SGBJ

للافصاح
- بورصة عمان
- الموقع
التداول
السجلات

| | |
|---|---|
| نموذج رقم (1-3)<br>Form No. (1-3) | |
| To: Jordan Securities Commission<br>Amman Stock Exchange<br>Date : 25/06/2020<br>Subject: Annual Report for the fiscal year ended 31/12/2019 | السادة هيئة الاوراق المالية<br>السادة بورصة عمان<br>التاريخ:- 2020/06/25<br>الموضوع : التقرير السنوي للسنة المنتهية في 2019/12/31 |
| Attached the Annual Report of Societe Generale De Banque – Jordanie ( English version ) for the fiscal year ended at 31/12/2019 | مرفق طيه نسخة من التقرير السنوي لبنك سوسيته جنرال الأردن (باللغة الانجليزية) عن السنة المالية المنتهية في 2019/12/31م |
| Kindly accept our highly appreciation and respect<br>Societe Generale De Banque – Jordanie<br>General Manager's Signature | وتفضلوا بقبول فائق الاحترام...<br>بنك سوسيتة جنرال الأردن<br>توقيع المدير العام |

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
٢٩ حزيران ٢٠٢٠
الرقم المتسلسل ٢٨١٦
الجهة المختصة ...

SOCIETE GENERALE
DE BANQUE-JORDANIE
بنك سوسيته جنرال
الأردن

Head Office - Al Abdali, Tel: (962 6) 5600300 - Fax: (962 6) 5693410, P.O.Box 560 - Amman 11118 Jordan, SWIFT: SGMEJOAM e-mail: sgbj.webmaster@socgen.com
e-mail: sgbj.webmaster@socgen.com, SGMEJOAM سويفت الأردن، ١١١١٨ عمان - ٥٦٠ ص.ب. ،(٩٦٢ ٦) ٥٦٩٣٤١٠ فاكس ،(٩٦٢ ٦) ٥٦٠٠٣٠٠ هاتف العبدلي - العامة الإدارة

SGBJ

SOCIETE GENERALE
DE BANQUE - JORDANIE

# Annual Report 2019


HIS MAJESTY
**KING ABDULLAH THE SECOND IBN AL HUSSEIN**


HIS ROYAL HIGHNESS THE CROWN
**PRINCE HUSSEIN BIN ABDULLAH II**

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# BOARD OF DIRECTORS REPORT AND THE FI-NANCIAL FIGURES

FOR THE FINANCIAL YEAR 2019

# Board Of Directors

Chairman of the Board: Messrs. Société Générale De Banque Au Liban/ Represented by Mr. Hassan Hamdi Khalil Mango
Deputy Chairman of the Board: Messrs. Sogelease Liban/ Represented by Mr. Antoun Nabil Nicolas Sehnaoui

Board Member: SGBL Insurance SAL / Represented by Miss Noha Espiridon Khalil Abou Saad
Board Member: Mr. Gérard Albert Goulven Garzuel*
Board Member: Mr. Stanislas Regis Marie Tertrais*
Board Member: Dr. Ahmad Ibrahim Khalil Mango
Board Member: Mr. Khalil Anis Khalil Nasr
Board Member: Mr. Mufleh Moh'd Awad Akel
Board Member: Dr. Fawaz Hatim Sharif Zu'bi*
Board Member: Mr. Georges Elie Georges Saghbini
Board Member: Mr. Philippe Joseph Bernard Dubois
Board Member: Mr. Omar Khaled Rasheed Agha

Legal Advisors: Messrs. Dajani & Associates
External Auditor: Messrs. Deloitte & Touche (ME) – Jordan

* The Board Member Dr. Fawaz Zu'bi resigned on 1/12/2019
* The Board Member Mr. Stanislas Tertrais was appointed on 4/12/2019
* The Board Member Mr. Gerard Garzuel passed away on 23/6/2019

# Chairman's letter

## Dear shareholders,

On behalf of the Board of Directors and myself, I am pleased to submit to you Société Générale De Banque – Jordanie's (SGBJ) Annual Report for 2019, including the Bank's results of operations and achievements, its consolidated financial statements for the year ending on 31/12/2019 and its future plan for 2020.

Preliminary indicators show that global growth has declined to about 2.9% in 2019, from 3.6% in 2018 as trade policy uncertainty from one end and fears about Britain's exit from the European Union – also known as "Brexit" – from the other end continued to weigh on global economic activity. In addition, rising geopolitical tensions and social unrest in several countries posed new challenges, as did natural disasters resulting from climate change, which imposed severe humanitarian costs and economic losses across multiple regions around the world.
On the positive side, a number of tentative signs appeared towards the end of the year indicating that global growth is stabilizing and that the world economy may be poised for a modest recovery. Nonetheless, risks to the growth outlook remained largely tilted to the downside, mainly due to the ongoing conflict in the US-China economic relations, including potential escalation of trade tensions between the world's two largest economies; repercussions of a no-deal Brexit on the European Union, as well as the rising social unrest and geopolitical tensions across many countries in the world.

Towards the beginning of December 2019 throughout the beginning of 2020, the world witnessed unprecedented events, foremost of which was the outbreak of COVID19 pandemic across the globe. The necessary antivirus protection measures, including partial and complete lockdowns, have affected global economic activity in an unprecedented manner, with the demand and supply sides both weakened across almost all countries around the world, resulting in a worldwide global economic crisis. As a result of this pandemic, the global economy is projected to shrink sharply by 3% in 2020.

Moreover, the broad-based shift towards substantial monetary easing across advanced and emerging market economies in 2019 is expected to carry forth in 2020; which constitute an important element for global economic recovery.

On the local front, the Jordanian economy remained weak as local private demand contracted and inflows from foreign direct investments (FDIs) remained subdued. Amid slowing productivity and rising fiscal vulnerabilities and public debt levels, the government continued to cut down on public spending, particularly capital expenditures, adding more pressure on the local economy. Moreover, unemployment remains persistently high, primarily among youth and women. Alternatively, the Kingdom witnessed an improvement in its balance of payments. Moreover, the financial system remains stable, foreign reserves are at comfortable levels and the authorities have taken important steps to improve the business climate, placing Jordan as one of the world's top three improvers as it jumped by an unprecedented 29 ranks in the World Bank's Ease of Doing Business report, ranking 75 out of 190 economies covered in the report, compared to a ranking of 104 in the previous report.
According to preliminary estimates, real GDP growth rate for 2019 is expected to have hovered around the same level achieved in 2018 at 1.9%. In 2020, the Jordanian economy is expected to contract by -3.7% due to the impact of COVID19. However, the economy is expected to recover faster than many neighboring countries with growth expected to pick up to +3.7% in 2021; thanks to the CBJ and government swift measures and proactive efforts to contain the spread of the virus and implement a timely package of policies to mitigate the economic fallout of the pandemic.

Concerning SGBJ, the Bank was able to achieve excellent results in 2019, which translated into a 21% growth in net income after tax reaching around JD10.1 million, compared to about JD8.3 million in 2018.

Based on the results achieved in 2019, the Board of Directors has recommended to the Shareholders the distribution of a JD6 million cash dividend, representing 6% of paid up capital. Pursuant to CBJ Circular No. 1/1/4693 dated 9 April 2020, however, CBJ decided to postpone the distribution of dividends to Shareholders for the year 2019.

In conclusion, I would like to extend my sincere thanks and appreciation to our customers and shareholders for their continued trust and patronage. I would also like to thank the Executive Management and employees for their efforts and contribution towards the success of their organization. I also like to seize this opportunity to express my sincere gratitude and appreciation to the Central Bank of Jordan, the Jordan Securities Commission and the Companies Control Department for their continued cooperation and support to the local economy and the Jordanian banking sector, wishing our beloved country progress and prosperity.

Chairman of the Board of Directors
Hassan Mango

# General Manager's letter

To our valued shareholders,

2019 was an intense year. The banking industry was confronted with a number of important challenges, including a slowdown in lending and an increase in problematic loans resulting from weak economic activity. Other challenges included increased competition, adaptability to rapidly changing levels of customer expectations, digital and security transformation, alongside with increased regulatory pressures and international banking standards and higher tax burden.

In spite of these challenges, the Jordanian banking system remains sound and stable. According to the financial soundness indicators released by the CBJ for the period ending in June 2019, average NPL ratio for banks operating in Jordan stood at about 5.2%, and although the rate represents an increase from the 2018 end of year level of 4.9%, it is still deemed acceptable to a high extent. In addition, the sector's NPL coverage ratio averaged 68.2%, while capital adequacy and financial leverage ratios reached 16.99% and 12.4%, respectively, on average, whereas legal liquidity ratio exceeded 129%, demonstrating the sector's financial stability.

Amid this complex environment, we, at SGBJ, were keen to consolidate our financial position and to build on the past achievements across all levels. In this context, a number of new products were launched and sold across our branch network in 2019, most notably of which are the Bancassurance products, in addition to a multi benefit current account targeting VIP customers "Select Account". We also launched our mobile banking services and upgraded our online banking services in February 2019, while we increased the capital of our wholly owned Financial Brokerage subsidiary to finance the expansion of its activities by introducing margin trading facilities.
Moreover, we have successfully completed the post migration project — relating to the acquisition of National Bank of Abu Dhabi's (NBAD) banking operations in Jordan, which was launched at the end of 2018 to ensure a smooth and seamless transition of business operations, achieve further synergies thus building on the gains achieved from this transaction. We also concluded an important project involving the transition to clean solar energy starting from mid- September 2019; an initiative that shall eliminate the Bank's power bill and reduce its environmental footprint. This is an increasingly important issue for us, reflecting our recognition of the importance of environmental sustainability and safeguarding resources for future generations.
Concerning our financial results, we managed to achieve JD10.1 million in net profits after tax for 2019, representing a 21% increase from the 2018 corresponding level of JD8.3 million. Additionally, the Bank's total assets marked JD1.7 billion at the end of last year, whereas its gross credit facilities portfolio grew by 3.9% to end 2019 at about JD896 million, compared to JD862 million at the end of 2018. Moreover, total customer deposits including cash margins ended 2019 at close to JD1.5 billion.

In the corporate social responsibility framework, and stemming from its deep faith in its role as an important partner in serving and developing the local community, SGBJ took several initiatives in this area during 2019, providing support, sponsorships and donations to a number of healthcare, educational, cultural, artistic and humanitarian entities/events.

Moving forward, our future plans will be focused on three central pillars, including:

1- Digital transformation projects, including core banking system modernization.
2- Delivering organic growth through the expansion of the current activities of the Bank, its financial brokerage and financial leasing subsidiaries, in addition to the development of new innovative products/services that are well adapted to customers' evolving needs and changing market dynamics.
3- Contemplating inorganic growth opportunities as they emerge.

In conclusion, I would like to express my sincere appreciation and gratitude towards the Central Bank of Jordan for its vital role in ensuring the safety and stability of the Jordanian banking sector. I also want to thank the Jordan Securities Commission and the Companies Control Department for their effective role in enhancing the business and investment environment. Finally, I would like to thank our loyal valued clients for their continuous trust, and our staff for their sincere efforts in serving the Bank.

With Utmost Respect,
General Manager
Nadim Abawat

# Disclosures

# 1- Disclosures

## A- Bank's Main Activities:

Offering comprehensive financial and banking solutions in the field of clients› banking business and all economic sectors.

## B- The bank›s branches' geographical locations and the number of employees in each.

SGBJ Branches:

| JABAL AMMAN | ALABDALI BRANCH | HEAD OFFICE ALABDALI |
|---|---|---|
| Tel: 4614925 | Tel: 5600300 | Tel: 5600300 |
| Fax: 4614874 | Fax: 5693442 | Fax: 5693410 |
| PRINCE MOHAMMED STR., ALANANI COMPLEX – BLDG. # 266 | Abdali Development Area AYLA STREET, BLDG. # 4 | Abdali Development Area AYLA STREET, BLDG. # 4 |
| Employees # 4 | Employees # 8 | Employees # 174 |
| **ALSEWAIFIEH** | **ABDOUN** | **ALMADEENAH ALMUNAWARAH** |
| Tel:5864079 | Tel:5924637 | Tel:5524869 |
| Fax:5864024 | Fax:5924639 | Fax:5526381 |
| PARIS STREET, ALRAWASHDEH COMPLEX, BLDG. # 2 | 5th CIRCLE - ZAHRAN STREET, ALNABER MEDICAL CENTER | ALMADEENAH ALMUNAWARH MAIN STR. BLDG. # 255 |
| Employees # 5 | Employees # 4 | Employees # 4 |
| **ALWEHDAT** | **TAJ MALL** | **ALBAYDER** |
| Tel:4776101 | Tel: 5920422 | Tel:5818170 |
| Fax:4776681 | Fax: 5920346 | Fax: 5859713 |
| MADABA STR. - PRICE HASAN STREET, ABBAD BIN BESHER ROAD – BLDG. # 3 | PRINCE HASHEM STREET, TAJ LIFE STYLE CENTER, TAJ MALL | ALBAYDER MAIN STREET, BLDG. # 34 |
| Employees # 6 | Employees # 6 | Employees # 6 |
| **MARKA** | **IRBID** | **KHALDA** |
| Tel:4897424 | Tel:02/7242075 | Tel: 5371239 |
| Fax:4898741 | Fax: 02/7240107 | Fax:5371241 |
| KING ABDULLAH ALAWAL STR., BLDG. # 406 | FERAS ALAJLOUNI STR. – ALBESOUL COMM. COMPLEX – EAST QUBA CIRCLE IRBID CITY | AMER BIN MALEK STREET, ALZEBDEH COMPLEX – BLDG. # 8 |
| Employees # 4 | Employees # 5 | Employees # 4 |
| **ALZARKA** | **MADABA** | **ALKARAK** |
| Tel: 05/3983396 | Tel: 05/3244929 | Tel: 03/2351906 |
| Fax:05/3987564 | Fax: 05/3240077 | Fax:03/2354338 |
| ALSAADEH STREET, ISTATIAH COMPLEX, BLDG. # 90, ALZARKA CITY | KING ABDULLAH ALAWAL STR., MADABA CITY | ALNUZHA STREET, ALKARAK CITY |
| Employees # 6 | Employees # 4 | Employees # 4 |
| **ALFUHAIS** | **ALAQABA** | **JABAL ALHUSEIN** |
| Tel : 4710139 | Tel:03/2015138 | Tel:4648829 |
| Fax : 4710162 | Fax:03/2015139 | Fax:4648817 |
| ALALI BIN HUSEIN STREET, ALQAISER PLAZA, ALFUHAIS CITY | ALHAMAMAT ALTOUNISIYEH STR., ALAQABA CITY | KHALED BIN ALWALEED STR., BLDG. # 54 |
| Employees # 4 | Employees # 5 | Employees # 4 |
| | **KHALDA / DABOUQ** | **ALSHEMEISANI** |
| | Tel:5522388 | Tel:5622388 |
| | Fax:5359988 | Fax:5622379 |
| | MAIN STREET, ZAHRAT KHALDA COMPLEX BLDG. # 339 | ABDULHAMEED SHARAF STR., BLDG. # 10 |
| | Employees # 4 | Employees # 7 |

External branches:

There are no external branches for the bank outside the kingdom.

# 2- Affiliated companies

## Société Générale- Jordan Brokerage Company

Société Générale -Jordan Brokerage was established on 06/06/2006 as an independent company with limited Liability for Société Générale de Banque-Jordanie (SGBJ).

The company is a wholly-owned subsidiary of Société Générale de Banque-Jordanie (SGBJ) with a capital of JOD 750,000. On 23/04/2019, the capital of the company was increased with an amount of JOD 2,250,000 to be JOD 3,000,000 in order to start providing margin trade accounts; that allows our clients to obtain financing on purchasing securities listed in Amman stock exchange (ASE) in addition to our main services.

Where the company exercises financial intermediation, sale and purchase of securities listed on the Amman Stock Exchange (ASE) on behalf of clients.

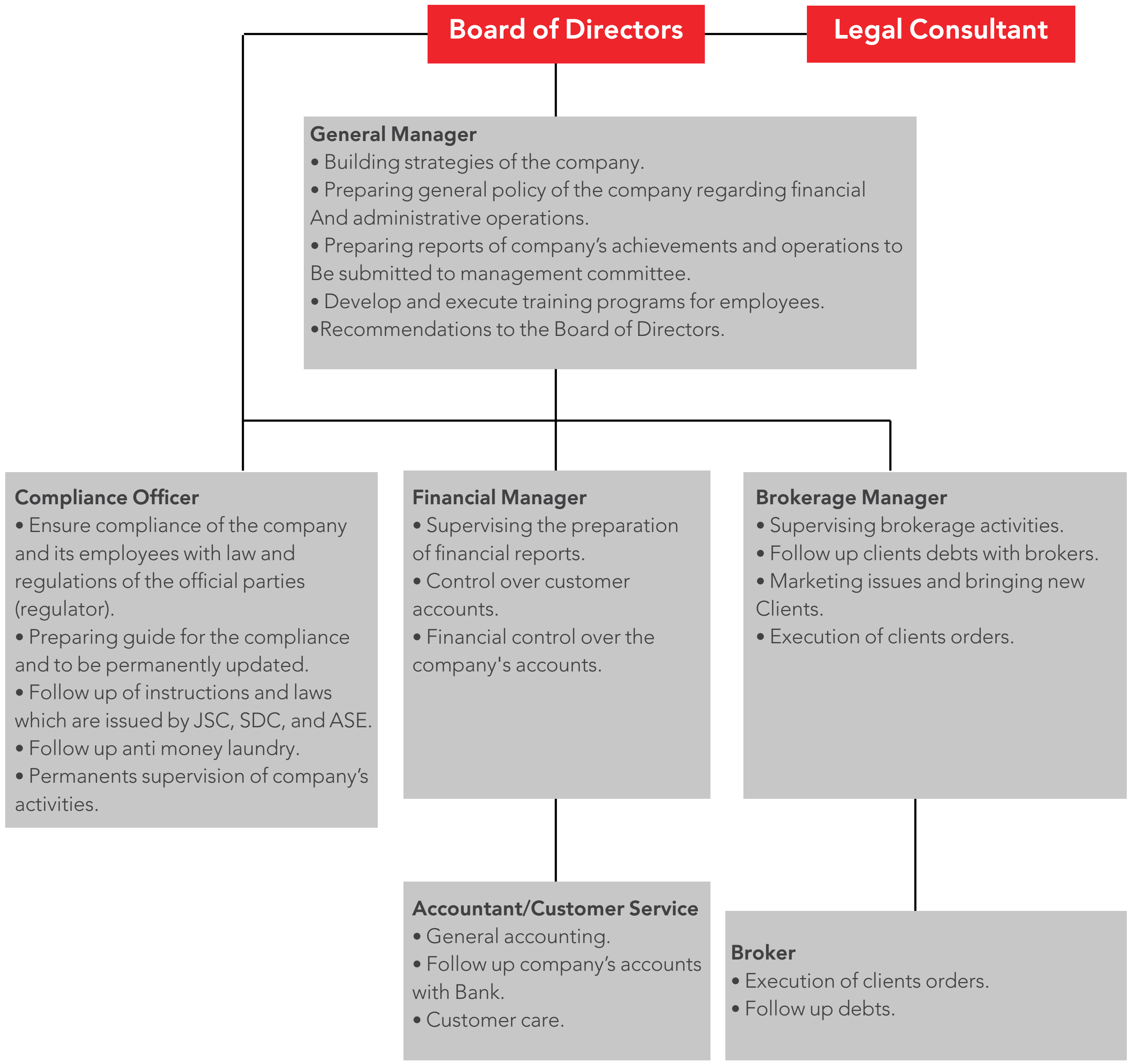
As a financial brokerage arm for Société Générale de Banque- Jordanie, the company Always puts its efforts to attract Arab and foreign investors to contribute in the Jordanian Financial market by providing financial services, and remaining updated with regional and Global developments.

The company aims to achieve a number of key objectives to enhance the quality of provided Services for different segments of investors (individuals and institutions) at a high level of Professionalism and efficiency, and as a strategic objective for any successful company, Société Générale – Jordan Brokerage aims to develop and increase revenues by Attracting more customers and investors dealing in ASE.

Société Générale – Jordan Brokerage has a team with a wide experience in the field
Of financial brokerage and customer service, these factors are always directed to meet the needs of the existing & potential clients in an effective and active way.

| Scientific Degrees | Employees Number |
|---|---|
| Bachelor | 4 |
| Master | 1 |

## SGBJ - Affiliated Company's Organizational Chart




## Company's full address:

Société Générale - JORDAN BROKERAGE COMPANY

Abdali Boulevard – AYLA Street- Bldg. No. 1
P.O Box: 560 – Amman 11118 Jordan
Tel: 5681651 / 5600320
Mobile: 079 7110802 / 079 7110801
Fax: +962 6 5681258
* The company has no other branches .

## SGBJ Leasing Company

**Legal Form and Activities:**

SGBJ Leasing Company incorporated according to Central bank of Jordan and the Companies Control Department approval as an independent Private Shareholding Company, under registry No (1216), dated 20/09/2017.

SGBJ Leasing Company is a 100% -owned sister company of SOCIETE GENERALE DU BANQUE- JORDANIE, capital of five million Jordanian Dinars, and specialized in Financial Leasing activities, that is financing the acquisition of fixed assets via lease-to-own approach.

The company facilitates the acquisition of long-lived depreciable fixed assets for wide variety of individuals including public and private sectors employees, private business owners, professionals, freelancers, and companies of different sizes (small, medium, and large). Moreover, the company aims specially to support and develop the growth of the industrial and real estate development sectors.

The company set of goals include delivering its services to wide variety of retail and corporate clients, providing efficient and professional services, diversifying and upgrading services, and introducing new products in the future as well.

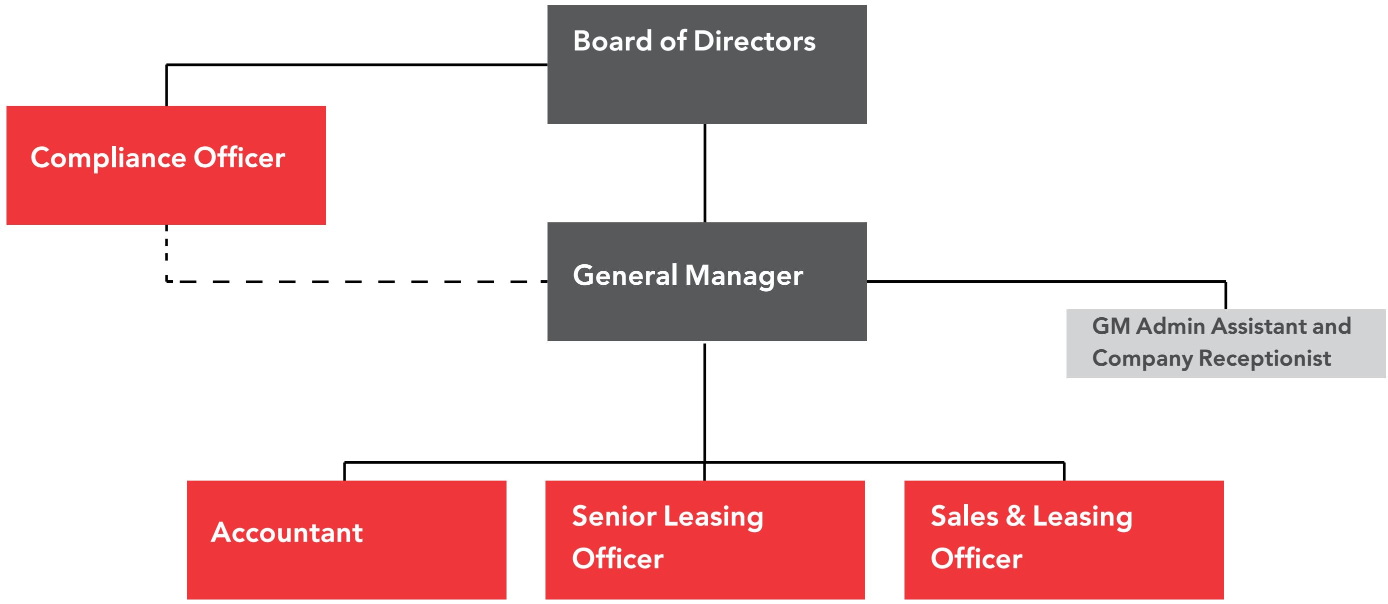
Moreover, and as a strategic goal of the company, it aims at expanding and growing its business through attracting a growing number of clients of different types.

Finally, SGBJ Leasing Company attracted highly educated, experienced, and professional leasing team in order to be able to provide elite services to its targeted clients.

**Staff and Scientific Degrees:**

| Staff and Scientific Degrees: | |
|---|---|
| Masters | 1 |
| Bachelor | 3 |
| High School | 1 |

## SGBJ Leasing Company Organizational Chart




Company Address:

SGBJ Leasing Company
Abdali Boulevard – AYLA Street- Bldg. N 4.
Tel: 5600305
Fax: 5624415
P.O. Box (560), Amman (11118), Jordan
* The company has no other branches

# (3) A- Introduction to Chairman and Board Members

**Messrs. Société Générale De Banque Au Liban (SGBL)**

Nationality: Lebanese.
Chairman of the Board since 31/10/1999 to present.
Head of the Board Corporate Governance Committee .

Represented by:

**Mr. Hassan Hamdi Khalil Mango**

Nationality: Jordanian.
Director Status: A non-executive and non-independent member.
Representation Period: 15/10/2002 to present.
Date of Birth: 1938.

Educational Certificates:

- Master›s Degree, London School of Economics, 1962.
- Bachelor›s Degree in Economics from the American University in Beirut, 1959.

Professional Qualifications:

- Member of the Board of Directors of the Jordanian Pipe Industry Company 2010 - 2014
- General Manager of Al Hanan for Investments Company since 2004.
- General Manager of Hamdi & Ibrahim Mango Company since 2002.
- Board Member of Al Nisr Al Arabi Insurance Co. 2002 - 2006
- Chairman of the Board of Central Gas since 2005.
- Deputy Head of the Management Committee of the Jordan Construction Materials Company/representing Hamdi & Ibrahim Mango Company since 1999.
- Shareholder and Head of Management Committee of several family-owned businesses.
- Chairman of the Board of Directors of the Red Sea Wood Industry Company since 2001.

## Messrs. Sogelease Liban

Nationality: Lebanese.
Board member since31/10/1999 to present.
Deputy Chairman of the Board since 26/7/2011 to present.
Chairman of the Board Credit Committee .

Represented by:

## Mr. Antoun Nabil Nicolas Sehnaoui

Nationality: Lebanese
Director Status: A non-executive and non-independent member
Representation Period: 23/6/2011 to present
Date of Birth: 1972

Educational Certificates:

- Bachelor of Science in Business Administration, specialization in International Finance and Banking from the University of Southern California, 1994.

Professional Qualifications:

- Chairman & CEO of Société Générale de Banque au Liban S.A.L. (SGBL) since 2007.
- Member of the Board of Directors of Societe Generale Bank - Cyprus Ltd. (SGBCy) since 2010.
- Chairman of Liberty International Limited since 2017.
- Chairman of Compagnie Financière Richelieu since 2018.
- Chairman of the Management Supervisory Board of Banque Richelieu France since 2018
- Chairman of Banque Richelieu Monaco since 2018
- Chairman & CEO of Fidus S.A.L. since 2002.
- Chairman & CEO of Société de Banque et d'Investissement (SBI) S.A.L. Holding since 2010.
- Chairman & CEO of News Media S.A.L. since 2003.
- Member of the Board of Directors of the Association of Banks in Lebanon since 2007.

## Messrs. SGBL Insurance SAL

Nationality: Lebanese
Board member since 28/4/2010 to present
Member of the Board Risk Management Committee
Member of the Board Corporate Governance Committee
Member of the Board Credit Committee
Member of the Board IT Committee

Represented by:

## Miss Noha Espiridon Khalil Abou Saad

Nationality: Lebanese
Director Status: A non-executive and non-independent member
Representation Period: 26/7/2011 to present
Date of Birth: 1965

Educational Certificates:

- Master›s Degree in Economics, Lebanese University, 1987.

Professional Qualifications:

- Held the following positions at SGBL SAL since 1988:

  - Business representative and owner of the unified digital banking system product for channels management of financial and banking operations through electronic means since April 2016
  - Head of the General Management Office since August 2015.
  - Deputy of "Deputy General Manager for Strategy, Finance and General Secretariat Divisions" since November 2009.
  - Human Resources Manager, 2002-2009.
  - Head of Organization and Quality Department, 1997- 2002.
  - Head of Business Analysis Department, 1995-1997.
  - Member of the business analysis and implementation team of the new Banking System, 1990-1995.
  - Member of the Private Banking Team, responsible for the implementation of tools and procedures to sell financial instruments, 1988-1990.
  - Also held the following positions:
    - Member of the Banking Terms and Conditions Committee at the Association of Banks in Lebanon since 2013.
    - Member of the Human Resources and Social Committee at the Association of Banks in Lebanon, 2003-2009.
    - SGBL Representative in the "Committee for Organization, Standardization and Information Technology" at the Association of Banks in Lebanon, 1997-2002.
    - Market Analyst at Opportunity SAL for Financial Brokerage and Advisory Services, 1987 – 1988

## Name: Dr. Ahmad Ibrahim Mango

Nationality: Jordanian
Director Status: A non-executive and non-independent member
Representation Period: 31/10/1999 to present
Date of Birth: 1944.

### Education:

- B.Sc. (Economics), London School of Economics and Political Science, London University, 1965.
- Ph.D. (Economics), University of St. Anrdews, Scotland, 1970.

### Responsibilities:

- Member of the Board of Directors of Hamdi and Ibrahim Mango Company Limited since 1968.
- Deputy General manager of Hamdi and Ibrahim Mango Company Limited since 1968.
- Member of the Board of Directors of Household Appliances Manufacturing Company Limited since 1980.
- Member of the Board of Directors of Al Hanan Investment Co since 2004.
- Vice Chairman and Member of the board of Directors of Al Nisr Al Arabi Insurance Company 1989 - 2006.
- Deputy General Manager of Al Hanan Investment Co. since 2004
- Member of the Board of Directors of Societe Generale De Banque Jordanie, since 2000.
- Member of the Board of directors of Al Majdal Agricultural Company since 1992.
- Chairman and Member of the Board of Several Family owned Companies.
- Member of The Higher Planning Committee, Ministry of Planning, 1975-1995.
- Member of the Board of Trustees of the Hashemite Educational Society since 1980.
- Member of the Board of Directors of The Central Bank of Jordan 1989 -1992.
- Member of the Board of Directors of The Amman Stock Exchange 1983 – 1989.
- Member of the General Council of the Royal Scientific Society since 2017.

## Mr. Mufleh Moh'd Awad Akel

Nationality: Jordanian.
Board member since 23/4/2014 to present .
Member of the Board Risk Management Committee.
Member of the Board Audit Committee.
Member of the Board Corporate Governance Committee.
Director Status: A non-executive and independent member.
Date of birth: 1945.

### Educational Certificates:

- MBA, University of Dallas-Texas, USA, 1979.
- Bachelor›s Degree in Economics & Political Sciences, Arab University of Beirut, 1974.
- Bachelors in Law, University of Damascus, 1966.

### Professional Qualifications:

- Founder & President of Akel Consulting (Banking & Finance) since 2010.
- Executive Chairman of Jordan›s Social Security Investment Unit, 2005-2008.
- Chairman of Jordan Dubai Islamic Bank (formerly Industrial Development Bank), 2000-2009.
- Chairman and CEO of the Association of Banks in Jordan, 2004-2006.
- Member of the Board of Directors of the Central Bank of Jordan, 2005-2009.
- Executive Regional Manager, Arab Bank plc- Head Office, 1982-2004.
- Former Member of the Board of Directors in several companies, including (Jordan Telecom Company, Jordan Cement Factories, Arab Tunisian Bank, Hikma Pharmaceuticals, Arab Aluminum Industry, Jordan National Shipping lines, Amman Stock Exchange, Jordan Worsted Mills and Jordan Hotel and Tourism Company).

## Mr. Georges Elie Georges Saghbini

Nationality: Lebanese
Board member since 26/7/2011 to present
Member of the Board Risk Management Committee
Member of the Board Nomination & Remuneration Committee
Member of the Board Audit Committee
Member of the Board Credit Facilities Committee
Director Status: A non-executive and non-independent member
Date of Birth: 1971

### Educational Certificates:

- Master's Degree in Economics, Paris-Sorbonne University, 1995.
- Postgraduate Studies Diploma in Money & Banking, Paris-Sorbonne University, 1995.
- Master's Degree in Econometrics, Paris-Sorbonne University, 1994.

### Professional Qualifications:

- Representative of Societe Generale Bank – Lebanon on the Board of Directors of Compagnie Financiere Richelieu since 2019
- Deputy Chief Executive Officer of Compagnie Financière Richelieu 2018 - 2019
- Vice-Chairman of the Management Supervisory Board of Banque Richelieu France since 2018.
- Member of the Board of Directors of Banque Richelieu Monaco since 2018.
- Chairman of Richelieu Gestion since 2018.
- Member of the Board of Directors of Liberty International Limited since 2017.
- Member of the Board of Directors of Societe Generale Bank - Cyprus Ltd. (SGBCy) since 2010.
- Chairman of SGBL Insurance S.A.L since 2008.
- Member of the Board of Directors of Fidus SAL since 2008.
- Chairman of LCB Investments Holding SAL since 2013.
- Member of the Board of Directors of Société d'Investissements et de Services SAL since 2011.
- Chairman of the Real Estate Company 415 SAL since 2017
- Chairman of 799 Bassatine Tripoli SAL since 2006
- Deputy General Manager of SGBL SAL since 2008.
- Chief Financial Officer (CFO) of SGBL Group since 2001.
- Head of the Financial Control Division at SGBL SAL, 1999-2001.

## Dr. Fawaz Hatim Sharif Zu'bi

Nationality: Jordanian
Board member since 18/1/2016 to 1/12/2019
Head of the Board Nomination and Remuneration Committee
Member of the Board Corporate Governance Committee
Member of the Board IT Committee
Director Status: A non-executive and independent member
Date of birth: 1956

### Educational Certificates:

- Doctorate Degree in Mechanical Engineering 1982.
- Master's Degree in Mechanical Engineering 1979.
- Bachelor Degree in Mechanical Engineering and Economics 1978 .

### Professional Qualifications:

- Chairman and Chief Executive Officer of Silicon Badia Global Ltd. since 2016.
- Chairman of the Board of Trustees of the Crown Prince Foundation since 2016-2019.
- Chairman of the Board of Directors of Naua for Sustainable Development since 2018.
- Member of the Board of Directors of the Queen Rania Foundation 2013–2018.
- Chairman and Chief Executive Officer of Accelerator Technology Holdings 2005-2016.
- Member of the Board of Directors of Endeavor Jordan 2010-2018.
- Member of the Board of Directors of Oasis 500 since 2010.
- Member of the Board of Directors of Adritec Group International, Bahrain since 1999.
- Member of the Board of Directors of Rubicon Group Holding 2006-2018.
- General Partner and CEO of a number of regional and US venture capital funds since 2012.
- Minister of ICT, Jordan (2000-2004) and Minister of Administrative Development (2003-2004).
- Member of the Board of Directors of the King Abdullah II Fund for Development 2000-2002.
- Member of the Board of Directors of Princess Sumaya University for Technology 2005-2008.
- Member of the Board of Directors of Arab Jordan Investment Bank 2007-2008.
- Member of the Economic Consultative Council 1999-2000.
- Founding member of the Jordan Export Association, Jordan Quality Association, and the Jordan Entrepreneurs Association 1985 1995.
- Member of Young Presidents Organization and World Presidents Association 1991-2002.

## Mr. Khalil Anis Khalil Nasr

Nationality: Jordanian
Board member since 18/1/2016 to present
Head of the Board Audit Committee
Member of the Board Risk Management Committee
Member of the Board Nomination and Remuneration Committee
Director Status: A non-executive and independent member
Date of birth: 1953

### Educational Certificates:

- Bachelor of Arts/Business Administration 1976.
- M.B.A Degree/Finance 1997.

### Professional Qualifications:

- Vice Chairman, Palestine Investment Bank since 2011.
- Vice Chairman, Emmar Investments & Real Estate Development Company since 2011.
- Board Member, Masafat for Specialized Transport since 2011.
- Vice Chairman , Arab Center for Pharmaceutical & Chemical Industries since 2012.
- Chairman, East Amman Company for Housing & Development since 2012 - 2019.
- Board Member, Masafat Company for Touristic Car Rental since / Representative of Masafat for specialized Transport since 2015.
- Board Member, Orthodox Educational Society 2012 – 2018.
- Chairman, Emmar Islamic Company for Leasing & Investment 2011-2017.
- Board Member, Association of Banks in Jordan 2003 - 2010.
- Chairman of Al-Mawared for Brokerage 2008-2010.
- Chairman of Tamkeen for Financial Leasing 2008-2010.
- Chairman of IMDAD for Supply Chain 2008-2010.
- Board Member , Arab Center for Pharmaceutical & Chemical Industries Company 2008-2009.
- Board member of the International Cards Company 2009.
- Chairman of the Board of Directors of Societe Generale Banke De Cyprus since 2019
- Chairman of the Board of Securities Depository Center 2001-2002
- Chairman of the Board of International Business Association in Cyprus 1996-2000

### Also held the following banking positions:

- CEO/General Manager, Investbank 2007-2010.
- Deputy CEO, Jordan Ahli Bank 1993-2007 (1993-2000 Regional Manager – Cyprus, 2000-2007 Head of International Division "Lebanon, Cyprus & Palestine").
- Alternate Board Member, Jordan International Bank-London / representative of the Jordan Ahli Bank 2000 - 2007.
- Advisor to the Chairman, Ahli International Bank-Lebanon 2001-200.
- Executive Manager, Bank of Jordan 1986-1993.
- Second Vice President, Chase Manhattan Bank NA – Jordan Branch 1976-1986.

## Mr. Philippe Joseph Bernard Dubois

Nationality: French
Board member since 18/12/2014 to present
Member of the Board Credit Committee
Member of the Board Nomination & Remuneration Committee
Director Status: A non-executive and non-independent member
Date of birth: 1968

### Educational Certificates:

- Master's Degree in Management Control from ESLSCA Business School in Paris, 1990.

### Professional Qualifications:

- Deputy Chief Executive Officer at Société Générale de Banque au Liban S.A.L. since April 2015
- Assistant Deputy Chief Executive Officer at Société Générale de Banque au Liban S.A.L.August 2014 – April 2015
- Member of the Board of Directors CENTRE DE TRAITEMENT MONETIQUE S.A.L.
- Representative of SGBL on the Board of Directors of Compagnie Financière Richelieu since 2018.
- Regional Manager, Member of the Management Committee of SG International Retail Banking (BHFM Paris), 2009-August 2014.
- Executive Director- Corporate Finance & Investment Banking at SG Serbia (Belgrade), 2006-2009.
- Deputy General Manager - Head of Corporate Banking at Banque de Polynésie- SG subsidiary in French Polynesia, 2003-2006.
- Held various executive positions in SG French Retail Banking network, 1993-2003.

## Mr. Omar Khaled Rasheed Agha

Nationality: Jordanian.
Board member since 18/1/2016 to present.
Head of the Board Nomination and Remuneration Committee.
Member of the Board Corporate Governance Committee.
Director Status: A non-executive and independent member.
Date of birth: 1956.

Educational Certificates:

- Bachelor Degree in Civil Engineer 1991.
- Post graduate studies in Strategic Planning & Financial Management 2014.

Professional Qualifications:

- Board member of Societe General Bank Jordan (SGBJ) 2016 – present
- Co-Founder and CEO – Enspirity Ventures 2018 – Present
- Group CEO - Abdali Investment and Development Company (Jordan) 2016 - 2018
- Group CEO - Al Anwa Holding for Investments (KSA/Egypt/Tunisia) 2015 - 2016
- CEO / COO Saraya Holdings 2011 - 2015
- Executive Vice President, Arab Bank Group (Jordan) 2002-2007
- Board Member, Saraya Aqaba for Real Estate Development Company (Jordan) 2011 - 2015
- Board Member, Saraya Bandar Jissah (Oman) 2011 – 2015
- Board Member, Saraya Jordan for Real Estate Development 2011 – 2015
- Board Member, Saraya Abdalli for Real Estate Development 2011 – 2015
- Board Member, Injaz for Human Resources Development 2009 – 2015
- Managing Director and Vice Chairman of Saraya Development Group (development management company) 2007- 2011
- Board Member, Iskandar Holdings (Malaysia) 2010 -2011
- Board Member, Palestinian Telecommunication Company (PalTel) 2005 – 2007
- Board Member of Amman Vision – since 2018
- Board member of CocaCola KSA – since 2019

## Mr. Gérard Albert Goulven Garzuel

Nationality: French
Board member since 24/4/2013 to 22/6/2019
Member of the Board Audit Committee
Member of the Board Credit Committee
Director Status: A non-executive and non-independent member
Date of Birth: 1949

Educational Certificates:

- Degree from the Institute Technique de Banque à l'International in Paris, 1980.

Professional Qualifications:

- Held the following positions at Société Générale de Banque au Liban S.A.L. (SGBL):
  - Advisor for the Chairman of SGBL since April 2015
  - Deputy Chief Executive Officer, 2008 – April 2015.
  - Assistant General Manager in charge of the General Secretariat and Risk Divisions, 2007-2008.
  - Assistant General Manager in charge of the banking network in Lebanon and supervisor of SGBJ banking network, 2002-2007.
- Also held the following positions at Société Générale (SG) in France:
  - Head of Retail & Professional Banking at SG/ Caen- France, 1996-2002.
  - Corporate Department Manager at SG/ Niort- France, 1992-1996.
  - Corporate Department Manager at SG/ Monaco- France, 1987-1992.
  - Project Manager at SG/ Reims- France, 1985-1987.
  - Assistant Manager of the Private Banking Department at SG/ Bastia- France, 1980-1985.
  - Branch Manager at SG-Paris, 1971-1976.

## Mr. Stanislas Tertrais

Nationality: French
Board member since 4/12/2019 to present
Director Status: A non-executive and non-independent member
Date of birth: 1972

Educational Certificates:

- Master in Management- Financial Affairs 1995

Professional Qualifications:

- Managing Director, Societe Generale Bank in Lebanon SAL, since 2019.
- Commercial Manager: SOCIETE GENERALE Haute Garonne- France 2016 - 2019.
- Assistant General Manager: SOCIETE GENERALE SERBIE- SERBIA 2013 - 2016.
- Director of Commercial Markets and a Member of the Public Administration: 2009 - 2013 - SPLITSKA BANKA - CROATIA.

# (3) B- Introduction to Senior Management

## Mr. Nadim Alexandre Farid Abawat

General Manager.
Date of Birth: 1973.

Educational Certificates:

- Master's Degree in Finance, 1999.
- Ecole Superieure De Commerce De Paris, 1999.
- Master's Degree in Economic Sciences, 1994.
- Bachelor›s Degree in Economic Sciences, 1993.

Professional Qualifications:

Held the following positions within Societe Generale de Banque au Liban (SGBL) Group:

- General Manager at Société Générale De Banque – Jordanie (SGBJ) since September 2011.
- Deputy General Manager and Head of Corporate Division/ SGBJ, February 2011- September 2011.
- Deputy General Manager and Head of Business Development Division/ SGBJ, April 2009- February 2011.
- Head of Business Development Division/ SGBJ, 2007- April 2009.
- Head of Corporate and Investment Banking Department/ SGBJ, 2004-2007.
- Head of Business Development Division & Assistant Manager of SGBL Group/ SGBL, 2000-2004.
- Employee at SGBL SAL, 1993-2000.

- Chairman of Société Générale - Jordan Brokerage Company since 2007.
- Chairman of SGBJ Leasing Company since 2017.
- Board Member of the French Chamber of Commerce and Industry in Jordan (CAFRAJ) since 2013.
- Member of Citibank Micro-entrepreneurship Awards Committee/ Jordan River Foundation since 2013.
- Member of the Young Presidents› Organization (YPO) since 2013, and Board Member of since 2018.
- Board member of Beirut Film Festival for 2014.
- President of the French Foreign Trade Advisors (CCEF), 2015.
- Member since 2013, Board member since 2016 and Member of Board of Trustees since 2017 in Injaz.
- Member of the Jordanian Lebanese Association since 2018.

## Mr. Rami Talal Husni Al Khuffash

Deputy General Manager and Head of Corporate and Treasury Division.
Date of Birth: 1974.

Educational Certificates:

- Bachelor Degree in Business administration, 1997.

Professional Qualifications:

- Held the following positions within Société Générale De Banque- Jordanie (SGBJ):
  - Deputy General Manager since 2015.
  - Assistant General Manager as of September, 2011 and Head of Corporate and Treasury Division as of March 2012.
  - Head of Recovery & Supervision Division, since 2008.
  - Head of Risk Management Department, 2005-2007.
  - Head of Strategy and Marketing Department, 2005.
  - Assistant Head of Corporate and Investment Banking Department, 2001-2005.
  - Relationship Manager, Corporate and Investment Banking Department (Société Générale Group), 2000-200.
- Vice Chairman of SGBJ Leasing Company since 2017.
- Vice Chairman of Societe Generale – Jordan Brokerage Company since2007.
- Credit and Marketing Officer, Corporate Banking Department/ ANZ GRINDLAYS BANK, 1999-2000.
- Customer Support Officer, Corporate Banking Department/ ANZ GRINDLAYS BANK, 1998-1999.
- Customer Service Advisor/ ANZ GRINDLAYS BANK, 1997-1998.

## Mr.Charbel Kamil Kabalan Kabalan

Head of Retail, Private Banking and Marketing Division.
Date of Birth: 1966.

Educational Certificates:

- Master›s Degree in Finance & Accounting, 1990.
- Bachelor Degree in Commercial Sciences, 1985.
- Higher Diploma Certificate in Banking & Finance, 1995.

Professional Qualifications:

- Held the following positions within Société Générale de Banque au Liban (SGBL) Group:
  - Head of Retail, Private Banking and Marketing Division of Société Générale De Banque- Jordanie since 2015.
  - Assistant Regional Manager at SGBL, 2011-2014.
  - Manager of the Antélias branch at SGBL, 2008 – 2010.
  - Assistant regional manager at SGBL, 2003-2008.
  - Manager of Baabda branch at SGBL, 1998-2003.
  - Assistant Manager of Baabda at SGBL, 1993-1998.
  - Teller at SGBL, 1990 – 1993.
- Board member of SGBJ Leasing Company since 2015.
- Member of the Lebanese Community Committee – Amman since 2019.

## Mr. Jad Hareth Naseeb El Howayek

Head of Support and Administration Domain.
Date of Birth: 1979.

Educational Certificates:

- Executive MBA, Ecole Supérieure de Commerce de Paris & ESA, 2009.
- Financial Regulations Certificate, 2006.
- Master's in Business Administration (MBA), 2004.
- Bachelor Degree in Business Administration, Université Saint Joseph, 2001.

