ARAB BANK GROUP
AMMAN - JORDAN

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT

ARAB BANK GROUP
AMMAN - JORDAN
DECEMBER 31, 2023

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Deloitte & Touche (ME) – Jordan
Jabal Amman, 5th Circle
190 Zahran Street
Amman 11118,
Jordan

Tel: +962 (6) 5502200
Fax: +962 (6) 5502210
www.deloitte.com

# Independent Auditor's Report

AM/6631

To the Shareholders of
Arab Bank Group
Amman – The Hashemite Kingdom of Jordan

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Arab Bank (the "Bank") and its subsidiaries and foreign branches (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in owners' equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting 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 together with the ethical requirements that are relevant to our audit of the Bank's consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**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. 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.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **1. Allowance for Credit Losses on Credit Facilities** | |
| As described in Notes 12 to the consolidated financial statements, the Group had net direct credit facilities of USD 33.2 Billion as of December 31, 2023, representing 49% of total assets. The determination of the Bank's expected credit losses for credit facilities measured at amortized cost is a material and complex estimate requiring significant management judgement in the evaluation of credit quality and the estimation of inherent losses in the portfolio.<br><br>The financial statement risk arises from several aspects requiring substantial judgement of management, such as the estimation of probabilities of default and loss given defaults for various stages, the determination of significant increase in credit risk (SICR) and credit-impairment status (default), the use of different modelling techniques. In calculating expected credit losses, the bank considered credit quality indicators for each loan and portfolio, stratifies loans and advances by risk grade and estimates losses for each loan based upon their nature and risk profile. Post-model adjustments are applied to address risks that are not specifically considered by the ECL models. The basis and calculation of the post model adjustments require significant judgement including the consideration of the risk of management override.<br><br>Auditing these complex judgements and assumptions involves especially challenging auditor judgement due to the nature and extent of audit evidence and effort required to address these matters and therefore this item is considered to be a key audit matter. | We established an audit approach, which includes both testing the design and assessed the operating effectiveness of certain relevant internal controls, over the determination of expected credit losses and risk-based substantive audit procedures. Our procedures over internal controls focused on obtaining an understanding and testing the design and implementation over the process controls around the ECL methodology governance, completeness and accuracy of loan data used in the expected loss models, management review of outcomes, the assignment of borrowers' risk classification, consistency of application of accounting policies and the process for calculating allowances.<br><br>The primary substantive procedures which we performed, with the support by our subject matter experts, to address this key audit matter included, but were not limited to, the following:<br><br>• For a risk-based sample of individual loans, we performed a detailed credit review, assessed the appropriateness of information for evaluating the creditworthiness and staging classification of individual borrowers and challenged the assumptions underlying the expected credit loss allowance calculations, such as estimated future cash flows, collateral valuations and estimates of recovery. We assessed the consistency of the bank's application of its impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for loan impairment allowances. |

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| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| | • For loans not tested individually, with the assistance of our subject matter experts, we assessed the methodology used to determine the expected credit losses, tested the inputs by agreeing these to supporting documentation, and reperformed the mathematical accuracy of the expected credit loss model on a sample basis. We also challenged key assumptions, reviewed the calculation methodology and trace a sample back to source data;<br><br>• We evaluated key assumptions such as thresholds used to determine SICR and forward-looking macroeconomic scenarios including the related weighting and assessed the staging assessment for a sample of accounts;<br><br>• We evaluated post-model adjustments and management overlays in the context of key model and data limitations identified by the Bank in order to assess these adjustments, and challenged their rationale;<br><br>• We have reviewed the methodology followed for incorporation of the forward- looking information into the impairment calculations by involving our specialist to challenge the multiple economic scenarios chosen including the related weighting applied and reconciled the macroeconomic indicators with the respective sources used; and<br><br>• We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs. |

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| Key Audit Matters | How our audit addressed the key audit matter |
|---|---|
| **2. IT systems and controls over financial reporting**<br>We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls.<br><br>There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data. | Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over IT systems:<br><br>We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications.<br><br>We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data center and network operations.<br><br>We examined computer generated information used in financial reports from relevant applications and key controls over their report logics.<br><br>We performed testing on the key automated controls on significant IT systems relevant to business processes. |

**Other Matters**

1. The consolidated financial statements of the Bank for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on February 12, 2023.

2. The accompanying consolidated financial statements are a translation of the original consolidated financial statements, which are in the Arabic language, to which reference should be made.

**Other Information**

Management is responsible for the other information. The other information comprises the other information in the annual report but does not include the consolidated financial statements and the independent auditors' report thereon. that the other information 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 do not express any form of assurance or 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.

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**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 Bank'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 Bank 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 exist. 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 Bank'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 Bank'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 Bank to cease to continue as a going concern.

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- 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 and 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 implementation 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 procedures.

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. We recommend that the General Assembly of the Shareholders approve these consolidated financial statements.

Deloitte & Touche

Amman – Jordan
February 4, 2024

Deloitte & Touche (M.E) - Jordan

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**ARAB BANK GROUP**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| | Notes | 31 December 2023 USD '000 | 31 December 2022 USD '000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | 7 | 13 250 460 | 11 695 391 |
| Balances with banks and financial institutions | 8 | 4 204 480 | 4 008 144 |
| Deposits with banks and financial institutions | 9 | 273 807 | 610 306 |
| Financial assets at fair value through profit or loss | 10 | 55 012 | 72 253 |
| Financial derivatives - positive fair value | 42 | 217 629 | 196 232 |
| Direct credit facilities at amortized cost - net | 12 | 33 158 248 | 31 726 598 |
| Financial assets at fair value through other comprehensive income | 11 | 759 038 | 750 572 |
| Other financial assets at amortized cost | 13 | 10 376 401 | 10 002 475 |
| Investments in associates | 14 | 3 848 257 | 3 558 864 |
| Fixed assets | 15 | 523 638 | 530 393 |
| Other assets | 16 | 1 363 343 | 1 028 650 |
| Deferred tax assets | 17 | 243 658 | 279 945 |
| **Total Assets** | | **68 273 971** | **64 459 823** |
| **LIABILITIES AND OWNERS' EQUITY** | | | |
| Banks' and financial institutions' deposits | 18 | 3 295 702 | 3 517 640 |
| Customers' deposits | 19 | 47 811 253 | 45 287 371 |
| Cash margin | 20 | 2 813 487 | 2 461 500 |
| Financial derivatives - negative fair value | 42 | 197 538 | 163 611 |
| Borrowed funds | 21 | 509 809 | 522 368 |
| Provision for income tax | 22 | 337 202 | 293 029 |
| Other provisions | 23 | 244 694 | 232 423 |
| Other liabilities | 24 | 1 691 322 | 1 570 172 |
| Deferred tax liabilities | 25 | 16 113 | 9 253 |
| **Total Liabilities** | | **56 917 120** | **54 057 367** |
| **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 | 1 211 927 | 1 211 927 |
| General banking risks reserve | 30 | 153 030 | 153 030 |
| Reserves with associates | | 1 540 896 | 1 540 896 |
| Foreign currency translation reserve | 31 | ( 323 174) | ( 400 986) |
| Investments revaluation reserve | 32 | ( 333 110) | ( 362 590) |
| Retained earnings | 34 | 3 846 009 | 3 289 293 |
| **Total Equity Attributable to the Shareholders of the Bank** | | **10 151 870** | **9 487 862** |
| Perpetual tier 1 capital bonds | 33 | 629 870 | 360 527 |
| Non-controlling interests | 34 | 575 111 | 554 067 |
| **Total Shareholders' Equity** | | **11 356 851** | **10 402 456** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **68 273 971** | **64 459 823** |

The accompanying notes from (1) to (59) are an integral part of these consolidated financial statements and should be read with them.

## ARAB BANK GROUP

## CONSOLIDATED STATEMENT OF INCOME

| | Notes | For the year ended 31 December 2023 | 2022 |
|---|---|---|---|
| **REVENUE** | | **USD '000** | **USD '000** |
| Interest income | 35 | 3 659 678 | 2 583 484 |
| Less: interest expense | 36 | 1 622 468 | 998 680 |
| **Net interest income** | | **2 037 210** | **1 584 804** |
| Net commission income | 37 | 425 113 | 374 369 |
| **Net interest and commissions income** | | **2 462 323** | **1 959 173** |
| Foreign exchange differences | | 120 628 | 106 345 |
| Gain from financial assets at fair value through profit or loss | 38 | 4 613 | 1 182 |
| Dividends on financial assets at fair value through other comprehensive income | 11 | 8 657 | 8 251 |
| Group's share of profits from associates | 14 | 509 969 | 384 494 |
| Other revenue | 39 | 44 080 | 66 665 |
| **TOTAL INCOME** | | **3 150 270** | **2 526 110** |
| **EXPENSES** | | | |
| Employees' expenses | 40 | 717 674 | 663 569 |
| Other expenses | 41 | 482 316 | 415 310 |
| Depreciation and amortization | 15/16 | 95 784 | 84 751 |
| Provision for impairment - ECL | 6 | 592 282 | 473 006 |
| Impairment of investment held for sale | | | 25 701 |
| Other provisions | 23 | 45 073 | 12 425 |
| **TOTAL EXPENSES** | | **1 933 129** | **1 674 762** |
| **PROFIT FOR THE YEAR BEFORE INCOME TAX** | | **1 217 141** | **851 348** |
| Less: Income tax expense | 22 | 387 505 | 307 046 |
| **PROFIT FOR THE YEAR** | | **829 636** | **544 302** |
| Attributable to : | | | |
| Bank's shareholders | 34 | 800 695 | 520 276 |
| Non-controlling interests | 34 | 28 941 | 24 026 |
| **Total** | | **829 636** | **544 302** |
| Earnings per share attributable to the Bank's Shareholders | | | |
| - Basic and Diluted (US Dollars) | 56 | 1.23 | 0.79 |

The accompanying notes from (1) to (59) are an integral part of these consolidated financial statements and should be read with them.

## ARAB BANK GROUP

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 2023 | 2022 |
|---|---|---|
| | **USD '000** | **USD '000** |
| **Profit for the year** | **829 636** | **544 302** |
| 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 | 81 750 | ( 114 187) |
| Revaluation gain (loss) on bonds at fair value through other comprehensive income | 5 480 | ( 7 028) |
| 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** | **27 704** | **( 49 648)** |
| Revaluation gain (loss) on equity instruments at fair value through other comprehensive income | 25 928 | ( 47 477) |
| Gain (loss) from sale of financial assets at fair value through other comprehensive income | 1 776 | ( 2 171) |
| **Total Other Comprehensive Income Items - after tax** | **114 934** | **( 170 863)** |
| **TOTAL COMPREHNSIVE INCOME FOR THE YEAR** | **944 570** | **373 439** |
| Attributable to : | | |
| - Bank's shareholders | 909 763 | 359 069 |
| - Non-controlling interests | 34 807 | 14 370 |
| **Total** | **944 570** | **373 439** |

The accompanying notes from (1) to (59) 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 | Perpetual tier 1 capital bonds | Non-Controlling Interests | Total Share holders' 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 | USD '000 |
| **For the year ended 31 December 2023** | | | | | | | | | | | | | | | |
| **Balance at the Beginning of the year** | | **926 615** | **1 225 747** | **926 615** | **977 315** | **1 211 927** | **153 030** | **1 540 896** | **( 400 986)** | **( 362 590)** | **3 289 293** | **9 487 862** | **360 527** | **554 067** | **10 402 456** |
| Profit for the year | | - | - | - | - | - | - | - | - | - | 800 695 | **800 695** | - | 28 941 | **829 636** |
| Other comprehensive income for the year | | - | - | - | - | - | - | - | 77 812 | 31 256 | - | **109 068** | - | 5 866 | **114 934** |
| **Total Comprehensive Income for the Year** | | - | - | - | - | - | - | - | **77 812** | **31 256** | **800 695** | **909 763** | **-** | **34 807** | **944 570** |
| Transferred from Investments revaluation reserve to retained earnings | | - | - | - | - | - | - | - | - | ( 1 776) | 1 776 | - | - | - | - |
| Dividends distribution | 34 | - | - | - | - | - | - | - | - | - | ( 231 640) | **( 231 640)** | - | ( 1 763) | **( 233 403)** |
| New Investment at subsidiaries - Net | | - | - | - | - | - | - | - | - | - | - | - | - | 2 190 | **2 190** |
| Issuance of perpetual bonds | 33 | - | - | - | - | - | - | - | - | - | - | - | 269 343 | - | **269 343** |
| Adjustments during the year | | - | - | - | - | - | - | - | - | - | ( 14 115) | **( 14 115)** | - | ( 14 190) | **( 28 305)** |
| **Balance at the End of the Year** | | **926 615** | **1 225 747** | **926 615** | **977 315** | **1 211 927** | **153 030** | **1 540 896** | **( 323 174)** | **( 333 110)** | **3 846 009** | **10 151 870** | **629 870** | **575 111** | **11 356 851** |
| **For the year ended 31 December 2022** | | | | | | | | | | | | | | | |
| **Balance at the Beginning of the year** | | **926 615** | **1 225 747** | **926 615** | **977 315** | **1 211 927** | **154 171** | **1 540 896** | **( 291 987)** | **( 312 553)** | **2 967 984** | **9 326 730** | **438 449** | **556 173** | **10 321 352** |
| Profit for the year | | - | - | - | - | - | - | - | - | - | 520 276 | **520 276** | - | 24 026 | **544 302** |
| Other comprehensive income for the year | | - | - | - | - | - | - | - | ( 108 999) | ( 52 208) | - | **( 161 207)** | - | ( 9 656) | **( 170 863)** |
| **Total Comprehensive Income for the Year** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **( 108 999)** | **( 52 208)** | **520 276** | **359 069** | **-** | **14 370** | **373 439** |
| Transferred from general banking risk reserve | | - | - | - | - | - | ( 1 141) | - | - | - | 1 141 | - | - | - | - |
| Transferred from Investments revaluation reserve to retained earnings | | - | - | - | - | - | - | - | - | 2 171 | ( 2 171) | - | - | - | - |
| Dividends distribution | 34 | - | - | - | - | - | - | - | - | - | ( 186 532) | **( 186 532)** | - | ( 2 115) | **( 188 647)** |
| Maturity of perpetual bonds | 33 | - | - | - | - | - | - | - | - | - | - | - | ( 77 922) | - | **( 77 922)** |
| Adjustments during the year | | - | - | - | - | - | - | - | - | - | ( 11 405) | **( 11 405)** | - | ( 14 361) | **( 25 766)** |
| **Balance at the End of the Year** | | **926 615** | **1 225 747** | **926 615** | **977 315** | **1 211 927** | **153 030** | **1 540 896** | **( 400 986)** | **( 362 590)** | **3 289 293** | **9 487 862** | **360 527** | **554 067** | **10 402 456** |

- Retained earnings include restricted deferred tax assets in the amount of USD 229.7 million.

- The Bank cannot use a restricted amount of USD 333.1 million which represents the negative investments revaluation reserve in accordance with the instructions of the Jordan Securities Commission and Central Bank of Jordan.

- The Central Bank of Jordan issued a new regulations No. 13/2018 dated 6 June 2018, in which it requested the transfer of the general banking risk reserve balance (calculated in accordance with the Central Bank of Jordan's regulations) to the retained earnings to offset the effect of IFRS 9 on the opening balance of the retained earnings account as of 1 January 2018. The regulations also instructs that the extra balance of the general banking risk reserve amounting to (USD 37.6 million) should be restricted and may not be distributed as dividends to the shareholders or used for any other purposes without prior approval from the Central Bank of Jordan.

The accompanying notes from (1) to (59) are an integral part of these consolidated financial statements and should be read with them.

**ARAB BANK GROUP**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **USD '000** | **USD '000** |
| Profit for the year before income tax | | **1 217 141** | **851 348** |
| Adjustments for: | | | |
| - Depreciation | 15,16 | 95 784 | 84 751 |
| - Depreciation of right of use assets | 16 | 26 352 | 23 733 |
| - Expected credit losses on financial assets | 6 | 592 282 | 473 006 |
| - Net accrued interest | | 104 350 | 69 655 |
| - Gain from sale of fixed assets | | ( 337) | ( 718) |
| - Loss (gain) from revaluation of financial assets at fair value through profit or loss | 38 | ( 3 481) | 742 |
| - Dividends from financial assets at fair value through other comprehensive income | 11 | ( 8 657) | ( 8 251) |
| - Group's share of profits from associates | 14 | ( 509 969) | ( 384 494) |
| - Impairment of investment held for sale | | - | 25 701 |
| - Other provisions | 23 | 45 073 | 12 425 |
| **Total** | | **1 558 538** | **1 147 898** |
| | | | |
| **(Increase) decrease in assets:** | | | |
| Balances with central banks (maturing after 3 months) | | - | 25 000 |
| Deposits with banks and financial institutions (maturing after 3 months) | | 336 850 | ( 335 208) |
| Direct credit facilities at amortized cost | | (1 914 382) | ( 956 852) |
| Financial assets at fair value through profit and loss | | 20 722 | ( 652) |
| Other assets and financial derivatives | | ( 209 079) | ( 173 920) |
| **Increase (decrease) in liabilities:** | | | |
| Bank and financial institutions deposits (maturing after 3 months) | | ( 13 191) | ( 296 431) |
| Customers' deposits | | 2 523 882 | 801 860 |
| Cash margin | | 351 987 | ( 145 631) |
| Other liabilities and financial derivatives | | 14 614 | 261 564 |
| **Net Cash flows from Operating Activities before Income Tax** | | **2 669 941** | **327 628** |
| Income tax paid | 22 | ( 300 460) | ( 241 436) |
| **Net Cash Flows from Operating Activities** | | **2 369 481** | **86 192** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| (Purchase) of financial assets at fair value through other comprehensive income | | ( 13 558) | ( 75 423) |
| (Purchase) maturity of other financial assets at amortized cost - net | | ( 389 060) | 547 768 |
| (Increase) decrease of investments in associates | 14 | ( 7 111) | 611 |
| Net cash flows paid to minority interest to increase the Group's investment in subsidiaries | | ( 5 892) | - |
| Dividends received from associates | 14 | 256 208 | 196 345 |
| Dividends from financial assets at fair value through other comprehensive income | 11 | 8 657 | 8 251 |
| Purchase of fixed assets - net | 15 | ( 66 750) | ( 74 881) |
| Proceeds from selling fixed assets | | 3 242 | 3 415 |
| (Purchase) of intangible assets | 16 | ( 154 459) | ( 14 154) |
| **Net Cash Flows (used in) from Investing Activities** | | **( 368 723)** | **591 932** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| (Payment) of borrowed funds | | ( 12 559) | ( 100 092) |
| Increase (Decrease) in perpetual bonds | 33 | 269 343 | ( 77 922) |
| Interest paid on perpetual bonds | | ( 27 824) | ( 28 159) |
| Dividends paid to shareholders | 34 | ( 231 588) | ( 186 215) |
| Dividends paid to non-controlling interests | | ( 1 763) | ( 2 115) |
| **Net Cash Flows (used in) Financing Activities** | | **( 4 391)** | **( 394 503)** |
| Net increase in Cash and Cash Equivalents | | 1 996 367 | 283 621 |
| Exchange differences - change in foreign exchange rates | | 81 750 | ( 108 999) |
| Cash and cash equivalent at the beginning of the year | | 12 434 674 | 12 260 052 |
| **Cash and Cash Equivalent at the End of the Year** | 58 | **14 512 791** | **12 434 674** |
| | | | |
| **Operational cash flows from interest** | | | |
| Interest Received | | 3 645 161 | 3 645 161 |
| Interest Paid | | 1 503 601 | 887 939 |

The accompanying notes from (1) to (59) 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 68 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 2024 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 the International Accounting Standards for Financial Reporting and the International Financial Reporting Interpretations 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 consolidated 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 consolidated financial statements.

The consolidated financial statements are presented in US dollars (USD) which is the functional currency of the Group. 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.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the year ended December 31, 2022, except for the impact of adopting the new and revised International Financial Reporting Standards, which became effective for the financial period started on or after the 1st of January 2023 as mentioned in Note (3-A).

## 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 and the following key subsidiaries:

| Company Name | Percentage of ownership (%) 2023 | Percentage of ownership (%) 2022 | 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 |
| Arab Tunisian Bank | 64.24 | 64.24 | 1982 | Banking | Tunisia | TND 128m |
| Oman Arab Bank S.A.O. | 49.00 | 49.00 | 1984 | Banking | Oman | OMR 166.9m |
| Arab Bank Syria | 51.29 | 51.29 | 2005 | Banking | Syria | SYP 5.05b |
| Al Nisr Al Arabi Insurance Company PLC | 68.00 | 50.00 | 2006 | Insurance | Jordan | JD 10m |

Arab Bank Switzerland (Limited) which is an integral part of Arab Bank Group is also consolidated in the Group’s financial statements based on the assessment of the requirements of IFRS.

On 23 July 2023, Arab Bank Group acquired 18% share of non-controlling interest in Al Nisr Al-Arabi Insurance Company at a cost of JD 2.3 per share increasing Arab Bank Group’s stake in Al Nisr Al-Arabi Insurance Company to become 68% post the arrangement.

During the third quarter of 2023, initial approval was issued by the Central Bank of Iraq to establish a banking subsidiary for Arab Bank Group in Iraq with a capital of IQD 250 billion. Arab Bank Group’s percentage of ownership amount to 63.74%, the public offering was completed on December 31, 2023.

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.

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.

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.
When the Group has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. In this regard, the Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders, or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

The subsidiaries' financial statements are prepared under the same accounting policies adopted by the Group. If the subsidiaries apply different accounting policies than those used by the Group, the necessary modifications shall be made to the subsidiaries' financial statements to make them comply with the accounting policies used by the Group.

