

CAIRO AMMAN BANK

(PUBLIC SHAREHOLDING LIMITED COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2022



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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF CAIRO AMMAN BANK
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Cairo Amman Bank (Public Shareholding Limited Company) and its subsidiaries (the Bank) as of 30 September 2022, comprising the interim condensed consolidated statement of financial position as of 30 September 2022 and the related interim condensed consolidated income statement, interim condensed consolidated comprehensive income statement, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Other Matter

The consolidated financial statements for the year ended 31 December 2021 and the interim condensed consolidated financial statements for the period ended 30 September 2021 were audited and reviewed, respectively, by another auditor. Unqualified opinion and unqualified conclusion were issued on these financial statements on 22 February 2022 and 26 October 2021, respectively.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

Amman – Jordan
30 October 2022

ERNST & YOUNG
Amman - Jordan

CAIRO AMMAN BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Notes	30 September 2022 JD (Reviewed not audited)	31 December 2021 JD (Audited)
Assets			
Cash and balances at Central Banks	4	344,962,434	413,494,719
Balances at banks and financial institutions	5	142,782,907	121,528,244
Deposits at banks and financial institutions	6	75,972,796	101,054,720
Financial assets at fair value through profit or loss	7	8,107,355	8,164,615
Financial assets at fair value through other comprehensive income	8	68,933,316	65,792,741
Financial assets at amortized cost - net	9	769,216,522	732,404,799
Financial assets pledged as collateral	9	68,174,000	74,203,000
Direct credit facilities – net	10	2,095,030,130	1,951,096,855
Property and equipment – net		42,919,748	43,770,756
Intangible assets – net		5,620,840	5,159,688
Right of use assets		24,232,293	24,154,362
Deferred tax assets	14	11,611,031	12,227,606
Other assets	11	63,567,831	60,756,128
Total Assets		3,721,131,203	3,613,808,233
Liabilities and Owners' Equity			
Liabilities			
Banks and financial institutions' deposits		296,237,703	202,284,537
Customers' deposits	12	2,439,546,917	2,437,899,526
Cash margins		78,516,351	59,546,408
Borrowed funds	13	349,931,494	363,909,865
Subordinated Loans		18,540,350	18,540,350
Sundry provisions		13,172,544	12,313,994
Income tax provision	14	17,066,965	19,810,355
Lease liabilities		23,854,910	23,325,341
Deferred tax liabilities	14	897,883	865,668
Other liabilities	15	73,844,226	77,913,234
Total Liabilities		3,311,609,343	3,216,409,278
Owners' Equity			
Bank's Shareholders' Equity			
Authorized and paid-in capital	1	190,000,000	190,000,000
Statutory reserve	28	86,711,919	86,711,919
General banking risk reserve		4,645,383	4,341,429
Cyclical fluctuations reserve		10,894,653	10,894,653
Fair value reserve - net	16	7,562,227	3,797,698
Foreign currencies translation reserve		(3,188,744)	(3,188,744)
Retained earnings	17	68,452,401	94,481,206
Profits for the period attributable to the Banks' Shareholders		24,163,344	-
Total Bank's Shareholders' Equity		389,241,183	387,038,161
Non-controlling interests		20,280,677	10,360,794
Total Owners' Equity		409,521,860	397,398,955
Total Liabilities and Owners' Equity		3,721,131,203	3,613,808,233

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (28) CONSTITUTE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CAIRO AMMAN BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE & NINE MONTHS ENDED 30 SEPTEMBER 2022 (REVIEWED NOT AUDITED)

	Notes	For the three months ended		For the nine months ended 30	
		30 September		September	
		2022	2021	2022	2021
		JD	JD	JD	JD
Interest income	18	47,863,382	43,013,058	135,284,104	129,061,444
Less: Interest expense	19	17,718,632	14,575,884	48,005,888	42,880,438
Net interest income		<u>30,144,750</u>	<u>28,437,174</u>	<u>87,278,216</u>	<u>86,181,006</u>
Net commission income		4,821,400	5,225,489	14,622,751	15,203,753
Net interest and commission income		<u>34,966,150</u>	<u>33,662,663</u>	<u>101,900,967</u>	<u>101,384,759</u>
Gain from foreign currencies		1,691,868	1,011,179	3,046,153	3,264,467
Gain from financial assets at fair value through profit or loss	20	(119,571)	(376,752)	827,778	1,631,004
Dividends from financial assets at fair value through other comprehensive income	8	-	-	2,280,421	2,603,331
Other income		1,238,765	1,325,551	6,867,512	5,226,265
Gross profit		<u>37,777,212</u>	<u>35,622,641</u>	<u>114,922,831</u>	<u>114,109,826</u>
Employees' expenses		10,951,460	10,931,039	32,493,243	32,439,086
Depreciation and amortization		1,748,699	1,953,958	5,281,980	5,956,957
Other expenses		9,993,445	9,422,806	28,509,542	26,264,195
Provision for expected credit losses	21	1,032,249	4,541,267	8,502,845	16,030,847
Reversal of investment provision		-	(4,158,000)	-	(4,158,000)
Provision for impairment of repossessed assets	11	202,394	-	419,447	175,000
Sundry provisions		669,914	245,971	1,972,351	731,877
Total expenses		<u>24,598,161</u>	<u>22,937,041</u>	<u>77,179,408</u>	<u>77,439,962</u>
Profit for the period before tax		<u>13,179,051</u>	<u>12,685,600</u>	<u>37,743,423</u>	<u>36,669,864</u>
Income tax expense	14	(4,574,452)	(4,780,884)	(13,317,638)	(13,349,945)
Profit for the period		<u>8,604,599</u>	<u>7,904,716</u>	<u>24,425,785</u>	<u>23,319,919</u>
Attributable to:					
Bank's shareholders		8,512,428	7,930,896	24,163,344	23,468,491
Non-controlling interest		92,171	(26,180)	262,441	(148,572)
Profit for the period		<u>8,604,599</u>	<u>7,904,716</u>	<u>24,425,785</u>	<u>23,319,919</u>
		<u>JD/Fills</u>	<u>JD/Fills</u>	<u>JD/Fills</u>	<u>JD/Fills</u>
Basic and diluted earnings per share from profit for the period	22	<u>0/045</u>	<u>0/042</u>	<u>0/127</u>	<u>0/124</u>

CAIRO AMMAN BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE & NINE MONTHS ENDED 30 SEPTEMBER 2022 (REVIEWED NOT AUDITED)

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	JD	JD	JD	JD
Profit for the period	8,604,599	7,904,716	24,425,785	23,319,919
Other comprehensive income items: Items that will not be reclassified to profit or loss in subsequent periods:				
Change in fair value reserve after tax	(1,581,325)	(994,073)	3,626,987	8,340,368
Total Comprehensive income for the period	<u>7,023,274</u>	<u>6,910,643</u>	<u>28,052,772</u>	<u>31,660,287</u>
Total Comprehensive income for the period attributable to:				
Bank's shareholders	6,931,103	6,936,823	27,790,331	31,808,859
Non-controlling interest	92,171	(26,180)	262,441	(148,572)
Total Comprehensive income for the period	<u>7,023,274</u>	<u>6,910,643</u>	<u>28,052,772</u>	<u>31,660,287</u>

CAIRO AMMAN BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022 (REVIEWED NOT AUDITED)

