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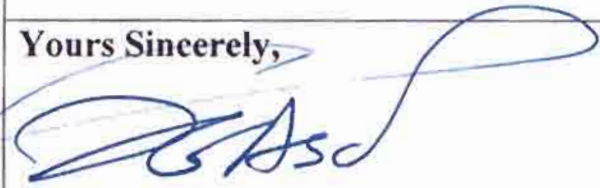
الرقم: درم/220/2020
التاريخ: 28/10/2020

Messer's Jordan Securities Commission
Messer's Amman Stock Exchange

السادة هيئة الأوراق المالية المحترمين
السادة بورصة عمان المحترمين

Subject: Quarterly Report as of
30/9/2020

الموضوع: التقرير ربع السنوي كما في
2020/9/30

Attached the Quarterly Report for Islamic International Arab Bank plc (in English) as of 30/9/2020.	مرفق طيه نسخة من البيانات المالية ربع السنوية لشركة البنك العربي الإسلامي الدولي باللغة الإنجليزية كما هي بتاريخ 2020/9/30.
Yours Sincerely,  Iyad Asali General Manager	وتفضلوا بقبول فائق الاحترام،،، إياد العسلي المدير العام



ISLAMIC INTERNATIONAL ARAB BANK

**INTERIM CONDENSED FINANCIAL STATEMENTS (REVIEWED
UNAUDITED)**

FOR THE PERIOD ENDED 30 SEPTEMBER 2020



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**REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF ISLAMIC INTERNATIONAL ARAB BANK
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed financial statements of Islamic International Arab Bank (Public Shareholding Company) as at 30 September 2020, comprising of interim condensed statement of financial position as at 30 September 2020 and the related interim condensed income statement, comprehensive income, changes in owners' equity, cash flows, and interim condensed sources and uses of funds of Al Qard Al Hasan Fund for the nine months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the accounting policies described in Note (2) to the interim condensed financial statements. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Accounting and Auditing Standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the accounting policies described in Note (2) to the interim condensed financial statements.

Amman – Jordan
25 October 2020

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020 (UNAUDITED)

		30 September Notes 2020	31 December 2019
		JD (Unaudited)	JD (Audited)
ASSETS			
Cash and balances with Central Bank	4	753,379,557	699,887,946
Balances with banks and financial institutions	5	23,400,620	18,802,906
Deferred sales receivables and other receivables – Net	6	824,950,452	751,650,832
Deferred sales receivables through income statement	7	-	-
Ijara Muntahia Bittamleek assets – Net	8	716,880,472	682,859,790
Financial assets at fair value through shareholder's equity – Self		5,490,208	5,616,930
Financial assets at fair value through joint investment accounts holder's equity		3,193,889	2,662,444
Financial assets at amortized cost – Net	9	38,500,036	33,342,745
Investments in real estate	10	23,262,140	23,177,139
Al-Qard Al – Hasan loans – Net		51,015,536	48,098,103
Property and equipment – Net		15,933,854	16,394,117
Intangible assets – Net		1,029,982	1,109,708
Right of use assets		5,862,444	5,708,265
Deferred tax assets		3,006,078	2,960,558
Other assets		23,585,049	8,117,328
TOTAL ASSETS		2,489,490,317	2,300,388,811
LIABILITIES			
Banks and financial institutions' accounts		7,751,822	2,103,089
Customers' current accounts	11	720,490,403	677,546,280
Cash margin		26,723,958	31,372,032
Other provisions		3,410,509	3,248,220
Provision for income tax	12/a	7,969,284	10,737,299
Deferred tax liabilities		243,397	291,552
Lease liability		5,046,773	4,800,214
Other liabilities		39,959,204	41,452,567
TOTAL LIABILITIES		811,595,350	771,551,253
Joint Investment Accounts Holders' Equity			
Unrestricted investment accounts	13	1,432,945,890	1,301,329,325
Fair value reserve-net		(306,322)	(153,767)
Total Joint Investment Accounts Holder's Equity		1,432,639,568	1,301,175,558
Provision for future expected investment risk	14	8,681,760	13,079,838
Provision for income tax on investment risk fund	14	-	384,283
		8,681,760	13,464,121
SHAREHOLDERS' EQUITY			
Paid-in capital		100,000,000	100,000,000
Statutory reserve		35,260,929	35,260,929
Voluntary reserve		4,262,322	4,262,322
Fair value reserve - net		397,120	475,688
Retained earnings		74,198,940	74,198,940
Profit for the period		22,454,328	-
Total Shareholders' Equity		236,573,639	214,197,879
Total Liabilities, Joint Investment Accounts Holders and Shareholders' Equity		2,489,490,317	2,300,388,811
Restricted investments		247,048,326	294,970,929
Wakalah investments		33,122,418	33,842,397

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (21) CONSTITUTE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED INCOME STATEMENT
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

Notes	For the three months ended		For the nine months ended 30	
	30 September		September	
	2020	2019	2020	2019
	JD	JD	JD	JD
Deferred sales revenues	10,869,701	12,613,904	34,443,440	38,288,541
Revenues from financial assets at amortized cost	391,271	328,506	1,032,280	980,841
Net income (expenses) from Investment in Real Estates	65,557	(21,587)	82,845	(48,676)
Revenues from Ijara Muntahia Bittamleek assets	11,967,574	13,238,755	37,644,330	39,921,793
Ju'alah commissions	429,233	178,286	686,739	540,210
Recoveries from expected credit loss provision - Joint	1,166,162	-	1,633,784	-
Total Revenues from Joint Investments Accounts	24,889,498	26,337,864	75,523,418	79,682,709
Unrestricted investment accounts holders share	(7,019,927)	(8,700,310)	(19,989,838)	(22,990,163)
Deposit insurance fees on Joint investment accounts	(593,700)	-	(1,779,546)	-
Investment risk fund share	-	-	-	(3,512,818)
Bank's share of the Joint Investment accounts revenue as Mudarib and Fund Owner (Rab Al-Mal)	17,275,871	17,637,554	53,754,034	53,179,728
Bank's self-financed revenues	1,127	11,445	34,384	43,633
Bank's share in restricted investment revenues as Mudarib	23,438	272,035	278,549	788,815
Bank's share in restricted investment revenues as agent (Wakeel)	27,848	161,873	163,893	412,965
Gains from foreign currencies	370,426	431,558	1,057,350	1,250,536
Banking services revenues	2,977,147	2,913,786	8,209,353	8,466,995
Other revenues	93,867	117,154	236,086	309,915
Deposit insurance fees on current accounts	(498,279)	-	(1,494,845)	-
Gross Income	20,271,445	21,545,405	62,238,804	64,452,587
Expenses				
Employees' expenses	6,148,049	5,810,497	18,570,166	17,364,661
Depreciation and amortization	610,006	830,712	1,879,653	2,392,138
Other expenses	2,406,818	2,305,987	6,716,699	6,767,724
Depreciation of Ijara Muntahia Bittamleek assets	-	5,789	8,031	17,149
Amortization of right of use assets	289,852	277,588	866,039	805,388
Lease liabilities discount / Finance costs	31,535	36,563	97,416	108,467
Rental expenses	77,654	54,147	229,490	192,850
Provision for expected credit losses	6	15,000	-	48,125
Other provisions		57,584	60,210	296,192
Total expenses	9,636,498	9,381,493	28,711,811	27,959,340
Profit for the period before income tax	10,634,947	12,163,912	33,526,993	36,493,247
Income tax expense	12/b	(3,514,331)	(4,119,017)	(11,072,665)
Profit for the period	7,120,616	8,044,895	22,454,328	24,049,051
Earnings per Share - Basic / Diluted		0.071	0.080	0.225