Professional Qualifications:

- Held the following positions within Société Générale de Banque au Liban (SGBL) Group:
  - Head of Support and Administration Domain in Société Générale De Banque- Jordanie since January, 2017.
  - Head of Internal Audit Department of Société Générale De Banque- Jordanie, From 2009 until January, 2017.
  - Senior Internal Auditor at SGBL, 2007-2009.
  - Internal Auditor at SGBL, 2003-2007.
  - Employee at SGBL, 2000-2003.

## Mr. Majdi Adli Mohammed Ajaj

Head of Back Offices, Recovery and Legal Affairs Domain.
Date of Birth: 1979.

Educational Certificates:

- MBA Degree in finance and Banking Studies, University of Jordan and Institute of Banking Studies, 2007.
- Bachelor Degree in Financial and Banking Studies, Amman Al – Ahlia University, 2003.
- Diploma in Financial and Banking Studies, Institute of Banking Studies, 2001.
- Certified Anti-Money Laundering Specialist (ACAMS), 2008.
- Risk in financial services Certificate, 2010.
- Operational Risk Certificate (CISI), 2011.

Professional Qualifications:

- Held the following positions within Société Générale De Banque- Jordanie (SGBJ):
  - Head of Back Offices, Recovery and Legal Affairs Domain since November 2017 until now.
  - Head of Permanent Control and Legal Affairs Domain, 2015- November 2017.
  - Head of Recovery and Permanent Control Domain, from 2012 - 2015.
  - Compliance and Permanent Control Manager, 2008 – 2012.
  - Compliance and Operational Risk Manager, 2006 – 2008.
- Responsible in Custody and Clearing Department, HSBC Bank, 2006.
- Employee at Network Service Center, HSBC Bank, 2005 – 2006.
- Employee at Treasury operation, Export and Finance Bank, 2004 – 2005.
- Employee at Commercial Services, Jordan Gulf Bank, 1999- 2004.

## Mr. Marwan Simon Gerges BOU DIB

Head of Internal Audit Department.
Date of birth: 1981.

Educational Certificates

- Master's Degree in Finance and Econometrics (Paris II University (Panthéon-Assas-la Sorbonne), 2005.
- Master's Degree in Banking and Finance (Paris XII University–E.S.A (École Supérieure des Affaires), 2004.
- Bachelor of Science in Applied Economics : Banking and Finance (Paris IX University (Dauphine)), 2003.
- Third Year University Diploma in Economics (Saint-Joseph University (USJ), Lebanon), 2002.

Professional Qualifications:

- Head of Internal Audit department of Société Générale de Banque - Jordanie (SGBJ) since January 2017.
- Head of Internal Audit department of Fidus SAL – Financial institution in the Group Société Générale de Banques au Liban (SGBL) between May 2012 and December 2016.
- Senior Internal auditor at Société Générale de Banques au Liban (SGBL) between April 2006 and April 2012.
- Employee at Société Générale France and HSBC France between April 2004 and January 2006.

## Ms. Aghadeer Tawfiq Shaker Abu Gosh

Finance Manager.
Date of Birth: 1974.

Educational Certificates:

- Bachelor Degree in Accounting, 1996.

Professional Qualifications:

- Held the following positions at Société Générale De Banque- Jordanie (SGBJ):
  - Finance Manager, since June 2014.
  - Responsible of the Budget Control Unit, 2004-2014.
  - Head of section in Finance Department, 2000-2004.
  - Employee in Finance Department, 1999-2000.
  - Client advisor,1998 - 1999.
- Board member of SGBJ Leasing Company, since 2017.
- Board member of Societe Generale – Jordan Brokerage Company since October,2018.

## Mr.Aiman Kamal Metri Hijazin

Risk Department Manager.
Date of birth: 1977.

Educational Certificates:

- MBA in Finance and Banking- University of Jordan/ IBS -Amman, Jordan, 2007.
- B.A in Economics as a Major; Accounting as a Minor, Yarmouk University, 1999.
- International Certificate in Banking Risks & Regulations (ICBRR) - GARP Institute, 2012.
- CAMS (Certified Anti-Money Laundering Specialist), 2008.

Professional Qualifications:

- Held the following positions at Société Générale De Banque- Jordanie (SGBJ):
  - Risk Departement Manager, since 2012
  - Credit Risk Manager, May 2008 – March 2012.
- Board member of SGBJ Leasing Company, since 2017.
- Housing Bank for Trade & Finance, July 2001- May 2008:
  - Senior Credit Analyst/Special Lending.
  - Major Companies Relation Manager.
  - Customer Service Officer.
- April 1999-July 2001: Internal Auditor in the Cairo Amman Bank, April 1999- July 2001.

## Mr. Suleiman Micheal Elias Aranki

Manager of Compliance and Permanent Control Department.
Date of Birth: 1978.

Educational Certificates:

- Bachelor Degree in Business Administration, University of Jordan, 2000.
- Certified Anti-Money Laundering Specialist (ACAMS), 2012.

Professional Qualifications:

- Held the following positions at Société Générale De Banque- Jordanie:
  - Manager of Compliance and Permanent Control Department, since November 2017
  - Manager of Compliance & Permanent Supervision Department, 2011 - November 2017.
  - Team Member in Core Banking Project, 2009-2011.
  - Responsible of Database Supervisory Unit, 2007-2009.
- Employee at Inward & Outward Remittances/ trade finance services/ operations in HSBC Bank, 2000 – 2007.

## Mr.Feras Taiser Dakhlalah Taamreh

Human Resources Manager.
Date of Birth : 1980.

Educational Certificates:
- Bachelor Degree in Accounting & Commercial law - Hashemite University ,2004.
- International Diploma in Human Resources Management , Cambridge International College , 2010.
- CHRM (Certified Human resources Manager ) , American Certification Institute , 2015.

Professional Qualifications:
- Held the following positions at Société Générale De Banque- Jordanie:
  - Human resources Manager, since 2015.
  - Deputy Human resources Manager 2013-2015.
  - Head of Payroll and Personnel, 2008 -2013.
  - Human Resources Officer, 2004-2008.

## Mr.Mahmoud Khalil Ibrahim Alsouri

Manager of Legal Affairs Department.
Date of Birth: 1977.

Educational Qualifications:
- Bachelor Degree in Law, 2000.

Professional Qualifications:
- Manager of Legal Affairs Department, since April 2018.
- Acting Manager of Legal Affairs Department at Société Générale De Banque- Jordanie, 2012 until March 2018.
- Lawyer and legal advisor in Alwasel International Group for Attorneys and legal advice- Middle East, from June 2007 – November 2012.
- Lawyer in Attorney's International Office, from 2005 – 2007.
- Trainee/ Jordanian Bar Association, 2001 - 2004.

## Mrs. Rula Wajih Elias Khoury

Secretary of the Board of Directors.
Date of Birth: 1970.

Educational Certificate:
- Bachelor Degree in Business Administration, 2011.

Professional Qualifications:
- Secretary of the Board of Directors at the General Manager Office at Société Générale De Banque- Jordanie, since 2016.
- Corporate Affairs Consultant, June 2014 – February 2016.
- Directors of Corporate and Legal Affairs, / Accelerator Technology Holdings, January 2005 - 2014.
- Secretary of the Board of Directors / Accelerator Technology Holdings, January 2005 – January 2014.
- Corporate Assistant to the Minister of ICT, January 2004 – December 2004.
- Trademarks Manager / Nuqul Group, March 1997 – December 2003.

## Mr. Abdullah Ahmad Mousa Khirfan

Shareholder Unit officer.
Date of Birth: 1989.

Educational Certificate:
- Bachelor Degree in Accounting Information System , 2011.

Professional Qualifications:
- Shareholder Unit officer at Société Générale De Banque- Jordanie, since 2015.
- Accountant at partners consultant 2012 -2013.

## 4- Main Shareholders And Number Of Shares For Each One Of Them In Comparison With The Year 2019

Shareholders who own 5% from the Capital and more

| NAME | 31/DEC/2018 | Shareholding percentage | 31/DEC/2019 | Shareholding percentage |
|---|---|---|---|---|
| Messers Société Générale De Banque Au Liban | 87,664,679 | 87.6647% | 87,664,679 | 87.6647% |

Shareholder who own 1% from the Capital or more as of 31/DEC/2019

| Names | Nationality | Share number | Pledged shares | Mortgaged Shares | Shareholding Percentage" |
|---|---|---|---|---|---|
| Société Générale De Banque Au Liban | Lebanese | 87,664,679 | 1,000 | 0 | 87.6647% |
| SUMMERBANK INTERNATIONAL INC | VIRGIN ISLANDS, BRITISH | 2,448,847 | 0 | 0 | 2.4488% |
| REGENTS UNIVERSAL MANAGEMENT INC | VIRGIN ISLANDS, BRITISH | 2,317,177 | 0 | 0 | 2.3172% |
| Dr. Ahmed Ibrahim Khalil Mango | Jordanian | 2,023,377 | 1,000 | 0 | 2.0234% |
| Tamam Hassan Hamdi Mango | Jordanian | 1,063,386 | 0 | 0 | 1.0634% |
| Ghalya Hassan Hamdi Mango | Jordanian | 1,072,853 | 0 | 0 | 1.0729% |

Pledged Shares For The Purposes Of Membership Board Of Directors

Ultimate Beneficial Owners who own 1% or more from the capital

**First:**

| Société Générale De Banque Au Liban shareholder | |
|---|---|
| Nabil Nicolas Sehnaoui | Ishac Mazen Hanna |
| Antoun Nabil Nicolas Sehnaoui | Jean -Pierre Ducroquet |
| Pierre Frederic Kamel | Societe Generale - France |
| Eric wormser | Jean - Louis Mattei |
| Nagib El Saad | |

**Second:**

| SUMMERBANK INTERNATIONAL INC |
|---|
| The shares of Summerbank International Inc. are entirely held by Sunside Foundation ( Liechtenstein, Nationality )which is owned by Omar Ibrahim Mango |

**Third:**

| REGENTS UNIVERSAL MANAGEMENT INC |
|---|
| The shares of REGENTS UNIVERSAL MANAGEMENT INC. are entirely held by Sunray Foundation ( Liechtenstein, Nationality ) which is owned by Adnan Ibrahim Mango |

**Fourth:**

| Dr. Ahmed Ibrahim Khalil Mango |
|---|
| Ultimate Beneficiary is the same shareholder .Mr Ahmad Mango |

**Fifth:**

| Tamam Hassan Hamdi Mango |
|---|
| Ultimate Beneficiary is the same shareholder Tamam Hassan Mango |

**Sixth:**

| G'alya Hassan Hamdi Mango |
|---|
| Ultimate Beneficiary is the same shareholder G›alya Hassan Mango |

## 5- SGBJ'S Share In Comparison With Other Banks In Jordan

| % Of Total direct credit Facilities | % Of total deposits and margin accounts | % Of total assets |
|---|---|---|
| 3.28% | 3.93% | 3.28% |

- The bank launched a number of bancassurance products: Term-life insurance – Hayati, Educational insurance – Sanadi, Retirement plan – Mishwari, Travel insurance – Rehlati, Personal accidents insurance – Amani, House insurance / Workplace insurance – Manzili.
- Société Générale – Jordan Brokerage has executed a deal with JOD 40 million, in which the buyer is Social Security Corporation.

## 6- Extent Of Dependency On Selected Suppliers Or Main Clients Locally And Globally.

- There is no dependency on selected suppliers or main clients locally and globally representing 10 % or Higher from gross purchases and/ or gross sales.

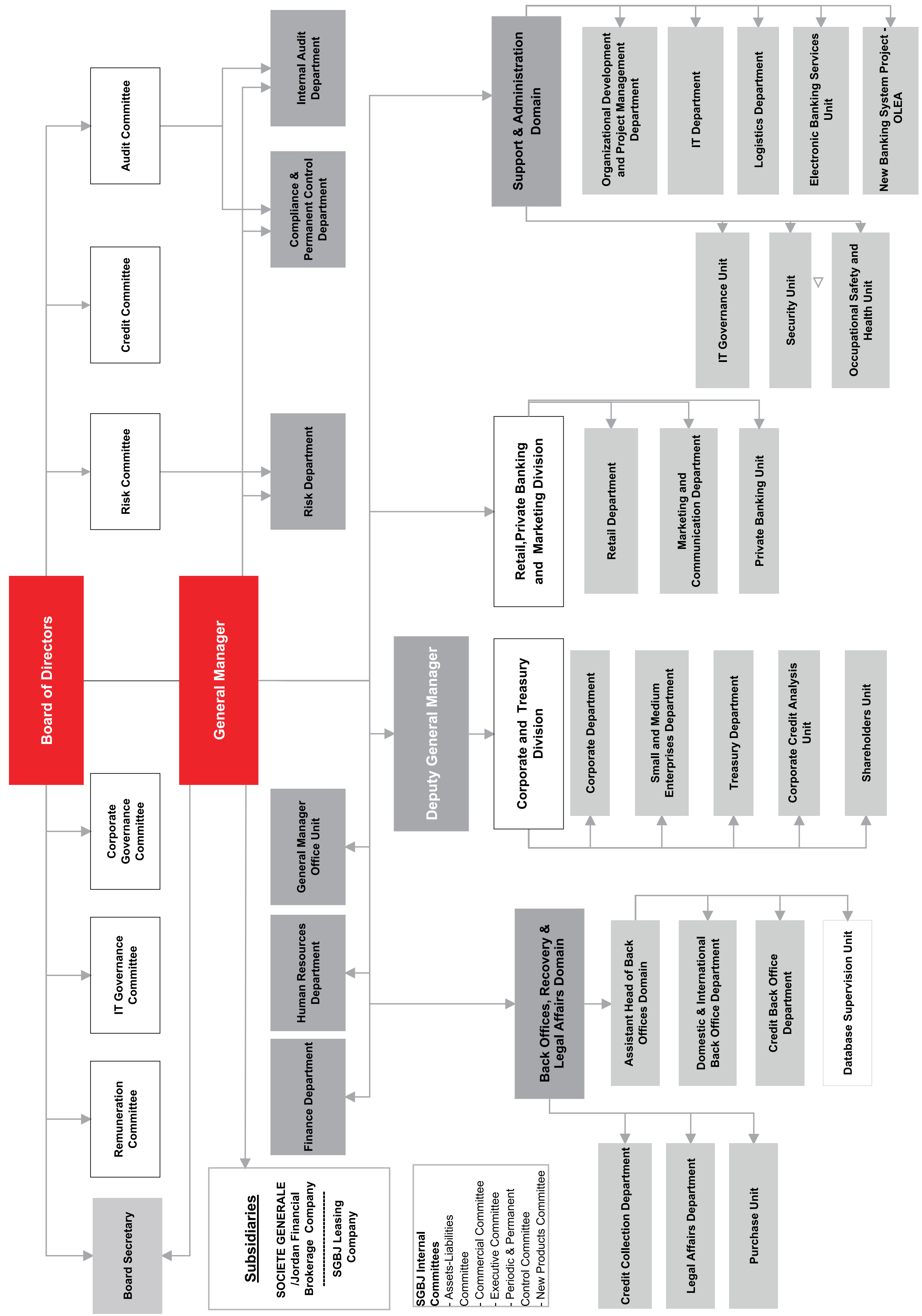
## 7- Governmental Support Or Privileges Granted For Sgbj Or Any Of Its Products In Accordance With Laws And Systems Or Others

- There is no governmental support or privileges granted for SGBJ or any of its products in accordance
- There are no patent rights or franchise rights obtained by the bank.

## 8- Decisions Taken By The Government Or International Organizations Or Others Which Have Financial Impact On The Bank's Business Or Products Or Competitive Ability

- No decisions were issued by the government, International organizations etc… that has a material effect on SGBJ's work or any of its products or competitiveness.
- International quality standards are not applied on the bank.

# 9- A-Sgbj Organizational Chart




## 9- B-Educational Distribution

| Degree | Master | Bachelor | Diploma | school |
|---|---|---|---|---|
| Male | 16 | 154 | 11 | 19 |
| Female | 7 | 92 | 13 | 4 |
| 316 | 23 | 246 | 24 | 23 |

Remuneration Policy:

Remuneration policy is designed to attract, retain and reward talented staff and managers by offering a motivational compensation that is linked to employee's performance and strengthens the Bank's performance and competitiveness.

The performance of employees is assessed through Annual Appraisal & Development interviews which uses measurable Key Performance Indicators (KPI's) that are linked to the job requirement of each employee and to our global targets and vision in a competitive and motivational manner.

The purpose of having those remuneration components is to boost everyone's productivity and efficiency within an effective framework in order to enhance the bank's performance, competitiveness, reputation and solvency based on the foundations of transparency, objectivity and justice and with respect to all Jordanian laws and regulations.

## 9- C -Training activities

In order to prepare employees to perform well and provide quality services in hand with guaranteeing the continuous development of employees and managers, Human Resources Department develops an annual training and development plan in coordination with managers and staff that anticipates a consistent development of the bank and supports the necessary changes.

Since growth and change are inherent our training plan covers all necessary trainings that an individual employee needs not only to develop their skills but to promote the overall excellence of the bank and the individual through the development of both technical and behavioral skills.

We empower employees with on job trainings, internal, external, international trainings and professional certifications to pursue the concept of learning organization. Our trainings support employees and ensure that the skills and knowledge of staff meet the needs of the group's activities and businesses as our goal is to support the development of the bank by helping employees having a more effective response to organizational changes.

TRAINING ACTIVITIES

| Number Of Participants | Course Name | Place of conduct | Location |
|---|---|---|---|
| | | SGBJ Training Centre | Internal |
| 243 | E-Learning | | |
| 26 | Cards Training Session - Client Advisors | | |
| 32 | Cards Training Session -Assistant Branch Managers & Tellers | | |
| 15 | Cards Training Session -Branch Managers | | |
| 20 | Change Management Process | | |
| 13 | Cobit 5 | | |
| 33 | Credit Analysis Session | | |
| 21 | Digital Banking Project | | |
| 100 | Digital Banking services (Mobile and Internet) | | |
| 38 | Disaster Recovery System Test | | |
| 10 | Information and Cyber Security Awareness In cooperation with EY | | |
| 68 | Financial Crimes Compliance | | |
| 15 | Financial Crimes Compliance Training For Corporate Staff | | |
| 109 | Financial Crimes Compliance Training For Retail Banking Staff | | |
| 29 | French Language Courses | | |
| 5 | General Data Protection Regulation Training | | |
| 116 | GOAML Project | | |
| 245 | Information & Physical Security Awareness | | |
| 51 | Insurance Products Refreshment | | |
| 14 | KINZ Refreshment Session | | |
| 42 | Legal Aspects & Cheques and Fraud Detection | | |
| 49 | Mystery Shopping Criteria For Tellers | | |
| 22 | Mystery shopping criteria for customer service | | |
| 19 | Reviewing Files Training | | |
| 7 | Straight Through Processing Payment /Online Tools with SG -Paris | | |
| 10 | SWIFT Country Collection project & Automated clearing house | | |
| 7 | Training for Swift Project | | |
| 35 | Adjustment of Loan Interest for Individual Clients | | |
| 70 | Introduction Program for New Hires | | |
| 37 | Orientation Program for New Hires | | |

| Number Of Participants | Course Name | Location | Place of conduct |
|---|---|---|---|
| | | Local | SGBJ Training Centre |
| 1 | 2nd Block chain & Fintech Summit | | |
| 2 | Advanced Digital Banking | | |
| 1 | Advanced Selling Skills | | |
| 1 | Agile (PMI-ACP) | | |
| 1 | Asset Liability Management Seminar | | |
| 1 | Audit on IFRS 9 | | |
| 1 | Banking Transaction | | |
| 1 | Because your partnership makes all the difference workshop | | |
| 1 | Beyond Capitals 3rd Selection Panel | | |
| 2 | Brinks Cash-Ecosystem Solutions Event | | |
| 1 | CAMBLY for practice English with a native speaker | | |
| 1 | Capital Markets & Trade Forum | | |
| 1 | Certified Anti-Money Laundering Specialist (CAMS) | | |
| 2 | Certified Financial Manager | | |
| 1 | Certified Information Security Manager | | |
| 1 | Certified International Call Center Representative | | |
| 1 | Cobit Foundation 2019 | | |
| 3 | Communication Skills | | |
| 1 | Corporate Governance Reporting based on CG | | |
| 3 | Credit Portfolio | | |
| 1 | Credit Risk Analysis & Management | | |
| 1 | Cyber Security & Digital Transformation Conference | | |
| 2 | Digital Banking Conference | | |
| 4 | Digital Identity and eKYC project | | |
| 1 | Diploma in International Financial Reporting (DipIFR) | | |
| 2 | Emotional Intelligence | | |
| 5 | English Courses | | |
| 1 | Enhad Meeting | | |
| 1 | Excel 2016 (Basic & Advanced) | | |
| 1 | Professional Service Agreement | | |
| 1 | Financial Risk Management Workshop | | |
| 1 | Foreign Account Tax Compliance Act | | |
| 1 | IBM AIX / PowerVM | | |
| 1 | IFRS 16 | | |
| 1 | IFRS 9 | | |
| 1 | IFRS9 التطبيقات والا فصاحات | | |
| 5 | Instant Payment System -JOPACC | | |
| 1 | Invitation to Mentor | | |
| 1 | ISO 31000 Risk Management | | |
| 3 | Jordan Digital Transformation Forum | | |
| 1 | Jordan Loan Guarantee Corporation Meeting | | |

| | | | |
|---|---|---|---|
| 1 | Jordan Survey Results Meeting | | |
| 1 | Jordan Water Challenges and Opportunities | | |
| 2 | Jordan's Debt Market | | |
| 1 | Leadership Training for Managers | | |
| 1 | Libor Reform | | |
| 1 | Marine Insurance Open Day | | |
| 2 | Microsoft Windows Server 2016 | | |
| 1 | Mobile Payment Giant Pay | | |
| 1 | Network International Conference | | |
| 2 | Oracle Introduction to SQL & administration | | |
| 1 | PECB Certified ISO 27001 Lead Implementer Course | | |
| 1 | RENPOWER Jordan & Lebanon 2019 Conference | | |
| 2 | Secured lending law and collateral registry in Jordan | | |
| 2 | Selling Skills | | |
| 1 | Smart Recruitment & Selection | | |
| 2 | SWIFT user group meeting 2019 - Jordan Community | | |
| 3 | The Case for Factoring in Jordan | | |
| 1 | The Euro money Jordan Conference 2019 | | |
| 4 | Time and Stress Management | | |
| 3 | Time Management | | |
| 1 | Training and Employment of ICT Graduates | | |
| 2 | Visa Academy Workshop | | |
| 1 | Legal Committee meeting | | |
| 1 | Ordinary General meeting of CRIF Jordan | | |
| 1 | Meeting with GS1 Company | | |
| 1 | Ordinary and Extraordinary Meeting With Jordan Payments & Clearing Company (JoPACC) | | |
| 1 | Trading and Investment Strategies in the Global Financial Markets | | |
| 1 | Preparing Estimated Budgets | | |
| 2 | National program: INHAD | | |
| 1 | Instructions Issued by the Central Bank Related to Financial Consumer Protection and Customer Rights | | |
| 1 | Fast Payments Transfer | | |
| 2 | Accounting, Financial Analysis and Cash Flow Analysis | | |
| 1 | Women in Board of Directors: Why and How | | |
| 1 | The Tenth Annual Meeting for Human Resources and Training | | |
| 1 | The Fourth Annual Forum for Anti-Money Laundering and Terrorist Financing Officials in Palestine | | |
| 5 | The Electronic Platform for Data Collection and Analysis | | |
| 2 | Time Management and Job Stress | | |
| 2 | Automating National Aid Fund Payments | | |
| 1 | Financing Programs and Their Guarantees for Small and Medium-Sized Companies in Aqaba Governorate | | |
| 2 | Preparations for the Launch of Value-Added Services | | |
| 1 | Training of Trainers for SME Analysis Topics | | |

| | | | |
|---|---|---|---|
| 1 | Updated Labor Legislation for 2019 | | |
| 1 | Developing the Skills of Customer Service Staff and Call Centers | | |
| 3 | Authorization of Debtor Entry Through The Automated clearing house | | |
| 1 | Awareness Session About Insolvency Law No. 21 of 2018 | | |
| 2 | Dialogue Session : Financial Facilities for Water Demand Management Projects | | |
| 1 | Solve Problems and Make decisions | | |
| 3 | Cybersecurity Incident Response Team at the Financial and Banking Sectors | | |
| 1 | Social Security Law, Labor Law, and Income Tax Law | | |
| 1 | Revised Income Tax Law of 2019 | | |
| 1 | SME loans within the laws and instructions of the Central Bank of Jordan | | |
| 1 | Requirements for the Independent Election Commission | | |
| 1 | Jordanian-Pakistani Business Council | | |
| 3 | A Draft memo of Understanding Prepared by the Ministry of Justice | | |
| 2 | Comprehensive Work Places Project for People with Disabilities | | |
| 1 | Digital Economy Conference 2019 | | |
| 2 | Electronic Disclosure System | | |
| 3 | Workshop on digital payments in Jordan | | |
| 3 | Workshop presenting the rationale for the National Aid Fund Automation Project | | |

| Number Of Participants | Course Name | Place of conduct | Location |
|---|---|---|---|
| | | International | Out Jordan |
| 1 | Visit to Private Banking SGBL & Fidus | Lebanon | |
| 1 | SGBJ Core Banking Workshop | Lebanon | |
| 2 | Palo Alto training | United Arab Emirates | |
| 1 | Cisco ISE | United Arab Emirates | |
| 1 | VMware vSphere Training | United Arab Emirates | |

## 10- Risks encountered by the bank:

- Credit Risk
- Operational Risk
- Market Risk
- Interest Rate Risk
- Liquidity Risk
- Non-compliance Risk

Noting that the bank does not expect to face any substantial effect during the coming year.

## 11) The Bank's Achievements During The Financial Year

### Summary of the bank's performance for the last fiscal year

• Total assets increased at end of 2019 and reached JD 1713 Million with total increase by JD 10 Million compared to year 2018.

• Direct credit facilities increased at end of year 2019 by JD 40 Million compared to 2018.

• Customers' deposits and margin accounts decreased at end of year 2019 and reached JD 1464 million with total decrease JD 23.8 Million compared to year 2018.

• The bank distributed cash dividends to the shareholders for year 2018 with total amount of JD 5 Million represents 5% of its paid up capital.

• Net profit after tax increased at end of 2019 compared to year 2018 with a growth of 21%

### Summary Of The Bank's Achievements In Other Fields:

• The bank launched a number of bancassurance products: Term-life insurance – Hayati, Educational insurance – Sanadi, Retirement plan – Mishwari, Travel insurance – Rehlati, Personal accidents insurance – Amani, House insurance / Workplace insurance – Manzili.

• SGBJ announced the winners' names in the prizes of Ghena saving account; gold liras daily, JOD 5,000 monthly, Mercedes-Benz E200/2019 and JOD 100,000.

• The bank announced Swing account end of year prize winner, a trip for four to Euro Disney, and Ilive account end of year prize winner, a trip for two to Abu Dhabi Ferrari World.

• The capital of Société Générale -Jordan Brokerage was increased with an amount of JOD 2,250,000 to be JOD 3,000,000 in order to start providing margin trade accounts; that allows our clients to obtain financing on purchasing securities listed in Amman stock exchange (ASE) in addition to our main services.

• The bank sponsored SahSeh program, a morning show aired on Amman T.V., presented by Rahaf Sawalha and Nadia el Zouby.

• The bank launched a card for VIPs, MasterCard World Elite.

• SGBJ held its employees 2019 annual event at the Four Seasons/ Amman. Throughout the annual event, the bank honored some of SGBJ's employees who have been with the bank for more than 25 years.

• A new off-site ATM was placed in Abdali Medical Center (AMC).

## 12- Financial Impact Of Transactions With Nonrecurring Nature Which Took Place During The Financial Year And Are Not Included In The Bank's Main Activity:

• SGBJ recorded an amount of JOD 2.7 Million in other revenues which was collected during the first quarter of 2019 as a settlement of bank claim related to SGBJ acquisition of business operations of National bank of Abu Dhabi.

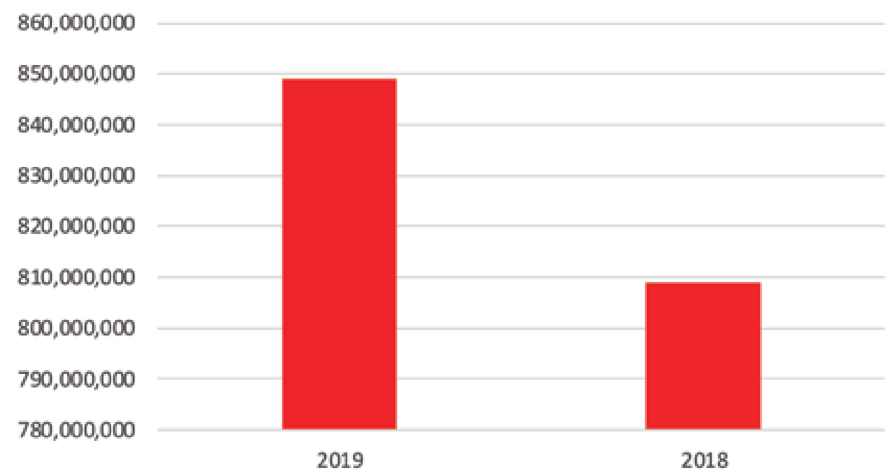
## 13- Periodic Criteria Of Achieved Profits, The Cash Dividends, Net Equities And Share Price For The Previous Five Years:

| Years | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| | JOD | JOD | JOD | JOD | JOD |
| Achieved profits (losses) after tax | 10,060,197 | 8,284,945 | 7,810,209 | 10,908,035 | 10,009,226 |
| Cash Dividends | 5,000,000 | 7,500,000 | 7,000,000 | 5,000,000 | 4,000,000 |
| Net Equities | 134,032,294 | 127,828,757 | 134,092,021 | 133,440,813 | 127,587,028 |
| Closed share price | 1.26 | 1 | 1.1 | 0.95 | 1.01 |

## 14- Financial Analysis Of Financial Position And The Business Results Of The Year

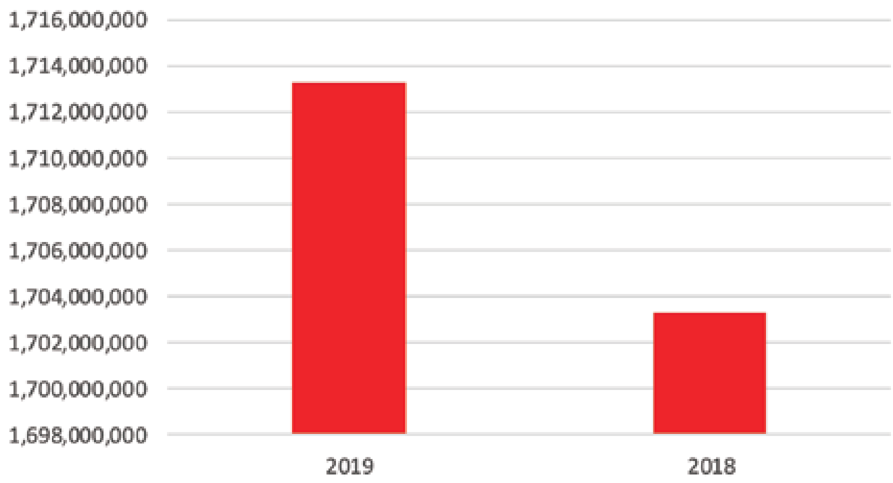
### Direct credit facilities (Net)

**• Direct credit facilities increased by 5% at end of year 2019 by JD 40 Million compared to 2018.**



### Total assets

• **Total assets increased at end of 2019 with total increase by JD 10 Million compared to year 2018.**

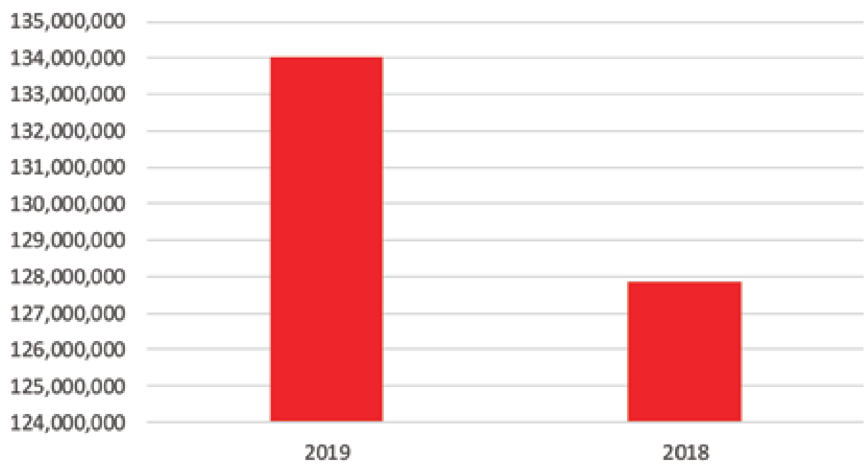



### Customers' Deposits and Margin accounts

• **Customers' deposits and margin accounts decreased at end of year 2019 and reached JD 1464 Million with total decrease JD 23.8 Million compared to year 2018.**

### Total Equity

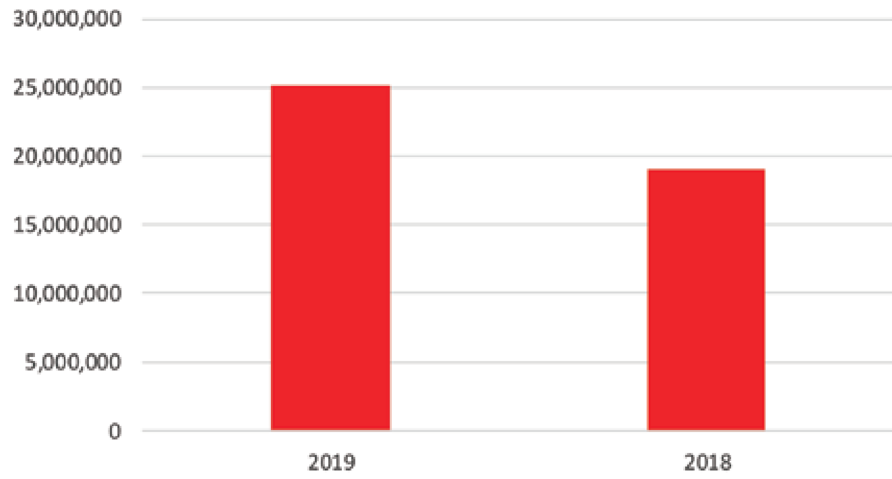
• **Total Equity increased by 5% (10 Million approximately) at end of year 2019 compared to 2018.**




## 2. Business results

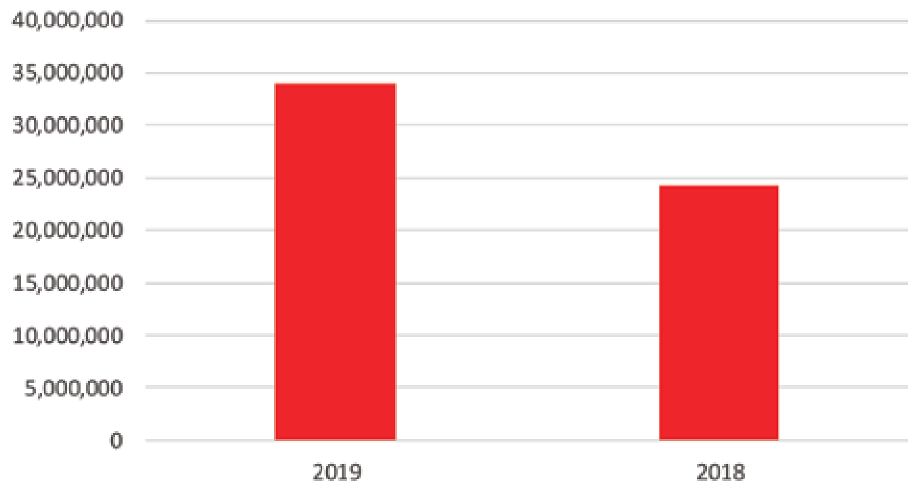
### Net interest income

• **Net Interest Income increased by 32% at end of year 2019 compared to 2018.**



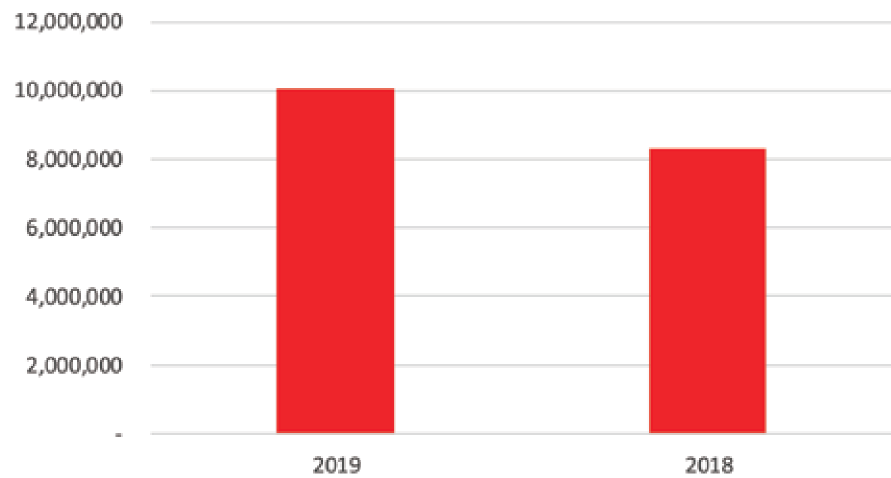

### Gross Profit

• **Gross Profit increased by 40% at end of year 2019 compared to 2018.**




### Net Profit

• **Net Profit increased by 21% at end of year 2019 compared to 2018.**




**Capital Adequacy Ratio**

Despite the fact that bank has achieved a total growth of 21% in its› Net Profit compared to year 2019, but committing to CBJ memo number 4693/1/l dated April 9 2O2O,The distribution of cash dividends of 2019 will be postponed till further notice. Based on it the capital adequacy ratio will reach 14.93% considering excluding the «cash dividends» item. According to CBJ memo number 4693/1/1 dated 9 April 2020 The distribution of cash dividends will be postponed till further notice, Based on it the capital adequacy ratio will reach 14.93% considering excluding the «Cash dividends» item.

The below table shows the major financial ratios for the year 2019 compared to year 2018

| No | Financial ratio | 2019 | 2018 |
|---|---|---|---|
| 1 | Return on Assets | 0.59% | 0.49% |
| 2 | Return on Equity | 7.68% | 6.93% |
| 3 | Capital Adequacy | 14.05% | 15.15% |
| 4 | Total Expenses / Gross Income | 53% | 49% |
| 5 | Legal Liquidity ratio | 114% | 116% |

**Capital Adequacy Ratio**

Despite the fact that bank has achieved a total growth of 21% in its› Net Profit compared to year 2019, but committing to CBJ memo number 4693/1/l dated April 9 2O2O,The distribution of cash dividends of 2019 will be postponed till further notice. Based on it the capital adequacy ratio will reach 14.93% considering excluding the «cash dividends» item.

According to CBJ memo number 4693/1/1 dated 9 April 2020 The distribution of cash dividends will be postponed till further notice, Based on it the capital adequacy ratio will reach 14.93% considering excluding the «Cash dividends» item.

A REPORT ON THE BANK'S SHARES Traded DURING 2018

| Company | Market | High Price in 2018 | Lowest Price in 2018 | AVG Price in 2018 | Value traded JD in 2018 | Number of Shares | Number of trans |
|---|---|---|---|---|---|---|---|
| SGBJ | 1 | 1.1 | 1 | 1 | 4,808,525.64 | 4,807,190 | 54 |

## 15- Important Future Plans and Developments:

Societe Generale de Banque – Jordanie will continue working in the highest quality of transparency and honesty with its clients, providing the best services and products. Also, the bank will strengthen its financial position in the year 2019, through following the below plan which will focus on:

- The continuity to maintain customer satisfaction through offering banking services based on professionality and high quality, in addition to launching many outstanding banking services through the coming year.
- Expanding the bank's share in individuals' sector, in addition to small and medium companies through creating new investment tools, that suit the clients' needs without overlooking large companies' role and continuing business with VIP customers' base.
- Developing staff skills through continuous training, and studying the employees needs that serve the interests of the bank, and with the requirements of the banking business, in addition to attracting new specialized and experienced elements.
- Enhancing the bank's role in supporting the local community as part of its corporate social responsibility, through offering different kind of support for social, cultural, artistic activities.
- Continuity with the plan to develop and renew the bank's network with the aim at providing best services for SGBJ's clients' wide base which witnesses continuous growth.

### Board of Directors' Predictions for the Results of the Company

In view of the Bank's future vision of developing the level of banking services and products it offers, and increasing its market share by focusing on the public sector, retail, corporate and SME sectors, the Bank seeks to achieve growth in total assets and growth in net credit facilities in 2020. Total customer deposits, with a focus on managing the sources and uses of funds more efficiently in order to maximize the profit margin taking into account the risk ratio

## 16- Sgbj And Affiliated Company's Audit Fees Amount And Any Fees For Other Services Received By The Auditor And Or Any Other Incurred Amounts

The bank's audit fees amounted to 83,545 JOD whereas they amounted to 4,085 JOD for The affiliated company (Societe Generale –Jordan brokerage Company) and 10,200 JOD for the affiliated company (Societe Generale –Jordan Leasing Company),

## 17) NUMBER OF SECURITIES OWNED BY THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS:

| Board Member as of 31/12/2019 | Titles | Nationality | 31/ Dec/2018 | Shareholding percentage | 31/ Dec/2018 | Shareholding percentage |
|---|---|---|---|---|---|---|
| Messers Société Générale De Banque Au Liban/ Represented by Mr. Hassan Hamdi Khalil Mango* | Chairman | Lebanese | 87,664,679 | 87.6647% | 87,664,679 | 87.6647% |
| Messers Sogelease Liban/ Represented by Mr. Antoun Nabil Nicolas Sehnaoui** | Vica | Lebanese | 1,985 | 0.0020% | 1,985 | 0.0020% |
| Dr.Ahmed Ibrahim Khalil Mango | Member | Jordanian | 2,023,377 | 2.0234% | 2,023,377 | 2.0234% |
| Mr.Khalil Anise Khalil Nasr | Member | Jordanian | 5,000 | 0.0050% | 5,000 | 0.0050% |
| Mr. Fawaz Hatim Sharif Zu'bi/ Resigned at 1/DEC/2019 | Member | Jordanian | 1,000 | 0.0010% | 1,000 | 0.0010% |
| Mr. Mufleh Mohammad Awad Akel | Member | Jordanian | 1,000 | 0.0010% | 1,000 | 0.0010% |
| Mr. Gérard Albert Goulven Garzuel / Died at 23/JUN/2019 | Member | French | 1,323 | 0.0013% | 1,323 | 0.0013% |
| Messers Sogecap Liban/ Represented by Miss Noha Espiridon Khalil Abou Saad *** Renamed Sogecap to S.J.B.L For Insurance | Member | Lebanese | 1,323 | 0.0013% | 1,323 | 0.0013% |
| Mr. Georges Elie Georges Saghbini | Member | Lebanese | 1,323 | 0.0013% | 1,323 | 0.0013% |
| Mr. PHILIPPE JOSEPH BERNARD DUBOIS | Member | French | 1,000 | 0.0010% | 1,000 | 0.0010% |
| Mr. Omar Khalid Rashid Agha | Member | Jordanian | 1,000 | 0.0010% | 1,000 | 0.0010% |
| Mr. Stanislas Regis Marie Tertrais / Appoinment at 4/DEC/2019 | Member | French | 0 | 0.0000% | 1,000 | 0.0010% |

| Reperesentatives of Board Member | Board Member's name | 31/Dec/2018 | "Shareholding | 31-Dec-2019 | "Shareholding Percentage" |
|---|---|---|---|---|---|
| * Mr. Hassan Hamdi Khalil Mango | Messers Société Générale De Banque Au Liban | 0 | 0.0000% | 0 | 0.0000% |
| ** Mr. Antoun Nabil Nicolas Sehnaoui | Messers Sogelease Liban | 1,985 | 0.0020% | 1,985 | 0.0020% |
| ***Miss Noha Espiridon Khalil Abou Saad | Messers Sogecap Liban/ Renamed to S.J.B.L for insurance | 0 | 0.0000% | 0 | 0.0000% |

| Board Members Who Resigned | 31/Dec/2018 | Shareholding Percentag | 31-Dec-2019 | Shareholding Percentag |
|---|---|---|---|---|
| Mr. GREGOIRE YVES MARIE LEFEBVRE | 1,000 | 0.0010% | 1,000 | 0.0010% |
| Mr. Fawaz Hatim Sharif Zu'bi | 1,000 | 0.0010% | 1,000 | 0.0010% |

Board Members, Relatives Shares

| Names | Relation | Board Member's name | 31-Dec-2018 | Shareholding Percentag | 31-Dec-2019 | Shareholding Percentag |
|---|---|---|---|---|---|---|
| Mrs. Dorothy Margarita Arikson / Jordanian | Wife | "Dr. Ahmad Ibrahim Mango" | 648,735 | 0.6487% | 648,735 | 0.6487% |
| Tamam Hassan Hamdi Mango | Daughter | Hassan Hamdi Khlil Mango | 1,040,909 | 1.0410% | 1,063,386 | 1.0630% |
| Ghalya Hassan Hamdi Mango | Daughter | Hassan Hamdi Khalil Mango | 1,040,910 | 1.0410% | 1,072,853 | 1.0730% |

**Number Of Securities Owned By Senior Management And Their Relatives**

| Names | Titles | 31/Dec/2018 | "Shareholding Percentage" | 31/ Dec/2019 | "Shareholding Percentage" |
|---|---|---|---|---|---|
| Nadim Alexandre Farid Abawat / Lebanese | General Manager | 1,323 | 0.0013% | 1,323 | 0.0013% |
| Rami Talal Husni Al Khuffash / Jordanian | Deputy General Manager and Head of Corporate & Treasury Division | 0 | 0.0000% | 0 | 0.0000% |
| Charbel Kamal Kabalan / Lebanese | Head of Retail ,Private Banking & Marketing Division | 0 | 0.0000% | 0 | 0.0000% |
| Jad Hareth Naseeb El Howayk / Lebanese | Head of Support and Administration Domain | 0 | 0.0000% | 0 | 0.0000% |
| Majdi Adli Mohd Ajaj / Jordanian | Head of Permenant Control and legal Affairs Domains | 0 | 0.0000% | 0 | 0.0000% |
| Marwan Simon Bou Dib / Lebanese | Head of the Audi Department | 0 | 0.0000% | 0 | 0.0000% |
| Aiman Kamel Metri Hijazin / Jordanian | Manager of Risk Department | 0 | 0.0000% | 0 | 0.0000% |
| Aghadeer Tawfeek Shaker Abu Ghose /Jordanian | Finance Manager | 0 | 0.0000% | 0 | 0.0000% |
| Suleiman Michel Elias Aranki / Jordanian | Manager of Compliance and Permenant Supervision Department | 0 | 0.0000% | 0 | 0.0000% |
| Feras Taiser Dakhlalah Taamreh / Jordanian | Human Resources Manager | 0 | 0.0000% | 0 | 0.0000% |
| Rula Wajih Elias Khoury / Jordanian | Secretary of the Board | 0 | 0.0000% | 0 | 0.0000% |
| Mahmoud Khalil Ibrahim Al Souri / Jordanian | Acting Manager of legal affairs Department | 0 | 0.0000% | 0 | 0.0000% |
| Addullah Ahmad Musa Kherfan / Jordanian | Shareholder Unit Officer | 0 | 0.0000% | 0 | 0.0000% |

There are no shares owned by high managements› relatives .