	Authorized and paid in capital	Statutory reserve	General banking risk reserve*	Cyclical fluctuations reserve	Fair value reserve- net	Foreign currencies translation reserve	Retained earnings	Profit for the period attributable to the Banks' shareholders	Total Bank's shareholders' equity	Non- controlling interests	Total owners' equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the nine months ended 30 September 2022											
Balance at beginning of the period	190,000,000	86,711,919	4,341,429	10,894,653	3,797,698	(3,188,744)	94,481,206	-	387,038,161	10,360,794	397,398,955
Total comprehensive income for the period	-	-	-	-	3,626,987	-	-	24,163,344	27,790,331	262,441	28,052,772
Transferred to reserves	-	-	303,954	-	-	-	(303,954)	-	-	-	-
Net changes in Non-controlling Interests (Note 2)	-	-	-	-	-	-	2,912,691	-	2,912,691	9,657,442	12,570,133
Loss from sale of financial assets at fair value through comprehensive income	-	-	-	-	137,542	-	(137,542)	-	-	-	-
Dividends distributed to shareholders (Note 17)	-	-	-	-	-	-	(28,500,000)	-	(28,500,000)	-	(28,500,000)
Balance at 30 September 2022	190,000,000	86,711,919	4,645,383	10,894,653	7,562,227	(3,188,744)	68,452,401	24,163,344	389,241,183	20,280,677	409,521,860
For the nine months ended 30 September 2021											
Balance at beginning of the period	190,000,000	82,047,879	3,897,183	10,894,653	(5,988,630)	(3,188,744)	88,960,274	-	366,622,615	8,666,334	375,288,949
Total comprehensive income for the period	-	-	-	-	8,340,368	-	-	23,468,491	31,808,859	(148,572)	31,660,287
Transferred to reserves	-	-	444,246	-	-	-	(444,246)	-	-	-	-
Net changes in Non-controlling Interests	-	-	-	-	-	-	519,646	-	519,646	1,805,874	2,325,520
Gain from sale of financial assets at fair value through comprehensive income	-	-	-	-	(109,861)	-	109,861	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	-	(22,800,000)	-	(22,800,000)	-	(22,800,000)
Balance at 30 September 2021	190,000,000	82,047,879	4,341,429	10,894,653	2,241,877	(3,188,744)	66,345,535	23,468,491	376,151,120	10,323,636	386,474,756

* The general banking risk reserve and the negative balance of the fair value reserve are restricted from use without prior approval from the Central Bank of Jordan.

* This item represents amounts transferred to the reserves and is related to items at the Banks' branches in Palestine.

- As of 30 September 2022, the restricted retained earnings balance resulting from the early implementation of IFRS 9 amounted to JD 12,682,496.

- The retained earnings balance includes deferred tax assets amounting to JD 11,611,031 and is restricted from use in accordance with the instructions of the Central Bank of Jordan.

- The Bank is restricted from using JD 1,155,916 which represents the remaining balance of the general banking risk reserve included in retained earnings in accordance with the instructions of the Central Bank of Jordan.

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (28) CONSTITUTE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CAIRO AMMAN BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022 (REVIEWED NOT AUDITED)

	Notes	For the nine months ended 30	
		September	
		2022	2021
		JD	JD
<u>Operating Activities</u>			
Profit for the period before tax		37,743,423	36,669,864
Adjustments:			
Depreciation and amortization		5,281,980	5,956,957
Provision for expected credit losses	21	8,502,845	16,030,847
Sundry provisions		1,972,351	731,877
(Gain) from valuation of financial assets at fair value through profit or loss	20	(50,672)	(1,080,301)
(Gain) loss from sale of property and equipment		(33,409)	937
(Gain) from sale of repossessed assets		(2,318,259)	(779,183)
Provision for impairment of repossessed assets	11	419,447	175,000
Dividends from financial assets at fair value through other comprehensive income		(2,280,421)	(2,603,331)
Reversal investment provision		-	(4,158,000)
Effect of exchange rate changes on cash and cash equivalents		(2,855,890)	(3,091,821)
Cash flow from operating activities before changes in net assets		46,381,395	47,852,846
Deposits at banks and financial institutions		25,110,227	(19,353,307)
Financial assets at fair value through profit or loss		107,932	401,007
Direct credit facilities		(152,725,630)	(193,942,494)
Other assets		(990,822)	2,447,478
Banks and financial institution' deposits (with maturity date exceeding 3 months)		(61,271,550)	13,847,700
Customers deposits		1,647,391	55,736,937
Cash margins		18,969,943	10,856,057
Other liabilities		(3,570,326)	(422,082)
Net cash flows used in operating activities before income tax and provisions paid		(126,341,440)	(82,575,858)
Income tax paid	14	(16,383,426)	(14,678,012)
Provisions paid		(1,113,801)	(1,435,819)
Net cash flows used in operating activities		(143,838,667)	(98,689,689)
<u>Investing Activities</u>			
(Purchase) of financial assets at fair value through other comprehensive income		(972,430)	(1,053,253)
Sale of financial assets at fair value through other comprehensive income		2,429,743	1,186,699
(Purchase) of other financial assets at amortized cost		(228,442,734)	(141,395,588)
Maturity of other financial assets at amortized cost		197,924,622	183,234,505
Dividends from financial assets at fair value through other comprehensive Income		2,280,421	2,603,331
Cash received from selling subsidiaries shares without losing control	2	1,170,133	2,325,520
(Purchase) of property and equipment		(3,485,309)	(4,930,857)
Sale of property and equipment		116,829	2,550
(Purchase) of intangible assets		(1,490,235)	(1,387,747)
Net cash flows (used in) from investing activities		(30,468,960)	40,585,160
<u>Financing Activities</u>			
Increase in borrowed funds		88,654,058	144,956,938
(Settled from) Borrowed funds		(102,632,429)	(141,674,751)
Cash dividends distributed to shareholders	17	(17,100,000)	(22,800,000)
Net cash flows used in financing activities		(31,078,371)	(19,517,813)
Effect of exchange rate changes on cash and cash equivalents		2,855,890	3,091,821
Net decrease in cash and cash equivalents		(205,385,998)	(77,622,342)
Cash and cash equivalents - beginning of the period		419,435,514	324,193,573
Cash and cash equivalents - End of the period	23	216,905,406	249,663,052

1. General

Cairo Amman Bank was established in 1960 and was registered as a public shareholding company headquartered in Amman - Jordan, in accordance with the laws and regulations issued by the Ministry of Justice. The Banks' conditions were reconciled with the Jordanian Companies Laws No. (12) for the year 1964.

The Bank provides its banking and financial services through its headquarter office in Amman and its branches; 98 branches in Jordan, 21 branches in Palestine, one in Bahrain, and through its subsidiaries.

The Banks' authorized and paid-in-capital is equal to 190,000,000 JD/share as of 30 September 2022.

The Bank's shares are listed on the Amman Stock Exchange.

The Bank's Board of Directors approved the interim condensed consolidated financial statements on 30 October 2022.

2. Significant Accounting Policies

Basis of preparation of the interim condensed consolidated financial statements:

The accompanying interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard IAS 34 "Interim Financial Reporting" and comply with the requirements of the Central Bank of Jordan.

The interim condensed consolidated financial statements are prepared on the historical cost basis except for financial assets and financial liabilities which have been measured at fair value at the date of the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements are presented in Jordanian Dinar (JD) which is the functional currency of the Bank.

The accompanying interim condensed consolidated financial statements do not include all the information and disclosures to the financial statements required in the annual financial statements, which are prepared in accordance with International Financial Reporting Standards. Therefore, these interim condensed consolidated financial statements should be read with the Bank's annual report for the year ended 31 December 2021. Moreover, the results of the Bank's operations for the nine-months period ended on 30 September 2022 do not necessarily represent indications of the expected results for the year ending 31 December 2022. Also, no appropriation of profit was made for the nine months period ended at 30 September 2022, which is usually performed at the year end.

CAIRO AMMAN BANK – PUBLIC SHAREHOLDING LIMITED COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (REVIEWED NOT AUDITED)

The interim condensed consolidated financial statements comprise of the financial statements of the Bank and the subsidiaries controlled by it. As of 30 September 2022, the Bank owns the following subsidiaries:

Company's Name	Paid-in Capital	Ownership Percentage	Industry	Location	Acquisition Date
	JD	%			
Al-Watanieh Financial Services Company Limited Liability	5,500,000	100	Brokerage and investment management	Jordan	1992
Al-Watanieh Securities Company private shareholding	1,600,000	100	Brokerage	Palestine	1995
Tamallak for Financial Leasing Company	5,000,000	100	Finance Leasing	Jordan	2013
Safa Bank*	53,157,000	51	Islamic Banking	Palestine	2016

* During the period ended 30 September 2022, the Bank distributed 16,078,984 shares from the Bank's shares in Safa bank to Cairo Amman Bank shareholders in the same percentage that each shareholder owns in Cairo Amman Bank, in addition to that the Bank has sold 1,650,399 shares at cost, hence the Bank ownership decreased from 74.64% to 51% with no loss of control.