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (21) CONSTITUTE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	JD	JD	JD	JD
Profit for the period	7,120,616	8,044,895	22,454,328	24,049,051
Comprehensive income items:				
Items that will not be reclassified subsequently to the income statement:				
Net change in the fair value reserve	106,517	74,110	(78,568)	202,036
Total Comprehensive Income for the period - attributable to the Bank's shareholders	7,227,133	8,119,005	22,375,760	24,251,087

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Reserves					Net profit for the period	Total shareholders' equity
	Paid-in capital	Statutory	Voluntary	Fair value reserve - Net	Retained earnings*		
	JD	JD	JD	JD	JD		
For the nine months ended 30 September 2020							
Balance at the beginning of the period	100,000,000	35,260,929	4,262,322	475,688	74,198,940	-	214,197,879
Profit for the period	-	-	-	-	-	22,454,328	22,454,328
Net change in fair value reserve, after tax	-	-	-	(78,568)	-	-	(78,568)
Total comprehensive income for the period	-	-	-	(78,568)	-	22,454,328	22,375,760
Balance at the end of the period	100,000,000	35,260,929	4,262,322	397,120	74,198,940	22,454,328	236,573,639
For the nine months ended 30 September 2019							
Balance at the beginning of the period	100,000,000	30,412,149	4,262,322	294,566	58,922,083	-	193,891,120
Effect of IFRS (16) adoption	-	-	-	-	(258,464)	-	(258,464)
Balance at the beginning of the period (adjusted)	100,000,000	30,412,149	4,262,322	294,566	58,663,619	-	193,632,656
Profit for the period	-	-	-	-	-	24,049,051	24,049,051
Net change in the fair value reserve, after tax	-	-	-	202,036	-	-	202,036
Total comprehensive income for the period	-	-	-	202,036	-	24,049,051	24,251,087
Distributed profits	-	-	-	-	(14,000,000)	-	(14,000,000)
Balance at the end of the period	100,000,000	30,412,149	4,262,322	496,602	44,663,619	24,049,051	203,883,743

* Retained earnings include an amount of JD 3,006,078 as of 30 September 2020 that cannot be used based on the instructions of the Central Bank of Jordan. This amount represents the amount of deferred tax assets related to the Bank's own operations (JD 2,960,558 as of 31 December 2019). Retained earnings include a restricted amount of JD 181,121 as of 30 September 2020, which is a surplus balance of general banking risk reserve as a result of adopting IFRS9.

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	For the nine months ended	
	30 September	
	2020	2019
Note	JD	JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Profit for the period before income tax	33,526,993	36,493,247
<u>Adjustments to non- cash Items:</u>		
Depreciation and amortization	1,879,653	2,392,138
Depreciation of investments in real estate	164,739	158,194
Depreciation of Ijara Muntahia Bittamleek assets	45,544,447	47,755,502
Recoveries from expected credit loss provision	(1,633,784)	-
Amortization of right of use assets	866,039	805,388
Provision for expected credit losses	48,125	30,000
Investment Risk Fund Share	-	3,512,818
Other provisions	296,192	280,963
Lease obligations / finance costs	97,416	108,467
Effect of exchange rate fluctuations on cash and cash equivalents	(4,260)	(13,257)
Cash flows from operating activities before change in the working capital	80,785,560	91,523,460
<u>Change in working capital Items</u>		
(Increase) decrease in deferred sales receivables and other receivables	(75,380,410)	43,846,396
Increase in Ijara Muntahia Bittamleek assets	(89,159,890)	(55,436,140)
Increase in other assets	(7,007,098)	(10,446,649)
Increase in Al - Qard Al - Hasan	(2,917,433)	(5,856,112)
Increase in customers' current accounts	42,944,123	7,471,314
Decrease in cash margins	(4,648,074)	(102,597)
(Decrease) increase in other liabilities	(821,921)	8,005,200
Net cash flows (used in) from operating activities before Tax and provisions paid	(56,205,143)	79,004,872
Tax paid	(15,543,857)	(20,675,560)
Provisions paid	(133,903)	(24,893)
Net cash flows (used in) from operating activities	(71,882,903)	58,304,419
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of financial assets at fair value through joint investment accounts holders' equity	(684,000)	(1,208,481)
Purchase Sale of financial assets at amortized costs – Net	(5,759,235)	(2,671,384)
Purchase of investment in real estates	(233,122)	(13,170)
Purchase of property and equipment	(1,169,876)	(1,662,770)
Purchase of intangible assets	(202,172)	(186,252)
Net cash flows used in investing activities	(8,048,405)	(5,742,057)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Increase in joint investment accounts holders' equity	131,616,565	48,678,693
Settled from lease obligations	751,075	1,007,774
Distributed dividends	-	(14,000,000)
Net cash flows from financing activities	132,367,640	35,686,467
Effect of exchange rate fluctuations on cash and cash equivalents	4,260	13,257
Net increase in cash and cash equivalents	52,440,592	88,262,086
Cash and Cash Equivalents - Beginning of the period	716,587,763	591,909,620
Cash and cash equivalents - End of the period	769,028,355	680,171,706

