	Quoted	Not Applicable	Not Applicable
Total Financial Assets at fair value through Profit or Loss	**304 054**	**519 053**				
Financial derivatives - positive fair value	**91 510**	**54 212**	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income:						
Quoted shares	122 363	133 480	Level 1	Quoted Shares	Not Applicable	Not Applicable
Unquoted shares	287 352	252 453	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
Total Financial Assets at fair value through other comprehensive income	**409 715**	**385 933**				
Total Financial Assets at Fair Value	**805 279**	**959 198**				
Financial Liabilities at Fair Value						
Financial derivatives - negative fair value	170 956	75 887	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Total Financial Liabilities at Fair Value	**170 956**	**75 887**				

There were no transfers between Level 1 and 2 during 2020 & 2019.

B. Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis.

Except as detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the Group consolidated financial statements approximate their fair values:

	31 December 2020		31 December 2019		
	Book value	**Fair value**	**Book value**	**Fair value**	**Fair value Hierarchy**
	USD '000	**USD '000**	**USD '000**	**USD '000**	
Financial assets not calculated at fair value					
Mandatory reserve , time and notice and certificates of deposits at Central Banks	5 519 559	5 520 337	4 993 146	4 994 782	Level 2
Balances and Deposits with banks and Financial institutions	4 889 330	4 890 794	4 572 149	4 575 696	Level 2
Direct credit facilities at amortized cost	23 907 858	23 985 577	23 960 625	24 034 879	Level 2
Other Financial assets at amortized cost	8 762 789	8 859 096	8 894 618	8 996 983	Level 1 & 2
Total financial assets not calculated at fair value	**43 079 536**	**43 255 804**	**42 420 538**	**42 602 340**	
Financial liabilities not calculated at fair value					
Banks' and financial institutions' deposits	3 974 226	3 984 107	3 761 895	3 774 410	Level 2
Customer deposits	36 235 138	36 328 603	33 154 995	33 297 984	Level 2
Cash margin	2 483 253	2 491 389	3 082 753	3 097 979	Level 2
Borrowed funds	609 791	615 966	332 936	338 201	Level 2
Total financial liabilities not calculated at fair value	**43 302 408**	**43 420 065**	**40 332 579**	**40 508 574**	

The fair values of the financial assets and financial liabilities included in level 2 categories above have been determined in accordance with the generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being that discount rate.

51.- Analysis of Assets and Liabilities Maturities

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2020:

	UP to one year	More than one year	Total
	USD '000	**USD '000**	**USD '000**
Assets			
Cash at vaults	673 453	-	673 453
Mandatory cash reserve	1 613 267	-	1 613 267
Balances with central banks	8 495 907	25 000	8 520 907
Balances and deposits with banks and financial institutions	4 868 180	21 150	4 889 330
Financial assets at fair value through profit or loss	77 805	226 249	304 054
Direct credit facilities at amortized cost	11 774 548	12 133 310	23 907 858
Financial assets at fair value through other comprehensive income	-	409 715	409 715
Other financial assets at amortized cost	4 488 236	4 274 553	8 762 789
Investment in subsidiaries and associates	-	3 804 212	3 804 212
Fixed assets	48 906	409 612	458 518
Other assets and financial derivatives - positive fair value	649 565	205 082	854 647
Deferred tax assets	214 933	-	214 933
Total assets	**32 904 800**	**21 508 883**	**54 413 683**
Liabilities			
Banks' and financial institutions' deposits	3 890 499	83 727	3 974 226
Customer deposits	35 371 384	863 754	36 235 138
Cash margin	2 442 532	40 721	2 483 253
Borrowed funds	49 116	560 675	609 791
Provision for income tax	275 406	-	275 406
Other Provisions	230 069	-	230 069
Other liabilities and financial derivatives - negative fair value	1 177 486	33 879	1 211 365
Deferred tax liabilities	5 672	-	5 672
Total liabilities	**43 442 164**	**1 582 756**	**45 024 920**
Net	**(10 537 364)**	**19 926 127**	**9 388 763**

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2019:

	UP to one year	More than one year	Total
	USD '000	**USD '000**	**USD '000**
Assets			
Cash at vaults	533 785	-	533 785
Mandatory cash reserve	1 760 665	-	1 760 665
Balances with central banks	5 586 360	25 000	5 611 360
Balances and deposits with banks and financial institutions	4 404 423	167 726	4 572 149
Financial assets at fair value through profit or loss	239 214	279 839	519 053
Direct credit facilities at amortized cost	11 905 341	12 055 284	23 960 625
Financial assets at fair value through other comprehensive income	-	385 933	385 933
Other financial assets at amortized cost	4 050 141	4 844 477	8 894 618
Investment in subsidiaries and associates	-	3 513 651	3 513 651
Fixed assets	48 981	412 136	461 117
Other assets and financial derivatives - positive fair value	803 425	43 078	846 503
Deferred tax assets	155 385	-	155 385
Total assets	**29 487 720**	**21 727 124**	**51 214 844**
Liabilities			
Banks' and financial institutions' deposits	3 605 671	156 224	3 761 895
Customer deposits	32 449 948	705 047	33 154 995
Cash margin	3 065 528	17 225	3 082 753
Borrowed funds	28 210	304 726	332 936
Other Provisions	345 054	-	345 054
Provision for Income Tax	226 521	-	226 521
Other liabilities and financial derivatives - negative fair value	1 174 331	27 506	1 201 837
Deferred tax liabilities	6 402	-	6 402
Total liabilities	**40 901 665**	**1 210 728**	**42 112 393**
Net	**(11 413 945)**	**20 516 396**	**9 102 451**

52. Contractual Maturity of the Contingent Accounts

The table below details the maturity of expected liabilities and commitments on the basis of contractual maturity:

	31 December 2020			
	Within 1 year	**More than 1 year and up to 5 years**	**More than 5 years**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**
Letters of credit	1 618 727	92 907	-	**1 711 634**
Acceptances	584 809	5 743	-	**590 552**
Letters of guarantee:				
- Payment guarantees	1 190 935	121 408	74 204	**1 386 547**
- Performance guarantees	3 319 003	1 228 769	183 237	**4 731 009**
- Other guarantees	2 615 665	316 772	34 233	**2 966 670**
Unutilized credit facilities	3 901 956	314 266	33 487	**4 249 709**
Total	**13 231 095**	**2 079 865**	**325 161**	**15 636 121**
Constructions projects contracts	3 502	-	-	**3 502**
Procurement contracts	10 537	3 033	2 528	**16 098**
Total	**14 039**	**3 033**	**2 528**	**19 600**

	31 December 2019			
	Within 1 year	**More than 1 year and up to 5 years**	**More than 5 years**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**
Letters of credit	1 662 582	36 487	-	**1 699 069**
Acceptances	761 198	5 865	-	**767 063**
Letters of guarantee:				
- Payment guarantees	1 445 287	114 634	93 023	**1 652 944**
- Performance guarantees	3 611 661	1 415 474	164 239	**5 191 374**
- Other guarantees	2 713 430	401 265	25 683	**3 140 378**
Unutilized credit facilities	4 275 911	406 747	28 038	**4 710 696**
Total	**14 470 069**	**2 380 472**	**310 983**	**17 161 524**
Constructions projects contracts	3 752	-	-	**3 752**
Procurement contracts	8 044	2 620	1 906	**12 570**
Total	**11 796**	**2 620**	**1 906**	**16 322**

53. Capital Management

On October 31, 2016, The Central Bank of Jordan announced the instructions of capital management according to Basel III standards and stopped Basel III instructions.

The Group manages its capital to safeguard its ability to continue its operating activities while maximizing the return to shareholders. The composition of the regulatory capital, as defined by Basel III standards is as follows:

	31 December 2020 USD '000	31 December 2019 USD '000
Common Equity Tier 1	9 006 760	8 543 121
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(3 356 130)	(3 036 069)
Additional Tier 1	439	437
Supplementary Capital	416 260	395 519
Regulatory Capital	**6 067 329**	**5 903 008**
Risk-weighted assets (RWA)	**36 180 487**	**36 460 222**
Common Equity Tier 1 Ratio	**%15.62**	**%15.10**
Tier 1 Capital Ratio	**%15.62**	**%15.11**
Capital Adequacy Ratio	**%16.77**	**%16.19**

- The Board of Directors performs an overall review of the capital structure of the Group on a quarterly basis. As part of this review, the Board takes into consideration matters such as cost and risks of capital as integral factors in managing capital through setting dividend policies and capitalization of reserves.