The non-controlling interest represent the portion not owned by the Group relating to the ownership of the subsidiaries.

## 3. ADOPTION OF NEW AND REVISED STANDARDS

### a. New and amended IFRS Standards that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2023, have been adopted in the Group consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

**Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies**

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

**Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

**Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules**

The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

**Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

**b. New and revised IFRS Accounting Standards in issue but not yet effective**

At the date of authorization of these consolidated financial statements, the group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective The Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application:

**Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the parent company anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods should such transactions arise.

**Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current**

The amendments to affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.
The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

**Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants**

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity’s financial position at the reporting date that is assessed for compliance only after the reporting date).
The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity’s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024

**Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements**

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

**Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback**

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

### IFRS S1 - General Requirements for Disclosure of Sustainability – related financial information

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.
Earlier application is permitted

### IFRS S2 - Climate Related Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted

## 4. MATERIAL ACCOUNTING POLICY INFORMATION

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

If the business combination is achieved in stages, any previously held equity interest is re measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with changes in fair value recognized in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Recognition of Interest Income**

<u>The effective interest rate method</u>
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 may hold 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**

<u>Date of recognition</u>

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.

<u>Initial measurement of financial instruments</u>

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. 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**

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 the consolidated statement of 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 the consolidated statement of income. 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.

Derecognition of financial assets and liabilities

*Derecognition due to substantial modification of terms and conditions*

The Group derecognizes a financial asset, such as a loans to the 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 12 months ECL 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 12 months ECLs 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 these rating methodology (AB Internal Rating and / or 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. During the year 2021 the management resolved to use three scenarios using probability weight for each scenario based on the management best estimate for their likelihood. Below are the weights for each scenario for the years 2023 and 2022:

| Scenario | Assigned weighted average 31 December 2023 | Assigned weighted average 31 December 2022 |
|---|---|---|
| Baseline | 45% | 45% |
| Upside | 20% | 20% |
| Downside 1 | 35% | 35% |

The mechanism 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 three 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 three 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 three 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 three 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 as a lessee**

The Group should be evaluating whether the leasing contract included while starting the contract. The right of use assets and leasing obligations should be recognized by the bank regarding all leasing obligations, except for short-term leasing contracts (12 months or less) and the leasing contracts with low value, in regards to these contracts the bank should recognized to these leases as operating expense using the straight-line method over the life of the lease. The initial direct costs incurred in the discussion and arrangement of the operating contract are added to the carrying amount of the leased assets and recognized in accordance with the straight-line method over the lease term.

Leases are classified as finance leases when the terms of the lease provide for substantially all the risks and rewards of ownership of the lessee. All other leases are classified as operating leases.

Leasing payments included in the rental obligation measurement include:

- Fixed leasing payments (essentially included on fixed payments), minus lease incentives receivable;
- Variable rental payments based on an indicator or rate, initially measured using the index or rate at the start date of the contract;
- The amount expected to be paid by the lessor under the remaining value guarantees;
- The price of buying options, if the lessor is reasonably sure of practicing the options; and
- Pay termination fines, if the leasing contract was reflected the terminating the lease.

Lease obligations are subsequently measured by increasing the book value to reflect interest on rental obligations (using the effective interest method) and by reducing the book value to reflect rental payments.

Lease obligations are premeasured (and a similar adjustment to the relevant right of use assets) whenever:

- The period of lease has been changed or there has been an event or change in circumstances that lead to a change in the evaluation of the practice of purchase, in which case the lease obligations are re-assessed by the way adjusted rental payments are deducted using the adjusted discount rate.

- Rental payments change due to changes in index, rate or change in expected payments under the guaranteed remaining value, in which case the rental obligation is remeasured by deducting adjusted rental payments using a non-variable discount rate (unless rental payments change due to change in the floating interest rate, in which case the adjusted discount rate is used).

- The lease contract is adjusted and the lease adjustment is not accounted for as a separate lease, in which case the lease obligation is remeasured based on the duration of the adjusted lease by deducting adjusted rental payments using the adjusted rate discount rate at the actual rate on the date of the amendment.

The assets of the right of use are consumed over the duration of the lease or the productive life of the asset (which is shorter). If the lease transfers ownership of the underlying asset or the cost of the right of use, which reflects that the bank expects to exercise the purchase option, the value of the relevant right of use is consumed over the productive life of the asset.

The Bank applies IAS No. (36) To determine whether the value of the right of use has depreciated and calculates any impairment losses as described in the "Property and Equipment" policy.

Variable rents that do not rely on an indicator or rate are not included in the measurement of rental obligations and right-of-use assets. Related payments are listed as an expense in the period in which the event or condition that leads to these payments occurs and is included in the "Other Expenses" line in the profit or loss consolidated statement.

The Group as a lessor
The Group enters into lease contracts as a lessor in regard with some investment properties.

Leases in which the Group is leased are classified as financing or operating leases. If the terms of the lease transfer all the risks and benefits of the property to the tenant, the contract is classified as a financing lease and all other leases are classified as operating leases.

When the Group is an intermediate, it represents the main lease and subcontract as separate contracts. The sub-lease is classified as financing or an operating lease by reference to the origin of the right of use arising from the main lease.

Lease income from operating leases is recognized on a straight-line basis over the relevant lease period. The initial direct costs incurred in the negotiation and arrangement of an operating lease are added to the book value of the leased asset and are recognized on straight-line basis over the lease period.

The amounts that dues by lessors under the leases are recognized as dues by the amount of the company's net investment in leases. The income of the financing leases is allocated to the accounting periods to reflect a fixed periodic return rate on the bank's existing net investment in relation to leases.

When the contract includes leasing components and components other than leasing, the Group applies IFRS 15 to distribute the amounts received or received under the contract for component**.**

**Foreign currency translation**

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 consolidated statement of profit or loss.

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 average exchange rates during the year. The exchange differences arising on translation for consolidation are recognized in OCI.

**Translation of financial statements of foreign entities / branches operating under hyperinflationary economy**

The Bank closely monitors the economic and financial conditions in Lebanon, and exclusively uses the exchange rate issued by the Central Bank of Lebanon in translating the results of AB Lebanon branch when consolidated within the financial statements of the Arab Bank plc.
Noting that most of the AB Lebanon assets are in foreign currencies and are almost equal to the total liabilities in foreign currencies. Therefore, using any other exchange rate will not have a material impact on the net assets of Arab Bank plc.

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures :

(a) all amounts (i.e., assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position, except that

(b) when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e., not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in Exchange differences on translation of foreign operations in other comprehensive income and taken to a separate component of equity which is the Foreign currency translation reserve.

**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.

**Perpetual bonds**

The aforementioned bonds are subordinated, unsecured and are classified as equity items in accordance with International Accounting Standard 32: Financial instruments - presentation. Interest payments related to these bonds may be canceled (wholly or partially) based on the Group's discretion. Interest is noncumulative. Whereas, any cancellation will not be considered as a late payment. Interest payments are treated as a reduction of equity and are shown among other changes in equity. These bonds do not have a maturity date and can be called (wholly or partially) at the nominal value based on the Group's discretion on the call date and on each interest payment date thereafter.
Issuance costs are deducted as expenses, and these bonds are shown at the value on the day of issuance with no amendments recognized until called (wholly or partially) where the value is reduced by the amounts paid

**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 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 recognized 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 Group 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.

**Derivative Financial Instruments**

The Group enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Held derivatives include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps, and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain/loss is recognized in the statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Bank designates certain derivatives as either hedges of the fair value of recognized assets, liabilities, or firm commitments (fair value hedges), hedges of highly probable forecast transactions, hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months, and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**Embedded derivatives**

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

**Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at fair value through the consolidated statement of profit or loss and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the Group’s revenue recognition policies, whichever is more.

Financial guarantee contracts not designated at fair value through profit or loss are presented as provisions in the consolidated statement of financial position, and the re-measurement is presented in other revenue.

The Bank has not designated any financial guarantee contracts as at fair value through profit or loss.

**Commitments to Provide a Loan at a Below-Market Interest Rate**
Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at fair value through the statement of profit or loss, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and

- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the Bank's revenue recognition policies, which is higher.

Commitments to provide a loan below market rate not designated at fair value through profit or loss are presented as provisions in the consolidated statement of financial position and the re-measurement is presented in other revenue.

The Bank has not designated any commitments to provide a loan below market rate designated at fair value through the statement of profit or loss.

**Hedge Accounting**
The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations, as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Bank does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition, the Bank does not use the exemption to continue using IAS 39 hedge accounting rules, i.e. the Bank applies IFRS 9 hedge accounting rules in full.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges, and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of the hedged item.

The Bank rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Bank adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In some hedge relationships, the Bank designates only the intrinsic value of options. In this case, the fair value change of the time value component of the option contract is deferred in OCI, over the term of the hedge, to the extent that it relates to the hedged item and is reclassified from equity to profit or loss when the hedged item does not result in the recognition of a non-financial item. The Bank’s risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Bank’s risk exposures relate to financial items only.

The hedged items designated by the Bank are time-period related hedged items, which means that the amount of the original time value of the option that relates to the hedged item is amortized from equity to profit or loss on a rational basis (e.g. straight-line) over the term of the hedging relationship.

In some hedge relationships, the Bank excludes from the designation the forward element of forward contracts or the currency basis spread of cross currency hedging instruments. In this case, a similar treatment is applied to the one applied for the time value of options. The treatment for the forward element of a forward contract and the currency basis element is optional, and the option is applied on a hedge- by- hedge basis, unlike the treatment for the time value of the options which is mandatory. For hedge relationships with forwards, or foreign currency derivatives such as cross currency interest rate swaps, where the forward element or the currency basis spread is excluded from the designation, the Bank generally recognizes the excluded element in OCI.
The fair values of the derivative instruments used for hedging purposes and movements in the hedging reserve are determined in equity.

**Fair Value Hedges**
The fair value change on qualifying hedging instruments is recognized in the consolidated statement of profit or loss except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income in which case it is recognized in OCI. The Bank has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at fair value through other comprehensive income, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognized in profit or loss instead of OCI. When the hedged item is an equity instrument designated at fair value through other comprehensive income, the hedging gain/loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains/losses are recognized in the consolidated statement of profit or loss, they are recognized in the same line as the hedged item.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortized cost or at fair value through other comprehensive income) arising from the hedged risk is amortized to profit or loss commencing no later than the date when hedge accounting is discontinued.

**Cash Flow Hedges**

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in the cash flow hedging reserve, a separate component of other comprehensive income, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss consolidated statement.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. If the Bank no longer expects the transaction to occur, that amount is immediately reclassified to profit or loss consolidated statement.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is
reclassified and recognized immediately in profit or loss consolidated statement.

**Hedges of Net Investments in Foreign Operations**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain/loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to the statement of profit or loss in the same way as exchange differences relating to the foreign operation as described above.

**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 less.

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 profit and loss. 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 profit and loss. Indemnities paid to employees are reduced from the provision upon their resignation or end of service.

**Earning per Share**

The Group calculates basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the yearly profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**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 recognized 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.

<u>Evaluation of business model</u>
The classification and measurement of financial assets depend on the results of the principal and interest payments test on the principal outstanding and the business model test. The Bank defines a business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment that reflects all relevant evidence, including how to assess the performance of the assets and measure their performance, the risks that affect the performance of assets and how they are managed, and how asset managers are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income and derecognized before maturity to understand the reason for derecognition and whether the reasons are consistent with the objective of the business held. In this respect, control is part of the Bank's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is inappropriate if there is a change in the business model, and therefore, a future change is made in the classification of those assets.

*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.

*Basis of consolidating Group's entities :*

According to the criteria established by the International Financial Reporting Standards, the Group assesses the requirements of the standards on an annual basis to ensure that the consolidation of its subsidiaries is still appropriate and inline with these requirements .

The consolidation of Arab Bank Switzerland (limited) which is an integral part of Arab Bank Group was assessed in accordance with the requirements of IFRS. Taking into consideration the de facto structure and the exposure to the variable returns that the Group has, which reflects the full ownership and benefits to the shareholders, Arab Bank Switzerland (Limited) financials statements were consolidated in the Group's consolidated financial statements.

*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 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.

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.

**Compliance of the IFRS9 implementation**

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- Expected Credit Loss

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

| | | 2023 | | | |
|---|---|---|---|---|---|
| | Notes | Stage 1 | Stage 2 | Stage 3 | **Total** |
| | | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Balances with central banks | 8 | 95 | 92 554 | - | 92 649 |
| Balances with banks and financial institutions | 9 | 115 | - | - | 115 |
| Deposits with banks and financial institutions | 10 | ( 469) | - | - | ( 469) |
| Direct credit facilities at amortized cost | 13 | 114 708 | 224 601 | 143 423 | 482 732 |
| Financial Assets at Fair Value through Other Comprehensive Income | 12 | 61 | - | - | 61 |
| Other Financial Assets at Amortized Cost. | 14 | 9 789 | 5 345 | - | 15 134 |
| Indirect Credit facilities | 25 | 8 816 | ( 7 092) | 336 | 2 060 |
| **Total** | | **133 115** | **315 408** | **143 759** | **592 282** |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | Notes | Stage 1 | Stage 2 | Stage 3 | **Total** |
| | | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Balances with central banks | 8 | ( 49) | 31 047 | - | **30 998** |
| Balances with banks and financial institutions | 9 | ( 81) | - | - | **( 81)** |
| Deposits with banks and financial institutions | 10 | 404 | - | - | **404** |
| Direct credit facilities at amortized cost | 13 | 28 810 | 199 792 | 190 438 | **419 040** |
| Financial Assets at Fair Value through Other Comprehensive Income | 12 | 64 | - | - | **64** |
| Other Financial Assets at Amortized Cost. | 14 | 11 361 | ( 431) | - | **10 930** |
| Indirect Credit facilities | 25 | 4 026 | ( 876) | 8 501 | **11 651** |
| **Total** | | **44 535** | **229 532** | **198 939** | **473 006** |

## 7. Cash and Balances with Central Banks

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Cash in vaults | 810 683 | 915 691 |
| Balances with central banks: | | |
| - Current accounts | 3 923 958 | 3 772 897 |
| - Time and notice | 7 088 062 | 5 677 583 |
| - Mandatory cash reserve | 1 554 990 | 1 430 592 |
| - Certificates of deposit | 223 203 | 131 412 |
| **Total Balances with Central Banks** | **12 790 213** | **11 012 484** |
| Less: Net ECL Charges | ( 350 436) | ( 232 784) |
| **Total Cash and Balances with Central Banks** | **13 250 460** | **11 695 391** |

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

- There were no balances and certificates of deposit maturing after three months as of 31 December 2023 and 2022.

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | **Total** | **Total** |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Low risk / performing (1-2) | 12 014 059 | - | - | **12 014 059** | **10 243 421** |
| Acceptable risk / performing (3-7) | - | 776 154 | - | 776 154 | **769 063** |
| **Total** | **12 014 059** | **776 154** | - | **12 790 213** | **11 012 484** |

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

-Probability of default at acceptable risk 0.22% - 45%

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **10 243 421** | **769 063** | - | **11 012 484** | **11 434 604** |
| New balances (Additions) | 2 016 662 | 7 080 | - | **2 023 742** | **1 040 629** |
| Repaid balances (excluding write offs) | ( 284 069) | - | - | **( 284 069)** | **(1 190 313)** |
| Translation Adjustments | 38 045 | 11 | - | **38 056** | **( 272 436)** |
| **Balance at the end of the year** | **12 014 059** | **776 154** | - | **12 790 213** | **11 012 484** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **1 734** | **231 050** | - | **232 784** | **201 912** |
| New ECL charges during the year | 395 | 92 554 | - | **92 949** | **31 603** |
| Recoveries (excluding write offs) | ( 300) | - | - | **( 300)** | **( 605)** |
| Adjustments during the year | - | 25 000 | - | **25 000** | **-** |
| Translation Adjustments | 16 | ( 13) | - | **3** | **( 126)** |
| **Balance at the end of the year** | **1 845** | **348 591** | - | **350 436** | **232 784** |

## 8. Balances with Banks and Financial Institutions

The details of this item are as follows:

**Local banks and financial institutions**

| | 31 December | |
|---|---|---|
| | **2023** | **2022** |
| | **USD '000** | **USD '000** |
| Current accounts | 2 375 | 4 181 |
| Time deposits maturing within 3 months | 213 443 | 194 821 |
| **Total** | **215 818** | **199 002** |

**Abroad Banks and financial institutions**

| | 31 December | |
|---|---|---|
| | **2023** | **2022** |
| | **USD '000** | **USD '000** |
| Current accounts | 2 079 488 | 1 196 198 |
| Time deposits maturing within 3 months | 1 912 117 | 2 615 574 |
| **Total** | **3 991 605** | **3 811 772** |
| **Less: Net ECL Charges** | **( 2 943)** | **( 2 630)** |
| **Total balances with Banks and Financial Institutions Local and Abroad** | **4 204 480** | **4 008 144** |

There are no non interest bearing balances as of 31 December 2023 and 2022.
There are no restricted balances as of 31 December 2023 and 2022.

**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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | **Total** | **Total** |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Low risk / performing (1-2) | 3 843 051 | - | - | **3 843 051** | **3 165 461** |
| Acceptable risk / performing (3-7) | 364 372 | - | - | **364 372** | **845 313** |
| **Total** | **4 207 423** | - | - | **4 207 423** | **4 010 774** |

-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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **4 010 774** | - | - | **4 010 774** | **3 759 049** |
| New balances (Additions) | 459 191 | - | - | **459 191** | **411 660** |
| Repaid balances (excluding write offs) | ( 444 367) | - | - | **( 444 367)** | **( 94 995)** |
| Translation Adjustments | 181 825 | - | - | **181 825** | **( 64 940)** |
| **Balance at the end of the year** | **4 207 423** | - | - | **4 207 423** | **4 010 774** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **2 630** | - | - | **2 630** | **2 765** |
| New ECL charges during the year | 817 | - | - | **817** | **807** |
| Recoveries (excluding write offs) | ( 702) | - | - | **( 702)** | **( 888)** |
| Translation Adjustments | 198 | - | - | **198** | **( 54)** |
| **Balance at the end of the year** | **2 943** | - | - | **2 943** | **2 630** |

**9. Deposits with Banks and Financial Institutions**

The details of this item are as follows:

| Local banks and financial institutions | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Time deposits maturing after one year | 55 673 | 47 610 |
| **Total** | **55 673** | **47 610** |

| Abroad banks and financial institutions | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Time deposits maturing after 3 months and before 6 months | 140 232 | 412 164 |
| Time deposits maturing after 6 months and before 9 months | - | 131 816 |
| Time deposits maturing after 9 months and before one year | 3 816 | 19 958 |
| Time deposits maturing after one year | - | - |
| Certificates of deposit maturing after 9 months and before one year | 74 977 | - |
| **Total** | **219 025** | **563 938** |
| **Less: Net ECL Charges** | **( 891)** | **( 1 242)** |
| **Total Deposits with banks and financial institutions Local and Abroad** | **273 807** | **610 306** |

There are no restricted deposits as of 31 December 2023 and 2022

**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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Low risk / performing (1-2) | 274 698 | - | - | **274 698** | 427 195 |
| Acceptable risk / performing (3-7) | - | - | - | - | 184 353 |
| **Total** | **274 698** | **-** | **-** | **274 698** | **611 548** |

-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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **611 548** | **-** | **-** | **611 548** | **276 340** |
| New balances (Additions) | 80 779 | - | - | **80 779** | 376 437 |
| Repaid balances (excluding write offs) | ( 471 098) | - | - | **( 471 098)** | ( 39 354) |
| Translation Adjustments | 53 469 | - | - | **53 469** | ( 1 875) |
| **Balance at the end of the year** | **274 698** | **-** | **-** | **274 698** | **611 548** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **1 242** | **-** | **-** | **1 242** | **846** |
| New ECL charges during the year | 56 | - | - | **56** | 614 |
| Recoveries (excluding write offs) | ( 525) | - | - | **( 525)** | ( 210) |
| Translation Adjustments | 118 | - | - | **118** | ( 8) |
| **Balance at the end of the year** | **891** | **-** | **-** | **891** | **1 242** |

**10. Financial Assets at Fair Value through Profit or Loss**

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Treasury bills and Government bonds | 13 414 | 35 315 |
| Corporate bonds | 10 443 | 13 347 |
| Corporate shares | 9 557 | 1 981 |
| Mutual funds | 21 598 | 21 610 |
| **Total** | **55 012** | **72 253** |

| | 31 December 2023 | | |
|---|---|---|---|
| | Designated as FV | Carried Mandatorily at FV | Total |
| | USD '000 | USD '000 | USD '000 |
| Treasury bills and Government bonds | 13 414 | - | 13 414 |
| Corporate bonds | 10 443 | - | 10 443 |
| Corporate shares | - | 9 557 | 9 557 |
| Mutual funds | - | 21 598 | 21 598 |
| **Total** | **23 857** | **31 155** | **55 012** |

| | 31 December 2022 | | |
|---|---|---|---|
| | Designated as FV | Carried Mandatorily at FV | Total |
| | USD '000 | USD '000 | USD '000 |
| Treasury bills and Government bonds | 35 315 | - | 35 315 |
| Corporate bonds | 13 347 | - | 13 347 |
| Corporate shares | - | 1 981 | 1 981 |
| Mutual funds | - | 21 610 | 21 610 |
| **Total** | **48 662** | **23 591** | **72 253** |

## 11. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Quoted shares | 154 510 | 152 699 |
| Un-quoted shares | 194 589 | 197 111 |
| Governmental bonds and bonds guaranteed by the government | 302 481 | 292 294 |
| Corporate bonds | 108 002 | 109 004 |
| Less: Net ECL Charges | ( 544) | ( 536) |
| **Total** | **759 038** | **750 572** |

* Cash dividends from investments above amounted to USD 8.7 million for the year ended 31 December 2023 (USD 8.3 million for the year ended 31 December 2022).