ISLAMIC INTERNATIONAL ARAB BANK – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF SOURCES AND USES OF AL – QARD AL – HASAN FUND
AS AT 30 SEPTEMBER 2020 (UNAUDITED)

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	47,766,495	40,140,627
<u>Sources of the fund:</u>		
Shareholders' equity	(43,403,624)	(54,819,614)
Total sources of fund for the period / year	(43,403,624)	(54,819,614)
<u>Uses of funds:</u>		
Personal advances	3,879,900	4,538,719
Revolving cards	42,224,315	57,906,763
Total uses during the period / year	46,104,215	62,445,482
Total balance	50,467,086	47,766,495
Current and overdrawn accounts	1,284,739	1,030,239
<u>Less:</u> provision for expected credit losses for the period / year	(736,289)	(698,631)
Balance at the end of the period / year – Net	51,015,536	48,098,103

1. General

The Islamic International Arab Bank (“the Bank”) was established as a Public Shareholding Limited Company on 30 March 1997 pursuant to the provisions of the company’s law No. (22) of 1997.

The Bank provides all banking, financial, and investment activities that comply with Islamic Shari’a standards through its headquarters and its 45 branches inside the Kingdom. The Bank’s transactions are governed by the applicable Bank’s Law.

The Islamic International Arab Bank is wholly owned by the Arab Bank.

The interim condensed financial statements have been approved by the Bank’s Board of Directors in their meeting No. (5) held on 22 October 2020.

2. Significant Accounting Policies

Basis of Preparation of the Interim Condensed Financial Statements:

The accompanying interim condensed financial statements of the Bank financed from the Bank’s funds and the joint investment funds have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and in conformity with applicable laws and regulations of the Central Bank of Jordan and in the absence of Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions relating to financial statements items, the International Financial Reporting Standards and related interpretations are applied in conformity with the Shari’a standards, pending the promulgation of Islamic Standards therefore.

The interim condensed financial statements have been prepared on the historical cost basis except for the financial assets at the fair value through owners’ equity and the financial assets at the fair value through the joint investment account holder’s equity, financial assets at amortized cost and investment in real estate.

The interim condensed financial statements have been presented in Jordanian Dinars (JD) which is the functional currency of the Bank.

The interim condensed financial statements do not contain all information and disclosures for annual financial statements prepared in accordance with Sharia' rules and principles determined by the Bank's Sharia Supervisory Board and in accordance with Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). It shall be read in conjunction with the Bank's annual report as at 31 December 2019. In addition, the results for the nine months period ended 30 September 2020 do not necessarily indicate the expected results for the year ending 31 December 2020 and no appropriation was made on the nine months period ended 30 September 2020 profit since it is made at year-end.

Changes in accounting policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019 except for the adoption of new standards effective as of 1 January 2020 as shown below:

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the investor and the agent. This standard shall be effective beginning on or after 1 January 2020, with early adoption permitted.

The standard requires the investor to evaluate the nature of the investment as either a) a pass-through investment or b) Wakala Venture.

Pass-through Investment

A pass-through investment is an investment in which the involvement of the Wakeel, as well as, the options for transferability of the instrument are limited and the investor principally takes a

direct exposure on the underlying assets. An investor shall apply the pass-through investment approach for its investments in an investment agency instruments; unless it opts to apply the Wakala Venture approach.

Under this approach, the investor shall initially recognize the assets underlying the Wakala Arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS.

Wakala Venture Approach

The investor may opt to apply the Wakala Venture approach if, and only if, the investment agency contract meets any of the conditions required under certain conditions.

Under this approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share of profit or loss of the The investor may opt to apply the Wakala Venture approach if, and only if, the investment agency contract meets any of the conditions required under certain conditions.

From the Wakeel perspective, the standard requires that at inception of the transaction the Wakeel shall recognize an agency arrangement under off-balance sheet approach since the Wakeel does not control the related assets / business. However, there are exceptions to off-balance sheet approach where by virtue of additional considerations attached to the instrument based on investment agency may mandate the same to be accounted for as on-balance sheet.

FAS 34 Financial Reporting for Sukuk -holders

This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard.

3. Uses of Estimates

Preparation of the interim condensed financial statements and application of accounting policies require the Bank's management to perform estimates and assumptions that affect the amounts of financial assets and financial liabilities, fair value reserve and disclosure of contingent liabilities. These estimates and assumptions also affect the revenue, expenses and provisions as well as the changes in fair value reported in the statement of comprehensive income. In particular, the Bank's management is required to make significant judgements for estimating the amounts and timing of future cash flows. Moreover, the said assessments are necessarily based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes resulting from the conditions of such estimates in the future. In the opinion of management, the estimates used in the interim condensed financial statements are reasonable.

In the opinion of management, the estimates used in the financial statements are reasonable.

A provision for lawsuits raised against the Bank is taken based on a legal study prepared by the Bank's legal advisor. The study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.

The determination of provision for expected credit losses on financial assets requires the Bank's management to make judgments. The Bank's Management is required to make significant judgements for estimating the amounts and timing of future cash flows, as well as to estimate any significant increase in the credit risk of financial assets after initial recognition, and to take into account future measurement information for expected credit losses.

As a result of the continuance effect of Corona virus (COVID-19) on the world economy and different business sectors and what accompanied this pandemic from restrictions and procedures which were imposed by the Jordanian government, neighboring countries, and the rest of the world, it's possible that the operating activities might get affected by the world developments which is currently affecting different economic sectors.

Although the extent and period of these effects are not clear yet as it depends on future developments that can't be forecasted precisely in the meantime, the bank has adjusted the macroeconomics factors based on the latest issuance of the International Monetary Fund, which negatively affected the calculation of expected credit loss (ECL).

Inputs, assumptions and techniques used for ECL calculation – IFRS9 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:

- **Assessment of Significant Increase in Credit Risk**

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 at least quarterly 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 PDs relative to initial recognition.
2. Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 (Financial Instruments) includes an assumption of a significant increase in the credit risk of financial instruments that have defaulted and matured for more than 30 days. Within the instructions of the Central Bank of Jordan, it is assumed that there is a significant increase in the credit risk of financial instruments that have defaulted and are due for more than 30 days.

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 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39, as 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.

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 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 three future macroeconomic scenarios.