*** The Bank Has No Shares For Companies Controlled By Board Members Or Any Of Their Relatives Except The Following:**

| Names | 31/Dec/2018 | "Shareholding Percentage" | 31/Dec/2019 | "Shareholding Percentage" |
|---|---|---|---|---|
| "Hamdy and Ibrahim (controlled by Ahmed Ibrahim Khalil Mango,Hassan Hamdi Khalil Mango) Mango Company" | 518,481 | 0.5185% | 518,481 | 0.5185% |

The bank has no shares for companies controlled by other jordanina Banks
There are no companies controlled by Senior management or any of their relatives

**Credit Facilities (Direct / Indirect) Granted to Board Members**

| Client / Group | Credit Facilities | | Total |
|---|---|---|---|
| | Direct | Indirect | |
| Societe Generale Bank - Lebanon | | 3,679,458 | 3,679,458 |
| **Hassan Mango Group** | | | |
| Hassan Hamdi Mango | 104 | 10,000 | 10,104 |
| Red Sea Timber Processing Company | 283,332 | | 283,332 |
| Jordan Construction Materials Co. | 116,300 | | 116,300 |
| Middle East Regional Development Enterprises | 0 | 20,300 | 20,300 |
| Alia Kamal Hamdi Mango | 4,342 | | 4,342 |
| Tamam Hassan Mango and Ghalia Hassan Mango | 2,848,697 | 300 | 2,848,997 |
| Suzan Kamal Hamdi Mango & Saif Al-Dein Mohammad Saif Al-Dein Taher | 755,526 | | 755,526 |
| Aiman Jawad Jawdat Al-Azah | 190,781 | | 190,781 |
| Hamdi & Ibrahim Mango Co. | 0 | 10,300 | 10,300 |
| Hassan Hamdi Mango &/or Samia Mumtaz Al-Soloh | 5,224 | | 5,224 |
| Suzan Kamal Hamdi Mango | 818 | | 818 |
| **Total** | **4,205,124** | **40,900** | **4,246,024** |
| **Ahmad Mango Group** | | | |
| Istikbal Investment Co. | 971,470 | 500 | 971,970 |
| Household Appliances MAN-COM Ltd. (HAMCo) | 123,291 | | 123,291 |
| Ameenah Ahmad Mango | 11,880 | | 11,880 |
| Hussien Ahmad Mango | 0 | | 0 |
| Omar Ibrahim Khalil Mango | 231,851 | | 231,851 |
| Hamdi & Ibrahim Mango Co. | 0 | 10,300 | 10,300 |
| Faisal Shaher Ahmad Al-Tabbaa' | 1,080 | 2,000 | 3,080 |
| Hend Ibrahim Khalil Mango | 0 | 500 | 500 |
| Hamza Ahmad Ibrahim Mango | 6,367 | | 6,367 |
| **Total** | **1,345,939** | **13,300** | **1,359,239** |
| **Khalil Anees Nasr Group** | | | |
| Khalil Anees Khalil Nasr | 402,817 | | 402,817 |
| Muna Jac George Khayyat | 213,700 | | 213,700 |
| **Total** | **616,517** | **0** | **616,517** |
| **Fawwaz Al-Zu'bi Group** | | | |
| Fawwaz Hatem Sharif Al-Zu'bi | 50,320 | | 50,320 |
| Rubicon Group Jordan | 2,454,486 | | 2,454,486 |
| **Total** | **2,504,806** | **0** | **2,504,806** |
| **Omar Khalid Rasheed Agha Group** | | | |
| Omar Khalid Rasheed Agha | 270,814 | | 270,814 |
| Waseem Khalid Rasheed Agha | 21,166 | | 21,166 |
| **Total** | **291,980** | **0** | **291,980** |

## 18- A - Chairman And Board's Premiums And Benefits During Year 2019

| # | Name | Position | Yearly Transportation Allowance | * Yearly Premiums | Total Benefits |
|---|---|---|---|---|---|
| 1 | SGBL Presented by Mr. Hassan Hamdi Khalil Mango | Chairman | 2,400 | 52,631 | 55,031 |
| 2 | Messers Sogelease Liban presented by Mr. Antoun Nabil Nicolas Sehnaoui | Deputy Chairman | 2,400 | 1,250 | 3,650 |
| 3 | Sogecap-Liban presented by Miss. Noha Espiridon Khalil Saad | Member of board | 2,400 | 4,375 | 6,775 |
| 4 | Mr. Gérard Albert Goulven Garzuel | Member of board | 1,200 | 625 | 1,825 |
| 5 | Dr. Ahmad Ibrahim Khalil Mango | Member of board | 2,400 | 4,375 | 6,775 |
| 6 | Mr. Mufleh Mohammad Awad Akel | Member of board | 10,000 | 5,000 | 15,000 |
| 7 | Mr. Georges Elie Georges saghbini | Member of board | 2,400 | 3,125 | 5,525 |
| 8 | Mr. Philippe Joseph Bernard Dubois | Member of board | 2,400 | 1,875 | 4,275 |
| 9 | Mr. Omar Khaled Rasheed Agha | Member of board | 10,000 | 3,750 | 13,750 |
| 10 | Mr. Khalil Anis Khalil Nasr | Member of board | 10,000 | 5,000 | 15,000 |
| 11 | Dr. Fawaz Hatim Sharif Zau'bi | Member of board | 9,274 | 3,125 | 12,399 |
| 12 | Mr. Stanislas TERTRAIS | Member of board | 200 | - | 200 |
| | Total | | 55,074 | 85,131 | 140,205 |

*Yearly premiums are subject to the approval of General Assembly of shareholders of the bank.

-No other allowances or premiums were paid to the board of directors members against their membership except the mentioned above.

## 18- B -Executive Management Premiums And Benefits During Year 2019

| # | Name | Position | Total Yearly Salary | Yearly Premiums | Other Benefits | Total Yearly Benefits |
|---|---|---|---|---|---|---|
| 1 | Nadim Alexandre Farid Abawat | General Manager | 254,730 | - | 34,000 | 288,730 |
| 2 | Rami Talal Husni Alkhuffash | GM Assistant/Head of Corporate and Treasury | 168,748 | 39,000 | | 207,748 |
| 3 | Charbel Kamil Kabalan Kabalan | Head of Retail and Marketing and Private Banking | 113,433 | - | | 113,433 |
| 4 | Majdi Adli Mohammed Ajaj | Head of Recovery and Permanent Supervision | 91,440 | 23,000 | | 114,440 |
| 5 | Jad Hareth Nasib Howayak | Head of Support and Administration | 124,855 | 8,000 | 10,000 | 142,855 |
| 6 | Aghadeer Tawfeek Shaker Abu ghosh | Finance Manager | 67,440 | 16,000 | | 83,440 |
| 7 | Aiman Kamal Metri Hijazin | Risk Department Manager | 59,552 | 11,500 | | 71,052 |
| 8 | Rula Wajih Elias Khoury | Secretary of the Board Directors | 36,000 | 5,000 | | 41,000 |
| 9 | Marwan Simon Bou Dib | Head of Internal Audit | 103,817 | - | 10,000 | 113,817 |
| 10 | Suleiman Michel Elias Aranki | Head of Recovery and Permanent Supervision | 43,440 | 7,200 | | 50,640 |
| 11 | Feras Taiser Dakhlalah Taamreh | Human Resources Manager | 46,640 | 10,000 | | 56,640 |
| 12 | Mahmoud Khalil Ibrahim Alsouri | Bank's Internal Lawyer | 21,524 | 2,300 | | 23,824 |
| | Total | | 1,131,618 | 122,000 | 54,000 | 1,307,618 |

| Tangible Benefits | |
|---|---|
| General Manager | Housing + Car |
| Head of Retail and Marketing and Private Banking | Housing |
| Head of Support and Administration | Housing |
| Head of Internal Audit | Housing |

## 19- Grants And Donations Paid Through The Year 2019

| Name of Benefited Association | Amount in JOD |
|---|---|
| Jordanian Hashemite fund for human development | 42,130 |
| Total | 42,130 |

## 20- Contracts, Projects And Binds Signed By The Bank With Affiliated Companies, Chairman, Board Members,General Manager, Or Any Of The Bank's Employees Or Relatives.

There were no Contracts, projects and binds signed by the bank with affiliated companies, chairman, board members, General Manager, or any of the bank's employees or relatives.

## 21- A- SGBJ's Contribution to the Local Community

As a result of SGBJ's belief that corporate social responsibility plays a vital role in improving the community, the bank continuously assures that it continues its contributions to different causes and foundations in different industries and activities that aim to improve the community:

- The bank sponsored a t.v. show on Amman t.v. presented by Rahaf Sawalha "Nostalgia", in which famous and well-known personalities were hosted and interviewed.
- The bank sponsored Concert Franco- Libanis, on ending the month of francophone.
- For the fourth consecutive year, SGBJ participated in "Le French Marche" which was held at Abdali Boulevard, whereby there were commercial, economic, educational and cultural activities.
- The bank donated JOD 10,000 in king Abduallah the second initiative to support the Jordanian female debtors.
- SGBJ renewed its partnership with Tkiyet Um Ali for the sixth consecutive year with the aim of sponsoring its activities and programs, whereby the bank supported fourteen families who live under the poverty line through offering them monthly food packages for one year.
- For the 11th consecutive year, SGBJ sponsored "Les Créateurs Libanais" in the presence of a number of Jordanian artists , whereby the bank was present through a booth and offered the exhibition's visitors the chance to purchase using VISA, MasterCard and AMEX cards in addition to displaying flyers about the bank's various products and services .
- The bank sponsored the basketball little league in Mashrek International School and Ahliyyah, in addition to supporting the 7th summer camp in Terrasanta School.
- The bank and the French Embassy in Jordan jointly granted a scholarship to Mr.Rami AlSayyed to attend a Master degree.
- SGBJ participated in the French Embassy's celebrations on the 14th of July whereby a celebration took place at His Excellency the French Ambassador David Bertolotti residence.
- The bank signed a cooperation agreement with Jordan Olympic Committee.
- The bank participated with the Libanis Embassy in Amman their celebrations held on the 74th anniversary for the Libanais army.
- SGBJ renewed its partnership with Family Flavours Magazine and Nakahat Ailiyeh Magazine for the seventh consecutive year; the only magazines specialized in parenting in Jordan.
- SGBJ continues its support for King Hussein Cancer Foundation and Al Aman Fund for the Future of Orphans through placing donation boxes inside its branches.
- The bank in collaboration with Institut Francais supported the digital Museum.
- The Bank sponsored the Chess competition organized by Fuheis Orthodox Club.
- The bank participated in financing the project "Belgian Hejaz Wagon, Cinema on wheels" in addition to the "Rare Photos" exhibition.

## 21) B- The Banks Contribution towards Protecting the Environment.

There are no new contributions for the bank towards environment.

# BANK ACTIVITIES




# BANK ACTIVITIES








## Customers Complaints:

During the year 2019; the bank received (258) complaints, the said complaints were registered, analyzed and solved in accordance with CBJ instructions number 1/2017 dated 28/08/2017, noting that the majority of complaints were derived from service delay, lack of communication, interest rates / commissions, loan rejection and employees' behavior, under which the main categories of complaints and related root causes were identified. Accordingly several solutions have been diagnosed and followed up by an independent Quality Unit to reduce such complaints in the future and to avoid repetition, in order not to affect our bank's reputation and the services quality, such as: updating bank's internal procedures, processes and developing communication mechanisms between departments and units, conducting regular specialized training for staff to raise their awareness about job requirements along with the types and features of bank's products, "Quality Unit" ,on continuous bases, enhances staff awareness of clear communication mechanisms with clients to make sure our compliance with transparency and justice instructions and to make sure clarifying products' types, products' requirements and product features, working on the installation of new solutions /tools that will automate and accelerate work process and enhance services provided, applying new communication methods such as sending SMS to clients once interest rate on loans changes ..etc. Noting that Complaints Unit is an independent unit linked to Compliance and Permanent Control Dept.

## Number of Board of Directors and its Committees' Meetings

The Bank's Board of Directors held 8 meetings during the year 2019. The Committees of the Board also convened as follows:

1- The Board Audit Committee: five times
2- The Board Nomination & Remuneration Committee: Twice
3- The Board Risk Management Committee: Twice
4- The Board Corporate Governance Committee: Twice
5- The Board IT Governance Committee: four times

Noting that the Board Credit Committee has made its decisions by means of circulation.

| | | Board of Directors | Audit Committee | Nomination and Remuneration Committee | Risk Management Committee | Corporate Governance Committee | IT Governance Committee |
|---|---|---|---|---|---|---|---|
| | The total number of meeting held during 2019 | 8 | 5 | 2 | 2 | 2 | 4 |
| 1. | Messrs. Société Générale De Banque Au Liban/ Represented by Mr. Hassan Hamdi Khalil Mango | 8 | | | | 2 | |
| 2. | Messrs. Sogelease Liban/ Represented by Mr. Antoun Nabil Nicolas Sehnaoui | 2 | | | | | |
| 3. | Messrs. SGBL Insurance SAL / Represented by Miss Noha Espiridon Khalil Abou Saad | 7 | | | 2 | 2 | 4 |
| 4. | Mr. Gérard Albert Goulven Garzuel | 1 | 1 | | | | |
| 5. | Dr. Ahmad Ibrahim Khalil Mango | 7 | | | | | |
| 6. | Mr. Omar Khaled Agha* | 6 | 3 | 2 | | 2 | 4 |
| 7. | Mr. Mufleh Moh'd Awad Akel* | 8 | 5 | | 2 | 2 | |
| 8. | D. Fawaz Hatim Zu'bi* | 5 | | 2 | | 2 | 2 |
| 9. | Mr. Georges Elie Georges Saghbini | 5 | 4 | 2 | 2 | | |
| 10. | Mr. Philippe Joseph Bernard Dubois | 3 | | 1 | | | |
| 11. | Mr. Khalil Anis Nasr* | 8 | 5 | 2 | 2 | | |

*Independent Director

Not a member of the committee

# Board Members Declarations

(1) The Bank's Board members declare that none has received any benefits during his work at the bank that has not been disclosed, whether such benefits were in the form of cash or in-kind, and whether it was granted to him personally or to any of his affiliated parties, during the year 2019.

(2) The Bank's Board of Directors declares that there are no material affairs that could affect the Bank's continuity during the financial year 2020.

(3) The Board of Directors assumes responsibility for the preparation of the financial statements and for providing an effective control system at the Bank.

Chairman of the Board:
Messrs. Société Générale De Banque Au Liban/Represented by Mr. Hassan Hamdi Khalil Mango

Deputy Chairman of the Board:
Messrs. Sogelease Liban/Represented by Mr. Antoun Nabil Nicolas Sehnaoui

Board Member:
Messrs. SGBL Insurance SAL /Represented by Miss Noha Espiridon Khalil Abou Saad

Board Member:
Mr. Stanislas Regis Marie Tertrais*

Board Member:
Dr. Ahmad Ibrahim Khalil Mango

Board Member:
Mr. Mufleh Moh'd Awad Akel

Board Member:
Mr. Georges Elie Georges Saghbini

Board Member:
Mr. Philippe Joseph Bernard Dubois

Board Member:
Dr. Fawaz Hatim Zu'bi*

Board Member:
Mr. Khalil Anis Nasr

Board Member:
Mr. Omar Khaled Agha

* Dr. Fawaz Zu'bi resigned on December 1st 2019
* Mr. Stanislas Regis Marie Tertrais was appointed on December 4th 2019
* Mr. Gerard Garzuel passed away on 23/6/2019

(4) We the undersigned assume responsibility for the correctness, accuracy and completeness of all information and statements stated in the Annual Report for 2018.

| Chairman of the Board | General Manager | Finance Department |
|---|---|---|
| Hassan Hamdi Khalil Mango | Nadim Alexandre Farid Abawat | Aghadeer Tawfiq Shaker Abu Ghosh |

# CONSOLIDATED FINANCIAL STATEMENTS

# Audit Report on the Consolidated Financial Statements

AM/ 011840

To The Shareholders of
Societe Generale De Banque - Jordanie
(A Public Limited Shareholding Company)
Amman – The Hashemite Kingdom of Jordan

**Report on the Audit of the Consolidated Financial statements**

## Opinion

We have audited the consolidated financial statements of Societe Generale De Banque - Jordanie (A Public Shareholding Limited Company) (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements 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 a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2019, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Central Bank of Jordan.

## Basis for Opinion

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

## Other Matter

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

## 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 current year. 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.

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

**A description was provided on how to examine each of the matters referred to below in the audit procedures:**

| | Key Audit Matters | Scope of Audit to Address the Risks |
|---|---|---|
| ١ - | **Adequate Provision for Credit Losses on Credit Facilities**<br>As described in Note 10 to the consolidated financial statements, the Bank had direct credit facilities of JD 896 million as at December 31, 2019 representing 52.3% of total assets.<br><br>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 the credit quality and the estimation of inherent losses in the portfolio. 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 increases in credit risk (SICR) and credit-impairment status (default), the use of different modelling techniques and consideration of manual adjustments. In calculating expected credit losses, the Bank considered credit quality indicators for each loan and portfolios, stratifies loans and advances by risk grades and estimates losses for each loan based upon their nature and risk profile. 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. | We established an audit approach, which includes both testing the design and operating effectiveness of internal controls over the determination of expected credit losses and risk-based substantive audit procedures. Our procedures over internal controls focused on the governance over the process controls around the ECL methodology, completeness and accuracy of loan data used in the expected loss models, management review of outcomes, management validation and approval processes, the assignment of borrowers' risk classification, consistency of application of accounting policies and the process for calculating individual allowances.<br><br>The primary substantive procedures which we performed to address this key audit matter included, but were not limited to, the following:<br>• For a risk-based sample of individual loans, we performed a detailed credit review, assessed the appropriateness of information for evaluating the credit-worthiness 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 as well as considered the consistency of the Bank's application of its impairment policy. Further, we evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for loan impairment allowances; |

| | Key Audit Matters | Scope of Audit to Address the Risks |
|---|---|---|
| | The Bank expected credit losses are calculated against credit exposures, according to the requirements of International Financial Reporting Standard No. (9) as adopted by the Central Bank of Jordan. Credit exposures granted directly to the Jordanian Government as well as credit exposers guaranteed by Government are excluded. In addition, expected credit losses are also adjusted to take into consideration any special arrangements with the Central Bank of Jordan.<br><br>For further information on this key audit matter, refer to Notes 10 and 39 to the consolidated financial statements. | • For loans not tested individually, we evaluated controls over the modelling process, including model monitoring, validation and approval. We tested controls over model outputs and the mathematical accuracy and computation of the expected credit losses by re-performing or independently calculating elements of the expected credit losses based on relevant source documents with the involvement of our modelling specialists. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data. We evaluated key assumptions such as thresholds used to determine SICR and forward looking macroeconomic scenarios including the related weighting;<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 the reasonableness of these adjustments, focusing on PD and LGD used for corporate loans, and challenged their rationale;<br>• We assessed the reasonableness of forward looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and weighting applied to capture non-linear losses; and<br>• We determined whether the expected credit loss has been booked according to the Central Bank of Jordan instructions.<br>• We tested, utilising our internal IT specialists, the IT application used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances. |

| | Key Audit Matters | Scope of Audit to Address the Risks |
|---|---|---|
| ١ - | **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. 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>• We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications.<br>• We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations.<br>• We examined computer generated information used in financial reports from relevant applications and key controls over their report logics.<br>• We performed testing on the key automated controls on significant IT systems relevant to business processes. |

## Other Information
Management is responsible for other information. The other information comprises the other information in the annual report, excluding the consolidated financial statements and the independent auditors' report thereon. We expect that the annual report will be made available to us after the date of our audit 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the Central Bank of Jordan, and for such internal control as management determines 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 Bank's financial reporting process.
process.

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

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

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

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for 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 exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

• 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 have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

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

**Report on Other Legal and Regulatory Requirements**
The Bank maintains proper books of accounts, which are in agreement with the consolidated financial statements. We recommend that the General Assembly of Shareholders approve these consolidated financial statements.

Amman – The Hashemite Kingdom of Jordan
27 February 2020


Deloitte & Touche (M.E.) – Jordan

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| | | December 31 | |
|---|---|---|---|
| | | 2019 | 2018 |
| Assets: | Note | JD | JD |
| Cash and balances at Central Bank | 5 | 193,467,172 | 224,500,525 |
| Balances at banks and financial institutions | 6 | 79,012,706 | 63,076,862 |
| Deposits at banks and financial institutions - net | 7 | 5,538,106 | 56,414,081 |
| Direct credit facilities - net | 10 | 849,100,023 | 808,873,745 |
| Financial assets at fair value through other comprehensive income | 8 | 79,182,715 | 1,593,687 |
| Financial assets at amortized cost - net | 9 | 225,155,531 | 271,699,711 |
| Pledged financial assets | 9 | 218,090,000 | 218,090,000 |
| Property and equipment - net | 11 | 28,161,940 | 29,352,607 |
| Intangible assets - net | 12 | 4,964,615 | 4,683,689 |
| Deferred tax assets | 20/B | 3,811,501 | 3,013,403 |
| Other assets | 13 | 25,755,958 | 21,999,269 |
| Right-of-use assets | 14/A | 1,042,168 | - |
| TOTAL ASSETS | | 1,713,282,435 | 1,703,297,579 |
| LIABILITIES AND OWNERS' EQUITY: | | | |
| LIABILITIES: | | | |
| Banks and financial institutions deposits | 15 | 46,250,283 | 36,639,322 |
| Customers' deposits | 16 | 1,351,108,412 | 1,378,958,384 |
| Cash margins | 17 | 113,082,294 | 109,036,292 |
| Borrowed funds | 18 | 34,438,912 | 29,061,321 |
| Sundry provisions | 19 | 64,545 | 61,841 |
| Income tax provision | 20/A | 5,346,308 | 213,215 |
| Deferred tax liabilities | 20/B | 1,299,449 | 570,725 |
| Lease liabilities | 14/B | 903,445 | 0 |
| Other liabilities | 21 | 26,756,493 | 20,927,722 |
| TOTAL LIABILITIES | | 1,579,250,141 | 1,575,468,822 |
| | | | |
| OWNERS' EQUITY: | | | |
| Authorized and paid-up capital | 22 | 100,000,000 | 100,000,000 |
| Statutory reserve | 23/A | 14,501,460 | 12,880,233 |
| Voluntary reserve | 23/B | 100,000 | 100,000 |
| Fair value reserve - net | 24 | 923,185 | (220,155) |
| Retained earnings | 25 | 18,507,649 | 15,068,679 |
| TOTAL OWNERS' EQUITY | | 134,032,294 | 127,828,757 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 1,713,282,435 | 1,703,297,579 |

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDITOR'S REPORT.

## CONSOLIDATED STATEMENT OF INCOME

| | Note | For the Year Ended December 31 2019 | For the Year Ended December 31 2018 |
|---|---|---|---|
| | Note | JD | JD |
| Interest income | 27 | 98,223,829 | 81,861,650 |
| Interest expenses | 28 | (73,098,183) | (62,849,867) |
| Net Interest Income | | 25,125,646 | 19,011,783 |
| Net commission income | 29 | 2,348,534 | 1,935,497 |
| Net Interest and Commission Income | | 27,474,180 | 20,947,280 |
| Gain from foreign currencies | 30 | 1,231,933 | 1,191,878 |
| Losses from financial assets at fair value through profit or loss | | (212,700) | - |
| Cash dividends from financial assets at fair value through other comprehensive income | 8 | 35,000 | 19,000 |
| Other income | 31 | 5,534,418 | 2,148,682 |
| Total Income | | 34,062,831 | 24,306,840 |
| | | | |
| Employees' expenses | 32 | (7,831,563) | (6,491,527) |
| Depreciation and amortization | 11, 12 & 14 | (2,560,291) | (1,493,451) |
| Other expenses | 33 | (5,705,552) | (5,668,354) |
| (Provision for) Released from expected credit losses | 26 | (1,701,160) | 1,850,273 |
| Sundry provisions | 13 & 19 | (137,135) | (69,561) |
| Total Expenses | | (17,935,701) | (11,872,620) |
| Profit for the Year before Income Tax Expense | | 16,127,130 | 12,434,220 |
| Income tax expense | 20 | (6,066,933) | (4,149,275) |
| Profit for the Year | | 10,060,197 | 8,284,945 |
| | | | |
| | | JD/ FILS | JD/ FILS |
| Earnings per Share for the Year (Basic and Diluted) | 35 | 0/101 | 0/083 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the Year Ended December 31 2019 | For the Year Ended December 31 2018 |
|---|---|---|
| | JD | JD |
| Profit for the year | 10,060,197 | 8,284,945 |
| | | |
| Comprehensive Income Items | | |
| Items subsequently transferable to consolidated statement of profit or loss: | | |
| Net change in fair value reserve | 1,150,619 | - |
| Items not subsequently transferable to consolidated statement of profit or loss: | | |
| Net change in fair value reserve after tax | (7,279) | (8,154) |
| Total Comprehensive Income for the Year | 11,203,537 | 8,276,791 |

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDITOR›S REPORT.

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

| | Note | Authorized and Paid-up Capital | Reserves: Statutory | Reserves: Voluntary | Reserves: «General Banking Risks» | Reserves: Fair Value | Retained Earnings | Total «Owners› Equity» |
|---|---|---|---|---|---|---|---|---|
| For the Year Ended December 31, 2019 | | JD | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | | 100,000,000 | 12,880,233 | 100,000 | - | (220,155) | 15,068,679 | 127,828,757 |
| Total comprehensive income for the year | | - | - | - | - | 1,143,340 | 10,060,197 | 11,203,537 |
| Transfers to reserves | | - | 1,621,227 | - | - | - | (1,621,227) | - |
| Distributed dividends * | 36 | - | - | - | - | - | (5,000,000) | (5,000,000) |
| Balance - End of the Year | | 100,000,000 | 14,501,460 | 100,000 | - | 923,185 | 18,507,649 | 134,032,294 |
| | | | | | | | | |
| For the Year Ended December 31, 2018 | | | | | | | | |
| Balance - beginning of the year | | 100,000,000 | 11,627,577 | 100,000 | 4,965,272 | (212,001) | 17,611,173 | 134,092,021 |
| Effect of adoption of IFRS (9) | | - | - | - | - | - | (7,040,055) | (7,040,055) |
| Transferred from reserve according to the Central Bank of Jordan's regulations | | - | - | - | (4,965,272) | - | 4,965,272 | - |
| Amended Balance – Beginning of the Year | | 100,000,000 | 11,627,577 | 100,000 | - | (212,001) | 15,536,390 | 127,051,966 |
| Total comprehensive income for the year | | - | - | - | - | (8,154) | 8,284,945 | 8,276,791 |
| Transfers to reserves | | - | 1,252,656 | - | - | - | (1,252,656) | - |
| Distributed dividends * | 36 | - | - | - | - | - | (7,500,000) | (7,500,000) |
| Balance - End of the Year | | 100,000,000 | 12,880,233 | 100,000 | - | (220,155) | 15,068,679 | 127,828,757 |

- Retained earnings include an amount of JD 48,831 which represents the effect of the early adoption of IFRS 9, which cannot be used except for the amounts realized through the actual selling, including capitalization and distribution of the respective assets.

- The Bank cannot use an amount of JD 3,811,501 from retained earnings representing deferred tax assets, which is restricted according to the Central Bank of Jordan's regulations.

- The Bank cannot use an amount of JD 227,434 from fair value reserve, which represents the negative change of financial assets at fair value through other comprehensive income, which is restricted according to the Jordan Securities Commission's regulations.

- The Central Bank of Jordan issued new instructions No. 13/2018 dated June 6, 2018, in which it requested the transfer of the general banking risk reserve balance to the retained earnings to offset the effect of IFRS 9 on the opening balance of retained earnings as of January 1, 2018. The instructions also stipulate that the balance of the general banking risk reserve should be restricted and may not be distributed as dividends to the shareholders or used for any of purposes without prior approval from the Central Bank of Jordan .

* In its meeting held on February 24, 2020, the Board of Directors resolved to distribute cash dividends representing 6% of the Bank's paid-up capital for the year 2019 (5% for the year 2018), subject to the approval by the Central Bank of Jordan and the General Assembly.

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDITOR›S REPORT.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | | For the Year Ended December 31 | |
|---|---|---|---|
| | | 2019 | 2018 |
| | Note | JD | JD |
| Operating Activities | | | |
| Profit before income tax | | 16,127,130 | 12,434,220 |
| Adjustments for non-cash items: | | | |
| Depreciation and amortization | 11, 12 & 14 | 2,560,291 | 1,493,452 |
| Provision for (released from) expected credit losses | 8 | 1,701,160 | (1,850,273) |
| (Gains) on sale of property and equipment | | (17,540) | - |
| Loss on sale of financial assets at amortized cost | | 212,700 | - |
| Sundry provisions | 19 | 137,135 | 69,561 |
| Differences in exchange rates on cash and cash equivalents | | 906,507 | (862,239) |
| Profit before changes in assets and liabilities | | 21,627,383 | 11,284,721 |
| CHANGES IN ASSETS AND LIABILITIES: | | | |
| Restricted cash balances | | - | 3,545,000 |
| Decrease (increase) in banks and financial institutions' deposits in which its maturity exceeds 3 months | | 50,875,975 | (23,216,131) |
| (Decrease) in deposits at banks and financial institutions' which its maturity exceeds 3 months | | (810,355) | (202,519) |
| (Increase) in direct credit facilities | | (41,237,709) | (91,352,330) |
| (Increase) in other assets | | (4,454,455) | (5,161,969) |
| (Decrease) increase in customers deposits | | (27,849,972) | 104,809,422 |
| Increase in cash margins | | 4,046,002 | 15,315,471 |
| Increase in other liabilities | | 5,805,868 | 4,927,244 |
| Increase in sundry provisions | | - | (54,220) |
| Net Cash Flows from Operating Activities before Tax | | 8,002,737 | 19,894,689 |
| Income tax paid | 20 | (1,708,432) | (3,654,730) |
| Net Cash Flows from (used in) Operating Activities | | 6,294,305 | 16,239,959 |
| Investing Activities | | | |
| (Purchase) of financial assets at amortized cost | | (14,180,000) | (3,403,200) |
| Proceeds from matured at amortized cost | | 46,544,180 | 28,005,469 |
| (Purchase) of financial assets at fair value through other comprehensive income | | (76,445,688) | (877,939) |
| Proceeds from sale of financial assets at amortized cost | | 14,392,700 | - |
| (Purchase) of property and equipment | | (338,587) | (373,190) |
| Proceeds from sale of property and equipment | | 31,806 | - |
| (Payments) of the purchase of property and equipment | | (715,057) | (2,613,831) |
| (Increase) in intangible assets | | (210,452) | (165,153) |
| Paid against lease obligations | | (402,310) | - |
| Proceed from the acquisition of NBAD's assets and liabilities | | - | 56,532,558 |
| Net Cash Flows (used in) from Investing Activities | | (31,323,408) | 77,104,714 |
| Financing Activities | | | |
| Proceeds from loans and borrowings | | 12,458,510 | 18,648,148 |
| Repayment of loans and borrowings | | (7,080,919) | (4,803,139) |
| Cash dividends | | (5,000,000) | (7,500,000) |
| Net Cash Flows from Financing Activities | | 377,591 | 6,345,009 |
| Net (Decrease) Increase in Cash and Cash Equivalents | | (24,651,512) | 99,689,682 |
| Effect of the change in exchange rates on cash and cash equivalents | | (906,507) | 862,239 |
| Cash and cash equivalents - beginning of the year | | 251,801,077 | 151,249,156 |
| Cash and Cash Equivalents - Ending of the Year | 34 | 226,243,058 | 251,801,077 |

THE ACCOMPANYING NOTES FROM (1) TO (46) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDITOR›S REPORT.

## 1. GENERAL

- Societe Generale De Banque - Jordanie (''the Bank'') was established as a financial real estate investment company on 22 April 1965 in accordance with Jordanian Companies Law No (55), and it was transferred to investment bank during 1993 in accordance with Companies Law No. (1) of 1989. The Bank provides its banking services through its main office in Amman and through its subsidiaries and 19 branches located in the Kingdom of Jordan. The Bank has no branches outside the Kingdom.
- The paid-up capital amounted to JD 100,000,000 allocated over 100,000,000 shares each having a par value of JD 1 as of December 31, 2019 and December 31, 2018.
- The Bank's shares are traded on Amman Stock Exchange.
- The consolidated financial statements were approved by the Bank's Board of Directors in their meeting number (1) dated February 24, 2020 and it is subject to the approval of the General Assembly.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation of the Consolidated Financial Statements

The accompanying consolidated financial statements for the Bank have been prepared in accordance with the standards issued by the International Accounting Standards Board, and interpretations of the International Financial Reporting Interpertation Committee arising from the International Accounting Standrads Committee as abopted by Central Bank of Jordan.

The key differences between IFRSs as they should be applied and what has been adopted by the Central Bank of Jordan are as follows:

- Provisions for expected credit losses are calculated in accordance with the Central Bank of Jordan instructions No. (13/2018) "Adoption of IFRS 9" dated June 6, 2018, and according to the instructions of the supervisory authority in the Jordan, whichever is stricter. The key differences are as follows:

• Exclusion of debt instruments issued or guaranteed by the Jordanian Government so that such credit exposures are treated without calculating credit losses.
• When calculating the credit losses against credit exposures, a comparison is made of the calculations according to IFRS 9 with those done according to the Central Bank of Jordan instructions No. (47/2009) dated December 10, 2009 individually for each stage, and the stricter results are taken.

- Interest and commissions on non-performing credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan.

- Assets seized by the Bank are shown in the consolidated statement of financial position among other assets at their current value when seized by the Bank or at fair value, whichever is lower, and are individually reassessed on the date of the consolidated financial statements. Any impairment loss is recorded in the consolidated statement of profit or loss while any increase in the value is not recorded as revenue. Subsequent increase is taken to the consolidated statement of profit or loss to the extent of not exceeding the previously recorded impairment. Also effective beginning of 2015, a gradual provision was made for assets seized against debts for a period over 4 years, according to the Central Bank of Jordan Circular No. 15/1/4076 dated March 27, 2014 and No. 10/1/2510 dated February 14, 2017. The Central Bank of Jordan has issued Circular No. 10/1/13967 dated October 25, 2018, on which it approved the extension of Circular No. 10/1/16607 dated December 17, 2017, whereby it had confirmed to postpone the provision calculation until the end of 2019. According to the Central Bank of Jordan Circular No. 10/1/16239 dated November 21, 2019, the deduction of the provisions required against seized assets should continue at a rate of 5% of the total book values of these properties (regardless of the violation period) from the year of 2021, untill the required percentage of 50% is reached by the end of 2029.

- The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments that have been measured at fair value through profit or loss and other comprehensive income at the date of the consolidated financial statements.

- The reporting currency of the consolidated financial statements is the Jordanian Dinar, which is the functional currency of the Bank.

- The accounting policies adopted in preparing the consolidated financial statements are consistent with those applied in the year ended December 31, 2018 except for the effect as stated in Note (3 – a & 3 – b):

Basis of Consolidation

The consolidated financial statements include the financial statements of the Bank and the subsidiaries under its control. The control exists when the Bank has the power to control the financial and operating policies of its subsidiaries in order to obtain benefits from its activities. Transactions, balances, income and expenses between the Bank and its subsidiaries are eliminated.

The Bank owns the following subsidiaries as of December 31, 2019:

| Company Name | Bank Ownership Paid up Capital | Bank Ownership | Nature of Operation | Date of Establishtion | Location |
|---|---|---|---|---|---|
| | JD | % | | | |
| Societe Generale Brokerage Company | 3,000,000 | 100 | Brokerage Services | 2006 | Jordan |
| Societe Generale Leasing Company | 5,000,000 | 100 | Leasing Services | 2017 | Jordan |

The results of the subsidiaries› operations are consolidated in the consolidated statement of profit or loss effective from their acquisition date, which is the date on which control over the subsidiaries is effectively transferred to the Bank. Furthermore, the results of the disposed-of subsidiaries are consolidated in the consolidated statement of profit or loss up to the date of their disposal, which is the date on which the Bank loses control over the subsidiaries.

Control is achieved when the Bank:
- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect the investee's returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

When the Bank 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 Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:
- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders, or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank 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.

When it loses control of a subsidiary, the Bank performs the following;
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the book value of any non-controlling interests.
- Derecognizes the transfer difference accumulated in Owners' Equity.
- Derecognizes the fair value of the consideration received.
- Derecognizes the fair value of any investment retained.
- Derecognizes any gain or loss in the income statement.
- Reclassifies owners' equity already booked in other comprehensive income to profit or loss, as appropriate.

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

**Segment Information**

Business sectors represent a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business sectors (measured in accordance with the reports used by the executive manager and the Bank's decision makers.

The geographical sector relates to providing products or services in a specific economic environment subject to risk and returns different from those of sectors functioning in other economic environments.

**Net Interest Income**

Interest income and expense for all financial instruments, except for those classified as held for trading, or those measured or designated as at fair value through profit or loss, are recognized in 'Net Interest Income' as 'Interest Income' and 'Interest Expense' in profit or loss using the effective interest method. Interest on financial instruments measured as at fair value through profit or loss is included within the fair value movement during the period.

The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated, taking into account all the contractual terms of the instrument.
The interest income/ interest expense is calculated by applying the effective interest rate to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the effective interest rate to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECL)). For financial assets originated or purchased credit-impaired (POCI), the effective interest rate reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Interest income and expense in the Bank's consolidated statement of profit or loss also includes the effective portion of fair value changes of derivatives designated as hedging instruments in cash flow hedges of interest rate risk. For fair value hedges of interest rate risk related to interest income and expense, the effective portion of the fair value changes of the designated derivatives, as well as the fair value changes of the designated risk of the hedged item, are also included in interest income and expense, additionally, interest expense includes interest on lease liability.

**Net Fee and Commission Income**

Net fee and commission income and expense include fees other than those that are an integral part of effective interest rate. The fees included in this part of the Bank's consolidated statement of profit or loss include, among other things, fees charged for servicing a loan, non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement, and loan syndication fees.

Fee and commission expenses concerning services are accounted for as the services are received.

**Net Income from Other Financial Instruments at Fair Value through Profit or Loss**

Net income from other financial instruments at fair value through profit or loss includes all gains and losses from changes in the fair value of financial assets and financial liabilities at fair value through profit or loss except those that are held for trading.

The fair value movement on derivatives held for economic hedging where hedge accounting is not applied are presented in 'Net income from other financial instruments at fair value through profit or loss'. However, for designated and effective fair value hedge accounting relationships, the gains and losses on the hedging instrument are presented in the same line in profit or loss as the hedged item. For designated and effective cash flow and net investment hedge accounting relationships, the gains and losses of the hedging instrument, including any hedging ineffectiveness included in profit or loss, are presented in the same line as the hedged item that affects profit or loss.

**Dividend Income**

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The presentation of dividend income in the consolidated statement of profit or loss depends on the classification and measurement of the equity investment, i.e.:

- For equity instruments which are held for trading, dividend income is presented in the consolidate statement of profit or loss under profit of loss of financial assets at fair value through profit or loss;
- For equity instruments designated at fair value through other comprehensive income, dividend income is presented under dividends on financial assets at fair value through other comprehensive income; and
- For equity instruments not designated at fair value through other comprehensive income and not held for trading, dividend income is presented as net income from other instruments at fair value through profit or loss.

## Financial Instruments

**Initial Recognition and Measurement**

Financial assets and financial liabilities are recognized in the Bank's consolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

The loans and advances to customers are recognized as soon as they are booked to the customer's account.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e. day 1 profit or loss);

- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability or when derecognizing the instruments.

## Financial Assets

**Initial Recognition**

All financial assets are recognized on the trading date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. It is initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified at fair value through profit or loss are recognized immediately in the consolidated statement of profit or loss.

### Subsequent Measurement

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Debt instruments held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;

- Debt instruments held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income;

- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through profit or loss.

However, the Bank may irrevocably make the following selection /designation after initial recognition of a financial asset on an asset-by-asset basis:

- The Bank may irrevocably select to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income; and

- The Bank may irrevocably designate a debt instrument that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

**Debt Instruments at Amortized Cost or at Fair Value through Other Comprehensive Income**

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at fair value through other comprehensive income, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of solely payments of principal and interest test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of the consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs, as well as a profit margin. The solely payments of principal and interest assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are solely payments of principal and interest are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

**Assessment of Business Models**

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments, which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- The stated policies and objectives of the portfolio and application of those policies whether the management strategy focuses on obtaining contractual revenues, maintaining specific profit rate and matching the period of financial assets with the period of financial liabilities that finance those assets or achieving cash flows through selling those assets.

- 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 in which those risks are managed; and

- How the business managers are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

When a debt instrument measured at fair value through other comprehensive income is derecognized, the cumulative gain/loss previously recognized in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain/loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss but is transferred within equity.

Debt instruments that are subsequently measured at amortized cost or at fair value through other comprehensive income are subject to impairment.

## Financial Assets at fair Value through profit or loss

**Financial assets at fair value through profit or loss are:**

- Assets with contractual cash flows that are not solely payments of principal and interest; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at fair value through profit or loss using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement recognized in the consolidated statement of profit or loss.

**Reclassifications**

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model, which results in reclassifying the Bank's financial assets. The changes in the contractual cash flows are considered under the accounting policy on the modification and de-recognition of financial assets described below.

**Foreign Exchange Gains and Losses**

The carrying amount of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss; and
- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at fair value through profit or loss that are not part of a designated hedge accounting relationship, exchange differences are recognized in profit or loss.
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

**Fair Value Option**

A financial instrument with a fair value that can be reliably measured at fair value through profit or loss (fair value option) can be classified at initial recognition even if the financial instruments are not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option may be used for financial assets if it significantly eliminates or significantly reduces the measurement or recognition inconsistency that would otherwise have resulted in the measurement of the asset or liability or recognized the related gain or loss on a different basis («accounting mismatch»). The fair value option for financial liabilities can be chosen in the following cases:

- If the selection leads to a significant cancellation or reduction of the accounting mismatch.
- If the financial liabilities are part of a portfolio managed on a fair value basis, in accordance with a documented risk management or investment strategy; or
- If a derivative is included in the underlying financial or non-financial contract, and the derivative is not closely related to the underlying contract.

These instruments cannot be reclassified from the fair value category through profit or loss while retained or issued. Financial assets at fair value through the profit or loss are recognized at fair value with any unrealized gain or loss arising from changes in fair value recognized in investment income.

**Impairment**

The Bank recognizes loss allowances for expected credit losses on the following financial instruments that are not measured at fair value through profit or loss:

- Balances and deposits at banks and financial institutions;
- Direct credit facilities (Loans and advances to customers);
- Financial assets at amortized cost (Debt investment securities);
- Financial assets at fair value through other comprehensive income;
- Off statement of financial position exposure subject to credit risk (Financial guarantee contracts issued).
- No impairment loss is recognized on equity investments.

With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), expected credit losses are required to be measured through a loss allowance at an amount equal to:

- 12-month expected credit loss, i.e. lifetime expected credit loss that results from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime expected credit loss, i.e. lifetime expected credit loss that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime expected credit loss is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit loss.

Expected credit losses are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

For unutilized loan limits, the expected credit loss is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is utilized; and

For financial guarantee contracts, the expected credit loss is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the client, or any other party.

The Bank measures expected credit loss on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

Provisions for expected credit losses are calculated in accordance with the Central Bank of Jordan instructions No. (13/2018) "Adoption of IFRS 9" on June 6, 2018, and according to Central Bank of Jordan instructions whichever is stricter. The key differences are as follows:

- Exclusion of debt instruments issued or guaranteed by the Jordanian Government so that such credit exposures are treated without calculating credit losses.
- When calculating the credit losses against credit exposures, a comparison is made of the calculations according to IFRS 9 with those done according to the Central Bank of Jordan instructions No. (47/2009) dated December 10, 2009 individually for each stage, and the stricter results are taken.

**Credit-impaired Financial Assets**

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or delay in payment;
- The Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or fair value through other comprehensive income are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings, and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly, and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit-impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. However, cases where the assets impairment are not recognized after 90 days overdue are supported by reasonable information.

## Purchased or Originated Credit-impaired (POCI) Financial Assets

Purchased or originated credit-impaired financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime expected credit loss since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain.

**Definition of Default**

Critical to the determination of expected credit loss is the definition of default. The definition of default is used in measuring the amount of expected credit loss and in the determination of whether the loss allowance is based on 12-month or lifetime expected credit loss, as default is a component of the probability of default (PD) which affects both the measurement of expected credit losses and the identification of a significant increase in credit risk below.

The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank; or
- The borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. For example, in corporate lending, a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default that is either developed internally or obtained from external sources.

**Significant Increase in Credit Risk**

The Bank monitors all financial assets, issued loan commitments, and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank measures the loss allowance based on lifetime rather than 12-month expected credit loss.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments, and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date, based on the remaining maturity of the instrument, with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behavior.

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime probability of default by comparing:

- The remaining lifetime probability of default at the reporting date; with
- The remaining lifetime probability of default for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The probability of defaults used are forward looking, and the Bank uses the same methodologies and data used to measure the loss allowance for expected credit loss.

The qualitative factors that indicate significant increase in credit risk are reflected in probability of default models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending, there is particular focus on assets that are included on a 'watch list'. An exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the probability of default will be more significant for a financial instrument with a lower initial probability of default than for a financial instrument with a higher probability of default.

As a backstop when an asset becomes more than 50 days past due, the Bank considers that a significant increase in credit risk has occurred, and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime expected credit loss.