**The movement of ECL charges on Financial Assets at OCI is as follows:**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **536** | **-** | **-** | **536** | **472** |
| New ECL charges during the year | 107 | - | - | **107** | 112 |
| Recoveries | ( 46) | - | - | **( 46)** | ( 48) |
| Translation Adjustments | ( 53) | - | - | **( 53)** | - |
| **Balance at the end of the year** | **544** | **-** | **-** | **544** | **536** |

| | 31 December 2023 | | |
|---|---|---|---|
| | Designated as FV | Carried Mandatorily at FV | Total |
| | USD '000 | USD '000 | USD '000 |
| Quoted shares | - | 154 510 | 154 510 |
| Un-quoted shares | - | 194 589 | 194 589 |
| Governmental bonds and bonds guaranteed by the government | 302 481 | - | 302 481 |
| Corporate bonds through OCI | 108 002 | - | 108 002 |
| Less: Net ECL Charges | ( 544) | - | ( 544) |
| **Total** | **409 939** | **349 099** | **759 038** |

| | 31 December 2022 | | |
|---|---|---|---|
| | Designated as FV | Carried Mandatorily at FV | Total |
| | USD '000 | USD '000 | USD '000 |
| Quoted shares | - | 152 699 | 152 699 |
| Un-quoted shares | - | 197 111 | 197 111 |
| Governmental bonds and bonds guaranteed by the government | 292 294 | - | 292 294 |
| Corporate bonds through OCI | 109 004 | - | 109 004 |
| Less: Net ECL Charges | ( 536) | - | ( 536) |
| **Total** | **400 762** | **349 810** | **750 572** |

## 12. Direct Credit Facilities at Amortized Cost

The details of this item are as follows:

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | 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 * | 46 272 | 69 985 | 597 759 | 244 847 | 28 686 | 987 549 |
| Overdrafts * | 99 127 | 1 326 921 | 2 932 846 | 4 794 | 211 721 | 4 575 409 |
| Loans and advances * | 5 451 028 | 2 252 877 | 15 187 618 | 11 978 | 2 967 341 | 25 870 842 |
| Real-estate loans | 4 615 790 | 453 933 | 276 955 | - | - | 5 346 678 |
| Credit cards | 299 219 | - | - | - | - | 299 219 |
| **Total** | **10 511 436** | **4 103 716** | **18 995 178** | **261 619** | **3 207 748** | **37 079 697** |
| Less: Interest and commission in suspense | 120 716 | 149 872 | 645 656 | 50 | - | **916 294** |
| Provision for impairment - ECL | 274 161 | 416 169 | 2 288 380 | 3 399 | 23 046 | **3 005 155** |
| **Total** | **394 877** | **566 041** | **2 934 036** | **3 449** | **23 046** | **3 921 449** |
| **Net Direct Credit Facilities at Amortized Cost** | **10 116 559** | **3 537 675** | **16 061 142** | **258 170** | **3 184 702** | **33 158 248** |

* Net of interest and commission received in advance, which amounted to USD 183.8 million as of 31 December 2023.

- Rescheduled loans during the year ended 31 December 2023 amounted to USD 479.9 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2023 amounted to USD 5.6 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of 31 December 2023 amounted to USD 156.7 million, or 0.42% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2023 amounted to USD 3037.3 million, or 8.2% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of 31 December 2023 amounted to USD 2152.1 million or 6% of direct credit facilities, after deducting interest and commission in suspense.

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | 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 * | 46 125 | 82 585 | 654 372 | 318 226 | 16 000 | **1 117 308** |
| Overdrafts * | 91 982 | 1 291 488 | 3 163 709 | 5 337 | 343 839 | **4 896 355** |
| Loans and advances * | 5 253 959 | 2 332 858 | 13 815 556 | 30 225 | 2 671 387 | **24 103 985** |
| Real-estate loans | 4 338 549 | 404 266 | 290 822 | - | - | **5 033 637** |
| Credit cards | 288 992 | - | - | - | - | **288 992** |
| **Total** | **10 019 607** | **4 111 197** | **17 924 459** | **353 788** | **3 031 226** | **35 440 277** |
| | | | | | | |
| Less: Interest and commission in suspense | 112 987 | 141 609 | 646 506 | 49 | - | **901 151** |
| Provision for impairment - ECL | 292 007 | 421 493 | 2 078 270 | 4 751 | 16 007 | **2 812 528** |
| **Total** | **404 994** | **563 102** | **2 724 776** | **4 800** | **16 007** | **3 713 679** |
| **Net Direct Credit Facilities at Amortized Cost** | **9 614 613** | **3 548 095** | **15 199 683** | **348 988** | **3 015 219** | **31 726 598** |

* Net of interest and commission received in advance, which amounted to USD 136 million as of 31 December 2022.

- Rescheduled loans during the year ended 31 December 2022 amounted to USD 1001.9 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2022 amounted to USD 4.6 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of 31 December 2022 amounted to USD 139.5 million, or 0.4% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2022 amounted to USD 2930 million, or 8.3% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of 31 December 2022 amounted to USD 2084.1 million or 6% 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 2023 are as follows:**

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | Corporates | | | | |
| | Consumer Banking | Small and Medium | Large | Banks and Financial Institutions | Government and Public Sector | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| **Balance at the beginning of the year** | **292 007** | **421 493** | **2 078 270** | **4 751** | **16 007** | **2 812 528** |
| ECL charges during the year | 40 534 | 100 435 | 478 726 | 866 | 17 908 | **638 469** |
| Recoveries | ( 38 757) | ( 21 750) | ( 111 178) | ( 1 704) | ( 10 720) | **( 184 109)** |
| Transferred to Stage 1 | 10 371 | ( 1 652) | 23 019 | - | ( 44) | **31 694** |
| Transferred to Stage 2 | ( 2 183) | ( 9 268) | ( 263 596) | - | 44 | **( 275 003)** |
| Transferred to Stage 3 | ( 8 188) | 10 920 | 240 577 | - | - | **243 309** |
| Impact on year end ECL caused by transfers between stages during the year | 7 518 | 11 054 | 9 800 | - | - | **28 372** |
| Used from provision (written off or transferred to off statement of financial position) | ( 30 588) | ( 75 727) | ( 235 062) | - | - | **( 341 377)** |
| Adjsutments during the year | 6 712 | ( 19 551) | 81 242 | ( 602) | ( 223) | **67 578** |
| Translation Adjustments | ( 3 265) | 215 | ( 13 418) | 88 | 74 | ( 16 306) |
| **Balance at the End of the Year** | **274 161** | **416 169** | **2 288 380** | **3 399** | **23 046** | **3 005 155** |

**The details of the movement of the provision for impairment - ECL for direct credit facilities at amortized cost as of 31 December 2022 was as follows :**

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | Corporates | | | | |
| | Consumer Banking | Small and Medium | Large | Banks and Financial Institutions | Government and Public Sector | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| **Balance at the beginning of the year** | **312 222** | **397 379** | **1 856 016** | **5 511** | **12 006** | **2 583 134** |
| ECL charges during the year | 38 421 | 56 655 | 464 617 | 2 111 | 6 779 | **568 583** |
| Recoveries | ( 34 087) | ( 14 624) | ( 113 221) | ( 2 983) | ( 2 264) | **( 167 179)** |
| Transferred to Stage 1 | 928 | ( 1 200) | 6 282 | 790 | 464 | **7 264** |
| Transferred to Stage 2 | ( 2 990) | ( 7 006) | ( 58 056) | ( 790) | ( 464) | **( 69 306)** |
| Transferred to Stage 3 | 2 062 | 8 206 | 51 774 | - | - | **62 042** |
| Impact on year end ECL caused by transfers between stages during the year | 3 728 | 6 201 | 7 707 | - | - | **17 636** |
| Used from provision (written off or transferred to off statement of financial position) | ( 18 591) | ( 19 969) | ( 75 682) | - | - | **( 114 242)** |
| Adjsutments during the year | 1 596 | 12 909 | 2 378 | - | - | **16 883** |
| Translation Adjustments | ( 11 282) | ( 17 058) | ( 63 545) | 112 | ( 514) | **( 92 287)** |
| **Balance at the End of the Year** | **292 007** | **421 493** | **2 078 270** | **4 751** | **16 007** | **2 812 528** |

- 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 2023 and 2022.

- Impairment is assessed based on individual customer accounts.

- Non-performing direct credit facilities transferred to off consolidated statement of financial position amounted to USD 440 million as of 31 December 2023 ( USD 96.2 million as of 31 December 2022) 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 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Corporates | | | | | |
| | Due from Banks | Financial Assets Bonds | Large Corporates | Small and Medium 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 (20%) | 334 471 | 42 823 | 2 218 293 | 448 866 | 3 333 | 18 053 | 109 176 | **3 175 015** |
| Base case (45%) | 343 930 | 50 025 | 2 232 428 | 452 418 | 3 359 | 20 512 | 112 575 | **3 215 247** |
| Downside (35%) | 378 878 | 81 491 | 2 286 082 | 465 165 | 3 488 | 29 157 | 125 518 | **3 369 779** |

| | 31 December 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Corporates | | | | | |
| | Due from Banks | Financial Assets Bonds | Large Corporates | Small and Medium 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 (20%) | 213 300 | 35 530 | 2 046 610 | 416 508 | 3 959 | 12 514 | 173 299 | **2 901 720** |
| Base case (45%) | 224 177 | 39 283 | 2 060 075 | 418 615 | 4 322 | 14 109 | 174 713 | **2 935 294** |
| Downside (35%) | 266 046 | 56 567 | 2 119 755 | 428 042 | 5 755 | 20 443 | 180 295 | **3 076 903** |

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | **USD '000** | **USD '000** |
| Upside (30%) | 271 432 | 280 582 |
| Base case (40%) | 273 214 | 286 071 |
| Downside (30%) | 278 152 | 311 348 |

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 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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** | **112 987** | **141 609** | **646 506** | **49** | **-** | **901 151** | **27 261** |
| Interest and commission suspended during the year | 28 415 | 30 311 | 145 410 | - | - | **204 136** | 13 301 |
| Interest and commission in suspense settled (written off or transferred to off consolidated statement of financial position) | ( 13 241) | ( 17 825) | ( 145 231) | - | - | **( 176 297)** | ( 375) |
| Recoveries | ( 7 417) | ( 3 291) | ( 8 121) | - | - | **( 18 829)** | ( 5 877) |
| Adjustments during the year | ( 13) | ( 210) | 223 | - | - | **-** | - |
| Translation adjustments | ( 15) | ( 722) | 6 869 | 1 | - | **6 133** | ( 351) |
| **Balance at the End of the Year** | **120 716** | **149 872** | **645 656** | **50** | **-** | **916 294** | **33 959** |

| | 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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** | **106 284** | **143 654** | **528 556** | **49** | **-** | **778 543** | **25 727** |
| Interest and commission suspended during the year | 22 982 | 25 025 | 172 697 | - | - | **220 704** | 6 753 |
| Interest and commission in suspense settled (written off or transferred to off consolidated statement of financial position) | ( 7 542) | ( 21 085) | ( 33 653) | - | - | **( 62 280)** | ( 188) |
| Recoveries | ( 6 906) | ( 2 328) | ( 6 990) | - | - | **( 16 224)** | ( 5 029) |
| Adjustments during the year | - | ( 1 925) | 1 925 | - | - | **-** | - |
| Translation adjustments | ( 1 831) | ( 1 732) | ( 16 029) | - | - | **( 19 592)** | ( 2) |
| **Balance at the End of the Year** | **112 987** | **141 609** | **646 506** | **49** | **-** | **901 151** | **27 261** |

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

| | | | | | ECL |
|---|---|---|---|---|---|
| | Inside Jordan | Outside Jordan | 31 December 2023 | 31 December 2022 | 31 December 2023 |
| **Economic Sector** | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Consumer Banking | 3 735 931 | 6 380 628 | 10 116 559 | 9 614 613 | 274 161 |
| Industry and mining | 1 371 084 | 3 361 353 | 4 732 437 | 5 002 459 | 678 334 |
| Constructions | 450 449 | 1 532 080 | 1 982 529 | 2 089 411 | 618 571 |
| Real Estates | 261 590 | 1 113 777 | 1 375 367 | 1 455 609 | 55 243 |
| Trade | 1 433 201 | 2 992 559 | 4 425 760 | 4 306 033 | 496 820 |
| Agriculture | 236 042 | 196 520 | 432 562 | 396 992 | 49 025 |
| Tourism and Hotels | 267 599 | 521 425 | 789 024 | 705 434 | 100 949 |
| Transportations | 64 081 | 331 068 | 395 149 | 273 184 | 42 225 |
| Shares | - | 34 968 | 34 968 | 39 484 | 829 |
| General Services | 775 398 | 4 655 623 | 5 431 021 | 4 479 172 | 662 553 |
| Banks and Financial Institutions | 71 646 | 186 524 | 258 170 | 348 988 | 3 399 |
| Government and Public Sector | 231 734 | 2 952 968 | 3 184 702 | 3 015 219 | 23 046 |
| **Net Direct Credit Facilities at amortized Cost** | **8 898 755** | **24 259 493** | **33 158 248** | **31 726 598** | **3 005 155** |

**Direct Credit Facilities at Amortized Cost**

**The following is the distribution of credit exposures for direct credit facilities at amortized cost according to the Group's Internal Rating**

| | **31 December 2023** | | | | | | | **31 December 2022** |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | | **Stage 2** | | **Stage 3** | **Total** | | **Total** |
| | Individual | Collective | Individual | Collective | Individual | Individual | Collective | |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Low risk / performing | 5 095 509 | 1 316 974 | - | - | - | **5 095 509** | **1 316 974** | **5 911 517** |
| Acceptable risk / performing | 15 068 113 | 8 576 437 | 3 773 712 | 211 689 | - | **18 841 825** | **8 788 126** | **26 598 804** |
| **Non-performing:** | | | | | | | | |
| - Substandard | - | - | - | - | 171 502 | **171 502** | - | **123 575** |
| - Doubtful | - | - | - | - | 517 101 | **517 101** | - | **344 816** |
| - Problematic | - | - | - | - | 2 348 660 | **2 348 660** | - | **2 461 565** |
| **Total** | **20 163 622** | **9 893 411** | **3 773 712** | **211 689** | **3 037 263** | **26 974 597** | **10 105 100** | **35 440 277** |

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

| | **31 December 2023** | | | | | | | **31 December 2022** |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | **Total** | | **Total** |
| | Individual | Collective | Individual | Collective | Individual | Individual | Collective | |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** | | **USD '000** |
| **Balance at the beginning of the year** | **18 333 455** | **9 423 552** | **4 552 323** | **200 991** | **2 929 956** | **25 815 734** | **9 624 543** | **34 550 463** |
| New balances (Additions) | 7 657 716 | 1 897 865 | 585 275 | 37 963 | 349 087 | **8 592 078** | **1 935 828** | **9 551 854** |
| Repaid balances (excluding write offs) | (5 917 949) | (1 393 298) | (1 108 536) | ( 59 833) | ( 141 512) | **(7 167 997)** | **(1 453 131)** | **(7 701 543)** |
| Transfers to stage 1 | 482 920 | 25 583 | ( 482 757) | ( 22 263) | ( 3 483) | **( 3 320)** | **3 320** | **-** |
| Transfers to stage 2 | ( 561 645) | ( 63 272) | 583 835 | 74 170 | ( 33 088) | **( 10 898)** | **10 898** | **-** |
| Transfers to stage 3 | ( 30 155) | ( 22 619) | ( 367 573) | ( 20 284) | 440 631 | **42 903** | **( 42 903)** | **-** |
| Written off balances or transferred to off consolidated statement of financial position | - | - | - | - | ( 517 674) | **( 517 674)** | **-** | **( 166 778)** |
| Translation adjustments | 199 280 | 25 600 | 11 145 | 945 | 13 346 | **223 771** | **26 545** | **( 793 719)** |
| **Total** | **20 163 622** | **9 893 411** | **3 773 712** | **211 689** | **3 037 263** | **26 974 597** | **10 105 100** | **35 440 277** |

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

| | **31 December 2023** | | | | | | | **31 December 2022** |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | **Total** | | **Total** |
| | Individual | Collective | Individual | Collective | Individual | Individual | Collective | |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| **Balance at the beginning of the year** | **97 115** | **33 663** | **763 427** | **29 055** | **1 889 268** | **2 749 810** | **62 718** | **2 583 134** |
| ECL charges during the year | 146 655 | 5 663 | 298 030 | 1 336 | 186 785 | **631 470** | **6 999** | **568 583** |
| Recoveries (excluding write offs) | ( 35 518) | ( 2 092) | ( 62 375) | ( 11 251) | ( 72 873) | **( 170 766)** | **( 13 343)** | **( 167 179)** |
| Transfers to stage 1 | 30 991 | 11 818 | ( 20 488) | ( 696) | ( 21 625) | **( 11 122)** | **11 122** | **-** |
| Transfers to stage 2 | ( 7 670) | ( 667) | 13 069 | 1 203 | ( 5 935) | **( 536)** | **536** | **-** |
| Transfers to stage 3 | ( 1 998) | ( 780) | ( 265 401) | ( 2 690) | 270 869 | **3 470** | **( 3 470)** | **-** |
| Impact on year end ECL caused by transfers between stages during the year | - | - | ( 3 289) | 2 150 | 29 511 | **26 222** | **2 150** | **17 636** |
| Written off balances or transferred to off consolidated statement of financial position | - | - | - | - | ( 341 377) | **( 341 377)** | **-** | **( 114 242)** |
| Adjustments during the year | ( 424) | 203 | ( 3 068) | 481 | 70 386 | **66 894** | **684** | **16 883** |
| Translation adjustments | ( 212) | ( 602) | ( 5 718) | ( 881) | ( 8 893) | **( 14 823)** | **( 1 483)** | **( 92 287)** |
| **Total** | **228 939** | **47 206** | **714 187** | **18 707** | **1 996 116** | **2 939 242** | **65 913** | **2 812 528** |

**Direct Credit Facilities at Amortized Cost - Consumer Banking**

**The following is the distribution of credit exposures for direct credit facilities at amortized cost - CB according to the Group's Internal Rating.**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Low risk / performing | 1 316 974 | - | - | **1 316 974** | **1 128 782** |
| Acceptable risk / performing | 8 576 437 | 211 689 | - | **8 788 126** | **8 495 761** |
| **Non-performing:** | | | | | |
| - Substandard | - | - | 44 142 | **44 142** | **30 838** |
| - Doubtful | - | - | 52 747 | **52 747** | **37 973** |
| - Problematic | - | - | 309 447 | **309 447** | **326 253** |
| **Total** | **9 893 411** | **211 689** | **406 336** | **10 511 436** | **10 019 607** |

-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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | 9 423 552 | **200 991** | **395 064** | **10 019 607** | **9 341 770** |
| New balances (Additions) | 1,897,865 | 37 963 | 66 113 | **2 001 941** | **2 248 620** |
| Repaid balances (excluding write offs) | 1,393,298- | ( 59 833) | ( 38 825) | **(1 491 956)** | **(1 382 175)** |
| Transfers to stage 1 | 25,583 | ( 22 263) | ( 3 320) | - | - |
| Transfers to stage 2 | ( 63 272) | 74 170 | ( 10 898) | - | - |
| Transfers to stage 3 | ( 22 619) | ( 20 284) | 42 903 | - | - |
| Written off balances or transferred to off consolidated statement of financial position | - | - | ( 43 829) | **( 43 829)** | **( 25 169)** |
| Translation Adjustments | 25 600 | 945 | ( 872) | **25 673** | **( 163 439)** |
| **Total** | **9 893 411** | **211 689** | **406 336** | **10 511 436** | **10 019 607** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **33 663** | **29 055** | **229 289** | **292 007** | **312 222** |
| ECL charges during the year | 5 663 | 1 336 | 33 535 | **40 534** | **38 421** |
| Recoveries (excluding write offs) | ( 2 092) | ( 11 251) | ( 25 414) | **( 38 757)** | **( 34 087)** |
| Transfers to stage 1 | 11 818 | ( 696) | ( 11 122) | - | - |
| Transfers to stage 2 | ( 667) | 1 203 | ( 536) | - | - |
| Transfers to stage 3 | ( 780) | ( 2 690) | 3 470 | - | - |
| Impact on year end ECL caused by transfers between stages during the year | - | 2 150 | 5 368 | **7 518** | **3 728** |
| Written off balances or transferred to off consolidated statement of financial position | - | - | ( 30 588) | **( 30 588)** | **( 18 591)** |
| Adjustments during the year | 203 | 481 | 6 028 | **6 712** | **1 596** |
| Translation Adjustments | ( 602) | ( 881) | ( 1 782) | **( 3 265)** | **( 11 282)** |
| **Total** | **47 206** | **18 707** | **208 248** | **274 161** | **292 007** |

**Direct Credit Facilities at Amortized Cost - Small & Medium Enterprises**

**The following is the distribution of credit exposures for direct credit facilities at amortized cost - SMEs according to the Group's Internal Rating.**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Low risk / performing | 1 442 976 | - | - | **1 442 976** | **1 397 535** |
| Acceptable risk / performing | 1 628 823 | 506 153 | - | **2 134 976** | **2 139 599** |
| **Non-performing :** | | | | | |
| - Substandard | - | - | 29 889 | **29 889** | **4 368** |
| - Doubtful | - | - | 74 188 | **74 188** | **68 289** |
| - Problematic | - | - | 421 687 | **421 687** | **501 406** |
| **Total** | **3 071 799** | **506 153** | **525 764** | **4 103 716** | **4 111 197** |