Control is achieved when the Bank 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 Bank controls an investee if and only if the Bank 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Revenues and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Bank 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 in line with the Bank's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Bank are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Changes in accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021 except for the adoption of new amendments on the standards effective as of 1 January 2022 shown below:

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no material impact on the interim condensed consolidated financial statements of the Bank.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no material impact on the interim condensed consolidated financial statements of the Bank.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no material impact on the interim condensed consolidated financial statements of the Bank.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

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

These amendments had no material impact on the interim condensed consolidated financial statements of the Bank.

3. Use of Estimates

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses and provisions as well as fair value changes reported in the condensed consolidated statement of other comprehensive income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. The aforementioned estimates are necessarily based on multiple assumptions and factors that have varying degrees of estimation and uncertainty, and that the actual results may differ from the estimates as a result of changes in conditions and circumstances of those estimates in the future, and the management believes that the estimates used in the condensed interim financial statements are reasonable.

The Bank’s management believes that its estimates within the interim condensed consolidated financial statements are reasonable and consistent with those estimates used in the preparation for the annual financial statement for the year 2021.

A. EXPECTED CREDIT LOSS FOR FINANCIAL INSTRUMENTS AT AMORTIZED COST

In determining provision for expected credit loss for direct credit facilities, important judgement is required from the Bank's management 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. Most important judgments and estimates used are as the following:

The Bank's definition of default and default handling mechanism.

Definition of default:

The Bank has adopted the definition of default according to the instructions for applying the International Financial Reporting Standard 9 No.13/2018 in addition to the Central Bank's instructions No. 47/2009, whereby any debt instrument was considered among the bad debts if there is evidence / evidence that it has become non-performing (irregular), In the event that one or more of the qualitative indicators below are achieved, it is considered evidence of a debt instrument default:

- The debtor party is facing significant financial difficulties (severe weakness in the financial statements).
- Failure to comply with contractual conditions, such as having dues equal to or greater than (90) days.
- The bank extinguishes part of the debtor's obligations.
- The presence of clear external indicators indicating the imminent bankruptcy of the debtor party.
- The absence of an active external market for a financial instrument due to financial difficulties faced by the debtor party (the source of credit exposure / debt instrument) and its inability to fulfill its obligations.
- The acquisition (purchase or creation of) a debt instrument at a significant discount that represents a credit loss.

Default handling mechanism:

The Bank monitors accounts before they reach the non-performance stage through designated departments and when accounts are classified as non-performing, they are monitored through the credit department before the initiation of legal procedures in case no final settlement with the customer has been reached. The Bank takes adequate provisions for those accounts in accordance with the instructions of the Central Bank of Jordan and the control authorities.

The Bank's internal credit rating system and its working mechanism:

- Corporate portfolio:

It is an internal rating system for comprehensively assessing and measuring the risks of banks, financial institutions, sovereign investments, and clients of large and medium companies.

The Bank uses the (CreditLens) Systems developed by (Moody's) to measure the risk rating of customers within (7) grades for the performing accounts and (3) grades for the non-performing accounts in accordance with the instructions of the Central Bank of Jordan. The probability of default (PD) increases as risk rating increases. Three segments are adopted at each grade for performing loans - with the exception of grade (1) where grade (1) is the best and grade (10) is the worst, Where the client's risk degree linked to the client's probability of default (PD) is extracted based on financial and objective data, and the probability of default is extracted for the client's facilities through (Facility Rating).

- Retail portfolio:

The portfolio of individuals is classified by adopting programs with common characteristics for the clients granted through each program according to the nature of the purpose of the product (personal, housing, cars, etc.), according to the employer (Public sector, private sector) and the nature of hiring, job, and other relevant factors. The conditions of the programs are also determined based on the historical performance of each program in terms of grants, defaults and collections, and those programs are reviewed periodically and their conditions are updated based on their performance.

The approved mechanism for calculating expected credit losses (ECL).

The Bank has adopted (Moody's) system for calculating expected credit losses where the calculation is made by specialized systems for the corporate and retail portfolios after taking into consideration the client's level of risk, probability of default, and assessment of collaterals for Jordan branches, foreign branches, and the subsidiaries.

The calculation for each stage is as follows:

- Stage (1): the expected credit losses are calculated within the next 12 months from the date of preparing the financial statements for debt instruments within this phase and in which there has not been a significant or influential increase in its credit risk since the initial recognition of the exposure / instrument, or that it has a low credit risk at the date of preparing the financial statements.
- Stage (2): Expected credit losses are calculated for the entire life of the debt instrument during the remaining period of the life of the debt instrument for debt instruments that fall within this stage and for which there has been a significant or influential increase in its credit risk since its initial recognition, but it has not reached the default stage.

Several determinants have been adopted as an indicator of the increase in credit risk to move the financial instrument from the first stage to the second stage, taking into account many indicators, including:

- The client's rating has been revised down by specific degrees from the initial rating, or he has obtained a high-risk rating.
- Appearance of any negative indicators on the account (it is in the Blacklist of returned checks in the portfolio of individuals for Jordan branches, or its classification is 3 in the money laundering list - Risk Level according to the classification of the Palestinian Monetary Authority for the portfolio of individuals in Al-Safa Bank and Palestine branches).
- There are more than 30 days of dues and less than 90 days.
- Classification of the client within watchlist.
- Stage (3): Expected credit losses are computed for the entire life of the debt instrument for debt instruments that fall within this stage and for which there is evidence / evidences that they have become non-performing (irregular) as mentioned in the non-performing classification criteria.

The following debt instruments are included in the calculation:

- Loans and direct and indirect credit facilities.
- Debt instruments at amortized cost.
- Financial guarantees specified according to IFRS 9.
- Receivable balances associated with leasing contracts according to IFRS (16).
- Credit exposures on banks and financial institutions.

Definition and mechanism for computing and monitoring probability of default (PD), exposure at default (EAD), and loss given default (LGD).

Probability of Default (PD):

- Retail portfolio:

The probability of default has been computed using the Bank's historical default information for the retail loans, credit cards, and housing loans portfolio. These rates are calculated using independent variables which affect the probability of default rate (loan balance to salary, sector, age, gender, interest rate, loan duration).

- Corporate portfolio:

The Probability of Default - PD data used by Moody's has been adopted as input to the calculation system, and the expected credit loss calculation system converts the probability of default from (Through The Cycle Probability of Default - TTC PD) to (Point In Time Probability of Default - PIT PD) for each instrument and after taking into account the risks of the country and the economic sector of the client.

Exposure at Default (EAD):

- One time debt instruments (direct and indirect): the balance as of the date of the financial statements is considered as the balance at the date of default after subtracting suspended interest and the actual due date of the financial instrument is assumed.
- Renewing debt instruments (direct and indirect): the balance or the ceiling as of the date of the financial statements is considered as the balance at the date of default after subtracting suspended interest and the actual due date of the financial instrument plus three years is assumed.

Loss Given Default (LGD):

- Retail portfolio:

The probability of default has been computed using the Bank's historical default information for the retail loans and housing loans portfolio. Both rates have approved at the account level for the retail portfolio.

- Corporate portfolio:

The loss ratio is calculated assuming default at the account level and after taking into account several factors and data, the most important of which are (guarantees, the economic sector, the possibility of default) The haircut rates were adopted on the guarantees according to the ratios approved by the Central Bank of Jordan, in addition to the adoption of a minimum ratio that is not less than 10%.

The Bank's policy for determining common elements (criteria) that credit risk and expected credit losses on a (Collective Basis) have been measured with.

Credit risk and expected credit losses for retail have been calculated at an individual level for each account separately and not at a collective level.

Economic indicators used by the Bank in calculating expected credit losses (PD).

A group of economic indicators have been reviewed such as (gross domestic product, equities, interest rates, unemployment, and inflation) and the following approved indicators have shown a strong correlation between the indicator value and the default rate for each portfolio using historical information:

- Corporate portfolio: gross domestic product and shares prices.
- Retail portfolio: gross domestic product, real gross domestic product, domestic product deflator and shares prices.

