BANK AL ETIHAD
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2020
TOGETHER WITH THE AUDIT REPORT

BANK AL ETIHAD
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
DECEMBER 31, 2020

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# Audit Report on the Consolidated Financial Statements

AM/ 010932

To the Board of Directors Chairman and Members
Bank Al Etihad
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

## Opinion

We have audited the consolidated financial statements of Bank Al Etihad (A Public Shareholding Limited Company) (The "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in owners' equity, consolidated statement of cash flows for the year, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2020, and its consolidated financial performance and its cash flows for the year 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 (ISA). 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 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 statement are a translation of the original consolidated financial statements, which are in the Arabic language, to which reference should be made.

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of 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.

For each matter below, our description of how our audit addressed the matter is provided in that context.

| | Key Audit Matters | Scope of Audit to Address the Risks |
|---|---|---|
| 1. | **Impairment of carrying value of the credit facilities and financing as per IFRS 9**<br>The Bank's direct credit facilites and financing are stated space in the statement of financial position at around JD 3 billion as at December 31, 2020. The expected credit loss (ECL) allowance was around JD 119.5 million as at this date, which comprised an allowance of around JD 47.7 million against Stage 1 and 2 exposures and an allowance of around JD 71.8 million against exposures classified under Stage 3.<br><br>The audit of the impairment of credit facilities and financing is a key area of focus because of their size (representing 56% of total assets) and due to the significance of the estimates and judgments used in classifying credit facilities and financing into various stages, and determining related allowance requirements and the complexity of the judgements, assumptions, and estimates used in the Expected Credit Loss models. Refer to Note (2) to the consolidated financial statements for the accounting policy, Note (4) for critical judgements and estimates used by management, and Note (44) for disclosures about credit risk. | We obtained a detailed understanding of the Bank's credit facilities and financing, investing assets business processes, and the accounting policies on the adoption of IFRS 9, including the critical accounting estimates and judgments used. We have involved our subject matter experts to assist us in auditing the IFRS 9 ECL models as at December 31, 2020.<br><br>We tested the design, implementation, and operating effectiveness of the relevant controls which included testing:<br><br>• System-based and manual controls over the timely recognition of impaired credit facilities and financing and investing assets and advances;<br>• Controls over the ECL calculation models;<br>• Controls over collateral valuation estimates;<br>• Controls over governance and approval process related to impairment provisions and ECL Models, including continuous reassessment by the management. |

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| Key Audit Matters | Scope of Audit to Address the Risks |
|---|---|
| The Group recognizes allowances for expected credit losses (ECLs) at an amount equal to 12-month ECL (Stage 1) or full lifetime ECL (Stage 2). A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is compared to the ECL amount calculated according to the instructions of the Central Bank of Jordan, and the higher of the two amounts is recorded after excluding credit exposures with/guaranteed by the Jordanian government, or any other special arrangements with the Central Bank of Jordan. | We understood and evaluated the theoretical soundness of the ECL model by involving our subject matter experts to ensure its compliance with the minimum requirements of the standard. We also tested the mathematical integrity of the ECL model by performing recalculations. It is compared to the ECL amount calculated according to the instructions of the Central Bank of Jordan, and the higher of the two amounts is recorded after excluding credit exposures with/guaranteed by the Jordanian government, or any other special arrangements with the Central Bank of Jordan. We assessed the consistency of various inputs and assumptions used by the Group's management to determine impairment. |
| ECLs 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 profit rate. The Bank employs statistical models for ECL calculations, and the key variables used in these calculations are probability of default (PD), loss given default (LGD), and exposure at default (EAD), which are defined in Note (44) to the consolidated financial statements. | For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Bank's methodology to determine the allowance, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by the management. We assessed the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. For samples of exposures, we checked the appropriateness of the Bank's staging.<br><br>For forward-looking assumptions used by the Bank's management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information. |
| The Corporate portfolio of credit facilities and financing and Investing assets is assessed individually for the significant increase in credit risk (SICR) and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management's judgement may also be involved in manual staging override as per the Group's policies. | We selected samples of credit facilities and financing and investing assets and assessed the accuracy of the Exposure at Default (EAD), appropriateness of the Probability of Default (PD) and calculations of the Loss Given Default (LGD) used by management in their ECL calculations. |
| The measurement of ECL amounts for retail exposures classified as Stage 1 and Stage 2 are calculated using models with limited manual intervention. Retail exposures are classified as impaired as soon as there is doubt about the borrower's ability to meet payment obligations to the Bank in accordance with the original contractual terms. | For exposures determined to be individually impaired, we tested samples of credit facilities and financing and investing assets, and examined management's estimate of future cash flows, assessed their reasonableness and assessed the resultant allowance calculations. Further, we challenged the estimates and assumptions used by management around the LGD calculation for individually impaired exposures by testing the enforceability and adequacy of valuation of underlying collaterals and estimated recovery on default. |

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| Key Audit Matters | Scope of Audit to Address the Risks |
|---|---|
| Impaired credit facilities and financing are measured on the basis of the present value of expected future cash flows including observable market price or fair value of the collateral. The impairment loss is calculated based on the shortfall in the credit facilities carrying value compared to the net present value of future cash flows using the original effective profit rate after comparing it with the ECL amount calculated according to the instructions of the Central Bank of Jordan and recording the higher of the two amounts, excluding credit exposures with/guaranteed by the Jordanian government, and any other special arrangements with the Central Bank of Jordan. The factors considered when determining impairment losses on individually assessed accounts include the customer's aggregate borrowings, risk rating, value of the collateral, probability of successful repossession, and the costs involved to recover the debts. | We also, assessed the accuracy of disclosures in the consolidated financial statements to determine if they were in compliance with the requirements of IFRSs.<br><br>We obtained an understanding of the amendments made by the Bank to the expected credit losses impacted by the COVID-19 pandemic. We assessed those amendments by evaluating the model adjustments in relation to macroeconomic factors and forward-looking scenarios, which were incorporated into the impairment calculations, by utilizing our internal specialists to challenge the chosen scenarios and weights applied to capture non-linear losses<br><br>We determined if the amount recorded as the allowance for expected credit losses was determined in accordance with the instructions of the Central Bank of Jordan. |
| As disclosed in Note (51) the COVID-19 pandemic significantly impacted management's determination of the ECL and required the application of heightened judgment. To address the uncertainties inherent in the current and future environment and to reflect all relevant risk factors not captured in the Bank's modelled results, management applied quantitative and qualitative adjustments for the impacts of the unprecedented macroeconomic scenarios arising from the pandemic, the temporary effects of the bank and government led payment support programs, which may not completely mitigate future losses, and the impacts to particularly vulnerable sectors affected by COVID-19.<br><br>The Bank made amendments to the expected credit loss calculation models (including management overlays) to take into consideration the potential impact of the COVID 19 pandemic to address the impact on certain sectors or specific customers based on relative cash flow forecasts. | We have tested, utilizing our internal IT specialists, the IT application used in the credit impairment process and have verified the integrity of data used as input to the models, including the transfer of data between source systems and the impairment models. We have evaluated system-based and manual controls over the recognition and measurement of the allowance for expected credit loss, including the consideration of the economic disruptions caused by COVID 19. |

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

## Other Information

Management is responsible for other information. The other information consists of information provided in the annual report other than the consolidated financial statements and the related auditor's report. We expect that the annual report will be provided to us after the date of our report. Our opinion on the consolidated financial statements does not include 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 the 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.

## 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.

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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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty 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 consolidated financial information of the entities or business activities within the Group ("The Bank and its subsidiaries") to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and implementation of the Group audit. We remain solely responsible for our audit opinion.

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

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

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 reasonably 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**
**February 16, 2021**

**Deloitte & Touche (M.E.) – Jordan**

Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
010105

BANK AL ETIHAD

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Assets: | | JD | JD |
| Cash and balances at the Central Bank of Jordan | 5 | 721,060,432 | 563,867,223 |
| Balances at banks and financial institutions | 6 | 397,084,528 | 330,805,729 |
| Deposits at banks and financial institutions | 7 | 4,448,457 | 3,000,000 |
| Financial assets at fair value through statement of profit or loss | 8 | 15,219,896 | 16,535,618 |
| Direct credit facilities and financing - net | 9 | 2,951,628,133 | 2,635,851,371 |
| Financial assets at fair value through other comprehensive income | 10 | 31,654,110 | 32,313,468 |
| Financial assets at amortized cost | 11 | 904,003,434 | 765,573,933 |
| Investments in associates | 12 | 349,507 | 354,022 |
| Property and equipment - net | 13 | 68,782,265 | 72,138,592 |
| Deferred tax assets | 21/b | 25,652,474 | 12,891,744 |
| Right of use assets | 43 | 27,031,520 | 26,517,873 |
| Intangible assets - net | 14 | 27,046,436 | 24,409,882 |
| Other assets | 15 | 99,743,804 | 95,416,530 |
| TOTAL ASSETS | | 5,273,704,996 | 4,579,675,985 |
| | | | |
| LIABILITIES AND OWNERS' EQUITY: | | | |
| LIABILITIES: | | | |
| Banks' and financial institutions' deposits | 16 | 280,688,045 | 149,997,070 |
| Customers' deposits | 17 | 4,003,010,992 | 3,575,967,461 |
| Cash margins | 18 | 251,302,459 | 185,698,024 |
| Borrowed funds | 19/a | 90,152,003 | 65,169,905 |
| Subordinated loans | 19/b | 21,300,000 | - |
| Sundry provisions | 20 | 1,333,898 | 930,224 |
| Leasing liabilities | 43 | 26,453,949 | 25,451,501 |
| Income tax provision | 21/a | 24,680,734 | 20,634,229 |
| Other liabilities | 22 | 68,379,574 | 76,583,458 |
| TOTAL LIABILITIES | | 4,767,301,654 | 4,100,431,872 |
| | | | |
| OWNERS' EQUITY: | | | |
| BANK'S SHAREHOLDERS' EQUITY: | | | |
| Authorized and paid-up capital | 23 | 160,000,000 | 160,000,000 |
| Share premium | 23 | 80,213,173 | 80,213,173 |
| Statutory reserve | 24 | 61,004,473 | 56,257,522 |
| Voluntary reserve | 24 | 41,829,012 | 38,833,125 |
| Fair value reserve | 26 | (2,609,036) | 372,413 |
| Retained earnings | 27 | 67,518,099 | 51,596,833 |
| TOTAL BANK'S SHAREHOLDERS' EQUITY | | 407,955,721 | 387,273,066 |
| Non-controlling interests | | 98,447,621 | 91,971,047 |
| TOTAL OWNERS' EQUITY | | 506,403,342 | 479,244,113 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 5,273,704,996 | 4,579,675,985 |

THE ACCOMPANYING NOTES FROM (1) TO (52) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

BANK AL ETIHAD

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Note | For the Year Ended December 31, 2020 | 2019 |
|---|---|---|---|
| | | JD | JD |
| Interest income and returns | 30 | 253,496,049 | 252,884,755 |
| Interest and debit expenses | 31 | 102,662,234 | 116,446,250 |
| Net Interest Income and Returns | | 150,833,815 | 136,438,505 |
| Net commission income | 32 | 22,413,261 | 25,990,001 |
| Net interest, returns and commission income | | 173,247,076 | 162,428,506 |
| Gain from foreign currencies | 33 | 6,750,040 | 6,964,464 |
| Gain from financial assets at fair value through statement of profit or loss | 34 | 2,334,837 | 239,567 |
| Net gain from sale of financial assets at amortized costs | | 108,872 | 71,875 |
| Dividends from financial assets at fair value through other comprehensive income | 35 | 619,013 | 1,039,085 |
| Other income | 36 | 1,456,600 | 1,469,127 |
| Total Income | | 184,516,438 | 172,212,624 |
| | | | |
| Employees' expenses | 37 | 44,157,399 | 46,521,562 |
| Depreciation and amortization | 13, 14 | 14,163,978 | 12,620,578 |
| Other expenses | 38 | 33,433,775 | 28,911,804 |
| Right-of-use assets depreciation | 43 | 3,845,366 | 3,316,267 |
| Rent expense | 43 | 402,380 | 574,032 |
| Financing costs | 43 | 984,241 | 918,592 |
| Allowance for expected credit loss | 28 | 40,175,434 | 17,306,333 |
| (Surplus) in impairment of seized assets | 15 | (18,297) | (476,769) |
| Sundry provisions | 20 | 470,862 | 1,161,541 |
| Total Expenses | | 137,615,138 | 110,853,940 |
| Profit from operations | | 46,901,300 | 61,358,684 |
| Bank's share from associates profits (losses) | 12 | 5,485 | (12,596) |
| Profit for the year before tax | | 46,906,785 | 61,346,088 |
| Income tax expense | 21/a | (16,862,741) | (23,329,865) |
| Profit for the Year | | 30,044,044 | 38,016,223 |
| | | | |
| Attributable to: | | | |
| Bank's Shareholders | | 23,567,470 | 31,613,674 |
| Non-Controlling Interests | | 6,476,574 | 6,402,549 |
| | | 30,044,044 | 38,016,223 |
| | | JD/ FILS | JD/ FILS |
| Basic and diluted earnings per share for the period attributable to the Bank's Shareholders | 39 | -/147 | -/198 |

THE ACCOMPANYING NOTES FROM (1) TO (52) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

BANK AL ETIHAD

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| Profit for the Year | 30,044,044 | 38,016,223 |
| Comprehensive income items | | |
| Items not reclassifiable to profit or loss in the subsequent period | | |
| Net change in fair value reserve after tax | (2,884,815) | 1,320,628 |
| Total Comprehensive Income for the Year | 27,159,229 | 39,336,851 |
| Attributable to: | | |
| Bank's Shareholders | 20,682,655 | 32,845,461 |
| Non-Controlling Interests | 6,476,574 | 6,491,390 |
| | 27,159,229 | 39,336,851 |

THE ACCOMPANYING NOTES FROM (1) TO (52) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

BANK AL ETIHAD

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

| | Authorized paid-up Capital | Share Premium | Reserves | | | Retained Earnings * | Total Shareholder's Equity | Non-Controlling Interests | Total Owners' Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | Statutory | Voluntary | Fair Value | | | | |
| For the Year Ended December 31, 2020 | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Beginning balance for the year | 160,000,000 | 80,213,173 | 56,257,522 | 38,833,125 | 372,413 | 51,596,833 | 387,273,066 | 91,971,047 | 479,244,113 |
| Total comprehensive income for the year | - | - | - | - | (2,884,815) | 23,567,470 | 20,682,655 | 6,476,574 | 27,159,229 |
| Transferred to reserve | - | - | 4,746,951 | 2,995,887 | - | (7,742,838) | - | - | - |
| Realized gain from sold financial assets at fair value through other comprehensive income | - | - | - | - | (96,634) | 96,634 | - | - | - |
| Ending Balance for the Year | 160,000,000 | 80,213,173 | 61,004,473 | 41,829,012 | (2,609,036) | 67,518,099 | 407,955,721 | 98,447,621 | 506,403,342 |
| For the Year Ended December 31, 2019 | | | | | | | | | |
| Beginning balance for the year | 160,000,000 | 80,213,173 | 49,410,187 | 34,279,172 | (727,049) | 53,566,049 | 376,741,532 | 90,505,612 | 467,247,144 |
| Total comprehensive income for the year | - | - | - | - | 1,231,787 | 31,613,674 | 32,845,461 | 6,491,390 | 39,336,851 |
| Transferred to reserve | - | - | 6,847,335 | 4,553,953 | - | (11,401,288) | - | - | - |
| Distributed dividends (note 23) | - | - | - | - | - | (22,400,000) | (22,400,000) | (4,228,426) | (26,628,426) |
| Realized gain from sold financial assets at fair value through other comprehensive income | - | - | - | - | (132,325) | 132,325 | - | - | - |
| Share at subsidiaries | - | - | - | - | - | 86,073 | 86,073 | (797,529) | (711,456) |
| Ending Balance for the Year | 160,000,000 | 80,213,173 | 56,257,522 | 38,833,125 | 372,413 | 51,596,833 | 387,273,066 | 91,971,047 | 479,244,113 |

* The retained earnings balance includes deferred tax assets of JD 23,297,858 as of December 31, 2020 (JD 11,210,810 as of December 31, 2019), which is restricted from use according to the Central Bank of Jordan's instructions, unless there is an approval to use it.

* The retained earnings balance includes an amount of JD 323,685 that represents losses from differences on the revaluation of financial assets at fair value through profit and loss.

- It is forbidden to use the excess from the personal financial risk reserve balance and the amount of JD 108,397 transferred to retained earnings as of December 31, 2020 and 2019 that belongs to Safwa Islamic Bank without the Central Bank of Jordan's prior approval.

THE ACCOMPANYING NOTES FROM (1) TO (52) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

BANK AL ETIHAD

( A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | For the Year Ended December 31, 2020 | 2019 |
|---|---|---|---|
| Operating Activities | | JD | JD |
| Profit before income tax | | 46,906,785 | 61,346,088 |
| Adjustments for non-cash items: | | | |
| Depreciation and amortization | 13 & 14 | 14,163,978 | 12,620,578 |
| Provision for expected credit loss | 28 | 40,175,434 | 17,306,333 |
| Right-of-use assets depreciation | 43 | 3,845,366 | 3,316,267 |
| Interest from leasing liabilities | 43 | 984,241 | 918,592 |
| (Gain) from financial assets amortized cost | | (108,872) | (71,875) |
| (Surplus) provision for impairment in seized assets | 15 | (18,297) | (476,769) |
| Unrealized losses (gains) from financial assets | 34 | 67,097 | (208,190) |
| Loss from sale of property and equipment | 38 | 202,170 | 445,414 |
| Loss from the evaluation of transferred bonds | | 3,455 | 6,360 |
| Sundry provisions | 20 | 470,862 | 1,161,541 |
| Banks' share from associates' (gain) losses profits | 12 | (5,485) | 12,596 |
| Losses from sale of seized assets against debts | 38 | 26,280 | 383,477 |
| Differences in exchange rates on cash and cash equivalents | 33 | (3,079,791) | (2,287,622) |
| Profit before changes in assets and liabilities | | 103,633,223 | 94,472,790 |
| CHANGES IN ASSETS AND LIABILITIES: | | | |
| (Increase) decrease in restricted cash balances | | (688,554) | 2,377,264 |
| Decrease (increase) in financial assets at fair value through statement of profit or loss | | 1,248,625 | (2,848,936) |
| (Increase) decrease in banks and financial institutions' deposits with maturity exceeding 3 months | | (1,449,068) | 1,259,461 |
| (Decrease) increase in deposits at banks and financial institutions with maturity exceeding 3 months | | (20,983,000) | 34,073,000 |
| (Increase) in direct credit facilities | | (353,448,874) | (376,461,538) |
| (Increase) in other assets | | (4,443,952) | (8,764,299) |
| Increase in customers' deposits | | 427,043,531 | 587,017,916 |
| Increase in cash margins | | 65,604,435 | 43,883,488 |
| (Decrease) increase in other liabilities | | (10,330,959) | 9,031,577 |
| Net Cash Flows from Operating Activities Before Tax and Provisions Paid | | 206,185,407 | 384,040,723 |
| Income tax paid | 21/a | (25,200,592) | (21,725,107) |
| Sundry Provisions Paid | 20 | (67,188) | (1,463,926) |
| Net Cash Flows from Operating Activities | | 180,917,627 | 360,851,690 |
| Investing Activities | | | |
| (Purchase) of financial assets at fair value through other comprehensive income | | (2,899,138) | (2,565,565) |
| Financial assets matured at amortized cost | 11 | 122,138,008 | 199,794,185 |
| (Purchase) of financial assets at amortized cost | 11 | (260,423,887) | (199,514,025) |
| (Purchase) of property and equipment and payments for (Purchase of property and equipment) account | 13 | (6,050,867) | (7,430,869) |
| Proceeds from sale of property and equipment | 13 | 31,078 | 524,933 |
| (Increase) in intangible assets | 14 | (7,626,586) | (6,036,063) |
| Cash dividends collected in associates | 12 | 10,000 | 10,000 |
| Net Cash (used in) Investing Activities | | (154,821,392) | (15,217,404) |
| Financing Activities | | | |
| Dividends distributed to shareholders | | (29,513) | (26,577,548) |
| Increase (decrease) in borrowings | | 24,982,098 | (20,066,357) |
| increase in Subordinated loans | 19/b | 21,300,000 | - |
| Payments of lease liability | 43 | (4,036,550) | (3,918,611) |
| Repayment of part of lease liability interest | 43 | (304,256) | (234,176) |
| Impact of the exclusion of a subsidiary | | - | (711,456) |
| Net Cash Flows (used in) from Financing Activities | | 41,911,779 | (51,508,148) |
| Net increase in cash and cash equivalent | | 68,008,014 | 294,126,138 |
| Effect of the change in exchange rates on cash and cash equivalents | 33 | 3,079,791 | 2,287,622 |
| Cash and cash equivalents - Beginning of the year | | 783,603,025 | 487,189,265 |
| Cash and cash equivalents - End of the Year | 40 | 854,690,830 | 783,603,025 |

THE ACCOMPANYING NOTES FROM (1) TO (52) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE AUDIT REPORT.

## 1. GENERAL

- Bank Al Etihad is a public shareholding company incorporated in Jordan during 1978, in accordance with the Companies Law No (12) of (1964). Its main branch is located in Amman, and the Company was transformed into a bank during the year 1991.

- The Bank provides its financial and banking services through its main branch located in Amman and through its (52) branches and its subsidiaries in Jordan.