**Modification and Derecognition of Financial Assets**

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases whereby although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default, or default has already happened, and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer solely payments of principal and interest, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognized, the loss allowance for expected credit loss is re-measured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month expected credit loss except in the rare occasions where the new loan is considered to be originated credit-impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified, and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime probability of default estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime probability of default at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of probability of default reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime expected credit loss. The loss allowance on forborne loans will generally only be measured based on 12-month expected credit loss when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the expected credit loss allowance). Then the Bank measures expected credit loss for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at fair value through other comprehensive income, where the cumulative gain/loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss.

**Write-off**

Financial assets are written off when the Bank has no reasonable expectations of recovering the financial asset. This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

**Presentation of Allowance for Expected Credit Loss in the Consolidation Statement of Financial Position**

Loss allowances for expected credit loss are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at fair value through other comprehensive income: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.
- For loan commitments and financial guarantee contracts: as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the expected credit loss on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

**Loans and advances**

The "loans and advances" included in the consolidated statement of financial position consist of the following:

- Loans and advances measured at amortized cost, which are initially measured at fair value plus additional direct transaction costs, and later at amortized cost using the effective interest method.
- Loans and advances that are measured at fair value through profit or loss, or that determined as being at fair value through profit or loss; measured at fair value and recognize changes directly in profit or loss; and
- Lease obligations.
- Interest and commissions are suspended on non-performing credit facilities granted to clients in accordance with the instructions of the Central Bank of Jordan.
- All related credit facilities and outstanding interest covered by the provision are transferred out of the consolidated statement of financial position, and this according to the decisions of board of directors in this regards.
- The outstanding accounts interest with lawsuits outside the consolidated statement of financial position are recognized in accordance with the decisions of the board of directors in this regards.

When the Bank purchases a financial asset and concludes an agreement simultaneously to resell the asset (or a substantially similar asset) at a fixed price at later date (repurchase or borrow the shares), the consideration paid is calculated as a loan or advance, and the asset is not recognized in the Bank's consolidated financial statements.

**Financial Liabilities and Equity**

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions potentially unfavorable to the Bank, or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

## Equity Instruments

**Paid-up Capital**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

**Treasury Shares**

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in statement of income on the purchase, sale, issue or cancellation of the Bank own equity instruments.

**Compound Instruments**

The component parts of compound instruments (e.g. convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. In the case there are non-closed related embedded derivatives, these are separated first with the remainder of the financial liability being recorded on an a mortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

**Financial Liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

**Financial liabilities at Fair Value through Profit or Loss**
Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) held for trading, or (ii) it is designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability, other than a financial liability held for trading, or contingent consideration that may be paid by an acquirer as part of a business combination, may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains/losses arising from re-measurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at fair value through profit or loss' line item in profit or loss.

However, for non-derivative financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts designated as at fair value through profit or loss, all gains and losses are recognized in consolidated statement of profit or loss.

In making the determination of whether recognizing changes in the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at fair value through the consolidated statement of profit of loss.

**Other Financial Liabilities**
Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on effective interest rate, see the "net interest income section" above.

Derecognition of Financial Liabilities
The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

**Derivative Financial Instruments**
The Bank 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 statement of financial position date. The resulting gain/loss is recognized in 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 other asset or other 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 still presented other as assets or other 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 Bank-related entity are initially measured at their fair values and, if not designated as at fair value through 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 Bank's revenue recognition policies.

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 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.

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 profit or loss.

## Derivatives

**Derivatives for Trading**

The fair value of derivative financial instruments held for trading (such as forward foreign exchange contracts, future interest contracts, swaps, foreign exchange options rights) is recognized in the consolidated statement of financial position, and fair value is determined at the prevailing market rates. If this information is not available, the assessment methodology is disclosed, and the change in fair value is recognized in the consolidated statement of profit or loss.

**Hedge Accounting**

The Bank 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.

At the inception of the hedge relationship, the Bank 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 other comprehensive income, 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 other comprehensive income.

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 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 other comprehensive income. 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 other comprehensive income. 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 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 effective interest rate 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.

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.

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, 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.

**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 profit or loss in the same way as foreign currency exchange rate differences relating to the foreign operation as described above.

**Property and Equipment**
Property and equipment are measured at cost less accumulated depreciation and any impairment. Property and equipment (except land) are depreciated when ready for use using the straight line method over its expected useful life.

The depreciation rates used are as follows:

| | % |
|---|---|
| Buildings | 2 |
| Equipment, furniture and fixtures | 15 - 5 |
| Vehicles | 15 |
| Computers | 20 |

- When the recovable amount of any property and equipment is less than it is net carring amount, it's value is reduced to it's revovable amount and the impairmant is recognized in the consolidated statement of profit or loss.

- If the expectations of the useful life are different from the previously prepared estimates, the change in estimates for subsequent years is recorded as change in estimates.

- An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

**Provisions**
Provisions are recognized when the Bank has an obligation at the date of the consolidated statement of financial position arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

**Income Tax**
- Tax expense comprises of current tax and deferred taxes.

- Current tax is based on taxable profits, which may differ from accounting profits published in the financial statements. Accounting profits may include non-taxable profits or tax non- deductible expenses which may be exempted in the current or subsequent financial years, or accumulatted losses that are tax acceptable or items not subject to deduction for tax purposes.

- Tax is calculated based on tax rates and laws that are applicable in the Hashimate Kingdom of Jordan.

- Deferred tax is the tax expected to be paid or recovered due to temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the period when the asset is realized or the liability is settled, based on the laws enacted or substantially enacted at the date of the consolidated statement of financial position.

- The balances of deferred tax assets are reviewed at the date of the consolidated financial statements and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

**Offsetting**
Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position, when there is a legally enforceable right to offset the recognized amounts and the Bank intends to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

**Fiduciary Assets**
Assets held in a fiduciary capacity are not recognized as assets of the Bank. Fees and commissions received for administrating such assets are recognized in the consolidated statement of profit or loss. A provision is recognized for the decreases in the fair value of guaranteed fiduciary assets below their original principal amount.

**Repurchase and Resale Agreements**
Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's consolidated financial statements.This is due to the Bank's continuing control of these assets and the fact that exposure to the risks and rewards of these assets remains with the Bank. These assets continue to be evaluated in accordance with the applied accounting policies (where the buyer has the right to use these assets (sell or re-lien), they are reclassified as liened financial assets). The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest rate method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the Bank's consolidated financial statements since the Bank is not able to control these assets or the associated risks and benefits. The related payments are recognized as part of deposits at banks and financial institutions or direct credit facilities as applicable, and the difference between the purchase and resale price is recognized as interest income over the agreement term using the effective interest rate method.

**Mortgaged Financial Assets**
These financial assets are mortgaged to third parties with the right to sell or re-mortgage. These financial assets are revalued according to the accounting policies at the date of initial classification.

**Assets Seized by the Bank**
Assets seized by the Bank through calling upon collateral are shown in the consolidated statement of financial position under "other assets" at the lower of their carrying value or fair value. These assets are revalued at the date of the consolidated financial statements on an individual basis, and losses from impairment are transferred directly to the consolidated statement of profit or loss, while revaluation gains are not recognized as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment been charged to the consolidated statement of profit or loss and loss been recognized for the asset in prior years.

Effective beginning of 2015, a gradual provision was made for assets seized against debts for a period over 4 years, according to the Central Bank of Jordan Circular No. 15/1/4076 dated March 27, 2014 and No. 10/1/2510 dated February 14, 2017. According to the Central Bank of Jordan Circular No. 10/1/16239 dated November 21, 2019, it had confirmed to extend the implementation of Circular No. 10/1/2150 date February 14, 2017, after postponing the provision calculation until the end of 2020 and adjusted article (2) of the Circular.

**Intangible Assets**
Intangible assets that are acquired through merging are measured at fair value in the acquisition date. While intangible assets that are acquired through diffrant method other than erging are measured at cost.

Intangible assets are classified as indefinite or with definite useful life. Intangible assets with finite lives are amortized over the useful economic life and the amortization is recorded in the consolidated statement of profit or loss. While intangible assets with indefinite useful lives are assessed for impairment at each reporting date and impairment losses are recorded in the consolidated statement of profit or loss.

Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of profit or loss in the same period.

Indications of impairment of intangible assets are reviewed, and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the subsequent periods.

Intangible assets include computer software, programs, participation fees and the intangible assets resulting from the acquisiton of National Bank of Abu Dhabi (NBAD) . The Bank's management estimates the useful life for each intangible asset, where the assets are amortized using the straight-line method at a rate of 20% for the computer software and programs, 5% for participation fees and 16.67% for the intangible assets resulting from the acquisition of NBAD.

Impairment of Non-Financial Assets
The carrying amount of the Bank's non-financial assets is reviewed at the end of each fiscal year except for the deferred tax assets, to determine if there is an indication of impairment, and if there is an indication of impairment, the amount recoverable from these assets will be estimated.

If the carrying amount of the assets exceeds the recoverable amount from those assets, the impairment loss is recorded in these assets.

The recoverable amount is the fair value of the asset – less cost of sales – or the value in use, whichever is greater.

All impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income.

The impairment loss for goodwill is not reversed, for other assets, the impairment loss is reversed only if the value of the carrying amount of the assets does not exceed the book value that was determined after the depreciation or amortization has been reduced if the impairment loss is not recognized in value.

**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 Bank 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 in the consolidated statement of profit or loss.

- Goodwill is measured at cost, which represents the increase om the amounts granted in addition to the amount of the non-controlling interests from the net fair value of the assets anf liabilities owned after deducting the impairment amount.

- When the Bank acquires a business, it reviewws 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.

**Fair Value**

Fair value is defined as the price at which an asset is to be sold or paid to convert any of the liabilities in a structured transaction between the market participants on the measurement date, irrespective of whether the price can be realized directly or whether it is estimated using another valuation technique. When estimating the fair value of an asset or liability, the Bank takes into consideration when determining the price of any asset or liability whether market participants are required to consider these factors at the measurement date. The fair value for measurement and / or disclosure purposes in these financial statements is determined on the same basis, except for measurement procedures that are similar to fair value procedures and are not fair value such as fair value as used in IAS 36.

In addition, fair value measurements are classified for the purposes of financial reporting to level (1), (2) or (3) based on the extent to which the inputs are clear concerning the fair value measurements and the importance of inputs to the full fair value measurements. These are as follows:

Level inputs (1)

inputs derived from quoted (unadjusted) prices of identical assets or liabilities in active markets that an enterprise can obtain on the measurement date;

Input level (2)

inputs derived from data other than quoted prices used at level 1 and observable for assets or liabilities, either directly or indirectly;

Level inputs (3)

are inputs to assets or liabilities that are not based on observable market prices.

**Foreign Currencies**

For the purpose of the consolidated financial statements, the results and financial position of each entity of the Bank are presented in the functional currency unit of the Bank and the presentation currency of the consolidated financial statements.

The standalone financial statements of the Bank›s subsidiaries are prepared, and the standalone financial statements of each entity of the Bank are presented in the functional currency in which it operates. Transactions in currencies other than the functional currency of the Bank are recorded at the rates of exchange prevailing at the dates of those transactions. At the statement of financial position date, financial assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates at the date when the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not reclassified.

Exchange differences are recognized in the consolidated statement of profit or loss in the period in which they arise except for:

- Foreign exchange differences on transactions made in order to hedge foreign exchange risk.

- Foreign exchange differences on monetary items required to / from a foreign operation that are not planned to be settled, are unlikely to be settled in the near future (and therefore, these differences form part of the net investment in the foreign operation), and are initially recognized in the consolidated statement of comprehensive income and reclassified from equity to the consolidated statement of profit or loss when selling or partially disposing of net investment.

In order to present the consolidated financial statements, the assets and liabilities of the Bank›s foreign operations are translated at the rates of exchange prevailing at the statement of financial position date. Income is also converted to average exchange rates for the period, unless exchange rates change significantly during that period, in which case the exchange rates are used on the date of the transactions. Exchange differences arising, if any, are recognized in other consolidated statement of comprehensive income and collected in a separate line item of equity.

When foreign operations are disposed of (i.e. disposal of the Bank's entire share from foreign operations, or resulting from the loss of control of a subsidiary in foreign operations, or partial exclusion by its share in a joint arrangement, or an associate company of a foreign nature in which the share held is a financial asset), all foreign exchange differences accumulated in a separate item under equity in respect of that transaction attributable to the Bank owners are reclassified to the consolidated statement of profit or loss.

In addition, in respect of the partial disposal of a subsidiary involving foreign operations that do not result in the Bank losing control of the subsidiary, its share of the accumulated exchange differences is credited to net comprehensive income at a rate that is derecognized and not recognized in the consolidated statement of profit or loss. For all other partial liquidations (such as partial liquidation of associates or joint ventures that do not result in the Bank losing significant influence or joint control), the share of accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash balances with central banks and balances with banks and financial institutions that mature within three months, less banks and financial institutions deposits that mature within three months and restricted balances from dates of acquisition.

## Lease Contracts

**Accounting policy used from January 1, 2019**

**The Bank as a lessee**

The bank assesses whether the contract contains lease when starting the contract. The Bank recognizes the right to use assets and the corresponding lease obligations in relation to all lease arrangements in which the lessee is in, except for short-term lease contracts (defined as leases of 12 months or less) and low-value asset leases, and for these contracts, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the period of the lease, unless another regular basis is more representative of the time pattern in which the economic benefits from the leased assets are utilized.

The lease obligation is initially measured at the present value of the lease payments that were not paid on the start date of the lease, deducted by using the price implicit in the lease. If this rate cannot be easily determined, the Bank uses its additional expected rate.

The lease payments included in the rental obligation measurement include:

- Fixed rental payments (essentially including fixed payments), minus accrued receivable rental incentives;
- Variable rental payments that depend on an index or rate, initially measured using the indicator or the rate at the date the contract begins.
- The amount expected to be paid by the lessee under the residual value guarantees.
- The price of the exercise of purchase options, if the lessee is reasonably certain of the exercise of the options; and
- Paying the contract termination fines, if the lease reflects the exercise of the lease termination option.

Rental obligations are presented as a separate note in the consolidated statement of financial position.

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

The lease obligations (and a similar adjustment to the related right-to-use assets) are re-measured whenever:

- The lease term has changed or there is an event or important change in the conditions that lead to a change in the exercise of the purchase option assessment, in which case the lease obligations are re-measured by deducting the adjusted lease payment using the adjusted discount rate.

- Lease payments change due to changes in an index, rate, or change in expected payments under the guaranteed residual value, in which cases the lease obligation is re-measured by deducting the modified rental payments using a non-variable discount rate (unless the rental payments change due to a change in the floating interest rate, in this case the adjusted discount rate is used.

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

Right-of-use assets are depreciated over the life of the lease or the useful life of the asset (whichever is shorter). If the lease contract transfers the ownership of the underlying asset or the cost of the right to use, which reflects that the Bank expects to exercise the purchase option, then the relevant value of the right to use is depreciated over the useful life of the asset. Depreciation begins on the date the commencement of the lease.

The right-of-use assets are presented as a separate note in the consolidated statement of financial position.

The bank applies International Accounting Standard (36) to determine whether the value of the right to use has decreased its value and calculates any impairment losses as described in the policy of «property and equipment».

Variable rents that are not dependent on an index or rate are not included in the measurement of lease obligations and right-of-use assets. Related payments are recognized as an expense in the period in which the event or condition that leads to these payments occurs and are included in «Other Expenditures» in the consolidated statement of profit or loss.

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

Leases in which the Bank is the lessor are classified as operating or finance leases. In the event that the terms of the lease contract transfer all risks and rewards of ownership to the lessee, the contract is classified as a finance lease and all other leases are classified as operating leases.

When the Bank is an intermediary lessor, it represents the main lease and sub-contract as two separate contracts. The sublease contract is classified as finance or operating lease by reference to the original right of use arising from the main lease.

Rental income from operating leases is recognized on a straight-line basis over the period of the relevant lease. The primary direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and are recognized on a straight-line basis over the lease term.

The amounts due from the lessee under finance leases are recognized as receivables with the amount of the company›s net investment in the rental contracts. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the bank›s existing net investment with respect to lease contracts.

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

**Accounting policies used until December 31, 2018**
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.

**The Bank as a lessor**
The amounts due from the lessee are recognized under finance lease contracts, as receivables from the amount of the investment in the contracts. Finance lease income is allocated to accounting periods to reflect a constant periodic return on the net investment, with regard to rental leases.

Operating lease income is recognized 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.

**The Bank as a lessee**
Assets acquired through leases are recognized on initial recognition at their fair value at the inception of the lease or at the present value of the minimum lease payments, whichever is lower. Financial leasing liabilities are recorded at the same value. These obligations are presented in the consolidated statement of financial position as finance lease liabilities.

The lease payments are distributed between the financing expenses and decreasing of the financial lease liabilities in order to achieve a fixed rate of interest on the remaining balance of the lease liabilities. Direct financing expenses are recognized in the consolidated statement of profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the life of the lease, except in situations where it has another regular basis that is more representative of the time pattern in which the economic benefits are utilized from the leased asset. Recognition of reassuring lease arising from operating lease as an in the period in which they incurred. In the event that lease incentives are received to enter into operating lease, these incentives are recognized as an obligation. The overall interest of incentives are recognized as reduction in lease expense on straight line basis, unless there is a systematic basis that is more representative of the time pattern in which will be used from economic benefits from leased assets

## 3. Application of New and Amended International Financial Reporting Standards

**A) Amendments that did not have a material impact on the Bank's consolidated financial statements:**

The following new and revised IFRSs, which are effective for annual periods beginning on or after January 1, 2019 or later, have been adopted in the preparation of the Bank's consolidated financial statements. These new and revised IFRSs have not materially affected the amounts and disclosures in the consolidated financial statements for the year and prior years, which may have an impact on the accounting treatment of future transactions and arrangements:

| New and revised standards | Amendments to new and revised IFRSs |
|---|---|
| Annual improvements to IFRSs issued between 2015 and 2017 | Improvements include amendments to IFRS (3) "Business Combinations", (11) "Joint Arrangements", International Accounting Standards (12), "Income Taxes" and (23) "Borrowing Costs" and as the following:<br><br>**IFRS (12)"Income Tax"**<br>The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.<br><br>**IFRS (23)"Borrowing Costs"**<br>The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.<br><br>**IFRS (3)"Business Combination"**<br>The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.<br><br>**IFRS (11)"Joint Arrangements"**<br>The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation. |
| IFRIC (23) Uncertainty on the Treatment of Income Tax | The interpretation clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax benefits and tax rates when there is uncertainty about the treatment of income tax under IAS (12) and specifically addresses:<br><br>• whether the tax treatment should be considered in aggregate;<br>• assumptions regarding the procedures for the examination of tax authorities;<br>• determination of taxable profit (tax loss), tax basis, unused tax losses, unused tax breaks, and tax rates;<br>• The impact of changes in facts and circumstances. |
| Amendments to IFRS 9 Financial Instruments. | These amendments relate to the advantages of prepayment with negative compensation, where the current requirements of IFRS (9) regarding termination rights have been amended to allow for the measurement at amortized cost (or on the business model at fair value through other comprehensive income) status of negative compensation payments. |
| Amendments to IAS (28) "Investment in Associates and Joint Ventures". | These amendments relate to long-term shares in allied enterprises and joint ventures. These amendments clarify that an entity applies IFRS (9) "Financial Instruments" to long-term interests in an associate or joint venture that forms part of the net investment in an associate or joint venture if the equity method has not been applied to it. |
| Amendments to IAS 19 Employee Benefits. | These amendments relate to adjustments to plans, reductions, or settlements. |

**B) Amendments Affecting the Bank's Consolidated Financial Statements:**

Effect of Application of IFRS (16) "Leases":

The Bank has adopted IFRS 16 'Leases'. The standard replaces the existing guidance on leases, including IAS 17 "Leases Contracts", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after January 1, 2019. IFRS (16) stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Bank's financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS (17) "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Bank has opted for the simplified approach application permitted by IFRS (16) upon adoption of the new standard. During the first time application of IFRS (16) to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at December 31, 2018, there were no adjustments on the returned earnings using the simplified approach, there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to leased properties as of December 31, 2019 and January 1, 2019.

The effect of application on beginning balances for each of right-of-use assets amounted to JD 1,442,888 and lease liabilities amounted to JD 1,278,823.

**The table below shows the effect of application of IFRS 16 for each financial note as at December 31, 2019.**

Consolidated statement of financial position:

| Item | Balance Shown in Financial Statements | Effect of Adoption | Balance if not Adopted |
|---|---|---|---|
| | JD | JD | JD |
| Right-of-use assets | 1,042,168 | 1,042,168 | - |
| Other assets | 25,755,958 | (76,202) | 25,832,160 |
| Total effect on assets | | 965,966 | |
| | | | |
| Lease liabilities | 903,445 | 903,445 | |
| Total effect on liabilities | | 903,445 | |

Consolidated statement of profit or loss:

| Item | Balance Shown in Financial Statements | Effect of Adoption | Balance if not Adopted |
|---|---|---|---|
| | JD | JD | JD |
| Interest expense | (73,098,183) | (26,932) | (73,071,251) |
| Depreciation and amortization | 2,560,291 | 400,720 | 2,159,571 |
| Other expenses | 5,705,552 | (395,377) | 6,100,929 |
| Income tax | 6,066,933 | (12,265) | 6,079,198 |
| Total effect on consolidated statement of profit or loss | | 20,010 | |

Consolidated statement of cash flows:

| Item | Balance Shown in Financial Statements | Effect of Adoption | Balance if not Adopted |
|---|---|---|---|
| | JD | JD | JD |
| Profit before tax | 16,127,130 | (32,275) | 16,159,405 |
| Depreciation and amortization | 2,560,291 | 400,720 | 2,159,571 |
| Other assets | (3.328.347) | (76,202) | (3,404,549) |
| Net cash flows from operating activities | | 292,243 | |
| | | | |
| Paid for lease liabilities | 402,310 | 402,310 | - |
| Net cash (used in) operating activities | | 402,310 | |

**The Bank's leasing activities and its accounting treatment mechanism:**

The Bank leases real estate for use in its corporate activities, and usually leases are for fixed periods ranging from one to five years, some of which may include extension options and lease terms are negotiated on an individual basis and contain a set of different terms and conditions. Lease contracts do not include any pledges and not used as collateral for borrowing purposes.

Until the end of the fiscal year 2018, real estate leases was classified as either an operating lease or a finance lease, and amounts paid against operating leases are recorded in the consolidated statement of profit or loss according to the straight-line method during the lease term.

As of January 1, 2019, lease contracts are recognized as right to use assets and liabilities obligations on the date when the asset is ready for use by the Bank, the value of each lease payment is distributed between the lease obligations and financing costs, and financing costs are recorded in consolidated statement of profit or loss during the lease period to reach a fixed periodic interest rate on the remaining balance of the obligation for each period, and assets are depreciated during the useful life of the asset or the lease period, whichever is shorter according to the straight-line method.

Assets and liabilities arising from lease contracts are initially measured based on the present value, and the lease obligations include the net present value of the following lease payments:

- Fixed payments (including fixed payments) minus receivable lease incentives;
- Variable lease payments based on an indicator or rate;
- The amounts expected to be paid by the lessee under the residual value guarantees;
- Purchase option if the tenant is reasonably certain of this option, and
- Paying the contract termination fines if the terms of the lease include this option.

Lease payments are deducted using the interest rate of the underlying lease or the additional borrowing rate of the lessee if they are not available, which is the amount that the lessee must pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost, which includes the following:
- The value of the initial measurement of the lease obligations;
- Any lease payments made on or before the start date minus any lease incentives received;
- Any initial direct costs, and
- Return costs (renewal and restoration).

Payments related to short-term leases and contracts for lease of low-value assets are included on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are 12-month or less. While low-value assets include low-value IT equipment and small items of office furniture.

When applying the IFRS 16 for the first time, the Bank used the following:
- Using a single discount rate for a portfolio of lease contracts with reasonably similar characteristics;
- Depending on previous evaluations of whether lease contracts are low;
- Accounting operating leases with a remaining lease term of less than 12 months in January 1, 2019 as short-term leases;
- Excluding the initial direct costs for measuring the right to use assets at the date of the initial application, and
- Using the previous perception to determine the term of the lease, as the contract contains options for extending or terminating the lease.

The Bank also chose not to reassess whether the contract contains or does not contain a lease on the date of the initial application. Instead, the bank relied on the evaluation of contracts that were concluded before the date of the transition, which was applied through the application of International Accounting Standard No. (17) "Lease Contracts" and International Interpretation (4) "Determining whether an arrangement involves a lease contract."

### C. New and revised IFRS in issue but not yet effective and not early adopted

The Company has not adopted the following new and amended IFRSs issued but not yet effective as of the date of the financial statements with its details as follows:

| New and revised standards | Amendments to new and revised IFRSs |
|---|---|
| Amendments to IAS 1 Presentation of Financial Statements.<br><br>**(Effective January 2020)** | These amendments relate to the definition of materiality. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' |
| Amendments to IFRS 3 Business Combinations<br><br>**(Effective January 2022)** | These amendments clarify the definition of business as the International Accounting Standards Board published the Revised Financial Reporting Framework. This includes revised definitions of assets and liabilities as well as new guidance on measurement, derecognition, presentation, and disclosure.<br><br>In addition to the amended conceptual framework, the IASB issued amendments to the guidelines on the conceptual framework in the IFRS Standards, which contain amendments to IFRS (2), (3), (6) and (14) and IAS (1), (8), (34), (37) and (38)) and IFRIC (12), Interpretation (19), Interpretations 20 and 22 and Interpretations of the Standing Committee for the Interpretation of Standards Number (32) in order to update those statements with regard to references and quotations from the framework or to refer to a different version of the conceptual framework. |
| IFRS 17 "Insurance Contracts"<br><br>**(Effective January 1, 2022)** | Provides a more consistent measurement and presentation approach to all insurance contracts. These requirements are aimed at achieving a consistent, principled accounting objective for insurance contracts. IFRS (17) replaces IFRS (4) Insurance Contracts.<br><br>IFRS (17) requires measurement of insurance liabilities at present value to meet. |
| Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures (2011)"<br><br>**(The start date has been postponed indefinitely, and the application is still permitted)** | These amendments relate to the treatment of the sale or contribution of the assets of the investor in the associate or joint venture. |

Management expects to apply these new standards, interpretations, and amendments to the consolidated financial statements of the Bank when they are applicable. Moreover, the adoption of these new standards, interpretations, and amendments may have no material impact on the Bank's consolidated financial statements in the initial application period.

## 4. Significant Accounting Judgments and key Sources of Uncertainty Estimates

The preparation of the consolidated financial statements and application of the accounting policies require the Bank management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities and to disclose potential liabilities. Moreover, these estimates and judgments affect revenues, expenses, provisions, in general, expected credit losses, as well as changes in fair value that appear in the consolidated statement of comprehensive income and within shareholders› equity. In particular, the Bank›s management requires judgments to be made to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Meanwhile, the actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods. Management believes that its estimates in the consolidated financial statements are reasonable. The details are as follows:

**Impairment of seized assets**

The impairment in value of seized assets is recognized based on recent real estate valuations by qualified independent evaluators for calculating the asset impairment, which is reviewed periodically. Effective beginning of 2015, a gradual provision was made for assets seized against debts for a period over 4 years, according to the Central Bank of Jordan Circular No. 15/1/4076 dated March 27, 2014 and No. 10/1/2510 dated February 14, 2017. According to the Central Bank of Jordan Circular No. 10/1/16239 dated November 21, 2019, it had confirmed to extend the implementation of Circular No. 10/1/2150 date February 14, 2017, after postponing the provision calculation until the end of 2020 and adjusted article (2) of the Circular.

**Useful lives of tangible and intangible assets**

The Bank's management periodically recalculates the useful lives of tangible and intangible assets for calculating annual depreciation and amortization based on the general condition of those assets and estimated future useful lives. The impairment loss is recognized in the consolidated statement of profit or loss for the year.

**Income tax**

The fiscal year is charged with the income tax expense in accordance with the accounting regulations, laws and standards. Moreover, deferred tax assets, liabilities, and the required tax provision are recognized.

**Litigation provision**

A provision is made to meet any potential legal liabilities based on a legal study prepared by the Bank›s legal counsel. This study identifies potential future risks and is reviewed periodically.

**Assets and liabilities at cost**

Management periodically reviews the assets and liabilities at cost for estimating any impairment in value, which is recognized in the consolidated statement of profit or loss for the year.

**Provision for credit losses**

Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risks for financial assets after initial recognition and future measurement information for the expected credit losses. The most important policies and estimates used by the Bank›s management are detailed in note (39).

**Evaluation of business model**

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.

**Significant increase in credit risk**

The expected credit loss is measured as an allowance equivalent to the expected credit loss of 12 months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Bank takes into account reasonable and reliable quantitative and qualitative information. The estimates used by the Bank›s management concerning the significant change in credit risk that result in a change in the classification within the three stages (1, 2 and 3) are shown in details in note (39).

Establish groups of assets with similar credit risk characteristics

When the expected credit losses are measured on a collective basis, the financial instruments are grouped on the basis of common risk characteristics (e.g. instrument type, credit risk, collateral type, initial recognition date, remaining maturity period, industry, borrower›s geographic location, etc.). The Bank monitors the appropriateness of credit risk characteristics on an ongoing basis to assess whether they are still similar. This is required to ensure that, in the event of a change in the credit risk characteristics, the asset is properly reallocated. This may result in the creation of new portfolios or the transfer of assets to an existing portfolio that better reflects the credit risk characteristics of that group of assets.

**Re-division of portfolios and movements between portfolios**
The re-division of portfolios and movements between portfolios is more common when credit risk increases significantly (or when such a large increase is reflected). Therefore, assets are transferred from expected credit losses of between (12) months to another portfolio or vice versa. However, this may happen within the portfolios that continue to be measured on the same basis as expected credit losses for a 12-month period or a lifetime, but the amount of the expected credit loss changes due to the varying credit risk of portfolios.

**Models and assumptions used**
The Bank uses various models and assumptions in measuring the fair value of financial assets as well as in assessing the expected credit loss described in note (39). The judgment is applied when determining the best models for each type of asset as well as for the assumptions used in those models, which include assumptions regarding the main drivers of credit risk.

a. Classification and measurement of financial assets and liabilities

The Bank classifies financial instruments or components of financial assets at initial recognition either as a financial asset or a financial liability, or as an equity instrument in accordance with the substance of the contractual agreements and the definition of the instrument. The reclassification of a financial instrument is subject to the substance of the financial statements and not to its legal form.

The Bank shall determine the classification at initial recognition, reassess such determination, if possible, and appropriate, at each date of the consolidated statement of financial position.

When measuring financial assets and liabilities, certain assets and liabilities of the Bank are re-measured at fair value for financial reporting purposes. In assessing the fair value of any assets or liabilities, the Bank uses available observable market data. In the absence of Tier 1 inputs, the Bank conducts evaluations using professionally qualified independent evaluators. The Bank works closely with qualified external evaluators to develop appropriate valuation and data valuation techniques.

b. Fair value measurement

If the fair values of financial assets and financial liabilities included in the consolidated statement of financial position cannot be obtained from active markets, these fair values are determined using a range of valuation techniques involving the use of accounting models. If possible, the entered data for those models will be extracted from the market data. In the absence of such market data, fair values are determined by making judgments. These provisions include liquidity considerations and model data such as derivative volatility, longer-term discount rates, pre-payment ratios and default rates on asset-backed securities. Management believes that the valuation techniques used are appropriate to determine the fair value of financial instruments.

c. Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and, where appropriate, recognized pricing models. In the absence of prices, fair values are determined using valuation techniques that reflect observable market data. These techniques include comparison with similar instruments at observable market prices, discounted cash flow analysis, pricing option models and other valuation techniques commonly used by market participants. The main factors that Management takes into consideration when applying the model are:

- The expected timing and probability of future cash flows on the instrument where such cash flows are generally subject to the terms of the instrument, although Management's judgment may be required where the counterparty›s ability to repay the instrument in accordance with contractual terms is in doubt; and

- An appropriate discount rate for the instrument. Management determines the instrument discount rate at a rate higher than the non-risk rate. In assessing the instrument by reference to comparative instruments, Management considers the maturity, structure, and degree of classification of the instrument based on the system in which the existing position is compared. When evaluating tools on a model basis using the fair value of the main components, Management also considers the need to make adjustments for a number of factors, such as bid differences, credit status, portfolio service costs, and uncertainty about the model.

**Lease Payments discount**
Lease payments are discounted using the bank›s incremental borrowing rate («IBR»). Management applied provisions and estimates to determine the incremental borrowing rate at the start of the lease.

**Key Sources of Estimation Uncertainty**
The principal estimates used by Management in applying the Bank›s accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determining the number and relative weight of scenarios, the outlook for each type of product / market, and the identification of future information relevant to each scenario.
When measuring the expected credit loss, the Bank uses reasonable and supported future information based on the assumptions of the future movement of the various economic drivers and the manner in which they affect each other.

**Probability of default**
The potential for default is a key input in measuring the expected credit loss. The probability of default is an estimate of the probability of default over a given period of time, which includes the calculation of historical data, assumptions, and expectations relating to future circumstances.

**Loss given default**
Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the financer expects to collect, taking into account cash flows from collateral and integrated credit adjustments.

**Fair value measurement and valuation procedures**
When estimating the fair value of financial assets and financial liabilities, the Bank uses available observable market data. In the absence of level (1) inputs, the Bank conducts evaluations using appropriate valuation models to determine the fair value of financial instruments.

## 5. Cash and Balances at Central Bank of Jordan

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Cash in treasury | 8,003,535 | 7,537,763 |
| Balances at Central Bank of Jordan: | | |
| Current accounts and demand deposits | 33,741,453 | 19,440,858 |
| Term and notice deposits | 63,000,000 | 79,000,000 |
| Certificates of deposit | - | 64,500,000 |
| Statutory cash reserve | 88,722,184 | 54,021,904 |
| Total | 193,467,172 | 224,500,525 |

- There are no restricted balances except for statutory cash reserve as of December 31, 2019 and 2018.
- There are no amounts that mature during a period exceeding three months as of December 31, 2019 and December 31, 2018.

The following is the movement on cash and balances at Central Bank of Jordan for the year ended December 31, 2019 and 2018:

| | For the Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 216,962,762 | - | - | 216,962,762 |
| New balances during the year | 49,060,012 | - | - | 49,060,012 |
| Paid balances | (80,559,137) | - | - | (80,559,137) |
| Balance - End of the Year | 185,463,637 | - | - | 185,463,637 |

| | For the Year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 99,000,958 | - | - | 99,000,958 |
| New balances during the year | 137,499,284 | - | - | 137,499,284 |
| Paid balances | (19,537,480) | - | - | (19,537,480) |
| Balance - End of the Year | 216,962,762 | - | - | 216,962,762 |

There are no expected credit losses, transfers between the stages (1,2 and 3) or written-off balances during the year ended December 31, 2019 and 2018.

The distribution of total cash and balances at Central Bank of Jordan according to the credit rating categories approved by the Bank:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 185,463,637 | - | - | 185,463,637 |
| Total | 185,463,637 | - | - | 185,463,637 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 216,962,762 | - | - | 216,962,762 |
| Total | 216,962,762 | - | - | 216,962,762 |

## 6. Balances at Banks and Financial Institutions

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Local Banks and Financial Institutions: | JD | JD |
| Deposits maturing within or less than 3 months | 49,863,955 | 7,494,249 |
| Less: Expected credit loss | (13,463) | (133) |
| Total Local | 49,850,492 | 7,494,116 |
| | | |
| Foreign Banks and Financial Institutions | | |
| Current accounts and demand deposits | 29,162,214 | 6,736,207 |
| Deposits maturing within or less than 3 months | - | 48,899,063 |
| | 29,162,214 | 55,635,270 |
| Total Foreign | 29,162,214 | 55,582,746 |
| Less: Expected credit loss | - | (52,524) |
| Net Balances at Banks and financial institutions | 79,012,706 | 63,076,862 |

- The following is the movement on the balances at banks and financial institutions for the year ended December 31, 2019 and 2018:

| | For the Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 43,640,098 | 19,489,421 | - | 63,129,519 |
| New balances during the year | 27,380,530 | 45,064,991 | - | 72,445,521 |
| Paid balances | (41,864,655) | (14,684,215) | - | (56,548,870) |
| Balance - End of the Year | 29,155,973 | 49,870,197 | - | 79,026,170 |

| | For the Year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 34,608,579 | 29,251,814 | - | 63,860,393 |
| New balances during the year | 30,551,856 | 1,587,283 | - | 32,139,139 |
| Paid balances | (21,520,337) | (11,349,676) | - | (32,870,013) |
| Balance - End of the Year | 43,640,098 | 19,489,421 | - | 63,129,519 |

- The following is the distribution of total balances at banks and financial institutions according to the credit rating categories approved by the Bank for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 29,155,973 | 49,870,197 | - | 79,026,170 |
| Total | 29,155,973 | 49,870,197 | - | 79,026,170 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 43,640,098 | 19,489,421 | - | 63,129,519 |
| Total | 43,640,098 | 19,489,421 | - | 63,129,519 |

- The following is the movement on the provision for expected credit losses for balances at banks and financial institutions for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 118 | 52,539 | - | 52,657 |
| Impairment loss on the new balances and deposits during the year | - | 12,800 | - | 12,800 |
| Recovered from impairment on the paid balances | (118) | (51,876) | - | (51,994) |
| Balance - End of the Year | - | 13,463 | - | 13,463 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 9 | 106,043 | - | 106,052 |
| Impairment loss on the new balances and deposits during the year | 118 | 52,539 | - | 52,657 |
| Recovered from impairment on the paid balances | (9) | (106,043) | - | (106,052) |
| Balance - End of the Year | 118 | 52,539 | - | 52,657 |

There are no transfers between the stages (1,2 and 3) or written-off balances during the year ended December 31, 2019 and 2018.

## 7. Deposits at Banks and Financial Institutions - Net

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| **Deposits at Local Banks and Financial Institutions:** | | |
| Deposits maturing within: | | |
| More than 3 months to 6 months | 2,000,000 | - |
| More than 6 months to 9 months | - | - |
| More than a year | - | - |
| Less: Expected credit losses | (6,894) | - |
| Net Deposits at Local Banks and Financial Institutions | 1,993,106 | - |
| | | |
| **Deposits at Foreign Banks and Financial Institutions:** | | |
| Deposits maturing within: | | |
| More than 3 months to 6 months | 3,545,000 | 29,828,135 |
| More than 6 months to 9 months | - | - |
| More than a year | - | 26,587,500 |
| Less: Expected credit losses | - | (1,554) |
| Net Deposits at Foreign Banks and Financial Institutions | 3,545,000 | 56,414,081 |
| Total | 3,545,000 | 56,415,635 |
| Net Deposits at Banks and Financial Institutions | 5,538,106 | 56,414,081 |

- Restricted deposits at banks and financial institutions amounted to JD 3,545,000 as of December 31, 2019.
- There are no restricted deposits at banks and financial institutions as of December 31, 2018.

The following is the movement on deposits at banks and financial institutions for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 56,415,635 | - | | 56,415,635 |
| New deposits during the year | - | 2,000,000 | | 2,000,000 |
| Paid deposits during the year | (52,870,635) | - | - | (52,870,635) |
| Balance - End of the Year | 3,545,000 | 2,000,000 | - | 5,545,000 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | - | 33,252,116 | | 33,252,116 |
| New deposits during the year | 56,415,635 | - | | 56,415,635 |
| Paid deposits during the year | - | (33,252,116) | - | (33,252,116) |
| Balance - End of the Year | 56,415,635 | - | - | 56,415,635 |

- There are no transfers between the stages (1,2 and 3) or written-off balances during the year ended December 31, 2019 and 2018.

- The following is the movement on the provision for expected credit losses for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 1,554 | - | | 1,554 |
| New balances during the year | - | 6,894 | | 6,894 |
| Paid balances during the year | (1,554) | - | - | (1,554) |
| Balance – End of the Year | - | 6,894 | - | 6,894 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | - | 1,330,996 | | 1,330,996 |
| New deposits during the year | 1,554 | - | | 1,554 |
| Paid deposits during the year | - | (1,330,996) | - | (1,330,996) |
| Balance - End of the Year | 1,554 | - | - | 1,554 |

## 8. Financial Assets at Fair Value Through Other Comprehensive Income

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Quoted shares in active markets | 327,576 | 334,853 |
| Unquoted shares | 2,654,384 | 1,258,834 |
| Government bonds through comprehensive income * | 76,200,755 | - |
| | 79,182,715 | 1,593,687 |

* This item represents treasury bonds issued by the Government of the Hashemite Kingdom of Jordan and are classified under stage (1). There is no provision for expected credit losses for these bonds or transfers between stages (1,2 and 3).

- Total cash dividends on the above investments amounted to JD 35,000 for the year ended in December 31, 2019. (JD 19,000 for the year ended December 31, 2018).

## 9. Financial Assets at Amortized Cost - Net

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Financial assets with no market prices | JD | JD |
| Quoted Financial Assets: | | |
| Government-guaranteed bonds | 215,937,984 | 250,653,401 |
| Corporate bonds and debentures | 10,373,420 | 21,501,503 |
| | 226,311,404 | 272,154,904 |
| Less: Provision for excepted credit loss related to financial assets within stage (1) | (5,873) | (55,193) |
| Provision for excepted credit loss related to financial assets within stage (2) | - | - |
| Provision for excepted credit loss related to financial assets within stage (3) | (1,150,000) | (400,000) |
| | 225,155,531 | 271,699,711 |
| | | |
| Bonds analysis: | | |
| With fixed rate | 225,155,531 | 271,699,711 |
| Total | 225,155,531 | 271,699,711 |
| | | |
| Bonds analysis according to IFRS 9: | | |
| Stage (1) | 223,911,404 | 271,754,904 |
| Stage (2) | - | - |
| Stage (3) | 2,400,000 | 400,000 |
| Total | 226,311,404 | 272,154,904 |

During 2019, treasury bonds worth JD 14,180,000 were sold at a loss of JD 212,700.

- The following is the distribution of total investments according to the credit rating categories approved by the Bank for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 223,911,404 | - | 2,400,000 | 226,311,404 |
| Total | 223,911,404 | - | 2,400,000 | 226,311,404 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 271,754,904 | - | 400,000 | 272,154,904 |
| Total | 271,754,904 | - | 400,000 | 272,154,904 |

- The following is the movement on financial assets at amortized cost for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Investments as of beginning of the year | 271,754,904 | - | 400,000 | 272,154,904 |
| New investments during the year | 14,180,000 | - | - | 14,180,000 |
| Settled investment | (59,523,500) | - | (500,000) | (60,023,500) |
| Change in the fair value | - | - | - | - |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | (2,500,000) | - | 2,500,000 | - |
| Changes from adjustments | - | - | - | - |
| Written off investments | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 223,911,404 | - | 2,400,000 | 226,311,404 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Investments as of beginning of the year | 273,310,111 | - | 509,500 | 273,819,611 |
| New investments during the year | 26,450,262 | - | - | 26,450,262 |
| Settled investment | (28,005,469) | - | (109,500) | (28,114,969) |
| Change in the fair value | - | - | - | - |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Changes from adjustments | - | - | - | - |
| Written off investments | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 271,754,904 | - | 400,000 | 272,154,904 |

- The following is the movement on the provision for expected credit losses for financial assets at amortized cost for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 55,193 | - | 400,000 | 455,193 |
| Expected credit losses on new investments during the year | - | - | 743,362 | 743,362 |
| Recovered from impairment losses | (42,682) | - | - | (42,682) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | (6,638) | - | 6,638 | - |
| Balance - End of the Year | 5,873 | - | 1,150,000 | 1,155,873 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | - | - | 509,500 | 509,500 |
| Effect of implementing IFRS (9) | 14,095 | - | - | 14,095 |
| Adjusted balance - Beginning of the year | 14,095 | - | 509,500 | 523,595 |
| Impairment loss relating to NBAD | 1,584 | - | - | 1,584 |
| Expected credit losses on new investments during the year | 39,514 | - | - | 39,514 |
| Recovered from impairment losses | - | - | (109,500) | (109,500) |
| Balance - End of the Year | 55,193 | - | 400,000 | 455,193 |

## Pledged Financial Assets

The details of this item are as follows:

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Pledged Financial Assets | Related Liabilities | Pledged Financial Assets | Related Liabilities |
| | JD | JD | JD | JD |
| Financial assets at amortized cost | 218,090,000 | 173,650,000 | 218,090,000 | 175,473,158 |
| Total | 218,090,000 | 173,650,000 | 218,090,000 | 175,473,158 |

- All the pledged financial assets are classified within stage (1) according to IFRS (9) and there are no transfers between the stages or written-off balances during the end of year ended December 31, 2019 and 2018.

- The following is the movement on pledged financial assets:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Investments as of beginning of the year | 218,090,000 | - | - | 218,090,000 |
| New investments during the year | - | - | - | - |
| Balance - End of the Year | 218,090,000 | - | - | 218,090,000 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Investments as of beginning of the year | 187,090,000 | - | - | 187,090,000 |
| New investments during the year | 31,000,000 | - | - | 31,000,000 |
| Balance - End of the Year | 218,090,000 | - | - | 218,090,000 |

- Bonds have been pledged against the following:

| Item | Issuance Number | Bond Balance | Maturity Date | Pledged against |
|---|---|---|---|---|
| | | JD | | |
| Treasury bonds | 2016/44 | 1,090,000 | 10/5/26 | Borrowing from Central Bank of Jordan |
| Treasury bonds | 2016/40 | 13,000,000 | 9/22/26 | Deposit for the Social Security Corporation |
| Treasury bonds | 2016/8 | 15,000,000 | 3/1/26 | Deposit for the Social Security Corporation |
| Treasury bonds | 2016/38 | 22,000,000 | 9/19/26 | Deposit for the Social Security Corporation |
| Treasury bonds | 2016/11 | 25,000,000 | 3/15/23 | Deposit for the Social Security Corporation |
| Treasury bonds | 2015/23 | 33,000,000 | 8/20/22 | Deposit for the Social Security Corporation |
| Treasury bonds | 2015/35 | 28,000,000 | 10/26/22 | Deposit for the Social Security Corporation |
| Treasury bonds | 2015/44 | 50,000,000 | 11/23/22 | Deposit for the Social Security Corporation |
| Treasury bonds | 2017/20 | 31,000,000 | 8/7/32 | Deposit for the Social Security Corporation |
| Total | | 218,090,000 | | |

## 10. Direct Credit Facilities - Net

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Individuals (retail): | | |
| Loans and promissory notes* | 103,260,783 | 81,856,976 |
| Credit cards | 1,065,286 | 1,785,857 |
| Real estate loans | 190,315,443 | 177,189,592 |
| Corporate | | |
| Overdraft accounts | 111,524,474 | 100,494,695 |
| Loans and promissory notes * | 294,628,276 | 284,901,353 |
| Small and Medium | | |
| Overdraft accounts | 15,209,488 | 21,972,392 |
| Loans and promissory notes * | 62,081,247 | 52,872,820 |
| Government and public sector | 117,755,662 | 141,304,467 |
| Total | 895,840,659 | 862,378,152 |
| | | |
| Less: Interest in suspense | (16,306,702) | (20,374,072) |
| Provision of expected credit losses | (30,433,934) | (33,130,335) |
| Net Direct Credit Facilities | 849,100,023 | 808,873,745 |

* Net after deducting interest and commission received in advance amounted to JD 1,941,050 as of December 31, 2019 (JD 2,267,734 as of December 31, 2018).