-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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **2 742 132** | **795 002** | **574 063** | **4 111 197** | **4 355 158** |
| New balances (Additions) | 589 694 | 102 669 | 27 693 | **720 056** | **727 126** |
| Repaid balances (excluding write offs) | ( 396 256) | ( 297 498) | ( 48 753) | **( 742 507)** | **( 812 467)** |
| Transfers to stage 1 | 122 329 | ( 122 202) | ( 127) | - | - |
| Transfers to stage 2 | ( 75 127) | 78 686 | ( 3 559) | - | - |
| Transfers to stage 3 | ( 14 532) | ( 52 686) | 67 218 | - | - |
| Written off balances or transferred to off consolidated statement of financial position | - | - | ( 93 552) | **( 93 552)** | **( 39 152)** |
| Translation Adjustments | 103 559 | 2 182 | 2 781 | **108 522** | **( 119 468)** |
| **Total** | **3 071 799** | **506 153** | **525 764** | **4 103 716** | **4 111 197** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **15 504** | **71 828** | **334 161** | **421 493** | **397 379** |
| ECL charges during the year | 6 065 | 30 703 | 63 667 | **100 435** | **56 655** |
| Recoveries (excluding write offs) | ( 1 807) | ( 4 678) | ( 15 265) | **( 21 750)** | **( 14 624)** |
| Transfers to stage 1 | 2 108 | ( 2 106) | ( 2) | - | - |
| Transfers to stage 2 | ( 1 923) | 2 375 | ( 452) | - | - |
| Transfers to stage 3 | ( 1 837) | ( 9 537) | 11 374 | - | - |
| Impact on year end ECL caused by transfers between stages during the year | - | ( 1 254) | 12 308 | **11 054** | **6 201** |
| Written off balances or transferred to off consolidated statement of financial position | - | - | ( 75 727) | **( 75 727)** | **( 19 969)** |
| Adjustments during the year | ( 880) | ( 488) | ( 18 183) | **( 19 551)** | **12 909** |
| Translation Adjustments | 422 | ( 869) | 662 | **215** | **( 17 058)** |
| **Total** | **17 652** | **85 974** | **312 543** | **416 169** | **421 493** |

**Direct Credit Facilities at Amortized Cost - Large Corporates**

**The following is the distribution of credit exposures for direct credit facilities at amortized cost - LCs according to the Group's Internal Rating"**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | **Total** | **Total** |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Low risk / performing | 2 030 025 | - | - | **2 030 025** | **1 854 112** |
| Acceptable risk / performing | 11 835 479 | 3 027 870 | - | **14 863 349** | **14 113 669** |
| **Non-performing :** | | | | - | |
| - Substandard | - | - | 97 471 | **97 471** | **88 369** |
| - Doubtful | - | - | 390 166 | **390 166** | **238 554** |
| - Problematic | - | - | 1 614 167 | **1 614 167** | **1 629 755** |
| **Total** | **13 865 504** | **3 027 870** | **2 101 804** | **18 995 178** | **17 924 459** |

-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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **12 259 297** | **3 708 484** | **1 956 678** | **17 924 459** | **17 975 980** |
| New balances (Additions) | 5 836 807 | 482 606 | 255 281 | **6 574 694** | **4 842 211** |
| Repaid balances (excluding write offs) | (4 363 979) | ( 805 209) | ( 52 851) | **(5 222 039)** | **(4 345 975)** |
| Transfers to stage 1 | 354 242 | ( 354 206) | ( 36) | **-** | **-** |
| Transfers to stage 2 | ( 284 496) | 303 127 | ( 18 631) | **-** | **-** |
| Transfers to stage 3 | ( 15 623) | ( 314 887) | 330 510 | **-** | **-** |
| Written off balances or transferred to off consolidated statement of financial position | - | - | ( 380 293) | **( 380 293)** | **( 102 457)** |
| Translation Adjustments | 79 256 | 7 955 | 11 146 | **98 357** | **( 445 300)** |
| **Total** | **13 865 504** | **3 027 870** | **2 101 804** | **18 995 178** | **17 924 459** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **67 000** | **689 986** | **1 321 284** | **2 078 270** | **1 856 016** |
| ECL charges during the year | 133 883 | 255 260 | 89 583 | **478 726** | **464 617** |
| Recoveries (excluding write offs) | ( 21 825) | ( 57 614) | ( 31 739) | **( 111 178)** | **( 113 221)** |
| Transfers to stage 1 | 28 883 | ( 18 382) | ( 10 501) | - | - |
| Transfers to stage 2 | ( 5 703) | 10 650 | ( 4 947) | - | - |
| Transfers to stage 3 | ( 161) | ( 255 864) | 256 025 | - | - |
| Impact on year end ECL caused by transfers between stages during the year | - | ( 2 035) | 11 835 | **9 800** | **7 707** |
| Written off balances or transferred to off consolidated statement of financial position | - | - | ( 235 062) | **( 235 062)** | **( 75 682)** |
| Adjustments during the year | 1 150 | ( 2 445) | 82 537 | **81 242** | **2 378** |
| Translation Adjustments | ( 777) | ( 4 773) | ( 7 868) | **( 13 418)** | **( 63 545)** |
| **Total** | **202 450** | **614 783** | **1 471 147** | **2 288 380** | **2 078 270** |

**Direct Credit Facilities at Amortized Cost - Banks & Financial Institutions**

**The following is the distribution of credit exposures for direct credit facilities at amortized cost - B&FI according to the Group's Internal Rating.**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Low risk / performing | 85 340 | - | - | **85 340** | **95 856** |
| Acceptable risk / performing | 173 267 | - | - | **173 267** | **254 423** |
| **Non-performing:** | | | | | |
| - Problematic | - | - | 3 012 | **3 012** | **3 509** |
| **Total** | **258 607** | **-** | **3 012** | **261 619** | **353 788** |

-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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **350 279** | **-** | **3 509** | **353 788** | **378 248** |
| New balances (Additions) | 220 151 | - | - | **220 151** | **498 429** |
| Repaid balances (excluding write offs) | ( 320 525) | - | ( 567) | **( 321 092)** | **( 508 715)** |
| Translation Adjustments | 8 702 | - | 70 | **8 772** | **( 14 174)** |
| **Total** | **258 607** | **-** | **3 012** | **261 619** | **353 788** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **1 291** | **-** | **3 460** | **4 751** | **5 511** |
| ECL charges during the year | 866 | - | - | **866** | **2 111** |
| Recoveries (excluding write offs) | ( 1 249) | - | ( 455) | **( 1 704)** | **( 2 983)** |
| Adjustments during the year | ( 490) | - | ( 112) | **( 602)** | **-** |
| Translation Adjustments | 19 | - | 69 | **88** | **112** |
| **Total** | **437** | **-** | **2 962** | **3 399** | **4 751** |

**Direct Credit Facilities at Amortized Cost - Government & Public Sector**

**The following is the distribution of credit exposures for direct credit facilities at amortized - Gov.& PS cost according to the Group's Internal Rating**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | **Total** | **Total** |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Low risk / performing | 1 537 168 | - | - | **1 537 168** | **1 435 232** |
| Acceptable risk / performing | 1 430 544 | 239 689 | - | **1 670 233** | **1 595 352** |
| **Non-performing :** | | | | | |
| - Problematic | - | - | 347 | **347** | **642** |
| **Total** | **2 967 712** | **239 689** | **347** | **3 207 748** | **3 031 226** |

-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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **2 981 747** | **48 837** | **642** | **3 031 226** | **2 499 307** |
| New balances (Additions) | 1 011 064 | - | - | **1 011 064** | **1 235 468** |
| Repaid balances (excluding write offs) | ( 837 189) | ( 5 829) | ( 516) | **( 843 534)** | **( 652 211)** |
| Transfers to stage 1 | 6 349 | ( 6 349) | - | - | - |
| Transfers to stage 2 | ( 202 022) | 202 022 | - | - | - |
| Translation Adjustments | 7 763 | 1 008 | 221 | **8 992** | **( 51 338)** |
| **Total** | **2 967 712** | **239 689** | **347** | **3 207 748** | **3 031 226** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **13 320** | **1 613** | **1 074** | **16 007** | **12 006** |
| ECL charges during the year | 5 841 | 12 067 | - | **17 908** | **6 779** |
| Recoveries (excluding write offs) | ( 10 637) | ( 83) | - | **( 10 720)** | **( 2 264)** |
| Transfers to stage 2 | ( 44) | 44 | - | - | - |
| Adjustments during the year | ( 204) | ( 135) | 116 | **( 223)** | - |
| Translation Adjustments | 124 | ( 76) | 26 | **74** | **( 514)** |
| **Total** | **8 400** | **13 430** | **1 216** | **23 046** | **16 007** |

**Direct Credit Facilities at Amortized Cost - Real Estate**

**The following is the distribution of credit exposures for direct credit facilities at amortized cost - RE according to the Group's Internal Rating.**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | **Total** | **Total** |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Low risk / performing | 723 736 | - | - | **723 736** | **352 986** |
| Acceptable risk / performing | 4 276 125 | 202 280 | - | **4 478 405** | **4 566 478** |
| **Non-performing:** | | | | | |
| - Substandard | - | - | 21 515 | **21 515** | **14 436** |
| - Doubtful | - | - | 24 451 | **24 451** | **17 017** |
| - Problematic | - | - | 98 571 | **98 571** | **82 720** |
| **Total** | **4 999 861** | **202 280** | **144 537** | **5 346 678** | **5 033 637** |

-Probability of default at low risk 0.5% -1.25%
-Probability of default at acceptable risk 1.3% - 42%
-Probability of default at High risk 100%

**The movement on total direct credit facilities at amortized cost - Real Estate is as follows:**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **4 726 931** | **192 533** | **114 173** | **5 033 637** | **4 994 724** |
| New balances (Additions) | 775 936 | 13 888 | 27 289 | **817 113** | **683 100** |
| Repaid balances (excluding write offs) | ( 479 986) | ( 37 903) | ( 13 191) | **( 531 080)** | **( 584 322)** |
| Transfers to stage 1 | 13 673 | ( 11 545) | ( 2 128) | - | - |
| Transfers to stage 2 | ( 48 969) | 54 410 | ( 5 441) | - | - |
| Transfers to stage 3 | ( 16 263) | ( 9 127) | 25 390 | - | - |
| Written off balances or transferred to off statement of financial position | - | - | ( 375) | **( 375)** | **( 187)** |
| Adjustments during the year | - | - | - | - | - |
| Translation Adjustments | 28 539 | 24 | ( 1 180) | **27 383** | **( 59 678)** |
| **Total** | **4 999 861** | **202 280** | **144 537** | **5 346 678** | **5 033 637** |

**The movement of ECL charges on direct credit facilities at amortized cost - Real Estate is as follows:**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **12 505** | **16 829** | **41 180** | **70 514** | **87 571** |
| ECL charges during the year | 445 | 322 | 13 901 | **14 668** | **6 742** |
| Recoveries (excluding write offs) | ( 349) | ( 5 310) | ( 2 868) | **( 8 527)** | **( 27 072)** |
| Transfers to stage 1 | 5 663 | ( 227) | ( 5 436) | **-** | **-** |
| Transfers to stage 2 | ( 1 950) | 2 358 | ( 408) | **-** | **-** |
| Transfers to stage 3 | ( 619) | ( 506) | 1 125 | - | **-** |
| Impact on year end ECL caused by transfers between stages during the year | - | 545 | 7 | **552** | **541** |
| Adjustments during the year | 95 | ( 156) | 1 362 | **1 301** | **2 836** |
| Translation Adjustments | 897 | ( 1 255) | ( 707) | **( 1 065)** | **( 104)** |
| **Total** | **16 687** | **12 600** | **48 156** | **77 443** | **70 514** |

## 13. Other financial assets at amortized cost

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Treasury bills | 2 158 762 | 2 583 487 |
| Government bonds and bonds guaranteed by the government | 6 805 097 | 6 075 044 |
| Corporate bonds | 1 471 596 | 1 387 990 |
| Less: Net ECL Charges | ( 59 054) | ( 44 046) |
| **Total** | **10 376 401** | **10 002 475** |

**Analysis of bonds based on interest nature:**

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Floating interest rate | 334 461 | 374 082 |
| Fixed interest rate | 10 100 994 | 9 672 439 |
| Less: Net ECL Charges | ( 59 054) | ( 44 046) |
| **Total** | **10 376 401** | **10 002 475** |

**Analysis of financial assets based on market quotation:**

| | 31 December | |
|---|---|---|
| **Financial assets quoted in the market:** | 2023 | 2022 |
| | USD '000 | USD '000 |
| Treasury bills | 1 834 339 | 1 219 414 |
| Government bonds and bonds guaranteed by the government | 2 147 564 | 1 559 113 |
| Corporate bonds | 1 374 886 | 1 276 778 |
| **Total** | **5 356 789** | **4 055 305** |

| | 31 December | |
|---|---|---|
| **Financial assets unquoted in the market:** | 2023 | 2022 |
| | USD '000 | USD '000 |
| Treasury bills | 324 423 | 1 364 073 |
| Government bonds and bonds guaranteed by the government | 4 657 533 | 4 515 931 |
| Corporate bonds | 96 710 | 111 212 |
| **Total** | **5 078 666** | **5 991 216** |
| Less: Net ECL Charges | **( 59 054)** | **( 44 046)** |
| **Grand Total** | **10 376 401** | **10 002 475** |

**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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | **Total** | **Total** |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Low risk / performing (1-2) | 10 190 041 | - | - | **10 190 041** | **9 868 706** |
| Acceptable risk / performing (3-7) | 217 695 | 27 719 | - | **245 414** | **177 815** |
| **Total** | **10 407 736** | **27 719** | **-** | **10 435 455** | **10 046 521** |

-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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **10 013 491** | **33 030** | - | **10 046 521** | **10 595 538** |
| New investments (Additions) | 8 622 480 | - | - | **8 622 480** | **6 538 594** |
| Matured investments | (8 164 026) | ( 5 403) | - | **(8 169 429)** | **(6 661 349)** |
| Translation Adjustments | ( 64 209) | 92 | - | **( 64 117)** | **( 426 262)** |
| **Total** | **10 407 736** | **27 719** | **-** | **10 435 455** | **10 046 521** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | 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** | **24 926** | **19 120** | - | **44 046** | **34 365** |
| ECL charges during the year | 14 282 | 5 481 | - | **19 763** | **13 263** |
| Recoveries from matured investments | ( 4 493) | ( 136) | - | **( 4 629)** | **( 2 333)** |
| Adjustments during the year | ( 168) | 433 | - | **265** | **( 881)** |
| Translation Adjustments | ( 401) | 10 | - | **( 391)** | **( 368)** |
| **Total** | **34 146** | **24 908** | **-** | **59 054** | **44 046** |

During the year ended 31 December 2023 certain financial assets at amortized cost amounted to USD 2 million were sold (USD 52.9 million during the year ended 31 December 2022).

## 14. Investments in Associates

The details of this item are as follows:

| | 31 December 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Ownership and Voting Rights | Investment Carrying Value | Place of Incorporation | Market Value | Published Financial Statements Date | Principal Activity | Date of Acquisition |
| | % | USD '000 | | USD '000 | | | |
| Arab National Bank | 40.00 | 3 776 000 | Saudi Arabia | 4 048 000 | 2023 | Banking | 1979 |
| Arabia Insurance Company | 42.51 | 39 115 | Lebanon | Unquoted | 2022 | Insurance | 1972 |
| Commercial buildings | 35.39 | 2 906 | Lebanon | Unquoted | 2022 | Real Estate Operating Lease | 1966 |
| Other Associates at Arab Bank Switzerland | Various | 18 051 | Various | | | Various | |
| Other Associates (Mostly owned by Arab Tunisian Bank)* | Various | 12 185 | Various | | | Various | |
| **Total** | | **3 848 257** | | | | | |

| | 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Ownership and Voting Rights | Investment Carrying Value | Place of Incorporation | Market Value | Published Financial Statements Date | Principal Activity | Date of Acquisition |
| | % | USD '000 | | USD '000 | | | |
| Arab National Bank | 40.00 | 3 482 325 | Saudi Arabia | 5 128 000 | 2022 | Banking | 1979 |
| Arabia Insurance Company | 42.51 | 44 263 | Lebanon | Unquoted | 2021 | Insurance | 1972 |
| Commercial buildings | 35.39 | 10 422 | Lebanon | Unquoted | 2021 | Real Estate Operating Lease | 1966 |
| Other Associates at Arab Bank Switzerland | Various | 9 883 | Various | | | Various | |
| Other Associates (Mostly owned by Arab Tunisian Bank)* | Various | 11 971 | Various | | | Various | |
| **Total** | | **3 558 864** | | | | | |

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

| | 2023 | 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| **Balance at the beginning of the year** | **3 558 864** | **3 412 899** |
| Purchase of investments in associates | 7 111 | ( 611) |
| Group's share of profits for the year | 509 969 | 384 494 |
| Dividends received | ( 256 208) | ( 196 345) |
| Translation Adjustment | ( 9 694) | ( 4 177) |
| Group's share of other changes in equity | 38 215 | ( 37 396) |
| **Balance at the end of the year** | **3 848 257** | **3 558 864** |
| | | |
| **Group's share of taxes** | **113 468** | **86 299** |

* It represents mostly the investments in Arab Tunisian Lease in the amount of USD 9 million, Arabia Sicaf in the amount of USD 1.7 million and Arab Tunisian Invest in the amount of USD 0.7 million as of 31 December 2023.
(As of 31 December 2022 these investments amounted to USD 8.8 million in Arab Tunisian Lease, USD 1.7 million in Arabia Sicaf and USD 0.7 million in Arab

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

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Arab National Bank | 505 773 | 387 860 |
| Arabia Insurance Company | 2 930 | ( 3 304) |
| Other | 1 266 | ( 62) |
| **Total** | **509 969** | **384 494** |

**The Group's share of associates are as follows:**

| | 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Arab National Bank | Others | Total | Arab National Bank | Others | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Total Assets | 23 539 553 | 377 930 | 23 917 483 | 22 691 616 | 323 271 | 23 014 887 |
| Total Liabilities | 19 763 553 | 305 673 | 20 069 226 | 19 209 291 | 246 732 | 19 456 023 |
| | | | | | | |
| Total Revenue | 915 359 | 62 780 | 978 139 | 743 864 | 16 504 | 760 368 |
| Total Expenses | 409 586 | 58 584 | 468 170 | 356 004 | 19 870 | 375 874 |
| **Net Profit** | **505 773** | **4 196** | **509 969** | **387 860** | **( 3 366)** | **384 494** |

## 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 2022 | **118 267** | **394 195** | **294 544** | **317 350** | **17 591** | **112 929** | **1 254 876** |
| Additions | - | 10 050 | 13 865 | 42 917 | 307 | 7 742 | **74 881** |
| Disposals | ( 935) | ( 169) | ( 3 445) | ( 5 915) | ( 1 002) | ( 3 102) | **( 14 568)** |
| Adjustments during the year | - | - | ( 18) | ( 3 629) | - | 160 | **( 3 487)** |
| Translation Adjustments | ( 181) | ( 2 297) | ( 1 437) | ( 5 142) | ( 691) | ( 2 306) | **( 12 054)** |
| **Balance as of 31 December 2022** | **117 151** | **401 779** | **303 509** | **345 581** | **16 205** | **115 423** | **1 299 648** |
| Additions | 61 | 5 103 | 8 928 | 29 286 | 305 | 23 067 | **66 750** |
| Disposals | - | ( 6 819) | ( 2 228) | ( 1 965) | ( 1 108) | ( 4 262) | **( 16 382)** |
| Adjustments during the year | - | ( 70) | 16 919 | ( 6 588) | 137 | ( 10 398) | **-** |
| Translation Adjustments | 120 | ( 2 531) | ( 4 101) | ( 4 378) | ( 80) | ( 3 135) | **( 14 105)** |
| **Balance at 31 December 2023** | **117 332** | **397 462** | **323 027** | **361 936** | **15 459** | **120 695** | **1 335 911** |
| **Accumulated Depreciation :** | | | | | | | |
| Balance as of 1 January 2022 | - | **181 064** | **227 238** | **220 527** | **13 320** | **80 772** | **722 921** |
| Depreciation charge for the year | - | 10 581 | 16 001 | 33 268 | 1 357 | 6 941 | **68 148** |
| Disposals | - | ( 54) | ( 3 345) | ( 5 841) | ( 978) | ( 1 653) | **( 11 871)** |
| Adjustments during the year | - | - | - | ( 3 265) | ( 2) | - | **( 3 267)** |
| Translation adjustments | - | ( 1 472) | ( 858) | ( 2 737) | ( 235) | ( 1 374) | **( 6 676)** |
| **Balance as of 31 December 2022** | **-** | **190 119** | **239 036** | **241 952** | **13 462** | **84 686** | **769 255** |
| Depreciation charge for the year | - | 10 545 | 17 301 | 33 850 | 1 136 | 6 985 | **69 817** |
| Disposals | - | ( 6 722) | ( 2 171) | ( 2 054) | ( 1 052) | ( 1 478) | **( 13 477)** |
| Adjustments during the year | - | ( 29) | 10 070 | ( 10 143) | - | 4 | **( 98)** |
| Translation adjustments | - | ( 2 177) | ( 3 613) | ( 4 006) | ( 95) | ( 3 333) | **( 13 224)** |
| **Balance at 31 December 2023** | **-** | **191 736** | **260 623** | **259 599** | **13 451** | **86 864** | **812 273** |
| **Net Book Value as of 31 December 2023** | **117 332** | **205 726** | **62 404** | **102 337** | **2 008** | **33 831** | **523 638** |
| **Net Book Value as of 31 December 2022** | **117 151** | **211 660** | **64 473** | **103 629** | **2 743** | **30 737** | **530 393** |

* The cost of fully depreciated fixed assets amounted to USD 571.7 million as of 31 December 2023 (USD 519 million as of 31 December 2022).