- The Bank's shares are listed and traded on Amman Stock Exchange - Jordan.

- The consolidated financial statements were approved by the Board of Directors on February 7, 2021 and are subject to approval by the General Assembly of Shareholders.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation of the Consolidated Financial Statement

- The accompanying consolidated financial statement of the Bank and its subsidiaries 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, and in conformity with the local applicable laws and regulations and the regulations of the Central Bank of Jordan.

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

a. Provisions for expected credit losses are calculated in accordance with IFRS 9, and according to the Central Bank of Jordan's instructions, whichever is tougher. The material differences are as follows:

   - Elimination of debt instruments issued or granted by the Jordanian Government, in addition to any credit exposures with / guaranteed by the Jordaninan Government, so that such credit exposures are handled without incurring any credit losses.

   - When calculating the credit losses against credit exposures, the calculation results according to IFRS 9 are compared with those according to the Central Bank of Jordan's Instructions No. (47/2009) dated December 10, 2009 for each stage separately. The tougher results are adopted.

   - In some special cases, the Central Bank of Jordan agrees to special arrangements for calculating and recording an allowance for expected credit losses for clients of direct credit facilities over a specified period.

b. Interest and commissions on non-performing credit facilities granted to clients is suspended, in accordance with the instructions of the Central Bank of Jordan.

c. 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 their fair value, whichever is lower. Furthermore, they are reassessed on the date of the consolidated financial statements separately, and any decrease in value is recorded in the consolidated statement of profit or loss while any increase in value is not recorded as revenue. In addition, any subsequent increase is taken to the statement of profit or loss to the extent of not exceeding the previously recorded value. Agradual provision has been taken according to the Central Bank of Jordan's Circular No. 10/1/16239 dated November 21, 2019, deduction of the required provisions against the acquired real estate will continue at a rate of 5% of the total book value of these properties (regardless of the violation period) from the year 2021 until the required percentage is reached (50% of these properties by the end of the year 2029).

- The consolidated financial statements are prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial derivatives stated at fair value as of the date of the consolidated financial statements. Furthermore, hedged financial assets and financial liabilities are stated at fair value.

- 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, 2019 except for the effect of what is stated in Note (3 – a & 3 – b):

  Basis of Consolidation

  The accompanying consolidated financial statements include the financial statements of the Bank and the subsidiary under its control. Moreover, control is achieved when the Bank has the ability to control the investee company, the company is exposed to variable returns or has rights to participate in the investee company, and the Bank is able to use its authority over the investee company, which affects its revenue.

- Transactions, balances, revenues and expenses are eliminated between the Bank and the subsidiary.

- The financial statements of the subsidiary are prepared for the same financial year, using the same accounting policies adopted by the Bank. If the accounting policies adopted by the company are different from those used by the Bank, the necessary adjustments to the financial statements of the subsidiary are made to comply with the accounting policies followed by the Bank.

- 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 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.

- Non-controlling interests represent that part of the equity that is not owned by the Bank. Non-controlling interests in the net assets of the subsidiary are presented separately in the Bank's statement of equity.

The Bank owns the following subsidiaries as of December 31, 2020:

| | | December 31, 2020 | | | | | For the year ended December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Company's Name | Ownership of the Bank | Paid-up Capital | Investment amount | Nature of Operation | Date of Acquisition | Location | Total Assets | Total Liabilities | Total Revenues | Total Expenses |
| | % | JD | | | | | JD | JD | JD | JD |
| Al-Etihad for Financial Brokerage Company L.L.C. | 100 | 5,000,000 | 5,000,000 | Financial Brokerage | 2006 | Jordan | 11,698,977 | 638,580 | 1,078,424 | (234,021) |
| Al-Etihad for Financial Leasing Company L.L.C | 100 | 10,000,000 | 10,000,000 | Finance leasing | 2015 | Jordan | 20,195,456 | 8,968,553 | 1,549,435 | (616,756) |
| Al-Etihad Islamic Investment Company L.L.C * | 58 | 113,039,028 | 65,562,636 | Acquisition of bonds and shares in companies and borrowing the necessary funds from banks | 2016 | Jordan | 113,964,794 | 31,513 | - | (30,050) |
| Al-Etihad for Financial Technology Company | 100 | 100,000 | 100,000 | Manufacturing, programing development and supplying programs | 2019 | Jordan | 133,173 | 9,904 | 41,212 | (11,757) |
| TOTAL | | 128,139,028 | 80,662,636 | | | | | | | |

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

| Company's Name | Ownership of the Bank | Paid-up Capital (December 31, 2019) | Investment amount (December 31, 2019) | Nature of Operation | Date of Acquisition | Location | Total Assets (For the year ended December 31, 2019) | Total Liabilities | Total Revenues | Total Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| | % | JD | | | | | JD | JD | JD | JD |
| Al-Etihad for Financial Brokerage Company L.L.C. | 100 | 5,000,000 | 5,000,000 | Financial Brokerage | 2006 | Jordan | 11,657,187 | 1,200,147 | 999,518 | (479,210) |
| Al-Etihad for Financial Leasing Company L.L.C | 100 | 7,500,000 | 7,500,000 | Finance leasing | 2015 | Jordan | 12,590,134 | 4,531,941 | 1,300,252 | (819,705) |
| Al-Etihad Islamic Investment Company L.L.C * | 58 | 113,039,028 | 65,562,636 | Acquisition of bonds and shares in companies and borrowing the necessary funds from banks | 2016 | Jordan | 113,970,382 | 7,051 | 4,325,574 | (8,242) |
| Al-Etihad for Financial Technology Company | 100 | 100,000 | 100,000 | | 2019 | Jordan | 100,000 | - | - | - |
| | | 125,639,028 | 78,162,636 | | | | | | | |

* Al-Etihad Islamic Investment Company has a presntege of 62.4% in Safwa Islamic Bank total where the total asset amounted to JD 1,820,239,203 and total liability amounted to JD 338,896,708 and total revenue amounted to JD 42,398,214 and total expenses amounted to JD 26,567,194.

Control is achieved when the Bank

- has 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 Company's holding of voting rights relative to the size and dispersion of other voting rights;
- Potential voting rights held by the Company, 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 taken, 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 transfer differences restricted in Owners' Equity.
- Derecognizes the fair value to the next controlling party.
- 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 the profit or loss statement 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.

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

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 sent to the operations management and decision makers in the Bank).

- The geographical sector relates to providing products or services in a specific economic environment subject to risks 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 the consolidated statement of profit or loss, are recognized in 'Net interest income' as 'Interest income' and 'Interest Expense' in the statement of profit or loss using the effective interest method. Interest on financial instruments measured as at fair value through the statement of 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 EIR 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, interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI), EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest income and expense in the Banks's consolidated statement of profit or loss also includes the effective portion of the fair value changes of derivatives designated as hedging instruments in the 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.

Net Fee and Commission Income

Fee and commission income and expense include fees other than those that are an integral part of EIR. The fees included in this part of the Group'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.

Part of the contracts with clients that result from the recognition of financial instruments could be related to IFRS 9 or 15. In this case, IFRS 9-related part of the commission is recognized, and the remaining part is recognized according to IFRS 15.

Net Trading Income

Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading. The Bank has elected to present the full fair value movement of trading assets and liabilities in trading income, including any related interest income, expense, and dividends.

Net Income from Other Financial Instruments at Fair Value through the Statement of Profit or Loss:

Net income from other financial instruments at fair value through the statement of profit or loss includes all gains and losses from changes in the fair value of financial assets and financial liabilities at fair value through the statement of profit or loss except those that are held for trading. The Bank has elected to present the full fair value movement of assets and liabilities at fair value through the statement of profit or loss in this line, including the related interest income, expense, and dividends.

The fair value movement on derivatives held for economic hedging where hedge accounting is not applied is presented in 'Net income from other financial instruments at fair value through the statement of 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 the statement of profit or losses as a 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 the statement of profit or loss, are presented in the same line as the hedged item that affects the statement of 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 as gain (loss) of financial assets at fair value through the statement of profit or loss, in the statement of profit or loss;
- For equity instruments designated at fair value through other comprehensive income, dividend income is presented in the statement of profit or loss as dividends revenue from 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 the statement of 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.

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 the statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the statement of profit or loss are recognized immediately in the statement of profit or loss.

If the transaction price differs from the 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 the statement of profit or loss' initial recognition (i.e. day 1 profit or loss);

- In all other cases, 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 the statement of 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 instrument.

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. They are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through the statement of profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through the statement of 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 SPPI, 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 the statement of profit or loss.

However, the Bank may irrevocably make the following selection / designation at 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 the statement of 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 (SPPI) 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 consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI 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 SPPI. 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 that 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 concerning if the management strategy focuses on obtaining contractual revenues, maintaining a specific profit rate, and matching the maturity period of financial assets with that of the financial liabilities that finance 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. For the current and prior reporting period, the Bank has not identified any change in its business models.

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 statement of income. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but 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 the Statement of Profit or Loss

Financial assets at fair value through profit or loss are:

- Assets with contractual cash flows that are not SPPI; 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 statement of income.

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. During the current financial year and previous accounting period, there was no change in the business model under which the Bank holds financial assets, and therefore, no reclassifications were made. 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 the statement of income; 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 the statement of income. Other exchange differences are recognized in other comprehensive income in the investment's revaluation reserve; and
- For financial assets measured at fair value through the statement of profit or loss that are not part of a designated hedge accounting relationship, exchange differences are recognized in the statement of profit or loss either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at fair value through the statement of profit or loss if otherwise held at fair value through the statement of profit or loss; and
- 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 the statement of profit or loss (fair value option) may 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 can not be reclassified from the fair value category through the statement of profit or loss while retained or issued. Financial assets at fair value through the income statement 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 the statement of income:

- 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 statement of 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), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECLs, i.e. lifetime ECL that result 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 ECLs, i.e. lifetime ECL that result 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 ECL 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, ECLs are measured at an amount equal to the 12-month ECL.

ECLs 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 Group 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 EIR.

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

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

The Bank measures ECL 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 EIR, regardless of whether it is measured on an individual basis or a collective basis.

When calculating the credit losses against credit exposures, the calculation results according to IFRS 9 are compared with those according to the Central Bank of Jordan Instructions No. (2009/47) dated December 10, 2009 for each stage individually, and the tougher results are taken. The credit instruments issued / guaranteed by the Jordanian Government, in addition to any other credit exposures with / guaranteed by the Jordanian government are excluded from the calculation.

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 difficulties facing the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, 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.

If 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 back- stop if amounts are overdue for 90 days or more. However, cases where the assets impairment is not recognized after 90 days of their becoming due are supported by reasonable information.

Purchased or Originated Credit-impaired (POCI) Financial Assets

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

Definition of Default

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

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

- The borrower is past due for 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 ECL.

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 a significant increase in credit risk and is based on the change in lifetime PD by comparing:

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

The PDs used are forward looking, and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD 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 included in the 'watch list', as exposure is watch-listed 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 PD will be more significant for a financial instrument with a lower initial PD compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes more than (45) 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 ECL.

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 where 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 SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, and 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 ECL 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 ECL 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 that has not been reduced by the modification. The Bank monitors the 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 PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD 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 PD 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 ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL 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 ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in the calculation of 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 the 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 OCI 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 OCI is not subsequently reclassified to profit or loss.

Write-off
Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion thereof). 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, which constitutes a derecognition event. In this respect, the Bank may apply enforcement activities to financial assets written off. Meanwhile, recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of Allowance for ECL in the Consolidation Statement of Financial Position
Loss allowances for ECL 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 ECL 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.

Financial Liabilities and Equity
Debt and equity instruments issued are classified either as 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 that are 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 Group'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 the consolidated statement of profit or loss when purchasing, selling, issuing, or cancelling the Bank's 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 Company'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 where there are non-closed related embedded derivatives, these are separated first with the remainder of the financial liability being recorded on an amortized 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 the statement of income' or 'other financial liabilities'.

Financial Liabilities at Fair Value through the Statement of Profit or Loss

Financial liabilities are classified as at fair value through the statement of profit or loss when the financial liability is (i) held for trading, or (ii) it is designated as at fair value through the statement of income. 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 the statement of 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 the statement of income.

Financial liabilities at fair value through the statement of profit or loss are stated at fair value, with any gains/losses arising on re-measurement recognized in the statement of 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 the statement of profit or loss.

However, for non-derivative financial liabilities designated as at fair value through the statement of income, 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 OCI, 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 OCI 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 the consolidated statement of profit or loss, all gains and losses are recognized in profit or loss.

In determining 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 or loss.

<u>Other Financial Liabilities</u>
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 EIR 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 EIR, see the "net interest income section" above.

<u>Derecognition of Financial Liabilities</u>
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 statement of income.

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 the Bank's exposure to interest rate risk, credit risk, and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps, and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into, and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain/loss is recognized in 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 hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions, hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

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

Embedded Derivatives

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

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

Financial Guarantee Contracts

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

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at fair value through 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, 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, 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.

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 in full.

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 OCI, over the term of the hedge, to the extent that it relates to the hedged item and is reclassified from equity to profit or loss when the hedged item does not result in the recognition of a non-financial item. The Bank's risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Bank's risk exposures relate to financial items only.

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

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

The fair values of the derivative instruments used for hedging purposes and movements in the hedging reserve are determined in equity.

Fair Value Hedges

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

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

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

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

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in the cash flow hedging reserve, a separate component of OCI, 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 OCI 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 OCI 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 OCI 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 exchange 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 their expected useful life.

The depreciation rates used are as follows:

| | % |
|---|---|
| Buildings | 2- 4 |
| Equipment, furniture and fixtures | 7- 15 |
| Vehicles | 15 |
| Computer | 20 |

- The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is charged to the consolidated statement of profit or loss.

- The useful life of property and equipment is reviewed at each year-end, and changes in the expected useful life are treated as changes in accounting estimates.

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

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 take these factors into account at the measurement date. Fair value for the purposes of measurement and / or disclosure in these financial statements is determined on the same basis, except for measurement procedures that are similar to the 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. The details are as follows:

Level (1) Inputs: Inputs derived from quoted (unadjusted) prices of identical assets or liabilities in active markets that an enterprise can obtain on the measurement date;

Level (2) Inputs: Inputs derived from data other than quoted prices used at level 1 and observable for assets or liabilities, either directly or indirectly;

Level (3) Inputs: Inputs to assets or liabilities that are not based on observable market prices.

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 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 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 carrying values of deferred tax assets are reviewed at the date of the consolidated financial statement 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.

Revenue and Expense Recognition
- Interest income is recorded using the effective interest rate method except for fees and interest on non-performing facilities and financing, on which interest is transferred to the interest in suspense account and not recognized in the consolidated statement of profit or loss.

- Expenses are recognized on an accrual basis.

- Commission income is recognized upon the rendering of services. Dividend income is recognized (when approved by the General Assembly).

Date of Recognition of Financial Assets
Purchase or sale of financial assets is recognized on the trade date, (the date that the Bank commits to purchase or sell the asset).

Financial Derivatives and Hedge Accounting
Derivatives for Trading
The fair value of derivative financial instruments held for trading (such as future foreign exchange contracts, future interest contracts, swaps contracts, foreign exchange rate option rights) is recognized in the consolidated statement of financial position. Moreover, fair value is determined at the prevailing market prices. If these prices are not available, the assessment method should be mentioned, and the amount of changes in fair value should be recognized in the consolidated statement of profit or loss.

Repurchase and Resale Agreements

- Assets sold with a simultaneous commitment to repurchase them at a specified future date will continue to be recognized in the Bank's consolidated financial statements due to the Bank's control of these assets and the fact that continuing exposure to the risks and rewards of these assets remains with the Bank and continue to be evaluated in accordance with the applied accounting policies. 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 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 purchase and resale price is recognized as interest income over the agreement term using the effective interest rate method.

Assets Repossessed by the Bank

The assets that have repossessed by the bank's are shown in the consolidated statement of financial position under "Other Assets" at the value it repossessed to the bank or the fair value, whichever is lower. They are re-evaluated at the date of the consolidated financial statements at fair value individually, and any decrease in its value is recorded as a loss in the consolidated statement of profit or loss and comprehensive income, and the increase is not recorded as income, since the beginning of 2015, a gradual provision has been taken for real estate acquired in exchange for debts and whose acquisition has exceeded 4 years, pursuant to the Central Bank of Jordan's Circular No 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. Moreover, the Central Bank of Jordan has issued Circular No. 10/1/13967 dated October 25, 2018, approving the extension of Circular No. 10/1/16607 dated December 17, 2017, in which it confirmed postponement of the calculation of the allowance until the end of the year 2019. Pursuant to the Central Bank of Jordan's Circular No. 10/1/16239 dated November 21, 2019, deductions shall be made for the provisions required against the seized real estate at a rate of 5% from the total book value of these properties (regardless of the violation period) starting from the year 2021 until the required percentage has been reached, i.e. 50% of the value of these properties by the end of the year 2029.

Intangible Assets

- Intangible assets are measured on initial recognition 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 amortization is recorded in the consolidated statement of profit or loss, using the straight-line metthod during a period not exceeding 5 years from the date of the purchase transaction. Meanwhile, 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.

- Intangible assets include computer software, programs, Safwa Islamic Bank's license and customers' deposits. The Bank's management estimates the useful life for each intangible asset, where the assets are amortized using the straight- line method from 3 to 7 years. As for Safwa Bank's license, its useful life is indefinite and it is not amortized.

Impairment of non-financial asset

- The carrying amount of the bank's non-financial asset 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 of its 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

- A business combination is registered using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the 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 profit or loss statement.

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

- When the Bank acquires a business, it reviews 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.

Investment in Associates

- Associates are those companies in which the Bank exerts an effective influence on their financial and operational policy decisions, and that are not retained for trading. In this regard, investments in associates are stated according to the equity method.

- Investments in associates are stated at cost within the statement of financial position, in addition to the Bank's share of changes in the associate's net assets. The goodwill resulting from investing in associates is recorded as part of the investment account of the associate and is not amortized. Moreover, the Bank's share of the associates' profits is recorded in the consolidated statement of profit or loss . In the event of changes in the owners' equity of the associates, these changes, if any, are reflected in the Bank's statement of changes in owners' equity. Profits and losses resulting from transactions between the Bank and the associates are elimintated to the extent of the Bank's share in the associates.

Foreign Currencies
For the purpose of the consolidated financial statements, the results and financial position of each entity of the Group 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. Moreover, the standalone financial statements of each entity of the Group 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 balance sheet 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 is 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 comprehensive income statement and reclassified from equity to the income statement when selling or partially disposing of the 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 translated at the 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 under a separate line item of equity.

When foreign operations are disposed of (i.e. disposal of the entire share of the Bank from foreign operations, or resulting from 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’s owners are reclassified to the consolidated statement of profit or loss.

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 income. For all other partial liquidation (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.

**Leases**
The Bank as a Lessee
The Bank assesses whether the contract contains lease when starting the contract. Moreover, the Bank recognizes the right-of-use assets and the corresponding lease obligations in relation to all lease arrangements to which the lessee is a party, except for short-term lease contracts (defined as leases of 12 months or less) and low-value asset leases. 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, and is discounted by using the price implicit in the lease. If this rate cannot be easily determined, the Bank uses its expected incremental borrowing rate.

The lease payments included in the rental obligation measurement include:

- Fixed rental payments (essentially including fixed payments), minus rental incentives receivable;
- Variable rental payments that depend on an index or a rate, initially measured using the index 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
- Payment of the contract termination fines, if the lease reflects the exercise of the lease termination option.

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

Subsecuently, 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-of-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 for 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.

The Bank has not made any of these adjustments during the periods presented.

The 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 company 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 lease commencement date.

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, 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 statement of profit or loss.

The Bank as a Lessor
The Bank enters into lease contracts as a lessor regarding 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 the 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 components other than leasing, the Bank applies IFRS 15 to distribute the amounts received or to be received under the contract for each component.

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.