The base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate). Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. 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 period ended 30 September 2020. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the period ended 30 September 2020 in addition to changing the probability of weights assigned to the macroeconomic scenarios by giving higher weight to the downside scenarios.

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.

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.

The financial period is charged with its share of the income tax expense in accordance with the accounting regulations, laws and standards; and the necessary tax provision is calculated.

Management carries out a periodical review of financial assets recorded at cost to estimate any impairment in their value. This impairment (if any) is recorded in the income statement for the year.

Fair value measurement: The standard requires determination and disclosure of the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRSs. The difference between level (2) and level (3) of the fair value measurements, i.e., assessing whether the inputs are observable and whether the unobservable inputs are significant. This may require judgement and careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

Useful lives of tangible and intangible assets:

Management estimates the useful lives of tangible and intangible assets upon initial recognition. Moreover, Management periodically re-assesses the useful lives of tangible and intangible assets to calculate annual depreciation and amortization based on the general condition of those assets and estimates of the productive activities expected in the future. The impairment loss (if any) is charged to the income statement.

The factors that affect the estimated useful lives of tangible and intangible assets include Management's estimates for the period in which the Bank is expected to use these assets as well as technological development and obsolescence.

The difference between the useful lives of tangible and intangible assets and Management's estimates significantly affect the depreciation expense and the gain/ loss arising from their disposal.

Management periodically revaluates the real estate within the investments in real estate portfolio, and a provision is taken for any impairment in their value within the investment risks Fund. Moreover, the portfolio is within the joint investment whereby building within such portfolio are depreciated at 2% per annum.

Significant estimates related to determining the duration of the lease contract for contracts that include the option to renew the contract.

The Bank determines the duration of the lease contract as the non-cancellable period, considering the periods covered by the option to extend the lease if this option is certain to be exercised, or any periods related to the option to terminate the lease, if it is certain that the bank does not exercise this option.

Under some lease contracts, the Bank has the right to lease the assets for additional periods. The Bank makes some estimates when assessing whether it is certain to exercise the renewal option.

This means that the Bank considers all relevant factors that constitute an economic incentive to exercise the option of renewal. Subsequently, the Bank reassesses the term of the lease in the event of a significant event or change in the conditions under its control, which may affect its ability to exercise (or not exercise) the renewal option (for example, a change in the business strategy).

The Bank has included the renewal period as part of the lease duration due to the importance of these assets in its operating operations. The contract term that is not subject to termination for some of these assets is relatively short and, in the event, that these contracts are canceled, the operational process will be negatively affected in the absence of alternatives to these assets.

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4. Cash and balances with Central Bank

Restricted statutory cash reserve amounted to JD 84,415,329 as of 30 September 2020 (JD 121,523,501 as at 31 December 2019).

Except for the statutory cash reserve as of 30 September 2020 and 31 December 2019, there are no restricted cash balances.

5. Balances with Banks and financial institutions

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	JD	JD	JD	JD	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Current and call accounts	12,115,586	17,624,133	11,285,034	1,178,773	23,400,620	18,802,906
	<u>12,115,586</u>	<u>17,624,133</u>	<u>11,285,034</u>	<u>1,178,773</u>	<u>23,400,620</u>	<u>18,802,906</u>

- There are no restricted cash balances as of 30 September 2020 and 31 December 2019.

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6. Deferred Sales Receivables and Other Receivables - Net

This item consists of the following:

	Joint		Self		Total	
	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Individuals (Retail)						
Murabaha to the purchase order	304,449,944	259,292,411	-	-	304,449,944	259,292,411
Ju'alah guarantees	7,880,478	6,497,115	-	-	7,880,478	6,497,115
Receivables – Ijara Muntahia						
Bittamleek	1,236,353	1,533,603	-	-	1,236,353	1,533,603
Real estate financing	148,202,521	149,686,987	-	-	148,202,521	149,686,987
Corporates						
International Murabaha	126,364,984	140,271,609	453,437	458,372	126,818,421	140,729,981
Murabaha to the purchase order	235,590,669	222,036,262	3,101,941	3,103,330	238,692,610	225,139,592
Receivables – Ijara Muntahia						
Bittamleek	1,114,762	2,101,727	-	-	1,114,762	2,101,727
Ju'alah guarantees	612	-	-	-	612	-
Small and Medium Enterprises						
Murabaha to the purchase order	93,412,671	63,253,216	-	-	93,412,671	63,253,216
Ju'alah guarantees	16,008	12,487	-	-	16,008	12,487
Receivables – Ijara Muntahia						
Bittamleek	773,509	741,487	2,341	11,001	775,850	752,488
Total	919,042,511	845,426,904	3,557,719	3,572,703	922,600,230	848,999,607
<u>Less:</u> Deferred revenues	61,918,837	63,690,469	212	301	61,919,049	63,690,770
Provision for expected credit losses						
	30,153,691	28,182,036	3,344,817	3,465,205	33,498,508	31,647,241
Revenues in suspense	2,215,164	1,987,729	17,057	23,035	2,232,221	2,010,764
Net deferred sales receivables and other receivables	824,754,819	751,566,670	195,633	84,162	824,950,452	751,650,832

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Provision for expected credit losses for Deferred Sales Receivables and Al-Qard Al-Hasan - Self

The following is the movement on the expected credit losses:

30 September 2020 (Unaudited)	Retail	Corporates	Small and Medium Enterprises	Total
	JD	JD	JD	JD
Balance at the beginning of the period	608,747	3,341,488	213,601	4,163,836
Expected credit loss	-	48,125	-	48,125
Settlements during the period	(12,729)	(83,889)	(34,237)	(130,855)
Balance at the end of the period	596,018	3,305,724	179,364	4,081,106
Expected credit losses on non- performing receivables - stage 3 on individual customer basis	581,173	3,302,018	172,610	4,055,801
Expected credit losses on watch list receivables- stage 2 on individual customer basis	9,200	707	828	10,735
Expected credit losses on performing receivables- stage 1 on individual customer basis	5,645	2,999	5,926	14,570
Balance at the end of the period	596,018	3,305,724	179,364	4,081,106
31 December 2019 (Audited)	Retail	Corporates	Small and Medium Enterprises	Total
	JD	JD	JD	JD
Balance at the beginning of the period	345,613	3,213,789	202,499	3,761,901
Expected credit loss	-	195,000	-	195,000
Settlements during the period	263,134	(67,301)	11,102	206,935
Balance at the end of the period	608,747	3,341,488	213,601	4,163,836
Expected credit losses on non- performing receivables - stage 3 on individual customer basis	531,532	3,339,732	213,467	4,084,731
Expected credit losses on watch list receivables- stage 2 on individual customer basis	1,085	1,429	40	2,554
Expected credit losses on performing receivables- stage 1 on individual customer basis	76,130	327	94	76,551
Balance at the end of the period	608,747	3,341,488	213,601	4,163,836

- The provision for expected credit losses is calculated on an individual customer basis.
- Provisions that are no longer required due to settlements or re-payment of debts and transferred against receivables and other finances amounted to JD 74,236 as at 30 September 2020 (JD 120,072 as at 31 December 2019).