- Non-performing credit facilities amounted to JD 53,613,359 which is equivalent to 5.98% of total direct credit facilities as of December 31, 2019 (JD 64,689,215 which is equivalent to 7.50% of total direct credit facilities as of December 31, 2018).

- Non-performing credit facilities after deducting interest and commissions in suspense amounted to JD 37,306,657 which is equivalent to 4.24% of total direct credit facilities balance after deducting interest and commission in suspense as of December 31, 2019 (JD 44,315,143 which is equivalent to 5,26% of total credit facilities balance after deducting interest and commission in suspense as of December 31, 2018).

- Direct credit facilities granted to and guaranteed by the Government of The Hashemite Kingdom of Jordan amounted to JD 117,755,662 which is equivalent to 13.14% of total direct credit facilities as of December 31, 2019 (JD 141,304,467 which is equivalent to 16.39% of total direct credit facilities as of December 31, 2018).

- There is no suspended interest against perfoming loans as of December 31, 2019 and December 31, 2018, respectively.

- During 2019, and according to the Board of Directors› meeting No. (8/2019) on December 4, 2019, the Bank transferred non-performing credit facilities with their corresponding interest in suspense and provision for doubtful debts of JD11,518,608 to off-balance sheet accounts, with the Bank maintaining its legal right to claim those debts from customers.

## The movement on the provision of expected credit loss during the period was as follows:

| | Individual | Real Estate | Large Corprate | Corporations Governmental and Public | SME's | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| For the Year Ended December 31, 2019 | | | | | | |
| Balance - beginning of the year | 7,200,408 | 2,895,300 | 17,078,412 | 315,795 | 5,640,420 | 33,130,335 |
| Deducted (recovered) during the year from revenues | 541,594 | 606,858 | (67,304) | (314,754) | 245,037 | 1,011,431 |
| Facilities transferred off-balance sheet | (716,894) | (87,549) | (1,901,250) | - | (956,525) | (3,662,218) |
| Written off facilities | (45,614) | - | - | - | - | (45,614) |
| Balance - End of the Year | 6,979,494 | 3,414,609 | 15,109,858 | 1,041 | 4,928,932 | 30,433,934 |
| | | | | | | |
| For the Year Ended December 31, 2018 | | | | | | |
| Balance - beginning of the year | 5,463,456 | 1,053,984 | 24,791 | - | 3,740,699 | 10,282,930 |
| Impact of implementing IFRS (9) | 1,351,098 | 850,413 | 6,478,468 | - | 378,427 | 9,058,406 |
| Adjusted Balance - Beginning of the Year | 6,814,554 | 1,904,397 | 6,503,259 | - | 4,119,126 | 19,341,336 |
| Resulted from the acquisition of NBAD | 1,119,813 | 122,371 | 12,991,669 | 17,275 | 100 | 14,251,228 |
| Deducted (recovered) during the year from revenues | (733,959) | 868,532 | (2,416,516) | 298,520 | 1,521,194 | (462,229) |
| Balance - End of the Year | 7,200,408 | 2,895,300 | 17,078,412 | 315,795 | 5,640,420 | 33,130,335 |

Provisions that are no longer needed due to settlement or repayment of debts, or due transfer to other debts amounted to JD 8,894,277 as of December 31, 2019 compared to 13,059,791 as of December 31, 2018.

## Interest in Suspense

**The following is the movement on interest in suspense:**

| | Individual | Real Estate | Large Corprate | Corporations Governmental and Public | SME's | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| 2019 | | | | | | |
| Balance - beginning of the year | 9,083,322 | 2,070,809 | 2,914,330 | - | 6,305,611 | 20,374,072 |
| Add: Interest in suspense during the year | 2,189,824 | 1,146,573 | 2,531,581 | - | 2,173,562 | 8,041,540 |
| Less: Interests transferred to revenue | (435,081) | (163,380) | (660,802) | - | (110,924) | (1,370,187) |
| Interest in suspense written off | (1,623,161) | (203,518) | (167,955) | - | (887,699) | (2,882,333) |
| Interest in suspense transferred off-balance sheet | (2,966,895) | (529,837) | (1,871,090) | - | (2,488,568) | (7,856,390) |
| Balance - End of the Year | 6,248,009 | 2,320,647 | 2,746,064 | - | 4,991,982 | 16,306,702 |
| | | | | | | |
| 2018 | | | | | | |
| Balance - beginning of the year | 7,654,078 | 1,545,902 | - | - | 4,488,373 | 13,688,353 |
| Resulted from the acquisition of NBAD | 286,272 | 21,185 | 2,634,010 | - | - | 2,941,467 |
| Add: Interest in suspense during the year | 1,678,356 | 621,964 | 801,864 | - | 1,990,716 | 5,092,900 |
| Less: Interests transferred to revenue | (283,841) | (95,585) | (350,000) | - | (29,129) | (758,555) |
| Interest in suspense written off | (251,543) | (22,657) | (171,544) | - | (144,349) | (590,093) |
| Balance - End of the Year | 9,083,322 | 2,070,809 | 2,914,330 | - | 6,305,611 | 20,374,072 |

## Following the expousures according to IFRS (9):

| As of December 31, 2019 | according to IFRS (9 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | | Stage (2) | | |
| | Total | Provision for Expected Credit Loss | Interest in Suspense | Total | Provision for Expected Credit Loss | Interest in Suspense |
| | JD | JD | JD | JD | JD | JD |
| Individual | 88,158,481 | 336,633 | - | 2,443,103 | 57,937 | - |
| Real Estate Loans | 167,726,970 | 240,507 | - | 10,448,966 | 599,354 | - |
| Large Entities | 323,409,256 | 531,332 | - | 67,103,405 | 3,211,173 | - |
| SMEs | 62,604,906 | 221,871 | - | 2,576,551 | 223,364 | - |
| Governmental and Public Sector | 117,755,662 | 1,041 | - | - | - | - |
| | 759,655,275 | 1,331,384 | - | 82,572,025 | 4,091,828 | - |

| As of December 31, 2019 | according to IFRS (9 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (3) | | | Stage (4) | | |
| | Total | Provision for Expected Credit Loss | Interest in Suspense | Total | Provision for Expected Credit Loss | Interest in Suspense |
| | JD | JD | JD | JD | JD | JD |
| Individual | 13,724,485 | 6,584,924 | 6,248,009 | 104,326,069 | 6,979,494 | 6,248,009 |
| Real Estate Loans | 12,139,507 | 2,574,748 | 2,320,647 | 190,315,443 | 3,414,609 | 2,320,647 |
| Corporate entities | 15,640,089 | 11,367,353 | 2,746,064 | 406,152,750 | 15,109,858 | 2,746,064 |
| SME's | 12,109,278 | 4,483,697 | 4,991,982 | 77,290,735 | 4,928,932 | 4,991,982 |
| Governmental and Public | - | - | - | 117,755,662 | 1,041 | - |
| | 53,613,359 | 25,010,722 | 16,306,702 | 895,840,659 | 30,433,934 | 16,306,702 |

## Following the expousures according to IFRS (9):

| As of December 31, 2018 | according to IFRS (9 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | | Stage (2) | | |
| | Total | Provision for Expected Credit Loss | Interest in Suspense | Total | Provision for Expected Credit Loss | Interest in Suspense |
| | JD | JD | JD | JD | JD | JD |
| Individual | 65,464,456 | 378,712 | - | 1,150,271 | 188,452 | - |
| Real Estate Loans | 161,164,659 | 424,739 | - | 10,398,729 | 1,028,416 | - |
| Large Entities | 328,869,038 | 525,956 | - | 28,749,914 | 1,052,296 | - |
| SMEs | 59,845,279 | 320,934 | - | 742,123 | 80,170 | - |
| Governmental and Public Sector | 141,304,467 | 315,795 | - | - | - | - |
| | 756,647,899 | 1,966,136 | - | 41,041,037 | 2,349,334 | - |

| As of December 31, 2018 | according to IFRS (9 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (3) | | | Stage (4) | | |
| | Total | Provision for Expected Credit Loss | Interest in Suspense | Total | Provision for Expected Credit Loss | Interest in Suspense |
| | JD | JD | JD | JD | JD | JD |
| Individual | 17,028,106 | 6,633,244 | 9,083,322 | 83,642,833 | 7,200,408 | 9,083,322 |
| Real Estate Loans | 5,626,204 | 1,442,145 | 2,070,809 | 177,189,592 | 2,895,300 | 2,070,809 |
| Corporate entities | 27,777,096 | 15,500,160 | 2,914,330 | 385,396,048 | 17,078,412 | 2,914,330 |
| SME's | 14,257,810 | 5,239,316 | 6,305,611 | 74,845,212 | 5,640,420 | 6,305,611 |
| Governmental and Public | - | - | - | 141,304,467 | 315,795 | - |
| | 64,689,216 | 28,814,865 | 20,374,072 | 862,378,152 | 33,130,335 | 20,374,072 |

The following is the movement on direct credit facilities for the year ended December 31, 2019 and 2018:

| 2019 | Stage (1) | | Stage (2) | | Stage (3) | Total |
|---|---|---|---|---|---|---|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 756,647,899 | - | 41,041,037 | - | 64,689,216 | 862,378,152 |
| New facilities during the year | 314,205,638 | - | 43,764,163 | - | 5,698,467 | 363,668,268 |
| Paid facilities | (296,363,181) | - | (16,304,058) | - | (5,945,947) | (318,613,186) |
| Transferred to stage (1) | 4,768,692 | - | (3,353,186) | - | (1,415,506) | - |
| Transferred to stage (2) | (11,029,255) | - | 22,257,422 | - | (11,228,167) | - |
| Transferred to stage (3) | (8,574,518) | - | (4,833,353) | - | 13,407,871 | - |
| Effect of adjustments | - | - | - | - | - | - |
| Facilities transferred off-balance sheet | - | - | - | - | (11,518,608) | (11,518,608) |
| Written off facilities | - | - | | - | (73,967) | (73,967) |
| Adjustments due to change in exchange rates | - | - | - | - | - | - |
| Balance - End of the Year | 759,655,275 | - | 82,572,025 | - | 53,613,359 | 895,840,659 |

| 2018 | Stage (1) | | Stage (2) | | Stage (3) | Total |
|---|---|---|---|---|---|---|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 602,287,350 | - | 44,085,278 | - | 28,248,103 | 674,620,731 |
| Facilities related to NBAD | 66,910,199 | - | 5,408,648 | - | 20,148,274 | 92,467,121 |
| New facilities during the year | 254,690,134 | - | 10,348,431 | - | 19,207,488 | 284,246,053 |
| Paid facilities | (162,164,627) | - | (20,137,051) | - | (6,654,075) | (188,955,753) |
| Transferred to stage (1) | 11,613,865 | - | (11,596,774) | - | (17,091) | - |
| Transferred to stage (2) | (16,030,522) | - | 16,052,869 | - | (22,347) | - |
| Transferred to stage (3) | (658,500) | - | (3,120,364) | - | 3,778,864 | - |
| Effect of adjustments | - | - | - | - | - | - |
| Written off facilities | - | - | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - | - | - |
| Balance - End of the Year | 756,647,899 | - | 41,041,037 | - | 64,689,216 | 862,378,152 |

The following is the movement on the provision for expected credit losses for the year ended December 31, 2019 and 2018:

| 2019 | Corporates | SMEs | Individual | Real estate | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 17,078,412 | 5,640,420 | 7,200,408 | 2,895,300 | 315,795 | 33,130,335 |
| New facilities during the year | 4,512,897 | 1,296,681 | 2,221,962 | 1,873,945 | 223 | 9,905,708 |
| Paid facilities | (4,580,201) | (1,051,643) | (1,680,369) | (1,267,087) | (314,977) | (8,894,277) |
| Transferred to stage (1) | (7,124) | (9,881) | (97,942) | (52,306) | - | (167,253) |
| Transferred to stage (2) | 483,424 | 58,974 | 16,197 | (196,944) | - | 361,651 |
| Transferred to stage (3) | (476,300) | (49,093) | 81,745 | 249,250 | - | (194,398) |
| Effect of adjustments | - | - | - | - | - | - |
| Written off facilities | - | - | (45,614) | - | - | (45,614) |
| Facilities transferred off-balance sheet | (1,901,250) | (956,526) | (716,893) | (87,549) | - | (3,662,218) |
| Adjustments due to change in exchange rates | - | - | - | - | - | - |
| Balance - End of the Year | 15,109,858 | 4,928,932 | 6,979,494 | 3,414,609 | 1,041 | 30,433,935 |

| 2018 | Corporates | SMEs | Individual | Real estate | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 6,503,259 | 4,119,126 | 6,814,554 | 1,904,397 | - | 19,341,336 |
| Provisions related to NBAD | 12,991,669 | 100 | 1,119,813 | 122,371 | 17,275 | 14,251,228 |
| New facilities during the year | 4,202,268 | 2,400,109 | 3,058,815 | 2,637,849 | 298,520 | 12,597,561 |
| Paid facilities | (6,618,784) | (878,915) | (3,792,774) | (1,769,317) | - | (13,059,790) |
| Transferred to stage (1) | (332,976) | (83,278) | (321,900) | (404,396) | - | - |
| Transferred to stage (2) | (677,145) | (997,598) | (123,619) | 352,669 | - | - |
| Transferred to stage (3) | 1,010,121 | 1,080,876 | 445,519 | 51,727 | - | - |
| Effect of adjustments | - | - | - | - | - | - |
| Written off facilities | - | - | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - | - | - |
| Balance - End of the Year | 17,078,412 | 5,640,420 | 7,200,408 | 2,895,300 | 315,795 | 33,130,335 |

## The following is the distribution of total credit facilities by internal credit rating for corporates for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 323,409,256 | 67,103,405 | 15,640,089 | 406,152,750 |
| Total | 323,409,256 | 67,103,405 | 15,640,089 | 406,152,750 |

| | 2018 | | | |
|---|---|---|---|---|
| | «Stage (1) - Individual» | «Stage (2) - Individual» | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 328,869,038 | 28,749,914 | 27,777,096 | 385,396,048 |
| Total | 328,869,038 | 28,749,914 | 27,777,096 | 385,396,048 |

## The following is the movement on direct credit facilities for corporates for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 328,869,038 | 28,749,914 | 27,777,096 | 385,396,048 |
| New facilities during the year | 173,828,792 | 38,223,675 | 1,334,931 | 213,387,398 |
| Paid facilities | (176,633,179) | (10,801,065) | (1,424,112) | (188,858,356) |
| Transferred to stage (1) | 1,668,869 | (1,668,869) | - | - |
| Transferred to stage (2) | (3,929,151) | 14,724,584 | (10,795,433) | - |
| Transferred to stage (3) | (395,113) | (2,124,834) | 2,519,947 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Facilities transferred off-balance sheet | - | - | (3,772,340) | (3,772,340) |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 323,409,256 | 67,103,405 | 15,640,089 | 406,152,750 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 260,074,372 | 31,353,013 | - | 291,427,385 |
| Facilities related to NBAD | 45,601,379 | 5,407,642 | 18,121,427 | 69,130,448 |
| New facilities during the year | 113,780,494 | 4,430,054 | 7,599,310 | 125,809,858 |
| Paid facilities | (90,397,747) | (10,171,809) | (402,087) | (100,971,643) |
| Transferred to stage (1) | 10,859,793 | (10,859,793) | - | - |
| Transferred to stage (2) | (10,980,732) | 10,980,732 | - | - |
| Transferred to stage (3) | (68,521) | (2,389,925) | 2,458,446 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 328,869,038 | 28,749,914 | 27,777,096 | 385,396,048 |

## The following is the movement on the provision for expected credit losses for corporates for the year ended December 31, 2019 and 2018:

| | For the year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 525,956 | 1,052,296 | 15,500,160 | 17,078,412 |
| Impairment losses on the new facilities during the year | 374,066 | 1,877,311 | 2,261,520 | 4,512,897 |
| Recovered from impairment on the paid facilities during the year | (361,566) | (201,858) | (4,016,777) | (4,580,201) |
| Transferred to stage (1) | 2,924 | (2,924) | - | - |
| Transferred to stage (2) | (9,331) | 1,016,631 | (1,007,300) | - |
| Transferred to stage (3) | (717) | (530,283) | 531,000 | - |
| "Effect on the provision due to changes in the classifications between the three stages during the year" | (7,124) | 483,424 | (476,300) | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Facilities transferred off-balance sheet | - | - | (1,901,250) | (1,901,250) |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 531,332 | 3,211,173 | 11,367,353 | 15,109,858 |

| | For the year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 345,873 | 6,154,381 | 3,005 | 6,503,259 |
| Provisions related to NBAD | 64,812 | 72,652 | 12,854,205 | 12,991,669 |
| Impairment losses on the new facilities during the year | 1,639,005 | 895,388 | 1,667,875 | 4,202,268 |
| Recovered from impairment on the paid facilities during the year | (1,190,758) | (5,392,980) | (35,046) | (6,618,784) |
| Transferred to stage (1) | 26,292 | (26,292) | - | - |
| Transferred to stage (2) | (327,147) | 327,147 | - | - |
| Transferred to stage (3) | (32,121) | (978,000) | 1,010,121 | - |
| "Effect on the provision due to changes in the classifications between the three stages during the year" | (332,976) | (677,145) | 1,010,121 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 525,956 | 1,052,296 | 15,500,160 | 17,078,412 |

## The following is the distribution of total credit facilities by internal credit rating for corporates for the year ended December 31, 2019 and 2018:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | "Stage (1) - Individual | Stage (2) - Individual | Stage (3) | Total | |
| | JD | JD | JD | JD | |
| Credit rating categories based on the bank's internal system: | | | | | |
| From 1 - 4 | 323,409,256 | - | - | 323,409,256 | 328,869,038 |
| From 5 - 6 | - | 67,103,405 | - | 67,103,405 | 28,749,914 |
| From 7 - 8b | - | - | 15,640,089 | 15,640,089 | 27,777,096 |
| Total | 323,409,256 | 67,103,405 | 15,640,089 | 406,152,750 | 385,396,048 |

## The following is the distribution of total credit facilities by internal credit rating for SMEs for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 62,604,906 | 2,576,551 | 12,109,278 | 77,290,735 |
| Total | 62,604,906 | 2,576,551 | 12,109,278 | 77,290,735 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 59,845,279 | 742,123 | 14,257,810 | 74,845,212 |
| Total | 59,845,279 | 742,123 | 14,257,810 | 74,845,212 |

## The following is the movement on direct credit facilities for SMEs for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 59,845,279 | 742,123 | 14,257,810 | 74,845,212 |
| New facilities during the year | 29,701,236 | 801,860 | 1,967,136 | 32,470,232 |
| Paid facilities | (24,943,775) | (449,933) | (1,185,910) | (26,579,618) |
| Transferred to stage (1) | 3 | (3) | - | - |
| Transferred to stage (2) | (1,209,429) | 1,506,833 | (297,404) | - |
| Transferred to stage (3) | (788,408) | (24,329) | 812,737 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Facilities transferred off-balance sheet | - | - | (3,445,091) | (3,445,091) |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 62,604,906 | 2,576,551 | 12,109,278 | 77,290,735 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 34,054,429 | 5,074,635 | 10,763,938 | 49,893,002 |
| Facilities related to NBAD | 6,688 | 1,006 | - | 7,694 |
| New facilities during the year | 30,908,585 | 351,119 | 2,949,635 | 34,209,339 |
| Paid facilities | (4,638,543) | (4,312,430) | (313,850) | (9,264,823) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | (241,735) | 241,735 | - | - |
| Transferred to stage (3) | (244,145) | (613,942) | 858,087 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 59,845,279 | 742,123 | 14,257,810 | 74,845,212 |

## The following is the movement on the provision for expected credit losses for SMEs for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 320,934 | 80,170 | 5,239,316 | 5,640,420 |
| Impairment losses on the new facilities during the year | 116,218 | 116,146 | 1,064,317 | 1,296,681 |
| Recovered from impairment on the paid facilities | (205,400) | (31,926) | (814,317) | (1,051,643) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | (7,801) | 60,561 | (52,760) | - |
| Transferred to stage (3) | (2,080) | (1,587) | 3,667 | - |
| Effect on the provision due to changes in the classifications between the three stages during the year | (9,881) | 58,974 | (49,093) | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Facilities transferred off-balance sheet | - | - | (956,526) | (956,526) |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 221,871 | 223,364 | 4,483,697 | 4,928,932 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 64,980 | 740,643 | 3,313,503 | 3,313,503 |
| Provisions related to NBAD | 50 | 50 | - | - |
| Impairment losses on the new facilities during the year | 394,002 | 891,964 | 1,114,143 | 1,114,143 |
| Recovered from impairment on the paid facilities | (54,820) | (554,889) | (269,206) | (269,206) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | (24,646) | 24,646 | - | - |
| Transferred to stage (3) | (58,632) | (1,022,244) | 1,080,876 | 1,080,876 |
| Effect on the impairment loss due to changes in the classifications between three stages during the year | (83,278) | (997,598) | 1,080,876 | 1,080,876 |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 320,934 | 80,170 | 5,239,316 | 5,239,316 |

## The following is the distribution of total credit facilities by internal credit rating for SMEs for the year ended December 31, 2019 and 2018:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | "Stage (1) - Individual | Stage (2) - Individual | Stage (3) | Total | |
| | JD | JD | JD | JD | |
| Credit rating categories based on the bank's internal system: | | | | | |
| From 1 - 4 | 62,604,906 | - | - | 62,604,906 | 47,498,812 |
| From 5 - 6 | - | 2,576,551 | - | 2,576,551 | 13,088,590 |
| From 7 - 8b | - | | 12,109,278 | 12,109,278 | 14,257,810 |
| Total | 62,604,906 | 2,576,551 | 12,109,278 | 77,290,735 | 74,845,212 |

## The following is the distribution of total credit facilities by internal credit rating for Retail for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 88,158,481 | 2,443,103 | 13,724,485 | 104,326,069 |
| Total | 88,158,481 | 2,443,103 | 13,724,485 | 104,326,069 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 65,464,456 | 1,150,271 | 17,028,106 | 83,642,833 |
| Total | 65,464,456 | 1,150,271 | 17,028,106 | 83,642,833 |

## The following is the movement on direct credit facilities for Retail for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 65,464,456 | 1,150,271 | 17,028,106 | 83,642,833 |
| New facilities during the year | 51,900,703 | 782,816 | 104,772 | 52,788,291 |
| Paid facilities | (24,501,551) | (1,031,236) | (2,814,511) | (28,347,298) |
| Transferred to stage (1) | 650,774 | (109,762) | (541,012) | - |
| Transferred to stage (2) | (1,624,270) | 1,674,831 | (50,561) | - |
| Transferred to stage (3) | (3,731,631) | (23,817) | 3,755,448 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | (73,967) | (73,967) |
| Facilities transferred off-balance sheet | - | - | (3,683,790) | (3,683,790) |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 88,158,481 | 2,443,103 | 13,724,485 | 104,326,069 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 56,054,117 | 1,492,985 | 13,618,349 | 71,165,451 |
| Facilities related to NBAD | 3,799,076 | - | 1,649,144 | 5,448,220 |
| New facilities during the year | 24,032,216 | 402,728 | 6,683,262 | 31,118,206 |
| Paid facilities | (17,818,976) | (1,133,946) | (5,136,122) | (24,089,044) |
| Transferred to stage (1) | 178,752 | (161,661) | (17,091) | - |
| Transferred to stage (2) | (580,413) | 602,760 | (22,347) | - |
| Transferred to stage (3) | (200,316) | (52,595) | 252,911 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 65,464,456 | 1,150,271 | 17,028,106 | 83,642,833 |

## The following is the movement on the provision for expected credit losses for Retail for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 378,712 | 188,452 | 6,633,244 | 7,200,408 |
| Impairment losses on the new facilities during the year | 215,674 | 27,029 | 1,979,259 | 2,221,962 |
| Recovered from impairment on the paid facilities | (159,811) | (173,741) | (1,346,817) | (1,680,369) |
| Transferred to stage (1) | 3,115 | (505) | (2,610) | - |
| Transferred to stage (2) | (17,028) | 18,205 | (1,177) | - |
| Transferred to stage (3) | (84,029) | (1,503) | 85,532 | - |
| Effect on the provision due to changes in the classifications between the three stages during the year | (97,942) | 16,197 | 81,745 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | (45,614) | (45,614) |
| Facilities transferred off-balance sheet | - | - | (716,893) | (716,893) |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 336,633 | 57,937 | 6,584,924 | 6,979,494 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 73,388 | 167,060 | 6,574,106 | 6,814,554 |
| Provisions related to NBAD | 140,561 | 168,745 | 810,507 | 1,119,813 |
| Impairment losses on the new facilities during the year | 966,602 | 703,082 | 1,389,131 | 3,058,815 |
| Recovered from impairment on the paid facilities | (479,939) | (726,816) | (2,586,019) | (3,792,774) |
| Transferred to stage (1) | 1,819 | (1,610) | (209) | - |
| Transferred to stage (2) | (25,221) | 27,201 | (1,980) | - |
| Transferred to stage (3) | (298,498) | (149,210) | 447,708 | - |
| Effect on the provision due to changes in the classifications between the three stages during the year | (321,900) | (123,619) | 445,519 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 378,712 | 188,452 | 6,633,244 | 7,200,408 |

## The following is the distribution of total credit facilities by internal credit rating for Retail for the year ended December 31, 2019 and 2018:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | "Stage (1) - Individual | Stage (2) - Individual | Stage (3) | Total | |
| | JD | JD | JD | JD | |
| Credit rating categories based on the bank's internal system: | | | | | |
| From 1 - 4 | 86,773,760 | 1,323,850 | - | 88,097,610 | 60,994,629 |
| From 5 - 6 | 1,384,721 | 1,119,253 | - | 2,503,974 | 5,620,098 |
| From 7 - 8b | - | - | 13,724,485 | 13,724,485 | 17,028,106 |
| Total | 88,158,481 | 2,443,103 | 13,724,485 | 104,326,069 | 83,642,833 |

## The following is the distribution of total credit facilities by internal credit rating for Real Estate for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 167,726,970 | 10,448,966 | 12,139,507 | 190,315,443 |
| Total | 167,726,970 | 10,448,966 | 12,139,507 | 190,315,443 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 161,164,659 | 10,398,729 | 5,626,204 | 177,189,592 |
| Total | 161,164,659 | 10,398,729 | 5,626,204 | 177,189,592 |

## The following is the movement on direct credit facilities for Real Estate for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 161,164,659 | 10,398,729 | 5,626,204 | 177,189,592 |
| New facilities during the year | 34,976,824 | 3,955,812 | 2,291,628 | 41,224,264 |
| Paid facilities | (22,937,788) | (4,021,824) | (521,414) | (27,481,026) |
| Transferred to stage (1) | 2,449,046 | (1,574,552) | (874,494) | - |
| Transferred to stage (2) | (4,266,405) | 4,351,174 | (84,769) | - |
| Transferred to stage (3) | (3,659,366) | (2,660,373) | 6,319,739 | - |
| Effect of adjustments | - | - | - | - |
| Facilities transferred off-balance sheet | - | - | (617,387) | (617,387) |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 167,726,970 | 10,448,966 | 12,139,507 | 190,315,443 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 124,277,574 | 6,164,645 | 3,865,816 | 134,308,035 |
| Facilities related to NBAD | 10,022,642 | - | 377,704 | 10,400,346 |
| New facilities during the year | 55,928,937 | 5,164,530 | 1,975,280 | 63,068,747 |
| Paid facilities | (25,266,654) | (4,518,866) | (802,016) | (30,587,536) |
| Transferred to stage (1) | 575,320 | (575,320) | - | - |
| Transferred to stage (2) | (4,227,642) | 4,227,642 | - | - |
| Transferred to stage (3) | (145,518) | (63,902) | 209,420 | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 161,164,659 | 10,398,729 | 5,626,204 | 177,189,592 |

## The following is the movement on the provision for expected credit losses for Real Estate for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 424,739 | 1,028,416 | 1,442,145 | 2,895,300 |
| Impairment losses on the new facilities during the year | 101,460 | 343,042 | 1,429,443 | 1,873,945 |
| Recovered from impairment on the paid facilities | (233,386) | (575,160) | (458,541) | (1,267,087) |
| Transferred to stage (1) | 7,648 | (5,968) | (1,680) | - |
| Transferred to stage (2) | (17,569) | 21,589 | (4,020) | - |
| Transferred to stage (3) | (42,385) | (212,565) | 254,950 | - |
| Effect on the provision due to changes in the classifications between the three stages during the year | (52,306) | (196,944) | 249,250 | - |
| Effect of adjustments | - | - | - | - |
| Facilities transferred off-balance sheet | - | - | (87,549) | (87,549) |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 240,507 | 599,354 | 2,574,748 | 3,414,609 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 57,974 | 1,846,423 | - | 1,904,397 |
| Provisions related to NBAD | 33,964 | - | 88,407 | 122,371 |
| Recovered from impairment on the paid facilities | 737,197 | 574,407 | 1,326,245 | 2,637,849 |
| Transferred to stage (1) | - | (1,745,083) | (24,234) | (1,769,317) |
| Transferred to stage (2) | 3,082 | (3,082) | - | - |
| Transferred to stage (3) | (390,790) | 390,790 | - | - |
| Effect on the provision due to changes in the classifications between the three stages during the year | (16,688) | (35,039) | 51,727 | - |
| Effect of adjustments | (404,396) | 352,669 | 51,727 | - |
| Facilities transferred off-balance sheet | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 424,739 | 1,028,416 | 1,442,145 | 2,895,300 |

## The following is the distribution of total credit facilities by internal credit rating for Real Estate for the year ended December 31, 2019 and 2018:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | "Stage (1) - Individual | Stage (2) - Individual | Stage (3) | Total | |
| | JD | JD | JD | JD | |
| Credit rating categories based on the bank's internal system: | | | | | |
| From 1 - 4 | 161,760,328 | 1,881,982 | - | 163,642,310 | 144,129,971 |
| From 5 - 6 | 5,966,642 | 8,566,984 | - | 14,533,626 | 27,433,417 |
| From 7 - 8b | - | - | 12,139,507 | 12,139,507 | 5,626,204 |
| Total | 167,726,970 | 10,448,966 | 12,139,507 | 190,315,443 | 177,189,592 |

## The following is the distribution of total credit facilities by internal credit rating for the Government and Public Sector for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 117,755,662 | - | - | 117,755,662 |
| Total | 117,755,662 | - | - | 117,755,662 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system | 141,304,467 | - | - | 141,304,467 |
| Total | 141,304,467 | - | - | 141,304,467 |

The following is the movement on direct credit facilities for the Government and Public Sector for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 141,304,467 | - | - | 141,304,467 |
| New facilities during the year | 23,798,083 | - | - | 23,798,083 |
| Paid facilities | (47,346,888) | - | - | (47,346,888) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Facilities transferred off balance sheet | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 117,755,662 | - | - | 117,755,662 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 127,826,858 | - | - | 127,826,858 |
| Facilities related to NBAD | 7,480,413 | - | - | 7,480,413 |
| Paid facilities | 30,039,903 | - | - | 30,039,903 |
| Transferred to stage (1) | (24,042,707) | - | - | (24,042,707) |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Facilities transferred off balance sheet | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 141,304,467 | - | - | 141,304,467 |

The following is the movement on the provision for expected credit losses for the Government and Public Sector for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 315,795 | - | - | 315,795 |
| Impairment losses on the new facilities during the year | 223 | - | - | 223 |
| Recovered from impairment on the paid facilities | (314,977) | - | - | (314,977) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect on the provision due to changes in the classifications between the three stages during the year | - | - | - | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 1,041 | - | - | 1,041 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | - | - | - | - |
| Provisions related to NBAD | 17,275 | - | - | 17,275 |
| Impairment losses on the new facilities during the year | 298,520 | - | - | 298,520 |
| Recovered from impairment on the paid facilities | - | - | - | - |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect on the provision due to changes in the classifications between the three stages during the year | - | - | - | - |
| Effect of adjustments | - | - | - | - |
| Written off facilities | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - |
| Balance - End of the Year | 315,795 | - | - | 315,795 |

The following is the distribution of total credit facilities by internal credit rating for the Government and Public Sector for the year ended December 31, 2019 and 2018:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | "Stage (1) - Individual | Stage (2) - Individual | Stage (3) | Total | |
| | JD | JD | JD | JD | |
| Credit rating categories based on the bank's internal system: | | | | | |
| From 1 - 4 | 117,755,662 | - | - | 117,755,662 | 141,304,467 |
| From 5 - 6 | - | - | - | - | - |
| From 7 - 8b | - | - | - | - | - |
| Total | 117,755,662 | - | - | 117,755,662 | 141,304,467 |

Direct credit facilities are distributed to geographic location and economic sector befor provisions and interest in suspense as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Economic sector | | |
| Industry | 93,466,684 | 86,239,041 |
| Trade | 220,762,821 | 233,237,945 |
| Real Estate | 209,034,802 | 191,406,761 |
| Minning | 3,663,557 | 4,480,309 |
| Financing purchase of shares | 13,787,140 | 8,660,906 |
| Transportation | 14,905,282 | 12,032,022 |
| Financial services | 32,626,770 | 34,754,378 |
| Services and public facilities | 65,979,932 | 51,446,335 |
| Tourism and hotels | 19,872,576 | 20,804,423 |
| Agriculture | 4,810,769 | 1,721,694 |
| Government and public departments | 117,755,662 | 141,304,467 |
| Retail and others (financing goods, personal loans, cars and financial intermediaries) | 99,174,664 | 76,289,871 |
| | 895,840,659 | 862,378,152 |

# 11. Property and Equipment - Net

The details of this item are as follows:

| | Buildings | Equipment, Furniture and Fixtures | Vehicles | Computers Hardware | Lands | Total |
|---|---|---|---|---|---|---|
| For the year ended December 31, 2019 | JD | JD | JD | JD | JD | JD |
| Cost: | | | | | | |
| Balance - beginning of the year | 19,851,585 | 8,360,288 | 298,791 | 5,635,881 | 1,736,209 | 35,882,754 |
| Additions | - | 215,351 | 83,760 | 39,476 | - | 338,587 |
| Transfers from payments on purchased property and equipment | 195,866 | 1,194,462 | - | 873,047 | 190,086 | 2,453,461 |
| Disposals | - | (2,206) | (132,642) | - | - | (134,848) |
| Balance - End of the Year | 20,047,451 | 9,767,895 | 249,909 | 6,548,404 | 1,926,295 | 38,539,954 |
| Accumulated Depreciation: | | | | | | |
| Balance - beginning of the year | 1,969,731 | 5,212,222 | 211,128 | 5,152,385 | - | 12,545,466 |
| Annual depreciation | 416,424 | 595,618 | 33,530 | 209,138 | - | 1,254,710 |
| Disposals | - | (2,188) | (118,394) | - | - | (120,582) |
| Balance - End of the Year | 2,386,155 | 5,805,652 | 126,264 | 5,361,523 | - | 13,679,594 |
| Net book value of property and equipment | 17,661,296 | 3,962,243 | 123,645 | 1,186,881 | 1,926,295 | 24,860,360 |
| Payments on purchased property and equipment | 3,172,397 | 11,484 | - | 117,699 | - | 3,301,580 |
| Net Book Value – End of the Year | 20,833,693 | 3,973,727 | 123,645 | 1,304,580 | 1,926,295 | 28,161,940 |
| For the year ended December 31, 2018 | | | | | | |
| Cost: | | | | | | |
| Balance - beginning of the year | 17,076,868 | 6,369,265 | 251,251 | 4,070,659 | - | 27,768,043 |
| Resulted from the acquisition of NBAD* | 2,768,133 | 1,759,336 | 16,640 | 1,362,451 | 1,736,209 | 7,642,769 |
| Additions | - | 139,519 | 30,900 | 202,771 | - | 373,190 |
| Transfers from payments on purchased property and equipment | 6,584 | 92,168 | - | - | - | 98,752 |
| Disposals | - | - | - | - | - | - |
| Balance - End of the Year | 19,851,585 | 8,360,288 | 298,791 | 5,635,881 | 1,736,209 | 35,882,754 |
| Accumulated Depreciation: | | | | | | |
| Balance - beginning of the year | 1,143,375 | 3,909,369 | 168,806 | 3,554,013 | - | 8,775,563 |
| Resulted from the acquisition of NBAD* | 475,197 | 755,456 | 16,640 | 1,309,194 | - | 2,556,487 |
| Annual depreciation | 351,159 | 547,397 | 25,682 | 289,178 | - | 1,213,416 |
| Disposals | - | - | - | - | - | - |
| Balance - End of the Year | 1,969,731 | 5,212,222 | 211,128 | 5,152,385 | - | 12,545,466 |
| Net book value of property and equipment | 17,881,854 | 3,148,066 | 87,663 | 483,496 | 1,736,209 | 23,337,288 |
| Payments on purchased property and equipment | 3,209,541 | 1,084,154 | - | 1,721,624 | - | 6,015,319 |
| Net Book Value – End of the Year | 21,091,395 | 4,232,220 | 87,663 | 2,205,120 | 1,736,209 | 29,352,607 |

Annual depreciation Rate %

* This item represents the difference between the book value and fair value resulted from the acquisition of National Bank of Abu Dhabi during 2018.

- Property and equipment include fully depreciated assets amounted to JD 8,292,566 as of December 31, 2019 (JD 5,646,827 as of December 31, 2018). These assets are still used by the Bank.

## 12. Intangible Assets - Net

The details of this item are as follows:

| | License to Use Software and Information Systems | Software and Information Systems Development | Key | Participation Contracts | Intangible Assets Arising from NBAD Acquisition | Total |
|---|---|---|---|---|---|---|
| For the year ended December 31, 2019 | JD | JD | JD | JD | JD | JD |
| Cost: | | | | | | |
| Balance - beginning of the year | 1,345,357 | 1,465,797 | 42,500 | 674,125 | 3,519,000 | 7,046,779 |
| Additions | 89,885 | 105,567 | 15,000 | - | - | 210,452 |
| Transfers from payments on purchased property and equipment | - | 975,335 | - | - | - | 975,335 |
| Balance - End of the Year | 1,435,242 | 2,546,699 | 57,500 | 674,125 | 3,519,000 | 8,232,566 |
| Accumulated Amortization: | | | | | | |
| Balance - beginning of the year | 987,645 | 1,171,066 | 35,848 | 168,531 | - | 2,363,090 |
| Annual amortization | 137,004 | 140,120 | 5,227 | 33,706 | 588,804 | 904,861 |
| Balance - End of the Year | 1,124,649 | 1,311,186 | 41,075 | 202,237 | 588,804 | 3,267,951 |
| Net Book Value – End of the Year | 310,593 | 1,235,513 | 16,425 | 471,888 | 2,930,196 | 4,964,615 |
| For the year ended December 31, 2018 | | | | | | |
| Cost: | | | | | | |
| Balance - beginning of the year | 1,249,165 | 1,396,836 | 42,500 | 674,125 | - | 3,362,626 |
| Resulted from the acquisition of NBAD* | - | - | - | - | 3,519,000 | 3,519,000 |
| Additions | 96,192 | 68,961 | - | - | - | 165,153 |
| Balance - End of the Year | 1,345,357 | 1,465,797 | 42,500 | 674,125 | 3,519,000 | 7,046,779 |
| Accumulated Depreciation: | | | | | | |
| Balance - beginning of the year | 857,740 | 1,059,317 | 31,173 | 134,825 | - | 2,083,055 |
| Annual depreciation | 129,905 | 111,749 | 4,675 | 33,706 | - | 280,035 |
| Balance - End of the Year | 987,645 | 1,171,066 | 35,848 | 168,531 | - | 2,363,090 |
| Net Book Value – End of the Year | 357,712 | 294,731 | 6,652 | 505,594 | 3,519,000 | 4,683,689 |

* These items represent the intangible assets acquired as a result of NBAD acquisition.
- The intangible assets includes fully amortized assets in an amount of JD 1,732,404 as of December 31,2019 (JD 1,526,569 as of December 31, 2018).

## 13. Other Assets

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Accrued interest and revenue | 10,769,243 | 9,864,237 |
| Prepaid expenses | 741,929 | 826,970 |
| Assets seized by the Bank * | 4,864,973 | 3,676,261 |
| Clearing checks | 8,744,406 | 5,802,213 |
| Other | 635,407 | 1,829,588 |
| Total | 25,755,958 | 21,999,269 |

* The regulations of the Central Bank of Jordan require the Bank to dispose seized assets within a maximum period of two years from the acquisition date. However, in some exceptions the Central Bank of Jordan has the right to extend the period for maximum two subsequent years.

- The following is a summary of the movement on assets seized by the Bank:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | 3,676,261 | 2,887,823 |
| Additions | 1,432,066 | 788,438 |
| Disposals | (108,923) | - |
| Provision for impairment due to drop in prices | (134,431) | - |
| Balance - End of the Year | 4,864,973 | 3,676,261 |

## 14- Lease Contracts

### A- Right-of-use Assets

**The following is the movement on the right-of-use assets during the year :**

| | For the Year Ended December 31, 2019 |
|---|---|
| | JD |
| Balance - beginning of the year (Adjusted) | 1,442,888 |
| Add: Additions during the year | - |
| Less: Annual depreciaiton | (400,720) |
| Balance - End of the Year | 1,042,168 |

**Amounts that were recorded in the consolidated statement of profit or loss:**

| | For the Year Ended December 31, 2019 |
|---|---|
| | JD |
| Depreciation for the year | 400,720 |
| Interest for the year | 26,932 |
| Total | 427,652 |

### B- Lease liabilities

| | For the Year Ended December 31, 2019 |
|---|---|
| | JD |
| Balance - beginning of the year (Adjusted) | 1,278,823 |
| Add: Interest during the year | 26,932 |
| Less: Paid during the period | (402,310) |
| Balance - End of the Year | 903,445 |

**Maturity of lease liabilities analysis:**

| | For the Year Ended December 31, 2019 |
|---|---|
| | JD |
| Less than one year | 182,372 |
| From one to five years | 470,820 |
| More than five years | 250,253 |
| Total | 903,445 |

**Undiscounted lease obligations analysis:**

| | For the Year Ended December 31, 2019 |
|---|---|
| | JD |
| Less than one year | 191,490 |
| From one to five years | 546,735 |
| More than five years | 343,212 |
| Total | 1,081,437 |

## 15. Banks and Financial Institutions Deposits

The details of this item are as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Inside Jordan | Outside Jordan | Total | Inside Jordan | Outside Jordan | Total |
| | JD | JD | JD | JD | JD | JD |
| Current accounts and demand deposits | - | 452,794 | 452,794 | - | 2,188,914 | 2,188,914 |
| Time deposits | 45,797,489 | - | 45,797,489 | 32,323,408 | 2,127,000 | 34,450,408 |
| Total | 45,797,489 | 452,794 | 46,250,283 | 32,323,408 | 4,315,914 | 36,639,322 |

## 16. Customers' Deposits

The details of this item are as follows:

| | Individual | Corporate | SMEs | Government and Public Sector | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| For the Year Ended December 31, 2019 | | | | | |
| Current accounts and demand deposits | 34,210,372 | 69,566,069 | 17,768,226 | 62,457,741 | 184,002,408 |
| Saving deposits | 73,966,081 | 146,783 | 1,101,387 | 6,298 | 75,220,549 |
| Time and notice deposits | 340,344,018 | 215,754,621 | 36,993,037 | 469,747,070 | 1,062,838,746 |
| Certificates of deposits | 28,846,709 | 100,000 | 100,000 | - | 29,046,709 |
| Total | 477,367,180 | 285,567,473 | 55,962,650 | 532,211,109 | 1,351,108,412 |
| | | | | | |
| For the Year Ended December 31, 2018 | | | | | |
| Current accounts and demand deposits | 48,339,290 | 69,926,650 | 32,447,582 | 68,948,598 | 219,662,120 |
| Saving deposits | 71,672,984 | 58,271 | 749,379 | 12,901 | 72,493,535 |
| Time and notice deposits | 327,068,854 | 222,315,080 | 35,408,639 | 475,781,039 | 1,060,573,612 |
| Certificates of deposits | 26,068,887 | 60,230 | 100,000 | - | 26,229,117 |
| Total | 473,150,015 | 292,360,231 | 68,705,600 | 544,742,538 | 1,378,958,384 |

- The deposits of the Government of Jordan and the public sector inside Jordan amounted to JD 532,211,109 representing 39.39% of total deposits as of December 31, 2019 (JD 544,742,538, representing 39.50% of total deposits as of December 31, 2018).
- Non-interest-bearing deposits amounted to JD 161,530,075 representing 11.96% of total deposits as of December 31, 2019 (JD 144,483,366 representing 10.48% as of December 31, 2018).
- Restricted deposits amounted to JD 360 representing as of December 31, 2019 (JD 393 as of December 31, 2018).
- Dormant accounts amounted to JD 3,282,696 as of December 31, 2019 (JD 3,546,477, as of December 31, 2018).