3. Application of New and Revised International Financial Reporting Standards

a. Amendments not having a material impact on the Bank's consolidated financial statements:

The following new and revised IFRSs have been adopted and are effective for financial periods beginning on or after January 1, 2020 or thereafter in the preparation of the Bank's consolidated financial statements that did not materially affect the amounts and disclosures in the 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 the New and Revised International and Standards** |
|---|---|
| Amendment to the international financial reporting standard number (9) financial instruments , International accounting standard number (39) Financial instruments: Recognition and Measurement and the international financial reporting standard number(7) financial instruments disclosures related to Interest Rate Benchmark Reform | These amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform; those amendments are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform.<br><br>These amendments are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required);<br><br>These amendments require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. |

| New and Revised Standards | Amendments to the New and Revised International and Standards |
|---|---|
| Amendment to the international financial reporting standard number (3) “Business Combination” in terms of the Definition of a business | The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They<br>• clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;<br>• narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.<br>• add guidance and illustrative examples to help entities assess whether a substantive process has been acquired<br>• remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.<br>• add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. |
| Amendments to References to the Conceptual Framework in IFRS Standards to IFRS 2 Share based payments, IFRS 3 Business combinations, IFRS 6 Exploration for and evaluation of mineral resources, IFRS 14 Regulatory deferral accounts , IAS 1 Presentation of financial statements , IAS 8 Accounting policies, changes in accounting estimates and errors , IAS 34 Interim financial reporting , IAS 37 Provisions Contingent Liabilities and Contingent Assets, IAS 38 Intangible assets, IFRIC 12 Service concession arrangements, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, IFRIC 22 Foreign Currency Transactions and Advance Consideration, and SIC-32 Intangible assets web site costs to update those pronouncements with regard to references to and quotes from the framework or incase referencing to a different framework from the conceptual framework to clarify it. | The Group applied the amendments to IFRS (2),(6),(15); IAS (1),(8),(34),(37),(38) IFRIC (12),(19),(20),(22) and IFRIC (21) in the current year. |

| New and Revised Standards | Amendments to the New and Revised International and Standards |
| --- | --- |
| Amendments to IAS (1) Presentation of Financial Statements and IAS (8) Accounting Policies, Changes in Accounting Estimates and Errors in term of the definition of 'material' | Three new aspects of the new definition should especially be noted:<br>• Obscuring. The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A)<br>• Could reasonably be expected to influence. The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.<br>• Primary users. The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose. |
| Amendments to IFRS (16) Leases in terms of Covid-19 Related Rent Concessions | The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. |

b. New and revised International Financial Reporting Standards issued and not yet effective:
The Bank's consolidated has not adopted the following new and amended IFRSs issued but not yet effective as at the date of the consolidated financial statements, and their details as follows:

| Effective for annual periods beginning on or after | Amendments to new and revised IFRSs |
| --- | --- |
| **January 1, 2021** | Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS (9) Financial Instruments, IAS (39) Financial Instruments: Recognition and Measurement, IFRS (7) Financial Instruments Disclosures, IFRS (4) Insurance Contracts and IFRS (16) Leases)<br><br>The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS (9), IAS (39), IFRS (7), IFRS (4) and IFRS (16)) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. |
| **January 1, 2022** | Amendments to IFRS (3) *Business Combinations* relating to Reference to the Conceptual Framework.<br><br>The amendments update an outdated reference to the Conceptual Framework in IFRS (3) without significantly changing the requirements in the standard. |

| Effective for annual periods beginning on or after | Amendments to new and revised IFRSs |
|---|---|
| **January 1, 2022** | Amendments to IAS (16) *Property, Plant and Equipment* relating to Proceeds before Intended Use.<br>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. |
| **January 1, 2022** | Amendments to IAS (37) *Provisions, Contingent Liabilities and Contingent Assets* relating to Onerous Contracts - Cost of Fulfilling a Contract.<br>The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). |
| **January 1, 2022** | Annual Improvements to IFRS Standards 2018 – 2020<br>Makes amendments to the following standards:<br>• IFRS (1) *First-Time Adoption of International Financial Reporting Standards* – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS (1) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.<br>• IFRS (9) *Financial Instruments* – The amendment clarifies which fees an entity includes when it applies the '10%' test in paragraph B3.3.6 of IFRS (9) in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.<br>• IFRS 16 *Leases* – The amendment to Illustrative Example (13) accompanying IFRS (1)6 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.<br>• IAS (41) *Agriculture* – The amendment removes the requirement in paragraph 22 of IAS (41) for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. |

| Effective for annual periods beginning on or after | Amendments to new and revised IFRSs |
|---|---|
| **January 1, 2023** | Amendments to IAS (1): Presentation of financial statements related to classification of liabilities as current or non-current. The amendments aim to enhance consistency in the application of requirements by helping the entity to determine whether debts and other liabilities should be classified in the statement of financial position to which it has a settlement date uncertain as current (due or likely to be due within one year) or not current. |
| **January 1, 2023** | Amendments to IFRS (4) Insurance Contracts extending the temporary exemption from applying the IFRS (9).<br><br>The amendment changes the expiration date specified for the temporary exemption in the IFRS (4) from the application of the IFRS (9) Financial Instruments, so that companies are required to apply the IFRS (9) for the annual periods that begin on or after January 1, 2023. |
| **January 1, 2023** | IFRS (17) Insurance Contracts<br>IFRS (17) requires measurement of insurance liabilities at the present value of fulfillment and provides a standardized approach to measurement and presentation for all insurance contracts. These requirements are designed with the goal of being consistent and principled accounting for insurance contracts. IFRS (17) replaces IFRS (4) Insurance Contracts with effect from January 1, 2023. |
| **January 1, 2023** | Amendments to IFRS (17) Insurance Contracts<br>Amendments to IFRS (17) addresses the concerns and application challenges which have been identified after publishing IFRS (17) in 2017. The main changes includes the following:<br>• Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.<br>• Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.<br>• Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.<br>• Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.<br>• Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.<br>• Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. |

| Effective for annual periods beginning on or after | Amendments to new and revised IFRSs |
|---|---|
| | • Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.<br>• Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.<br>• Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach. |
| ***Deferred indefinitely, Adoption is still permissible*** | Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) in terms of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

Management expects to apply these new standards, interpretations, and amendments to the Bank's consolidated financial statements 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.

4. Significant Accounting Judgments and key Sources of Uncertainty Estimates

Preparation of the consolidated financial statements and application of accounting policies require 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, and provisions, in general; as well as expected credit losses and 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 Property Acquired

Impairment in the value of properties acquired is recognized based on recent real estate valuations by qualified independent evaluators for calculating the asset impairment, which is reviewed periodically. As of the beginning of the year 2015, a gradual provision has been taken for real estate acquired in exchange for debts and whose acquisition has exceeded 4 years, according to the Central Bank of Jordan's Circular No 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. In this respect, the Central Bank of Jordan has issued Circular No. 10/1/13967 dated October 25, 2018, approving the extension of Circular No. 10/1/16607 dated December 17, 2017, and confirming postponement of the calculation of the provision until the end of the year 2019. According to the Central Bank of Jordan's Circular No. 10/1/16239 dated November 21, 2019, deduction of the required provisions against the acquired real estate will continue at a rate of 5% of the total book value of these properties (regardless of the violation period) from the year 2021 until the required percentage is reached (50%) of these properties by the end of the year 2029.

Productive lifespan of tangible assets and intangible assets
The Bank's management periodically recalculates the useful lives of tangible assets 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 income tax expense in accordance with accounting regulations, laws, and standards. Moreover, deferred tax assets, liabilities, and provision are recognized.

Provision for lawsuits
A provision for lawsuits is taken to meet any legal obligations that might arise based on the legal study prepared by the Bank's legal advisor. The study identifies risks that might occur in the future, and is reviewed periodically.

Provision for end- of- service indemnity
The provision for end- of- service indemnity, representing the Bank's obligations to employees, is calculated in accordance with the Bank's internal regulations.

Assets and liabilities at cost
Management 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 expected 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 risk 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 (44).

When calculating the credit losses against credit exposures, the calculation results according to IFRS 9 are compared with those according to the Central Bank of Jordan Instructions No. (2009/47) dated December 10, 2009 for each stage individually, and the tougher results are taken. The credit instruments issued / guaranteed by the Jordanian Government, in addition to any other credit exposures with / guaranteed by the Jordanian government are excluded from the calculation.

Evaluation of business model
The classification and measurement of financial assets depends 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, and the risks that affect the performance of assets, 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 Group's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is not appropriate 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 and uses by the Bank's management relating to the significant change in credit risk that result in a change in classification within the three stages (1, 2 and 3) are shown in details in Note (44).

Establishment of 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 period of (12) months or a lifetime, but the amount of credit loss changes are expected 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 (44). 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 a title 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 consolidated financial statements and not to its legal form.

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

When measuring financial assets and liabilities, some of the Bank's assets and liabilities 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. Moreover, 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 data entered from those models will be obtained from 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 the Administration 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 the management judgment may be required where the counterparty's ability to repay the instrument in accordance with the contractual terms is doubtful; and

- An appropriate discount rate for the instrument. Management determines the instrument discount rare 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.

**<u>Lease Extension and Termination Options</u>**

Extension and termination options are included in a number of leases. These conditions are used to increase operational flexibility in terms of contract management. Most of the held extension and termination options are renewable by both the Bank and the lessor.

**<u>Determination the Lease Term</u>**

When determining the term of a lease, management considers all facts and circumstances that create an economic incentive for the option to extend, or the option not to terminate, the lease. The extension options (or periods following the termination options) are only included in the term of the lease if it is reasonably certain that that the lease will be extended (or not terminated). The evaluation is reviewed in the case of an important event or a significant change in the circumstances that affect this evaluation and that are under the control of the lessee.

**<u>Key Sources of Uncertainty Estimates</u>**

The main 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:

<u>Determining the number and relative weight of scenarios of the outlook for each type of product / market and the identification of future information relevant to each scenario</u>

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 engines and how these affect each other.

<u>Probability of default</u>

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.

<u>Loss given default</u>

Loss on the assumption of 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.

<u>Fair value measurement and valuation procedures</u>

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.

<u>Discounting rental payments</u>

Lease payments are discounted using the Bank's incremental borrowing rate ("IBR"). Management applied the judgments and estimates to determine the incremental borrowing rate at the start of the lease.

5. Cash and Balances at the Central Bank of Jordan

The details of this item are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | JD | JD |
| Cash in treasury | 101,051,657 | 60,137,075 |
| **Balances at central banks:** | | |
| Current accounts and demand deposits | 269,306,430 | 179,521,732 |
| Term and notice deposits | 165,000,000 | 86,700,000 |
| Statutory cash reserve | 185,702,345 | 237,508,416 |
| Total balances at the central bank of Jordan | 620,008,775 | 503,730,148 |
| Total | 721,060,432 | 563,867,223 |

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

- There are no accrued amounts during a period exceeding three months as of December 31, 2020 and December 31, 2019.

- All balances at the Central Bank of Jordan are classified within stage 1 based on the requirements of IFRS (9). There are also no transfers between Stages (1,2,3) or written-off balances during the year ended December 31, 2020.

- Disclosure on the movements of the Central Bank of Jordan's balances:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | JD | JD |
| Balance at beginning of period | 503,730,148 | 241,008,818 |
| New balances during period | 202,978,627 | 262,721,330 |
| Paid balances | (86,700,000) | - |
| Balance at end of period | 620,008,775 | 503,730,148 |

6. Balances at Banks and Financial Institutions

The details of this item are as follows:

| | Local Banks and Financial Institutions | | Foreign Banks and Financial Institutions | | Total | |
|---|---|---|---|---|---|---|
| | December 31, | | December 31, | | December 31, | |
| Description | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | JD | JD | JD | JD | JD | JD |
| Current accounts and demand deposits | 623,596 | 161,978 | 162,452,001 | 96,345,450 | 163,075,597 | 96,507,428 |
| Deposits maturing within 3 months | 20,000,000 | - | 214,198,613 | 234,509,657 | 234,198,613 | 234,509,657 |
| Total | 20,623,596 | 161,978 | 376,650,614 | 330,855,107 | 397,274,210 | 331,017,085 |
| Provision for expected credit loss | - | - | (189,682) | (211,356) | (189,682) | (211,356) |
| Net | 20,623,596 | 161,978 | 376,460,932 | 330,643,751 | 397,084,528 | 330,805,729 |

- Non-interest bearing balances at banks and financial institutions amounted to JD 46,289,804 as of December 31, 2020 (JD 16,999,423 as of December 31, 2019).

- Restricted balances at banks and financial institutions amounted to JD 7,545,767 as of December 31, 2020 and (JD 6,857,213 as of December 31, 2019).

- The movement on balances at banks and financial institutions is as follows:

| | For the year ended December 31, 2020 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 331,017,085 | - | - | 331,017,085 |
| New balances during the year | 336,335,033 | - | - | 336,335,033 |
| Paid balances during the year | (270,077,908) | - | - | (270,077,908) |
| Balance - End of the Year | 397,274,210 | - | - | 397,274,210 |

| | 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 | 248,406,070 | - | - | 248,406,070 |
| New balances during the year | 288,018,603 | - | - | 288,018,603 |
| Paid balances during the year | (205,407,588) | - | - | (205,407,588) |
| Balance - End of the Year | 331,017,085 | - | - | 331,017,085 |

- The following represents the movement on the provision for impairment loss:

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 211,356 | - | - | 211,356 |
| Impairment on the new balances during the year | 189,682 | - | - | 189,682 |
| Recovered from impairment on the paid balances | (211,356) | - | - | (211,356) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect on the impaiment loss due to changes in the classifications between stages | - | - | - | - |
| the bad balances and deposits | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance – End of the Year | 189,682 | - | - | 189,682 |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 141,959 | - | - | 141,959 |
| Impairment on the new balances during the year | 183,425 | - | - | 183,425 |
| Recovered from impairment on the paid balances | (114,028) | - | - | (114,028) |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Effect on the impaiment loss due to changes in the classifications between stages | - | - | - | - |
| the bad balances and deposits | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance – End of the Year | 211,356 | - | - | 211,356 |

7. Deposits at Banks and Financial Institutions

The details of this item are as follows:

| | Local Banks and Financial Institutions | | Foreign Banks and Financial Institutions | | Total | |
|---|---|---|---|---|---|---|
| | December 31, | | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | JD | JD | JD | JD | JD | JD |
| **Deposits maturing during the period:** | | | | | | |
| More than 3 months to 6 months | - | - | 1,449,068 | - | 1,449,068 | - |
| More than 6 months to 9 months | 3,000,000 | 3,000,000 | - | - | 3,000,000 | 3,000,000 |
| More than 9 months to 12 months | - | - | - | - | - | - |
| More than a Year | - | - | - | - | - | - |
| Total | 3,000,000 | 3,000,000 | 1,449,068 | - | 4,449,068 | 3,000,000 |
| Provision for expected credit losses | - | - | (611) | - | (611) | - |
| Net | 3,000,000 | 3,000,000 | 1,448,457 | - | 4,448,457 | 3,000,000 |

- The movement on deposits at banks and financial institutions:

| | For the year ended December 31, 2020 | | | |
|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 3,000,000 | - | - | 3,000,000 |
| New balances during the year | 4,449,068 | - | - | 4,449,068 |
| Paid balances during the year | (3,000,000) | - | - | (3,000,000) |
| Balance - End of the Year | 4,449,068 | - | - | 4,449,068 |

| | 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 | 4,259,461 | - | - | 4,259,461 |
| New balances during the year | 3,000,000 | - | - | 3,000,000 |
| Paid balances during the year | (4,259,461) | - | - | (4,259,461) |
| Balance - End of the Year | 3,000,000 | - | - | 3,000,000 |

- The following represents the movement on the provision for impairment loss:

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | - | - | - | - |
| Impairment of the new balances during the year | 611 | - | - | 611 |
| Recovered from impairment on the paid balances | - | - | - | - |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Impact on provision -at the end of the year- due to changing the classification between the 3 stages | - | - | - | - |
| Effect due to adjustments | - | - | - | - |
| the bad balances and deposits | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance – End of the Year | 611 | - | - | 611 |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | JD | JD | JD | JD |
| Balance – beginning of the year | 571 | - | - | 571 |
| Impairment of the new balances during the year | (571) | - | - | (571) |
| Recovered from impairment on the paid balances | - | - | - | - |
| Transferred to stage (1) | - | - | - | - |
| Transferred to stage (2) | - | - | - | - |
| Transferred to stage (3) | - | - | - | - |
| Impact on provision -at the end of the year- due to changing the classification between the 3 stages | - | - | - | - |
| Effect due to adjustments | - | - | - | - |
| the bad balances and deposits | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - |
| Balance – End of the Year | - | - | - | - |

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | JD | JD |
| Government bonds listed in financial markets | 78,294 | 74,800 |
| Corporate bonds listed in financial markets | 1,463,324 | 3,536,138 |
| Corporate shares listed in financial markets | 5,667,508 | 5,611,686 |
| Investment funds | 8,010,770 | 7,312,994 |
| Total | 15,219,896 | 16,535,618 |

9. Direct Credit and Financing Facilities - Net

The details of this item are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | JD | JD |
| **Individuals (retail):** | | |
| Overdraft accounts | 2,481,742 | 5,315,122 |
| Loans and promissory notes* | 691,793,785 | 549,935,654 |
| Credit cards | 14,494,456 | 11,120,843 |
| **Real estate loans** | 783,136,250 | 731,907,486 |
| **Large Companies** | | |
| Overdraft accounts | 81,996,125 | 108,485,266 |
| Loans and promissory notes * | 1,100,136,150 | 1,075,482,323 |
| **Small and Medium** | | |
| Overdraft accounts | 25,149,124 | 29,451,272 |
| Loans and promissory notes * | 176,403,540 | 130,963,019 |
| **Government and public sector** | 212,514,816 | 106,890,228 |
| **Total** | 3,088,105,988 | 2,749,551,213 |
| Less: Interest revenue in suspense | 16,995,241 | 16,683,041 |
| Less: Provision of expected credit losses | 119,482,614 | 97,016,801 |
| Net Direct Credit and Financing Facilities | 2,951,628,133 | 2,635,851,371 |

* Net after deducting interest and commission received in advance of JD 5,057,807 as of December 31, 2020 (JD 3,143,006 as of December 31, 2019).

- Non-performing credit and financing facilities included in stage (3) amounted to JD 118,245,398 which is equivalent to 3.83% of total direct credit and financing facilities as of December 31, 2020 (JD 116,450,626, which is equivalent to 4.24% of total direct credit and financing facilities as of December 31, 2019).

- Non- performing credit and financing facilities included in stage (3) after deducting interest in suspense amounted to JD 101,250,157 which is equivalent to 3.30% of total direct credit facilities balance after deducting interest and commission in suspense as of December 31, 2020 (JD 99,767,585, which is equivalent to 3.65% of total credit facilities balance after deducting interest and commission in suspense as of December 31, 2019).

- Direct credit facilities granted to and guaranteed by the Government of the Hashemite Kingdom of Jordan amounted to JD 305,008,749 which is equivalent to 9.88% of total direct credit facilities as of December 31, 2020 (JD 132,990,323, which is equivalent to 4.84% as of December 31, 2019).

- The financing according to the Islamic law related to Safwa Islamic Bank amounted to JD 1,193,020,390 which is equivalent to 38.63% of total direct credit facilities as of December 31, 2020 (JD 981,246,046, which is equivalent to 35.69% as of December 31, 2019).

The movement on the credit and financing facilities on a collective basis as of the year end:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 1,873,654,487 | 442,937,612 | 285,111,909 | 31,396,579 | 116,450,626 | 2,749,551,213 |
| New exposures during the year | 462,236,817 | 177,653,092 | 60,697,305 | 9,149,588 | 8,154,253 | 717,891,055 |
| Exposures paid during the year | (211,071,360) | (25,168,082) | (36,057,970) | (1,845,521) | (5,471,781) | (279,614,714) |
| Transferred to stage (1) | 61,109,447 | 11,524,200 | (60,143,204) | (11,487,602) | (1,002,841) | - |
| Transferred to stage (2) | (121,613,716) | (2,934,877) | 122,689,573 | 3,991,464 | (2,132,444) | - |
| Transferred to stage (3) | (10,947,692) | (1,033,392) | (11,245,382) | (1,066,122) | 24,292,588 | - |
| Effect on the volume of exposures due to changes in the classifications between stages | 88,053 | (1,083,003) | (12,539,614) | (230,859) | (221,511) | (13,986,934) |
| Effect due to adjustments | (29,570,884) | (29,263,125) | (5,895,986) | 818,855 | (4,109,527) | (68,020,667) |
| Written-off credit facilities or transferred as off balance sheet items | - | - | - | - | (17,713,965) | (17,713,965) |
| Balance - end of the year | 2,023,885,152 | 572,632,425 | 342,616,631 | 30,726,382 | 118,245,398 | 3,088,105,988 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 1,626,451,409 | 382,802,606 | 245,592,451 | 9,409,450 | 117,508,889 | 2,381,764,805 |
| New exposures during the year | 562,711,420 | 167,534,041 | 67,250,714 | 7,329,590 | 9,648,934 | 814,474,699 |
| Exposures paid during the year | (241,956,359) | (53,032,883) | (22,614,159) | (2,012,605) | (14,013,762) | (333,629,768) |
| Transferred to stage (1) | 57,630,033 | 509,548 | (55,988,368) | (457,042) | (1,694,171) | - |
| Transferred to stage (2) | (76,064,148) | (19,818,615) | 78,586,322 | 20,908,283 | (3,611,842) | - |
| Transferred to stage (3) | (8,750,273) | (3,137,793) | (10,207,394) | (1,927,860) | 24,023,320 | - |
| Effect on the volume of exposures due to changes in the classifications between stages | 2,713,107 | 32,485 | (9,106,514) | (1,547,965) | (189,544) | (8,098,431) |
| Effect due to adjustments | (49,080,702) | (31,951,777) | (8,401,143) | (305,272) | (1,483,204) | (91,222,098) |
| Written-off credit facilities or transferred as off balance sheet items | - | - | - | - | (13,737,994) | (13,737,994) |
| Balance - end of the year | 1,873,654,487 | 442,937,612 | 285,111,909 | 31,396,579 | 116,450,626 | 2,749,551,213 |

- During the year ended December 31, 2020, an amount of JD 14,822,171 was transferred to off-balance sheet items (JD 9,671,349 as of December 31, 2019), and direct credit facilities of JD 2,891,794 were written off according to the Board of Directors' decision regarding this matter (JD 4,066,645 as of December 31, 2019).