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The following is the movement on expected credit losses as at 30 September 2020 (Unaudited):

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period	2,393,759	1,494,835	24,293,442	28,182,036	76,551	2,554	4,084,731	4,163,836	2,470,310	1,497,389	28,378,173	32,345,872
Deducted from profits / ECL	-	-	-	-	-	-	48,125	48,125	-	-	48,125	48,125
Recoveries to profits / ECL	-	-	(1,633,784)	(1,633,784)	-	-	-	-	-	-	(1,633,784)	(1,633,784)
Transferred to stage 1	935,527	(726,385)	(209,142)	-	56,272	(1,741)	(54,531)	-	991,799	(728,126)	(263,673)	-
Transferred to stage 2	(111,295)	267,415	(156,120)	-	(1,158)	4,331	(3,173)	-	(112,453)	271,746	(159,293)	-
Transferred to stage 3	(2,077)	(32,805)	34,882	-	(9,909)	(304)	10,213	-	(11,986)	(33,109)	45,095	-
Adjustments during the period	1,214,163	639,030	1,752,246	3,605,439	(107,186)	5,895	(29,564)	(130,855)	1,106,977	644,925	1,722,682	3,474,584
Total balance at the end of period	4,430,077	1,642,090	24,081,524	30,153,691	14,570	10,735	4,055,801	4,081,106	4,444,647	1,652,825	28,137,325	34,234,797

The following is the movement on expected credit losses as at 31 December 2019 (Audited):

Item	Joint				Self				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	1,029,006	883,649	17,827,505	19,740,160	16,068	7,813	3,738,020	3,761,901	1,045,074	891,462	21,565,525	23,502,061
Deducted from profits / ECL	-	-	-	-	-	-	195,000	195,000	-	-	195,000	195,000
Recoveries to profits / ECL	(633,922)	(335,217)	(2,563,435)	(3,532,574)	-	-	-	-	(633,922)	(335,217)	(2,563,435)	(3,532,574)
Transferred to stage 1	259,944	(135,242)	(124,702)	-	546	(546)	-	-	260,490	(135,788)	(124,702)	-
Transferred to stage 2	(17,690)	916,792	(899,102)	-	(36)	36	-	-	(17,726)	916,828	(899,102)	-
Transferred to stage 3	(5,772)	(130,770)	136,542	-	(35)	(757)	792	-	(5,807)	(131,527)	137,334	-
Adjustments during the year	1,762,193	295,623	9,916,634	11,974,450	60,008	(3,992)	150,919	206,935	1,822,201	291,631	10,067,553	12,181,385
Total balance at end the year	2,393,759	1,494,835	24,293,442	28,182,036	76,551	2,554	4,084,731	4,163,836	2,470,310	1,497,389	28,378,173	32,345,872

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Revenue in Suspense

The following is the movement on revenues in suspense:

	Self					
	Small & Medium					
	Enterprises		Corporates		Total	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
JD	JD	JD	JD	JD	JD	
Balance at the beginning of the period/ year	6,067	-	16,968	16,862	23,035	16,862
<u>Add:</u> Revenue in suspense during the period/ year	21,258	9,610	89	106	21,347	9,716
<u>Less:</u> Revenue in suspense transferred to income	(27,325)	(3,543)	-	-	(27,325)	(3,543)
Balance at the end of the period/ year	<u>-</u>	<u>6,067</u>	<u>17,057</u>	<u>16,968</u>	<u>17,057</u>	<u>23,035</u>

	Joint				
	Retail	Real Estate		Small & Medium Enterprises	Total
		Finances	Corporates		
	JD	JD	JD	JD	JD
<u>30 September 2020 (Unaudited)</u>					
Balance at the beginning of the period	287,178	158,260	1,132,256	410,035	1,987,729
Add: Revenue in suspense during the period	268,437	263,251	417,997	333,186	1,282,871
Less: Revenue in suspense transferred to income	(118,249)	(121,742)	(635,864)	(179,581)	(1,055,436)
Settlements during the period	2,783	(1,812)	(4,045)	3,074	-
Balance at the end of the period	<u>440,149</u>	<u>297,957</u>	<u>910,344</u>	<u>566,714</u>	<u>2,215,164</u>

31 December 2019 (Audited)

Balance at the beginning of the year	213,705	79,036	634,305	404,485	1,331,531
Add: Revenue in suspense during the year	219,481	141,433	1,134,598	181,474	1,676,986
Less: Revenue in suspense transferred to income	(125,052)	(62,028)	(650,749)	(183,379)	(1,021,208)
Settlements during the year	(20,956)	(181)	14,102	7,455	420
Balance at the end of the period	<u>287,178</u>	<u>158,260</u>	<u>1,132,256</u>	<u>410,035</u>	<u>1,987,729</u>

- Non-performing deferred sales receivables, other receivables and AI- Qard AI - Hasan amounted to JD 28,668,722 representing 2.9% of the balance of deferred sales receivables and other receivables and AI-Qard AI - Hasan as at 30 September 2020 (JD 30,914,813 representing 3.4% as at 31 December 2019).
- Non-performing deferred sales receivables, other receivables and AI- Qard AI - Hasan after deducting revenues in suspense amounted to JD 26,436,501 representing 2.7% of the balance of deferred sales receivables and other receivables and AI- Qard AI - Hasan as at 30 September 2020 (JD 28,906,530 representing 3.2% as at 31 December 2019).

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7. Deferred Sales Receivables through Income Statement

Deferred sales receivables through income statement – self owned amounted to JD 6,513,267. The Bank has booked a provision for expected credit losses amounted to JD 6,513,267.