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- The following weights for scenarios were adopted by the Bank to as a response to the spread of COVID-19 for the year ended 2021 and 30 September 2022:

<u>Baseline Scenario</u>	<u>Downturn Scenario</u>	<u>Upturn Scenario</u>
30%	60%	10%

The Bank manages its risks through a comprehensive strategy for risk management by which the roles and responsibilities of all parties responsible for the application of these policies are identified. These include the Board of Directors and subcommittees such as the Risk Committee, Compliance committee, Audit committee, the Corporate Governance committee, Information Technology Governance committee, the Nominations and Remuneration committee, Strategy committee, and Credit Facilities committee. In addition, included are the executive management and its subcommittees such as Assets and Liabilities Committee, the Procurement and Bids Committee, the Internal Control and Control Systems Development Committee, the Strategy and Branching Committee, the Information Technology Steering Committee and the Facilities Committees. Also, other specialized departments are included such as Risk management, Compliance department, internal audit department, and Financial Crimes and Cyber Security department.

Furthermore, all of the Bank's business units are considered responsible for identifying the risks associated within their banking operations and committed to applying the appropriate controls and monitoring their effectiveness and maintaining integrity within the internal control system.

The process of managing the risks within the Bank's activities include the identification, measurement, assessment and monitoring of financial and non-financial risks which could negatively affect the Bank's performance and reputation or its goals ensuring that the Bank achieves optimum yield in return for the risks taken.

B. INCOME TAX

Income tax expenses represent accrued taxes and deferred taxes.

Income tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenues or taxable expenses disallowed in the current year but deductible in subsequent years accumulated losses acceptable by the tax law and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws regulations and instructions of the countries where the Bank operates. Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled, or tax assets are recognized.

Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements and reduced in case it is expected that no benefit will arise from payment or the elimination of the need for deferred tax liabilities partially or totally.

C. FAIR VALUE

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements in active markets. In case declared market, prices do not exist active trading of some financial assets and derivatives is not available or the market is inactive fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.
- Evaluation of long-term assets and liabilities that bear no interest through discounting cash flows and amortizing premium / discount using the effective interest rate method within interest revenue / expense in the consolidated statement of income.

The valuation methods aim to provide a fair value reflecting the market's expectations taking into consideration the market expected risks and expected benefits when the value of the financial assets. When the financial assets fair value can't be reliably measured, they are stated at cost less any impairment.

4. Cash and Balances at Central Banks

The item details are as follows:

	30 September 2022	31 December 2021
	JD	JD
	(Reviewed not audited)	(Audited)
Cash in vaults	179,466,627	165,436,466
Balances at Central Banks:		
Current and demand accounts	29,053,328	50,227,537
Time and notice deposits	15,635,000	79,135,000
Statutory cash reserve	120,816,252	118,710,023
Total Balances at Central Banks	<u>165,504,580</u>	<u>248,072,560</u>
Provision for expected credit losses (central banks)	(8,773)	(14,307)
Balances at Central Banks - Net	<u>165,495,807</u>	<u>248,058,253</u>
Total	<u>344,962,434</u>	<u>413,494,719</u>

- Restricted balances amounted to JD 10,635,000 as of 30 September 2022 (JD 10,635,000 as of 31 December 2021), in addition to the statutory cash reserve balance as shown above.
- There are no balances that mature in a period longer than three months as of 30 September 2022 and as of 31 December 2021.

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5. Balances at Banks and Financial Institutions

The item details are as follows:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Local Banks and Financial Institutions		
Current and demand accounts	1,641,134	2,870,179
Deposits maturing within 3 months or less	72,223,403	48,539,000
Total local	73,864,537	51,409,179
Foreign Banks and Financial Institutions		
Current and demand accounts	50,338,949	59,180,520
Deposits maturing within 3 months or less	18,603,416	10,984,776
Total Foreign	68,942,365	70,165,296
Total	142,806,902	121,574,475
<u>Less:</u> provision for expected credit losses (balances at banks)	(23,995)	(46,231)
Total	142,782,907	121,528,244

- Non-interest bearing balances at banks and financial institutions amounted to JD 51,980,083 as of 30 September 2022 (JD 77,385,789 as of 31 December 2021).
- There are no restricted balances as of 30 September 2022 and 31 December 2021.

6. Deposits at Banks and Financial Institutions

The item details are as follows:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Deposits maturing within:		
More than 3 to 6 months	3,000,084	33,069,913
More than 6 to 9 months	57,160,444	7,832,565
More than 9 to 12 months	16,000,000	17,368,277
More than a year	-	43,000,000
Total	76,160,528	101,270,755
<u>Less:</u> provision for expected credit losses (Deposits at banks)	(187,732)	(216,035)
Total	75,972,796	101,054,720

There are no restricted deposits as of 30 September 2022 and 31 December 2021.

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7. Financial Assets at Fair Value through Profit or Loss

The item details are as follows:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Quoted Corporate Shares	<u>8,107,355</u>	<u>8,164,615</u>

8. Financial Assets at Fair Value through Other Comprehensive Income

The item details are as follows:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Quoted shares	61,096,643	58,284,132
Unquoted shares *	7,687,372	7,303,740
Quoted Bonds	<u>153,924</u>	<u>209,205</u>
	68,937,939	65,797,077
Less: Expected credit loss	<u>(4,623)</u>	<u>(4,336)</u>
Total	<u><u>68,933,316</u></u>	<u><u>65,792,741</u></u>

Dividends on investments amounted to JD 2,280,421 for the nine months ended 30 September 2022 (JD 2,603,331 for the nine months ended 30 September 2021).

* Fair value calculation for unquoted investments is based on the most recent financial data available for the investee company.

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9. Financial Assets at Amortized Cost - Net

The item details are as follows:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Quoted Investments		
Governmental treasury bills	-	6,069,503
Foreign government treasury bonds	40,644,740	14,007,499
Corporate debt securities	21,799,265	22,037,086
Total quoted financial assets	<u>62,444,005</u>	<u>42,114,088</u>
Unquoted Investments		
Governmental treasury bills	36,539,192	40,257,102
Governmental treasury bonds	609,907,772	585,972,667
Corporate debt securities	61,000,000	65,000,000
Total unquoted financial assets	<u>707,446,964</u>	<u>691,229,769</u>
Total	769,890,969	733,343,857
<u>Less:</u> Provision for expected credit losses	(674,447)	(939,058)
	<u>769,216,522</u>	<u>732,404,799</u>
Analysis of bonds:		
Fixed rate bonds	769,890,969	733,343,857
Total	<u>769,890,969</u>	<u>733,343,857</u>

Financial Assets Pledged as Collateral

The item details are as follows:

	30 September 2022		31 December 2021	
	Financial Assets Pledged as Collateral	Related Financial Liabilities	Financial Assets Pledged as Collateral	Related Financial Liabilities
	JD (Reviewed not audited)	JD	JD (Audited)	JD
Governmental Treasury Bills and Bonds	<u>68,174,000</u>	<u>68,468,688</u>	<u>74,203,000</u>	<u>77,018,278</u>
Financial assets at amortized cost	<u>68,174,000</u>	<u>68,468,688</u>	<u>74,203,000</u>	<u>77,018,278</u>

These bonds were collateralized against the borrowed funds obtained from the Central Bank of Jordan for financing SMEs loans, industrial loans, short-term financing advances, and repurchasing agreements with the Central Bank of Jordan.