The movement on the provision of direct credit and financing facilities' impairment loss was as follows:

| | | | Corporations | | Governmental and | |
|---|---|---|---|---|---|---|
| | Individual | Real Estate Loans | Large Corporate | SME's | Public Sector | Total |
| | JD | JD | JD | JD | JD | JD |
| For the Year ended December 31, 2020 | | | | | | |
| Balance at the beginning of the year | 16,806,351 | 8,438,426 | 61,873,990 | 9,708,250 | 189,784 | 97,016,801 |
| Impairment on new Credit facilities during the year | 3,345,252 | 449,582 | 4,871,545 | 1,403,202 | - | 10,069,581 |
| Recovered from Impairment on paid credit facilities | (1,323,682) | (273,618) | (3,355,349) | (576,193) | - | (5,528,842) |
| Transferred to stage (1) | 590,181 | 156,753 | 346,280 | 22,126 | - | 1,115,340 |
| Transferred to stage (2) | 252,780 | (16,189) | (1,161,016) | 11,264 | - | (913,161) |
| Transferred to stage (3) | (842,961) | (140,564) | 814,736 | (33,390) | - | (202,179) |
| Effect on the volume of exposures due to changes in the classifications between stages | 4,922,881 | 2,963,848 | 3,327,599 | 2,008,715 | - | 13,223,043 |
| Effect due to adjustments | 1,675,930 | 2,774,879 | 13,503,004 | 2,188,585 | (189,784) | 19,952,614 |
| Written-off credit facilities | (25,502) | (16,315) | (13,151,263) | (2,057,503) | - | (15,250,583) |
| Balance at the End of the Year | 25,401,230 | 14,336,802 | 67,069,526 | 12,675,056 | - | 119,482,614 |
| **Redistribution:** | | | | | | |
| Provision on an Individual basis | 24,527,804 | 14,336,750 | 67,069,526 | 12,502,541 | - | 118,436,621 |
| Provision on a collective basis | 873,426 | 52 | - | 172,515 | - | 1,045,993 |
| | 25,401,230 | 14,336,802 | 67,069,526 | 12,675,056 | - | 119,482,614 |
| For the Year ended December 31, 2019 | | | | | | |
| Balance at the beginning of the year | 11,753,092 | 6,826,408 | 61,932,663 | 6,788,777 | 347,241 | 87,648,181 |
| Impairment on new Credit facilities during the year | 2,706,753 | 1,628,518 | 8,907,634 | 1,136,643 | - | 14,379,548 |
| Recovered from Impairment on paid credit facilities | (1,352,940) | (318,778) | (6,020,493) | (700,352) | - | (8,392,563) |
| Transferred to stage (1) | 484,832 | 155,662 | 423,751 | (3,593) | - | 1,060,652 |
| Transferred to stage (2) | 434,525 | 558,479 | (261,731) | 104,407 | - | 835,680 |
| Transferred to stage (3) | (919,357) | (714,141) | (162,020) | (100,814) | - | (1,896,332) |
| Effect on the volume of exposures due to changes in the classifications between stages | 3,621,148 | 673,118 | 4,276,159 | 1,753,540 | - | 10,323,965 |
| Effect due to adjustments | 389,743 | (370,840) | 1,286,331 | 1,055,210 | (157,457) | 2,202,987 |
| Written-off credit facilities | (311,445) | - | (8,508,304) | (325,568) | - | (9,145,317) |
| Balance at the End of the Year | 16,806,351 | 8,438,426 | 61,873,990 | 9,708,250 | 189,784 | 97,016,801 |
| **Redistribution:** | | | | | | |
| Provision on an Individual basis | 16,266,535 | 8,438,306 | 61,873,990 | 9,648,450 | 189,784 | 96,417,065 |
| Provision on a collective basis | 539,816 | 120 | - | 59,800 | - | 599,736 |
| | 16,806,351 | 8,438,426 | 61,873,990 | 9,708,250 | 189,784 | 97,016,801 |

- Allowance for Impairment related to direct credit facilities that was settled or collected amounted to JD 5,528,842 as December 31, 2020 (8,392,563 as of December 31, 2019).

Interest in Suspense

The following is the movement on interest in suspense:

| | Individual | Real estate loans | Corporate Entities: Corporates | Corporate Entities: SMEs | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| For the Year ended December 31, 2020 | | | | | | |
| Balance - beginning of the period | 3,240,079 | 2,423,484 | 9,312,423 | 1,707,055 | - | 16,683,041 |
| Add: Interest and returns suspended during the period | 1,621,969 | 646,343 | 1,280,781 | 836,422 | - | 4,385,515 |
| Less: Interest and returns transferred to revenues | 708,029 | 108,749 | 738,822 | 54,334 | - | 1,609,934 |
| Written-off suspended interest | 33,609 | 25,080 | 2,198,450 | 206,242 | - | 2,463,381 |
| Balance at the End of the Year | 4,120,410 | 2,935,998 | 7,655,932 | 2,282,901 | - | 16,995,241 |
| For the Year ended December 31, 2019 | | | | | | |
| Balance - beginning of the period | 2,384,194 | 3,776,288 | 8,802,669 | 1,119,455 | 115,562 | 16,198,168 |
| Add: Interest and returns suspended during the period | 1,442,122 | 721,908 | 3,417,446 | 846,169 | - | 6,427,645 |
| Less: Interest and returns transferred to revenues | 432,476 | 285,336 | 552,273 | 80,010 | - | 1,350,095 |
| Written-off suspended interest | 153,761 | 1,789,376 | 2,355,419 | 178,559 | 115,562 | 4,592,677 |
| Balance at the End of the Year | 3,240,079 | 2,423,484 | 9,312,423 | 1,707,055 | - | 16,683,041 |

The following are the exposures according to IFRS (9):

As of December 31, 2020

| | According to IFRS (9) as adopted by Central Bank of Jordan | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage (1) | | | Stage (2) | | | Stage (3) | | | Total | | |
| | Direct Credit Facilities | Provision for Expected Credit Loss | Interest in Suspense | Direct Credit Facilities | Provision for Expected Credit Loss | Interest in Suspense | Direct Credit Facilities | Provision for Expected Credit Loss | Interest in Suspense | Direct Credit Facilities | Provision for Expected Credit Loss | Interest in Suspense |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Individual | 658,357,568 | 3,753,181 | - | 22,088,956 | 1,534,974 | - | 28,323,459 | 20,113,075 | 4,120,410 | 708,769,983 | 25,401,230 | 4,120,410 |
| Real estate loans | 658,216,737 | 1,114,516 | - | 106,458,733 | 7,276,536 | - | 18,460,780 | 5,945,750 | 2,935,998 | 783,136,250 | 14,336,802 | 2,935,998 |
| Corporate entities | 933,059,189 | 11,535,717 | - | 195,780,692 | 18,790,244 | - | 53,292,394 | 36,743,565 | 7,655,932 | 1,182,132,275 | 67,069,526 | 7,655,932 |
| SME's | 134,369,267 | 2,354,413 | - | 49,014,632 | 1,359,772 | - | 18,168,765 | 8,960,871 | 2,282,901 | 201,552,664 | 12,675,056 | 2,282,901 |
| Governmental and Public Sector | 212,514,816 | - | - | - | - | - | - | - | - | 212,514,816 | - | - |
| | 2,596,517,577 | 18,757,827 | - | 373,343,013 | 28,961,526 | - | 118,245,398 | 71,763,261 | 16,995,241 | 3,088,105,988 | 119,482,614 | 16,995,241 |

As of December 31, 2019

| | According to IFRS (9) as adopted by Central Bank of Jordan | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage (1) | | | Stage (2) | | | Stage (3) | | | Total | | |
| | Direct Credit Facilities | Provision for Expected Credit Loss | Interest in Suspense | Direct Credit Facilities | Provision for Expected Credit Loss | Interest in Suspense | Direct Credit Facilities | Provision for Expected Credit Loss | Interest in Suspense | Direct Credit Facilities | Provision for Expected Credit Loss | Interest in Suspense |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Individual | 525,507,387 | 1,324,563 | - | 20,535,654 | 694,921 | - | 20,328,578 | 14,786,867 | 3,240,079 | 566,371,619 | 16,806,351 | 3,240,079 |
| Real estate loans | 606,027,353 | 134,498 | - | 108,837,181 | 3,169,916 | - | 17,042,952 | 5,134,012 | 2,423,484 | 731,907,486 | 8,438,426 | 2,423,484 |
| Corporate entities | 958,011,738 | 9,917,876 | - | 164,345,616 | 6,496,920 | - | 61,610,235 | 45,459,194 | 9,312,423 | 1,183,967,589 | 61,873,990 | 9,312,423 |
| SME's | 120,155,393 | 783,146 | - | 22,790,037 | 463,417 | - | 17,468,861 | 8,461,687 | 1,707,055 | 160,414,291 | 9,708,250 | 1,707,055 |
| Governmental and Public Sector | 106,890,228 | 189,784 | - | - | - | - | - | - | - | 106,890,228 | 189,784 | - |
| | 2,316,592,099 | 12,349,867 | - | 316,508,488 | 10,825,174 | - | 116,450,626 | 73,841,760 | 16,683,041 | 2,749,551,213 | 97,016,801 | 16,683,041 |

The movement on the provision for expected credit losses on a collective basis as of the year-end:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 1,873,654,487 | 442,937,612 | 285,111,909 | 31,396,579 | 116,450,626 | 2,749,551,213 |
| New exposures during the year | 462,236,817 | 177,653,092 | 60,697,305 | 9,149,588 | 8,154,253 | 717,891,055 |
| Exposures paid during the year | (211,071,360) | (25,168,082) | (36,057,970) | (1,845,521) | (5,471,781) | (279,614,714) |
| Transferred to stage (1) | 61,109,447 | 11,524,200 | (60,143,204) | (11,487,602) | (1,002,841) | - |
| Transferred to stage (2) | (121,613,716) | (2,934,877) | 122,689,573 | 3,991,464 | (2,132,444) | - |
| Transferred to stage (3) | (10,947,692) | (1,033,392) | (11,245,382) | (1,066,122) | 24,292,588 | - |
| Effect on the volume of exposures due to changes in the classifications between stages | 88,053 | (1,083,003) | (12,539,614) | (230,859) | (221,511) | (13,986,934) |
| Effect due to adjustment | (29,570,884) | (29,263,125) | (5,895,986) | 818,855 | (4,109,527) | (68,020,667) |
| The bad exposures | - | - | - | - | (17,713,965) | (17,713,965) |
| Total balance at year-end | 2,023,885,152 | 572,632,425 | 342,616,631 | 30,726,382 | 118,245,398 | 3,088,105,988 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 1,626,451,409 | 382,802,606 | 245,592,451 | 9,409,450 | 117,508,889 | 2,381,764,805 |
| New exposures during the year | 562,711,420 | 167,534,041 | 67,250,714 | 7,329,590 | 9,648,934 | 814,474,699 |
| Exposures paid during the year | (241,956,359) | (53,032,883) | (22,614,159) | (2,012,605) | (14,013,762) | (333,629,768) |
| Transferred to stage (1) | 57,630,033 | 509,548 | (55,988,368) | (457,042) | (1,694,171) | - |
| Transferred to stage (2) | (76,064,148) | (19,818,615) | 78,586,322 | 20,908,283 | (3,611,842) | - |
| Transferred to stage (3) | (8,750,273) | (3,137,793) | (10,207,394) | (1,927,860) | 24,023,320 | - |
| Effect on the volume of exposures due to changes in the classifications between stages | 2,713,107 | 32,485 | (9,106,514) | (1,547,965) | (189,544) | (8,098,431) |
| Effect due to adjustment | (49,080,702) | (31,951,777) | (8,401,143) | (305,272) | (1,483,204) | (91,222,098) |
| The bad exposures | - | - | - | - | (13,737,994) | (13,737,994) |
| Total balance at year-end | 1,873,654,487 | 442,937,612 | 285,111,909 | 31,396,579 | 116,450,626 | 2,749,551,213 |

The movement of the provision for expected credit losses on a collective basis as for the year-end:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 12,061,543 | 288,324 | 10,513,762 | 311,412 | 73,841,760 | 97,016,801 |
| Impairment losses on the new exposures during the year | 819,149 | 460,707 | 4,809,191 | 23,766 | 3,956,768 | 10,069,581 |
| Recovered from impairment of the paid exposures during the year | (1,403,753) | (22,902) | (1,957,837) | (5,693) | (2,138,657) | (5,528,842) |
| Transferred to stage (1) | 1,529,902 | 150,096 | (931,618) | (138,482) | (609,898) | - |
| Transferred to stage (2) | (479,895) | (4,309) | 896,460 | 373,869 | (786,125) | - |
| Transferred to stage (3) | (74,000) | (6,454) | (1,045,503) | (67,887) | 1,193,844 | - |
| Effect on the impairment loss due to changes in the classifications between stages | (707,128) | (141,221) | 5,049,217 | (290,102) | 9,312,277 | 13,223,043 |
| Effect on the provision resulting from adjustment | 6,120,140 | 167,628 | 11,473,730 | (52,759) | 2,243,875 | 19,952,614 |
| Impairment on the bad exposures | - | - | - | - | (15,250,583) | (15,250,583) |
| Total ECL balance at year-end | 17,865,958 | 891,869 | 28,807,402 | 154,124 | 71,763,261 | 119,482,614 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 12,532,691 | 280,642 | 4,676,176 | 133,509 | 70,025,163 | 87,648,181 |
| Impairment losses on the new exposures during the year | 1,796,535 | 156,831 | 5,323,787 | 99,277 | 7,003,118 | 14,379,548 |
| Recovered from impairment of the paid exposures during the year | (2,880,306) | (43,222) | (408,014) | (5,850) | (5,055,171) | (8,392,563) |
| Transferred to stage (1) | 1,383,973 | 13,310 | (612,723) | (10,348) | (774,212) | - |
| Transferred to stage (2) | (229,889) | (35,370) | 1,462,669 | 258,149 | (1,455,559) | - |
| Transferred to stage (3) | (52,036) | (19,336) | (229,543) | (32,524) | 333,439 | - |
| Effect on the impairment loss due to changes in the classifications between stages | (1,131,582) | (11,667) | (77,507) | (88,147) | 11,632,868 | 10,323,965 |
| Effect on the provision resulting from adjustment | 642,157 | (52,864) | 378,917 | (42,654) | 1,277,431 | 2,202,987 |
| Impairment on the bad exposures | - | - | - | - | (9,145,317) | (9,145,317) |
| Total ECL balance at year-end | 12,061,543 | 288,324 | 10,513,762 | 311,412 | 73,841,760 | 97,016,801 |

The distribution of total credit and financing facilities by the internal credit rating for Individuals is as follows:

| | 2020 | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| | Stage (1) Individual | Stage (1) Collective | Stage (2) Individual | Stage (2) Collective | Stage (3) Individual | Total | Total |
| | JD | JD | JD | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | | | | | | | |
| 1 | 805,977 | - | - | - | - | 805,977 | 1,506,291 |
| 2 | 928,263 | - | - | - | - | 928,263 | 1,884,083 |
| 3 | 3,473,736 | - | 78,315 | - | - | 3,552,051 | 4,438,619 |
| 4 | 5,130,216 | - | 148,800 | - | - | 5,279,016 | 4,116,248 |
| 5 | 4,122,661 | - | 404,524 | - | - | 4,527,185 | 2,962,299 |
| 6 | 2,120,344 | - | 13 | - | - | 2,120,357 | 88,653 |
| 7 | 401,703 | - | 3 | - | - | 401,706 | 1,231,559 |
| 8 | - | - | - | - | 1,530,094 | 1,530,094 | 974,758 |
| Not rated | 414,665,747 | 226,708,921 | 17,855,226 | 3,602,075 | 26,793,365 | 689,625,334 | 549,169,109 |
| Total | 431,648,647 | 226,708,921 | 18,486,881 | 3,602,075 | 28,323,459 | 708,769,983 | 566,371,619 |

The movement on credit and financing facilities for Individuals is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 358,783,320 | 166,724,067 | 13,646,473 | 6,889,181 | 20,328,578 | 566,371,619 |
| New credit facilities during the year | 125,881,462 | 90,556,310 | 1,767,991 | 57,690 | 2,689,190 | 220,952,643 |
| Paid credit facilities | (35,134,266) | (11,937,851) | (951,957) | (357,495) | (1,924,211) | (50,305,780) |
| Transferred to stage (1) | 6,733,506 | 2,802,432 | (6,197,702) | (2,781,317) | (556,919) | - |
| Transferred to stage (2) | (13,185,590) | (434,214) | 13,535,216 | 983,786 | (899,198) | - |
| Transferred to stage (3) | (4,123,729) | (461,560) | (2,868,952) | (737,189) | 8,191,430 | - |
| Effect on the volume of exposures due to the changes between stages | (107,366) | (369,951) | (391,420) | (119,213) | 198,028 | (789,922) |
| Effect due to adjustments | (7,198,690) | (20,170,312) | (52,768) | (333,368) | 355,672 | (27,399,466) |
| Written-off credit facilities | - | - | - | - | (59,111) | (59,111) |
| Balance - End of the Year | 431,648,647 | 226,708,921 | 18,486,881 | 3,602,075 | 28,323,459 | 708,769,983 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 299,044,711 | 125,774,531 | 5,829,367 | 2,361,160 | 16,359,968 | 449,369,737 |
| New credit facilities during the year | 139,706,537 | 90,476,418 | 2,244,203 | 1,120,272 | 2,603,312 | 236,150,742 |
| Paid credit facilities | (51,073,501) | (11,895,793) | (529,607) | (156,033) | (2,565,119) | (66,220,053) |
| Transferred to stage (1) | 2,373,242 | 172,013 | (1,841,338) | (161,720) | (542,197) | - |
| Transferred to stage (2) | (10,184,653) | (5,261,448) | 10,867,205 | 5,683,727 | (1,104,831) | - |
| Transferred to stage (3) | (2,883,898) | (1,438,415) | (1,390,280) | (544,768) | 6,257,361 | - |
| Effect on the volume of exposures due to the changes between stages | (417,407) | (47,337) | (1,239,408) | (1,097,439) | (199,141) | (3,000,732) |
| Effect due to adjustments | (17,781,711) | (31,055,902) | (293,669) | (316,018) | (15,569) | (49,462,869) |
| Written-off credit facilities | - | - | - | - | (465,206) | (465,206) |
| Balance - End of the Year | 358,783,320 | 166,724,067 | 13,646,473 | 6,889,181 | 20,328,578 | 566,371,619 |

The movement on the provision for credit loss for Individuals credit facilities is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 1,063,761 | 260,802 | 415,907 | 279,014 | 14,786,867 | 16,806,351 |
| Impairment losses on the new exposures during the year | 1,490,205 | 432,037 | 180,372 | 1,285 | 1,241,353 | 3,345,252 |
| Recovered from impairment of the paid exposures during the year | (104,684) | (18,592) | (44,559) | (3,634) | (1,152,213) | (1,323,682) |
| Transferred to stage (1) | 530,346 | 129,873 | (117,566) | (119,420) | (423,233) | - |
| Transferred to stage (2) | (44,008) | (2,022) | 297,445 | 355,813 | (607,228) | - |
| Transferred to stage (3) | (21,649) | (2,359) | (98,495) | (64,997) | 187,500 | - |
| Effect on impairment losses due to the changes in the classifications between stages | (453,666) | (123,674) | 786,943 | (348,133) | 5,061,411 | 4,922,881 |
| Effect on the provision resulting from adjustment | 459,475 | 157,336 | 74,902 | (59,903) | 1,044,120 | 1,675,930 |
| Impairment loss on written-off credit facilities | - | - | - | - | (25,502) | (25,502) |
| Balance - End of the Year | 2,919,780 | 833,401 | 1,494,949 | 40,025 | 20,113,075 | 25,401,230 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 970,017 | 216,761 | 296,127 | 115,820 | 10,154,367 | 11,753,092 |
| Impairment losses on the new exposures during the year | 246,618 | 142,795 | 50,649 | 75,721 | 2,190,970 | 2,706,753 |
| Recovered from impairment of the paid exposures during the year | (257,654) | (19,617) | (18,879) | (1,648) | (1,055,142) | (1,352,940) |
| Transferred to stage (1) | 551,500 | 13,310 | (132,072) | (10,348) | (422,390) | - |
| Transferred to stage (2) | (30,111) | (22,545) | 424,492 | 244,474 | (616,310) | - |
| Transferred to stage (3) | (17,326) | (9,996) | (63,117) | (28,904) | 119,343 | - |
| Effect on impairment losses due to the changes in the classifications between stages | (521,394) | (11,667) | (158,528) | (87,881) | 4,400,618 | 3,621,148 |
| Effect on the provision resulting from adjustment | 122,111 | (48,239) | 17,235 | (28,220) | 326,856 | 389,743 |
| Impairment loss on written-off credit facilities | - | - | - | - | (311,445) | (311,445) |
| Balance - End of the Year | 1,063,761 | 260,802 | 415,907 | 279,014 | 14,786,867 | 16,806,351 |

The distribution of total credit and financing facilities by internal credit rating for Real Estate Loans is as follows:

| | 2020 | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| | Stage (1) | Stage (1) | Stage (2) | Stage (2) | Stage (3) | | |
| | Individual | Collective | Individual | Collective | Individual | Total | Total |
| Credit rating categories based on the Bank's internal system: | JD | JD | JD | JD | JD | JD | JD |
| 1 | 396,279 | - | 15,157 | - | - | 411,436 | 932,348 |
| 2 | 3,628,310 | - | 130,137 | - | - | 3,758,447 | 8,231,107 |
| 3 | 28,393,516 | - | 451,639 | - | - | 28,845,155 | 40,195,244 |
| 4 | 22,294,579 | - | 1,537,432 | - | - | 23,832,011 | 30,224,804 |
| 5 | 44,226,180 | - | 20,451,218 | - | - | 64,677,398 | 69,896,441 |
| 6 | 29,162,427 | - | 35,332,967 | - | - | 64,495,394 | 39,396,289 |
| 7 | 2,923,127 | - | 14,860,533 | - | - | 17,783,660 | 28,646,851 |
| 8 | - | - | - | - | 5,523,181 | 5,523,181 | 5,552,015 |
| Not rated | 206,502,748 | 320,689,571 | 19,513,736 | 14,165,914 | 12,937,599 | 573,809,568 | 508,832,387 |
| Total | 337,527,166 | 320,689,571 | 92,292,819 | 14,165,914 | 18,460,780 | 783,136,250 | 731,907,486 |