8. Ijara Muntahia Bittamleek Assets - Net

This item consists of the following:

	Joint			Self			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	JD	JD	JD	JD	JD	JD	JD	JD	JD
<u>30 September 2020 (Unaudited)</u>									
Ijara Muntahia Bittamleek assets– Real Estate	917,870,198	(210,133,540)	707,736,658	322,882	-	322,882	918,193,080	(210,133,540)	708,059,540
Ijara Muntahia Bittamleek assets– Machinery	9,215,272	(394,340)	8,820,932	-	-	-	9,215,272	(394,340)	8,820,932
Ijara Muntahia Bittamleek assets – Vehicles	-	-	-	-	-	-	-	-	-
Total	927,085,470	(210,527,880)	716,557,590	322,882	-	322,882	927,408,352	(210,527,880)	716,880,472
<u>31 December 2019 (Audited)</u>									
Ijara Muntahia Bittamleek assets–Real Estate	879,470,920	(205,835,649)	673,635,271	1,338,000	(1,019,061)	318,939	880,808,920	(206,854,710)	673,954,210
Ijara Muntahia Bittamleek assets– Machinery	9,300,272	(394,692)	8,905,580	-	-	-	9,300,272	(394,692)	8,905,580
Ijara Muntahia Bittamleek assets – Vehicles	18,500	(18,500)	-	-	-	-	18,500	(18,500)	-
Total	888,789,692	(206,248,841)	682,540,851	1,338,000	(1,019,061)	318,939	890,127,692	(207,267,902)	682,859,790

- Total due Ijara installments amounted to JD 3,126,965 as at 30 September 2020 (JD 4,387,818 as at 31 December 2019). Moreover, due Ijara balances were disclosed within the deferred sales receivables and other receivables (Note 6).
- Non-performing Ijara Muntahia Bittamleek amounted to JD 1,907,144 representing 0.3% of the balance of Ijara Muntahia Bittamleek as at 30 September 2020 (JD 1,578,660 representing 0.2% as at 31 December 2019).
- Non-performing Ijara Muntahia Bittamleek after deducting revenues in suspense amounted to JD 773,392 representing 0.1% of the balance of Ijara Muntahia Bittamleek as at 30 September 2020 (JD 446,104 representing 0.06% as at 31 December 2019).

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9. Financial Assets at amortized cost - Net

This item consists of the following:

	Joint	
	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Islamic Sukuk – quoted	34,260,450	27,469,115
Islamic Sukuk – unquoted	4,925,300	5,957,400
Provision for expected credit losses	(685,714)	(83,770)
	<u>38,500,036</u>	<u>33,342,745</u>

- * The above assets have fixed and determinable payments and mature within the period from 2021 until the end of 2025.

Cumulative movement on the provision for expected credit loss as at 30 September 2020:

Item	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the period	83,770	-	-	83,770
New investments	-	358,357	-	358,357
Transferred to stage 1	-	-	-	-
Transferred to stage 2	(33,279)	33,279	-	-
Transferred to stage 3	-	-	-	-
Settlements	118,067	125,520	-	243,587
Balance at the end of the period	<u>168,558</u>	<u>517,156</u>	<u>-</u>	<u>685,714</u>

10. Investments in Real estate

This item consists of the following:

	Joint	
	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Investment in real estate	31,105,616	31,042,176
Accumulated depreciation	(3,027,714)	(3,032,657)
Impairment provision	(4,815,762)	(4,832,380)
	<u>23,262,140</u>	<u>23,177,139</u>

- Buildings within the above real estate portfolio are depreciated using the straight-line method with 2% depreciation rate.

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11. Customers' Current Accounts

This item consists of the following:

	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Total
As at 30 September 2020 (Unaudited)	JD	JD	JD	JD	JD
Current accounts	562,257,466	47,647,666	106,627,464	3,957,807	720,490,403
Total	562,257,466	47,647,666	106,627,464	3,957,807	720,490,403
	Retail	Corporates	Small and Medium Enterprises	Government and Public Sector	Total
As at 31 December 2019 (Audited)	JD	JD	JD	JD	JD
Current accounts	522,905,002	47,614,628	102,065,148	4,961,502	677,546,280
Total	522,905,002	47,614,628	102,065,148	4,961,502	677,546,280

- Government of Jordan and public sector deposits inside the Kingdom amounted to JD 3,957,807 as at 30 September 2020 representing 0.55% of the total customers' current accounts (JD 4,961,502 as at 31 December 2019 representing 0.73%).
- Restricted deposits amounted to JD 4,352,888 as at 30 September 2020 representing 0.60% of the total customers' current accounts (JD 4,478,527 as at 31 December 2019 representing 0.66%).
- Dormant accounts amounted to JD 31,060,955 as at 30 September 2020 (JD 13,526,537 as at 31 December 2019).

12. Income Tax

a. Provision for Income Tax

The movement on the provision for income tax is as follows:

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	10,737,299	12,124,837
Income tax paid during the period / year	(13,886,199)	(15,400,004)
Income tax paid for prior years	-	(153,963)
Accrued income tax for the period / year	11,118,184	14,166,429
Balance at the end of the period / year	7,969,284	10,737,299

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- b. The income tax balance presented in the interim condensed income statement consists of the following:

	30 September 2020	30 September 2019
	JD	JD
	(Unaudited)	(Unaudited)
Income tax for the period	11,118,184	12,543,864
Deferred tax assets for the period	(112,553)	(154,267)
Amortization of deferred tax assets	67,034	54,599
	<u>11,072,665</u>	<u>12,444,196</u>

- The Bank obtained a final settlement from the Income and Sales Tax Department until 31 December 2018. The Bank submitted its tax returns for 2019 and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.
- The accrued income tax for the period ended 30 September 2019 was calculated in accordance with the current Income Tax Law.