## 16. Other Assets

The details of this item are as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Accrued interest receivable | 407 178 | 392 661 |
| Prepaid expenses | 68 708 | 49 457 |
| Foreclosed assets * | 178 868 | 177 325 |
| Intangible assets - Others ** | 201 643 | 73 404 |
| Right of use assets **** | 108 483 | 87 697 |
| Other miscellaneous assets | 398 463 | 248 106 |
| **Total** | **1 363 343** | **1 028 650** |

* The Central Bank of Jordan instructions require the disposal of these assets during a maximum period of two years from the date of foreclosure, and allows the extension of this period for an additional two years upon obtaining the approval of the Central Bank of Jordan.

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

| | 2023 | | | |
|---|---|---|---|---|
| | **Land** | **Buildings** | **Other** | **Total** |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| **Balance at the beginning of the year** | **85 271** | **91 783** | **271** | **177 325** |
| Additions | 12 461 | 14 186 | - | **26 647** |
| Disposals | ( 10 444) | ( 12 640) | - | **( 23 084)** |
| Provision for impairment and impariment losses | ( 1 531) | 113 | - | **( 1 418)** |
| Translation adjustments | ( 861) | 259 | - | **( 602)** |
| **Balance at the end of the year** | **84 896** | **93 701** | **271** | **178 868** |

| | 2022 | | | |
|---|---|---|---|---|
| | **Land** | **Buildings** | **Other** | **Total** |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| **Balance at the beginning of the year** | **72 405** | **91 117** | **271** | **163 793** |
| Additions | 15 403 | 13 681 | - | **29 084** |
| Disposals | ( 1 427) | ( 9 906) | - | **( 11 333)** |
| Provision for impairment and impariment losses | 172 | ( 2 998) | - | **( 2 826)** |
| Translation adjustments | ( 1 282) | ( 111) | - | **( 1 393)** |
| **Balance at the End of the Year** | **85 271** | **91 783** | **271** | **177 325** |

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

| | 31 December 2023 | | | 31 December 2022 |
|---|---|---|---|---|
| | **Software** | **Others ***** | **Total** | **Total** |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| **Balance at the beginning of the year** | 31 404 | 42 000 | **73 404** | **77 106** |
| Additions | 10 599 | 143 860 | 154 459 | 14 154 |
| Amortization charge for the year | ( 16 236) | ( 9 731) | ( 25 967) | ( 16 603) |
| Adjustment during the year and translation adjustments | ( 253) | - | ( 253) | ( 1 253) |
| **Balance at the End of the Year** | **25 514** | **176 129** | **201 643** | **73 404** |

*** This item includes the amount of USD 134 million in intangible assets resulting form Arab Bank Group acquisition of a subsidiary; whereby the Group has completed during first nine month of the year 2023 all the legal procedures required to aquire a 90% stake in Gonet & Cie SA.

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

| | 2023 | 2022 |
|---|---|---|
| | **USD '000** | **USD '000** |
| **Balance at the beginning of the year** | **87 697** | **96 752** |
| Additions | 47 138 | 14 678 |
| Depreciation | ( 26 352) | ( 23 733) |
| **Balance at the End of the Year** | **108 483** | **87 697** |

**17. Deferred Tax Assets**

**The details of this item are as follows :**

**Items attributable to deferred tax assets are as follows:**

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **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** |
| Expected Credit Losses | 733 824 | 306 341 | ( 439 370) | 489 | **601 284** | 162 266 |
| End-of-Service indemnity | 62 109 | 15 112 | ( 16 369) | - | **60 852** | 18 028 |
| Interest in suspense | 126 383 | 34 605 | ( 91 676) | - | **69 312** | 15 287 |
| Revaluation of OCI investments | 53 580 | 5 253 | ( 3 756) | 769 | **55 846** | 13 925 |
| Other | 118 413 | 89 717 | ( 63 676) | 5 219 | **149 673** | 34 152 |
| **Total** | **1 094 309** | **451 028** | **( 614 847)** | **6 477** | **936 967** | **243 658** |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **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** |
| Expected Credit Losses | 673 770 | 294 993 | ( 234 611) | ( 328) | **733 824** | 188 094 |
| End-of-Service indemnity | 61 683 | 8 731 | ( 8 305) | - | **62 109** | 18 550 |
| Interest in suspense | 101 441 | 74 574 | ( 49 632) | - | **126 383** | 33 008 |
| Revaluation of OCI investments | 34 985 | 20 696 | - | ( 2 101) | **53 580** | 14 107 |
| Other | 132 696 | 15 855 | ( 37 701) | 7 563 | **118 413** | 26 186 |
| **Total** | **1 004 575** | **414 849** | **( 330 249)** | **5 134** | **1 094 309** | **279 945** |

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:**

| | **2023** | **2022** |
|---|---|---|
| | **USD '000** | **USD '000** |
| **Balance at the beginning of the year** | **279 945** | **248 498** |
| Additions during the year | 135 517 | 129 350 |
| Amortized during the year | ( 173 334) | ( 98 745) |
| Adjustments during the year and translation adjustments | 1 530 | 842 |
| **Balance at the end of the year** | **243 658** | **279 945** |

## 18. Banks and Financial Institutions Deposits

The details of this item are as follows:

| | 31 December 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | 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 | - | 776 566 | 776 566 | - | 448 142 | 448 142 |
| Time deposits | 6 774 | 2 512 362 | 2 519 136 | 50 680 | 3 018 818 | 3 069 498 |
| **Total** | **6 774** | **3 288 928** | **3 295 702** | **50 680** | **3 466 960** | **3 517 640** |

## 19. Customers' Deposits

The details of this item are as follows:

| | 31 December 2023 | | | | |
|---|---|---|---|---|---|
| | 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 | 10 850 004 | 2 595 076 | 3 506 857 | 990 898 | 17 942 835 |
| Savings | 5 307 173 | 47 324 | 20 092 | 33 009 | 5 407 598 |
| Time and notice | 11 938 124 | 1 652 770 | 6 299 618 | 4 066 167 | 23 956 679 |
| Certificates of deposit | 312 484 | 20 528 | 122 741 | 48 388 | 504 141 |
| **Total** | **28 407 785** | **4 315 698** | **9 949 308** | **5 138 462** | **47 811 253** |

| | 31 December 2022 | | | | |
|---|---|---|---|---|---|
| | 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 | 10 096 899 | 2 756 827 | 4 582 419 | 1 150 800 | 18 586 945 |
| Savings | 5 378 739 | 95 669 | 14 969 | 33 731 | 5 523 108 |
| Time and notice | 10 345 385 | 1 499 245 | 4 804 215 | 3 935 047 | 20 583 892 |
| Certificates of deposit | 379 111 | 34 010 | 100 895 | 79 410 | 593 426 |
| **Total** | **26 200 134** | **4 385 751** | **9 502 498** | **5 198 988** | **45 287 371** |

- Government of Jordan and Jordanian public sector deposits amounted to USD 1018.2 million, or 2.1 % of total customer deposits as of 31 December 2023 (USD 1305.1 million, or 2.9 % of total customer deposits as of 31 December 2022).

- Non-interest bearing deposits amounted to USD 15260.9 million, or 31.9 % of total customer deposits as of 31 December 2023 (USD 15437.1 million, or 34.1 % of total customer deposits as of 31 December 2022).

- Blocked deposits amounted to USD 428.6 million, or 0.9% of total customer deposits as of 31 December 2023 (USD 177.6 million, or 0.4% of total customer deposit as of 31 December 2022).

- Dormant deposits amounted to USD 524.5 million, or 1.1% of total customer deposits as of 31 December 2023 (USD 389.3 million or 0.9% of total customer deposits as of 31 December 2022).

## 20. Cash Margin

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Against direct credit facilities at amortized cost | 2 166 024 | 1 715 569 |
| Against indirect credit facilities | 640 967 | 737 701 |
| Against margin trading | 1 983 | 2 434 |
| Other cash margins | 4 513 | 5 796 |
| **Total** | **2 813 487** | **2 461 500** |

## 21. Borrowed Funds

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| From Central Banks * | 217 469 | 162 385 |
| From banks and financial institutions ** | 292 340 | 359 983 |
| **Total** | **509 809** | **522 368** |

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

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Floating interest rate | 289 196 | 351 604 |
| Fixed interest rate | 220 613 | 170 764 |
| **Total** | **509 809** | **522 368** |

* During 2013, Arab Bank 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 2023 amounted to USD 2.3 million (USD 2.8 million as of 31 December 2022).

* During 2014, Arab Bank signed a loan agreement with the Central Bank of Jordan amounting to USD 3.9 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 first installement was in 15/9/2017 and the last one will be due on 15/9/2024. The Balance of the loan as of 31 December 2023 amounted to USD 355 thousand (USD 900 thousand as of 31 December 2022).

* Untill 31 December 2023, Arab Bank 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 184.4 million as of 31 December 2023 (USD 119.8 million as of 31 December 2022).

* During 2016, Arab Bank 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 2023 amounted to USD 3.2 million (USD 3.8 million as of 31 December 2022).

* During 2017, Arab Bank 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 an 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 2023 amounted to USD 10.9 million (USD 8 million as of 31 December 2022).

During 2021, Arab Bank 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. The amount of the granted loans as of 31 December 2023 amounted to USD 16.2 million (USD 26.7 million as of 31 December 2022).

** During 2018, Arab Bank signed loans agreements with European Investment Bank amounting to USD 331.3 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 (7.178% Spread + CAS + SOFR) 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 2023 amounted to USD 36.4 million (USD 54.5 million as of 31 December 2022)

** During 2019, Arab Bank withdrew the second installment in the amount of USD 69.8 million for the duration of 7 years with a floating interest rate of (7.289% Spread + CAS + SOFR) 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 16 March 2026. the Balance of the loan as of 31 December 2023 amounted to USD 35 million (USD 48.9 million as of 31 December 2022)

** During 2020, Arab Bank withdrew the third installment in the amount of USD 161.8 million for the duration of 7 years with a floating interest rate of (7.49% Spread + CAS + SOFR) 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 fall due on 15 September 2023 and the last one will be on 15 March 2027. the Balance of the loan as of 31 December 2023 amounted to USD 113.2 million (USD 145.6 million as of 31 December 2022)

** During 2022 Arab National Leasing Co. signed loan agreement with Jordanian Mortgage Refinance Company for a duration of three years with a fixed interest rate of 4.5% , the balance of the loan as of 31 December 2023 amounted to USD 7.1 million (USD 7.1 million as of 31 December 2022)

** Arab Tunisian Bank borrowed amounts from banks and financial institutions, as well issued syndicated term loans, the balance amounted to USD 100.8 million as of 31 December 2023 (USD 103.9 million as of 31 December 2022) whereas the lowest interest rate is (0.7%) and the highest is (9.9%) and the last maturity date is on 19 May 2032, as per the following details:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Loans maturing within one year | 38 126 | 37 308 |
| Loans maturing after 1 year and less than 3 years | 19 892 | 48 791 |
| Loans maturing after 3 years | 42 737 | 17 795 |
| **Total** | **100 755** | **103 894** |

## 22. Provision for Income Tax

The details of this item are as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Balance at the beginning of the year | 293 029 | 202 477 |
| Income tax charge | 344 633 | 331 988 |
| Income tax paid | ( 300 460) | ( 241 436) |
| **Balance at the end of the year** | **337 202** | **293 029** |

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Income tax charge for the year | 344 633 | 331 988 |
| Deferred tax assets for the year | ( 135 123) | ( 125 397) |
| Amortization of deferred tax assets | 172 728 | 98 745 |
| Deferred tax liabilities for the year | 5 675 | 1 717 |
| Amortization of deferred tax liabilities | ( 408) | ( 7) |
| **Total** | **387 505** | **307 046** |

- 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 2023 and 2022. Arab Bank Group effective tax rate was 31.8% as of 31 December 2023 and 36.1% as of 31 December 2022.

-The subsidiaries and branches of Arab Bank Group have reached recent tax settlements ranging between 2022 such as Arab Bank United Arab Emirates and Arab National Leasing Company and 2020 such as Islamic Internatioanl Arab Bank.

## 23. Other Provisions

The details of this item are as follows:

| 2023 | 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 | 123 659 | 31 789 | ( 23 513) | - | ( 7 070) | 124 865 |
| Legal cases | 7 983 | 3 201 | ( 246) | ( 1 254) | 118 | 9 802 |
| Other | 100 781 | 11 426 | ( 19) | ( 89) | ( 2 072) | 110 027 |
| **Total** | **232 423** | **46 416** | **( 23 778)** | **( 1 343)** | **( 9 024)** | **244 694** |

| 2022 | 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 | 114 815 | 14 249 | ( 3 801) | ( 71) | ( 1 533) | 123 659 |
| Legal cases | 8 683 | 2 782 | ( 34) | ( 3 186) | ( 262) | 7 983 |
| Other | 94 131 | 2 662 | ( 371) | ( 4 011) | 8 370 | 100 781 |
| **Total** | **217 629** | **19 693** | **( 4 206)** | **( 7 268)** | **6 575** | **232 423** |

## 24. Other Liabilities

**The details of this item are as follows:**

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Accrued interest payable | 418 639 | 299 772 |
| Notes payable | 159 882 | 150 927 |
| Interest and commission received in advance | 68 370 | 80 463 |
| Accrued expenses | 232 408 | 148 965 |
| Dividends payable to shareholders | 17 507 | 17 455 |
| Provision for impairment - ECL of the indirect credit facilities* | 116 425 | 176 384 |
| Lease liabilities | 106 488 | 86 056 |
| Other miscellaneous liabilities | 571 603 | 610 150 |
| **Total** | **1 691 322** | **1 570 172** |

**Indirect Credit Facilities**

**The following is the distribution of credit exposures for indirect credit facilities at amortized cost according to the Group's Internal Rating**

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | **Total** | **Total** |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Low risk / performing (1-2) | 1 125 924 | - | - | **1 125 924** | 1 079 693 |
| Acceptable risk / performing (3-7) | 16 142 653 | 651 936 | - | **16 794 589** | 16 287 293 |
| **Non-performing (8-10):** | - | - | 94 451 | **94 451** | 132 038 |
| **Total** | **17 268 577** | **651 936** | **94 451** | **18 014 964** | **17 499 024** |

-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 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | **Total** | **Total** |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| **Balance at beginning of the year** | **16 511 350** | **855 636** | **132 038** | **17 499 024** | **18 017 520** |
| New balances (Additions) | 5 944 147 | 106 531 | 26 594 | **6 077 272** | **5 695 639** |
| Matured balances | (5 328 051) | ( 324 131) | ( 74 475) | **(5 726 657)** | **(5 758 037)** |
| Transfers to stage 1 | 142 450 | ( 142 211) | ( 239) | - | - |
| Transfers to stage 2 | ( 142 476) | 142 602 | ( 126) | - | - |
| Transfers to stage 3 | ( 1 692) | ( 8 841) | 10 533 | - | - |
| Translation Adjustments | 142 849 | 22 350 | 126 | **165 325** | **( 456 098)** |
| **Total** | **17 268 577** | **651 936** | **94 451** | **18 014 964** | **17 499 024** |

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

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | **Total** | **Total** |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| **Balance at beginning of the year** | **32 873** | **22 573** | **120 938** | **176 384** | **145 511** |
| ECL charges during the year | 19 555 | 2 204 | 2 334 | **24 093** | **29 892** |
| Recoveries (excluding write offs) | ( 10 739) | ( 8 909) | ( 1 998) | **( 21 646)** | **( 19 174)** |
| Transfers to stage 1 | 206 | ( 206) | - | - | - |
| Transfers to stage 2 | ( 500) | 500 | - | - | - |
| Transfers to stage 3 | ( 11) | ( 19) | 30 | - | - |
| Impact on year end ECL caused by transfers between stages during the year | - | ( 387) | - | **( 387)** | **933** |
| Adjustments during the year | 4 680 | 466 | ( 66 985) | **( 61 839)** | **19 677** |
| Translation Adjustments | ( 178) | ( 225) | 223 | **( 180)** | **( 455)** |
| **Total** | **45 886** | **15 997** | **54 542** | **116 425** | **176 384** |

## 25. Deferred Tax Liabilities

**Items attributable to deferred tax liabilities are as follows:**

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **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** |
| Other | 39 862 | 34 412 | ( 2 500) | 8 600 | 80 374 | 16 113 |
| **Total** | **39 862** | **34 412** | **( 2 500)** | **8 600** | **80 374** | **16 113** |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **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** |
| Other | 31 200 | 13 370 | ( 611) | ( 4 097) | 39 862 | 9 253 |
| **Total** | **31 200** | **13 370** | **( 611)** | **( 4 097)** | **39 862** | **9 253** |

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

| | **2023** | **2022** |
|---|---|---|
| | **USD '000** | **USD '000** |
| Balance at the beginning of the year | 9 253 | 7 295 |
| Additions during the year | 5 689 | 2 167 |
| Amortized during the year | ( 463) | ( 101) |
| Adjustments during the year and translation adjustments | 1 634 | ( 108) |
| **Balance at the end of the year** | **16 113** | **9 253** |

## 26. Share Capital & Premium

a .Share Capital amounted to USD 926.6 million as of 31 December 2023 and 2022 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 2023 and 2022.

## 27. Statutory Reserve

Statutory reserve amounted to USD 926.6 million as of 31 December 2023 and 2022, according to the regulations of the Central Bank of Jordan and Companies Law 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 2023 and 2022. 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 1211.9 million as of 31 December 2023 and 2022. 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 153 million as of 31 December 2023 and 2022.

## 31. Foreign Currency Translation Reserve

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Balance at the beginning of the year | ( 400 986) | ( 291 987) |
| Changes during the year | 77 812 | ( 108 999) |
| **Balance at the end of the year** | **( 323 174)** | **( 400 986)** |

## 32. Investment Revaluation Reserve

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Balance at the beginning of the year | ( 362 590) | ( 312 553) |
| Change in fair value during the year | 31 256 | ( 52 208) |
| Net realized (gains) losses transferred to retained earnings | ( 1 776) | 2 171 |
| **Balance at the End of the Year** | **( 333 110)** | **( 362 590)** |

## 33. Perpetual Tier 1 Capital Bonds

**A. Oman Arab Bank has issued series of unsecured perpetual Tier 1 bonds, illustrated as below:**

- On 17 October 2018, the Bank issued series of bonds in the amount of OMR 42.5 million equivalent to USD 110.5 million. The bonds carry a fixed coupon rate of 7.5% per annum payable semi-annually and treated as deduction from equity. Interest is non-cumulative and payable at Bank’s discretion. On 17 October 2023 the bank has called back all the bonds.

- On 4 June 2021, the Bank issued another series of bonds of USD 250 million. The bonds carry a fixed coupon rate of 7.625% per annum payable semi-annually and treated as deduction from equity. Interest is non-cumulative and payable at Bank’s discretion.

- On 16 October 2023, the Bank issued another series of bonds in the amount of OMR 50 million equivalent to USD 129.9 million. The bonds carry a fixed coupon rate of 7% per annum payable semi-annually and treated as deduction from equity. Interest is non-cumulative and payable at Bank’s discretion.

All these bonds constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. Bond in the second paragraph has First Call date on4 January 2026 and bond in the third paragraph has First Call date on 16 October 2028. These bonds may be recalled on any interest payment date thereafter subject to the prior consent of the regulatory authority.

**B. Arab Bank plc has issued series of unsecured perpetual Tier 1 bonds, illustrated as below:**

- On 10 October 2023, Arab Bank plc - Jordan branches issued perpetual Tier 1 bonds in the amount of USD 250 million. These bonds carry a fixed coupon rate of 8% per annum payable semi-annually and treated as deduction from equity. Interest is non-cumulative and payable at Bank’s discretion.
These bonds have been listed in London Stock Exchange - International securities market and perpetual bonds market

- These bonds are classified as equity within the additional Tier 1 of the regulatory capital in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion and according to issuance terms but subject to the prior consent of the regulatory authority. 10 April 2029 will be the first repricing date.

## 34. Retained Earnings and Non-controlling interests

The movement of retained earnings are as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| **Balance at the beginning of the year** | **3 289 293** | **2 967 984** |
| Profit for the year Attributable to Shareholders of the Bank | 800 695 | 520 276 |
| Investments revaluation reserve transferred to retained earnings | 1 776 | ( 2 171) |
| Dividends paid * | ( 231 640) | ( 186 532) |
| Transferred from general banking risk reserve | - | 1 141 |
| Adjustments during the year | ( 14 115) | ( 11 405) |
| **Balance at the end of the year** | **3 846 009** | **3 289 293** |

*Arab Bank plc Board of Directors recommended a 30% of par value as cash dividend, equivalent to USD 271.1 million, for the year 2023. This proposal is subject to the approval of the General Assembly of shareholders.. (The General Assembly of Arab Bank plc in its meeting held on 30 March 2023 approved the recommendation of the Bank's Board of Directors to distribute a 25% of par value as cash dividend, equivalent to USD 225.9 million for the year 2022).

The details of non-controlling interests are as follows:

| | 31 December 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | 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 | 52 537 | 521 | 35.76 | 51 644 | 849 |
| Arab Bank Syria | 48.71 | 25 867 | 54 | 48.71 | 23 762 | ( 4) |
| Al Nisr Al Arabi Insurance Company plc | 32.00 | 9 390 | 1 138 | 50.00 | 14 086 | 1 745 |
| Oman Arab Bank | 51.00 | 480 379 | 27 228 | 51.00 | 464 575 | 21 436 |
| Other at Arab Bank Switzerland | - | 6 938 | - | | - | - |
| **Total** | | **575 111** | **28 941** | | **554 067** | **24 026** |

The following are the additional financial information of significant subsidiaries that contain non-controlling interests.