## 17. Cash Margins

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Margins against direct credit facilities | 84,224,235 | 96,560,458 |
| Margins against indirect credit facilities | 27,234,913 | 11,274,598 |
| Other margins | 1,623,146 | 1,201,236 |
| Total | 113,082,294 | 109,036,292 |

## 18. Loans and Borrowing

The details of this item are as follows:

- These loans were obtained with the aim of using them to convert SME within a medium-term conversion program.

| | Amount | No. of total payments | | "Periodic Repayment" | Collaterals | "Loan interest rate price" | "Re-lending Interest Rate" |
|---|---|---|---|---|---|---|---|
| | | Total no. of payments | Remaining payments | | | | |
| | JD | | | | | % | % |
| December 31, 2019 | | | | | | | |
| French Development Agency | 496,788 | 16 | 1 | Semi-annual installments | - | Variable 0.25 | 7.5 - 8.5 |
| Central Bank of Jordan | 581,053 | 54 | 47 | Monthly | Mortgage Bonds | 1.75 Fixed | 4 |
| Central Bank of Jordan | 1,600,000 | 20 | 16 | Semi-annual installments | - | Variable 3.85 | 6 - 7.37 |
| Central Bank of Jordan | 2,210,000 | 15 | 10 | Semi-annual installments | - | Fixed 2.5 | 6 |
| Central Bank of Jordan | 11,161,677 | 109-19 | 89-1 | Monthly | Bank notes | Fixed 1-2 | 5.5 - 3.6 |
| Jordan Mortgage Refinance Company | 2,000,000 | 4 | 3 | Semi-annual installments | Lease Mortgage | Fixed 6.1 | 7.5 |
| Jordan Mortgage Refinance Company | 10,000,000 | 6 | 3 | Semi-annual installments | Lease Mortgage | Fixed 6.2 | 7.5 |
| Jordan Mortgage Refinance Company | 5,000,000 | 6 | 6 | Semi-annual installments | Lease Mortgage | Fixed 6.1 | 7.5 |
| Housing Bank for Trade and Finance - Overdraft by SGBJ Finance Leasing Company | 637,958 | - | - | - | - | Variable 5.25 | 11 - 9 |
| Housing Bank for Trade and Finance - Revolving financing by SGBJ Finance Leasing Company | 751,436 | 36 | 35 | Monthly | - | Variable 5.25 | 11 - 9 |
| | 34,438,912 | | | | | | |

- The maturity dates of funds borrowed from the Central Bank of Jordan and were re-borrowed range from 2020 to 2028.
- Fixed-interest loans amounted to JD 13,952,730 and variable-interest loans were JD 1,600,000 as at 31 December 2019.
- The Central Bank›s borrowings includes an amount of JD 3,810,000 for financing and support of SMEs, and JD 3,145,778 representing medium-term advances to support the industrial sector, JD 3,018,698 which represents a medium-term advances to support the tourism sector and JD 5,578,254 to support the renewable energy sector.
- All amounts borrowed from the Jordanian Mortgage Refinancing Company are due by 2022.

| | Amount | No. of total payments | | "Periodic Repayment" | Collaterals | "Loan interest rate price" | "Re-lending Interest Rate" |
|---|---|---|---|---|---|---|---|
| | | Total no. of payments | Remaining payments | | | | |
| | JD | | | | | % | % |
| December 31, 2018 | | | | | | | |
| French Development Agency | 1,519,416 | 16 | 3 | Semi-annual installments | - | Variable 0.25 | 7.5 - 8 |
| Central Bank of Jordan | 774,737 | 54 | 51 | Monthly installments | Bonds | Fixed 1.75 | 4 |
| Central Bank of Jordan | 1,800,000 | 20 | 18 | semi-annual installments | Bank notes | Variable 4.37 | 6.5 - 8.31 |
| Central Bank of Jordan | 2,686,000 | 15 | 12 | semi-annual installments | Bank notes | Fixed 2.5 | 6 |
| Central Bank of Jordan | 10,281,168 | 109 - 12 | 101 - 5 | Monthly installments | Bank notes | Variable 1.75 - 2.25 | 3.6 - 6 |
| Jordan Mortgage Refinance Company | 2,000,000 | 2 | 1 | semi-annual installments | Mortgage Bonds | Fixed 5.2 | 8.221 |
| Jordan Mortgage Refinance Company | 10,000,000 | 6 | 5 | semi-annual installments | Mortgage Bonds | Fixed 6.2 | 8.221 |
| | 29,061,321 | | | | | | |

- The maturity dates of funds reborrowed from the Central Bank of Jordan range during the years from 2019 to 2028.
- Fixed interest loans amounted to JD 13,741,905 and variable interest loans were JD 1,800,000 as at 31 December 2018
- The Central Bank›s predecessor included an amount of 4,486,000 JD for the financing and support of micro, small and medium-sized companies and 3,799,395 JD representing medium-term advances to support the industrial sector 2714760 JD which represents a medium-term predecessor to support the tourism sector and 4,541,750 JD to support the energy sector.
- All amounts borrowed from the Jordanian Mortgage Refinancing Company are due during the year 2021.

## 19. Sundry Provisions

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

| | Balance at the beginning of the year | Addition during the year | Paid during the year | Transferred to income | Balance at the end of the year |
|---|---|---|---|---|---|
| 2019 | JD | JD | JD | JD | JD |
| Provision for lawsuits against the bank | 61,841 | 2,704 | - | - | 64,545 |
| Total | 61,841 | 2,704 | - | - | 64,545 |
| | | | | | |
| 2018 | | | | | |
| Provision for lawsuits against the bank | 46,500 | 72,641 | (54,220) | (3,080) | 61,841 |
| Total | 46,500 | 72,641 | (54,220) | (3,080) | 61,841 |

## 20. Income Tax

### A. Income tax provision

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

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | 213,215 | 2,808,923 |
| Income tax paid | (1,708,432) | (3,654,730) |
| Income tax for the year | 6,841,525 | 1,059,022 |
| Balance - End of the Year | 5,346,308 | 213,215 |

Income tax appearing in the consolidated income statement represents the following:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Income tax for the year | 6,841,525 | 1,059,020 |
| Deferred tax assets for the year | (798,098) | 2,924,489 |
| Deferred tax liabilities for the year | 23,506 | 165,766 |
| | 6,066,933 | 4,149,275 |

### B. Deferred Income Tax Assets / Liabilities

The details of this item are as follows:

| | 2018 | | | | | 2018 |
|---|---|---|---|---|---|---|
| | Balance - Beginning of the Year | Amounts Released | Amounts Added | Balance - End of the Year | Deferred Taxes | Deferred Tax |
| | JD | JD | JD | JD | JD | JD |
| Deferred Tax Assets | | | | | | |
| Provision of impairment of credit facilities | 1,767,570 | - | - | 1,767,570 | 671,677 | 671,677 |
| Provision for drop in real estate prices | - | - | 134,431 | 134,431 | 51,084 | - |
| Impairment provision for financial assets at amortized cost | 400,000 | - | 750,000 | 1,150,000 | 437,000 | 152,000 |
| Provision of assets sized above 4 years | 605,446 | - | - | 605,446 | 230,069 | 230,069 |
| Provision for the lawsuits against the Bank | 201,819 | (139,978) | 2,704 | 64,545 | 24,527 | 76,692 |
| Provision for expected credit losses | 4,955,169 | (4,678,449) | 6,029,558 | 6,306,278 | 2,397,144 | 1,882,965 |
| Total | 7,930,004 | (4,818,427) | 6,916,693 | 10,028,270 | 3,811,501 | 3,013,403 |
| | | | | | | |
| Deferred Tax Liabilities | | | | | | |
| Provision against deprecation property and equipment | 1,501,908 | (605,002) | 666,863 | 1,563,770 | 594,231 | 570,725 |
| Change in fair value reserve | - | - | 1,855,833 | 1,855,833 | 705,218 | - |
| Total | 1,501,908 | (605,002) | 2,522,696 | 3,419,603 | 1,299,449 | 570,725 |

### - The movement on the deferred income tax assets / liabilities is as follows:

| | Assets December 31 | | Liabilities December 31 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 3,013,403 | 1,134,765 | 570,725 | 404,959 |
| Resulted from the acquisition of NBAD | - | 1,012,327 | - | - |
| Impact of implementing IFRS (9) | - | 3,790,800 | - | - |
| Adjusted Balance as of January 1, | 3,013,403 | 5,937,892 | 570,725 | 404,959 |
| Additions | 2,629,100 | 263,324 | 958,625 | 198,253 |
| Disposals | (1,831,002) | (3,187,813) | (229,901) | (32,487) |
| Balance - End of the Year | 3,811,501 | 3,013,403 | 1,299,449 | 570,725 |

C. Reconciliation of the accounting profit with taxable profit

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Accounting profit | 16,127,130 | 12,434,220 |
| Non-taxable income | (5,485,290) | (9,564,741) |
| Non-deductible expenses | 7,496,059 | 220,211 |
| Taxable Profit | 18,137,899 | 3,089,690 |
| Effective income tax rate | 33.50% | 33.37% |

- The Bank has reached a final settlement with the Income Tax Department up to the year 2015. The income tax return for 2018 has been accepted by the Income Tax Department through the samples system, however it has been recommended to reopen the file.
- The Bank has filed its income tax returns for the years 2016 and 2017 and paid the declared income taxes, pending the review by the Income Tax Department.
- Societe Generale Brokerage Company has reached a final settlement with Income Tax Department until the end of 2018.
- Societe Generale Finance Leasing Company has reached a final settlement with Income Tax Department until the end of 2018."
- Statutory tax rate on the Bank was 38% until the end of 2019 inclusive of national contribution. (35% until the end of 2018), whereas the statutory tax rate for the subsidiaries was 28% until the end of 2019 inclusive of national contribution. (24% until the end of 2018)."

## 21. Other Liabilities

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Accrued interest expense | 14,859,250 | 10,790,681 |
| Restricted balances | 3,111,201 | 2,461,850 |
| Checks and payment orders | 1,059,985 | 1,798,469 |
| Interest and commissions received in advance | 344,021 | 380,979 |
| Accrued expenses | 1,305,468 | 1,546,947 |
| Inter-branches settlement | 69,111 | 877,372 |
| Social security and income tax deposits | 324,376 | 291,971 |
| Board of Directors remunerations | 85,131 | 92,335 |
| "Provision for expected credit loss for off-consolidated statement of financial position items" | 1,042,287 | 1,019,386 |
| Payments against collection of outstanding debts | 2,833,642 | 1,311,642 |
| Other liabilities | 1,722,021 | 356,090 |
| Total | 26,756,493 | 20,927,722 |

- The following is the distribution of total indirect credit facilities by internal credit rating for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the bank's internal system: | 151,817,841 | 24,853,873 | 477,724 | 177,149,438 |
| Total | 151,817,841 | 24,853,873 | 477,724 | 177,149,438 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the bank's internal system: | 225,627,348 | 3,950,907 | 1,162,477 | 230,740,732 |
| Total | 225,627,348 | 3,950,907 | 1,162,477 | 230,740,732 |

- The following is the movement on indirect credit facilities:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 225,325,348 | 3,950,907 | 1,162,477 | 230,438,732 |
| New exposure during the year | 50,387,556 | 7,595,580 | 100,000 | 58,083,136 |
| Paid exposure | (107,620,197) | (3,333,618) | (418,615) | (111,372,430) |
| Transferred to stage (1) | 558,667 | (558,667) | - | - |
| Transferred to stage (2) | (16,789,671) | 17,199,671 | (410,000) | - |
| Transferred to stage (3) | (43,862) | - | 43,862 | - |
| Changes from adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 151,817,841 | 24,853,873 | 477,724 | 177,149,438 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 172,322,484 | 5,119,349 | - | 177,441,833 |
| New exposure during the year | 114,922,849 | 575,401 | 208 | 115,498,458 |
| New exposure during the year (NBAD) | 22,887,382 | 782,019 | 481,287 | 24,150,688 |
| Paid exposure | (83,629,696) | (3,009,359) | (13,192) | (86,652,247) |
| Transferred to stage (1) | 1,735,241 | (1,735,241) | - | - |
| Transferred to stage (2) | (2,480,745) | 2,480,745 | - | - |
| Transferred to stage (3) | (432,167) | (262,007) | 694,174 | - |
| Changes from adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 225,325,348 | 3,950,907 | 1,162,477 | 230,438,732 |

- The following is the movement on the provision for expected credit losses for indirect facilities for the year ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 537,345 | 25,328 | 456,713 | 1,019,386 |
| Impairment loss on new exposures during the year | 49,101 | 645,073 | 62,884 | 757,058 |
| Recovered from the impairment loss of the Paid exposures | (381,167) | (179,091) | (173,899) | (734,157) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | (103,597) | 267,847 | (164,250) | - |
| Transferred to stage (3) | (83) | - | 83 | - |
| Effect on the provision due to changes in the classifications between the three stages during the year | (103,680) | 267,847 | (164,167) | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 101,599 | 759,157 | 181,531 | 1,042,287 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | - | - | - | - |
| Impact of implementing IFRS (9) | 295,956 | 25,350 | - | 321,306 |
| Adjusted Balance | 295,956 | 25,350 | - | 321,306 |
| Impairment loss on new exposures during the year | 342,767 | 15,881 | 453,553 | 812,201 |
| Impairment loss on new exposure during the year (NBAD) | 1,629 | 634,841 | 126,389 | 762,859 |
| Recovered from the impairment loss of the Paid exposures | (114,534) | (634,842) | (127,604) | (876,980) |
| Transferred to stage (1) | 12,285 | (12,285) | - | - |
| Transferred to stage (2) | (23) | 23 | - | - |
| Transferred to stage (3) | (735) | (3,640) | 4,375 | - |
| Effect on the provision due to changes in the classifications between the three stages during the year | 11,527 | (15,902) | 4,375 | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 537,345 | 25,328 | 456,713 | 1,019,386 |

- The following is  the total distribution of indirect facilities guarantees according to the internal credit rating categories of the Bank as of December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | 42,828,721 | 15,977,006 | 477,724 | 59,283,451 |
| Total | 42,828,721 | 15,977,006 | 477,724 | 59,283,451 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | 75,324,819 | 426,003 | 1,161,363 | 76,912,185 |
| Total | 75,324,819 | 426,003 | 1,161,363 | 76,912,185 |

The following is the movement on indirect facilities (guarantees) as of December 31, 2019 and 2018 :

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 75,324,819 | 426,003 | 1,161,363 | 76,912,185 |
| New facilities during the year | 8,700,893 | 2,732,991 | 100,000 | 11,533,884 |
| Paid facilities | (28,543,740) | (201,377) | (417,501) | (29,162,618) |
| Transferred to stage (1) | 143,300 | (143,300) | - | - |
| Transferred to stage (2) | (12,752,689) | 13,162,689 | (410,000) | - |
| Transferred to stage (3) | (43,862) | - | 43,862 | - |
| Changes resulting from adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Facilities that have been transferred outside the consolidated statement of financial position | - | | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 42,828,721 | 15,977,006 | 477,724 | 59,283,451 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 54,922,926 | 1,266,153 | - | 56,189,079 |
| NBAD facilities | 2,134,411 | - | 481,287 | 2,615,698 |
| New facilities during the year | 50,887,848 | 54,118 | - | 50,941,966 |
| Paid facilities | (32,561,035) | (260,531) | (12,992) | (32,834,558) |
| Transferred to stage (1) | 372,330 | (372,330) | - | - |
| Transferred to stage (2) | (600) | 600 | - | - |
| Transferred to stage (3) | (431,061) | (262,007) | 693,068 | - |
| Changes resulting from changes | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 75,324,819 | 426,003 | 1,161,363 | 76,912,185 |

- The movement in the provision for expected credit losses for indirect facilities (guarantees) as of December 31, 2019 and 2018 is as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 451,349 | 15,621 | 456,713 | 923,683 |
| Loss of impairment in new facilities during the year | 18,154 | 502,441 | 62,884 | 583,479 |
| Recovered from impairment in paid facilities | (313,745) | (172,343) | (173,899) | (659,987) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | (101,246) | 265,496 | (164,250) | - |
| Transferred to stage (3) | (83) | - | 83 | - |
| Effect on the provision - End of the Year due to classification changes between 3 stages during year | (101,329) | 265,496 | (164,167) | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 54,429 | 611,215 | 181,531 | 847,175 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 239,644 | 25,233 | - | 264,877 |
| NBAD provisions | 1,629 | - | 192,887 | 194,516 |
| Loss of impairment in new facilities during the year | 285,986 | 6,855 | 260,623 | 553,464 |
| Recovered from impairment in paid facilities | (87,437) | (565) | (1,172) | (89,174) |
| Transferred to stage (1) | 12,285 | (12,285) | - | - |
| Transferred to stage (2) | (23) | 23 | - | - |
| Transferred to stage (3) | (735) | (3,640) | 4,375 | - |
| Effect on the provision - End of the Year due to classification changes between 3 stages during year | 11,527 | (15,902) | 4,375 | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 451,349 | 15,621 | 456,713 | 923,683 |

- The following is the of total indirect facilities (guarantees) according to the internal credit rating categories of the bank as of December 31, 2019 and 2018:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | "Stage (1) - Individual | Stage (2) - Individual | Stage (3) Individual | Total | |
| | JD | JD | JD | JD | |
| Credit rating categories based on the bank's internal system: | | | | | |
| From 1 - 4 | 42,818,221 | - | - | 42,818,221 | 73,293,982 |
| From 5 - 6 | 10,500 | 15,977,006 | - | 15,987,506 | 2,456,840 |
| From 7 - 8b | - | - | 477,724 | 477,724 | 1,161,363 |
| Total | 42,828,721 | 15,977,006 | 477,724 | 59,283,451 | 76,912,185 |

- The following is the of total indirect facilities (letters of credit) according to the internal credit rating categories of the Bank as of December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | 5,351,391 | 4,899,357 | - | 10,250,748 |
| Total | 5,351,391 | 4,899,357 | - | 10,250,748 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | 16,367,627 | - | - | 16,367,627 |
| Total | 16,367,627 | - | - | 16,367,627 |

- The following is the movement on indirect facilities (letters of credit) as of December 31, 2019 and 2018 :

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 16,367,627 | - | - | 16,367,627 |
| New facilities during the year | 1,142,511 | 2,303,057 | - | 3,445,568 |
| Paid facilities | (9,562,447) | - | - | (9,562,447) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | (2,596,300) | 2,596,300 | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Facilities that have been transferred outside the consolidated statement of financial position | - | | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 5,351,391 | 4,899,357 | - | 10,250,748 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 12,721,097 | - | - | 12,721,097 |
| NBAD facilities | 116,985 | - | - | 116,985 |
| New facilities during the year | 7,942,648 | - | - | 7,942,648 |
| Paid facilities | (4,413,103) | - | - | (4,413,103) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 16,367,627 | - | - | 16,367,627 |

- The movement in the provision for expected credit losses for indirect facilities (letters of credit) as of December 31, 2019 and 2018 is as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 29,164 | - | - | 29,164 |
| Loss of impairment in new facilities during the year | 3,571 | 137,795 | - | 141,366 |
| Recovered from impairment in paid facilities | (24,832) | - | - | (24,832) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | (2,256) | 2,256 | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect on the provision - End of the Year due to classification changes between 3 stages during year | (2,256) | 2,256 | - | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 5,647 | 140,051 | - | 145,698 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 26,390 | - | - | 26,390 |
| NBAD provisions | - | - | - | - |
| Loss of impairment in new facilities during the year | 17,406 | - | - | 17,406 |
| Recovered from impairment in paid facilities | (14,632) | - | - | (14,632) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect on the provision - End of the Year due to classification changes between 3 stages during year | - | - | - | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 29,164 | - | - | 29,164 |

- The following is the of total indirect facilities (letters of credit) according to the internal credit rating categories of the Bank as of December 31, 2019 and 2018:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | "Stage (1) - Individual | Stage (2) - Individual | Stage (3) Individual | Total | |
| | JD | JD | JD | JD | |
| Credit rating categories based on the bank's internal system: | | | | | |
| From 1 - 4 | 5,351,391 | - | - | 5,351,391 | 16,367,627 |
| From 5 - 6 | - | 4,899,357 | - | 4,899,357 | - |
| From 7 - 8b | - | - | - | - | - |
| Total | 5,351,391 | 4,899,357 | - | 10,250,748 | 16,367,627 |

- The following is the of total indirect facilities (others) according to the internal credit rating categories of the Bank as of December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | 103,637,729 | 3,977,510 | - | 107,615,239 |
| Total | 103,637,729 | 3,977,510 | - | 107,615,239 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | 133,632,902 | 3,524,904 | 1,114 | 137,158,920 |
| Total | 133,632,902 | 3,524,904 | 1,114 | 137,158,920 |

- The following is the movement on indirect facilities (others) as of December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 133,632,902 | 3,524,904 | 1,114 | 137,158,920 |
| New facilities during the year | 40,544,152 | 2,559,532 | - | 43,103,684 |
| Paid facilities | (69,514,010) | (3,132,241) | (1,114) | (72,647,365) |
| Transferred to stage (1) | 415,367 | (415,367) | - | - |
| Transferred to stage (2) | (1,440,682) | 1,440,682 | - | - |
| Transferred to stage (3) | - | - | | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Facilities that have been transferred outside the consolidated statement of financial position | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 103,637,729 | 3,977,510 | - | 107,615,239 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 104,678,461 | 3,853,195 | - | 108,531,656 |
| NBAD facilities | 20,635,986 | 782,019 | - | 21,418,005 |
| New facilities during the year | 56,092,353 | 521,287 | 208 | 56,613,848 |
| Paid facilities | (46,655,557) | (2,748,832) | (200) | (49,404,589) |
| Transferred to stage (1) | 1,362,910 | (1,362,910) | - | - |
| Transferred to stage (2) | (2,480,145) | 2,480,145 | - | - |
| Transferred to stage (3) | (1,106) | - | 1,106 | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 133,632,902 | 3,524,904 | 1,114 | 137,158,920 |

- The movement in the provision for expected credit losses for indirect facilities (others) as of December 31, 2019 and 2018 is as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 56,832 | 9,707 | - | 66,539 |
| Loss of impairment in new facilities during the year | 27,376 | 4,837 | - | 32,213 |
| Recovered from impairment in paid facilities | (42,590) | (6,748) | - | (49,338) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | (95) | 95 | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect on the provision - End of the Year due to classification changes between 3 stages during year | - | - | - | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 41,523 | 7,891 | - | 49,414 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 29,921 | 117 | - | 30,038 |
| NBAD provisions | - | 634,841 | - | 634,841 |
| Loss of impairment in new facilities during the year | 39,376 | 9,592 | - | 48,968 |
| Recovered from impairment in paid facilities | (12,465) | (634,843) | - | (647,308) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect on the provision - End of the Year due to classification changes between 3 stages during year | - | - | - | - |
| Effect of adjustments | - | - | - | - |
| Written-off facilities | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance - End of the Year | 56,832 | 9,707 | - | 66,539 |

- The following is the of total indirect facilities (Others) according to the internal credit rating categories of the bank as of December 31, 2019 and 2018:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | "Stage (1) - Individual | Stage (2) - Individual | Stage (3) Individual | Total | |
| | JD | JD | JD | JD | |
| Credit rating categories based on the bank's internal system: | | | | | |
| From 1 - 4 | 103,637,729 | - | - | 103,637,729 | 133,632,909 |
| From 5 - 6 | - | 3,977,510 | - | 3,977,510 | 3,524,897 |
| From 7 - 8b | - | - | - | - | 1,114 |
| Total | 103,637,729 | 3,977,510 | - | 107,615,239 | 137,158,920 |

## 22. Authorized Capital

Capital:

The authorized in capital amounted to JD 100 million divided into 100 million shares at a par value of JD 1 per share as of December 31, 2019 and December 31, 2018.

## 23. Reserves

The details of the reserves as of December 31, 2019 and December 31, 2018 are as follows:

**a. Statutory Reserve**
This reserve represents amounts transferred from income before tax at a rate of 10% during the year and previous years according to Banks Law. The statutory reserve is not available for distribution to shareholders.

**b. Voluntary Reserve**
This reserve represents amounts transferred from the pre-tax profits at a rate not exceeding 20% during the year and previous year. The voluntary reserve shall be utilized for the purposes determined by the Board of Directors. The General Assembly shall have the right to distribute it in whole or in part as dividends to shareholders.

Restricted reserves are as follows:

| | December 31, | | |
|---|---|---|---|
| Reserve | 2019 | 2018 | Regulation |
| | JD | JD | |
| Statutory reserve | 14,501,460 | 12,880,233 | According to the Banks Law and the Companies Law. |
| Negative portion of fair value reserve | (227,434) | (220,155) | According to the Central Bank of Jordan and Jordan Securities Commission regulations. |

## 24. Fair Value Reserve - Net

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Balance – beginning of the year | (220,155) | (212,001) |
| Net change in fair value reserve | 1,143,340 | (8,154) |
| Balance - End of the Year | 923,185 | (220,155) |

## 25. Retained Earnings

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Balance - beginning of the year | 15,068,679 | 17,611,173 |
| Effect of implementing IFRS 9 | - | (7,040,055) |
| Transfer from reserve | - | 4,965,272 |
| Adjusted Balance - Beginning of the Year | 15,068,679 | 15,536,390 |
| Profit for the year | 10,060,197 | 8,284,945 |
| Transfers to reserves | (1,621,227) | (1,252,656) |
| Cash dividends | (5,000,000) | (7,500,000) |
| Balance - End of the Year | 18,507,649 | 15,068,679 |

- Retained earnings include an amount of JD 48,831 which represents the effect of the early adoption of IFRS 9, which cannot be used except for the amounts realized through the actual selling, including capitalization and distribution.

- The Bank cannot use an amount of JD 227,434 from fair value reserve as of December 31, 2018, which represents the negative change of financial assets at fair value through other comprehensive income, which is restricted according to the Jordan Securities Commission regulations.

- The Central Bank of Jordan issued new instructions No. 13/2018 dated June 6, 2018, in which it requested the transfer of the General Banking Risk Reserve balance to the retained earnings to offset the effect of IFRS 9 on the opening balance of retained earnings as of January 1, 2018. The regulations also stipulate that the balance of the General Banking Risk Reserve should be restricted and may not be distributed as dividends to the shareholders or used for any of purposes without Central Bank of Jordan prior approval.

## 26. Provision for the Expected Credit Losses on Financial Assets

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Provision for (released from) expected credit losses on direct facilities | 1,011,431 | (462,229) |
| Provision for expected credit losses on indirect facilities | 22,903 | 64,779 |
| "Provision for (released from) expected credit losses on financial assets at amortized cost " | 700,680 | (69,986) |
| "(Released from) provision of expected credit losses for balances and deposits at banks and financial institutions" | (33,854) | (1,382,837) |
| Net | 1,701,160 | (1,850,273) |

## 27. Interest Income

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Direct Credit Facilities | | |
| Retail | | |
| Loans and discounted bills | 7,566,281 | 5,767,309 |
| Credit cards | 106,267 | 97,367 |
| Real estate | 7,898,835 | 7,512,847 |
| Large entities | | |
| Overdraft | 9,069,813 | 7,420,166 |
| Loans and discounted bills | 26,585,031 | 18,993,676 |
| SMEs | | |
| Overdraft | 1,235,863 | 1,631,446 |
| Loans and discounted bills | 4,676,706 | 2,846,283 |
| Government and Public Sector | 6,489,684 | 6,053,412 |
| Balances at central bank | 2,815,806 | 2,402,986 |
| Balances and deposits at banks and financial institutions | 4,146,297 | 3,442,461 |
| Financial assets at amortized cost | 27,633,246 | 25,693,697 |
| Total | 98,223,829 | 81,861,650 |

## 28. Interest Expense

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Banks and financial institutions deposits | 1,110,034 | 774,915 |
| Customers deposits: | 64,391,204 | 55,005,750 |
| Current accounts and demand deposits | 1,654,922 | 710,378 |
| Saving deposits | 762,048 | 344,292 |
| Time and notice deposits | 60,321,638 | 53,181,244 |
| Certificates of deposit | 1,652,595 | 769,836 |
| Cash margins | 4,989,600 | 4,304,961 |
| Borrowed funds | 937,066 | 552,007 |
| Deposits Insurance Corporation fees | 1,670,280 | 2,212,234 |
| | 73,098,183 | 62,849,867 |

## 29. Net Commission Income

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Direct credit facilities commissions | 1,137,374 | 931,058 |
| Indirect credit facilities commissions | 1,037,943 | 910,716 |
| Brokerage company commissions | 173,217 | 93,723 |
| Net Commission Income | 2,348,534 | 1,935,497 |

## 30. Gains from Foreign Currencies

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Resulted from dealings / trading | 325,426 | 329,639 |
| Resulted from valuations | 906,507 | 862,239 |
| | 1,231,933 | 1,191,878 |

# 31. Other Income - net

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Credit cards commissions | 441,847 | 357,017 |
| Outgoing and incoming transfers commissions | 306,424 | 263,216 |
| Certified checks commissions | 10,888 | 12,629 |
| Checks under collection commissions | 19,067 | 17,296 |
| Salary transfers commissions | 146,313 | 129,008 |
| Returned checks commissions | 191,459 | 178,843 |
| Safety deposit boxes commissions | 24,913 | 21,784 |
| Check books commissions | 34,091 | 32,384 |
| Phone, fax, water and electricity commissions | 12,828 | 7,361 |
| Gain from redemption of written-off debts | 87,319 | 50,770 |
| Gain from sale of seized assets | 17,540 | - |
| Dormant accounts commission | 23,646 | 20,769 |
| Commissions from private banking products | 22,834 | 60,202 |
| Accounts management fees | 362,553 | 351,094 |
| Other* | 3,832,696 | 646,309 |
| Total | 5,534,418 | 2,148,682 |

* This item includes an amount of JD 2.7 million that was collected during the first quarter of 2019 as a settlement of the Bank's claim related to the acquisition of the assets and liabilities of National Bank of Abu Dhabi which was signed on March 28, 2019.

# 32. Employees Expenses

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Salaries, benefits and allowances | 6,565,996 | 5,466,870 |
| Bank's contribution in social security | 707,478 | 588,084 |
| Medical expenses | 402,399 | 294,235 |
| Training expenses | 50,588 | 40,151 |
| Travel and transportation expenses | 40,383 | 31,878 |
| Employees' life insurance expense | 23,195 | 21,800 |
| Other | 41,523 | 48,509 |
| | 7,831,563 | 6,491,527 |

# 33. Other Expenses

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Insurance | 438,932 | 422,417 |
| Water and electricity | 674,456 | 664,069 |
| Vehicles | 17,590 | 15,334 |
| Transportation | 24,635 | 39,547 |
| Board of Directors transportation | 55,074 | 59,200 |
| Maintenance | 336,459 | 303,737 |
| Computer | 622,105 | 585,354 |
| Stationery and printing | 180,558 | 173,679 |
| Hospitality | 66,681 | 79,713 |
| Donations | 42,130 | 36,247 |
| Money transfer | 125,628 | 82,595 |
| Real estate | 3,780 | 2,047 |
| Books and magazines | 1,938 | 1,837 |
| Rents | 79,311 | 413,211 |
| Consultation and lawyer fees | 151,872 | 167,785 |
| Professional fees | 93,745 | 162,009 |
| Other consulting fees | 171,957 | 205,961 |
| Telephone and fax | 722,762 | 725,242 |
| Media and advertising | 465,573 | 445,860 |
| Taxes and license fees | 249,328 | 199,164 |
| Private subscriptions | 189,210 | 142,506 |
| Governmental subscriptions | 336,428 | 192,135 |
| Security and guarding | 163,700 | 102,569 |
| Board of Directors remunerations | 85,131 | 92,335 |
| Investor guarantee fund | - | 2,941 |
| Legal fees | 244,688 | 229,021 |
| Other | 161,881 | 121,839 |
| | 5,705,552 | 5,668,354 |

# 34. Cash and Cash Equivalents

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Cash and balances with Central Bank of Jordan maturing within 3 months | 193,467,172 | 224,500,525 |
| Add: Balances at banks and financial institutions maturing within 3 months | 79,026,169 | 63,129,519 |
| Less: Banks and financial institutions deposits maturing within 3 months | (46,250,283) | (35,828,967) |
| | 226,243,058 | 251,801,077 |

# 35. Basic and Diluted Earnings Per Share for the Year

The details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Profit for the year (JD) | 10,060,197 | 8,284,945 |
| Weighted average number of shares (Share) | 100,000,000 | 100,000,000 |
| Earnings per share attributable to the Bank's shareholders: | | |
| Basic and Diluted (JD/Fils) | 0/101 | 0/083 |

# 36. Cash dividends

**In its meeting held on February 24, 2020, the Board of Directors resolved to distribute cash dividends representing 6% of the Bank›s paid-up capital for the year 2019 (5% for the year 2018), subject to the approval by the Central Bank of Jordan and the General Assembly.**

## 37. Balances and Transactions with Related Parties

The accompanying consolidated financial statements include the financial statements of the Bank and the following subsidiaries:

| Company Name | Ownership | The Company's Capital | |
|---|---|---|---|
| | | 2019 | 2018 |
| | % | JD | JD |
| Societe Generale Jordan Brokerage Company | 100 | 5,000,000 | 5,000,000 |
| Societe Generale Brokerage Company | 100 | 3,000,000 | 750,000 |

a. The Bank has entered into transactions with major shareholders, directors and senior management within the normal activities of the Bank and using trading interest rates and commissions. All facilities granted to related parties are considered to be performing and no provision has been made against those facilities except for the amount of JD 93,417, which represents non-performing credit facilities granted to relatives of members of the executive management, noting that a provision has been taken against them:

b. Details of balances and transactions with related parties during the year are presented below:

| | Related Party | | | | | Total | |
|---|---|---|---|---|---|---|---|
| | The Owner Company (Societe Generale de Lebanon) | Board Members | Subsidiaries | Executive Management Members | "Other (employees, relatives of " " Employees and Relatives of members " "of the Top Executive Management)" | December 31 | |
| | | | | | | 2019 | 2018 |
| Items within the consolidated statement of financial position: | JD | JD | JD | JD | JD | JD | JD |
| Direct credit facilities | - | 1,786,293 | 95,549 | 1,930,023 | 12,236,577 | 16,048,442 | 21,811,382 |
| Deposits | 8,638 | 684,799 | 572,412 | 43,246 | 2,156,263 | 3,465,358 | 2,572,126 |
| Cash margins | - | 3,700 | 50,000 | 27,270 | 369,236 | 450,206 | 3,186,845 |
| Bank's deposits with related parties | 6,242 | - | - | - | - | 6,242 | 4,165,738 |
| Items off the consolidated statement of financial position: | | | | | | | |
| Indirect credit facilities | 3,679,459 | 40,600 | 450,000 | 6,000 | 3,300 | 4,179,359 | 1,646,311 |
| | | | | | | For the Year Ended December 31 | |
| | | | | | | 2019 | 2018 |
| Elements of the consolidated statement of profit or loss: | | | | | | JD | JD |
| Interest and commission income | 198,856 | 133,940 | 30,332 | 11,631 | 432,936 | 807,695 | 2,894,586 |
| Interest and commission expense | - | 916 | 30,986 | 65,613 | 89,964 | 187,479 | 333,644 |

- The salaries and bonuses of the top executive management of the Bank and the fees, transportation and remuneration of the Board members amounted to JD 1,307,618 for the year ended December 31, 2019.(JD 1,159,381 for the year ended December 31, 2018).

- The interest income rates on the facilities in Jordanian Dinars range between 1% to 17%.
- The interest income rates on the facilities in foreign currency range between 6.5% to 7.5%.
- The interest expense rates on the deposits in Jordanian Dinars range between 0.05% to 6%.
- The interest expense rates on the deposits in foreign currency range between 0.03% to 2%.

## 38. The Fair Value of the Financial Assets and Financial Liabilities of the Bank which do not Appear at Fair Value

The details of this item are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value |
| | JD | JD | JD | JD |
| Balances and deposits with Central Bank of Jordan and financial institutions | 270,014,449 | 270,088,291 | 336,453,705 | 336,966,440 |
| Financial assets at amortized cost | 443,245,531 | 467,045,981 | 489,789,711 | 488,627,663 |
| Direct credit facilities - net | 849,100,023 | 852,000,012 | 808,873,745 | 811,241,182 |
| Deposits at banks and financial institutions | 46,250,283 | 46,252,993 | 36,639,322 | 36,814,827 |
| Customers' deposits | 1,351,108,412 | 1,365,009,685 | 1,378,958,384 | 1,388,707,174 |
| Cash margins | 113,082,294 | 113,805,693 | 109,036,292 | 109,666,625 |
| Borrowed funds | 34,438,912 | 34,670,779 | 29,061,321 | 29,266,373 |

- These financial insturments involve financial assets at amortized cost and direct credit facilities, customer's deposits and deposits at banks and financial institution and borrowed money.

## 39. Risk Mananagement:

The Bank's credit rating system and work mechanism:

| CATEGORY | CREDIT RATING | DESCRIPTION | CRITERIA |
|---|---|---|---|
| CREDIT FACILITIES WITH ACCEPTABLE RISK | 1 | Very good | Clients with the following criteria:<br>- A leading company in the market.<br>- A prosperous sector.<br>- Steady growth.<br>- Excellent profits/returns.<br>- Audited, true, and accurate financial statements.<br>- Owners' equity is very high.<br>- Compliance with the Central Bank of Jordan's ratios. |
| | 2 | Good | Clients with the same criteria of rating "1" but with one of the following weaknesses:<br>- Balance sheet to be improved in a given area.<br>- Non-prosperous business sector.<br>- Age of the Management Committee's members. |
| | 3 | Rather good | Clients with the same criteria of rating "2" but with some of the weaknesses |
| | 4 | Acceptable | Clients with the following criteria:<br>- Good financial statements structure but strained liquidity.<br>- Special attention required even if there is a permanent relationship.<br>- Modest size. |

| | | | |
|---|---|---|---|
| CREDIT FACILITIES UNDER WATCH LIST | 5 | Sensitive - credit risk acceptable | Clients with the following criteria:<br>- Unpaid dues or exceeding the overdraft celing for more then 50 days and less than 90 days.<br>- Overdrawn current account for more than 30 days and less than 90 days.<br>- Paid Letters of Guarantees (LGs) for more than 50 days and less than 90 days.<br>- Expired facilities for more than 50 days and less than 90 days.<br>- Credit facilities restructured twice in one year.<br>- Non-performing facilities with other banks.<br>- High-risk activity due to the client's financial structure.<br>- Declining sector.<br>- Difficulties in paying back the debts. |
| | 6 | Sensitive - credit risk not acceptable | Clients with the following criteria:<br>- Rescheduled facilities.<br>- Unstable financial position.<br>- Constant decline in credit indicatots.<br>- Doubt about management's ability to overcome the situation. |
| NON-PERFORMING CREDIT FACILITIES | 7 | Doubtful | Facilities pastdue from 90 days to 179 days , including:<br>- Unpaid dues/unpaid installment.<br>- Irregular payment of principal or interest.<br>- Dormant overdraft current account.<br>- Excess in the overdraft current account for more than 10%.<br>- Credit facilities not renewed.<br>- Bankrupted client.<br>- Under liquidation company.<br>- Credit facilities rescheduled 3 times within one year.<br>- Overdrawn demand current account.<br>- Paid Letters of Guarantee (LGs) on behalf of the client. |
| Non-Performing Credit Faclities (Continued) | 8A | Bad | Facilities pastdue from 180 days to 359 days , including:<br>- Unpaid dues/unpaid installment.<br>- Irregular payment of principal or interest.<br>- Dormant overdraft current account.<br>- Excess in the overdraft current account for more than 10%.<br>- Credit facilities not renewed.<br>- Bankrupted client.<br>- Under liquidation company.<br>- Credit facilities rescheduled 3 times within one year.<br>- Overdrawn demand current account.<br>- Paid Letters of Guarantee (LGs) on behalf of the client. |
| | 8B | Loss | Facilities pastdue for more than 359 days, including:<br>- Unpaid dues/unpaid installment.<br>- Irregular payment of principal or interest.<br>- Dormant overdraft current account.<br>- Excess in the overdraft current account for more than 10%.<br>- Credit facilities not renewed.<br>- Bankrupted client.<br>- Under liquidation company.<br>- Credit facilities rescheduled 3 times within one year.<br>- Overdrawn demand current account.<br>- Paid Letters of Guarantee (LGs) on behalf of the client. |

Debt instruments classified within the Bank›s internal ratings include 7 to 8 B, which are evident that they have become bad (irregular) include:

1. Failure to comply with contractual conditions such as the existence of dues (the dues include the principal and / or the benefits arising from it) equal or more than (90) days.
2. The borrower faces significant financial difficulties such as severe weakness in the financial statements.
3. The Bank amortizes part of the obligations of the borrower for reasons related to financial difficulties facing the borrower.
4. There are clear indications that the borrower is bankrupt.
5. In addition to the above, the Central Bank of Jordan's instructions No. (47/2009) dated December 10, 2009 (Item 2) included a number of indicators pointing to default, and commitment to these instructions should be made.

In case one or more of the above conditions indicate a significant increase in credit risk (default), the facilities shall be classified under Stage 3, and in case of conflict between the indicators referred to above and the indicators per the Central Bank of Jordan's instructions No. (47/2009) dated December 10, 2009 (Item 2), the stricter one is used.

**Indications of material change in credit risks used by the Bank to calculate the expected credit loss (ECL):**

1. Corporate and SMEs (including credit to high net worth clients):

Main indicators:

- Internal rating 5 and 6.
- Debts past due for 50 days or more (60 days in 2018).

## 2. Retail:

Main indicators:

- Debts past due for 50 days or more (60 days in 2018).

The following qualitative indicators are reflected within the internal rating of the client:

1. Actual or expected decrease in the client's internal credit rating, or material downgrade in the external rating (with another creditor).
2. Significant negative changes in the client's repayment behavior, such as late payment of the installments, unwillingness to cooperate with the Bank, or available information about dues with another creditor.
3. Restructuring of the client's facilities due to his inability to settle the debts or continue with the Bank under the same credit extension terms, in general.
4. Increase in the borrower's credit risk compared to his credit risk on the date of credit granting, whether internally or with regards to another creditor.
5. Actual or expected negative changes in the client's operational activity, which may significantly affect his ability to pay back, such as weak or deteriorating liquidity, managerial troubles, cessation of part of his activity, negative changes in his financial indicators, and others.
6. Change in the Bank's management of credit facilities due to the appearance of negative indicators or changes, thus entailing more focused credit management or intensive follow-up.
7. Significant changes in credit terms (such as terms becoming stricter, increase in collaterals or guarantees, etc.), as a result of updating the borrower's information or financial statements, thus increasing the borrower's credit risk since the granting date.
8. Negative changes in the type or value of guarantees, collaterals, and other securities, which might dampen the borrower's economic incentive to fulfill his obligations (such as a decrease in real estate value against house, a change in the guarantees provided by shareholders or mother company, etc.).
9. Significant negative changes in the external market indicators, such as a decrease in the prices of financial instruments issued by the borrower.
10. Actual or expected negative changes in the economic, regulatory, or technological environment (such as the actual or expected increase in interest rate or unemployment rate, or a decrease in demand on products due to technological changes, etc.).
11. In addition to the above, the Central Bank of Jordan's instructions No. (47/2009) dated December 10, 2009 (Item 2) included a number of indicators pointing to default, and commitment to these instructions should be made.

**The Bank's policy in determining common factors/specifications according to which the credit risk and expected credit loss (ECL) is measured on a collective basis:**

The Bank calculated credit risk and expected credit loss on an individual basis.

**Major Economic Indicators used by Bank in Calculating ECL:**

Actual economic growth indictor.

**IFRS 9 Application Governance, including the responsibilities of the Board of Directors and Executive Management to guarantee compliance with IFRS 9 requirements:**

- In its essence, IFRS 9 represents one aspect of risk management through the three parts it covers (Classification and Measurement), (Expected Credit Loss), and (Hedge Accounting).

- As regards the aspect of impairment, IFRS 9 aims to calculate the expected credit loss through historical, current, and future information. Moreover, the application of this standard affects and overlaps with other regulatory requirements such as BASEL III, capital adequacy, liquidity, and ICAAP. This standard affects the Bank's facilities management mechanism, such as type of products, their prices and collaterals, and relation with the client. This requires effective control by the Board of Directors, its committees and Executive Management concerning the correct application of the standard. In this respect, the Bank has to:

1. Develop the necessary systems for providing adequate, accurate, and safe information and data. These systems should be of high quality and dependable in terms of inputs, processes, and outputs. Furthermore, the Bank's management should undertake not to make any changes to the systems and deliverables regarding the calculation and measurement of the expected credit loss unless they are in accordance with the policy approved by the Board of Directors that specifies the exceptional and justified cases where changes are made to the systems outputs. Meanwhile, an independent body shall be granted the authority to make decisions regarding exceptions or amendments, and to present these cases to the Board of Directors or committees on their first meeting, as well as to obtain their approval.
2. Take into consideration (in addition to IFRS 9 Instructions) the recommendations issued by the Basel Committee on Banking Supervision (BCBS) according to the paper titled "Credit Risk Guide, and Calculation and Recording of Expected Credit Losses".
3. The Board of Directors should ensure that all of the Bank's control units, particularly the Risk Department and Internal Audit Department perform all necessary work to verify the validity and soundness of the methodologies and systems used within IFRS (9) implementation framework. In addition, the Board should provide these control units with the necessary support.

Applied ECL calculation mechanism for financial instruments and for each type:

The Probability of Default/Loss Give Default method has been used, and so has been the Probability of Default for the upcoming 12 months, if the classification of the financial instrument is within stage 1 and the Probability of Default for the lifetime of the credit facilities is within stages 2 & 3 according to the following equation:

ECL t= SUM of (t=1 to T) PD t*LGD t*EAD t

The expected credit loss is a probability-weighted estimate based on the consideration of three forward-looking scenarios. The Bank will elect the macro-economic factors based on either a correlation exercise between the macro-economic factor and default rate, or its documented expert judgment. As such, three ECL figures will be calculated according to the Probability of Default arising from each scenario. Consequently, each scenario will be assigned a likely probability of occurrence according to expert opinion in order to arrive at the Bank's final ECL amount.

## Definition, calculation mechanism, and monitoring of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD):

**Probabilty of Default (PD)**

1. Corporate and SMEs: calculated based on the change in rating since the granting date (the financial statemens of the last 5 years have been used where the first year is considered the year in which the credit facilities have been granted on or prior to this date).
2. Retail: calculated based on the transitioning of the credit facilities between the various maturity stages up to default.
3. Banks, Financial Institutions, and Debt Instruments: calculated based on the Probability of Default in published external ratings for Standard and Poor's.

**Loss Given Default (LGD)**

In case of Collaterals, Hair Cuts are to be applied:
- For non-covered parts, 45% LGD will be applied
- For covered parts: (Exposure – Collateral after haircut)/Exposure.

The following are the applied haircuts:
1- Real Estate: 20% from estimated value.
2- Vehicles: 50% of the estimated value.
3- Shares: 15% of the market value of the securities listed within the main index on a recognized stock exchange, and 25% for securities not listed within the main index.
4- Cash Collateral & Government Guarantee: Zero haircut.
5- JLGC: Excluding the covered part for the first year & cancelling it after that if not paid. Will be considered cash in case of payment.

**Exposure at Default (EAD)**

- Will include utilized & unutilized limits.
- Indirect facilities will have Conversion Coefficient (CC) Factor of 100%.

The Bank maintains a strong risk management environment, and manages the relationship, and balances the risks it undertakes and the returns it endeavors to achieve at the portfolio level as a whole, and at the level of each of its business segments separately.

The overlap in the Bank›s business activities and the variety of the products it provides requires identification, measurement, aggregation, and management of risks, as well as effective allocation of capital to achieve the optimal rate of return against risk. The Bank manages risks in an orderly, modular, and transparent manner through a risk policy that makes comprehensive risk management an integral part of the organizational structure, and also through risk measurement and control measures.