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10. Direct Credit Facilities - Net

The item details are as follows:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Individuals (Retail)		
Overdrafts	10,454,500	11,352,113
Loans and bills *	777,565,026	742,776,330
Credit cards	15,847,246	15,918,091
Others	7,365,687	7,334,987
Real-estate	302,555,647	292,037,120
Corporate		
Overdrafts	86,280,384	76,804,352
Loans and bills *	548,153,930	519,538,033
Small and medium enterprises “SMEs”		
Overdrafts	20,913,554	21,329,174
Loans and bills *	200,558,894	190,553,826
Public and governmental sectors	240,227,835	179,626,656
Total	<u>2,209,922,703</u>	<u>2,057,270,682</u>
<u>Less:</u> Suspended interests	(11,243,065)	(10,625,131)
<u>Less:</u> Expected credit losses	(103,649,508)	(95,548,696)
Net- Direct Credit Facilities	<u>2,095,030,130</u>	<u>1,951,096,855</u>

* Net of interest and commissions collected in advance amounting to JD 2,992,758 as of 30 September 2022 (JD 3,654,883 as of 31 December 2021).

- Non-performing credit facilities, in accordance with the instructions of the Central Bank of Jordan, amounted to JD 113,291,025 representing 5.13% of gross direct credit facilities as of 30 September 2022 (JD 107,568,549 representing 5.23% of gross direct credit facilities as of 31 December 2021).
- Non-performing credit facilities net of suspended interest, in accordance with the instructions of the Central Bank of Jordan, amounted to JD 102,148,233 representing 4.65% of gross direct credit facilities after excluding suspended interest as of 30 September 2022 (JD 97,015,679 representing 4.74% as of 31 December 2021).
- Credit facilities granted to the Government of Jordan under its own guarantee, amounted to JD 18,786,861 representing 0.85% of gross direct credit facilities as of 30 September 2022 (JD 25,783,194 representing 1.25% as of 31 December 2021).
- Credit facilities granted to the public sector in Palestine amounted to JD 75,212,476 representing 3.40% of gross direct credit facilities as of 30 September 2022 (JD 79,649,701 representing 3.87% as of 31 December 2021).

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The movement on the provision for expected credit losses (Direct Credit Facilities) during the period / year is as follows:

	Corporates					Total
	Individual	Real-estate loans	Large	SMEs	Government and	
	JD	JD	JD	JD	Public sector	
					JD	JD
<u>For the Nine Months Ended 30 September 2022</u> <u>(Reviewed not audited)</u>						
Total balances - beginning of the period	47,268,915	10,999,407	22,404,725	12,299,861	2,575,788	95,548,696
Credit loss on new facilities during the period	2,966,944	1,014,117	1,460,157	1,637,418	996,680	8,075,316
Reversed credit loss on settled facilities	(3,924,901)	(2,149,230)	(3,900,033)	(3,076,206)	(316,263)	(13,366,633)
Transferred to stage 1	2,798,974	1,255,834	52,228	504,833	(39,744)	4,572,125
Transferred to stage 2	1,400,085	(697,349)	2,389,998	(170,492)	39,727	2,961,969
Transferred to stage 3	(4,199,059)	(558,485)	(2,442,226)	(334,341)	17	(7,534,094)
Effect on the provision at the end of the period – resulting from the reclassification between the three stages during the period	1,618,764	228,584	1,133,337	3,724,412	(30,191)	6,674,906
Changes resulting from adjustments	9,829,511	349,045	(2,740,119)	(29,671)	-	7,408,766
Written off facilities	(6,216)	-	-	-	-	(6,216)
Valuation differences	(283,531)	(170,221)	(51,251)	(180,324)	-	(685,327)
Total balances - End of the Period	57,469,486	10,271,702	18,306,816	14,375,490	3,226,014	103,649,508
<u>For the Year Ended 31 December 2021 (Audited)</u>						
Total balances - beginning of the year	40,334,148	9,136,154	18,537,650	13,186,398	684,183	81,878,533
Credit loss on new facilities during the year	4,399,728	2,239,975	3,890,962	1,459,085	453,756	12,443,506
Reversed credit loss on settled facilities	(3,823,275)	(1,116,180)	(3,292,064)	(3,134,627)	(232,160)	(11,598,306)
Transferred to stage 1	3,117,789	482,557	2,967,480	890,287	(318,696)	7,139,417
Transferred to stage 2	1,159,348	344,727	(2,359,700)	678,735	318,696	141,806
Transferred to stage 3	(4,277,137)	(827,284)	(607,780)	(1,569,022)	-	(7,281,223)
Effect on the provision at the end of the year - resulting from the reclassification between the three stages during the year	3,323,033	896,285	(1,679,000)	(245,063)	1,670,009	3,965,264
Changes resulting from adjustments	5,389,367	167,044	5,809,307	1,162,253	-	12,527,971
Written off facilities	(2,417,091)	(323,871)	(962,382)	(128,185)	-	(3,831,529)
Valuation differences	63,005	-	100,252	-	-	163,257
Total balances - End of the Year	47,268,915	10,999,407	22,404,725	12,299,861	2,575,788	95,548,696

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Suspended Interest

The movement on the suspended interest during the period/ year is as follows:

	Corporates					Total
	Individual	Real-estate loans	Large	SMEs	Government and Public sector	
	JD	JD	JD	JD	JD	
<u>For the Nine months Ended 30 September 2022</u>						
<u>(Reviewed not audited)</u>						
Total balances - beginning of the period	2,545,940	781,322	4,971,325	2,326,544	-	10,625,131
Suspended interest on new exposures during the period	228,502	417,280	663,347	197,729	-	1,506,858
Suspended interest on settled exposures transferred to revenue during the period	(179,625)	(97,212)	(375,947)	(85,099)	-	(737,883)
Transferred to stage 1	38,379	8,942	(2)	2,176	-	49,495
Transferred to stage 2	58,272	27,032	355,675	1,728	-	442,707
Transferred to stage 3	(96,651)	(35,974)	(355,673)	(3,904)	-	(492,202)
Changes resulting from adjustments	-	44,173	-	-	-	44,173
Valuation differences	(42,064)	-	(153,150)	-	-	(195,214)
Total balances - End of the Period	2,552,753	1,145,563	5,105,575	2,439,174	-	11,243,065
<u>For the Year Ended 31 December 2021 (Audited)</u>						
Total balances - beginning of the year	2,331,972	621,534	7,949,234	2,179,538	-	13,082,278
Suspended interest on new exposures during the year	530,510	279,978	843,555	261,138	-	1,915,181
Suspended interest on settled exposures transferred to revenue during the year	(279,455)	(102,619)	(145,478)	(110,468)	-	(638,020)
Transferred to stage 1	44,039	12,992	4,763	27,681	-	89,475
Transferred to stage 2	32,111	2,180	33,757	(2,859)	-	65,189
Transferred to stage 3	(76,150)	(15,172)	(38,520)	(24,822)	-	(154,664)
Suspended interest on written off exposures	(37,087)	(17,571)	(3,675,986)	(3,664)	-	(3,734,308)
Total balances - End of the Year	2,545,940	781,322	4,971,325	2,326,544	-	10,625,131

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11. Other Assets

The item details are as follows:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Unearned revenues	15,861,551	17,148,232
Prepaid expenses	9,184,189	8,411,098
Repossessed Assets – net	18,371,669	14,401,475
Accounts receivable – net	5,606,993	4,443,816
Clearing checks	6,483,267	10,920,101
Settlement guarantee fund	39,000	39,000
Refundable deposits	912,690	609,971
Cards deposits	1,595,271	3,062,901
Others	5,513,201	1,719,534
	<u>63,567,831</u>	<u>60,756,128</u>

Movement on repossessed assets as a settlement against defaulted facilities is as follows:

	30 September 2022	31 December 2021
	(Reviewed not audited) JD	(Audited) JD
Balance - beginning of the period/year	16,628,415	12,556,317
Additions	10,485,928	5,349,503
Disposals	(6,123,064)	(1,277,405)
Total	<u>20,991,279</u>	<u>16,628,415</u>
Impairments of repossessed assets	(683,935)	(541,265)
Impairment of repossessed assets as per the Central Bank of Jordan instructions	(1,935,675)	(1,685,675)
Balance - End of the Period/Year	<u>18,371,669</u>	<u>14,401,475</u>

A summary of the movement on repossessed assets provision:

Balance-beginning of the period/year	2,226,940	1,712,181
Additions	419,447	514,759
Used during the period/year	(26,777)	-
Balance - End of the Period/Year	<u>2,619,610</u>	<u>2,226,940</u>

12. Customers Deposits

The item details are as follows:

	30 September 2022	31 December 2021
	(Reviewed not audited)	(Audited)
	JD	JD
Current and demand accounts	652,136,198	717,326,324
Saving deposits	602,410,592	624,755,712
Time and notice deposits	<u>1,185,000,127</u>	<u>1,095,817,490</u>
Total	<u><u>2,439,546,917</u></u>	<u><u>2,437,899,526</u></u>

- The Government of Jordan and the public sector deposits inside Jordan amounted to JD 277,479,082 representing 11.37% of total deposits as of 30 September 2022 (JD 341,267,864 representing 14% of total deposits as of 31 December 2021).
- Non-interest bearing deposits amounted to JD 589,400,223 representing 24.16% of total deposits as of 30 September 2022 (JD 599,643,817 representing 24.6% of total deposits as of 31 December 2021).