The movement on credit and financing facilities for Real Estate is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 344,297,009 | 261,730,344 | 89,903,810 | 18,933,371 | 17,042,952 | 731,907,486 |
| New credit facilities during the year | 39,026,135 | 71,555,318 | 6,080,129 | 355,634 | 46,042 | 117,063,258 |
| Paid credit facilities | (20,348,350) | (9,967,212) | (8,478,467) | (873,402) | (1,442,216) | (41,109,647) |
| Transferred to stage (1) | 22,155,878 | 6,161,571 | (21,821,389) | (6,161,571) | (334,489) | - |
| Transferred to stage (2) | (34,554,861) | (196,334) | 34,877,589 | 645,176 | (771,570) | - |
| Transferred to stage (3) | (2,134,156) | (109,600) | (4,051,426) | (97,993) | 6,393,175 | - |
| Effect on the volume of exposures due to the changes between stages | 5,322,176 | 50,081 | (954,859) | 53,193 | 301,356 | 4,771,947 |
| Effect due to adjustments | (16,236,665) | (8,534,597) | (3,262,568) | 1,311,506 | (2,733,075) | (29,455,399) |
| Written-off credit facilities | - | - | - | - | (41,395) | (41,395) |
| Balance - End of the Year | 337,527,166 | 320,689,571 | 92,292,819 | 14,165,914 | 18,460,780 | 783,136,250 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 346,688,470 | 244,750,976 | 61,491,607 | 6,673,084 | 17,120,272 | 676,724,409 |
| New credit facilities during the year | 69,073,331 | 67,233,620 | 9,092,911 | 1,661,882 | 1,121,363 | 148,183,107 |
| Paid credit facilities | (27,214,378) | (35,408,406) | (4,961,170) | (1,688,238) | (2,163,631) | (71,435,823) |
| Transferred to stage (1) | 15,112,712 | 337,535 | (14,490,346) | (295,322) | (664,579) | - |
| Transferred to stage (2) | (39,872,790) | (13,306,908) | 40,974,660 | 13,937,377 | (1,732,339) | - |
| Transferred to stage (3) | (1,202,551) | (980,598) | (2,167,339) | (1,299,894) | 5,650,382 | - |
| Effect on the volume of exposures due to the changes between stages | (378,460) | - | 671,605 | (106,982) | (67,786) | 118,377 |
| Effect due to adjustments | (17,909,325) | (895,875) | (708,118) | 51,464 | (431,354) | (19,893,208) |
| Written-off credit facilities | - | - | - | - | (1,789,376) | (1,789,376) |
| Balance - End of the Year | 344,297,009 | 261,730,344 | 89,903,810 | 18,933,371 | 17,042,952 | 731,907,486 |

The movement on the provision for credit loss for Real Estate credit facilities is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 134,470 | 28 | 3,169,824 | 92 | 5,134,012 | 8,438,426 |
| Impairment losses on the new exposures during the year | 58,617 | 16 | 383,754 | - | 7,195 | 449,582 |
| Recovered from impairment on the paid exposures during the year | (6,792) | - | (12,926) | - | (253,900) | (273,618) |
| Transferred to stage (1) | 173,931 | 92 | (77,162) | (92) | (96,769) | - |
| Transferred to stage (2) | (15,148) | - | 79,888 | - | (64,740) | - |
| Transferred to stage (3) | (2,122) | - | (18,823) | - | 20,945 | - |
| Effect on impairment losses due to the changes in the classifications between stages | 58,027 | (69) | 1,472,943 | - | 1,432,947 | 2,963,848 |
| Effect on the provision resulting from adjustment | 713,481 | (15) | 2,279,038 | - | (217,625) | 2,774,879 |
| Impairment loss on written off credit facilities | - | - | - | - | (16,315) | (16,315) |
| Balance - End of the Year | 1,114,464 | 52 | 7,276,536 | - | 5,945,750 | 14,336,802 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 107,336 | 2,012 | 2,541,413 | 25 | 4,175,622 | 6,826,408 |
| Impairment losses on the new exposures during the year | 37,323 | 9 | 11,563 | - | 1,579,623 | 1,628,518 |
| Recovered from impairment on the paid exposures during the year | (6,701) | (8) | (12,524) | - | (299,545) | (318,778) |
| Transferred to stage (1) | 168,847 | - | (72,503) | - | (96,344) | - |
| Transferred to stage (2) | (11,793) | (358) | 654,302 | 358 | (642,509) | - |
| Transferred to stage (3) | (1,029) | (5) | (23,653) | (25) | 24,712 | - |
| Effect on impairment losses due to the changes in the classifications between stages | (151,586) | - | 7,950 | (266) | 817,020 | 673,118 |
| Effect on the provision resulting from adjustment | (7,927) | (1,622) | 63,276 | - | (424,567) | (370,840) |
| Balance - End of the Year | 134,470 | 28 | 3,169,824 | 92 | 5,134,012 | 8,438,426 |

The distribution of total credit and financing facilities by internal credit rating for corporates is as follows:

| | 2020 | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| | Stage (1) | Stage (1) | Stage (2) | Stage (2) | Stage (3) | | |
| | Individual | Collective | Individual | Collective | Individual | Total | Total |
| Credit rating categories based on the Bank's internal system: | JD | JD | JD | JD | JD | JD | JD |
| 1 | - | - | - | - | - | - | - |
| 2 | 108,019,134 | - | 49 | - | - | 108,019,183 | 84,537,978 |
| 3 | 83,891,221 | - | 1,838,851 | - | - | 85,730,072 | 113,931,258 |
| 4 | 258,355,946 | - | 18,413,543 | - | - | 276,769,489 | 312,918,926 |
| 5 | 260,081,307 | - | 12,665,094 | - | - | 272,746,401 | 262,394,525 |
| 6 | 183,174,707 | - | 30,512,555 | - | - | 213,687,262 | 154,944,683 |
| 7 | 23,760,970 | - | 126,819,032 | - | - | 150,580,002 | 149,910,058 |
| 8 | - | - | - | - | 34,449,656 | 34,449,656 | 30,294,544 |
| Not rated | 15,775,904 | - | 5,531,568 | - | 18,842,738 | 40,150,210 | 75,035,617 |
| **Total** | 933,059,189 | - | 195,780,692 | - | 53,292,394 | 1,182,132,275 | 1,183,967,589 |

The movement on credit and financing facilities for corporates is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 958,011,738 | - | 164,345,616 | - | 61,610,235 | 1,183,967,589 |
| New credit facilities during the year | 127,195,225 | - | 40,336,904 | - | 4,761,492 | 172,293,621 |
| Paid credit facilities | (128,645,367) | - | (23,585,185) | - | (1,391,172) | (153,621,724) |
| Transferred to stage (1) | 29,251,640 | - | (29,251,640) | - | - | - |
| Transferred to stage (2) | (59,926,094) | - | 59,926,248 | - | (154) | - |
| Transferred to stage (3) | (4,601,180) | - | (1,368,446) | - | 5,969,626 | - |
| Effect on the volume of exposures due to the changes between stages | (4,781,229) | - | (11,784,603) | - | (824,047) | (17,389,879) |
| Effects due to adjustments | 16,554,456 | - | (2,838,202) | - | (1,483,872) | 12,232,382 |
| Written-off credit facilities | - | - | - | - | (15,349,714) | (15,349,714) |
| Balance - End of the Year | 933,059,189 | - | 195,780,692 | - | 53,292,394 | 1,182,132,275 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 745,078,413 | - | 162,346,127 | - | 69,750,315 | 977,174,855 |
| New credit facilities during the year | 322,837,614 | - | 49,418,878 | - | 4,027,380 | 376,283,872 |
| Paid credit facilities | (115,134,686) | - | (12,746,683) | - | (6,941,285) | (134,822,654) |
| Transferred to stage (1) | 37,336,645 | - | (36,932,824) | - | (403,821) | - |
| Transferred to stage (2) | (20,133,564) | - | 20,269,923 | - | (136,359) | - |
| Transferred to stage (3) | (3,266,664) | - | (3,247,557) | - | 6,514,221 | - |
| Effect on the volume of exposures due to the changes between stages | 2,622,613 | - | (7,731,638) | - | 109,141 | (4,999,884) |
| Effects due to adjustments | (11,328,633) | - | (7,030,610) | - | (330,072) | (18,689,315) |
| Written-off credit facilities | - | - | - | - | (10,979,285) | (10,979,285) |
| Balance - End of the Year | 958,011,738 | - | 164,345,616 | - | 61,610,235 | 1,183,967,589 |

The movement on the provision for credit facilities for corporates is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 9,917,876 | - | 6,496,920 | - | 45,459,194 | 61,873,990 |
| Impairment losses on the new exposures during the year | (1,383,329) | - | 3,943,123 | - | 2,311,751 | 4,871,545 |
| Recovered from impairment of the paid exposures during the year | (1,179,770) | - | (1,815,860) | - | (359,719) | (3,355,349) |
| Transferred to stage (1) | 712,784 | - | (712,784) | - | - | - |
| Transferred to stage (2) | (316,673) | - | 316,761 | - | (88) | - |
| Transferred to stage (3) | (49,831) | - | (764,993) | - | 814,824 | - |
| Effect on impairment losses due to the changes in the classifications between stages | (287,416) | - | 2,374,303 | - | 1,240,712 | 3,327,599 |
| Effect on the provision resulted from adjustment | 4,122,076 | - | 8,952,774 | - | 428,154 | 13,503,004 |
| Impairment loss on written-off credit facilities | - | - | - | - | (13,151,263) | (13,151,263) |
| Provision for credit facilities balance - End of the Year | 11,535,717 | - | 18,790,244 | - | 36,743,565 | 67,069,526 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 10,822,336 | - | 1,630,692 | - | 49,479,635 | 61,932,663 |
| Impairment losses on the new exposures during the year | 1,369,392 | - | 5,097,317 | - | 2,440,925 | 8,907,634 |
| Recovered from impairment of the paid exposures during the year | (2,546,263) | - | (327,901) | - | (3,146,329) | (6,020,493) |
| Transferred to stage (1) | 620,841 | - | (384,418) | - | (236,423) | - |
| Transferred to stage (2) | (165,876) | - | 223,112 | - | (57,236) | - |
| Transferred to stage (3) | (31,214) | - | (100,425) | - | 131,639 | - |
| Effect on impairment losses due to the changes in the classifications between stages | (431,980) | - | 129,575 | - | 4,578,564 | 4,276,159 |
| Effect on the provision resulted from adjustment | 280,640 | - | 228,968 | - | 776,723 | 1,286,331 |
| Impairment loss on written-off credit facilities | - | - | - | - | (8,508,304) | (8,508,304) |
| Provision for credit facilities balance - End of the Year | 9,917,876 | - | 6,496,920 | - | 45,459,194 | 61,873,990 |

The distribution of total credit and financing facilities by internal credit rating for (SME's) is as follows:

| | 2020 | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| | Stage (1) | Stage (1) | Stage (2) | Stage (2) | Stage (3) | | |
| | Individual | Collective | Individual | Collective | Individual | Total | Total |
| | JD | JD | JD | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | 65,238 | - | - | - | - | 65,238 | 3,970,220 |
| 3 | 23,427,997 | - | 375,043 | - | - | 23,803,040 | 37,907,676 |
| 4 | 26,226,226 | - | 648,917 | - | - | 26,875,143 | 24,465,861 |
| 5 | 27,521,343 | - | 2,969,389 | - | - | 30,490,732 | 21,670,433 |
| 6 | 25,867,470 | - | 2,939,831 | - | - | 28,807,301 | 20,941,483 |
| 7 | 6,027,060 | - | 20,809,628 | - | - | 26,836,688 | 11,787,438 |
| 8 | - | - | - | - | 13,729,883 | 13,729,883 | 11,502,013 |
| Not rated | - | 25,233,933 | 8,313,431 | 12,958,393 | 4,438,882 | 50,944,639 | 28,169,167 |
| Total | 109,135,334 | 25,233,933 | 36,056,239 | 12,958,393 | 18,168,765 | 201,552,664 | 160,414,291 |

The movement on credit and financing facilities for SME's during the year ended December 31, 2020 is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 105,672,192 | 14,483,201 | 17,216,010 | 5,574,027 | 17,468,861 | 160,414,291 |
| New credit facilities during the year | 42,661,541 | 15,541,464 | 12,512,281 | 8,736,264 | 657,529 | 80,109,079 |
| Paid credit facilities | (19,572,793) | (3,263,019) | (3,042,361) | (614,624) | (714,182) | (27,206,979) |
| Transferred to stage (1) | 2,968,423 | 2,560,197 | (2,872,473) | (2,544,714) | (111,433) | - |
| Transferred to stage (2) | (13,947,171) | (2,304,329) | 14,350,520 | 2,362,502 | (461,522) | - |
| Transferred to stage (3) | (88,627) | (462,232) | (2,956,558) | (230,940) | 3,738,357 | - |
| Effect on the volume of exposures due to the changes between stages | (345,528) | (763,133) | 591,268 | (164,839) | 103,152 | (579,080) |
| Effects due to adjustments | (8,212,703) | (558,216) | 257,552 | (159,283) | (248,252) | (8,920,902) |
| Written-off credit facilities | - | - | - | - | (2,263,745) | (2,263,745) |
| Balance - End of the Year | 109,135,334 | 25,233,933 | 36,056,239 | 12,958,393 | 18,168,765 | 201,552,664 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 99,344,911 | 12,277,099 | 15,925,350 | 375,206 | 14,278,334 | 142,200,900 |
| New credit facilities during the year | 30,518,015 | 9,824,003 | 6,494,722 | 4,547,436 | 1,896,879 | 53,281,055 |
| Paid credit facilities | (17,963,088) | (5,728,684) | (4,376,699) | (168,334) | (2,343,727) | (30,580,532) |
| Transferred to stage (1) | 2,807,434 | - | (2,723,860) | - | (83,574) | - |
| Transferred to stage (2) | (5,873,141) | (1,250,259) | 6,474,534 | 1,287,179 | (638,313) | - |
| Transferred to stage (3) | (1,397,160) | (718,780) | (3,402,218) | (83,198) | 5,601,356 | - |
| Effect on the volume of exposures due to the changes between stages | 296,254 | 79,822 | (807,073) | (343,544) | (31,758) | (806,299) |
| Effects due to adjustments | (2,061,033) | - | (368,746) | (40,718) | (706,209) | (3,176,706) |
| Written-off credit facilities | - | - | - | - | (504,127) | (504,127) |
| Balance - End of the Year | 105,672,192 | 14,483,201 | 17,216,010 | 5,574,027 | 17,468,861 | 160,414,291 |

The movement on the provision for credit loss for (SME's) credit facilities is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 755,652 | 27,494 | 431,111 | 32,306 | 8,461,687 | 9,708,250 |
| Impairment losses on the new exposures during the year | 653,656 | 28,654 | 301,942 | 22,481 | 396,469 | 1,403,202 |
| Recovered from impairment of the paid exposures during the year | (112,507) | (4,310) | (84,492) | (2,059) | (372,825) | (576,193) |
| Transferred to stage (1) | 112,841 | 20,131 | (24,106) | (18,970) | (89,896) | - |
| Transferred to stage (2) | (104,066) | (2,287) | 202,366 | 18,056 | (114,069) | - |
| Transferred to stage (3) | (398) | (4,095) | (163,192) | (2,890) | 170,575 | - |
| Effect on impairment losses due to the changes in the classifications between stages | (24,073) | (17,478) | 415,028 | 58,031 | 1,577,207 | 2,008,715 |
| Effect on the provision resulted from adjustment | 1,014,892 | 10,307 | 167,016 | 7,144 | 989,226 | 2,188,585 |
| Impairment loss on written off credit facilities | - | - | - | - | (2,057,503) | (2,057,503) |
| Provision for credit facilities balance - End of the Year | 2,295,997 | 58,416 | 1,245,673 | 114,099 | 8,960,871 | 12,675,056 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 285,761 | 61,869 | 207,944 | 17,664 | 6,215,539 | 6,788,777 |
| Impairment losses on the new exposures during the year | 143,202 | 14,027 | 164,258 | 23,556 | 791,600 | 1,136,643 |
| Recovered from impairment of the paid exposures during the year | (69,688) | (23,597) | (48,710) | (4,202) | (554,155) | (700,352) |
| Transferred to stage (1) | 42,785 | - | (23,730) | - | (19,055) | - |
| Transferred to stage (2) | (22,109) | (12,467) | 160,763 | 13,317 | (139,504) | - |
| Transferred to stage (3) | (2,467) | (9,335) | (42,348) | (3,595) | 57,745 | - |
| Effect on impairment losses due to the changes in the classifications between stages | (26,622) | - | (56,504) | - | 1,836,666 | 1,753,540 |
| Effect on the provision resulted from adjustment | 404,790 | (3,003) | 69,438 | (14,434) | 598,419 | 1,055,210 |
| Impairment loss on written off credit facilities | - | - | - | - | (325,568) | (325,568) |
| Provision for credit facilities balance - End of the Year | 755,652 | 27,494 | 431,111 | 32,306 | 8,461,687 | 9,708,250 |

The distribution of total credit and financing facilities by internal credit rating for Government and Public Sector is as follows:

| | 2020 | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| | Stage (1) | Stage (1) | Stage (2) | Stage (2) | Stage (3) | | |
| | Individual | Collective | Individual | Collective | Individual | Total | Total |
| | JD | JD | JD | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | | | | | | | |
| 1 | 138,117,687 | - | - | - | - | 138,117,687 | 59,556,842 |
| 2 | 21,081 | - | - | - | - | 21,081 | 52,098 |
| 3 | 12,996,017 | - | - | - | - | 12,996,017 | 11,974,650 |
| 4 | 17,660,857 | - | - | - | - | 17,660,857 | 17,662,536 |
| 5 | 40,504,057 | - | - | - | - | 40,504,057 | 14,094,435 |
| 6 | 3,215,117 | - | - | - | - | 3,215,117 | 3,549,667 |
| 7 | - | - | - | - | - | - | - |
| 8 | - | - | - | - | - | - | - |
| Not rated | - | - | - | - | - | - | - |
| Total | 212,514,816 | - | - | - | - | 212,514,816 | 106,890,228 |

The movement on credit and financing facilities for the Government and Public Sector is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 106,890,228 | - | - | - | - | 106,890,228 |
| New credit facilities during the year | 127,472,454 | - | - | - | - | 127,472,454 |
| Paid credit facilities | (7,370,584) | - | - | - | - | (7,370,584) |
| Transferred to stage (1) | - | - | - | - | - | - |
| Transferred to stage (2) | - | - | - | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Effect on the volume of exposures due to the changes between stages | - | - | - | - | - | - |
| Effects due to adjustments | (14,477,282) | - | - | - | - | (14,477,282) |
| Written-off credit facilities | - | - | - | - | - | - |
| Balance - End of the Year | 212,514,816 | - | - | - | - | 212,514,816 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 136,294,904 | - | - | - | - | 136,294,904 |
| New credit facilities during the year | 2,529,786 | - | - | - | - | 2,529,786 |
| Paid credit facilities | (31,934,462) | - | - | - | - | (31,934,462) |
| Transferred to stage (1) | - | - | - | - | - | - |
| Transferred to stage (2) | - | - | - | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Effect on the volume of exposures due to the changes between stages | - | - | - | - | - | - |
| Effects due to adjustments | - | - | - | - | - | - |
| Written-off credit facilities | - | - | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - | - | - |
| Balance - End of the Year | 106,890,228 | - | - | - | - | 106,890,228 |

The movement on the provision for credit loss for the Government and Public Sector credit facilities is as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 189,784 | - | - | - | - | 189,784 |
| Impairment losses on the new exposures during the year | - | - | - | - | - | - |
| Recovered from impairment on the paid exposures during the year | - | - | - | - | - | - |
| Transferred to stage (1) | - | - | - | - | - | - |
| Transferred to stage (2) | - | - | - | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Effect on impairment losses due to the changes in the classifications between stages | - | - | - | - | - | - |
| Effect on the provision resulted from adjustment | (189,784) | - | - | - | - | (189,784) |
| Impairment loss on written-off credit facilities | - | - | - | - | - | - |
| Balance - End of the Year | - | - | - | - | - | - |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | |
| | Individual | Collective | Individual | Collective | Individual | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 347,241 | - | - | - | - | 347,241 |
| Impairment losses on the new exposures during the year | - | - | - | - | - | - |
| Recovered from impairment on the paid exposures during the year | - | - | - | - | - | - |
| Transferred to stage (1) | - | - | - | - | - | - |
| Transferred to stage (2) | - | - | - | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Effect on impairment losses due to the changes in the classifications between stages | - | - | - | - | - | - |
| Impairment loss on written-off credit facilities | (157,457) | - | - | - | - | (157,457) |
| Adjustments due to change in exchange rates | - | - | - | - | - | - |
| Balance - End of the Year | 189,784 | - | - | - | - | 189,784 |

10. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| Quoted shares in active markets | 20,184,837 | 22,930,050 |
| Unquoted shares in active markets | 9,736,478 | 9,383,418 |
| Investment funds | 1,732,795 | - |
| | 31,654,110 | 32,313,468 |

- profits transferred to retained earnings on the sale of financial assets at fair value through other comprehensive income amounted to JD 96,634 as of December 31, 2020 (JD 205,441 as of December 31, 2019).