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Arab Tunisian Bank | Arab Bank Syria | Oman Arab Bank | Al Nisr Al Arabi Insurance Company plc | Arab Tunisian Bank | Arab Bank Syria | Oman Arab Bank | Al Nisr Al Arabi Insurance Company plc |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Total Assets | 2 480 246 | 103 223 | 10 390 994 | 195 841 | 2 452 569 | 122 091 | 9 509 685 | 180 440 |
| Total Liabilities | 2 310 521 | 49 966 | 9 449 074 | 166 497 | 2 286 004 | 73 165 | 8 598 754 | 152 267 |
| **Net Assets** | **169 725** | **53 257** | **941 920** | **29 344** | **166 565** | **48 926** | **910 931** | **28 173** |
| Total Income | 106 599 | 3 884 | 312 989 | 13 000 | 96 830 | 3 910 | 318 728 | 12 273 |
| Total Expenses | 105 142 | 3 773 | 259 600 | 9 444 | 94 455 | 3 919 | 276 697 | 8 783 |
| **Net Profit (Loss)** | **1 457** | **111** | **53 389** | **3 556** | **2 375** | **( 9)** | **42 031** | **3 490** |

## 35. Interest Income

The details of this item are as follows:

| | 2023 | 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Direct credit facilities at amortized cost * | 2 419 669 | 1 904 445 |
| Central banks | 465 674 | 167 305 |
| Banks and financial institutions | 226 917 | 69 142 |
| Financial assets at fair value through profit or loss | 15 706 | 7 006 |
| Financial assets at fair value through other comprehensive income | 17 612 | 13 158 |
| Other financial assets at amortized cost | 514 100 | 422 428 |
| **Total** | **3 659 678** | **2 583 484** |

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

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | 2 034 | 6 803 | 42 736 | 11 405 | 1 918 | 64 896 |
| Overdrafts | 10 334 | 95 394 | 237 784 | 52 | 20 551 | 364 115 |
| Loans and advances | 414 922 | 140 609 | 983 909 | 3 545 | 113 065 | 1 656 050 |
| Real estate loans | 246 786 | 32 524 | 29 946 | - | - | 309 256 |
| Credit cards | 25 352 | - | - | - | - | 25 352 |
| **Total** | **699 428** | **275 330** | **1 294 375** | **15 002** | **135 534** | **2 419 669** |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | 2 163 | 9 478 | 35 886 | 4 254 | 2 829 | 54 610 |
| Overdrafts | 8 013 | 77 592 | 210 867 | 83 | 21 325 | 317 880 |
| Loans and advances | 345 228 | 122 437 | 681 430 | 2 700 | 86 692 | 1 238 487 |
| Real estate loans | 215 490 | 30 926 | 24 750 | - | - | 271 166 |
| Credit cards | 22 302 | - | - | - | - | 22 302 |
| **Total** | **593 196** | **240 433** | **952 933** | **7 037** | **110 846** | **1 904 445** |

## 36. Interest Expense

The details of this item are as follows:

| | 2023 | 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Customers' deposits * | 1 318 501 | 832 404 |
| Banks' and financial institutions' deposits | 180 536 | 72 873 |
| Cash margins | 68 502 | 38 623 |
| Borrowed funds | 29 884 | 24 206 |
| Deposit insurance fees | 25 045 | 30 574 |
| **Total** | **1 622 468** | **998 680** |

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

| | 2023 | | | | |
|---|---|---|---|---|---|
| | 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 | 40 636 | 2 475 | 42 461 | 38 351 | 123 923 |
| Savings | 61 894 | 1 125 | 104 | 174 | 63 297 |
| Time and notice | 506 957 | 72 713 | 261 327 | 232 131 | 1 073 128 |
| Certificates of deposit | 41 402 | 1 258 | 9 379 | 6 114 | 58 153 |
| **Total** | **650 889** | **77 571** | **313 271** | **276 770** | **1 318 501** |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | 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 | 30 291 | 3 969 | 28 356 | 18 939 | 81 555 |
| Savings | 52 861 | 1 042 | 75 | 296 | 54 274 |
| Time and notice | 279 948 | 31 704 | 156 031 | 163 147 | 630 830 |
| Certificates of deposit | 55 849 | 1 185 | 4 944 | 3 767 | 65 745 |
| **Total** | **418 949** | **37 900** | **189 406** | **186 149** | **832 404** |

## 37. Net Commission Income

The details of this item are as follows:

| | 2023 | 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Commission income: | | |
| - Direct credit facilities at amortized cost | 119 291 | 109 071 |
| - Indirect credit facilities | 119 973 | 127 395 |
| - Assets under management | 50 245 | 28 090 |
| - Other | 248 513 | 194 984 |
| Less: commission expense | ( 112 909) | ( 85 171) |
| **Net Commission Income** | **425 113** | **374 369** |

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

The details of this item are as follows:

| | 2023 | | | |
|---|---|---|---|---|
| | Realized Gains | Unrealized Gains (Losses) | Dividends | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 |
| Treasury bills and bonds | 1 132 | 2 514 | - | 3 646 |
| Companies shares | - | 922 | - | 922 |
| Mutual funds | - | 45 | - | 45 |
| **Total** | **1 132** | **3 481** | **-** | **4 613** |

| | 2022 | | | |
|---|---|---|---|---|
| | Realized Gains | Unrealized Gains (Losses) | Dividends | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 |
| Treasury bills and bonds | 1 860 | 832 | - | 2 692 |
| Companies shares | - | - | 64 | 64 |
| Mutual funds | - | ( 1 574) | - | ( 1 574) |
| **Total** | **1 860** | **( 742)** | **64** | **1 182** |

## 39. Other Revenue

The details of this item are as follows:

| | 2023 | 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Revenue from customer services | 14 810 | 13 477 |
| Safe box rent | 2 856 | 2 764 |
| (Losses) gain from derivatives | ( 56) | ( 2) |
| Miscellaneous revenue | 26 470 | 50 426 |
| **Total** | **44 080** | **66 665** |

## 40. Employees' Expenses

The details of this item are as follows:

| | 2023 | 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Salaries and other benefits | 514 571 | 476 042 |
| Social security | 50 082 | 43 958 |
| Savings fund | 8 394 | 7 123 |
| Indemnity compensation | 4 712 | 3 701 |
| Medical | 18 219 | 18 121 |
| Training | 4 606 | 5 500 |
| Allowances | 100 326 | 93 559 |
| Other | 16 764 | 15 565 |
| **Total** | **717 674** | **663 569** |

## 41. Other Expenses

The details of this item are as follows:

| | 2023 | 2022 |
|---|---|---|
| | USD '000 | USD '000 |
| Utilities and rent | 107 691 | 97 307 |
| Office | 111 379 | 95 113 |
| Services | 76 404 | 64 771 |
| Fees | 23 727 | 20 091 |
| Information technology | 86 407 | 77 453 |
| Other administrative expenses | 76 708 | 60 575 |
| **Total** | **482 316** | **415 310** |

**42. Financial Derivatives**

The details of this item is as follows:

| | 31 December 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Positive Fair Value | Negative Fair Value | Total Notional Amount | Notional amounts by maturity | | | |
| | | | | 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 | 6 088 | 5 324 | 431 103 | 280 981 | 93 127 | 18 207 | 38 788 |
| Interest rate swaps | 31 690 | 29 685 | 2 157 108 | 49 797 | 210 796 | 52 368 | 1 844 147 |
| Foreign currency forward contracts | 92 877 | 108 033 | 15 569 864 | 12 829 211 | 2 507 387 | 233 266 | - |
| **Derivatives held for trading** | **130 655** | **143 042** | **18 158 075** | **13 159 989** | **2 811 310** | **303 841** | **1 882 935** |
| Interest rate swaps | 86 523 | 53 905 | 1 786 514 | 29 118 | 226 752 | 888 768 | 641 876 |
| Foreign currency forward contracts | - | - | 163 018 | 15 057 | 147 961 | - | - |
| **Derivatives held for fair value hedge** | **86 523** | **53 905** | **1 949 532** | **44 175** | **374 713** | **888 768** | **641 876** |
| Interest rate swaps | - | - | 4 154 | 4 154 | - | - | - |
| Foreign currency forward contracts | 451 | 591 | 55 407 | 15 854 | 32 050 | 7 503 | - |
| **Derivatives held for cash flow hedge** | **451** | **591** | **59 561** | **20 008** | **32 050** | **7 503** | - |
| **Total** | **217 629** | **197 538** | **20 167 168** | **13 224 172** | **3 218 073** | **1 200 112** | **2 524 811** |

| | 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Positive Fair Value | Negative Fair Value | Total Notional Amount | Notional amounts by maturity | | | |
| | | | | 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 | 7 910 | 7 875 | 432 872 | 183 727 | 205 815 | 2 500 | 40 830 |
| Interest rate swaps | 39 730 | 29 683 | 3 097 775 | 19 965 | 491 401 | 595 807 | 1 990 602 |
| Foreign currency forward contracts | 54 794 | 65 543 | 13 803 164 | 10 963 712 | 2 491 837 | 347 615 | - |
| **Derivatives held for trading** | **102 434** | **103 101** | **17 333 811** | **11 167 404** | **3 189 053** | **945 922** | **2 031 432** |
| Interest rate swaps | 93 322 | 59 590 | 1 795 580 | 112 101 | 402 497 | 357 658 | 923 324 |
| Foreign currency forward contracts | - | - | 13 969 | 9 191 | 4 778 | - | - |
| **Derivatives held for fair value hedge** | **93 322** | **59 590** | **1 809 549** | **121 292** | **407 275** | **357 658** | **923 324** |
| Interest rate swaps | - | 163 | 6 311 | 6 311 | - | - | - |
| Foreign currency forward contracts | 476 | 757 | 9 359 | 5 985 | - | **3 374** | - |
| **Derivatives held for cash flow hedge** | **476** | **920** | **15 670** | **12 296** | **-** | **3 374** | - |
| **Total** | **196 232** | **163 611** | **19 159 030** | **11 300 992** | **3 596 328** | **1 306 954** | **2 954 756** |

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

## 43. 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 | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| Revenues | 810 130 | 689 866 | 2 340 140 | 1 836 244 | **3 150 270** | **2 526 110** |
| Assets | 19 833 386 | 19 222 048 | 48 440 585 | 45 237 775 | **68 273 971** | **64 459 823** |
| Capital Expenditures | 30 107 | 33 329 | 47 242 | 55 706 | **77 349** | **89 035** |

## 44. BUSINESS SEGMENTS

The Bank has an integrated group of products and services dedicated to serve the Bank's customers and constantly developed in response to the ongoing changes in the banking business environment, and related state-of-the-art tools.

The Banks management monitors the operating results of the business segments separately for making decisions about performance assessment; segmented performance is calculated based on operating profit or loss.

The following is a summary of these Banks' activities stating their business nature and future plans:

### 1. Corporate and Institutional Banking

Arab Bank's Corporate and Institutional Banking (CIB) division manages the Group's corporate and institutional client base. It provides access to a full range of lending and financial solutions through an extensive branch network and electronic channels. CIB also offers a comprehensive range of advanced corporate digital banking solutions in line with the latest developments in the banking industry. The broad range and efficient delivery of its solutions enable Arab Bank to remain the bank of choice for local, regional, and international companies and institutions. CIB is uniquely positioned to provide high quality products and services to meet clients' business requirements. The banking solutions offered are enriched by Arab Bank's global network, understanding of local markets, and in depth expertise. Through its client-focused approach, CIB strengthens its franchise in key markets by building on and solidifying existing client relationships and adding new clients through targeted acquisition efforts. The CIB division caters to clients' needs over the different stages of their business cycle and across different markets, providing consistent service levels at all levels of the network. CIB's objective is to provide its clients with an exceptional banking experience and a well-rounded range of tailored financial solutions, including products and services from across the bank's different business lines. The quality of its staff underpins CIB's success. The division closely monitors the changing dynamics of the business environment and constantly invests in strengthening and expanding the capabilities and capacities of its teams and specialists to meet clients' needs and banking requirements.

### 2. Treasury Group

Arab Bank's Treasury manages the bank's liquidity and market risks, and provides expert advice and dealing services to Arab Bank's customers around the globe. Through its state-of-the art systems, Arab Bank's Treasury remains fully up to date with the latest market developments and regulatory standards and is well positioned to meet a wide range of both bank and customer needs.
Arab Bank's Treasury has a broad mandate, including the following responsibilities:

- To manage and optimize the liquidity of the bank within approved limits so that the business is always adequately funded
- To manage the market risk of the bank within approved limits

- To earn revenues from the effective management of liquidity and market risk

- To execute bond, foreign exchange, and money market transactions with market professionals
- To support the distribution of foreign exchange, derivatives, and other treasury products to customers
- To advise internal stakeholders on the consumption and management of liquidity and market risk
- It is important for Treasury to balance the need to maintain high liquidity with low credit and low market risk. This approach is consistent with the bank's objective of being fully liquid at all times and under all circumstances, wherever the bank operates. Treasury's role in managing the bank's liquidity and market risk is to ensure that the bank generates surplus liquidity, but also to invest this liquidity prudently using the following instruments:
- Short-term placements with central banks
- Short-term deposits with high quality banks
- A multi-currency portfolio of highly liquid bonds, treasury bills, and certificates of deposit

Finally, Arab Bank believes in the importance of protecting not only its own income, but also the income and interests of its clients, from market volatility. Therefore the Treasury department offers a full range of treasury products and services to clients throughout the bank's network, whether they are exporters, importers, or savers. These risk management and hedging tools include a broad range of products and derivatives for clients who require protection from interest rate and foreign exchange risks.

**3. Consumer Banking**

Consumer Banking offers customers an extensive range of features and benefits through its vast branch network and integrated direct banking channels, both locally and regionally.

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. We also focus on providing our business partners with latest digital solutions that will enable them to expand their capabilities and enrich their offering.

Our family-focused model caters for the individual and family banking and non-banking needs of our customers, starting with our Arabi junior program, which is designed for children under the age of 18, through to our exclusive Elite program, which is offered to our high-net-worth customers.

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

In addition to the above, the bank is working on pillars according to which it leads its digital and innovation strategies, the most important of which are artificial intelligence and proactive analysis.

**Information about the Group's Business Segments**

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | 1 199 855 | 1 157 545 | ( 217 257) | 470 773 | 539 354 | 3 150 270 |
| Net inter-segment interest income | ( 101 465) | ( 591 774) | 590 162 | 103 077 | - | - |
| Less :ECL expense on financial assets | 470 847 | 107 024 | ( 193) | 14 604 | - | 592 282 |
| Other provisions | 20 634 | 5 375 | 4 220 | 14 844 | - | 45 073 |
| Direct administrative expenses | 138 393 | 25 627 | 36 439 | 294 613 | 8 483 | 503 555 |
| **Result of operations of segments** | **468 516** | **427 745** | **332 439** | **249 789** | **530 871** | **2 009 360** |
| Indirect expenses on segments | 348 299 | 113 858 | 114 585 | 213 689 | 1 788 | **792 219** |
| **Profit for the year before income tax** | **120 217** | **313 887** | **217 854** | **36 100** | **529 083** | **1 217 141** |
| Income tax expense | 38 273 | 99 934 | 69 359 | 11 493 | 168 446 | 387 505 |
| **Profit for the Year** | **81 944** | **213 953** | **148 495** | **24 607** | **360 637** | **829 636** |
| Depreciation and amortization | 36 173 | 8 268 | 6 211 | 45 132 | - | 95 784 |
| **Other information** | | | | | | |
| Segment assets | 22 813 392 | 26 021 969 | 4 170 575 | 9 169 813 | 2 249 965 | 64 425 714 |
| Inter-segment assets | - | - | 14 067 142 | 2 103 523 | 6 605 730 | - |
| Investment in associates | - | - | - | - | 3 848 257 | 3 848 257 |
| **TOTAL ASSETS** | **22 813 392** | **26 021 969** | **18 237 717** | **11 273 336** | **12 703 952** | **68 273 971** |
| Segment liabilities | 21 068 791 | 4 990 175 | 18 237 717 | 11 273 336 | 1 347 101 | 56 917 120 |
| Shareholdres' equity | - | - | - | - | 11 356 851 | 11 356 851 |
| Inter-segment liabilities | 1 744 601 | 21 031 794 | - | - | - | - |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **22 813 392** | **26 021 969** | **18 237 717** | **11 273 336** | **12 703 952** | **68 273 971** |

**Information about the Group's Business Segments**

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | 1 122 006 | 655 939 | ( 76 939) | 431 060 | 394 044 | 2 526 110 |
| Net inter-segment interest income | ( 156 080) | ( 253 028) | 323 594 | 85 514 | - | - |
| ECL expense on financial assets | 429 096 | 35 211 | ( 451) | 9 150 | - | 473 006 |
| Other provisions | 5 322 | 1 151 | 851 | 5 101 | - | 12 425 |
| Direct administrative expenses | 153 561 | 26 186 | 49 436 | 230 144 | 27 001 | 486 328 |
| **Result of operations of segments** | **377 947** | **340 363** | **196 819** | **272 179** | **367 043** | **1 554 351** |
| Indirect expenses on segments | 292 072 | 91 938 | 67 763 | 248 145 | 3 085 | 703 003 |
| **Profit for the year before income tax** | **85 875** | **248 425** | **129 056** | **24 034** | **363 958** | **851 348** |
| Income tax expense | 30 971 | 89 597 | 46 545 | 8 668 | 131 265 | 307 046 |
| **Profit for the Year** | **54 904** | **158 828** | **82 511** | **15 366** | **232 693** | **544 302** |
| Depreciation and amortization | 26 916 | 9 683 | 4 189 | 43 963 | - | 84 751 |
| **Other information** | | | | | | |
| Segment assets | 22 458 553 | 22 633 617 | 4 029 442 | 8 755 263 | 3 024 084 | 60 900 959 |
| Inter-segment assets | - | - | 11 980 252 | 2 475 496 | 6 000 672 | - |
| Investment in associates | - | - | - | - | 3 558 864 | 3 558 864 |
| **TOTAL ASSETS** | **22 458 553** | **22 633 617** | **16 009 694** | **11 230 759** | **12 583 620** | **64 459 823** |
| Segment liabilities | 20 255 860 | 4 379 890 | 16 009 694 | 11 230 759 | 2 181 164 | 54 057 367 |
| Shareholders' equity | - | - | - | - | 10 402 456 | 10 402 456 |
| Inter-segment liabilities | 2 202 693 | 18 253 727 | - | - | - | - |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **22 458 553** | **22 633 617** | **16 009 694** | **11 230 759** | **12 583 620** | **64 459 823** |

## 45. 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

The war in Gaza during the fourth quarter of 2023 led to the destruction of many economic facilities inside the Strip, noting that the group does not have any credit exposure there.
This is in addition to the impact on many economic and commercial sectors in the West Bank as a result of the restrictions and closures happening every now and then. This led to higher potential risks to the Group's operations in Palestine and while it is still difficult and early to predict the actual impact, management is closely monitoring the situation and actively managing the potential impacts in accordance with best practices and regulatory requirements.
Management believes that there are no doubts about the Group's ability to continue its business in Palestine in the future.

### 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 (46-F) 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 (52) shows the maturities of the assets and liabilities of the Bank and note (49) shows the maturity of the liabilities (undiscounted).

## 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 (47) 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 (48) 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 (50) 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.

**46. 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 | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| **Credit risk exposures relating to items on the consolidated statement of financial position:** | | |
| Balances with central banks | 12 439 777 | 10 779 700 |
| Balances with banks and financial institutions | 4 204 480 | 4 008 144 |
| Deposits with banks and financial institutions | 273 807 | 610 306 |
| Financial assets at fair value through profit or loss | 23 857 | 48 662 |
| Financial assets at fair value through other comprehensive income | 409 939 | 400 762 |
| **Direct credit facilities at amortized cost** | **33 158 248** | **31 726 598** |
| Consumer Banking | 10 116 559 | 9 614 613 |
| Small and Medium Corporate | 3 537 675 | 3 548 095 |
| Large Corporate | 16 061 142 | 15 199 683 |
| Banks and financial institutions | 258 170 | 348 988 |
| Government and public sector | 3 184 702 | 3 015 219 |
| Other financial assets at amortized cost | 10 376 401 | 10 002 475 |
| financial derivatives - positive fair value | 217 629 | 196 232 |
| Other assets | 475 886 | 442 118 |
| **Total Credit Exposure related to items on the consolidated statement of financial position:** | **61 580 024** | **58 214 997** |
| **Credit risk exposures relating to items off the consolidated statement of financial position:** | | |
| **Total of indirect facilities** | **17 898 539** | **17 322 640** |
| **Grand Total for Credit Exposure** | **79 478 563** | **75 537 637** |

The table above shows the maximum limit of the bank credit risk as of 31 December 2023 and 2022 excluding collaterals and risks mitigations.