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13. Borrowed Funds

The item details are as follows:

	Amount	Total	Outstanding	Payable every	Maturity date	Collaterals	Interest rate
JD							
30 September 2022 (Reviewed not audited)							
Amounts borrowed from overseas investment company							
(OPIC)	15,598,000	1	1	One payment	2034	None	4.845%-4.895%
Amounts borrowed from French Development Agency	1,063,500	20	6	Semi-annual	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan	4,750,000	20	10	Semi-annual	2027	None	2.700%
Amounts borrowed from Central Bank of Jordan	93,480,169	530	530	One payment per loan	2022-2035	Governmental	0.5% - 1.75%
Amounts borrowed from Central Bank of Jordan	27,027,558	442	442	One payment per loan	2022-2024	None	0.000%
Amounts borrowed from Central Bank of Jordan	552,000	14	3	Semi-annual	2024	None	2.500%
Amounts borrowed from European Bank for							
Reconstruction and Development (EBRD)	7,090,000	3	1	Semi-annual	2022	None	2.020%
Amounts borrowed from European Bank for							
Reconstruction and Development (EBRD)	4,051,429	7	2	Semi-annual	2023	None	5.500%
Amounts borrowed from Central Bank of Jordan	3,075,000	20	15	Semi-annual	2030	None	2.8%
Amounts borrowed from Central Bank of Jordan	3,941,315	34	34	Semi-annual	2039	None	3.000%
Jordan Mortgage Refinance Company	10,000,000	1	1	One payment	2024	None	5.000%
Jordan Mortgage Refinance Company	30,000,000	1	1	One payment	2024	None	5.750%
Jordan Mortgage Refinance Company	10,000,000	1	1	One payment	2025	None	4.90%
Jordan Mortgage Refinance Company	10,000,000	1	1	One payment	2028	None	4.750%
Jordan Mortgage Refinance Company	4,000,000	1	1	One payment	2026	None	4.650%
Governmental							
Amounts borrowed from Central Bank of Jordan	14,285,714	1	1	One payment	2022	Bonds	4.500%
Governmental							
Amounts borrowed from Central Bank of Jordan	12,500,000	1	1	One payment	2022	Bonds	5.250%
Governmental							
Amounts borrowed from Central Bank of Jordan	14,285,714	1	1	One payment	2022	Bonds	4.500%
Governmental							
Amounts borrowed from Central Bank of Jordan	27,397,260	1	1	One payment	2022	Bonds	2.750%
Amounts borrowed from European Bank for							
Reconstruction and Development (EBRD)	506,419	7	1	Semi-annual	2023	None	3.10%
Amounts borrowed from French Development Agency	8,078,587	20	17	Semi-annual	2031	None	1.712%
Palestine Monetary Authority	4,211,641	1	1	-	None	None	3.00%
Etihad Bank	6,000,000	8	8	Quarterly	2024	None	3.75%
Housing Bank for Trade and Finance	30,526,950		Overdraft	-	2022	None	3.500%
Arab Jordan Investment Bank	875,014		Overdraft	-	2022	None	5.750%
Jordan Kuwait bank	5,561,000	8	8	Quarterly	2023	None	5.000%
Amounts borrowed from International Financial							
Markets (FMI)	1,074,224	1	1	-	None	None	-
Total	349,931,494						

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	Amount	Total	Outstanding	Payable every	Maturity date	Collaterals	Interest rate
	JD						
31 December 2021 (Audited)							
Amounts borrowed from overseas investment company							
(OPIC)	15,598,000	1	1	One payment	2034	None	.845%-4.895%
Amounts borrowed from French Development Agency	1,240,750	20	7	Semi-annual	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan	5,700,000	20	12	Semi-annual	2027	None	2.700%
				One payment		Governmental	
Amounts borrowed from Central Bank of Jordan	85,560,776	437	437	per loan	2022-2035	Bonds	0.5% - 1.75%
Amounts borrowed from Central Bank of Jordan	32,539,540	391	391	One payment per loan	2022- 2024	None	0.000%
Amounts borrowed from Central Bank of Jordan	888,000	14	5	Semi-annual	2024	None	2.500%
Amounts borrowed from European Bank for							
Reconstruction and Development	14,180,000	3	2	Semi-annual	2022	None	2.020%
Amounts borrowed from European Bank for							
Reconstruction and Development	6,077,143	7	3	Semi-annual	2023	None	5.500%
Amounts borrowed from Central Bank of Jordan	3,485,000	20	16	Semi-annual	2030	None	2.8%
Amounts borrowed from Central Bank of Jordan	3,941,315	34	34	Semi-annual	2039	None	3.000%
Jordan Mortgage Refinance Company	10,000,000	1	1	One payment	2024	None	5.000%
Jordan Mortgage Refinance Company	30,000,000	1	1	One payment	2024	None	5.750%
Jordan Mortgage Refinance Company	10,000,000	1	1	One payment	2022	None	5.350%
Jordan Mortgage Refinance Company	10,000,000	1	1	One payment	2026	None	4.750%
Jordan Mortgage Refinance Company	4,000,000	1	1	One payment	2028	None	4.650%
						Governmental	
Amounts borrowed from Central Bank of Jordan	12,658,228	1	1	One payment	2022	Bonds	2.000%
						Governmental	
Amounts borrowed from Central Bank of Jordan	6,250,000	1	1	One payment	2022	Bonds	2.000%
						Governmental	
Amounts borrowed from Central Bank of Jordan	34,188,034	1	1	One payment	2022	Bonds	2.000%
						Governmental	
Amounts borrowed from Central Bank of Jordan	14,662,757	1	1	One payment	2022	Bonds	2.000%
						Governmental	
Amounts borrowed from Central Bank of Jordan	9,259,259	1	1	One payment	2022	Bonds	2.000%
Amounts borrowed from European Bank for							
Reconstruction and Development (EBRD)	1,519,286	7	3	Semi-annual	2023	None	2.200%
Amounts borrowed from French Development Agency	9,948,638	20	19	Semi-annual	2031	None	1.273%
Palestine Monetary Authority	4,263,488	1	1	-	None	None	0.5%
Etihad Bank	6,000,000	8	8	Quarterly	2024	None	3.75%
Housing Bank for Trade and Finance	30,815,178		Overdraft	-	2022	None	3.500%
Arab Jordan Investment Bank	60,249		Overdraft	-	2022	None	5.750%
Amounts borrowed from International Financial Markets							
(FMI)	1,074,224	1	1	-	None	None	-
Total	363,909,865						

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14. Income Tax

Income Tax Provision

The movement on income tax provision during the period/ year is as follows:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Balance - beginning of the period/ year	19,810,355	16,002,794
Income tax paid	(16,383,426)	(15,571,667)
Income tax expense	13,640,036	19,379,228
Balance - End of the Period/ Year	<u>17,066,965</u>	<u>19,810,355</u>

Income tax appearing on the income statement represents the following:

	30 September 2022	30 September 2021
	JD (Reviewed not audited)	JD (Reviewed not audited)
Income tax for the period	13,640,036	13,626,554
Deferred tax liabilities	(14,595)	(32,377)
Deferred tax assets	(307,803)	(244,232)
Income tax for current period profit	<u>13,317,638</u>	<u>13,349,945</u>

The income tax rate on banks in Jordan is 38% and varies between 0%-31% in countries that the Bank has branches and companies in. Banks in Palestine are subject to an income tax rate of 15% and VAT of 16%.