The following are the key features of the Bank›s comprehensive risk management policy:
- The Board of Directors provides guidance and insights on the management of risks to which the Bank is exposed.
- Risk management is a key procedure at the Bank and a main specialty for all of its employees.
- The Banks's risk management is independent of other business divisions.
- The Bank's internal audit function reports to the Audit Committee and provides independent assurance on the business units' compliance with the risk management policies and procedures and the adequacy and effectiveness of the Risk Management Framework for all of the Bank's units.
- Risk management assists top management in effectively controlling and managing the risks to which the Bank is exposed. The main tasks of risk management are as follows:

• The Bank's comprehensive risk policy ensures that the overall strategy of the Bank›s business complies with the limits of acceptable risk approved by the Board of Directors and determined by the Executive Management. It also ensures that the risk policies, procedures and methodologies are in line with the Bank's acceptable risk limits.
• The Bank›s risk profile is evaluated and analyzed through developing and applying risk control methods.
• Clear criteria are developed to define and determine limits for each type of risk.
• Methods and methodologies are developed to measure each type of risk to which the Bank is exposed.
• Strategies and actions are recommended to mitigate the Bank's risks.

- The Bank implements Basel III decisions and the instructions of the Central Bank of Jordan issued in this regard within the framework of risk management to which the Bank is exposed, as follows:

1. The Bank applies the Capital Adequacy Standard under Basel III. This Standard sets out the new rules for calculating capital adequacy and maintaining the minimum capital required to cover credit and market risks (standard input method) and operating risk (basic indicator method).

2. In 2019, the Bank implemented stress tests under Basel II. Pillar II aims to enhance risk identification and control, provide risk management tools that complement other risk management tools, and improve the Bank›s management of its capital and liquidity.

3. The Bank has developed written policies and procedures on the basis of the Bank›s internal capital assessment process (ICAAP), which aims to develop and use better risk management methods as well as to measure and assess capital adequacy to absorb all risks to which the Bank is exposed.

**Risk measurement and reporting systems**
The Bank continuously measures the risks to which it is exposed, classifies them, and studies their impact on the Bank›s results according to risk type.

a- Credit risk
Credit risk is the risk arising from the other party›s default or inability to meet its obligations to the Bank, thus resulting in losses to the Bank.

**Credit risk management strategy:**
The Board of Directors sets out the Bank›s credit risk management strategy and adopts credit risk management policies to ensure that the Bank's exposures to these risks are within acceptable limits and reflect the degree of risk tolerance of the Bank›s Board of Directors compared to expected returns.

Credit risk management is based on the protection of the independence and integrity of credit risk assessment, management and reporting procedures in line with policies, and limits and authority structures, which provide guidance on the day-to-day management of the Bank›s exposure to credit risk.

The Bank›s credit policy aims to create strong risk management based on policies and procedures that define the Bank›s lending activities, and its primary objective is to achieve highly reliable and effective financial results. The permanent procedures set forth in the Bank's Risk Policy Manual require that all credit recommendations be subject to detailed review by the Credit Control Sections prior to submission to the appropriate Credit Committee and, where necessary, collateral for credit facilities to mitigate related credit risks.

**Credit risk management structure:**
Top management implements the Board›s strategy for credit risk management and prepares policies and procedures to identify, assess, monitor and control credit risk.

The Bank›s risk management structure includes several executive committees where the credit risk analysis reports included in the Bank›s credit portfolio are discussed as follows:

- Board Risk Committee: Risk reports are discussed, including the credit risk report. The report is presented to members of the Risk Management Committee of the Board of Directors.
- Credit Risk Committee: This Committee discusses credit risk reports at the senior management level where the Bank›s asset portfolio is discussed and distributed by borrower, economic sector, internal credit rating, facility type, non-performing debt portfolio and the latest actions taken against clients, as well as other matters related to this type of risk.
- Sensitive Accounts Committees: Meetings are held with different levels of management depending on the size of the credit exposure of the customers whose cases are discussed according to the members of each committee. These committees discuss the accounts that showed weak indicators or the accounts of a particular economic sector suffering from instability and negative indicators.

**Key features of credit risk management:**
Credit risk management depends on the relationship and overlap between:

Plans and strategies related to the Bank›s portfolio: Plans and strategies related to the Bank›s portfolio are based on the desired financial results and the desired return, including the acceptable level of risk at the Bank. These plans and strategies are designed at the level of each business unit, and the desired limits and concentrations are set for each business unit to achieve the overall expected return within an acceptable risk level.

**Credit granting / renewal / increase / amendment / follow-up:**
Each business unit grants, evaluates, and manages its own credit portfolio according to the plans and strategies set for each business unit, the return level, and the required risk level. As such, studies are performed on the markets, economic situation, borrower›s situation and financial statements, management, and other specific criteria. After that, a credit decision is taken, and the type of expected collateral is determined. Based on the above, the borrower is classified within the Bank's approved rating system.

Performance assessment and evaluation: An assessment is made periodically at each business unit and at the level of the Bank's credit portfolio to assess the effectiveness and accuracy of the implementation of the plans and strategies and achieve the goals and results set at the level of each unit and at the Bank's level. In addition, the Bank's portfolio is assessed in terms of its distribution by economic sectors, borrowers, ratings, extensions, products, guarantees, and other bases.

Companies' internal credit rating is periodically reviewed by the Bank›s Risk Management in coordination with the competent department. It is continually adjusted based on the client›s credit history and developments in the client's financial position and economic activity and extent of the related impact on the degree of risk to which the Bank is exposed. . All credit policies, credit programs, and new asset quality standards are reviewed and approved by the Credit Risk Management Committee, which is comprised of prominent business and risk management members.

**Credit risk control:**
The Bank›s exposures are monitored continuously through the alert system and early warning signs aimed at detecting any negative indicators that may lead to a lower quality of credit risk. The systems of alert and early warning signs are carried out through periodic credit reports submitted to senior management, and through re-evaluation of the client when the file is renewed, or upon the occurrence of fundamental changes affecting the financial position of the client to enable management to take corrective actions in a timely manner.

**Mitigation of the Bank's credit risk:**
Diversification of portfolios is a key part of the Bank›s strategy to mitigate credit risk through the distribution of the credit portfolio based on the type of borrower, his economic sector, and other bases that guarantee the highest level of return within the Bank's acceptable risk level. Moreover, credit risk mitigates such as collaterals and guarantees are also used to mitigate this type of risk within the Bank›s portfolio. The quality of collaterals is continuously monitored and evaluated.

**Concentrations of Credit Risk**
Concentrations of credit risk arise when a group of parties is engaged in similar business activities or activities within a single geographical area, or when they have the same economic characteristics which affect their ability to meet their obligations in the event of economic, political, or other changes.

The Bank seeks to manage credit concentration risk by distributing its credit activities to avoid concentrations of inappropriate risk to individuals, groups of customers, or a particular business segment; and by diversifying the portfolio to avoid any possible loss.

**1 - Credit Exposures Distributions**

a. As of December 31, 2019:

| "Internal Rating | Category Classification According to (2009/47) | "Total Exposure Value" | "Expected Credit Loss" | Probability of Default | Exposure when Default | "Average Loss on Default" |
|---|---|---|---|---|---|---|
| | | JD | JD | % | JD | % |
| 1-3 | Performing Loans | 114,865,610 | 75 | 1% | 114,865,610 | 6% |
| 4 | Performing Loans | 640,644,134 | 1,425,503 | 1% | 640,644,134 | 35% |
| 5 | Watch List | 59,225,593 | 1,926,961 | 4% | 59,225,593 | 25% |
| 6 | Watch List | 27,491,963 | 2,070,673 | 4% | 27,491,963 | 40% |
| Total in 2019 | | 842,227,300 | 5,423,212 | | 842,227,300 | |
| | | | | | | |
| Non-performing | | | | | | |
| 7 | Substandard Debts | 3,219,376 | 576,679 | 100% | 3,219,376 | 45% |
| 8a | Doubtful Debts | 8,910,415 | 2,434,099 | 100% | 8,910,415 | 44% |
| 8b | Bad Debts | 41,483,568 | 21,999,944 | 100% | 41,483,568 | 45% |
| Total in 2019 | | 53,613,359 | 25,010,722 | | 53,613,359 | |
| Grand Total in 2019 | | 895,840,659 | 30,433,934 | | 895,840,659 | |

a. As of December 31, 2018:

| "Internal Rating | Category Classification According to (2009/47) | "Total Exposure Value" | "Expected Credit Loss" | Probability of Default | Exposure when Default | "Average Loss on Default" |
|---|---|---|---|---|---|---|
| | | JD | JD | % | JD | % |
| 1-3 | Performing Loans | 130,848,189 | 298,002 | 1% | 130,848,189 | 45% |
| 4 | Performing Loans | 629,049,433 | 2,148,501 | 2% | 629,049,433 | 36% |
| 5 | Performing Loans | 28,627,154 | 654,166 | 3% | 28,627,154 | 33% |
| 6 | Performing Loans | 9,164,161 | 1,214,801 | 4% | 9,164,161 | 45% |
| Total in 2018 | | 797,688,937 | 4,315,470 | | 797,688,937 | |
| | | | | | | |
| Non-performing | | | | | | |
| 7 | Doubtful Debts | 11,481,366 | 3,295,764 | 100% | 11,481,366 | 40% |
| 8a | Substandard Debts | 8,973,084 | 5,578,404 | 100% | 8,973,084 | 42% |
| 8b | Bad Debts | 44,234,765 | 19,940,697 | 100% | 44,234,765 | 43% |
| Total in 2018 | | 64,689,215 | 28,814,865 | | 64,689,215 | |
| Grand Total in 2018 | | 862,378,152 | 33,130,335 | | 862,378,152 | |

**2. Distribution of exposures according to economic sectors:**

a. Total Distributios according to financial instuments exposure - net:

| | Finanical | "Industrial and Meaning" | Trading | Real Estate | Agriculture | Stock | Individuals Transportations - Hotels and Tourism Public utilities services and personal loans financing car purchases and goods | "Government and Public" | Other | Total | "Interest in Suspense" | Provision for Expected Credit Loss | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at Central Bank of Jordan | - | - | - | - | - | - | - | 185,463,637 | - | 185,463,637 | - | - | 185,463,637 |
| Balances and deposits at banks and financial institutions | 84,571,169 | - | - | - | - | - | - | - | - | 84,571,169 | - | (20,357) | 84,550,812 |
| Direct credit facilities: | | | | | | | | | | | | | |
| Retail | 438,960 | 133,303 | 1,070,781 | 4,077,662 | 22,662 | 12,060,282 | 86,522,419 | - | - | 104,326,069 | (6,248,009) | (6,979,494) | 91,098,566 |
| Real estate | - | 261,022 | 457,590 | 171,221,515 | - | - | 18,375,316 | - | - | 190,315,443 | (2,320,647) | (3,414,609) | 184,580,187 |
| Corporate | 27,105,871 | 92,640,880 | 178,535,273 | 25,192,846 | 3,587,149 | 1,726,858 | 77,363,873 | - | - | 406,152,750 | (2,746,064) | (15,109,858) | 388,296,828 |
| SMEs | 5,081,939 | 4,095,036 | 40,699,177 | 8,542,779 | 1,200,958 | - | 17,670,846 | - | - | 77,290,735 | (4,991,982) | (4,928,932) | 67,369,821 |
| Government and Public Sector | - | - | - | - | - | - | - | 117,755,662 | - | 117,755,662 | - | (1,041) | 117,754,621 |
| Bonds and bills: | | | | | | | | | | | | | |
| Within: Financial assets at amortized cost | 881,678 | 7,091,741 | 2,400,000 | - | - | - | - | 215,937,985 | - | 226,311,404 | - | (1,155,873) | 225,155,531 |
| Within: Mortgaged financial assets (liabilities) | - | - | - | - | - | - | - | 218,090,000 | - | 218,090,000 | - | - | 218,090,000 |
| Other assets | - | - | - | - | - | - | - | - | 10,664,795 | 10,664,795 | - | - | 10,664,795 |
| Total 2019 | 118,079,617 | 104,221,982 | 223,162,821 | 209,034,802 | 4,810,769 | 13,787,140 | 199,932,454 | 737,247,284 | 10,664,795 | 1,620,941,664 | (16,306,702) | (31,610,164) | 1,573,024,798 |
| Financial guarantees | 26,501,193 | 1,978,661 | 15,750,063 | 7,224,010 | 10,000 | 125,000 | 7,694,524 | - | - | 59,283,451 | - | (847,175) | 58,436,276 |
| Letters of credit | - | 731,803 | 8,317,283 | 735,947 | - | - | 465,715 | - | - | 10,250,748 | - | (145,698) | 10,105,050 |
| Acceptances | - | 101,982 | 13,189,581 | 1,595,839 | - | - | - | - | - | 14,887,402 | - | (49,414) | 14,837,988 |
| Unutilized ceilings | 4,262,675 | 23,334,104 | 34,706,451 | 5,707,885 | 31,751 | 299,172 | 24,385,799 | - | - | 92,727,837 | - | - | 92,727,837 |
| Total 2019 | 148,843,485 | 130,368,532 | 295,126,199 | 224,298,483 | 4,852,520 | 14,211,312 | 232,478,492 | 737,247,284 | 10,664,795 | 1,798,091,102 | (16,306,702) | (32,652,451) | 1,749,131,949 |
| Total 2018 | 215,303,409 | 104,796,276 | 353,003,744 | 202,710,468 | 1,793,927 | 9,269,747 | 209,190,840 | 823,501,294 | 9,864,237 | 1,929,433,942 | (20,374,072) | (34,659,125) | 1,874,400,745 |

b. Distribution of exposure according to staging (IFRS 9)

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| Item | Individual | Collective | Individual | Collective | Stage (3) Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Financial | 82,144,142 | - | 66,699,343 | - | - | 148,843,485 |
| Industrial | 98,415,358 | - | 26,808,548 | - | 5,144,626 | 130,368,532 |
| Trading | 225,782,034 | - | 49,488,704 | - | 19,855,461 | 295,126,199 |
| Real Estates | 202,869,092 | - | 10,790,146 | - | 10,639,245 | 224,298,483 |
| Agriculture | 3,639,949 | - | 1,200,958 | - | 11,613 | 4,852,520 |
| Stocks | 13,884,013 | - | 327,299 | - | - | 14,211,312 |
| Retail - Transportation, Hotels and Tourism, Public Utilities Services, Personal Loans and Cars Financing, Goods Financing and Brokers | 204,368,656 | - | 7,269,698 | - | 20,840,138 | 232,478,492 |
| Government and Public Sector | 737,247,283 | - | - | - | - | 737,247,283 |
| Other | 106,647,956 | - | - | - | - | 106,647,956 |
| Less: Interest in suspense | - | - | - | - | (16,306,702) | (16,306,702) |
| Less: Provision for expected credit losses | (1,438,857) | - | (4,871,342) | - | (26,342,252) | (32,652,451) |
| Total | 1,673,559,626 | - | 157,713,354 | - | 13,842,129 | 1,845,115,109 |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| Item | Individual | Collective | Individual | Collective | Stage (3) Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Financial | 194,173,050 | - | 21,130,359 | - | - | 215,303,409 |
| Industrial | 71,715,229 | - | 16,301,609 | - | 16,779,438 | 104,796,276 |
| Trading | 320,840,999 | - | 11,585,837 | - | 20,576,908 | 353,003,744 |
| Real Estates | 183,386,422 | - | 10,561,129 | - | 8,762,917 | 202,710,468 |
| Agriculture | 170,756 | - | 1,612,314 | - | 10,857 | 1,793,927 |
| Stocks | 9,269,747 | - | - | - | - | 9,269,747 |
| Retail - Transportation, Hotels and Tourism, Public Utilities Services, Personal Loans and Cars Financing, Goods Financing and Brokers | 186,179,153 | - | 3,290,114 | - | 19,721,573 | 209,190,840 |
| Government and Public Sector | 823,501,294 | - | - | - | - | 823,501,294 |
| Other | 9,864,237 | - | - | - | - | 9,864,237 |
| Less: Interest in suspense | - | - | - | - | (20,374,072) | (20,374,072) |
| Less: Provision for expected credit losses | (2,564,349) | - | (2,423,197) | - | (29,671,579) | (34,659,125) |
| Total | 1,796,536,538 | - | 62,058,165 | - | 15,806,042 | 1,874,400,745 |

**3. Exposure distribution according to geographical distribution**

a. Total exposure distribution according to the geographical regions - net:

| | Inside Jordan | Other Middle East Countries | Europe | Asia * | America | Other Countries | "Interest in Suspense" | Provision for Expected Credit Loss | Total |
|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at Central Bank of Jordan | 185,463,637 | - | - | - | - | - | - | - | 185,463,637 |
| Balances and deposits at banks and financial institutions | 51,863,955 | 380,767 | 10,175,133 | 1,860,887 | 19,961,846 | 328,581 | - | (20,357) | 84,550,812 |
| Direct credit facilities: | | | | | | | | | |
| Retail | 104,326,069 | - | - | - | - | - | (6,248,009) | (6,979,494) | 91,098,566 |
| Real estate | 190,315,443 | - | - | - | - | - | (2,320,647) | (3,414,609) | 184,580,187 |
| Corporate | 406,152,750 | - | - | - | - | - | (2,746,064) | (15,109,858) | 388,296,828 |
| SMEs | 77,290,735 | - | - | - | - | - | (4,991,982) | (4,928,932) | 67,369,821 |
| Government and Public Sector | 117,755,662 | - | - | - | - | - | - | (1,041) | 117,754,621 |
| Bonds and bills: | | | | | | | | | |
| Within: Financial assets at amortized cost | 225,429,726 | 881,678 | - | - | - | - | - | (1,155,873) | 225,155,531 |
| Within: Mortgaged financial assets (liabil-ities) | 218,090,000 | - | - | - | - | - | - | - | 218,090,000 |
| Other assets | 10,664,795 | - | - | - | - | - | - | - | 10,664,795 |
| Total 2019 | 1,587,352,772 | 1,262,445 | 10,175,133 | 1,860,887 | 19,961,846 | 328,581 | (16,306,702) | (31,610,164) | 1,573,024,798 |
| Financial guarantees | 45,909,702 | 7,503,380 | 5,870,369 | - | - | - | - | (847,175) | 58,436,276 |
| Letters of credit | 10,250,748 | - | - | - | - | - | - | (145,698) | 10,105,050 |
| Acceptances | 14,887,402 | - | - | - | - | - | - | (49,414) | 14,837,988 |
| Unutilized ceilings | 92,727,837 | - | - | - | - | - | - | - | 92,727,837 |
| Total 2019 | 1,751,128,461 | 8,765,825 | 16,045,502 | 1,860,887 | 19,961,846 | 328,581 | (16,306,702) | (32,652,451) | 1,749,131,949 |
| Total 2018 | 1,769,547,443 | 123,102,151 | 32,473,608 | 3,542,131 | 85,671 | 682,938 | (20,374,072) | (34,659,125) | 1,874,400,745 |

* Except for arabia countries.

b. Exposure distribution according to staging (IFRS 9)

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| Item | Individual | Collective | Individual | Collective | Stage (3) Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Inside Jordan | 1,535,909,483 | - | 158,727,895 | - | 56,491,083 | 1,751,128,461 |
| Other Middle East countries | 4,909,024 | - | 3,856,801 | - | - | 8,765,825 |
| Europe | 16,045,502 | - | - | - | - | 16,045,502 |
| Asia | 1,860,887 | - | - | - | - | 1,860,887 |
| America | 19,961,846 | - | - | - | - | 19,961,846 |
| Other Countries | 328,581 | - | - | - | - | 328,581 |
| Less: Interest in suspense | - | - | - | - | (16,306,702) | (16,306,702) |
| Less: Provision for expected credit losses | (1,438,857) | - | (4,871,342) | - | (26,342,252) | (32,652,451) |
| Total | 1,577,576,466 | - | 157,713,354 | - | 13,842,129 | 1,749,131,949 |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| Item | Individual | Collective | Individual | Collective | Stage (3) Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Inside Jordan | 1,651,209,558 | - | 52,486,191 | - | 65,851,692 | 1,769,547,443 |
| Other Middle East countries | 111,106,980 | - | 11,995,171 | - | - | 123,102,151 |
| Europe | 32,473,608 | - | - | - | - | 32,473,608 |
| Asia | 3,542,131 | - | - | - | - | 3,542,131 |
| America | 85,671 | - | - | - | - | 85,671 |
| Other Countries | 682,938 | - | - | - | - | 682,938 |
| Less: Interest in suspense | - | - | - | - | (20,374,072) | (20,374,072) |
| Less: Provision for expected credit losses | (2,564,349) | - | ( 2,423,197) | - | (29,671,579) | (34,659,125) |
| Total | 1,796,536,537 | - | 62,058,165 | - | 15,806,041 | 1,874,400,745 |

**4. Credit exposure that have been reclassified**

a. Total credit exposure that have been reclassified

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (2) | | Stage (3) | | | |
| | Total Exposure Amount | Exposure that have been Reclassified | Total Exposure Amount | Exposure that have been Reclassified | Total Exposure that have been Reclassified | Percentage of Exposure that have been Classified |
| | JD | JD | JD | JD | JD | % |
| Cash and balances at Central Bank | - | - | - | - | - | - |
| Balances at banks and financial institutions | - | - | - | - | - | - |
| Deposits at banks and financial institutions | - | - | - | - | - | - |
| Direct credit facilities | 82,572,025 | 22,257,422 | 53,613,359 | 13,407,871 | 35,665,293 | 26% |
| Treasury bills and bonds: | - | - | 2,400,000 | 2,000,000 | 2,000,000 | 83% |
| Within: Financial assets at fair value through profit and loss | - | - | - | - | - | - |
| Within: Financial assets at fair value through other comprehensive income | - | - | - | - | - | - |
| Within: Financial assets at amortized cost | - | - | 2,400,000 | 2,000,000 | 2,000,000 | 83% |
| Derivatives | - | - | - | - | - | - |
| Mortgaged financial assets (debt instruments) | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - |
| Total | 82,572,025 | 22,257,422 | 56,013,359 | 15,407,871 | 37,665,293 | 27% |
| Financial guarantees | 15,977,006 | 13,162,689 | 477,724 | 43,862 | 13,206,551 | 80% |
| Letters of credit | 4,899,357 | 2,596,300 | - | - | 2,596,300 | 53% |
| Other liabilities | 3,977,510 | 1,440,682 | - | - | 1,440,682 | 36% |
| Grand Total | 107,425,898 | 39,457,093 | 56,491,083 | 15,451,733 | 54,908,826 | 33% |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (2) | | Stage (3) | | | |
| | Total Exposure Amount | Exposure that have been Reclassified | Total Exposure Amount | Exposure that have been Reclassified | Total Exposure that have been Reclassified | Percentage of Exposure that have been Classified |
| | JD | JD | JD | JD | JD | % |
| Cash and balances at Central Bank | - | - | - | - | - | - |
| Balances at banks and financial institutions | - | - | - | - | - | - |
| Deposits at banks and financial institutions | - | - | - | - | - | - |
| Direct credit facilities | 41,041,037 | 16,052,869 | 64,689,216 | 3,778,864 | 19,831,733 | 19% |
| Treasury bills and bonds: | - | - | - | - | - | - |
| Within: Financial assets at fair value through profit and loss | - | - | - | - | - | - |
| Within: Financial assets at fair value through other comprehensive income | - | - | - | - | - | - |
| Within: Financial assets at amortized cost | - | - | - | - | - | - |
| Derivatives | - | - | - | - | - | - |
| Mortgaged financial assets (debt instruments) | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - |
| Total | 41,041,037 | 16,052,869 | 64,689,216 | 3,778,864 | 19,831,733 | 19% |
| Financial guarantees | 426,009 | 600 | 1,161,364 | 693,069 | 693,669 | 44% |
| Letters of credit | - | - | - | - | - | - |
| Other liabilities | 3,524,898 | 2,480,145 | 1,113 | 1,105 | 6,007,261 | 70% |
| Grand Total | 44,991,944 | 18,533,614 | 65,851,693 | 4,473,038 | 26,532,663 | 24% |

b. Expected credit loss for exposure that have been reclassified

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Exposures that have been reclassified | | | Expected credit loss due to reclassified exposures | | | | |
| | Exposure Reclassified from Stage (2) | Exposure Reclassified from Stage (3) | Total Exposures That Have Been Reclassified | Stage (2) - Individual | Stage (2) - Collective | Stage (3) - Individual | Stage (3) - Collective | Total |
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Cash and balances at central banks | - | - | - | - | - | - | - | - |
| Balances at banks and financial institutions | - | - | - | - | - | - | - | - |
| Deposits at banks and financial institutions | - | - | - | - | - | - | - | - |
| Direct credit facilities | 22,257,422 | 13,407,871 | 35,665,293 | 558,595 | - | 330,995 | - | 889,590 |
| Treasury bills and bonds: | - | 2,000,000 | 2,000,000 | - | - | 6,638 | - | 6,638 |
| Within: Financial assets at fair value through profit and loss | - | - | - | - | - | - | - | - |
| Within: Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - |
| Within: Financial assets at amortized cost | - | 2,000,000 | 2,000,000 | - | - | 6,638 | - | 6,638 |
| Derivatives | - | - | - | - | - | - | - | - |
| Mortgaged financial assets (debt instruments) | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - |
| Total | 22,257,422 | 15,407,871 | 37,665,293 | 558,595 | - | 337,633 | - | 896,228 |
| Financial guarantees | 13,162,689 | 43,862 | 13,206,551 | 265,496 | - | 83 | - | 265,579 |
| Letters of credit | 2,596,300 | - | 2,596,300 | 2,256 | - | - | - | 2,256 |
| Other liabilities | 1,440,682 | - | 1,440,682 | 95 | - | - | - | 95 |
| Grand Total | 39,457,093 | 15,451,733 | 54,908,826 | 826,442 | - | 337,716 | - | 1,164,158 |

b. Expected credit loss for exposure that have been reclassified

| | 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Exposures that have been reclassified | | | Expected credit loss due to reclassified exposures | | | | |
| | Exposure Reclassified from Stage (2) | Exposure Reclassified from Stage (3) | Total Exposures That Have Been Reclassified | Stage (2) - Individual | Stage (2) - Collective | Stage (3) - Individual | Stage (3) - Collective | Total |
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Cash and balances at central banks | - | - | - | - | - | - | - | - |
| Balances at banks and financial institutions | - | - | - | - | - | - | - | - |
| Deposits at banks and financial institutions | - | - | - | - | - | - | - | - |
| Direct credit facilities | 16,052,869 | 3,778,864 | 19,831,733 | 769,784 | - | 2,590,432 | - | 3,360,216 |
| Treasury bills and bonds: | - | - | - | - | - | - | - | - |
| Within: Financial assets at fair value through profit and loss | - | - | - | - | - | - | - | - |
| Within: Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - |
| Within: Financial assets at amortized cost | - | - | - | - | - | - | - | - |
| Derivatives | - | - | - | - | - | - | - | - |
| Mortgaged financial assets (debt instruments) | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - |
| Total | 16,052,869 | 3,778,864 | 19,831,733 | 769,784 | - | 2,590,432 | - | 3,360,216 |
| Financial guarantees | 600 | 693,069 | 693,669 | 23 | - | 4,375 | - | 4,398 |
| Letters of credit | - | - | - | - | - | - | - | - |
| Other liabilities | 2,480,145 | 1,103 | 2,481,248 | - | - | - | - | - |
| Grand Total | 18,533,614 | 4,473,036 | 23,006,650 | 769,807 | - | 2,594,807 | - | 3,364,614 |

**5 - Credit Risk Exposures (after provision for impairment, outstanding interests, and before collateral and other risk mitigants):**

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| **Consolidated Statement of Financial Position Items** | | |
| Balances at Central Bank of Jordan | 185,463,637 | 216,962,762 |
| Balances at banks and financial institutions | 79,012,706 | 63,076,862 |
| Deposits at banks and financial institutions | 5,538,106 | 56,414,081 |
| | | |
| **Direct Credit Facilities - Net:** | 849,100,023 | 808,873,745 |
| Retail | 91,098,566 | 67,331,519 |
| Real estate | 184,580,187 | 172,251,068 |
| Corporate: | | |
| Large entities | 388,296,828 | 365,403,305 |
| SMEs | 67,369,821 | 62,899,181 |
| Government and Public Sector | 117,754,621 | 140,988,672 |
| Total | 1,119,114,472 | 1,145,327,450 |
| | | |
| **Treasury, Bills and Bonds** | 443,245,531 | 489,789,711 |
| Within financial assets at amortized cost | 225,155,531 | 271,699,711 |
| Within mortgaged financial assets (liabilities) | 218,090,000 | 218,090,000 |
| Other assets | 10,664,795 | 9,864,237 |
| Total Statement of Consolidated Financial Position Items | 1,573,024,798 | 1,644,981,398 |
| | | |
| **Off-Consolidated Financial Position Items** | | |
| Financial guarantees | 58,436,276 | 76,445,259 |
| Letters of credit | 10,105,050 | 16,338,466 |
| Acceptances | 14,837,988 | 23,041,418 |
| Unutilized ceilings | 92,727,837 | 114,050,961 |
| Total Off-Consolidated Statement of Financial Position Items | 176,107,151 | 229,876,104 |
| Total On and Off-Consolidated Statement of Financial Position Items | 1,749,131,949 | 1,874,857,502 |

The above table represents the maximum credit exposure of the Bank as of December 31, 2019 and 2018 without taking into account collaterals or other credit risk mitigates.

**6. Credit exposures according to the degree of risk are categorized according to the following table:**

| As of December 31, 2019 | Individuals | Real Estate Loans | Companies: Large | Companies: Small and Medium | Government and Public Sector | Banks and Other Financial Institutions | Total |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD |
| Low risk | 10,364,306 | 27,905,161 | 20,221,617 | 7,468,615 | 754,604,601 | - | 820,564,300 |
| Acceptable risk | 78,363,393 | 140,007,504 | 305,365,491 | 54,987,717 | - | 84,618,944 | 663,343,049 |
| **Of which is due: *** | | | | | | | |
| Within 30 days | 196,073 | 280,585 | 5,824,966 | 185,786 | 5,584,714 | - | 12,072,124 |
| From 31 to 60 days | 154,826 | 307,817 | 994,824 | 183,345 | - | - | 1,640,812 |
| Watch list | 2,115,804 | 10,448,966 | 67,103,405 | 2,576,551 | - | - | 82,244,726 |
| Non-performing: | 13,724,484 | 12,139,507 | 15,640,090 | 12,109,278 | - | - | 53,613,359 |
| Substandard | 727,911 | 1,854,918 | 443,923 | 213,962 | - | - | 3,240,714 |
| Doubtful | 1,425,518 | 5,857,502 | 1,073,481 | 532,963 | - | - | 8,889,464 |
| Bad debts | 11,571,055 | 4,427,087 | 14,122,686 | 11,362,353 | - | - | 41,483,181 |
| Total | 104,567,987 | 190,501,138 | 408,330,603 | 77,142,161 | 754,604,601 | 84,618,944 | 1,619,765,434 |
| Less: Interest in suspense | 6,248,009 | 2,320,647 | 2,746,064 | 4,991,982 | - | - | 16,306,702 |
| Provision for expected credit losses | 6,829,455 | 3,663,857 | 15,109,858 | 4,829,723 | 1,041 | - | 30,433,934 |
| Net | 91,490,523 | 184,516,634 | 390,474,681 | 67,320,456 | 754,603,560 | 84,618,944 | 1,573,024,798 |

| As of December 31, 2018 | Individuals | Real Estate Loans | Companies: Large | Companies: Small and Medium | Government and Public Sector | Banks and Other Financial Institutions | Total |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD |
| Low risk | 13,702,949 | 136,683 | 26,396,254 | 12,907,283 | 855,792,878 | - | 908,936,047 |
| Acceptable risk | 122,224,369 | 158,240,477 | 280,687,371 | 19,068,266 | - | 119,942,905 | 700,163,388 |
| **Of which is due: *** | | | | | | | |
| Within 30 days | 601,481 | 342,380 | 8,338,818 | 169,641 | 5,572,871 | - | 15,025,191 |
| From 31 to 60 days | 129,091 | 281,030 | 4,639,082 | 158,271 | - | - | 5,207,474 |
| Watch list | 1,949,987 | 8,632,097 | 7,527,125 | 6,587,946 | - | - | 24,697,155 |
| Non-performing: | 17,028,107 | 5,626,204 | 27,777,095 | 14,257,809 | - | - | 64,689,215 |
| Substandard | 789,222 | 337,790 | 7,698,358 | 147,714 | - | - | 8,973,084 |
| Doubtful | 1,060,422 | 1,101,850 | 9,045,977 | 273,117 | - | - | 11,481,366 |
| Bad debts | 15,178,463 | 4,186,564 | 11,032,760 | 13,836,978 | - | - | 44,234,765 |
| Total | 154,905,412 | 172,635,461 | 342,387,845 | 52,821,304 | 855,792,878 | 119,942,905 | 1,698,485,805 |
| Less: Interest in suspense | 9,202,841 | 1,951,082 | 2,914,328 | 6,305,821 | - | - | 20,374,072 |
| Provision for expected credit losses | 7,227,992 | 2,867,716 | 17,394,207 | 5,640,420 | - | - | 33,130,335 |
| Net | 138,474,579 | 167,816,663 | 322,079,310 | 40,875,063 | 855,792,878 | 119,942,905 | 1,644,981,398 |

* The whole debt balance becomes due when one of the installments or interest is due. Moreover, the overdraft account is considered due when it exceeds the ceiling.

- Credit exposures include facilities, balances, deposits at banks, bonds and treasury bills and any other assets that have credit exposures.

**7. The following represent the distribution details of the fair value of collaterals against direct credit facilities:**

| As of December 31, 2019 | Individuals | Real Estate Loans | Companies: Large | Companies: Small and Medium | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Guarantees against: | | | | | | |
| Low risk | 6,028,153 | 27,982,595 | 3,663,313 | 1,524,746 | 114,852,290 | 154,051,097 |
| **Acceptable risk** | 51,628,622 | 137,324,772 | 67,218,669 | 17,967,704 | - | 274,139,767 |
| Non-performing: | 4,319,425 | 15,437,672 | 4,645,767 | 8,064,424 | - | 32,467,288 |
| Substandard | 238,349 | 4,098,009 | 312,000 | 86,454 | - | 4,734,812 |
| Doubtful | 516,520 | 6,437,709 | 2,031,550 | 48,997 | - | 9,034,776 |
| Bad debts | 3,564,556 | 4,901,954 | 2,302,217 | 7,928,973 | - | 18,697,700 |
| Total | 61,976,200 | 180,745,039 | 75,527,749 | 27,556,874 | 114,852,290 | 460,658,152 |
| Of which are: | | | | | | |
| Cash margins | 13,576,883 | 28,059,817 | 24,164,825 | 11,740,468 | 56,757 | 77,598,750 |
| Real estate | 10,126,525 | 152,659,346 | 37,735,990 | 14,582,550 | - | 215,104,411 |
| Cars and equipment | 11,922,052 | - | 2,951,655 | 903,856 | - | 15,777,563 |
| Stocks | 26,350,740 | 25,876 | 10,675,279 | 330,000 | - | 37,381,895 |
| Government-backed | - | - | - | - | 114,795,533 | 114,795,533 |
| Total | 61,976,200 | 180,745,039 | 75,527,749 | 27,556,874 | 114,852,290 | 460,658,152 |

| As of December 31, 2018 | Individuals | Real Estate Loans | Companies: Large | Companies: Small and Medium | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Guarantees against: | | | | | | |
| Low risk | 8,784,170 | 11,614,328 | 19,718,150 | 11,352,236 | 141,304,467 | 192,773,351 |
| **Acceptable risk** | 18,805,367 | 139,355,003 | 43,814,904 | 5,128,894 | - | 207,104,168 |
| Non-performing: | 2,158,832 | 4,415,007 | 11,807,617 | 4,956,175 | - | 23,337,631 |
| Substandard | 644,760 | 282,348 | 2,849,502 | 99,756 | - | 3,876,366 |
| Doubtful | 162,579 | 1,511,230 | 7,486,286 | 361,366 | - | 9,521,461 |
| Bad debts | 1,351,493 | 2,621,429 | 1,471,829 | 4,495,053 | - | 9,939,804 |
| Total | 29,748,369 | 155,384,338 | 75,340,671 | 21,437,305 | 141,304,467 | 423,215,150 |
| Of which are: | | | | | | |
| Cash margins | 8,784,170 | 11,614,328 | 19,718,150 | 11,352,236 | - | 51,468,884 |
| Real estate | 5,379,042 | 143,694,221 | 35,426,879 | 9,346,183 | - | 193,846,325 |
| Cars and equipment | 11,198,139 | - | 1,217,953 | 462,155 | - | 12,878,247 |
| Stocks | 4,387,018 | 75,789 | 18,977,689 | 276,731 | - | 23,717,227 |
| Government-backed | - | - | - | - | 141,304,467 | 141,304,467 |
| Total | 29,748,369 | 155,384,338 | 75,340,671 | 21,437,305 | 141,304,467 | 423,215,150 |

**Rescheduled Debts:**

Are defined as debts that were classified as "non-performing" facilities, and subsequently removed and included under «Watch List» based on proper rescheduling. Total rescheduled debts amounted to JD 15,941,319 as of December 31, 2019 (JD 8,282,777 as of December 31, 2018).

The outstanding balance of the rescheduled debts represents loans that are classified under watch list or transferred to performing facilities.

**Restructured Debts:**

Restructuring is the rearrangement of credit facilities in terms of instalments, extending the term of credit facilities, deferment of instalments, or extending the grace period. Accordingly, those facilities are classified as «Watch List». Total restructured debts amounted to JD 80,916,400 as of December 31, 2019 (JD 16,103,300 as of December 31, 2018).

3) Bonds and treasury bills:

The following table illustrates the classifications of bonds and treasury bills according to the external classification institutions as of December 31, 2019 and 2018:

| Rating grade | Financial assets at fair value through other comprehensive income | Financial assets at amortized cost | Financial assets at fair value through the statement of income | Pledged Financial assets | Total |
|---|---|---|---|---|---|
| 2019 | JD | JD | JD | JD | JD |
| Governmental | 76,200,755 | 215,946,984 | - | 218,090,000 | 510,228,739 |
| Classified | - | 881,667 | - | - | 881,667 |
| Unclassified | - | 8,335,880 | - | - | 8,335,880 |
| Total | 76,200,755 | 225,155,531 | - | 218,090,000 | 519,446,286 |

| Rating grade | Financial assets at fair value through other comprehensive income | Financial assets at amortized cost | Financial assets at fair value through the statement of income | Pledged Financial assets | Total |
|---|---|---|---|---|---|
| 2018 | JD | JD | JD | JD | JD |
| Governmental | - | 247,144,065 | - | 218,090,000 | 465,234,065 |
| Classified | - | 14,983,117 | - | - | 14,983,117 |
| Unclassified | - | 9,572,529 | - | - | 9,572,529 |
| Total | - | 271,699,711 | - | 218,090,000 | 489,789,711 |

b. Market Risks

Market risks arise from fluctuations in interest and exchange rates in addition to stock prices. The level of tolerated risk values is set by the Board of Directors.

The Bank works towards managing and mitigating these market risks through establishing a specialized and independent unit for this purpose holding the responsibility of managing the above mentioned risks. Additionally, the bank established the necessary policies and procedures in this respect since the duties of the market risk unit is represented in managing the Bank's assets and liabilities in foreign currencies, in addition to monitoring all related operations in foreign currencies, ensuring that they are within the limits specified by management and reporting any exceed of limits in case of occurrence.

The Bank's adopted policy is not to take any open positions or execute any operations for its own account only in exceptional cases subject to the Board of Directors approval, therefore most investment operations are done on behalf of the Bank's clients as the Bank acts only as an investment broker. Furthermore, the general rule of the Bank is not to have any open positions with amounts exceeding the limits specified by management in any foreign currency.

The Bank's positions in foreign currencies are subject to daily monitoring by the market risk unit within the specified limits, and ensuring that such positions are being closed on a daily basis. Furthermore, the Bank does not keep any investment portfolios, in international stocks, precious metals or any other investment instruments related to financial derivatives. The Bank's investments are limited to public debt instruments issued by the Central Bank of Jordan and money market instruments with fixed return.

**1. Interest rate risk:**
Interest rate risks arise from the possibility of changes in interest rates affecting the value of financial instruments. The Bank is exposed to interest rate risks due to the inconsistency or gap in the various maturity terms of assets and liabilities or the re-evaluation of interest rates within a certain time period. The Bank manages such risks by reviewing the interest rates on assets and liabilities through the assets and liability committee in the bank.

The consolidated statement of profit or loss sensitivity is represented by the impact of the potential assumed changes in interest rates on the Bank›s profit for one year, which is calculated on the financial assets and liabilities that have a variable interest rate as of December 31, 2019 and 2018.

| December 31, 2019 | Increase in interest rate | Sensitivity of net interest income (loss) | Sensitivity of net Owner›s equity |
|---|---|---|---|
| Currency | Percentage | JD | JD |
| US Dollar | 1٪ | 293,000 | 293,000 |
| Euro | 1٪ | (81,000) | (81,000) |
| Other | 1٪ | (28,000) | (28,000) |
| | | | |
| **December 31, 2018** | | | |
| Currency | | | |
| US Dollar | 1٪ | 211,393 | 211,393 |
| Euro | 1٪ | (37,037) | (37,037) |
| Other | 1٪ | 48,544 | 48,544 |

In the event of an opposite change in the indicator, the effect will be equal to the change above, however, with an opposite sign.

**2. Currency risk:**
Foreign currency risks are the risks associated with changes in the value of financial instruments as a result of fluctuations in the foreign currency rates. The Bank sets the limits for the financial positions on every currency within the Bank investment policy. Foreign currency positions are subject to daily monitoring by the market risks unit and the treasury department are provided with all outstanding currency positions on a daily basis for the purposes of monitoring and hedging against currency rates changes ensuring that timely decisions are being made.

The Bank adopts a prudent policy with respect to trading and maintaining open positions in foreign currencies by not holding any long or short positions within its portfolios. Accordingly, the associated risks are considered low with no negative effects resulting from the change in exchange rates or the change in the value of financial instruments due to fluctuations in foreign currency rates, taking into consideration that the Jordanian Dinar is the primary currency of the Bank.

The following table illustrates the effect of a reasonable possible change in the exchange rate of the Jordanian Dinar against foreign currencies on the consolidated statement of income, with all other effective variables unchanged:

| December 31, 2019 | Change in exchange rate | Effect on Profits and Losses | Effect on owner's equity |
|---|---|---|---|
| Currency | Percentage | JD | JD |
| Euro | 5% | (167) | (167) |
| Other | 5% | 1,854 | 1,854 |
| | | | |
| **December 31, 2018** | | | |
| Currency | | | |
| Euro | 5% | - | - |
| Other | 5% | (933) | (933) |

In the event of an opposite change in the indicator, the effect will be equal to the change above, however, with an opposite sign.

**Stocks price risk:**
Risks of changes in stock prices result from the change in the fair value of stock investments.

The following table indicates the sensitivity of the accumulated change in the fair value reserve due to the reasonable possible changes in stock prices, with all other effective variables unchanged.

| December 31, 2019 | Change In indicator | Effect on Profits and Losses | Effect on owner's equity |
|---|---|---|---|
| | Percentage | JD | JD |
| Amman Stock Exchange Index | 5% | - | (16,378) |
| | | | |
| **December 31, 2018** | | | |
| Amman Stock Exchange Index | 5% | - | (16,743) |

In the event of an opposite change in the indicator, the effect will be equal to the change above, however, with an opposite sign.

c. Liquidity risk
Liquidity risk is represented by the Bank's lack of ability in providing the necessary funding required to meet its liabilities when they come due. To avoid such risks, the management diversifies its sources of funding by managing its assets and liabilities through matching their maturity/due dates and maintaining a sufficient balances of cash, cash equivalents, and available for trade securities. In addition, the process of liquidity control and management involves the analysis of the maturity dates of assets and liabilities in a continuous and integrated manner.

**- Diversification of funding sources**
The Bank's Management diversifies the funding sources by concentrating on medium and long terms sources through issuing certificates of deposit at competitive interest rates covering all sectors.

**- Follow up on the maturity term analysis of assets and liabilities**
The Bank examines the liquidity of the terms of its assets and liabilities taking into consideration the gaps that may affect liquidity.

**- Geographic and sector distribution**
The Bank pays attention to the diversification in distributing its assets and liabilities on various sectors and geographic areas while harmonizing between corporate and individual client sectors leading to a diversification in the sources of funding and variation of entitlements.

**- Cash reserves with the banks' authority**
The Bank maintains a compulsory cash reserve with the banks' authorities amounting to JD 88,722,184 as of December 31, 2019. (JD 54,021,904 as of December 31, 2018).

**- Compliance with the liquidity ratios set by the banks' authorities**
The Bank periodically reviews the liquidity ratios and their conformity to the current and effective regulations.