- Cash dividends on the above-mentioned financial assets amounted to JD 619,013 for the year ended December 31, 2020 (JD 1,039,085 for the year ended December 31, 2019).

11. Financial Assets at Amortized Cost - Net

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| **Quoted Financial Assets:** | | |
| Foreign treasury bonds | 32,058,762 | 31,335,452 |
| Corporate bonds and debentures | 98,343,786 | 78,226,864 |
| **Unquoted Financial Assets:** | | |
| Governmental treasury bonds | 35,091,483 | - |
| Governmental guaranteed bonds and bills | 720,801,293 | 633,138,257 |
| Corporate bonds and debentures | 18,452,000 | 23,652,000 |
| | 904,747,324 | 766,352,573 |
| Less: Provision for expected credit loss related to financial assets within stage (1) | 451,976 | 528,640 |
| Provision for expected credit loss related to financial assets within stage (2) | 41,914 | - |
| Provision for expected credit loss related to financial assets within stage (3) | 250,000 | 250,000 |
| | 904,003,434 | 765,573,933 |
| **Bonds and Bills Analysis** | | |
| With Fixed rate | 897,958,770 | 745,137,934 |
| With Floating rate | 6,788,554 | 21,214,639 |
| Total | 904,747,324 | 766,352,573 |
| **Bonds Analysis IFRS 9:** | | |
| stage (1) | 903,067,980 | 766,102,573 |
| stage (2) | 1,429,344 | - |
| stage (3) | 250,000 | 250,000 |
| Total | 904,747,324 | 766,352,573 |

- The following is the movement on financial assets at amortized cost:

| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **For the year ended December 31, 2020** | | | | |
| Balance - beginning of the year | 766,102,573 | - | 250,000 | 766,352,573 |
| New investments during the year | 260,423,887 | - | - | 260,423,887 |
| Accrued investment | (117,911,929) | - | - | (117,911,929) |
| Change in the fair value | - | - | - | - |
| Transferred to Stage (1) | - | - | - | - |
| Transferred to Stage (2) | (1,425,515) | 1,425,515 | - | - |
| Transferred to Stage (3) | - | - | - | - |
| Total Effects due to adjustments | - | 3,829 | - | 3,829 |
| change result in adjustments | (4,121,036) | - | - | (4,121,036) |
| Written off investments | - | - | - | - |
| Balance - End of the Year | 903,067,980 | 1,429,344 | 250,000 | 904,747,324 |

| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **For the year ended December 31, 2019** | | | | |
| Balance - beginning of the year | 766,310,858 | - | 250,000 | 766,560,858 |
| New investments during the year | 199,514,025 | - | - | 199,514,025 |
| Accrued investment | (199,722,310) | - | - | (199,722,310) |
| Change in the fair value | - | - | - | - |
| Transferred to Stage (1) | - | - | - | - |
| Transferred to Stage (2) | - | - | - | - |
| Transferred to Stage (3) | - | - | - | - |
| Effects due to adjustments | - | - | - | - |
| Written off investments | - | - | - | - |
| Balance - End of the Year | 766,102,573 | - | 250,000 | 766,352,573 |

- The following is the movement on the provision for expected credit losses for financial assets at amortized cost:

| | 2020 | | | | 2019 |
|---|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 528,640 | - | 250,000 | 778,640 | 868,668 |
| Expected credit losses on new investments during the year | 213,800 | - | - | 213,800 | 301,355 |
| Recovered from impairment losses on accrued investments | (226,357) | - | - | (226,357) | (412,727) |
| Transferred to Stage (1) | - | - | - | - | - |
| Transferred to Stage (2) | (26,074) | 26,074 | - | - | - |
| Transferred to Stage (3) | - | - | - | - | - |
| Impact on the provision - for the year ended- due to reclassifications between the three stages during the year | (21,798) | 15,840 | - | (5,958) | - |
| Effects due to adjustments | (16,235) | - | - | (16,235) | 21,344 |
| Written-off investments | - | - | - | - | - |
| Adjustments due to change in exchange rates | - | - | - | - | - |
| Deducted during the period from the revenues | - | - | - | - | - |
| Balance - End of the Year | 451,976 | 41,914 | 250,000 | 743,890 | 778,640 |

During the year 2020, financial assets at amortized cost were sold with a nominal value amounting to JD 62,113,365 (JD 30,189,945 during the year 2019), and as a result of the process a profit of JD 108,872 during the year 2020 (JD 71,875 during the year 2019).

The main reason for the sale is to reduce the volume of exposures in some countries due to the decline in their economic activity, or to replace them with bonds with a longer maturity period or to improve the return on them.

## 12. Investments in Associates

The details of this item are as follows:

| Company Name | Country of Residence | Ownership % | Nature of Activity | December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|---|
| Jordan Blending & Packing of Fertilizers Co. | | | | JD | JD |
| | Jordan | 25% | Industrial | 349,507 | 354,022 |

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Balance beginning of the Year | 354,022 | 376,618 |
| Group's share from profit (loss) of the year - net | 5,485 | (12,596) |
| Collected cash dividends | (10,000) | (10,000) |
| Balance End of the Year | 349,507 | 354,022 |

The details of the associate's assets and liabilities are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Total Assets | 1,716,423 | 1,749,047 |
| Total Liabilities | (318,397) | (332,960) |
| Net Assets | 1,398,026 | 1,416,087 |

13. Property and Equipment - Net

The details of this item are as follows:

| | Lands | Buildings | Equipment, Furniture and Fixtures | Vehicles | Computers Hardware | Total |
|---|---|---|---|---|---|---|
| **For the year ended December 31, 2020** | JD | JD | JD | JD | JD | JD |
| Cost: | | | | | | |
| Balance - beginning of the year | 22,628,778 | 22,422,863 | 56,290,434 | 1,387,399 | 16,397,840 | 119,127,314 |
| Additions | - | - | 5,173,960 | 106,000 | 2,519,058 | 7,799,018 |
| Disposals | (381) | (211,494) | (1,908,445) | (140,000) | (603,787) | (2,864,107) |
| Balance - End of the Year | 22,628,397 | 22,211,369 | 59,555,949 | 1,353,399 | 18,313,111 | 124,062,225 |
| **Accumulated Depreciation:** | | | | | | |
| Balance - beginning of the year | - | 7,544,031 | 31,449,949 | 594,507 | 10,800,868 | 50,389,355 |
| Annual depreciation | - | 420,642 | 6,065,114 | 195,086 | 2,493,104 | 9,173,946 |
| Disposals | - | (202,406) | (1,714,851) | (139,998) | (573,604) | (2,630,859) |
| Balance - End of the Year | - | 7,762,267 | 35,800,212 | 649,595 | 12,720,368 | 56,932,442 |
| Net book value of property and equipment | 22,628,397 | 14,449,102 | 23,755,737 | 703,804 | 5,592,743 | 67,129,783 |
| Payments on purchased property and equipment | - | 648,778 | 928,629 | - | 75,075 | 1,652,482 |
| Net Book Value – End of the Year | 22,628,397 | 15,097,880 | 24,684,366 | 703,804 | 5,667,818 | 68,782,265 |
| **For the year ended December 31, 2019** | | | | | | |
| Cost: | | | | | | |
| Balance - beginning of the year | 20,979,031 | 22,511,690 | 53,706,970 | 1,311,465 | 15,103,335 | 113,612,491 |
| Additions | 1,649,747 | - | 4,039,214 | 337,575 | 2,175,340 | 8,201,876 |
| Disposals | - | (88,827) | (1,455,750) | (261,641) | (880,835) | (2,687,053) |
| Balance - End of the Year | 22,628,778 | 22,422,863 | 56,290,434 | 1,387,399 | 16,397,840 | 119,127,314 |
| **Accumulated Depreciation:** | | | | | | |
| Balance - beginning of the year | - | 7,209,807 | 26,541,274 | 673,961 | 8,872,903 | 43,297,945 |
| Annual depreciation | - | 422,998 | 5,790,630 | 176,916 | 2,417,572 | 8,808,116 |
| Disposals | - | (88,774) | (881,955) | (256,370) | (489,607) | (1,716,706) |
| Balance - End of the Year | - | 7,544,031 | 31,449,949 | 594,507 | 10,800,868 | 50,389,355 |
| Net book value of property and equipment | 22,628,778 | 14,878,832 | 24,840,485 | 792,892 | 5,596,972 | 68,737,959 |
| Payments on purchased property and equipment | - | 979,797 | 1,382,153 | - | 1,038,683 | 3,400,633 |
| Net Book Value – End of the Year | 22,628,778 | 15,858,629 | 26,222,638 | 792,892 | 6,635,655 | 72,138,592 |
| Annual depreciation rate | - | 4 - 2 | 7 - 15 | 15 | 20 | |

- Property and equipment include fully depreciated assets of JD 20,174,267 as of December 31, 2020 (JD 16,104,702 as of December 31, 2019), which are still used by the Bank.

14. Intangible Assets

The details of this item are as follows:

| | Computer Software | Bank's License (Fair Value) | Customers Deposits | Goodwill | Total |
|---|---|---|---|---|---|
| **For the year ended December 31, 2020** | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 11,226,869 | 9,928,000 | 1,874,501 | 1,380,512 | 24,409,882 |
| Additions | 7,626,586 | - | - | - | 7,626,586 |
| Amortization for the year | (4,365,199) | - | (624,833) | - | (4,990,032) |
| Balance - End of the Year | 14,488,256 | 9,928,000 | 1,249,668 | 1,380,512 | 27,046,436 |
| **For the year ended December 31, 2019** | | | | | |
| Balance - beginning of the year | 8,378,435 | 9,928,000 | 2,499,334 | 1,380,512 | 22,186,281 |
| Additions | 6,036,063 | - | - | - | 6,036,063 |
| Amortization for the year | (3,187,629) | - | (624,833) | - | (3,812,462) |
| Balance - End of the Year | 11,226,869 | 9,928,000 | 1,874,501 | 1,380,512 | 24,409,882 |

## 15. Other Assets

The details of this item are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | JD | JD |
| Accrued interest and revenue | 14,389,293 | 15,722,603 |
| Prepaid expenses | 4,399,768 | 3,025,805 |
| Foreclosed assets against debts * | 49,408,223 | 42,371,291 |
| Clearing cheques | 100,397 | 54,766 |
| Transfers and cheques under collection | 59,178 | 45,689 |
| Paid guaranteed insurance | 3,780,704 | 4,219,291 |
| Discounted commercial papers | 16,449,582 | 20,215,525 |
| Convertible loans ** | 699,185 | 170,890 |
| Other | 10,457,474 | 9,590,670 |
| Total | 99,743,804 | 95,416,530 |

* The regulations of the Central Bank of Jordan require disposing of the foreclosed assets against debts during a maximum period of two years from the acquistion date. However, in some exceptional cases, the Central Bank of Jordan has the right to extend the period for a maximum of two subsequent years.

Since the beginning of the year 2015, a gradual provision has been taken for real estate acquired in exchange for debts that have expired over a period of more than 4 years, according to the Central Bank of Jordan's Circular No 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. Moreover, the Central Bank of Jordan has issued Circular No. 10/1/13967 dated October 25,2018, extending the validity of Circular No. 10/1/16607 dated February 17, 2017, and postponing the provision calculation until the end of the year 2019. According to the Central Bank of Jordan's Circular No. 10/1/16239 dated November 21, 2019, deductions shall be made concerning the required allocations against real estate acquired at the rate of (5%) of the total book values of these properties (regardless of the period of their violation) effective from the year 2021 until the required percentage of 50% of these properties is reached by the end of the year 2029.

** This item represents convertible loans to shares amounted to JD 699,185.

- The following is a summary of the movement on the foreclosed assets against debts:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | 42,371,291 | 40,501,004 |
| Additions | 7,993,952 | 5,420,756 |
| Disposals | (975,317) | (3,989,928) |
| Impairment surplus | 18,297 | 439,459 |
| Balance - End of the Year | 49,408,223 | 42,371,291 |

Below is a summary of the movement on the provision for the foreclosed assets:

| | | |
|---|---|---|
| Balance beginning of year | 3,515,161 | 3,954,620 |
| Release / Additions during the year | (18,297) | (476,769) |
| Deducted from risks fund / associate company | - | 37,310 |
| Balance - end of the year | 3,496,864 | 3,515,161 |

- The impairment provision against the foreclosed assets amounted to JD 1,025,228 as of December 31, 2020 (JD 1,044,491 as of December 31, 2019). Also, the provision for the assets seized by the Bank for a period of more than (4) years amounted to JD 2,471,636 as of December 31, 2020 ( JD 2,470,671 as of December 31, 2019).

## 16. Banks' and Financial Institutions Deposits

The details of this item are as follows:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Inside Jordan | Outside Jordan | Total | Inside Jordan | Outside Jordan | Total |
| | JD | JD | JD | JD | JD | JD |
| Current accounts and demand deposits | 38,402,093 | 79,722,685 | 118,124,778 | 11,972,689 | 44,196,653 | 56,169,342 |
| Time deposits | 13,635,000 | 148,928,267 | 162,563,267 | 3,000,000 | 90,827,728 | 93,827,728 |
| | 52,037,093 | 228,650,952 | 280,688,045 | 14,972,689 | 135,024,381 | 149,997,070 |

17. Customers' Deposits

The details of this item are as follows:

| | Individual | Corporate | SMEs | Government and Public Sector | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| **December 31, 2020** | | | | | |
| Current accounts and demand deposits | 386,066,271 | 261,064,150 | 172,628,170 | 3,772,792 | 823,531,383 |
| Saving deposits | 731,001,250 | 25,149,857 | 12,542,607 | 2,841,840 | 771,535,554 |
| Time and notice deposits | 1,259,509,770 | 516,540,272 | 114,941,614 | 171,839,766 | 2,062,831,422 |
| Certificates of deposit | 308,840,633 | 6,209,000 | 13,963,000 | 16,100,000 | 345,112,633 |
| Total | 2,685,417,924 | 808,963,279 | 314,075,391 | 194,554,398 | 4,003,010,992 |
| **December 31, 2019** | | | | | |
| Current accounts and demand deposits | 309,861,708 | 217,513,522 | 118,515,343 | 1,690,389 | 647,580,962 |
| Saving deposits | 687,390,763 | 15,459,996 | 11,620,460 | 2,043,228 | 716,514,447 |
| Time and notice deposits | 1,088,270,909 | 527,615,686 | 109,712,959 | 141,825,776 | 1,867,425,330 |
| Certificates of deposit | 311,116,822 | 7,768,000 | 11,461,900 | 14,100,000 | 344,446,722 |
| Total | 2,396,640,202 | 768,357,204 | 251,310,662 | 159,659,393 | 3,575,967,461 |

- The deposits of the public sector and the government of Jordan inside Jordan amounted to JD 194,554,398 , representing 4.86% of total deposits as of December 31, 2020 (JD 159,659,393 representing 4.46% of total deposits as of December 31, 2019).

- Non-interest bearing deposits amounted to JD 790,046,786, representing 19.76% of total deposits as of December 31, 2020 (JD 645,849,625 representing 18.06% of total deposits as of December 31, 2019).

- Restricted deposits amounted to JD 3,101,815 representing 0.08% of total deposits as of December 31, 2020 (JD 3,474,938 representing 0.10% of total deposits as of December 31, 2019).

- Fixed deposits amounted to JD 63,229,721 representing 1.58% of total deposits as of December 31, 2020 (JD 51,271,856 representing 1.43% of total deposits as of December 31, 2019).

- Customers' deposits include an amount of JD 1,285,977,704 which represents the shared customers' investments related to Safwa Islamic Bank as of December 31, 2020.

18. Cash Margins

The details of this item are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | JD | JD |
| Margins against direct credit facilities | 178,961,552 | 104,312,047 |
| Margins against indirect credit facilities | 61,746,166 | 72,197,550 |
| Margin dealings | 4,138,038 | 3,989,528 |
| Other margins | 6,456,703 | 5,198,899 |
| Total | 251,302,459 | 185,698,024 |

19. Borrowed Funds and Subordinated Loans

19.a.Borrowed Funds

The details of this item are as follows:

| | Amount | Number of total payments: Total no. of payments | Remaining payments | Payments frequency | Collaterals | Loan interest rate price |
|---|---|---|---|---|---|---|
| | JD | | | | | |
| December 31, 2020 | | | | | | |
| Central Bank of Jordan borrowing * | 29,143,705 | 7,595 | 4,602 | Monthly | Bank Promissory | 1.75% - 1.00% |
| Central Bank of Jordan borrowing * | 635,978 | 40 | 15 | Quarterly | Bank Promissory | 1.00% |
| Central Bank of Jordan borrowing * | 2,753,865 | 35 | 27 | semi-annual | Bank Promissory | 0.50% - 1.00% |
| Central Bank of Jordan borrowing * | 376,245 | 6 | 4 | Annual | Bank Promissory | 0.50% - 1.00% |
| Central Bank of Jordan borrowing * | 29,736,445 | 14,311 | 13,686 | Monthly | Bank Promissory | - |
| International Bank for Reconstruction and Development ** | 4,200,000 | 20 | 14 | Semi-annual starting from September 15, 2018 | Bank Promissory | 3.87% |
| Arab Fund for Economic and Social Development *** | 1,530,000 | 15 | 8 | semi-annual | Bank Promissory | 2.5% |
| Arab Fund for Economic and Social Development *** | 1,589,016 | 34 | 34 | semi-annual | Bank Promissory | 3% |
| Arab Fund for Economic and Social Development *** | 1,576,749 | 34 | 34 | semi-annual | Bank Promissory | 3% |
| Arab Fund for Economic and Social Development *** | 1,200,000 | 34 | 34 | semi-annual | Bank Promissory | 3.00% |
| Jordan Mortgage Refinance Company | 10,000,000 | 1 | 1 | one instalment | Bank Promissory | 4.40% |
| Jordan Mortgage Refinance Company (related to subsidiary) | 2,000,000 | 1 | 1 | one instalment | - | 4.60% |
| Jordan Mortgage Refinance Company (related to subsidiary) | 2,000,000 | 1 | 1 | one instalment | - | 4.70% |
| Local Banks (related to a subsidiary) | 3,000,000 | 72 | 72 | Quarterly | - | 3.75% |
| Local Banks (related to a subsidiary) | 410,000 | 24 | 24 | Monthly | - | 5.90% |
| | 90,152,003 | | | | | |
| December 31, 2019 | | | | | | |
| Central Bank of Jordan borrowing * | 26,127,926 | 6,407 | 4,335 | Monthly | Bank Promissory | 2.25% - 1% |
| Central Bank of Jordan borrowing * | 771,485 | 38 | 10 | Quarterly | Bank Promissory | 2% - 1.75% |
| Central Bank of Jordan borrowing * | 1,436,371 | 60 | 53 | semi-annual | Bank Promissory | 1.75% - 1% |
| Central Bank of Jordan borrowing * | 2,996,486 | 33 | 31 | Annual | Bank Promissory | 1.75% - 1% |
| International Bank for Reconstruction and Development ** | 4,800,000 | 20 | 16 | Semi-annual starting from September 15, 2018 | Bank Promissory | 3.87% |
| Arab Fund for Economic and Social Development *** | 1,950,000 | 15 | 10 | semi-annual | Bank Promissory | 2.5% |
| Arab Fund for Economic and Social Development *** | 1,589,016 | 34 | 34 | semi-annual | Bank Promissory | 3% |
| Arab Fund for Economic and Social Development *** | 1,576,749 | 34 | 34 | semi-annual | Bank Promissory | 3% |
| The European Bank for Reconstruction and Development **** | 2,192,859 | 7 | 2 | semi-annual | Bank Promissory | 6.25% |
| Jordan Mortgage Refinance Company | 20,000,000 | 2 | 2 | semi-annual | Bank Promissory | 6% - 4.5% |
| Local Banks (related to a subsidiary) | 1,729,013 | 236 | 176 | Monthly/ Quarterly | | 6% |
| Total | 65,169,905 | | | | | |

- All borrowings have fixed payment terms.

* Funds have been borrowed from the Central Bank of Jordan to corporates and SMEs sectors at an interest rate ranging from 0% - 8%.

** Funds have been borrowed from the International Bank for Reconstruction and Development to corporates and SMEs sectors at an interest rate ranging from 5.75% - 10%.

*** Funds have been borrowed from the Arab Fund for Economic and Social Development to corporates and SMEs sectors at an interest rate ranging from 6% - 9%.

**** Funds have been borrowed from the European Bank for Reconstruction and Development to corporates and SMEs sectors at an interest rate ranging from 4.50% - 9.50%.

b. Subordinated Loans

The details of this item are as follows:

| 2020 | Amount | Number of total payments: Total no. of payments | Remaining payments | Payments frequency | Collaterals | Loan interest rate price |
|---|---|---|---|---|---|---|
| The European Bank for Reconstruction and Development | 21,300,000 | 1 | 1 | one instalment dated April 8, 2027 | - | 6.50% |

- Durning the year 2020, subordinated loans agreement was signed with European Bank for Reconstruction and Development with an amount of JD 21.3 Million.