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13. Unrestricted Investment Accounts

This item consists of the following:

	Retail JD	Corporates JD	Small and Medium Enterprises JD	Government and Public Sector JD	Central Bank deposits JD	Total JD
<u>30 September 2020 (Unaudited)</u>						
Saving accounts	231,330,061	89,705	1,876,668	424	35,597,595	268,894,453
Term deposits*	753,390,899	102,526,355	72,936,347	198,913,673	17,457,203	1,145,224,477
Total	984,720,960	102,616,060	74,813,015	198,914,097	53,054,798	1,414,118,930
Depositors' share of the investment returns	13,581,175	1,980,193	1,451,665	1,782,311	31,616	18,826,960
Total Joint Investment Accounts	998,302,135	104,596,253	76,264,680	200,696,408	53,086,414	1,432,945,890
<u>31 December 2019 (Audited)</u>						
Saving accounts	219,247,231	232,404	1,497,000	1,381	7,404,192	228,382,208
Term deposits*	714,591,986	88,892,153	66,936,360	159,992,588	12,413,554	1,042,826,641
Total	933,839,217	89,124,557	68,433,360	159,993,969	19,817,746	1,271,208,849
Depositors' share of the investment returns	22,158,829	3,308,788	2,112,042	2,118,102	422,715	30,120,476
Total Joint Investment Accounts	955,998,046	92,433,345	70,545,402	162,112,071	20,240,461	1,301,329,325

* Term deposits include amount of JD 17,927,641 as at 30 September 2020 (JD 15,530,258 as at 31 December 2019) (net of tax). the balance of the Mutual Insurance Fund which was established, during the year 2013, to cover defaults on repayments due to death or total disability of the customers of sales receivables and financing as per the Fund's Articles of Association approved by the Central Bank of Jordan.

** Two investment agreements have been signed with the Central Bank of Jordan on 21 February 2019 whereby the Bank will open two accounts, saving account and term deposit with agreed contribution rate, these amounts are granted as a loans to specific sectors and with a special revenue rates under the approval of the Central Bank of Jordan, and within the limit mentioned in agreement.

Unrestricted investment accounts share of profit is calculated as follows:

- 30% of the monthly balance of saving accounts.
- 90% of the minimum balance of term deposits.
- The restricted accounts amounted to JD 1,445,306 as at 30 September 2020 (JD 1,409,953 as at 31 December 2019).
- The joint investment accounts of the Government of Jordan and the Public Sector inside the Kingdom amounted to JD 200,696,408 as at 30 September 2020 representing 14% of the total joint investment accounts (JD 162,112,071 as at 31 December 2019 representing 12%).
- Dormant accounts amounted to JD 17,073,882 as at 30 September 2020 (JD 16,234,629 as at 31 December 2019).

14. Provision for Future Expected Investment Risk

a. The movement on the provision for future expected investment risk is as follows:

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	13,079,838	-
Add : Transferred from the Investment Risk as of May, 2019 in accordance with the instructions of the Central Bank	-	18,930,956
Less : released from provisions for expected credit losses	(4,398,078)	(5,851,118)
Balance at the end of the period / year	8,681,760	13,079,838

b. The movement on a provision for expected losses is as follows:

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	33,250,932	-
Transferred from the Investment Risk Fund on May 1, 2019 in accordance with the instructions of the Central Bank:		
Provision for expected losses – stage 1	-	1,492,769
Provision for expected losses – stage 2	-	1,475,620
Provision for expected losses – stage 3	-	23,769,483
Impairment provision - real estate investment portfolio	-	4,539,248
Impairment provision – Seized Assets due debts	-	36,901
Adjusted balance	33,250,932	31,314,021
<u>Less : liberated from provisions against expected credit losses ceased to be required</u>	(1,633,784)	(3,914,207)
<u>Add :-</u>		
Provision for expected losses – stage 1	2,206,210	1,747,873
Provision for expected losses – stage 2	656,935	690,352
Provision for expected losses – stage 3	1,421,866	3,119,761
Impairment provision - real estate investment portfolio	(16,618)	293,132
Provision for repossessed real estate against debts	129,685	-
Total of additions	4,398,078	5,851,118
Total	36,015,226	33,250,932

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The movement on the income tax provision for the Investment Risk Fund is as follows:

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	384,283	2,924,470
<u>Less:</u> Income tax paid during the period / year	(384,283)	(3,486,999)
<u>Add:</u> Accrued income tax for the period / year	-	946,812
Balance at the end of the period / year	-	384,283

- The Bank obtained a final settlement from the Income and Sales Tax Department until 31 December 2018. The Bank submitted its tax returns for 2019 and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.
- On 1 April 2020, a new law was issued that amends the Banks Law No. (28) of the year 2000, where Article (13) of the law had provisions on the dissolution of Article (55) from the original law. It states that no less than 10% of net recognized investment revenue on different continuing operations during the period should be deducted, with twice the amount of the Paid-in Capital being the maximum. Also, in accordance with the Central Bank of Jordan's Circular No. 9173/1/10, setting aside the surplus of the Investment Risk Fund as a provision to encounter any expected future risk for assets financed from joint investment accounts.

15. Cash and Cash Equivalent

This item consists of the following:

	For the nine months ended	
	30 September 2020	30 September 2019
	JD	JD
	(Unaudited)	(Unaudited)
Cash and balances with the Central Bank maturing within three months	753,379,557	664,999,687
<u>Add:</u> Balances with banks and financial institutions maturing within three months	23,400,620	18,965,342
<u>Less:</u> Banks and financial institutions' accounts maturing within three months	(7,751,822)	(3,793,323)
	769,028,355	680,171,706

17. Segment information

Information about Bank's Activities

The Bank is organized for administrative purposes where segments are measured based on the reports submitted to the General Manager and the chief decision maker through the following three main business sectors:

Retail

These encompass following up on the unrestricted investment accounts, deferred sales receivables, other financing and banking services related to individuals.

Corporate Accounts

These encompass following up on the unrestricted investment accounts, deferred sales receivables, other financing, credit cards and banking services related to the corporates accounts.

Treasury

This segment includes trading services, treasury and managing the Bank's funds.