54. Transactions with Related Parties

The details of this item are as follows:

	31 December 2020			
	Deposits owed from related parties	Direct credit facilities at amortized cost	Deposits owed to related parties	LCs, LGs, Unutilized credit facilities and acceptances
	USD '000	USD '000	USD '000	USD '000
Associated companies	197 484	-	20 940	71 161
Major Shareholders and Members of the Board of Directors	-	279 057	145 285	89 512
	197 484	**279 057**	**166 225**	**160 673**

	31 December 2019			
	Deposits owed from related parties	Direct credit facilities at amortized cost	Deposits owed to related parties	LCs, LGs, Unutilized credit facilities and acceptances
	USD '000	USD '000	USD '000	USD '000
Associated companies	372 918	-	55 768	67 888
Major Shareholders and Member of the Board of Directors	-	268 698	633 541	83 469
	372 918	**268 698**	**689 309**	**151 357**

- All facilities granted to related parties are performing loans in accordance with the credit rating of the Group. No provisions for the year have been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

	2020	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated companies	1 750	127

	2019	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated companies	1 436	655

- Direct credit facilitates granted to key management personnel amounted to USD 1.8 million and indirect credit facilities amounted to USD 217.1 thousand as of 31 December 2020 (USD 2.3 million direct credit facilities and USD 217.1 thousand indirect credit facilities as of 31 December 2019).

- Deposits of key management personnel amounted to USD 5.4 million as of 31 December 2020 (USD 4.4 million as of 31 December 2019)

- Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.

- The salaries and other fringe benefits of the Group's key management personnel, inside and outside Jordan, amounted to USD 68.9 million for the year ended on 31 December 2020 (USD 66.9 million for the year ended on 31 December 2019).

55. Earnings Per Share

The details of this item are as follows:

	31 December	
	2020	2019
	USD '000	USD '000
Profit for the year attributable to Shareholders of the Bank	192 791	844 937
	Thousand Shares	
Average number of shares	640 800	640 800
	USD / Share	
Earnings Per Share (Basic and diluted)	0.30	1.32

There are no instruments that could potentially dilute basic earnings per share in the future.

56. Assets under management

Assets under management as of 31 December 2020 amounted to USD 5094 million (USD 4274 million as of 31 December 2019). These assets are not included in the Group's consolidated financial statements.

57. Cash and Cash Equivalent

The details of this item are as follows:

	31 December	
	2020	2019
	USD '000	USD '000
Cash and balances with central banks maturing within 3 months	10 924 978	7 821 568
Add: balances with banks and financial institutions maturing within 3 months	4 604 058	4 260 931
Less: banks and financial institutions deposits maturing within 3 months	3 116 968	3 267 380
Total	**12 412 068**	**8 815 119**

58. LEGAL CASES

There are lawsuits filed against the Group totaling USD 289.1 million as of 31 December 2020, (USD 210.8 million as of 31 December 2019). In the opinion of the management and the lawyers representing the Group in the litigation at issue, the provisions taken in connection with the lawsuits are adequate.

59. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement,
- the right to defer must exist at the end of the reporting period,
- that classification is unaffected by the likelihood,
- that an entity will exercise its deferral right,
- and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.
At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.
The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
The amendments are not expected to have a material impact on the Bank.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.
The amendments are not expected to have a material impact on the Bank.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.
General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.
The amendments are not expected to have a material impact on the Bank.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
The amendments are not expected to have a material impact on the Bank.

IBOR reform Phase 2

IBOR reform Phase 2, which will be effective on 1 January 2021, includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

60. COMPARATIVE FIGURES

Some of the comparative figures in the consolidated financial statements for the year 2019 have been reclassified to be consistent with the year 2020 presentation, with no effect on profit and equity for the year 2019.