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

| | 31 December 2023 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | 12 790 213 | - | - | - | - | - | - | - | 12 790 213 | 350 436 |
| Balances with banks and financial institutions | 4 207 423 | - | - | - | - | - | - | - | 4 207 423 | 2 943 |
| Deposits with banks and financial institutions | 274 698 | - | - | - | - | - | - | - | 274 698 | 891 |
| Financial assets at fair value through profit or loss | 23 857 | - | - | - | - | - | - | - | 23 857 | - |
| Financial assets at fair value through other comprehensive income | 410 483 | - | - | - | - | - | - | - | 410 483 | 544 |
| **Direct credit facilities at amortized cost** | **37 079 697** | **2 089 165** | **418 962** | **6 783 478** | **1 225 245** | **520 448** | **8 358 687** | **19 395 985** | **17 683 712** | **3 005 155** |
| Consumer Banking | 10 511 436 | 396 305 | 6 125 | 2 797 324 | 150 575 | 201 079 | 1 116 299 | 4 667 707 | 5 843 729 | 274 161 |
| Small and Medium Corporates | 4 103 716 | 486 622 | 41 493 | 1 063 103 | 170 277 | 17 960 | 934 565 | 2 714 020 | 1 389 696 | 416 169 |
| Large Corporates | 18 995 178 | 1 006 024 | 337 365 | 2 917 429 | 904 393 | 301 409 | 5 219 532 | 10 686 152 | 8 309 026 | 2 288 380 |
| Banks and Financial Institutions | 261 619 | - | 168 | - | - | - | 1 613 | 1 781 | 259 838 | 3 399 |
| Government and Public Sector | 3 207 748 | 200 214 | 33 811 | 5 622 | - | - | 1 086 678 | 1 326 325 | 1 881 423 | 23 046 |
| Other financial assets at amortized cost | 10 435 455 | - | - | - | - | - | - | - | 10 435 455 | 59 054 |
| Financial derivatives - positive fair value | 217 629 | - | - | - | - | - | - | - | 217 629 | - |
| Other assets | 475 886 | - | - | - | - | - | - | - | 475 886 | - |
| **Total** | **65 915 341** | **2 089 165** | **418 962** | **6 783 478** | **1 225 245** | **520 448** | **8 358 687** | **19 395 985** | **46 519 356** | **3 419 023** |
| **Credit exposures relating to items off statement of financial position:** | | | | | | | | | | |
| **Total** | **18 014 964** | **1 129 028** | **31 531** | **289 302** | **52 117** | **21 212** | **2 425 929** | **3 949 119** | **14 065 845** | **116 425** |
| **Grand Total** | **83 930 305** | **3 218 193** | **450 493** | **7 072 780** | **1 277 362** | **541 660** | **10 784 616** | **23 345 104** | **60 585 201** | **3 535 448** |
| **Grand Total as of 31 December 2022** | **79 708 938** | **2 692 108** | **429 177** | **6 928 595** | **1 013 788** | **516 214** | **10 782 120** | **22 362 002** | **57 346 936** | **3 270 150** |

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

| | 31 December 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | - | - | - | - | - | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| **Direct credit facilities at amortized cost** | **3 037 263** | **36 099** | **38 158** | **349 220** | **8 729** | **24 664** | **611 770** | **1 068 640** | **1 968 623** | **1 996 116** |
| Consumer Banking | 406 336 | 11 380 | 371 | 51 924 | - | 2 641 | 22 274 | 88 590 | 317 746 | 208 248 |
| Small and Medium Corporates | 525 764 | 3 333 | 3 831 | 117 217 | 26 | 812 | 49 268 | 174 487 | 351 277 | 312 543 |
| Large Corporates | 2 101 804 | 21 386 | 33 956 | 180 079 | 8 703 | 21 211 | 540 228 | 805 563 | 1 296 241 | 1 471 147 |
| Banks and Financial Institutions | 3 012 | - | - | - | - | - | - | - | 3 012 | 2 962 |
| Government and Public Sector | 347 | - | - | - | - | - | - | - | 347 | 1 216 |
| Other financial assets at amortized cost | - | - | - | - | - | - | - | - | - | - |
| Financial derivatives - positive fair value | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| **Total** | **3 037 263** | **36 099** | **38 158** | **349 220** | **8 729** | **24 664** | **611 770** | **1 068 640** | **1 968 623** | **1 996 116** |
| **Credit exposures relating to items off statement of financial position:** | | | | | | | | | | |
| **Total** | **94 451** | **3 104** | **-** | **4 192** | **11 211** | **917** | **14 529** | **33 953** | **60 498** | **54 542** |
| **Grand Total** | **3 131 714** | **39 203** | **38 158** | **353 412** | **19 940** | **25 581** | **626 299** | **1 102 593** | **2 029 121** | **2 050 658** |
| **Grand Total as of 31 Decmeber 2022** | **3 061 994** | **22 295** | **32 400** | **282 328** | **2 618** | **7 654** | **309 628** | **656 923** | **2 405 071** | **2 010 206** |

**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 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Stage 2 | | Stage 3 | | Total Reclassified Credit Risk Exposure | Percentage of Reclassified Credit Risk Exposure (%) |
| | Total Credit Risk Exposure | Reclassified Credit Risk Exposure | Total 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 | 776 154 | - | - | - | - | - |
| Balances with banks and financial institutions | - | - | - | - | - | - |
| Deposits with banks and financial institutions | - | - | - | - | - | - |
| Direct credit facilities at amortized cost | 3 985 401 | ( 234 872) | 3 037 263 | 404 060 | 169 188 | 2.4% |
| Other financial assets at amortized cost | 27 719 | - | - | - | - | - |
| **Total** | **4 789 274** | **( 234 872)** | **3 037 263** | **404 060** | **169 188** | **2.2%** |
| **Credit exposures relating to items off statement of financial position:** | | | | | | |
| **Total** | **651 936** | **( 8 450)** | **94 451** | **10 168** | **1 718** | **0.2%** |
| **Grand Total** | **5 441 210** | **( 243 322)** | **3 131 714** | **414 228** | **170 906** | **2.0%** |
| **Grand Total as of 31 December 2022** | **6 411 043** | **( 286 744)** | **3 061 994** | **164 433** | **( 122 311)** | **-1.3%** |

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Stage 2 | | Stage 3 | | Total Reclassified Expected Credit Loss | Percentage of Reclassified Expected Credit Loss (%) |
| | Total Expected Credit Loss | Reclassified Expected Credit Loss | Total 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 | 348 591 | - | - | - | - | - |
| Balances with banks and financial institutions | - | - | - | - | - | - |
| Deposits with banks and financial institutions | - | - | - | - | - | - |
| Direct credit facilities at amortized cost | 732 894 | ( 275 003) | 1 996 116 | 243 309 | ( 31 694) | -1.2% |
| Other financial assets at amortized cost | 24 908 | - | - | - | - | - |
| **Total** | **1 106 393** | **( 275 003)** | **1 996 116** | **243 309** | **( 31 694)** | **-1.0%** |
| **Credit exposures relating to items off statement of financial position:** | | | | | | |
| **Total** | **15 997** | **275** | **54 542** | **30** | **305** | **-** |
| **Grand Total** | **1 122 390** | **( 274 728)** | **2 050 658** | **243 339** | **( 31 389)** | **-1.0%** |
| **Grand Total as of 31 December 2022** | **1 065 225** | **( 71 312)** | **2 010 206** | **62 050** | **( 9 262)** | **-0.3%** |

**- Expected Credit Losses for Reclassified Credit Exposures:**

| | 31 December 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 other comprehensive ir | - | - | - | - | - | - | - |
| Direct credit facilities at amortized cost | ( 234 872) | 404 060 | 169 188 | **( 276 109)** | **( 33)** | **272 820** | **( 3 322)** |
| Other financial assets at amortized cost | | - | | | | | |
| **Total** | **( 234 872)** | **404 060** | **169 188** | **( 276 109)** | **( 33)** | **272 820** | **( 3 322)** |
| **Credit exposures relating to items off statement of financial position:** | | | | | | | |
| **Total** | **( 8 450)** | **10 168** | **1 718** | **( 112)** | **-** | **30** | **( 82)** |
| **Grand Total** | **( 243 322)** | **414 228** | **170 906** | **( 276 221)** | **( 33)** | **272 850** | **( 3 404)** |
| **Grand Total as of 31 December 2022** | **( 286 744)** | **164 433** | **( 122 311)** | **( 65 896)** | **( 2 851)** | **78 054** | **9 307** |

**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 2023 | | | |
|---|---|---|---|---|
| | **Financial Assets at Fair Value through P&L** | **Financial assets at fair value through other comprehensive income** | **Other financial assets at amortized cost** | **Total** |
| **Credit rating** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Private sector: | | | | |
| AAA to A- | - | 41 604 | 1 002 336 | 1 043 940 |
| BBB+ to B- | 4 872 | 65 865 | 314 150 | 384 887 |
| Below B- | 5 571 | - | - | 5 571 |
| Unrated | - | - | 145 146 | 145 146 |
| Governments and public sector | 13 414 | 302 470 | 8 914 769 | 9 230 653 |
| **Total** | **23 857** | **409 939** | **10 376 401** | **10 810 197** |

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | **Financial Assets at Fair Value through P&L** | **Financial assets at fair value through other comprehensive income** | **Other Financial Assets at Amortized Cost** | **Total** |
| **Credit rating** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Private sector: | | | | |
| AAA to A- | - | 43 701 | 881 974 | 925 675 |
| BBB+ to B- | 5 206 | 64 846 | 368 255 | 438 307 |
| Below B- | 8 141 | - | - | 8 141 |
| Unrated | - | - | 127 812 | 127 812 |
| Governments and public sector | 35 315 | 292 215 | 8 624 434 | 8 951 964 |
| **Total** | **48 662** | **400 762** | **10 002 475** | **10 451 899** |

**E. The following is the distribution of credit exposures for direct credit facilities at amortized cost according to the Group's Internal Rating"**

| Internal Credit Rating system | 31 December 2023 Total Exposure | Expected Credit Loss | Propability of Default % From | To | Exposure at Default | Average of Loss Given Default |
|---|---|---|---|---|---|---|
| | **USD '000** | **USD '000** | | | **USD '000** | |
| 1-6 | 23 250 705 | 686 382 | - | 19 | 23 246 394 | 0 - 44.30 |
| 7 | 726 823 | 256 738 | *24 | *24 | 699 919 | 30.59 - 39 |
| 8 | 171 502 | 81 337 | 100 | 100 | 152 081 | − |
| 9 | 517 101 | 238 550 | 100 | 100 | 388 158 | − |
| 10 | 2 348 660 | 1 676 229 | 100 | 100 | 1 611 945 | − |
| Unrated | 10 064 906 | 65 919 | 0.8 | 3.5 | 10 064 906 | 54.63 |
| **Total** | **37 079 697** | **3 005 155** | − | − | **36 163 403** | − |

*For Consumer direct credit facilities at amortized cost; it is at the minimum of 3.5% and the maximum of 57%.

| Internal Credit Rating system | 31 December 2022 Total Exposure | Expected Credit Loss | Propability of Default % From | To | Exposure at Default | Average of Loss Given Default |
|---|---|---|---|---|---|---|
| | **USD '000** | **USD '000** | | | **USD '000** | |
| 1-6 | 22 141 688 | 589,558.00 | - | 19 | 22 139 337 | 0 - 44.30 |
| 7 | 774 148 | 270 930 | *24 | *24 | 721 175 | 30.59 - 39 |
| 8 | 123 575 | 64 703 | 100 | 100 | 114 612 | − |
| 9 | 344 816 | 205 745 | 100 | 100 | 267 479 | − |
| 10 | 2 461 565 | 1 618 820 | 100 | 100 | 1 702 038 | − |
| Unrated | 9 594 485 | 62 772 | 0.8 | 3.5 | 9 594 485 | 54.63 |
| **Total** | **35 440 277** | **2 812 528** | − | − | **34 539 126** | − |

*For Consumer direct credit facilities at amortized cost; it is at the minimum of 3.5% and the maximum of 57%.

**F. Credit exposure for assets categorized by geographical distribution:**

| | 31 December 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **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 | 5 518 119 | 5 000 026 | 1 427 | 1 907 034 | - | 13 171 | **12 439 777** |
| Balances and deposits with banks and financial institutions | 271 479 | 980 478 | 555 215 | 1 691 535 | 908 742 | 70 838 | **4 478 287** |
| Financial assets at fair value through profit or loss | - | 13 414 | - | 5 572 | - | 4 871 | **23 857** |
| Financial assets at fair value through other comprehensive income | - | 295 084 | - | 114 855 | - | - | **409 939** |
| Direct credit facilities at amortized cost | 8 898 755 | 20 970 249 | 460 328 | 1 909 398 | 41 435 | 878 083 | **33 158 248** |
| Consumer Banking | 3 735 931 | 5 703 883 | 9 069 | 286 926 | 10 727 | 370 023 | **10 116 559** |
| Small and Medium Corporates | 883 423 | 1 611 589 | 60 697 | 725 000 | 10 923 | 246 043 | **3 537 675** |
| Large Corporates | 3 976 021 | 10 574 592 | 360 061 | 868 666 | 19 785 | 262 017 | **16 061 142** |
| Banks and Financial Institutions | 71 646 | 157 718 | - | 28 806 | - | - | **258 170** |
| Government and public Sector | 231 734 | 2 922 467 | 30 501 | - | - | - | **3 184 702** |
| Other financial assets at amortized cost | 4 170 994 | 4 489 145 | 144 844 | 1 149 010 | 146 477 | 275 931 | **10 376 401** |
| financial derivatives - positive fair value | 2 431 | 120 873 | 105 | 92 654 | 725 | 841 | **217 629** |
| Other assets | 80 922 | 318 540 | 7 559 | 63 529 | 459 | 4 877 | **475 886** |
| **Total** | **18 942 700** | **32 187 809** | **1 169 478** | **6 933 587** | **1 097 838** | **1 248 612** | **61 580 024** |
| **Total - as of 31 December 2022** | **18 337 487** | **31 386 621** | **1 011 056** | **5 567 499** | **762 184** | **1 150 150** | **58 214 997** |

*** Excluding Arab Countries**

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

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | Total |
| | (Individual) | (Collective) | (Individual) | (Collective) | | |
| | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** | **USD '000** |
| Jordan | 14 360 390 | 3 651 447 | 855 983 | 66 767 | 8 113 | **18 942 700** |
| Other Arab Countries | 23 817 403 | 5 544 179 | 2 584 967 | 98 284 | 142 976 | **32 187 809** |
| Asia* | 1 160 409 | 9 069 | - | - | - | **1 169 478** |
| Europe | 6 631 273 | 275 053 | 15 384 | 11 873 | 4 | **6 933 587** |
| America | 1 087 111 | 10 727 | - | - | - | **1 097 838** |
| Rest of the World | 866 178 | 354 740 | 10 667 | 12 052 | 4 975 | **1 248 612** |
| **Total** | **47 922 764** | **9 845 215** | **3 467 001** | **188 976** | **156 068** | **61 580 024** |
| **Total as of 31 December 2022** | **44 170 687** | **9 389 267** | **4 291 792** | **168 040** | **195 211** | **58 214 997** |

*** Excluding Arab Countries.**

**G. Credit exposure categorized by economic sector**

| | 31 December 2023 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | - | - | - | - | - | - | - | - | - | - | - | 12 439 777 | 12 439 777 |
| Balances and deposits with banks and financial institutions | - | - | - | - | - | - | - | - | - | - | 4 478 287 | - | 4 478 287 |
| Financial assets at fair value through profit or loss | - | 10 443 | - | - | - | - | - | - | - | - | - | 13 414 | 23 857 |
| Financial assets at fair value through other comprehensive income | - | - | - | 3 691 | - | - | - | 1 996 | - | 64 804 | 36 978 | 302 470 | 409 939 |
| Direct credit facilities at amortized cost | 10 116 559 | 4 732 437 | 1 982 529 | 1 375 367 | 4 425 760 | 432 562 | 789 024 | 395 149 | 34 968 | 5 431 021 | 258 170 | 3 184 702 | 33 158 248 |
| Other financial assets at amortized cost | - | 104 466 | - | 7 008 | - | - | - | - | - | 259 129 | 1 091 029 | 8 914 769 | 10 376 401 |
| Financial derivatives - positive fair value | - | 117 | - | - | 4 404 | - | - | 13 | - | 18 298 | 192 286 | 2 511 | 217 629 |
| Other assets | 26 231 | 70 622 | 27 254 | 12 627 | 32 550 | 1 066 | 8 341 | 8 091 | 2 081 | 107 080 | 46 903 | 133 040 | 475 886 |
| **Total** | **10 142 790** | **4 918 085** | **2 009 783** | **1 398 693** | **4 462 714** | **433 628** | **797 365** | **405 249** | **37 049** | **5 880 332** | **6 103 653** | **24 990 683** | **61 580 024** |
| **Total as of 31 December 2022** | **9 646 566** | **5 172 353** | **2 123 500** | **1 473 615** | **4 347 510** | **401 507** | **721 075** | **278 545** | **39 484** | **4 893 101** | **6 284 435** | **22 833 306** | **58 214 997** |

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

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | 26 231 | 9 845 215 | - | 188 976 | 82 368 | **10 142 790** |
| Industry and Mining | 4 028 523 | - | 881 862 | - | 7 700 | **4 918 085** |
| Constructions | 1 629 455 | - | 367 611 | - | 12 717 | **2 009 783** |
| Real Estate | 1 232 799 | - | 155 336 | - | 10 558 | **1 398 693** |
| Trade | 3 849 847 | - | 599 633 | - | 13 234 | **4 462 714** |
| Agriculture | 356 925 | - | 69 956 | - | 6 747 | **433 628** |
| Tourism and Hotels | 544 701 | - | 233 799 | - | 18 865 | **797 365** |
| Transportation | 340 063 | - | 60 610 | - | 4 576 | **405 249** |
| Shares | 37 049 | - | - | - | - | **37 049** |
| General Service | 5 438 599 | - | 441 561 | - | 172 | **5 880 332** |
| Banks and Financial Institutions | 6 103 653 | - | - | - | - | **6 103 653** |
| Government and Public Sector | 24 334 919 | - | 656 633 | - | ( 869) | **24 990 683** |
| **Total** | **47 922 764** | **9 845 215** | **3 467 001** | **188 976** | **156 068** | **61 580 024** |
| **Total as of 31 December 2022** | **44 170 687** | **9 389 267** | **4 291 792** | **168 040** | **195 211** | **58 214 997** |

**47. Market Risk**

Market Risk Sensitivity

Assuming market prices as at December 31, 2023 and 2022 change by 5%, the impact on statement of income and shareholders equity will be as follows:

| | 31 December 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | 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 | 57 774 | − | 57 774 | 51 097 | − | **51 097** |
| Foreign exchange rate sensitivity | 11 513 | 5 546 | 17 059 | 5 934 | 5 919 | **11 853** |
| Equity instruments price sensitivity | 1 558 | 17 455 | 19 013 | 1 180 | 17 491 | **18 671** |
| **Total** | **70 845** | **23 001** | **93 846** | **58 211** | **23 410** | **81 621** |

**48. Interest Rate Risk**

**Below is the Group Exposure to interest rate volatility as of 31 December 2023 (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 | - | - | - | - | - | - | 810 683 | 810 683 |
| Mandatory cash reserve | - | - | - | - | - | - | 1 554 990 | 1 554 990 |
| Balances with central banks | 7 710 975 | - | - | - | - | - | 3 173 812 | 10 884 787 |
| Balances and deposits with banks and financial institutions | 3 290 731 | 913 749 | 215 159 | 11 038 | 47 610 | - | - | 4 478 287 |
| Financial assets at fair value through profit or loss | 11 291 | 12 475 | - | 91 | - | - | 31 155 | 55 012 |
| Direct credit facilities at amortized cost | 8 371 232 | 8 838 756 | 4 567 938 | 3 221 797 | 2 900 425 | 5 258 100 | - | 33 158 248 |
| Financial assets at fair value through other comprehensive income | - | 31,325 | 1,569 | 35 382 | 125 524 | 216 139 | 349 099 | 759 038 |
| Other financial assets at amortized cost | 1 214 726 | 1 547 006 | 1 200 870 | 1 217 576 | 3 208 617 | 1 987 606 | - | 10 376 401 |
| Investments in associates | - | - | - | - | - | - | 3 848 257 | 3 848 257 |
| Fixed assets | - | - | - | - | - | - | 523 638 | 523 638 |
| Other assets and financial derivatives - positive fair value | 469 980 | 165 702 | 95 714 | 20 760 | 69 436 | 49 864 | 709 516 | 1 580 972 |
| Deferred tax assets | - | - | - | - | - | - | 243 658 | 243 658 |
| **TOTAL ASSETS** | **21 068 935** | **11 509 013** | **6 081 250** | **4 506 644** | **6 351 612** | **7 511 709** | **11 244 808** | **68 273 971** |
| **LIABILITIES** | | | | | | | | |
| Banks and financial institutions' deposits | 1 088 680 | 1 430 283 | 173 | - | - | - | 776 566 | 3 295 702 |
| Customer deposits | 13 834 725 | 5 474 742 | 3 460 375 | 6 874 397 | 2 479 894 | 426 225 | 15 260 895 | 47 811 253 |
| Cash margin | 1 345 907 | 446 263 | 191 063 | 376 056 | 126 947 | 73 999 | 253 252 | 2 813 487 |
| Borrowed funds | 357 915 | 25 667 | 40 219 | 22 944 | 23 437 | 39 627 | - | 509 809 |
| Provision for income tax | - | - | - | - | - | - | 337 202 | 337 202 |
| Other provisions | - | - | - | - | - | - | 244 694 | 244 694 |
| Other liabilities and financial derivatives - negative fair value | 178 755 | 282 207 | 98 312 | 54 779 | 28 078 | 34 965 | 1 211 764 | 1 888 860 |
| Deferred tax liabilities | - | - | - | - | - | - | 16 113 | 16 113 |
| **Total liabilities** | **16 805 982** | **7 659 162** | **3 790 142** | **7 328 176** | **2 658 356** | **574 816** | **18 100 486** | **56 917 120** |
| **Gap** | **4 262 953** | **3 849 851** | **2 291 108** | **(2 821 532)** | **3 693 256** | **6 936 893** | **(6 855 678)** | **11 356 851** |