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Below is the information about the Bank's business segments distributed based on activities (amounts in thousands 000 JD):

	Retail	Corporates	Treasury	Others	Total For the nine months	
					Ended 30 September	
					2020	2019
	JD	JD	JD	JD	JD	JD
					(Unaudited)	(Unaudited)
Gross income (Joint and Self)	39,792	16,665	4,138	2	60,597	67,948
Investment Risk Fund	-	-	-	-	-	(3,513)
ECL of sales receivables value and other receivables - Self	-	(48)	-	-	(48)	(30)
Recoveries from expected credit loss – Joint	-	1,634	-	-	1,634	-
Result of operations of segments	39,792	18,251	4,138	2	62,183	64,405
Undistributed expenses	(11,253)	(2,976)	(234)	(14,193)	(28,656)	(27,912)
Profit for the period before tax	28,539	15,275	3,904	(14,191)	33,527	36,493
Income tax	(9,418)	(5,041)	(1,288)	4,674	(11,073)	(12,444)
Profit for the period	19,121	10,234	2,616	(9,517)	22,454	24,049
Segment's assets	1,046,581	456,625	913,604	-	2,416,810	2,242,928
Undistributed assets to the segments	-	-	-	72,680	72,680	57,461
Total segment's assets	1,046,581	456,625	913,604	72,680	2,489,490	2,300,389
Segment's liabilities, joint investment equity and provision for future expected credit losses	1,568,032	620,810	7,752	-	2,196,594	2,025,431
Undistributed liabilities, joint investment equity and provision for future expected credit losses to segments	-	-	-	56,323	56,323	60,760
Total segment's liabilities, joint investment account and provision for future expected credit losses	1,568,032	620,810	7,752	56,323	2,252,917	2,086,191
					For the nine months ended 30 September	
					2020	2019
					JD	JD
Capital expenditures	-	-	-	1,372	1,372	1,849
Depreciation and amortization	1,160	3	1	716	1,880	2,392

18. Commitments and Contingent Liabilities (Off – Balance sheet)

Credit contingent and commitment:

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Letters of credit	22,448,814	30,964,960
Acceptances	7,833,934	13,200,009
Letters of Guarantee:		
Payment	15,847,896	14,629,603
Performance	12,713,962	14,481,465
Others	10,712,121	10,143,530
Unutilized limits – self	58,542,938	53,557,095
Unutilized limits – joint	132,953,068	122,854,751
Total	<u>261,052,733</u>	<u>259,831,413</u>

The movement on expected credit losses for indirect facilities and unutilized limits as at the end of the period/ self is as follows:

Item	Stage 1 JD	Stage 2 JD	Stage 3 JD	Total JD
Balance at the beginning of the period (Adjusted)	305,605	44,464	84,290	434,359
Transferred to stage 1	9,692	(9,692)	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Difference due to movements between stages	130,217	(2,979)	3,617	130,855
Balance at the end of the period	<u>445,514</u>	<u>31,793</u>	<u>87,907</u>	<u>565,214</u>

The movement on expected credit losses for unutilized limits as at the end of the period/ joint is as follows:

Item	Stage 1 JD	Stage 2 JD	Stage 3 JD	Total JD
Balance at the beginning of the period (adjusted)	89,986	37,078	-	127,064
Transferred to stage 1	30,354	(30,354)	-	-
Transferred to stage 2	(497)	497	-	-
Transferred to stage 3	-	-	-	-
Difference due to movements between stages	55,247	22,381	-	77,628
Balance at the end of the period	<u>175,090</u>	<u>29,602</u>	<u>-</u>	<u>204,692</u>

The expected credit loss provision for the off-balance sheet- self and joint included in the other liabilities.

19. Lawsuits against the Bank

The lawsuits filed against the Bank amounted to JD 78,000 with a provision of JD 17,267 as at 30 September 2020 (JD 289,022 as at 31 December 2019 with a provision of JD 17,267). Based on the opinion of the legal advisor, no additional amounts will be claimed from the Bank in respect to those lawsuits.

20. Fair Value Measurement

The standard requires determining the level and disclosure of the fair value hierarchy 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) of the fair value measurements, i.e., assessing whether the inputs are observable and whether the unobservable inputs are significant. This may require judgement and careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

a. **The Bank's Fair Value of Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis:**

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each financial period. The following table gives information about the method of determining the fair value of such financial assets and financial liabilities (valuation techniques and key inputs)

<u>Financial Assets / Financial Liabilities</u>	<u>Fair Value as at</u>		<u>Fair Value Hierarchy</u>	<u>Valuation Techniques and Key Inputs</u>	<u>Significant Unobservable Inputs</u>	<u>Relationship between Significant Unobservable Inputs and Fair Value</u>
	<u>30 September 2020</u>	<u>31 December 2019</u>				
	<u>JD</u>	<u>JD</u>				
	<u>(Unaudited)</u>	<u>(Audited)</u>				
Financial Assets at Fair Value:						
Financial Assets at Fair Value through Shareholders' Equity – Self						
Quoted shares	5,490,208	5,616,930	Level 1	Quoted prices in the Financial Markets	Not Applicable	Not Applicable
Financial Assets at Fair Value through joint investment account						
Unquoted shares	3,193,889	2,662,444				
Total	8,684,097	8,279,374				

There were no transfers between Level (1) and Level (2) during the nine months period ended 30 September 2020 and 2019.

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b. The Bank's Fair Value of Financial Assets and Financial Liabilities not Measured at Fair Value on a Recurring Basis:

Except for what is detailed in the table below, we believe that the carrying amounts of the financial assets and financial liabilities presented in the Bank's financial statements approximate their fair values:

	30 September 2020		31 December 2019		Fair Value Hierarchy
	Book Value	Fair Value	Book Value	Fair Value	
	JD	JD	JD	JD	
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	
Financial Assets not measured at Fair Value					
Deferred sales receivables	824,950,452	824,975,404	751,650,832	751,777,070	Level 2
Investments in real estate	23,262,140	25,985,837	23,177,139	26,669,851	Level 2
Financial assets at amortized cost	33,574,736	33,919,053	27,385,345	27,637,917	Level 1
Financial assets at amortized cost – Unquoted	4,925,300	4,987,361	5,957,400	5,987,957	Level 2
Total financial assets not measured at fair value	886,712,628	889,867,655	808,170,716	812,072,795	
Financial Liabilities not measured at Fair Value					
Customers' current and unrestricted accounts	2,153,436,293	2,163,516,114	1,978,875,605	1,987,892,579	Level 2
Cash margins	26,723,958	26,830,622	31,372,032	31,559,768	Level 2
Total Financial Liabilities not measured at Fair Value	2,180,160,251	2,190,346,736	2,010,247,637	2,019,452,347	

Regarding the items described above, the fair value of the financial assets and liabilities has been determined for Levels (2) and (3) in accordance with the generally accepted pricing models which reflect the credit risk with the parties dealt with.

21. Comparative Figures

Some of the comparative figures for the period ended 30 September 2019 have been reclassified to correspond with the financial statements figures for the period ended 30 September 2020.