The Bank has reached a final settlement with the Income and Sales Tax Department up to the end of the year 2018 for the Bank's branches in Jordan. The Income and Sales Tax Department did not review 2019, 2020, and 2021 up to the date of interim condensed consolidated financial statements.

A final settlement was reached with the tax authorities for the Bank's branches in Palestine up until the end of the year 2017. The Income and Sales Tax Department did not review 2018, 2019, 2020, and 2021 records up to the date of interim condensed consolidated financial statements.

Al-Watanieh Financial Services Company - (Awraq) has reached a final settlement with the Income and Sales Tax Department up to the year 2019, except for the years 2015, 2016, and 2017, and the decision has been appealed and is pending at the Tax Court of First Instance. The Income and Sales Tax Department did not review 2020 and 2021 records up to the date of interim condensed consolidated financial statements.

Al-Watanieh Securities Company – (Palestine) has reached a final settlement with the Income and Sales Tax Department up to the end of the year 2020. The Income and Sales Tax Department did not review 2021 records up to the date of interim condensed consolidated financial statements.

Tamallak for Financial Leasing Company has reached a final settlement with the Income and sales tax Department up until the end of the year 2018. The Income Tax Department did not review 2019, 2020, and 2021 records up to the date of interim condensed consolidated financial statements.

In the opinion of the Bank's management, income tax provisions as of 30 September 2022 are sufficient to meet any future tax obligations.

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The movement on the deferred tax assets and liabilities is as follows:

	30 September 2022		31 December 2021	
	Assets	Liabilities	Assets	Liabilities
	JD (Reviewed not audited)	JD (Reviewed not audited)	JD (Audited)	JD (Audited)
Balance - beginning of the period/ year	12,227,606	865,668	13,316,167	808,967
Additions	691,360	51,447	835,415	104,804
Disposal	(1,307,935)	(19,232)	(1,923,976)	(48,103)
Balance - End of the Period/ Year	<u>11,611,031</u>	<u>897,883</u>	<u>12,227,606</u>	<u>865,668</u>

Deferred tax is calculated using the tax rates that are expected to be applied when the deferred tax assets/liabilities will be realized, or the deferred tax liabilities will be settled.

15. Other Liabilities

This item consists of the following:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Accrued interest	10,842,655	10,688,461
Unearned Revenue	574,043	406,018
Accounts payable	7,760,267	9,039,589
Accrued expenses	13,029,215	9,968,439
Temporary deposits	26,732,740	30,022,864
Checks and withdrawals for payments	7,224,336	9,862,144
Others	4,176,498	4,452,134
	<u>70,339,754</u>	<u>74,439,649</u>
Provision for expected credit losses on indirect credit facilities	3,504,472	3,473,585
Total	<u>73,844,226</u>	<u>77,913,234</u>

16. Fair Value Reserve - Net

The item details are as follows:

	30 September 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Balance - beginning of the period / year	3,797,698	(5,988,630)
Unrealized gains	4,588,740	11,744,228
Loss (gain) from sale of financial assets at fair value through other comprehensive income transferred to retained earnings	137,542	(109,861)
Deferred tax assets	(914,943)	(1,758,961)
Deferred tax liabilities	(46,810)	(89,078)
Balance - end of the Period / Year	<u>7,562,227</u>	<u>3,797,698</u>

The fair value reserve - net is presented after deducting the deferred tax assets that amounted to JD 521,523 and the deferred tax liabilities that amount to JD 360,362.

17. Retained Earnings

The item details are as follows:

	30 September 2022	31 December 2021
	JD	JD
	(Reviewed not audited)	(Audited)
Balance - beginning of the period / year	94,481,206	88,960,274
Profit for the year	-	32,799,711
Transferred to statutory reserve	-	(4,664,040)
Transferred to general banking risk reserve	(303,954)	(444,246)
Dividends distributed to shareholders	(28,500,000)	(22,800,000)
Net Change in non-controlling interest	2,912,691	519,646
Transfers resulted from sale of financial assets at fair value through other comprehensive income	(137,542)	109,861
Balance - end of the Period / Year	<u>68,452,401</u>	<u>94,481,206</u>

- The General Assembly of Shareholders decided in its ordinary meeting held on 24 April 2022. to approve the distribution of cash dividends 90 Fils per share i.e 9% of the par value per share amounting to 1 JD. In addition, they approved the distribution of 16,078,984 shares from Safa Bank/Palestine owned by the Cairo Amman Bank to Cairo Amman Bank Shareholders on a pro rata basis of the shareholders ownership in Cairo Amman Bank's Capital.
- Retained earnings as of 30 September 2022 amounts to JD 12,682,496 resulting from the early implementation of IFRS 9. This amount is restricted in accordance with the Securities Commission instructions, except for the amounts realized through the sale of the financial assets.
- Retained earnings includes deferred tax assets amounting to JD 11,611,031 as of 30 September 2022, (JD 12,227,606 as of 31 December 2021), which is not available for distribution in accordance with the Central Bank of Jordan instructions.
- The Bank is restricted from using amount of JD1,155,916 which represents the remaining balance of the general banking risk reserve included in retained earnings in accordance with the instructions of the Central Bank of Jordan.

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18. Interest Income

This item consists of the following:

	30 September 2022	30 September 2021
	JD	JD
	(Reviewed not audited)	(Reviewed not audited)
Direct credit facilities:		
Overdrafts	14,166,491	14,447,766
Loans and bills	86,946,429	80,888,025
Credit cards	2,129,048	2,142,718
Balances at Central Banks	236,357	32,444
Balances and deposits at banks and financial institutions	3,001,790	1,946,301
Financial assets at amortized cost	28,452,010	28,835,141
Other	351,979	769,049
	<u>135,284,104</u>	<u>129,061,444</u>

19. Interest Expense

The item details are as follows:

	30 September 2022	30 September 2021
	JD	JD
	(Reviewed not audited)	(Reviewed not audited)
Banks and financial institutions deposits	5,634,718	4,453,420
Customers' deposits:		
Current accounts and demand deposits	1,255,398	1,646,871
Saving accounts	2,152,663	2,055,136
Time and notice deposits	28,116,236	25,685,485
Cash margins	209,006	340,772
Loans and borrowings	7,783,611	6,592,766
Deposits guarantee fees	2,854,256	2,105,988
	<u>48,005,888</u>	<u>42,880,438</u>

20. Gains from Financial Assets at Fair Value through Profit or Loss

The item details are as follows:

	Realized Gain	Unrealized Gains	Stock Dividends	Total
	JD	JD	JD	JD
<u>For the Nine months Ended 30 September 2022</u>				
<u>(Reviewed not audited)</u>				
Corporate shares	318,624	50,672	458,482	827,778
Total	<u>318,624</u>	<u>50,672</u>	<u>458,482</u>	<u>827,778</u>
<u>For the Nine months Ended 30 September 2021</u>				
<u>(Reviewed not audited)</u>				
Corporate shares	263,422	1,080,301	287,281	1,631,004
Total	<u>263,422</u>	<u>1,080,301</u>	<u>287,281</u>	<u>1,631,004</u>

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21. Provision for Expected Credit Losses

The item details are as follows:

	30 September 2022	30 September 2021
	JD	JD
Balances at central banks	(5,534)	136,047
Balances at banks and financial institutions	(22,236)	241,790
Deposits at banks and financial institutions	(28,303)	180,205
Financial assets at amortized cost	(264,611)	(449,570)
Financial assets at fair value through other comprehensive income	287	-
Direct credit facilities	8,792,355	15,943,624
Indirect credit facilities	30,887	(21,249)
	<u>8,502,845</u>	<u>16,030,847</u>

22. Earnings per Share for the period - (Bank's Shareholders)

The item details are as follows:

	For the Three Months Ended 30 September		For the Nine months Ended 30 September	
	2022	2021	2022	2021
	JD	JD	JD	JD
Profit for the period attributable to Bank's shareholders (JD)	8,512,428	7,930,896	24,163,344	23,468,491
Weighted average number of shares	190,000,000	190,000,000	190,000,000	190,000,000
	<u>(JD/ Fills)</u>	<u>(JD/ Fills)</u>	<u>(JD/ Fills)</u>	<u>(JD/ Fills)</u>
Basic and diluted earnings per share for the period - (Bank's Shareholders)	<u>0/045</u>	<u>0/042</u>	<u>0/127</u>	<u>0/124</u>

23. Cash and Cash Equivalents

The item details are as follows:

	30 September 2022	30 September 2021
	JD	JD
Cash and balances at Central Banks maturing within three months	344,971,207	334,269,672
<u>Add:</u> Balances at banks and financial institutions maturing within three months	142,806,902	120,239,000
<u>Less:</u> Deposits at banks and financial institutions maturing within three months	(260,237,703)	(194,210,620)
Restricted balances	(10,635,000)	(10,635,000)
	<u>216,905,406</u>	<u>249,663,052</u>

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24. Balances and Transactions with Related Parties

The Bank entered into transactions with subsidiaries, major shareholders, members of the board of directors, and senior management in the ordinary course of business at commercial interest and commission rates.