**Interests rates sensitivity is as follows:**

| As of December 31, 2019 | Less than 1 Month | From 1 Month to 3 Months | More than 3 Months to 6 Months | More than 6 Months to 1 Year | From 1-3 Years | More than 3 Years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| **Assets** | | | | | | | | |
| Balances at Central Bank of Jordan | 63,000,000 | - | - | - | - | - | 130,467,172 | 193,467,172 |
| Balances at banks and financial institutions | 47,550,492 | 2,300,000 | - | - | - | - | 29,162,214 | 79,012,706 |
| Deposits at banks and financial institutions | - | - | 5,538,106 | - | - | - | - | 5,538,106 |
| Direct credit facilities - net | 563,555 | 7,345 | 839,353,761 | 127,684 | 7,261,552 | 1,786,126 | - | 849,100,023 |
| "Financial assets at fair value through other comprehensive income" | - | - | - | - | 3,191,566 | 73,009,189 | 2,981,960 | 79,182,715 |
| Financial assets at amortized cost | 3,123,469 | 5,710,513 | 13,085,667 | 7,427,934 | 59,058,385 | 136,749,563 | - | 225,155,531 |
| Pledged financial assets | - | - | - | - | 126,000,000 | 92,090,000 | - | 218,090,000 |
| Property and equipment | - | - | - | - | - | - | 28,161,940 | 28,161,940 |
| Intangible assets | - | - | - | - | - | - | 4,964,615 | 4,964,615 |
| Deferred tax assets | - | - | - | - | - | - | 3,811,501 | 3,811,501 |
| Right-of-use assets | 89,964 | 32,310 | 40,892 | 96,382 | 326,906 | 455,714 | - | 1,042,168 |
| Other assets | - | - | - | - | - | - | 25,755,958 | 25,755,958 |
| Total Assets | 114,327,480 | 8,050,168 | 858,018,426 | 7,652,000 | 195,838,409 | 304,090,592 | 225,305,360 | 1,713,282,435 |
| Liabilities | | | | | | | | |
| Banks and financial institution deposits | 45,797,496 | - | - | - | - | - | 452,787 | 46,250,283 |
| Customers' deposits | 207,255,736 | 131,056,254 | 163,221,011 | 32,764,063 | 655,281,273 | - | 161,530,075 | 1,351,108,412 |
| Cash margins | 61,132,093 | 17,730,343 | 4,354,086 | 25,078,929 | 4,602,150 | 184,693 | - | 113,082,294 |
| Borrowed funds | 20,427 | - | 737,679 | 112,500 | 20,699,317 | 12,868,989 | - | 34,438,912 |
| Sundry provisions | - | - | - | - | - | - | 64,545 | 64,545 |
| Income tax provision | - | - | - | - | - | - | 5,346,308 | 5,346,308 |
| Deferred tax liabilities | - | - | - | - | - | - | 1,299,449 | 1,299,449 |
| Leas liabilities | 31,413 | 30,721 | 35,252 | 84,986 | 289,761 | 431,312 | - | 903,445 |
| Other liabilities | - | - | - | - | - | - | 26,756,493 | 26,756,493 |
| Total Liabilities | 314,237,165 | 148,817,318 | 168,348,028 | 58,040,478 | 680,872,501 | 13,484,994 | 195,449,657 | 1,579,250,141 |
| Interest Rate Re-Pricing Gap | (199,909,685) | (140,767,150) | 689,670,398 | (50,388,478) | (485,034,092) | 290,605,598 | 29,855,703 | 134,032,294 |
| As of December 31, 2018 | | | | | | | | |
| Total Assets | 194,170,470 | 14,927,861 | 840,921,770 | 31,397,933 | 96,071,767 | 377,428,391 | 148,207,387 | 1,703,125,579 |
| Total Liabilities | 259,960,948 | 180,364,660 | 331,575,781 | 462,047,261 | 12,318,489 | 13,083,600 | 316,118,083 | 1,575,468,822 |
| Interest Rate Re-Pricing Gap | (65,790,478) | (165,436,799) | 509,345,989 | (430,649,328) | 83,753,278 | 364,344,791 | (167,910,696) | 127,656,757 |

**Concentration in Foreign currency risk:**

| As of December 31, 2019 | US Dollar | Euro | GBP | Japanese Yen | Other | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| **Assets** | | | | | | |
| Balances at Central Bank of Jordan | 34,143,660 | 14,563,285 | 141,604 | - | - | 48,848,549 |
| Balances and deposits at banks and financial institutions | 48,324,004 | 6,206,889 | 9,598,371 | 1,860,887 | 1,781,013 | 67,771,164 |
| Direct credit facilities - net | 73,200,652 | 45,805 | - | - | 6 | 73,246,463 |
| Financial assets at amortized cost | 32,426,467 | - | - | - | - | 32,426,467 |
| Other assets | 9,480,691 | 1,851,133 | 8,288 | - | 804 | 11,340,916 |
| "Financial assets at fair value through other comprehensive income" | 3,191,566 | - | - | - | - | 3,191,566 |
| Total Assets | 200,767,040 | 22,667,112 | 9,748,263 | 1,860,887 | 1,781,823 | 236,825,125 |
| | | | | | | |
| Liabilities | | | | | | |
| Banks and financial institution deposits | 8,002 | 12,742,121 | 5,579,730 | - | - | 18,329,853 |
| Customers' deposits | 175,409,186 | 9,070,040 | 4,136,257 | 57,018 | 1,741,456 | 190,413,957 |
| Cash margins | 30,464,911 | 320,516 | - | - | - | 30,785,427 |
| Borrowed Funds | - | 496,788 | - | - | - | 496,788 |
| Other liabilities | 384,995 | 40,991 | 29,827 | 1,793,550 | 16,065 | 2,265,428 |
| Total Liabilities | 206,267,094 | 22,670,456 | 9,745,814 | 1,850,568 | 1,757,521 | 242,291,453 |
| | | | | | | |
| Net Concentration in the Consolidated Statement of Financial Position | (5,500,054) | (3,344) | 2,449 | 10,319 | 24,302 | (5,466,328) |
| Contingent Liabilities Off-Consolidated Statement of Financial Position | 36,882,019 | 4,724,825 | 2,068,383 | - | 179,550 | 43,854,777 |
| | | | | | | |
| As of December 31, 2018 | | | | | | |
| Total Assets | 215,901,451 | 17,385,311 | 4,552,347 | 563,866 | 4,209,789 | 242,612,764 |
| Total Liabilities | 226,769,253 | 17,385,313 | 4,549,007 | 522,069 | 4,191,129 | 253,416,771 |
| Net Concentration in the Consolidated Statement of Financial Position | (10,867,802) | (2) | 3,340 | 41,797 | 18,660 | (10,804,007) |
| Contingent Liabilities Off-Consolidated Statement of Financial Position | 48,983,976 | 14,923,670 | 2,206,013 | 366,652 | 236,238 | 66,716,549 |

**First: The following table illustrates the distribution of the liabilities (undiscounted) on the basis of the remaining period of the contractual maturity as of the date of the consolidated financial statements.**

| | Less than 1 Month | From 1 Month to 3 Months | More than 3 Months to 6 Months | More than 6 Months to 1 Year | From 1-3 Years | More than 3 Years | No Specific Maturity | Total |
|---|---|---|---|---|---|---|---|---|
| As of December 31, 2019: | JD | JD | JD | JD | JD | JD | JD | JD |
| **Liabilities:** | | | | | | | | |
| Banks and financial institution deposits | 45,797,496 | - | - | - | - | - | 452,787 | 46,250,283 |
| Customers' deposits | 207,255,736 | 131,056,254 | 65,528,127 | 32,764,063 | 655,281,273 | - | 259,222,958 | 1,351,108,411 |
| Cash margin | 61,132,094 | 17,730,343 | 4,354,086 | 25,078,929 | 4,602,150 | 184,693 | - | 113,082,295 |
| Borrowed funds | 20,427 | - | 737,679 | 112,500 | 20,699,317 | 12,868,989 | - | 34,438,912 |
| Sundry provisions | - | - | - | - | - | - | 64,545 | 64,545 |
| Income tax provision | - | - | - | - | - | - | 5,346,308 | 5,346,308 |
| Deferred tax liabilities | - | - | - | - | - | - | 1,299,449 | 1,299,449 |
| Other liabilities | - | - | - | - | - | - | 26,756,493 | 26,756,493 |
| Lease liabilities | 31,413 | 30,721 | 35,252 | 84,986 | 289,761 | 431,312 | - | 903,445 |
| Total | 314,237,166 | 148,817,318 | 70,655,144 | 58,040,478 | 680,872,501 | 13,484,994 | 293,142,540 | 1,579,250,141 |
| | | | | | | | | |
| Total liabilities (according to expected maturities) 2019 | 167,609,585 | 63,335,263 | 75,264,649 | 76,650,219 | 394,927,997 | 710,036,921 | 225,457,801 | 1,713,282,435 |
| | | | | | | | | |
| | | | | | | | | |
| As of December 31, 2018: | | | | | | | | |
| Liabilities: | | | | | | | | |
| Banks and financial institution deposits | 28,640,052 | 5,000,000 | - | 810,355 | - | - | 2,188,915 | 36,639,322 |
| Customers' deposits | 159,177,623 | 166,959,590 | 325,334,105 | 434,474,005 | 857,401 | - | 292,155,660 | 1,378,958,384 |
| Cash margins | 72,143,278 | 6,405,070 | 4,550,112 | 25,765,734 | 172,098 | - | - | 109,036,292 |
| Borrowed funds | - | 2,000,000 | 1,691,564 | 997,167 | 11,288,990 | 13,083,600 | - | 29,061,321 |
| Sundry provisions | - | - | - | - | - | - | 61,841 | 61,841 |
| Income tax provision | - | - | - | - | - | - | 213,215 | 213,215 |
| Deferred tax liabilities | - | - | - | - | - | - | 570,725 | 570,725 |
| Other liabilities | - | - | - | - | - | - | 20,927,722 | 20,927,722 |
| Total | 259,960,953 | 180,364,660 | 331,575,781 | 462,047,261 | 12,318,489 | 13,083,600 | 316,118,078 | 1,575,468,822 |
| | | | | | | | | |
| Total liabilities (according to expected maturities) | 206,831,080 | 58,272,608 | 114,758,104 | 95,919,627 | 363,578,815 | 718,480,054 | 145,432,790 | 1,703,273,078 |

**Secondly: Off- Consolidated of Financial Position Items:**

| | Up to 1 Year | 1 - 5 Years | Total |
|---|---|---|---|
| As of December 31, 2019 | JD | JD | JD |
| **Letters of credit and acceptances** | 25,138,150 | - | 25,138,150 |
| Unutilized ceilings | 92,727,837 | - | 92,727,837 |
| Letters of guarantee | 55,428,001 | 3,855,450 | 59,283,451 |
| Total | 173,293,988 | 3,855,450 | 177,149,438 |
| | | | |
| As of December 31, 2018 | | | |
| Letters of credit and acceptances | 39,475,586 | - | 39,475,586 |
| Unutilized ceilings | 114,050,961 | - | 114,050,961 |
| Letters of guarantee | 74,111,754 | 2,800,431 | 76,912,185 |
| Total | 227,638,301 | 2,800,431 | 230,438,732 |

**Operational Risks Management:**
Operational risks are represented in the risk of loss due to insufficiency or failure of internal operations work force and regulations which may result from internal or external events.
The Bank works towards managing and reducing operational risks, accordingly, it has established a specialized and independent department concerned in the management of operational risks. Additionally, it has adopted Société Générale Group Policies and procedures regarding this issue.

In this regard, the Bank has enhanced the institutional frameworks that govern the management of operational risks through updating and developing policies and adopting procedures necessary to manage such risks. The department of operational risks manages, identities, measures, controls, and monitors the risk through qualitative and quantitative methods including:

- Documentation of all internal operational risk loss to which the Bank is exposed to and the remedial procedures to ensure no reoccurrence thereof through using a special information recording system (Internal Operational Risk Loss Data Collection).

- Risk Control Self-Assessment which involves the assessment of potential losses generated from the Bank's various activities, which enables us to assess the level of the Bank's exposure to operational loss.
- Key Risk Indicators, which indicates the most important operational risks sources to which the Bank may be exposed in order to manage them effectively.

**Non-compliance risks:**
These are the risks of organizational or legal penalties or loss of reputation which the Bank may face due to failure of complying with laws and regulations issued by the regulatory bodies.

The Bank pays special attention to the regulations of the banking supervisory authorities, as it has established a special department and a complete set of written policies and procedures to avoid exposure to such risks.

As part of the Bank's strategy, it has recently applied automated solutions to prevent money laundering and avoid implication in such activities which may impair the Bank's reputation.

**Strategic risks:**
These are the risks of existing or possible negative effect on the shareholders› rights due to action decisions and improper execution, or lack of awareness and reaction to internal or external changes.

**Internal control environment:**

The Board of Directors ensures the existence of control systems and that the internal control is adequate and effective, and follows up on an ongoing basis, where the relevant departments for internal control (continuous, periodic) submit periodic reports to the Audit Committee and Board of Directors to make sure that the Bank›s management practice the appropriate control.

Internal control consists of:
1. Continuous internal control: a collection of works carried out on an ongoing basis in order to ensure the security and accuracy of the transactions at the operational level, which includes all departments of the Bank. The continuous internal control is one of the most important elements approved in the Bank, because it is the first level of internal control, in addition to being one of the requirements of regulatory bodies locally and internationally which is considered the main pillar to reduce the operational risk through constant monitoring of daily business, also lead to the development and quality of the banking services provided to customers.

2. Periodic internal control: assessing the Bank›s commitment to the regulations and procedures as well as evaluating the effectiveness of the systems of control and oversight of the Bank, consisting of such control of both the Internal Audit (the second level of internal control), audit of Societe Generale De Banque - Lebanon and Societe Generale Group (the third level of internal control).

## 40. Segment Analysis

1. Bank Activities Information:

For management purposes the bank is organized into the following major business segments based on the reports sent to the chief operating decision maker:

- Individual accounts: This item includes following up on individual customer's deposits, and granting them credit and other services.
- Small and Medium Enterprises: This item includes following up on the client's deposits and credit facilities and in which these clients are classified based on the volume of the granted deposits and facilities according to the Banks instructions and principles and in compliance with the regulatory bodies instruction.
- Corporate Accounts: This item includes following up on the client's deposits and credit facilities and in which these clients are classified based on the volume of the granted deposits and facilities according to the Banks instructions and principles and in compliance with the regulatory bodies instruction.
- Treasury: This item includes providing treasury and trading services, managing the Bank's funds and long terms investments at amortized costs which is maintained to collect the contractual cash flows.

**The following table represents information on the Bank's sectors according to activities:**

| | Individual | Small and Medium Enterprises | Corporates | Treasury | Other | Total For the Year Ended December 31, 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD |
| Total Income | 18,609,718 | 5,912,568 | 36,310,633 | 34,489,215 | 12,051,580 | 107,373,714 | 87,156,707 |
| (Provision for) Released from expected credit losses | (1,204,333) | (190,185) | 42,097 | 37,188 | (385,927) | (1,701,160) | 1,850,273 |
| Segments results | (5,431,571) | 3,043,477 | 21,050,768 | 32,479,303 | (18,567,606) | 32,574,371 | 26,157,113 |
| | | | | | | | |
| Unallocated expenses | | | | | | (16,447,241) | (13,722,893) |
| Profit before tax | | | | | | 16,127,130 | 12,434,220 |
| Income tax | | | | | | (6,066,933) | (4,149,275) |
| Profit for the Year | | | | | | 10,060,197 | 8,284,945 |
| | | | | | | | |
| **Other Information** | | | | | | | |
| Capital expenditures | | | | | | 1,264,096 | 11,560,956 |
| Depreciation and amortization | | | | | | 2,560,291 | 1,493,451 |
| | | | | | | | |
| | | | | | | Total For the Year Ended December 31, | |
| | | | | | | 2019 | 2018 |
| | | | | | | JD | JD |
| Segment Assets | 266,376,837 | 66,042,654 | 398,924,871 | 800,446,230 | 181,491,843 | 1,713,282,435 | 1,703,297,579 |
| | | | | | | 1,713,282,435 | 1,703,297,579 |
| | | | | | | | |
| Segment Liabilities | 476,794,767 | 55,962,650 | 286,139,886 | 47,639,677 | 712,713,161 | 1,579,250,141 | 1,575,468,822 |
| | | | | | | 1,579,250,141 | 1,575,468,822 |

2. Geographical Information

This sector represents the geographical distribution of the Bank's operations. The Bank operates mainly in Jordan, which represents the local business. The Bank also carries out international activities in the Middle East, Europe, Asia, United States and the Near East representing international business.

**The distribution of the Bank›s assets by geographical segment is as follows:**

| | Inside Jordan | | Outside Jordan | | Total | |
|---|---|---|---|---|---|---|
| | December 31, | | December 31, | | December 31, | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | JD | JD | JD | JD | JD | JD |
| Total Assets | 1,671,645,338 | 1,576,287,337 | 41,637,097 | 127,010,242 | 1,713,282,435 | 1,703,297,579 |

| | Inside Jordan | | Outside Jordan | | Total | |
|---|---|---|---|---|---|---|
| | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | JD | JD | JD | JD | JD | JD |
| Total Income | 103,549,425 | 84,102,132 | 3,824,289 | 3,054,575 | 107,373,714 | 87,156,707 |
| Capital Expenditure | 1,264,096 | 11,560,956 | - | - | 1,264,096 | 11,560,956 |

# 41. Capital Management:

a. Description of what is considered as capital

Capital capital is classified into several categories as paid up capital, economic capital and regulatory capital. The regulatory capital according to the Banks Law defines the total value of items determined by the Central Bank for regulatory purposes in accordance with the capital adequacy requirements prescribed by the Central Bank of Jordan. Capital adequacy ratio was calculated as of December 31, 2019 and 2018 according to Basel III, whereas the Bank's regulatory capital consists of primary capital for common shareholders (CET1) and additional paid-up capital and Tier 2.

b. The requirements of the regulatory bodies regarding the capital and how to meet these requirements

- The Central Bank›s instructions require that paid up capital at minimum equal 100 million dinars and that the ratio of shareholders› equity to assets not to fall below 6%. Regarding regulatory capital, directives of the central bank specify that the ratio of the ragulatory capital to risk-weighted assets and market risk (capital adequacy ratio) shall not fall below 12% and the Bank takes into consideration reserving those ratios.

- The Bank complies with Article (62) of the Banks Law whereby the Bank shall deduct annually 10% of its net profits in the Kingdom and shall continue to deduct until the reserve equals the Bank›s subscribed capital. This deduction is equivalent to statutory reserve provided for in the Companies Law.

- The Bank shall comply with Article (41) of the Banks Law, which requires that the limits determined by the Central Bank relating to the following shall be complied with:

1. Risk ratios for its assets, risk-weighted assets, capital components, reserves and statutory accounts.

2. Ratio of total loans to regulatory capital the Bank is allowed to grant to a person and his allies or to the interest of the relevant parties.

3. Ratio of total loans granted to the top ten customers to the total amount of loans granted by the Bank.

c. How to achieve capital management objectives

Capital Management is the optimal use of capital resources to achieve the highest possible return on capital while maintaining the minimum required by laws and regulations. The Bank follows a policy of seeking to minimize the cost of funds to the lowest level possible by finding low-cost sources of funds, working on increasing customer base and optimal use of the funds in investments that have acceptable risk to achieve the highest possible return on capital.

d. Capital Adequacy

In addition to subscribed capital, Capital accounts include Statutory reserve, Voluntary reserve, Issuance premium, Retained Earnings, Fair value reserve, General banking risk reserve, and Treasury stock. The Bank complies with the requirements of the regulatory authorities regarding capital as follows:

1. The directives of the Central Bank of Jordan regarding the capital adequacy ratio, which shall not be less than 12%.
2. Commitment to the minimum paid-up capital of Jordanian banks of not less than 100 million Jordanian Dinars.
3. The Bank's investments in stocks and shares, which shall not exceed 50% of its subscribed capital.
4. Ratios of Credit limit "credit concentrations" to regulatory capital.
5. The law of banks and companies relating to the deduction of statutory reserve at an amount equal to 10% of the bank's profits before taxes.

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| **Primary capital items (Tier 1)** | | |
| Authorized and paid-up capital | 100,000,000 | 100,000,000 |
| The cumulative change in fair value | 923,185 | (220,155) |
| Statutory reserve | 14,501,460 | 12,880,233 |
| Voluntary reserve | 100,000 | 100,000 |
| Retained earnings | 18,507,649 | 15,068,679 |
| Less: Proposed dividends | (6,000,000) | (5,000,000) |
| Total statutory capital for common shareholders | 128,032,294 | 122,828,757 |
| | | |
| Regulatory adjustments (deductions from capital) | | |
| **Intangible assets** | 4,964,615 | 4,683,689 |
| Deferred tax assets on investments within the first limit (10%) | 3,811,501 | 3,013,403 |
| Net primary capital (Tier 1) | 119,256,178 | 115,131,665 |
| **Net Statutory Capital (capital Tier 1 )** | 119,256,178 | 115,131,665 |
| | | |
| **Supplementary capital (Tier 2)** | | |
| **Provision against debt instruments classified under stage 1** | 1,438,856 | 2,564,436 |
| Non-controlling interest | - | - |
| Net supplementary capital | 1,438,856 | 2,564,436 |
| Regulatory capital | 120,695,034 | 117,696,101 |
| **Total Risk-Weighted Assets** | 848,769,457 | 759,924,038 |
| | | |
| **Capital Adequacy Ratio (CET 1)** | 14.22% | 15.49% |
| Statutory Capital Adequacy Ratio | 14.05% | 15.15% |
| Support native Capital Adequacy Ratio | 6.35% | 6.03% |

Capital adequacy ratio was calculated as of December 31, 2019 and 2018 according to Basel III.

## 42. Contingent Liabilites and Commitments

The details of this item are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Letters of credit | 10,250,748 | 16,367,627 |
| Acceptances | 14,887,402 | 23,107,959 |
| | | |
| Letters of guarantee: | 59,283,451 | 76,912,185 |
| Payments | 16,637,726 | 16,514,191 |
| Performance | 22,873,820 | 25,144,621 |
| Other | 19,771,905 | 35,253,373 |
| Unused Limits of Direct Credit Facilities | 92,727,837 | 114,050,961 |
| Total | 177,149,438 | 230,438,732 |

## 43. Financial Derivative Instruments

This items consists of the following:

| | Positive fair value | Negative fair value | Nominal value | Due in three months | Due in 3 – 12 Months | From 1 -3 years |
|---|---|---|---|---|---|---|
| 2019 | JD | JD | JD | JD | JD | JD |
| Forward forign currency contract | - | (52,195) | 12,574,290 | 1,793,550 | 10,780,740 | - |
| Total | - | (52,195) | 12,574,290 | 1,793,550 | 10,780,740 | - |
| | | | | | | |
| 2018 | | | | | | |
| Forward forign currency contract | - | (283,382) | 7,779,438 | - | 7,779,438 | - |
| Total | - | (283,382) | 7,779,438 | - | 7,779,438 | - |

## 44. Lawsuits against the Bank

Total claims on the Bank amounted to JD 184,752 as of December 31, 2019 (JD 207,179 as of December 31, 2018) and the provisions provided were JD 64,545 as of December 31, 2019 (JD 61,841 as of December 31, 2018). In the opinion of the Bank›s management and their legal counsel, provisions taken against these claims are sufficient.

## 45. Analysis of the Maturities for the Assets and Liabilities

The following table illustates the analysis of assets and liabilities according to expected maturity periods:

| December 31, 2019 | Up to 1 Year JD | Over 1 Year JD | Total JD |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at Central Bank of Jordan | 193,467,172 | - | 193,467,172 |
| Balances at banks and financial institutions | 79,012,706 | - | 79,012,706 |
| Deposits at banks and financial institutions | 5,538,106 | - | 5,538,106 |
| Direct credit facilities - net | 235,225,585 | 613,874,438 | 849,100,023 |
| Financial assets at fair value through other comprehensive income | 2,981,960 | 76,200,755 | 79,182,715 |
| Financial assets at amortized cost | 29,347,583 | 195,807,948 | 225,155,531 |
| Pledged financial assets | - | 218,090,000 | 218,090,000 |
| Property and equipment | 28,161,940 | - | 28,161,940 |
| Intangible assets | 4,964,615 | - | 4,964,615 |
| Deferred tax assets | 3,811,501 | - | 3,811,501 |
| Right-of-use assets | 259,548 | 782,620 | 1,042,168 |
| **Other assets** | 25,755,958 | - | 25,755,958 |
| Total Assets | 608,526,674 | 1,104,755,761 | 1,713,282,435 |
| | | | |
| Liabilities: | | | |
| Banks and financial institutions deposits | 46,250,283 | - | 46,250,283 |
| Customers' deposits | 695,827,139 | 655,281,273 | 1,351,108,412 |
| Cash margin | 108,295,452 | 4,786,842 | 113,082,294 |
| Borrowed funds | 870,606 | 33,568,306 | 34,438,912 |
| Sundry provisions | 64,545 | - | 64,545 |
| Income tax provision | 5,346,308 | - | 5,346,308 |
| Deferred tax liabilities | 1,299,449 | - | 1,299,449 |
| Lease liabilities | 182,372 | 721,073 | 903,445 |
| Other liabilities | 26,756,493 | - | 26,756,493 |
| **Total Liabilities** | 884,892,647 | 694,357,494 | 1,579,250,141 |
| **Net** | (276,365,973) | 410,398,267 | 134,032,294 |

| December 31, 2018 | Up to 1 Year JD | Over 1 Year JD | Total JD |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at Central Bank of Jordan | 224,500,525 | - | 224,500,525 |
| Balances at banks and financial institutions | 63,076,862 | - | 63,076,862 |
| Deposits at banks and financial institutions | 29,826,581 | 26,587,500 | 56,414,081 |
| Direct credit facilities - net | 197,939,671 | 610,934,074 | 808,873,745 |
| Financial assets at fair value through other comprehensive income | 1,593,687 | - | 1,593,687 |
| Financial assets at amortized cost | 45,252,416 | 226,447,295 | 271,699,711 |
| Pledged financial assets | - | 218,090,000 | 218,090,000 |
| Property and equipment | 29,352,607 | - | 29,352,607 |
| Intangible assets | 4,683,689 | - | 4,683,689 |
| Deferred tax assets | 3,013,403 | - | 3,013,403 |
| Other assets | 21,999,269 | - | 21,999,269 |
| **Total Assets** | 621,238,710 | 1,082,058,869 | 1,703,297,579 |
| | | | |
| **Liabilities:** | | | |
| Banks and financial institutions deposits | 36,639,322 | - | 36,639,322 |
| Customers' deposits | 1,378,100,983 | 857,401 | 1,378,958,384 |
| Cash margin | 108,864,194 | 172,098 | 109,036,292 |
| Borrowed funds | 4,688,731 | 24,372,590 | 29,061,321 |
| Sundry provisions | 61,841 | - | 61,841 |
| Income tax provision | 213,215 | - | 213,215 |
| Deferred tax liabilities | 570,725 | - | 570,725 |
| Other liabilities | 20,927,722 | - | 20,927,722 |
| **Total Liabilities** | 1,550,066,733 | 25,402,089 | 1,575,468,822 |
| **Net** | (928,828,023) | 1,056,656,780 | 127,828,757 |

# 46. Fair value levels

a. Financial assets and financial liabilities of the Bank that are measured at fair value on an ongoing basis:

Some of the financial assets and financial liabilities of the Bank are measured at fair value at the end of each financial period. The table below provides information on how to measure the fair value of these financial assets and financial liabilities (valuation methods and inputs used)

| | December 31, | | Fair value hierarchy | Valuation method and inputs used | Important intangible inputs | Relationship between important intangible inputs and fair value |
|---|---|---|---|---|---|---|
| **Financial Assets** | **2019** | **2018** | | | | |
| | JD | JD | | | | |
| Financial Assets at Fair Value: | | | | | | |
| Quoted stocks | 327,576 | 334,853 | Level 1 | Prices quoted at financial markets | Not applicable | Not applicable |
| Unquoted stocks | 2,654,384 | 1,258,834 | Level 2 | Using the equity method and the latest available financial information | Not applicable | Not applicable |
| Financial assets at fair value through other comprehensive income: | 76,200,755 | - | Level 1 | Prices quoted at financial markets | Not applicable | Not applicable |
| Total Financial Assets at Fair Value | 79,182,715 | 1,593,687 | | | | |

There were no transfers between Level I and Level II during the year ended December 31, 2019 and December 31, 2018.

b. Financial assets and financial liabilities of the Bank that are not measured at fair value on an ongoing basis:

Except as described in the table below, we believe that the carrying amounts of financial assets and financial liabilities denominated in the Bank's consolidated financial statements approximate their fair values:

| | December 31 2019 | | December 31 2018 | | |
|---|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value | Fair Value Hierarchy |
| | JD | JD | JD | JD | |
| **Financial assets not measured at fair value** | | | | | |
| Term deposits subject to notice and certificates of deposit with central banks | 185,463,637 | 185,469,247 | 216,962,762 | 217,021,783 | Level 2 |
| Current accounts and deposits with banks and financial institutions | 84,550,812 | 84,619,044 | 119,490,943 | 119,944,657 | Level 2 |
| Direct credit facilities at amortized cost | 849,100,023 | 852,000,012 | 808,873,745 | 811,241,182 | Level 2 |
| Other financial assets at amortized cost | 443,245,531 | 467,045,981 | 489,789,711 | 488,627,663 | Level 1 & 2 |
| Assets seized against debt | 4,864,973 | 4,864,973 | 3,676,261 | 3,676,261 | Level 2 |
| Total Financial Assets Not Measured at Fair Value | 1,567,224,976 | 1,593,999,257 | 1,638,793,422 | 1,640,511,546 | |
| Financial Liabilities not measured at fair value | | | | | |
| Banks and financial institutions deposits | 46,250,283 | 46,252,993 | 36,639,322 | 36,814,827 | Level 2 |
| Customers' deposits | 1,351,108,412 | 1,365,009,685 | 1,378,958,384 | 1,388,707,174 | Level 2 |
| Cash margins | 113,082,294 | 113,805,693 | 109,036,292 | 109,666,625 | Level 2 |
| Borrowed funds | 34,438,912 | 34,670,779 | 29,061,321 | 29,266,373 | Level 2 |
| Total Financial Liabilities Not Measured at Fair Value | 1,544,879,901 | 1,559,739,150 | 1,553,695,319 | 1,564,454,999 | |

Corporate Governance Code is available on the bank's website through the link below:

http://www.sgbj.com.jo/Library/Assets/GGITEn-035639.pdf
Bitly: https://bit.ly/2Y9JuD5



# CORPORATE GOVERNANCE CODE

Governance Guide To Information Technology Is Available On The Bank's Website Through The Link Below:

http://www.sgbj.com.jo/Library/Assets/CGG-034728.pdf
Bitly: https://bit.ly/3fvVAw0

# GOVERNANCE GUIDE TO INFORMATION TECHNOLOGY

# Governance Report

A. Information and details regarding the implementation of the provisions of these instructions and the rules of corporate governance in the Bank

The Bank pays great attention to the corporate governance practices in the belief that the importance of good governance stops from providing basis for improving operational efficiency and improving future institutional performance, enhancing the confidence of depositors, investors and all other stakeholders as well as reducing the Bank›s exposure to crises and enabling it to contribute successfully to the development of the banking system in Jordan, which in turn is an essential part of the national economy.

Accordingly, the Board of Directors decided to adopt the Corporate Governance Manual as well as the Charter of the Board and its committees, which have been prepared in accordance with the international best practices and policies adopted at the Group level and in line with the Corporate Governance Directive No. 63/2016 issued by the Central Bank of Jordan Dated 1/9/2016 and the Corporate Governance Regulations of Listed Companies of 2017 issued by the Jordan Securities Commission and other relevant laws. The Board shall also comply with any instructions issued by the Central Bank or other relevant regulatory authorities in this regard.

B. Names of the current and resigned Board Members during the year

- Chairman of the Board:: Messrs. Société Générale De Banque Au Liban/ Represented by Mr. Hassan Hamdi Khalil Mango / Non Independent
- Deputy Chairman of the Board: Messrs. Sogelease Liban/ Represented by Mr. Antoun Nabil Nicolas Sehnaoui / Non Independent
- Board Member: Messrs. SGBL Insurance SAL / Represented by Miss Noha Espiridon Khalil Abou Saad/ Non Independent
- Board Member: Mr. Gérard Albert Goulven Garzuel/ Non Independent (passed away on June 23rd 2019)
- Board Member: Dr. Ahmad Ibrahim Khalil Mango/ Non Independent
- Board Member: Mr. Khalil Anis Khalil Nasr / Independent
- Board Member: Mr. Mufleh Moh'd Awad Akel/ Independent
- Board Member: Dr. Fawaz Hatim Sharif Zu'bi/ Independent (resigned on December 1st 2019)
- Board Member: Mr. Georges Elie Georges Saghbini/ Non Independent
- Board Member: Mr. Philippe Joseph Bernard Dubois/ Non Independent
- Board Member: Mr. Omar Khaled Rasheed Agha/ Independent
- Board Member: Mr. Stanislas Regis Marie Tertrais / Non Independent (appointed as non-independent member on December 4th 2019.)

All Board members are non-executives.

C. Executive positions in the Bank and the names of the persons who occupy these positions

| Employee Name | Position |
|---|---|
| Nadim Iskandar Farid Abawat | General Manager |
| Rami Talal Husni Al Khuffash | Deputy General Manager and Head of Corporate Treasury Division |
| Charbel Kamal Kabalan | Head of Retail ,Private Banking & Marketing Division |
| Marwan Simon Bou Dib | Head of the Audit Department |
| Jad Hareth Naseeb El Howayek | Head of Support & Administration Domain |
| Majdi Adli Mohd Ajaj | Head of Back Offices , Recovery & Legal Affairs Domain (BARL) |
| Aiman Kamel Metri Hijazin | Manager of Risk Department |
| Aghadeer Tawfeek Shaker Abu Ghosh | Finance Manager |
| Sulaiman Michel Elias Aranki | Manager of Compliance and Permanent Control Department |
| Firas Tayseer Dakhlallah Taamreh | Human Resources Manager |

D. The names of the Board Members' representatives and determining whether the representative is executive, non-executive, independent or non-independent

- Chairman of the Board: Messrs. Société Générale De Banque Au Liban/ Represented by Mr. Hassan Hamdi Khalil Mango / non-independent
- Deputy Chairman of the Board: Messrs. Sogelease Liban/ Represented by Mr. Antoun Nabil Nicolas Sehnaoui / non-independent
- Board Member: Messrs. SGBL Insurance SAL / Represented by Miss Noha Espiridon Khalil Abou Saad/ non-independent

All Board members are non-executives.

E. Memberships in public shareholding companies occupied by any Board Member, if any

None of the Members is a member in other public shareholding companies except for Mr. Khalil Nasr, who is a member in the following public shareholding companies:

- Vice Chairman of Emaar Real Estate Development & Investment Company since 2011

F. Name of the Corporate Governance Officer
Mrs. Rula Wajih Elias Khoury / Secretary of the Board of Directors

G. The Board of Directors Committees

- Corporate Governance Committee
- Audit Committee
- Risk Management Committee
- Nomination and Remuneration Committee
- Credit Facilities Committee
- IT Governance Committee

H. Name of the Chairman and Members of the Audit Committee and a description of their qualifications

## Mr. Khalil Anis Khalil Nasr

Nationality: Jordanian
Board member since 18/1/2016 to present
Head of the Board Audit Committee
Member of the Board Risk Management Committee
Member of the Board Nomination and Remuneration Committee
Director Status: A non-executive and independent member
Date of birth: 1953

Educational Certificates:

- Bachelor of Arts/Business Administration 1976.
- M.B.A Degree/Finance 1997.

Professional Qualifications:

- Vice Chairman, Palestine Investment Bank since 2011
- Vice Chairman, Emmar Investments & Real Estate Development Company since 2011
- Board Member, Masafat for Specialized Transport since 2011
- Vice Chairman, Arab Center for Pharmaceutical & Chemical Industries since 2012
- Chairman, Emmar Islamic Company for Leasing & Investment 2011-2017
- Chairman, East Amman Company for Housing & Development 2012-2019
- Board Member, Masafat Company for Touristic Car Rental / representative of Masafat for specialized Transport since 2015
- Board Member, Orthodox Educational Society 2012 - 2018
- Board Member, Association of Banks in Jordan 2003-2010
- Chairman of Al-Mawared for Brokerage 2008-2010
- Chairman of Tamkeen for Financial Leasing 2008-2010

- Chairman of IMDAD for Supply Chain 2008-2010.
- Board Member, Arab Center for Pharmaceutical & Chemical Industries Company 2008-2009.
- Board member of the International Cards Company 2009.
- Chairman of the Board of Directors of Societe Generale Banke De Cyprus since 2019
- Chairman of the Board of Securities Depository Center 2001-2002
- Chairman of the Board of International Business Association in Cyprus 1996-2000

Also held the following banking positions:

- CEO/General Manager, Investbank 2007-2010.
- Deputy CEO, Jordan Ahli Bank 1993-2007, [1993 – 2000 Regional Manager – Cyprus, 2000-2007 Head of International Division (Lebanon, Cyprus, and Palestine).
- Alternate Board Member, Jordan International Bank-London 2000-2007.
- Advisor to the Chairman, Ahli International Bank-Lebanon 2001-2007.
- Executive Manager, Bank of Jordan 1986-1993.
- Second Vice President, Chase Manhattan Bank NA – Jordan Branch 1976-1986.

## Mr. Omar Khaled Rasheed Agha

Nationality: Jordanian.
Board member since 18/1/2016 to present.
Head of the Board Nomination and Remuneration Committee.
Member of the Board Corporate Governance Committee.
Director Status: A non-executive and independent member.
Date of birth: 1956.

Educational Certificates:

- Bachelor Degree in Civil Engineer 1991.
- Post graduate studies in Strategic Planning & Financial Management 2014.

Professional Qualifications:

- Board member of Societe General Bank Jordan (SGBJ) 2016 – present
- Co-Founder and CEO – Enspirity Ventures 2018 – Present
- Group CEO - Abdali Investment and Development Company (Jordan) 2016 - 2018
- Group CEO - Al Anwa Holding for Investments (KSA/Egypt/Tunisia) 2015 - 2016
- CEO / COO Saraya Holdings 2011 - 2015
- Executive Vice President, Arab Bank Group (Jordan) 2002-2007
- Board Member, Saraya Aqaba for Real Estate Development Company (Jordan) 2011 - 2015
- Board Member, Saraya Bandar Jissah (Oman) 2011 – 2015
- Board Member, Saraya Jordan for Real Estate Development 2011 – 2015
- Board Member, Saraya Abdalli for Real Estate Development 2011 – 2015
- Board Member, Injaz for Human Resources Development 2009 – 2015
- Managing Director and Vice Chairman of Saraya Development Group (development management company) 2007- 2011
- Board Member, Iskandar Holdings (Malaysia) 2010 -2011
- Board Member, Palestinian Telecommunication Company (PalTel) 2005 – 2007
- Board Member, Arabella for IT Services / subsidiary of Arab Bank (UK) 2004 – 2007
- Board Member, Saraya Jordan for Real Estate Development 2011 – 2015
- Board Member, Saraya Abdalli for Real Estate Development 2011 – 2015
- Board Member, Injaz for Human Resources Development 2009 – 2015
- Board Member of Amman Vision – since 2018
- Board member of CocaCola KSA – since 2019

## Mr. Mufleh Moh'd Awad Akel

Nationality: Jordanian.
Board member since 23/4/2014 to present.
Member of the Board Risk Management Committee.
Member of the Board Audit Committee.
Director Status: A non-executive and independent member.
Date of birth: 1945.

Educational Certificates:

- MBA, University of Dallas-Texas, USA, 1979.
- Bachelor›s Degree in Economics & Political Sciences, Arab University of Beirut, 1974.
- Bachelors in Law, University of Damascus, 1966.

Professional Qualifications:

- Founder & President of Akel Consulting (Banking & Finance) since 2010.
- Executive Chairman of Jordan›s Social Security Investment Unit, 2005-2008.
- Chairman of Jordan Dubai Islamic Bank (formerly Industrial Development Bank), 2000-2009.
- Chairman and CEO of the Association of Banks in Jordan, 2004-2006.
- Member of the Board of Directors of the Central Bank of Jordan, 2005-2009.
- Executive Regional Manager, Arab Bank plc- Head Office, 1982-2004.
- Former Member of the Board of Directors in several companies, including (Jordan Telecom Company, Jordan Cement Factories, Arab Tunisian Bank, Hikma Pharmaceuticals, Arab Aluminum Industry, Jordan National Shipping lines, Amman Stock Exchange, Jordan Worsted Mills and Jordan Hotel and Tourism Company).

## Mr. Georges Elie Georges Saghbini

Nationality: Lebanese.
Board member since 26/7/2011 to present.
Member of the Board Risk Management Committee.
Member of the Board Nomination & Remuneration Committee.
Member of the Board Audit Committee.
Member of the Board Credit Committee.
Director Status: A non-executive and non-independent member.
Date of Birth: 1971.

Educational Certificates:

- Master's Degree in Economics, Paris-Sorbonne University, 1995.
- Postgraduate Studies Diploma in Money & Banking, Paris-Sorbonne University, 1995.
- Master›s Degree in Econometrics, Paris-Sorbonne University, 1994.

Professional Qualifications:

- Deputy Chief Executive Officer of Compagnie Financière Richelieu since 2018.
- Vice-Chairman of the Management Supervisory Board of Banque Richelieu France since 2018.
- Member of the Board of Directors of Banque Richelieu Monaco since 2018.
- Chairman of Richelieu Gestion since 2018.
- Member of the Board of Directors of Liberty International Limited since 2017.
- Member of the Board of Directors of Societe Generale Bank - Cyprus Ltd. (SGBCy) since 2010.
- Chairman of SGBL Insurance S.A.L since 2008.
- Member of the Board of Directors of Fidus SAL since 2008.
- Chairman of LCB Investments Holding SAL since 2013.
- Member of the Board of Directors of Société d'Investissements et de Services SAL since 2011.
- Chairman of the Real Estate Company 415 SAL since 2017
- Chairman of 799 Bassatine Tripoli SAL since 2006
- Deputy General Manager of SGBL SAL since 2008.
- Chief Financial Officer (CFO) of SGBL Group since 2001.
- Head of the Financial Control Division at SGBL SAL, 1999-2001.
- Representative of Societe Generale Bank - Lebanon on the Board of Directors of Compagnie Financiere Richelieu since 2019

### Mr. Gérard Albert Goulven Garzuel

Nationality: French.
Board member since 24/4/2013 to present.
Member of the Board Audit Committee.
Member of the Board Credit Committee.
Director Status: A non-executive and non-independent member.
Date of Birth: 1949.

Educational Certificates:
Degree from the Institute Technique de Banque à l'International in Paris, 1980.

Professional Qualifications:

• Held the following positions at Société Générale de Banque au Liban S.A.L. (SGBL):
- Advisor for the Chairman of SGBL since April 2015
- Deputy Chief Executive Officer, 2008 – April 2015.
- Assistant General Manager in charge of the General Secretariat and Risk Divisions, 2007-2008.
- Assistant General Manager in charge of the banking network in Lebanon and supervisor of SGBJ banking network, 2002-2007.
• Also held the following positions at Société Générale (SG) in France:
- Head of Retail & Professional Banking at SG/ Caen- France, 1996-2002.
- Corporate Department Manager at SG/ Niort- France, 1992-1996.
- Corporate Department Manager at SG/ Monaco- France, 1987-1992.
- Project Manager at SG/ Reims- France, 1985-1987.
- Assistant Manager of the Private Banking Department at SG/ Bastia- France, 1980-1985.
- Branch Manager at SG-Paris, 1971-1976.

## I. Name of the Chairman and members of the Nomination and Remuneration Committee, the Corporate Governance Committee and the Risk Management Committee

### Nomination and Remuneration Committee

• Dr. Fawaz Zu'bi / Head of the Committee (Resigned on 1/12/2019)
• Mr. Omar Agha / Member
• Mr. Khalil Nasr/ Member
• Mr. Georges Saghbini/ Member
• Mr. Philippe Dubois / Member

### Corporate Governance Committee

• Messrs. Société Générale De Banque Au Liban/ Represented by Mr. Hassan Hamdi Khalil Mango/ Head of the Committee
• Mr. Mufleh Moh'd Awad Akel/ Member
• Mr. Omar Khaled Agha/ Member
• Messrs. SGBL Insurance SAL / Represented by Miss Noha Espiridon Khalil Abou Saad / Member
• Dr. Fawaz Zu'bi / Member

### Risk Management Committee

• Mr. Mufleh Moh'd Awad Akel / Head of Committee
• Mr. Khalil Nasr/ Member
• Mr. Georges Saghbini / Member
• Messrs. SGBL Insurance SAL / Represented by Miss Noha Espiridon Khalil Abou Saad / Member

## J. Number of the Board of Directors and Committees' meetings during the year, with the members present

| | Board of Directors | Audit Committee | Nomination and Remuneration Committee | Risk Management Committee | Corporate Governance Committee | IT Governance Committee |
|---|---|---|---|---|---|---|
| The total number of meeting held during 2019 | 8 | 5 | 2 | 2 | 2 | 4 |
| Messrs. Société Générale De Banque Au Liban/ Represented by Mr. Hassan Hamdi Khalil Mango | 8 | | | | 2 | |
| Messrs. Sogelease Liban/ Represented by Mr. Antoun Nabil Nicolas Sehnaoui | 2 | | | | | |
| Messrs. SGBL Insurance SAL / Represented by Miss Noha Espiridon Khalil Abou Saad | 7 | | | 2 | 2 | 2 |
| Mr. Gérard Albert Goulven Garzuel | 1 | 1 | | | | |
| Dr. Ahmad Ibrahim Khalil Mango | 7 | | | | | |
| Mr. Omar Khaled Agha* | 6 | 3 | 2 | | 2 | 4 |
| Mr. Mufleh Moh'd Awad Akel* | 8 | 5 | | 2 | 2 | |
| D. Fawaz Hatim Zu'bi* | 5 | | 2 | | 2 | 2 |
| Mr. Georges Elie Georges Saghbini | 5 | 4 | 2 | 2 | | |
| Mr. Philippe Joseph Bernard Dubois | 4 | | 1 | | | |
| Mr. Khalil Anis Nasr* | 8 | 5 | 2 | 2 | | |

*Independent Director

Non committee member

Noting that the Board Credit Committee has made its decisions by means of circulation.

K.K. The Audit Committee met with the External Auditor four times during 2019.

Chairman of the Board
Hassan Hamdi Khalil Mang

# PRODUCTS AND SERVICES

# Products and Services:

**Banking Services for Corporations:**

Financing For All Kinds of Operating Cycles:
1. Loans.
2. Guarantees.

Financing for Foreign Trade:
1. Credit and Guarantees.
2. Currency Products to Cover Risks.

Investment Financing:
1. Financial Engineering.
2. Medium and Long Term Loans.
3. Loan Syndications.

**Investment Banking in the Private and Public Sectors:**

Private Banking Services:
1. Investment Products.
2. Portfolio Management.
3. Financial Engineering.

Foreign Capital Markets:
1. Money Markets and Certificates of Deposit.
2. Dealing In Foreign Currencies.
3. Exchanging Foreign Currencies.

**Individual Banking Services:**

Loans:
1. Housing Loans (Sogehome).
2. Personal Loans (Sogeloan).
3. Car Loans (Sogecar).
4. Land Loans (Sogeland).
5. Professional Personal Loans (Sogeloan Pro).
6. Professional Car Loans (Sogecar Pro).
7. Professional Office Loans (Sogehome Pro).
8. Public Sector Loans.

Accounts:
1. Current account.
2. Saving account.
3. Makasseb account.
4. Fixed deposit account.
5. Saving+ account.
6. Ghena saving account.
7. Youth accounts (ILive and Swing).
8. Makasseb Pro account.

Cards:

**A wide variety of Visa and MasterCard Cards:**

1. Benefit Titanium Card (Evolving Credit Card).
2. My Card Titanium (Monthly Paid Credit Card).
3. Easy Premium Titanium Card (ATM card and purchases at points of sale).
4. Universal Card (Card In USD).
5. Classic Benefit Credit Card (Evolving Credit Card).
6. Classic My Card Credit Card (Monthly Paid Credit Card).
7. Esurf Card (Internet Card).
8. Europa Titanium Card (Card in Euros).
9. Visa Gold Card.
10. Visa Classic Card.
11. Visa Infinite Card.
12. Platinum Card (Monthly Paid Credit Card).
13. Saving+ (ATM Card and POS).
14. I live "Youth Card" (ATM Card and POS).
15. World Business Card.
16. Master Card World Elite(Evolving Credit Card).

Bancassurance:
• Term-life insurance - Hayati
• Educational insurance - Sanadi
• Retirement plan - Mishwari
• Travel insurance - Rehlati
• Personal accidents insurance - Amani
• House insurance / Workplace insurance - Manzili

Other Services:
• Online Banking
• Safe Deposit Boxes
• MasterCard SMS services
• Certificates of Deposit
• eFAWATEERcom
• Mobile application

sgbj.com