## 20. 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 |
|---|---|---|---|---|---|
| **For the Year Ended December 31, 2020** | JD | JD | JD | JD | JD |
| Provision for end-of-service indemnity | 34,065 | 7,812 | - | - | 41,877 |
| Provision for lawsuits and contingent liabilities | 535,159 | 210,500 | 67,188 | 147,450 | 531,021 |
| Other provisions | 361,000 | 400,000 | - | - | 761,000 |
| Total | 930,224 | 618,312 | 67,188 | 147,450 | 1,333,898 |
| **For the Year Ended December 31, 2019** | | | | | |
| Provision for end-of-service indemnity | - | 34,065 | - | - | 34,065 |
| Provision for lawsuits and contingent liabilities | 912,609 | 1,182,568 | 1,463,926 | 96,092 | 535,159 |
| Other provisions | 320,000 | 361,000 | - | 320,000 | 361,000 |
| Total | 1,232,609 | 1,577,633 | 1,463,926 | 416,092 | 930,224 |

## 21. Income Tax

### a. Income tax provision

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

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | 20,634,229 | 18,199,119 |
| Income tax paid | (25,200,592) | (21,725,107) |
| Accrued income tax | 28,691,357 | 24,145,907 |
| Provision for prior years income tax | 555,740 | 14,310 |
| Balance - End of the Year | 24,680,734 | 20,634,229 |

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

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Income tax accrued for the current year profit | 28,691,357 | 24,145,907 |
| Income tax for prior years | 258,432 | 14,310 |
| Amortization of deferred tax assets | (12,087,048) | (830,352) |
| | 16,862,741 | 23,329,865 |

b. Deferred Income Tax Assets

The details of this item are as follows:

| | 2020 | | | | | 2019 |
|---|---|---|---|---|---|---|
| | Beginning Balance | Amounts Released | Amounts Added | Ending Balance | Deferred Tax | Deferred Tax |
| Deferred Tax Assets | JD | JD | JD | JD | JD | JD |
| Financial assets at fair value through other comprehensive income | (1,308,522) | 4,488,220 | 833,090 | (4,963,652) | 2,354,616 | 1,680,934 |
| Financial assets at fair value through profit or loss | 437,154 | 1,068,996 | 692,129 | 60,287 | 412,950 | 160,928 |
| Provision seized assets | 3,413,470 | 18,297 | - | 3,395,173 | 1,290,166 | 1,297,119 |
| Provision for bonuses | 3,775,213 | 3,655,213 | 2,472,380 | 2,592,380 | 985,104 | 1,434,581 |
| Capital maintenance expenditures 2012 | 77,083 | 77,083 | - | - | - | 29,292 |
| Capital maintenance expenditures 2013 | 43,172 | 43,172 | - | - | - | 16,405 |
| Advertising expenses | - | - | 225,000 | 225,000 | 85,500 | - |
| Provision for lawsuits against the Bank | 535,159 | 154,138 | 150,000 | 531,021 | 201,788 | 203,360 |
| Provision for unaccepted credit financing and facilities stage 3 | 598,778 | - | 4,610,825 | 5,209,603 | 1,979,649 | 227,536 |
| General provision | 47,377 | 6,591 | - | 40,786 | 11,420 | 13,266 |
| Provision for expected obligations | 361,000 | - | 400,000 | 761,000 | 289,180 | 137,180 |
| Differences due to the application IFRS 16 | 252,645 | - | 246,653 | 499,298 | 189,733 | 96,005 |
| Provision for expected credit losses stage 1 or 2 | 19,953,139 | - | 26,969,279 | 46,922,418 | 17,830,519 | 7,582,193 |
| Provision for end-of-service indemnity | 34,065 | - | 7,812 | 41,877 | 15,913 | 12,945 |
| Provision for finance lease awards | - | - | 21,200 | 21,200 | 5,936 | - |
| Total | 28,219,733 | 9,511,710 | 36,628,368 | 55,336,391 | 25,652,474 | 12,891,744 |

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

| | Assets | |
|---|---|---|
| | December 31, | |
| | 2020 | 2019 |
| | JD | JD |
| Balance - beginning of the year | 12,891,744 | 11,957,746 |
| Additions | 14,777,123 | 3,826,357 |
| Disposals | (2,016,393) | (2,892,359) |
| Balance - End of the Year | 25,652,474 | 12,891,744 |

c. Reconciliation of the accounting profit with taxable profit

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Accounting profit for the year | 46,906,785 | 61,346,088 |
| Non-taxable income | (5,466,857) | (8,927,646) |
| Non-deductible expenses for tax purposes | 37,512,748 | 12,813,380 |
| Prior years' accumulated losses | - | - |
| Taxable Profit | 78,952,676 | 65,231,822 |
| Effective income tax rate | 35.95% | 38.02% |

- The Bank's legal income tax rate was 35%, in addition to the national contribution of 3%.

- Al Etihad Leasing Company's and Al Etihad Brokerage Company's legal income tax rate was 24%, in addition to the national contribution of 4%.

- AL Etihad for Financial Technology Company legal income tax was 20 % in addition to the national contribution of 1%.

- Bank Al Etihad (Parent Company) has submitted its tax returns until the year 2019, and a final settlement was reached with the Income Tax Department on the results of the bank's business until the year 2016. The Income and Sales Tax Department has not reviewed the Bank's accounting records for the years 2017 and 2019. Regarding the year 2018 was accepted into the sampling system, but the file was reopened for that year by a representative from the Income and Sales Tax Department.

- A final settlement has been reached for Safwa Islamic Bank from the Income and Sales Tax Department until the year 2017. Safwa Islamic Bank's tax returns for the year 2018 have been submitted, however, the Income and Sales Tax Department has not yet reviewed it until the date of the preparation of the consolidated financial statements.

- A final settlement for Al Etihad Brokerage Co. has been reached until the year 2019.

- A final settlement with the Income and Sales Tax Department for Al Etihad Leasing Co. has been reached up to the year 2016. Moreover, the Bank has filed its income tax returns for the years 2017, 2018 and 2019, which have not yet been reviewed by the Income and Sales Tax Department until the date of the preparation of the consolidated financial statements.

- The deferred tax rates have reached 38% and 13%. In the opinion of the Bank's management, these deferred taxes may be realized in the future.

22. Other Liabilities

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| Accrued interest expenses | 24,649,651 | 35,741,443 |
| Revenues received in advance | 1,607,396 | 1,709,686 |
| Accounts payable | 383,688 | 787,305 |
| Accrued expenses | 10,561,947 | 10,916,992 |
| Incoming transfers | 125,568 | 441,538 |
| Postdated cheques | 10,685,079 | 8,482,283 |
| Income tax provision investment risk fund | - | 585,640 |
| Provision for expected credit losses for the off-balance sheet items | 4,892,618 | 2,377,767 |
| Dividends payable | 656,001 | 685,514 |
| Other liabilities | 14,817,626 | 14,855,290 |
| Total | 68,379,574 | 76,583,458 |

Below is the movement of the indirect facilities on a collective basis during the year:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 914,965,174 | - | 59,032,995 | - | 1,211,776 | 975,209,945 |
| New exposurea during the year | 557,044,479 | - | 27,265,723 | - | 279,695 | 584,589,897 |
| Accrued exposure | (517,081,806) | - | (19,303,767) | - | (263,549) | (536,649,122) |
| Transferred to stage (1) | 9,274,743 | - | (9,168,928) | - | (105,815) | - |
| Transferred to stage (2) | (5,432,757) | - | 5,432,757 | - | - | - |
| Transferred to stage (3) | (395,498) | - | (1,659,796) | - | 2,055,294 | - |
| Total effect in size expousre results change classfication | (1,538,776) | - | (1,816,571) | - | (1,408,424) | (4,763,771) |
| Changes from adjustments | 19,179,538 | - | (9,836,267) | - | 16,240 | 9,359,511 |
| Written-off Facilities | - | - | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - | - | - |
| Balance at the End of the Year | 976,015,097 | - | 49,946,146 | - | 1,785,217 | 1,027,746,460 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 881,522,934 | - | 40,204,360 | - | 2,211,056 | 923,938,350 |
| New exposurea during the year | 599,133,356 | - | 47,031,018 | - | 138,174 | 646,302,548 |
| Accrued exposure | (597,873,614) | - | (16,590,152) | - | (1,160,599) | (615,624,365) |
| Transferred to stage (1) | 15,867,000 | - | (15,669,395) | - | (197,605) | - |
| Transferred to stage (2) | (4,509,479) | - | 4,509,479 | - | - | - |
| Transferred to stage (3) | (209,500) | - | (11,250) | - | 220,750 | - |
| Total effect in size expousre results change classfication | 2,747,779 | - | (268,471) | - | - | 2,479,308 |
| Changes from adjustments | 18,286,698 | - | (172,594) | - | - | 18,114,104 |
| Written-off Facilities | - | - | - | - | - | - |
| Adjustments due to changes in the exchange rates | - | - | - | - | - | - |
| Balance at the End of the Year | 914,965,174 | - | 59,032,995 | - | 1,211,776 | 975,209,945 |

Below is the movement on the expected credit loss for indirect facilities on a collective bases during the year:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Adjusted balance as of January 1, 2020 | 2,041,990 | - | 272,606 | - | 63,171 | 2,377,767 |
| Impairment loss on new exposures during the year | 2,217,812 | - | 418,798 | - | 52,909 | 2,689,519 |
| Recovered from the impairment loss of the accrued exposures | (1,148,997) | - | (158,146) | - | (6,522) | (1,313,665) |
| Transferred to stage (1) | 6,775 | - | (6,775) | - | - | - |
| Transferred to stage (2) | (23,072) | - | 23,072 | - | - | - |
| Transferred to stage (3) | (255) | - | (36,105) | - | 36,360 | - |
| Impact on the provision as of the end of the year due to the reclassifications between the stages during the year | 41,134 | - | 60,368 | - | (2,583) | 98,919 |
| Changes from adjustments | 979,447 | - | 55,634 | - | 4,997 | 1,040,078 |
| Balance at the End of the Year | 4,114,834 | - | 629,452 | - | 148,332 | 4,892,618 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Adjusted balance as of January 1, 2019 | 2,367,050 | - | 200,629 | - | 727,225 | 3,294,904 |
| Impairment loss on new exposures during the year | 1,302,395 | - | 221,152 | - | - | 1,523,547 |
| Recovered from the impairment loss of the accrued exposures | (1,430,203) | - | (62,987) | - | (445,587) | (1,938,777) |
| Transferred to stage (1) | 131,892 | - | (59,431) | - | (72,461) | - |
| Transferred to stage (2) | (17,729) | - | 17,729 | - | - | - |
| Transferred to stage (3) | (719) | - | - | - | 719 | - |
| Impact on the provision as of the end of the year due to the reclassifications between the stages during the year | (102,647) | - | 5,554 | - | 41,646 | (55,447) |
| Changes from adjustments | (208,049) | - | (50,040) | - | (188,371) | (446,460) |
| Balance at the End of the Year | 2,041,990 | - | 272,606 | - | 63,171 | 2,377,767 |

The distribution of the total indirect facilities (guarantees) according to the Bank's internal credit ratings:

| | 2020 | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| | Stage (1) Individual | Stage (1) Collective | Stage (2) Individual | Stage (2) Collective | Stage (3) Individual | Total | Total |
| | JD | JD | JD | JD | JD | JD | JD |
| Credit rating categories based on the Bank's internal system: | | | | | | | |
| 1 | 13,000 | - | - | - | - | 13,000 | - |
| 2 | 29,028,899 | - | - | - | - | 29,028,899 | 32,745,379 |
| 3 | 21,227,561 | - | 2,000 | - | - | 21,229,561 | 34,448,794 |
| 4 | 29,998,756 | - | 102,986 | - | - | 30,101,742 | 25,409,111 |
| 5 | 45,789,833 | - | 102,000 | - | - | 45,891,833 | 37,790,297 |
| 6 | 26,389,068 | - | 196,651 | - | - | 26,585,719 | 29,574,645 |
| 7 | 9,804,122 | - | 6,898,083 | - | - | 16,702,205 | 11,862,958 |
| 8 | - | - | - | - | 1,399,862 | 1,399,862 | 638,856 |
| Not rated | 20,326,620 | - | 15,517,022 | - | 385,355 | 36,228,997 | 40,782,015 |
| Total | 182,577,859 | - | 22,818,742 | - | 1,785,217 | 207,181,818 | 213,252,055 |

Below is the movement on the indirect facilities (guarantees):

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 186,726,715 | - | 25,313,564 | - | 1,211,776 | 213,252,055 |
| New exposure during the year | 43,360,618 | - | 8,995,475 | - | 279,695 | 52,635,788 |
| Accrued exposure | (53,661,548) | - | (2,169,433) | - | (263,549) | (56,094,530) |
| Transferred to stage (1) | 8,011,574 | - | (7,905,759) | - | (105,815) | - |
| Transferred to stage (2) | (581,483) | - | 581,483 | - | - | - |
| Transferred to stage (3) | (395,498) | - | (1,659,796) | - | 2,055,294 | - |
| Impact on exposure as of the end of the year due to the reclassifications between stages during the year | (1,163,104) | - | - | - | (1,408,424) | (2,571,528) |
| effects results changes | 280,585 | - | (336,792) | - | 16,240 | (39,967) |
| Balance at the End of the Year | 182,577,859 | - | 22,818,742 | - | 1,785,217 | 207,181,818 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 152,478,662 | - | 21,444,768 | - | 2,211,056 | 176,134,486 |
| New exposure during the year | 76,050,148 | - | 17,125,389 | - | 138,174 | 93,313,711 |
| Accrued exposure | (49,352,948) | - | (3,772,782) | - | (1,160,599) | (54,286,329) |
| Transferred to stage (1) | 10,775,508 | - | (10,577,903) | - | (197,605) | - |
| Transferred to stage (2) | (1,672,310) | - | 1,672,310 | - | - | - |
| Transferred to stage (3) | (209,500) | - | (11,250) | - | 220,750 | - |
| Impact on exposure as of the end of the year due to the reclassifications between stages during the year | (222,858) | - | (545,753) | - | - | (768,611) |
| Effects due to adjustments | (1,119,987) | - | (21,215) | - | - | (1,141,202) |
| Balance at the End of the Year | 186,726,715 | - | 25,313,564 | - | 1,211,776 | 213,252,055 |

Below is the movement on the expected credit loss for the indirect facilities - guarantees:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 285,113 | - | 91,012 | - | 63,171 | 439,296 |
| Impairment loss on new exposures during the year | 81,383 | - | 115,580 | - | 52,909 | 249,872 |
| Recovered from the impairment loss of the accrued exposures | (26,026) | - | (11,309) | - | (6,522) | (43,857) |
| Transferred to stage (1) | 783 | - | (783) | - | - | - |
| Transferred to stage (2) | (567) | - | 567 | - | - | - |
| Transferred to stage (3) | (255) | - | (36,105) | - | 36,360 | - |
| Impact on the provision as of the end of the year due to the reclassifications between the stages during the year | 42,282 | - | 892 | - | (2,583) | 40,591 |
| Effects due to adjustments | 140,572 | - | 42,611 | - | 4,997 | 188,180 |
| Balance at the End of the Year | 523,285 | - | 202,465 | - | 148,332 | 874,082 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 435,108 | - | 78,231 | - | 727,225 | 1,240,564 |
| Impairment loss on new exposures during the year | 89,118 | - | 66,143 | - | - | 155,261 |
| Recovered from the impairment loss of the accrued exposures | (145,380) | - | (11,715) | - | (445,587) | (602,682) |
| Transferred to stage (1) | 88,230 | - | (15,769) | - | (72,461) | - |
| Transferred to stage (2) | (10,030) | - | 10,030 | - | - | - |
| Transferred to stage (3) | (719) | - | - | - | 719 | - |
| Impact on the provision as of the end of the year due to the reclassifications between the stages during the year | (81,668) | - | (9,949) | - | 41,646 | (49,971) |
| Effects due to adjustments | (89,546) | - | (25,959) | - | (188,371) | (303,876) |
| Balance at the End of the Year | 285,113 | - | 91,012 | - | 63,171 | 439,296 |

The distribution of the total indirect facilities (unutilized limits) according to the Bank's internal credit ratings:

| | 2020 | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | Stage (3) | | |
| | Individual | Collective | Individual | Collective | Individual | Total | Total |
| | JD | JD | JD | JD | JD | JD | JD |
| Credit rating categories based on the bank's internal system: | | | | | | | |
| 1 | 929,060 | - | - | - | - | 929,060 | 2,215,437 |
| 2 | 23,242,501 | - | - | - | - | 23,242,501 | 41,533,363 |
| 3 | 72,644,823 | - | - | - | - | 72,644,823 | 86,301,657 |
| 4 | 205,589,611 | - | 1,161,294 | - | - | 206,750,905 | 133,280,580 |
| 5 | 134,095,796 | - | 122,557 | - | - | 134,218,353 | 94,172,137 |
| 6 | 39,132,605 | - | 529,016 | - | - | 39,661,621 | 35,465,210 |
| 7 | 5,678,041 | - | 7,587,554 | - | - | 13,265,595 | 18,346,044 |
| 8 | - | - | - | - | - | - | - |
| Not rated | 41,345,232 | - | 2,142,636 | - | - | 43,487,868 | 40,058,865 |
| **Total** | 522,657,669 | - | 11,543,057 | - | - | 534,200,726 | 451,373,293 |

Below is the movement on the indirect facilities - unutilized limits

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 435,466,509 | - | 15,906,784 | - | - | 451,373,293 |
| New exposure during the year | 312,069,259 | - | 5,863,590 | - | - | 317,932,849 |
| Accrued exposure | (241,211,847) | - | (12,563,392) | - | - | (253,775,239) |
| Transferred to stage (1) | 1,263,169 | - | (1,263,169) | - | - | - |
| Transferred to stage (2) | (4,851,274) | - | 4,851,274 | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Impact on exposure as of the end of the year due to the reclassifications between stages during the year | (375,672) | | (1,816,571) | - | - | (2,192,243) |
| Effect results changes | 20,297,525 | - | 564,541 | - | - | 20,862,066 |
| Balance at the End of the Year | 522,657,669 | - | 11,543,057 | - | - | 534,200,726 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 423,237,421 | - | 9,202,499 | - | - | 432,439,920 |
| New exposure during the year | 278,627,730 | - | 12,092,982 | - | - | 290,720,712 |
| Accrued exposure | (291,390,819) | - | (4,287,973) | - | - | (295,678,792) |
| Transferred to stage (1) | 4,063,796 | - | (4,063,796) | - | - | - |
| Transferred to stage (2) | (2,837,169) | - | 2,837,169 | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Impact on exposure as of the end of the year due to the reclassifications between stages during the year | 1,825,652 | - | 277,282 | - | - | 2,102,934 |
| Effect results changes | 21,939,898 | - | (151,379) | - | - | 21,788,519 |
| Balance at the End of the Year | 435,466,509 | - | 15,906,784 | - | - | 451,373,293 |

Below is the movement on the expected credit loss for the indirect facilities - unutilized ceilings:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 1,370,441 | - | 150,754 | - | - | 1,521,195 |
| Impairment loss on new exposures during the year | 1,849,987 | - | 285,823 | - | - | 2,135,810 |
| Recovered from the impairment loss of the accrued exposures | (798,598) | - | (138,606) | - | - | (937,204) |
| Transferred to stage (1) | 5,992 | - | (5,992) | - | - | - |
| Transferred to stage (2) | (22,505) | - | 22,505 | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Impact on the provision as of the end of the year due to the reclassifications between the stages during the year | (1,148) | - | 59,476 | - | - | 58,328 |
| Effects due to adjustments | 853,112 | - | 19,517 | - | - | 872,629 |
| Balance at the End of the Year | 3,257,281 | - | 393,477 | - | - | 3,650,758 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 1,521,294 | - | 96,916 | - | - | 1,618,210 |
| Impairment loss on new exposures during the year | 874,868 | - | 124,169 | - | - | 999,037 |
| Recovered from the impairment loss of the accrued exposures | (933,183) | - | (51,272) | - | - | (984,455) |
| Transferred to stage (1) | 39,518 | - | (39,518) | - | - | - |
| Transferred to stage (2) | (7,699) | - | 7,699 | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Impact on the provision as of the end of the year due to the reclassifications between the stages during the year | (19,598) | - | 15,503 | - | - | (4,095) |
| Effects due to adjustments | (104,759) | - | (2,743) | - | - | (107,502) |
| Balance at the End of the Year | 1,370,441 | - | 150,754 | - | - | 1,521,195 |

The distribution of the total indirect facilities (letter of credits and acceptances) according to the Bank's internal credit ratings:

| | 2020 | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| | Stage (1) | Stage (1) | Stage (2) | Stage (2) | Stage (3) | | |
| | Individual | Collective | Individual | Collective | Individual | Total | Total |
| | JD | JD | JD | JD | JD | JD | JD |
| Credit rating categories based on the bank's internal system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | 45,875,076 | - | - | - | - | 45,875,076 | 24,577,233 |
| 3 | 17,500,251 | - | - | - | - | 17,500,251 | 50,107,909 |
| 4 | 75,683,881 | - | - | - | - | 75,683,881 | 57,964,209 |
| 5 | 68,439,360 | - | - | - | - | 68,439,360 | 79,746,493 |
| 6 | 15,721,800 | - | - | - | - | 15,721,800 | 13,955,379 |
| 7 | 5,128,453 | - | 291,389 | - | - | 5,419,842 | 12,365,278 |
| 8 | - | - | - | - | - | - | - |
| Not rated | 42,430,748 | - | 15,292,958 | - | - | 57,723,706 | 71,868,096 |
| Total | 270,779,569 | - | 15,584,347 | - | - | 286,363,916 | 310,584,597 |