The consolidated financial statements include the Bank's financial statement and the following subsidiaries:

Company Name	Ownership %	Company's Capital	
		2022 JD	2021 JD
Al-Watanieh Financial Services Company Limited Liability	100	5,500,000	5,500,000
Al-Watanieh Securities Company Private shareholding	100	1,600,000	1,600,000
Tamallak for Financial Leasing Company	100	5,000,000	5,000,000
Safa Bank	51	53,175,000	53,175,000

The following related party transactions took place during the period:

	Related Parties			Total	
	Board of Directors and Relatives JD	Executive Management JD	Other * JD	30 September 2022 JD (Reviewed not audited)	31 December 2021 JD (Audited)
<u>Statement of Financial Position Items:</u>					
Direct credit facilities	24,907,830	2,924,087	24,860,985	52,692,902	42,612,401
Deposits at the Bank	34,784,528	2,405,220	14,748,650	51,938,398	118,203,631
Cash Margins	236,990	24,076	-	261,066	949,346
<u>Off Statement of Financial Position Items:</u>					
Indirect credit facilities	3,255,232	300	167,107	3,422,639	2,197,851
				30 September 2022 JD (Reviewed not audited)	30 September 2021 JD (Reviewed not audited)
<u>Income Statements Items:</u>					
Interest and commission income	375,045	121,767	348,645	845,457	1,279,399
Interest and commission expense	156,229	57,021	128,559	341,809	2,061,710

* Others include the rest of bank employees and their relatives up to the third degree.

Interest income rates on credit facilities in Jordanian Dinar range between 3.75% -13.54%.

Interest income rates on credit facilities in foreign currency range between 4% - 4.75%.

Interest expense rates on deposits in Jordanian Dinar range between zero - 4.9%.

Interest expense rates on deposits in foreign currency range between zero - 2.1%.

Salaries, wages and bonuses of executive management amounted to JD 2,664,825 as of 30 September 2022 (JD 2,511,510 as of September 30, 2021).

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25. Segment Information

Information on the Bank's Segments:

For management purposes, the Bank is organized into major business segments which are measured according to reports used by the executive manager and key decision maker at the Bank, through the following major sectors:

- Retail banking: Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and other services.
- Corporate banking: Principally handling deposits, loans and other credit facilities, and other services related to corporate and institutional customers;
- Treasury: Principally providing trading, treasury services, and management of the Bank's money and investments.

Below is information on the Bank's segments:

	Retail Banking	Corporate Banking	Treasury	Other *	30 September 2022	30 September 2021
	JD	JD	JD	JD	JD	JD
					(Reviewed not audited)	(Reviewed not audited)
Gross revenues	71,877,153	48,644,541	37,922,133	4,484,892	162,928,719	156,990,264
Expected credit losses	(9,932,834)	1,109,592	320,397	-	(8,502,845)	(16,030,847)
Provision for impairment of repossessed assets	-	-	-	(419,447)	(419,447)	(175,000)
Sundry provisions	-	-	-	(1,972,351)	(1,972,351)	(3,426,123)
Segment result	45,232,753	33,167,312	23,535,031	2,093,092	104,028,188	101,330,102
Unallocated costs					(66,284,765)	(64,660,238)
Profit before tax					37,743,423	36,669,864
Income tax					(13,317,638)	(13,349,945)
Profit for the period					<u>24,425,785</u>	<u>23,319,919</u>
Other information						
Capital expenditure					<u>4,975,544</u>	<u>6,318,604</u>
Depreciation and amortization					<u>5,281,980</u>	<u>5,956,957</u>
					30 September 2022	31 December 2021
					(Reviewed not audited)	(Audited)
					JD	JD
Total segment assets	1,042,348,602	1,052,681,528	1,489,760,361	136,340,712	3,721,131,203	3,613,808,233
Total segment liabilities	1,109,605,034	1,278,650,197	795,415,467	127,938,645	3,311,609,343	3,216,409,278

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Geographical Information:

The following note shows the geographical distribution of the Bank's business, the Bank carries out its activities mainly in the Kingdom of Jordan which represents the local business, and the Bank also carries its activities in Palestine.

The below note shows the geographical distribution of the bank's business, the Bank carries its activities mainly in the Kingdom of Jordan which represents the Bank's local business.

	Inside Jordan		Outside Jordan		Total	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	JD	JD	JD	JD	JD	JD
	(Reviewed not audited)		(Reviewed not audited)		(Reviewed not audited)	
Gross revenue	125,770,299	133,964,693	37,158,420	23,025,571	162,928,719	156,990,264
Capital expenditures	3,460,515	5,483,916	1,515,029	834,688	4,975,544	6,318,604

	Inside Jordan		Outside Jordan		Total	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021	30 September 2022	31 December 2021
	JD	JD	JD	JD	JD	JD
	(Reviewed not audited)	(Audited)	(Reviewed not audited)	(Audited)	(Reviewed not audited)	(Audited)
Total assets	2,711,692,080	2,741,752,016	1,009,439,123	872,056,217	3,721,131,203	3,613,808,233

26. Contingent Liabilities and Commitments

The item details are as follows:

	30 September 2022	31 December 2021
	(Reviewed not audited)	(Audited)
	JD	JD
Letters of credit:		
Letters of credit Issued	57,634,682	70,742,768
Acceptances	5,910,416	24,036,068
Letters of guarantee:		
Payments	29,657,651	27,079,626
Performance	18,765,199	19,156,735
Other	23,008,740	16,688,210
Unutilized Credit facility ceiling	223,915,061	246,203,611
Total	358,891,749	403,907,018

27. Lawsuits

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 19,881,285 and JD 20,060,128 as of 30 September 2022 and 31 December 2021 respectively. In the opinion of the Bank's management and legal counsel, the Bank maintains adequate provisions against these lawsuits.

Provisions against the cases amounted to JD 1,717,329 and JD 1,876,281 as of 30 September 2022 and 31 December 2021, respectively.

On 1 January 2019 multiple civil lawsuits have been filed at US courts against multiple banks and financial institutions claiming financial compensation using the US antiterrorism law for damages allegedly resulting from attacks by groups listed under the US sanctions list in 2001. These lawsuits have been filed at courts hours before their filing deadline and have been filed by an attorney office which has filed several similar complaints against other banking institutions on behalf of the same plaintiffs claiming the damages. Cairo Amman Bank is one of the banks the aforementioned lawsuit has been filed against.

In the opinion of management and legal counsel, no provisions should be recorded for the lawsuits filed at US courts against the Bank as of 30 September 2022 as the Bank has consulted with legal consultants specialized in US courts and concluded that the legal status of the lawsuits is in favour of the Bank and that there are no legal or judicial grounds for the lawsuits. As the Legal specialist attorney believe that the legal status of the Bank is favourable in regard to this lawsuit.

28. Statutory Reserve

The Bank did not deduct any statutory reserve in accordance with the Companies Laws and the Regulations issued, as these financial statements are interim statements and the deduction is made at the end of the year.