**Below is the Group Exposure to interest rate volatility as of 31 December 2022 (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 | - | - | - | - | - | - | 915 691 | 915 691 |
| Mandatory cash reserve | - | - | - | - | - | - | 1 430 592 | 1 430 592 |
| Balances with central banks | 5 064 199 | 1 276 951 | - | - | - | - | 3 007 958 | 9 349 108 |
| Balances and deposits with banks and financial institutions | 3 000 389 | 1 007 761 | 410 945 | 151 745 | 47 610 | - | - | 4 618 450 |
| Financial assets at fair value through profit or loss | 4 416 | 14 837 | 11 251 | 4 013 | 797 | 13 348 | 23 591 | 72 253 |
| Direct credit facilities at amortized cost | 8 524 170 | 7 512 226 | 5 043 952 | 2 993 018 | 3 264 070 | 4 389 162 | - | 31 726 598 |
| Financial assets at fair value through OCI | - | 490 | - | 62 698 | 91 858 | 245 716 | 349 810 | 750 572 |
| Other financial assets at amortized cost | 671 649 | 1 323 569 | 1 666 936 | 1 799 840 | 2 425 509 | 2 114 972 | - | 10 002 475 |
| Investments in associates | - | - | - | - | - | - | 3 558 864 | 3 558 864 |
| Fixed assets | - | - | - | - | - | - | 530 393 | 530 393 |
| Other assets and financial derivatives - positive fair value | 213 247 | 140 642 | 58 121 | 17 709 | 33 450 | 91 830 | 669 883 | 1 224 882 |
| Deferred tax assets | - | - | - | - | - | - | 279 945 | 279 945 |
| **TOTAL ASSETS** | **17 478 070** | **11 276 476** | **7 191 205** | **5 029 023** | **5 863 294** | **6 855 028** | **10 766 727** | **64 459 823** |
| **LIABILITIES** | | | | | | | | |
| Banks and financial institutions' deposits | 1 922 924 | 1 108 844 | 27 250 | 10 213 | 66 | 201 | 448 142 | 3 517 640 |
| Customer deposits | 12 479 834 | 6 116 495 | 2 684 002 | 6 558 766 | 1 577 893 | 433 321 | 15 437 060 | 45 287 371 |
| Cash margin | 529 563 | 1 019 512 | 184 707 | 284 746 | 138 191 | 50 910 | 253 871 | 2 461 500 |
| Borrowed funds | 162 258 | 269 798 | 18 373 | 13 218 | 42 446 | 16 275 | - | 522 368 |
| Provision for income tax | - | - | - | - | - | - | 293 029 | 293 029 |
| Other provisions | - | - | - | - | - | - | 232 423 | 232 423 |
| Other liabilities and financial derivatives - negative fair value | 311 323 | 127 802 | 68 094 | 20 732 | 3 262 | 81 203 | 1 121 367 | 1 733 783 |
| Deferred tax liabilities | - | - | - | - | - | - | 9 253 | 9 253 |
| **Total liabilities** | **15 405 902** | **8 642 451** | **2 982 426** | **6 887 675** | **1 761 858** | **581 910** | **17 795 145** | **54 057 367** |
| **Gap** | **2 072 168** | **2 634 025** | **4 208 779** | **(1 858 652)** | **4 101 436** | **6 273 118** | **(7 028 418)** | **10 402 456** |

**49. Liquidity Risk**

**The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2023:**

| **Liabilities** | **Within 1 month** USD '000 | **After 1 months and till 3 months** USD '000 | **After 3 months and till 6 months** USD '000 | **After 6 months and till one year** USD '000 | **After one year and till 3 years** USD '000 | **After 3 years** USD '000 | **Not tied to a specific maturity** USD '000 | **Total** USD '000 |
|---|---|---|---|---|---|---|---|---|
| Banks and financial institutions' deposits | 1 088 688 | 1 430 395 | 193 | - | - | - | 776 706 | 3 295 982 |
| Customer deposits | 12 245 701 | 5 021 204 | 3 341 405 | 6 390 245 | 2 427 826 | 912 639 | 17 942 835 | 48 281 855 |
| Cash margin | 1 135 397 | 446 667 | 191 308 | 377 400 | 127 105 | 79 742 | 464 129 | 2 821 748 |
| Borrowed funds | 357 915 | 25 667 | 40 219 | 22 944 | 23 437 | 45 208 | - | 515 390 |
| Provision for income tax | - | - | - | - | - | - | 337 202 | 337 202 |
| Other Provisions | - | - | - | - | - | - | 244 694 | 244 694 |
| Financial derivatives - negative fair value | 59 779 | 52 974 | 28 855 | 4 302 | 23 532 | 28 096 | - | 197 538 |
| Other liabilities | 132 227 | 154 130 | 117 895 | 82 796 | 75 380 | 34 632 | 1 094 262 | 1 691 322 |
| Deferred tax liabilities | - | - | - | - | - | - | 16 113 | 16 113 |
| **Total Liabilities** | **15 019 707** | **7 131 037** | **3 719 875** | **6 877 687** | **2 677 280** | **1 100 317** | **20 875 941** | **57 401 844** |
| **Total Assets according to expected maturities** | **15 215 104** | **6 374 200** | **4 370 364** | **4 092 784** | **8 771 517** | **15 591 003** | **13 858 999** | **68 273 971** |

**The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2022**

| **Liabilities** | **Within 1 month** USD '000 | **After 1 months and till 3 months** USD '000 | **After 3 months and till 6 months** USD '000 | **After 6 months and till one year** USD '000 | **After one year and till 3 years** USD '000 | **After 3 years** USD '000 | **Not tied to a specific maturity** USD '000 | **Total** USD '000 |
|---|---|---|---|---|---|---|---|---|
| Banks and financial institutions' deposits | 1 893 192 | 1 056 954 | 118 336 | 10 213 | 66 | 200 | 439 430 | 3 518 391 |
| Customer deposits | 11 562 535 | 3 720 196 | 2 337 639 | 5 907 437 | 2 428 656 | 1 077 758 | 18 586 945 | 45 621 166 |
| Cash margin | 529 018 | 874 995 | 196 254 | 270 080 | 194 244 | 151 370 | 253 871 | 2 469 832 |
| Borrowed funds | 12 358 | 22 198 | 12 207 | 29 862 | 157 111 | 291 767 | - | 525 503 |
| Provision for income tax | - | - | - | - | - | - | 293 029 | 293 029 |
| Other Provisions | - | - | - | - | - | - | 232 423 | 232 423 |
| Financial derivatives - negative fair value | 27 210 | 25 496 | 16 194 | 12 133 | 11 146 | 71 432 | - | 163 611 |
| Other liabilities | 278 062 | 34 344 | 214 174 | 33 433 | 83 106 | 42 218 | 884 835 | 1 570 172 |
| Deferred tax liabilities | - | - | - | - | - | - | 9 253 | 9 253 |
| **Total Liabilities** | **14 302 375** | **5 734 183** | **2 894 804** | **6 263 158** | **2 874 329** | **1 634 745** | **20 699 786** | **54 403 380** |
| **Total Assets according to expected maturities** | **13 587 204** | **6 037 516** | **4 824 235** | **5 042 428** | **8 360 841** | **14 765 108** | **11 842 491** | **64 459 823** |

**50. Net Foreign Currency Positions**

The details of this item are as follows:

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | **Base currency in thousands** | **Equivalent in USD 000** | **Base currency in thousands** | **Equivalent in USD 000** |
| USD | ( 178 664) | ( 178 664) | ( 52 976) | ( 52 976) |
| GBP | 12 424 | 15 812 | 8 597 | 10 349 |
| EUR | ( 105 744) | ( 116 695) | 9 622 | 10 220 |
| JPY | 404 769 | 2 869 | 4 609 361 | 34 475 |
| CHF | ( 22 280) | ( 26 471) | ( 21 224) | ( 22 887) |
| Other currencies * | - | 72 883 | - | ( 97 859) |
| | | **( 230 266)** | | **( 118 678)** |

* Various foreign currencies translated to US Dollars.

**- Details of the Group's total assets and Liabilities as per the main currencies as of 31 December 2023 are as follows :**

| | **USD** | **GBP** | **EUR** | **JPY** | **CHF** |
|---|---|---|---|---|---|
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| Total Assets | 14 830 501 | 842 230 | 1 606 904 | 133 743 | 6 487 |
| Total liabilities | 15 448 498 | 690 393 | 1 452 410 | 37 576 | 35 364 |
| Total owner's equity | 1 450 699 | 106 | 548 | - | - |
| Net Foreign currency forward contract | 1 890 032 | ( 135 919) | ( 270 641) | ( 93 298) | 2 406 |
| **Net Open Position** | **( 178 664)** | **15 812** | **( 116 695)** | **2 869** | **( 26 471)** |
| **Net Open Position as of 31 December 2022** | **( 52 976)** | **10 349** | **10 220** | **34 475** | **( 22 887)** |

**51. 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 |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | | | | |
| **Financial assets at fair value** | **USD '000** | **USD '000** | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| Government Bonds and bills | 13 414 | 35 315 | Level 1 | Quoted | Not Applicable | Not Applicable |
| Corporate bonds | 10 443 | 13 347 | Level 1 | Quoted | Not Applicable | Not Applicable |
| Shares and mutual funds | 31 155 | 23 591 | Level 1 & 2 | Quoted | Not Applicable | Not Applicable |
| **Total Financial Assets at fair value through Profit or Loss** | **55 012** | **72 253** | | | | |
| Financial derivatives - positive fair value | **217 629** | **196 232** | Level 2 | Through Comparison of similar financial instruments | Not Applicable | Not Applicable |
| Financial assets at fair value through other comprehensive income: | | | | | | |
| Quoted shares | 154 510 | 152 699 | Level 1 | Quoted Shares | Not Applicable | Not Applicable |
| Unquoted shares | 194 589 | 197 111 | Level 2 & 3 | Through using the index sector in the market | Not Applicable | Not Applicable |
| Governmental bonds and corporate bonds through OCI | 409 939 | 400 762 | Level 1 & 2 | Quoted | Not Applicable | Not Applicable |
| **Total Financial Assets at fair value through other comprehensive income** | **759 038** | **750 572** | | | | |
| **Total Financial Assets at Fair Value** | **1 031 679** | **1 019 057** | | | | |
| **Financial Liabilities at Fair Value** | | | | | | |
| Financial derivatives - negative fair value | 197 538 | 163 611 | Level 2 | Through Comparison of similar financial instruments | Not Applicable | Not Applicable |
| **Total Financial Liabilities at Fair Value** | **197 538** | **163 611** | | | | |

There were no transfers between Level 1 and 2 during 2023 & 2022.

**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 2023** | | **31 December 2022** | | |
|---|---|---|---|---|---|
| | **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 | 8 515 819 | 8 525 937 | 7 006 803 | 7 013 280 | Level 2 & 3 |
| Balances and Deposits with banks and Financial institutions | 4 478 287 | 4 487 885 | 4 618 450 | 4 630 626 | Level 2 & 3 |
| Direct credit facilities at amortized cost | 33 158 248 | 33 389 563 | 31 726 598 | 31 970 615 | Level 2 & 3 |
| Other Financial assets at amortized cost | 10 376 401 | 10 492 219 | 10 002 475 | 10 097 692 | Level 1 & 2 |
| **Total financial assets not calculated at fair value** | **56 528 755** | **56 895 604** | **53 354 326** | **53 712 213** | |
| **Financial liabilities not calculated at fair value** | | | | | |
| Banks' and financial institutions' deposits | 3 295 702 | 3 310 942 | 3 517 640 | 3 530 783 | Level 2 & 3 |
| Customer deposits | 47 811 253 | 48 150 490 | 45 287 371 | 45 518 129 | Level 2 & 3 |
| Cash margin | 2 813 487 | 2 827 902 | 2 461 500 | 2 472 581 | Level 2 & 3 |
| Borrowed funds | 509 809 | 517 890 | 522 368 | 530 109 | Level 2 & 3 |
| **Total financial liabilities not calculated at fair value** | **54 430 251** | **54 807 224** | **51 788 879** | **52 051 602** | |

The fair values of the financial assets and financial liabilities included in level 2 and 3 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.

**52. 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 2023:

| | Up to one year | More than one year | Total |
|---|---|---|---|
| | **USD '000** | **USD '000** | **USD '000** |
| **Assets** | | | |
| Cash at vaults | 810 683 | - | 810 683 |
| Mandatory cash reserve | 1 554 990 | - | 1 554 990 |
| Balances with central banks | 10 884 787 | - | 10 884 787 |
| Balances and deposits with banks and financial institutions | 4 422 614 | 55 673 | 4 478 287 |
| Financial assets at fair value through profit or loss | 44 567 | 10 445 | 55 012 |
| Direct credit facilities at amortized cost | 14 700 209 | 18 458 039 | 33 158 248 |
| Financial assets at fair value through other comprehensive income | 417 374 | 341 664 | 759 038 |
| Other financial assets at amortized cost | 5 061 060 | 5 315 341 | 10 376 401 |
| Investment in subsidiaries and associates | - | 3 848 257 | 3 848 257 |
| Fixed assets | 69 817 | 453 821 | 523 638 |
| Other assets and financial derivatives - positive fair value | 1 391 551 | 189 421 | 1 580 972 |
| Deferred tax assets | 243 658 | - | 243 658 |
| **Total assets** | **39 601 310** | **28 672 661** | **68 273 971** |
| **Liabilities** | | | |
| Banks' and financial institutions' deposits | 3 295 702 | - | 3 295 702 |
| Customer deposits | 44 601 661 | 3 209 592 | 47 811 253 |
| Cash margin | 2 612 256 | 201 231 | 2 813 487 |
| Borrowed funds | 74 794 | 435 015 | 509 809 |
| Provision for income tax | 337 202 | - | 337 202 |
| Other Provisions | 244 694 | - | 244 694 |
| Other liabilities and financial derivatives - negative fair value | 1 704 275 | 184 585 | 1 888 860 |
| Deferred tax liabilities | 16 113 | - | 16 113 |
| **Total liabilities** | **52 886 697** | **4 030 423** | **56 917 120** |
| **Net** | **(13 285 387)** | **24 642 238** | **11 356 851** |

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2022:

| | UP to one year | More than one year | Total |
|---|---|---|---|
| | **USD '000** | **USD '000** | **USD '000** |
| **Assets** | | | |
| Cash at vaults | 915 691 | - | 915 691 |
| Mandatory cash reserve | 1 430 592 | - | 1 430 592 |
| Balances with central banks | 9 349 108 | - | 9 349 108 |
| Balances and deposits with banks and financial institutions | 4 570 840 | 47 610 | 4 618 450 |
| Financial assets at fair value through profit or loss | 58 110 | 14 143 | 72 253 |
| Direct credit facilities at amortized cost | 14 208 871 | 17 517 727 | 31 726 598 |
| Financial assets at fair value through other comprehensive income | 412 998 | 337 574 | 750 572 |
| Other financial assets at amortized cost | 4 943 986 | 5 058 489 | 10 002 475 |
| Investment in subsidiaries and associates | - | 3 558 864 | 3 558 864 |
| Fixed assets | 68 148 | 462 245 | 530 393 |
| Other assets and financial derivatives - positive fair value | 1 074 475 | 150 407 | 1 224 882 |
| Deferred tax assets | 279 945 | - | 279 945 |
| **Total assets** | **37 312 764** | **27 147 059** | **64 459 823** |
| **Liabilities** | | | |
| Banks' and financial institutions' deposits | 3 517 374 | 266 | 3 517 640 |
| Customer deposits | 41 936 834 | 3 350 537 | 45 287 371 |
| Cash margin | 2 117 487 | 344 013 | 2 461 500 |
| Borrowed funds | 73 529 | 448 839 | 522 368 |
| Other Provisions | 293 029 | - | 293 029 |
| Provision for Income Tax | 232 423 | - | 232 423 |
| Other liabilities and financial derivatives - negative fair value | 1 529 884 | 203 899 | 1 733 783 |
| Deferred tax liabilities | 9 253 | - | 9 253 |
| **Total liabilities** | **49 709 813** | **4 347 554** | **54 057 367** |
| **Net** | **(12 397 049)** | **22 799 505** | **10 402 456** |

## 53. 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 2023 | | | |
|---|---|---|---|---|
| | **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 | 2 963 850 | 287 453 | 6 065 | **3 257 368** |
| Acceptances | 517 394 | 46 989 | - | **564 383** |
| Letters of guarantee: | | | | |
| - Payment guarantees | 815 225 | 174 058 | 246 501 | **1 235 784** |
| - Performance guarantees | 2 620 130 | 1 440 740 | 333 608 | **4 394 478** |
| - Other guarantees | 1 780 039 | 611 228 | 241 064 | **2 632 331** |
| Unutilized credit facilities | 5 665 933 | 189 719 | 74 968 | **5 930 620** |
| **Total** | **14 362 571** | **2 750 187** | **902 206** | **18 014 964** |
| Constructions projects contracts | 7 593 | - | - | **7 593** |
| Procurement contracts | 14 092 | 5 983 | 1 000 | **21 075** |
| **Total** | **21 685** | **5 983** | **1 000** | **28 668** |

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | **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 | 2 711 022 | 163 284 | - | **2 874 306** |
| Acceptances | 747 489 | 14 031 | - | **761 520** |
| Letters of guarantee: | | | | |
| - Payment guarantees | 1 093 722 | 188 515 | 129 364 | **1 411 601** |
| - Performance guarantees | 3 198 828 | 1 034 938 | 163 681 | **4 397 447** |
| - Other guarantees | 2 148 029 | 127 659 | 85 854 | **2 361 542** |
| Unutilized credit facilities | 5 398 449 | 264 603 | 29 556 | **5 692 608** |
| **Total** | **15 297 539** | **1 793 030** | **408 455** | **17 499 024** |
| Constructions projects contracts | 2 892 | - | - | **2 892** |
| Procurement contracts | 18 141 | 1 455 | 400 | **19 996** |
| **Total** | **21 033** | **1 455** | **400** | **22 888** |

## 54. Capital Management

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 | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Common Equity Tier 1 | 10 121 289 | 9 486 770 |
| Regulatory Adjustments ( Deductions from Common Equity Tier 1) | (3 366 915) | (3 034 121) |
| Additional Tier 1 | 498 642 | 236 262 |
| Regulatory Adjustments (Deductions from Additional Tier 1) | ( 6 234) | ( 6 234) |
| Supplementary Capital | 590 782 | 423 755 |
| **Regulatory Capital** | **7 837 564** | **7 106 432** |
| **Risk-weighted assets (RWA)** | **44 684 580** | **42 717 383** |
| **Common Equity Tier 1 Ratio** | **%15.12** | **%15.11** |
| **Tier 1 Capital Ratio** | **%16.22** | **%15.64** |
| **Capital Adequacy Ratio** | **%17.54** | **%16.64** |

- 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.

The liquidity coverage ratio is 235% as of 31 December 2023 and 217% as of 31 December 2022 (According to Central Bank of Jordan instructions no. 5/2020 the minimum liquidity coverage ratio is 100%)

## 55. Transactions with Related Parties

The details of this item are as follows:

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | 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 | 115 015 | - | 8 859 | 90 015 |
| Major Shareholders and Members of the Board of Directors | - | 199 068 | 603 203 | 80 869 |
| **Total** | **115 015** | **199 068** | **612 062** | **170 884** |

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | 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 | 78 087 | - | 58 084 | 26 393 |
| Major Shareholders and Member of the Board of Directors | - | 306 763 | 783 128 | 50 831 |
| **Total** | **78 087** | **306 763** | **841 212** | **77 224** |

- 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:**

| | 2023 | |
|---|---|---|
| | Interest Income | Interest Expense |
| | USD '000 | USD '000 |
| Associated companies | 5 476 | 1 511 |

| | 2022 | |
|---|---|---|
| | Interest Income | Interest Expense |
| | USD '000 | USD '000 |
| Associated companies | 2 508 | 739 |

- Direct credit facilitates granted to key management personnel amounted to USD 1.2 million and indirect credit facilities amounted to USD 5.6 thousand as of 31 December 2023 (USD 1.6 million direct credit facilities and USD 5.6 thousand indirect credit facilities as of 31 December 2022).

- Deposits of key management personnel amounted to USD 5.2 million as of 31 December 2023 (USD 4.8 million as of 31 December 2022)

- 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 81.1 million for the year ended on 31 December 2023 (USD 79.7 million for the year ended on 31 December 2022).

## 56. Earnings Per Share

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Profit for the year attributable to Shareholders of the Bank | 800 695 | 520 276 |
| Less: Groups' share of interest on perpetual bonds | ( 13 634) | ( 13 798) |
| Net profit for the period attributable to the Bank's shareholders | **787 061** | **506 478** |
| | **Thousand Shares** | |
| Average number of shares | 640 800 | 640 800 |
| | **USD / Share** | |
| Earnings Per Share (Basic and diluted) | 1.23 | 0.79 |

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

## 57. Assets under management

Assets under management as of 31 December 2023 amounted to USD 13 715.9 million (USD 6 238 million as of 31 December 2022). These assets are not included in the Group's consolidated financial statements.

## 58. Cash and Cash Equivalent

The details of this item are as follows:

| | 31 December | |
|---|---|---|
| | 2023 | 2022 |
| | USD '000 | USD '000 |
| Cash and balances with central banks maturing within 3 months | 13 600 896 | 11 928 175 |
| Add: balances with banks and financial institutions maturing within 3 months | 4 207 423 | 4 010 774 |
| Less: banks and financial institutions deposits maturing within 3 months | 3 295 528 | 3 504 275 |
| **Total** | **14 512 791** | **12 434 674** |

## 59. LEGAL CASES

There are lawsuits filed against the Group totaling USD 343.4 million as of 31 December 2023, (USD 290.4 million as of 31 December 2022). 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.