Below is the movement on the indirect facilities - letters of credit :

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 292,771,950 | - | 17,812,647 | - | - | 310,584,597 |
| New exposure during the period | 201,614,602 | - | 12,406,658 | - | - | 214,021,260 |
| Accrued exposure | (222,208,411) | - | (4,570,942) | - | - | (226,779,353) |
| Transferred to stage (1) | - | - | - | - | - | - |
| Transferred to stage (2) | - | - | - | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Impact on exposure as of the end of the year due to the reclassifications between stages during the year | - | - | - | - | - | - |
| Effects due to adjustments | (1,398,572) | - | (10,064,016) | - | - | (11,462,588) |
| Balance at the End of the Year | 270,779,569 | - | 15,584,347 | - | - | 286,363,916 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 305,806,851 | - | 9,557,093 | - | - | 315,363,944 |
| New exposure during the period | 244,455,478 | - | 17,812,647 | - | - | 262,268,125 |
| Accrued exposure | (257,129,847) | - | (8,529,397) | - | - | (265,659,244) |
| Transferred to stage (1) | 1,027,696 | - | (1,027,696) | - | - | - |
| Transferred to stage (2) | - | - | - | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Impact on exposure as of the end of the year due to the reclassifications between stages during the year | 1,144,985 | - | - | - | - | 1,144,985 |
| Effects due to adjustments | (2,533,213) | - | - | - | - | (2,533,213) |
| Balance at the End of the Year | 292,771,950 | - | 17,812,647 | - | - | 310,584,597 |

Below is the movement on the indirect facilities provision - letter of credits and acceptances:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 386,436 | - | 30,840 | - | - | 417,276 |
| Impairment loss on new exposures during the year | 286,442 | - | 17,395 | - | - | 303,837 |
| Recovered from the impairment loss of the accrued exposures | (324,373) | - | (8,231) | - | - | (332,604) |
| Transferred to stage (1) | - | - | - | - | - | - |
| Transferred to stage (2) | - | - | - | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Impact on the provision as of the end of the year due to the reclassifications between the stages during the year | - | - | - | - | - | - |
| Effects due to adjustments | (14,237) | - | (6,494) | - | - | (20,731) |
| Balance at the End of the Year | 334,268 | - | 33,510 | - | - | 367,778 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Stage (1) | | Stage (2) | | | |
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 410,648 | - | 25,482 | - | - | 436,130 |
| Impairment loss on new exposures during the year | 338,409 | - | 30,840 | - | - | 369,249 |
| Recovered from the impairment loss of the accrued exposures | (351,640) | - | - | - | - | (351,640) |
| Transferred to stage (1) | 4,144 | - | (4,144) | - | - | - |
| Transferred to stage (2) | - | - | - | - | - | - |
| Transferred to stage (3) | - | - | - | - | - | - |
| Impact on the provision as of the end of the year due to the reclassifications between the stages during the year | (1,381) | - | - | - | - | (1,381) |
| Effects due to adjustments | (13,744) | - | (21,338) | - | - | (35,082) |
| Balance at the End of the Year | 386,436 | - | 30,840 | - | - | 417,276 |

23. Paid-up Capital and Share Premium

Capital:

The authorized and paid-in capital amounted to JD 160 million, divided into 160 million shares at a par value of JD 1 per share as of December 31, 2020 and December 31, 2019.

Share Premium:

Share premium amounted to JD 80,213,173 as of December 31, 2020 and December 31, 2019.

Dividends Paid:

In accordance with the circulated noted of the Central Bank of Jordan to banks operating in Jordan no. 1/1/4693 on April 9, 2020, and to hedge against the negative effects of the Corona pandemic, it was decided to postpone the distribution of dividends to shareholders by Jordanian banks for the year 2019 (JD 22,400,000 for 2018).

24. Reserves

The details of the reserves as of December 31, 2020 and December 31, 2019 are as follows:

a. Statutory Reserve

This reserve represents amounts transferred from income before tax at a rate of 10% during the previous years. 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%. 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 the shareholders.

The restricted reserves are as follows:

| Reserve | December 31, 2020 | December 31, 2019 | Regulation |
|---|---|---|---|
| | JD | JD | |
| Statutory reserve | 61,004,473 | 56,257,522 | According to the Bank regulatory authoroties' regulations |
| Fair value reserve | (2,609,036) | 372,413 | According to the regulations of the Central Bank of Jordan and Jordan Securities Commission |

25. Proposed Dividends

The Board of Directors proposed cash dividends at 10% of paid-in capital, equivalent to JD 16,000,000.

## 26. Fair Value Reserve - Net

The details are as follows:

| | For the Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| Balance at the beginning of the year | 372,413 | (727,049) |
| Unrealized (losses) gains | (3,558,496) | 1,128,142 |
| Deferred tax assets | 673,681 | 103,645 |
| (Gains) from sale of financial assets at fair value through other comprehensive income | (96,634) | (132,325) |
| Balance at the End of the Year | (2,609,036) | 372,413 |

## 27. Retained Earnings

The movement on retained earnings is as follows:

| | For the Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| Balance – beginning of the year | 51,596,833 | 53,566,049 |
| Income for the year | 23,567,470 | 31,613,674 |
| Gains from sale of financial assets through other comprehensive income | 96,634 | 132,325 |
| Transferred to reserves | (7,742,838) | (11,401,288) |
| Dividends distributed | - | (22,400,000) |
| Shares in subsidiaries | - | 86,073 |
| Balance – End of the Year | 67,518,099 | 51,596,833 |

- Retained earnings includes amount of JD 323,685 which represents gains from the differences on the revaluation of the financial assets at fair value through the statement of profit or loss.

- Retained earnings includes a restricted amount of JD 23,297,858 as of December 31, 2020 (JD 11,210,810 as of December 31, 2019), which represents deferred tax assets. According to the Central Bank of Jordan's instructions, this amount may not be used unless prior approval is obtained from the Central Bank of Jordan.

## 28. Provision for Expected Credit Losses on Financial Assets

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Deposits at banks and financial institutions | (21,674) | 17,514 |
| Deposits with banks and banking instituations | 611 | - |
| Financial assets at amortized costs | (34,750) | (194,978) |
| Direct credit facilities | 37,716,396 | 18,528,623 |
| Contingent liabilities | 2,514,851 | (1,044,826) |
| | 40,175,434 | 17,306,333 |

29. Subsidiaries with Material Non-controlling Interests

First: Percentage owned by non-controlling interests

As of December 31, 2020

| Company's Name | Country | Ownership Percentage | Activity Nature | Distributions |
|---|---|---|---|---|
| | | | | JD |
| Safwa Islamic Bank (Owned by Al Etihad Islamic for Investment Company) | Jordan | 63.83% | Provides all financial, banking and investment services according to Islamic Sharia | - |
| Al Etihad Islamic for Investment Company LLC. | Jordan | 42.00% | The Company's purposes are to acquire companies' stocks, bonds and shares | - |

As of December 31, 2019

| Company's Name | Country | Ownership Percentage | Activity Nature | Distributions |
|---|---|---|---|---|
| | | | | JD |
| Safwa Islamic Bank (Owned by Al Etihad Islamic for Investment Company) | Jordan | 63.83% | Provides all financial, banking and investment services according to Islamic Sharia | 7,000,000 |
| Al Etihad Islamic for Investment Company LLC. | Jordan | 42.00% | The Company's purposes are to acquire companies' stocks, bonds and shares | 3,700,000 |

Second: The following is selected financial information for subsidiaries with material non-controlling interests

a. Condensed statement of financial position before the elimination of inter-company transactions and after reclassfication for some iteams:

| | Safwa Islamic Bank (Al Etihad Islamic for Investment Company) | Safwa Islamic Bank (Al Etihad Islamic for Investment Company) |
|---|---|---|
| | December 31, 2020 | December 31, 2019 |
| | JD | JD |
| Financial assets | 1,770,129,339 | 1,505,133,350 |
| Other assets | 41,043,887 | 37,365,196 |
| Total assets | 1,811,173,226 | 1,542,498,546 |
| Financial Liabilities | 1,606,895,828 | 1,353,775,574 |
| Other Liabilities | 49,659,991 | 44,272,704 |
| Total Liabilities | 1,656,555,819 | 1,398,048,278 |
| Total Equity | 154,617,407 | 144,450,268 |
| Total Liabilities and Equity | 1,811,173,226 | 1,542,498,546 |
| Equity attributed to non-controlling interests | 98,137,365 | 91,842,119 |
| Non-Controlling Interest Share at Al Etihad Islamic for Investment Company | 310,256 | 128,928 |
| Total non-controlling interests | 98,447,621 | 91,971,047 |

b. Condensed statement of income before the elimination of inter-company transactions:

| | Safwa Islamic Bank (Al Etihad Islamic for Investment Company) | Safwa Islamic Bank (Al Etihad Islamic for Investment Company) |
|---|---|---|
| | December 31, 2020 | December 31, 2019 |
| | JD | JD |
| Gross Income | 53,696,910 | 50,225,007 |
| Profit for the year | 10,167,139 | 10,016,219 |
| Total Comprehensive Income | 10,167,139 | 10,155,286 |
| Attributable to non-controlling interests | 6,489,195 | 6,481,630 |
| Non-controlling interests share in profits (losses) of Al Etihad Islamic for Investment Company | (12,621) | (3,462) |
| Non-Controlling Interests | 6,476,574 | 6,478,168 |

30. Interest Income and Returns

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Direct Credit Facilities and Financing | | |
| **Individual retail customer** | | |
| Overdraft | 200,992 | 432,822 |
| Loans and discounted bills | 53,999,841 | 46,091,559 |
| Credit cards | 1,601,515 | 1,539,823 |
| **Real estate** | 56,768,376 | 59,149,728 |
| **Large corporates** | | |
| Overdraft | 7,134,604 | 9,470,915 |
| Loans and discounted bills | 69,732,767 | 72,710,823 |
| **SME's** | | |
| Overdraft | 2,391,669 | 2,862,950 |
| Loans and discounted bills | 10,072,554 | 9,525,020 |
| **Government and Public Sector** | 9,213,147 | 7,346,184 |
| Balances at the Central Bank | 1,780,439 | 2,054,029 |
| Balances and deposits at banks and financial institutions | 2,557,937 | 5,546,487 |
| Financial assets at fair value through statement of profit or loss | 4,077 | 4,077 |
| Financial assets at amortized cost | 37,268,791 | 34,967,233 |
| Others | 769,340 | 1,183,105 |
| Total | 253,496,049 | 252,884,755 |

31. Interest Expense

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Banks and financial institutions deposits | 2,294,983 | 2,403,529 |
| Customers' deposits: | | |
| Current accounts and demand deposits | 2,801,852 | 1,414,120 |
| Saving deposits | 4,280,324 | 10,287,190 |
| Time and notice deposits | 66,773,689 | 77,923,781 |
| Certificates of deposit | 15,468,725 | 15,148,504 |
| Cash margins | 2,700,546 | 2,571,385 |
| Borrowed funds | 1,379,415 | 2,681,077 |
| Subordinated loans | 1,447,956 | - |
| Deposits Insurance Corporation's fees | 5,514,744 | 4,016,664 |
| | 102,662,234 | 116,446,250 |

32. Net Commission Income

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Direct credit facilities and financing commissions | 6,370,590 | 8,024,494 |
| Indirect credit facilities and financing commissions | 8,302,892 | 9,380,627 |
| Other | 8,880,237 | 9,426,195 |
| Less: Commission expense | (1,140,458) | (841,315) |
| Net Commission Income | 22,413,261 | 25,990,001 |

33. Gains from Foreign Currencies

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Resulting from dealings / tradings | 3,670,249 | 4,676,842 |
| Resulting from valuations | 3,079,791 | 2,287,622 |
| | 6,750,040 | 6,964,464 |

34. Gains from Financial Assets at Fair Value through Pofit or Loss

The details of this item are as follows:

| | Gains (Losses) Realized | (Losses) Gains Unrealized | Dividends income Received | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **2020** | | | | |
| Treasury bills and bonds | 206,487 | 46,621 | - | 253,108 |
| Corporate shares | 1,853,075 | (498,142) | 116,956 | 1,471,889 |
| Financial derivatives | 225,416 | - | - | 225,416 |
| Investment funds | - | 384,424 | - | 384,424 |
| | 2,284,978 | (67,097) | 116,956 | 2,334,837 |
| **2019** | | | | |
| Treasury bills and bonds | 122,583 | 9,088 | - | 131,671 |
| Corporate shares | (622,767) | (268,016) | 296,247 | (594,536) |
| Financial derivatives | 235,314 | - | - | 235,314 |
| Investment funds | - | 467,118 | - | 467,118 |
| | (264,870) | 208,190 | 296,247 | 239,567 |

35. Dividends from Financial Assets at Fair Value through other Comprehensive Income

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Dividends distributed on corporate shares | 619,013 | 1,039,085 |

36. Other Income

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Safety deposits boxes rental income | 181,006 | 163,027 |
| Dormant accounts | 101,648 | 124,997 |
| Bonded revenue | 245,811 | 300,223 |
| Net income from recovered bad debts | 276,506 | 178,099 |
| Income from liquidation of invested companies | - | 77,465 |
| Income from reconciling accounts | 390,630 | 459,951 |
| Other income | 260,999 | 165,365 |
| Total | 1,456,600 | 1,469,127 |

## 37. Employees' Expenses

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Salaries, benefits and allowances | 35,714,401 | 35,344,161 |
| Bank's contribution to social security | 3,872,851 | 3,713,489 |
| Bank’s contribution to saving fund | 375,531 | 1,460,170 |
| Medical expenses | 1,721,758 | 1,590,350 |
| Per diems | 168,348 | 325,602 |
| Training expenses | 407,814 | 857,885 |
| Uniforms | 26,984 | 86,681 |
| Advertising and marketing incentives | 1,696,262 | 2,991,366 |
| Employees' life insurance expense | 173,450 | 151,858 |
| | 44,157,399 | 46,521,562 |

## 38. Other Expenses

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Postage, telephone telex and reutters | 2,842,157 | 2,496,947 |
| Stationery and printing | 1,134,930 | 1,038,441 |
| Water, electricity and fuel expense | 1,133,457 | 904,092 |
| Maintenance of machines and equipment | 10,423,813 | 9,165,848 |
| Insurance expenses on the Bank's assets and activities | 1,130,235 | 964,275 |
| Consultation and professional fees | 3,849,258 | 2,476,944 |
| Licenses and governmental fees | 1,234,883 | 1,327,361 |
| Loss from disposal of property and equipment | 202,170 | 445,414 |
| Board of Directors’ transportations and allowances | 1,234,268 | 1,414,424 |
| Advertising | 4,664,899 | 5,580,029 |
| Donations and subscriptions * | 3,497,083 | 969,554 |
| Board of Directors’ remuneration | 128,750 | 116,250 |
| Loss from disposal of owned assets | 26,280 | 383,477 |
| Others | 1,931,592 | 1,628,748 |
| | 33,433,775 | 28,911,804 |

* During the year, an amount of JD 2 Million was donated to the Himmat Watan Fund against the spread of Covid - 19 virus.

## 39. Earnings Per Share

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Profit for the year | 23,567,470 | 31,613,674 |
| Weighted average number of shares (share) | 160,000,000 | 160,000,000 |
| Earnings per share attributable to the Bank's shareholders: | | |
| Basic and diluted | 0.147 | 0.198 |

40. Cash and Cash Equivalents

The details of this item are as follows:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Cash and balances with CBJ maturing within 3 months | 721,060,432 | 563,867,223 |
| Add: Balances with banks and financial institutions maturing within 3 months | 397,274,210 | 331,017,085 |
| Less: Banks and financial institutions deposits maturing within 3 months | 256,098,045 | 104,424,070 |
| Less: Restricted balances | 7,545,767 | 6,857,213 |
| | 854,690,830 | 783,603,025 |

41. Financial Derivative Instruments

The following table shows the positive and negative fair value for the financial derivatives along with the distribution of their nominal value based on their maturities.

| | | | | Par Value Maturity | | | |
|---|---|---|---|---|---|---|---|
| | Positive Fair Value | Negative Fair Value | Total Nominal Value | Due in three Months | Due in 3 - 12 Months | From 1 to 3 Years | More than 3 Years |
| | JD | JD | JD | JD | JD | JD | JD |
| 2020 | | | | | | | |
| Customers' purchased forward agreements | 335,537 | 24,254 | 19,706,792 | 19,483,145 | 223,647 | - | - |
| Interest rates swap contracts | - | - | - | - | - | - | - |
| Banks' purchased forward agreements | 168,414 | 409,694 | 128,014,656 | 127,781,385 | 233,271 | - | - |
| | 503,951 | 433,949 | 147,721,448 | 147,264,530 | 456,918 | - | - |
| 2019 | | | | | | | |
| Customers' purchased forward agreements | 11,525 | 22,221 | 7,251,517 | 4,451,974 | 2,799,543 | - | - |
| Interest rates swap contracts | - | 94,627 | 18,434,000 | 4,254,000 | 14,180,000 | - | - |
| Banks' purchased forward agreements | 113,398 | 148,415 | 79,739,782 | 79,225,974 | 513,808 | - | - |
| | 124,923 | 265,263 | 105,425,299 | 87,931,948 | 17,493,352 | - | - |

Nominal value represents the value of transactions outstanding at year-end and does not refer to market risks or credit risks.

## 42. Related Party Transactions

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

| Company's Name | Ownership | The Company's Capital 2020 | The Company's Capital 2019 |
|---|---|---|---|
| | % | JD | JD |
| Al Etihad Islamic for Investment Company LLC. | 58 | 113,039,028 | 113,039,028 |
| Safwa Islamic Bank | 36.2 | 100,000,000 | 100,000,000 |
| Al- Etihad for Financial Brokerage Co. Ltd | 100 | 5,000,000 | 5,000,000 |
| Al- Etihad for Financial Leasing Co. Ltd | 100 | 10,000,000 | 7,500,000 |
| Al- Etihad for Financial Technology | 100 | 100,000 | 100,000 |

The balances and transactions between the Bank and its subsidiaries have been eliminated.

The Bank entered into transactions with major shareholders, directors, senior management in the ordinary course of business at commercial interest and commission rates. All the credit facilities granted to related parties are performing, and no provisions have been taken except for what is shown below:

The details of this item are as follows:

| | Related Party | | | | Total | |
|---|---|---|---|---|---|---|
| | Board of Directors | Executive management members and Major Shareholders | Subsidiaries | Others (Executive Management of the Bank and Related Parties) | December 31, 2020 | December 31, 2019 |
| | JD | JD | JD | JD | JD | JD |
| On- Consolidated Statement of Financial Position Items: | | | | | | |
| Direct credit facilities and financing | 1,793,783 | 3,994,890 | 949,128 | 64,434,626 | 71,172,427 | 55,460,138 |
| Deposits | 74,773,128 | 3,081,147 | 22,292,150 | 10,884,307 | 111,030,732 | 116,567,556 |
| Deposits at banks and financial institutions | - | - | 257,597 | - | 257,597 | 270,695 |
| Off- Consolidated Statement of Financial Position Items: | | | | | | |
| Letter of credits | - | - | 136,653 | 3,029,607 | 3,166,260 | 1,144,569 |
| Acceptance | - | - | - | 2,702,096 | 2,702,096 | 3,033,318 |
| Letter of guarantee | 5,000 | - | 863,000 | 5,748,017 | 6,616,017 | 6,243,607 |

| | | | | | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 |
|---|---|---|---|---|---|---|
| | | | | | JD | JD |
| Consolidated Income Statement Items | | | | | | |
| Interest, returns and commissions income | 136,541 | 291,778 | 36,600 | 4,320,581 | 4,785,500 | 4,719,833 |
| Interest and commissions expense | 1,860,212 | 49,040 | 697,370 | 149,449 | 2,756,071 | 3,714,984 |
| Extra Information | | | | | | |
| Credit and financing facilities under monitoring | | | | | - | - |
| Impairment loss of direct credit and financing facilities under monitoring provision | | | | | - | - |

- The interest income rates on credit facilities range from 3.5% to 17%, and interest expense rates on customers' deposits range from 0.5% to 6%.

Below is a summary of the remunerations for the Bank's executive management:

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Salaries and bonuses of the Executive Management | 5,842,810 | 5,096,319 |
| Board of Directors' transportation and allowances | 1,302,270 | 1,529,868 |
| Total | 7,145,080 | 6,626,187 |

43. Right-of-Use Assets/ Leasing Liabilities

This items includes the following:

1. Right-of-use assets

The Bank leases many assets including land and buildings, and the average lease term is 8 years.

Below is the movement on the right-of-use assets during the year:

| | For the Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| Beginning balance | 26,517,873 | 24,915,513 |
| Add: additions during the year | 4,669,894 | 4,918,627 |
| less: disposal during the year | (310,881) | - |
| Less: depreciation for the year | (3,845,366) | (3,316,267) |
| Balance as of December 31,2020 | 27,031,520 | 26,517,873 |

| | For the Year Ended December 31, | |
|---|---|---|
| Restricted balances in the statement of profit or loss | 2020 | 2019 |
| | JD | JD |
| Depreciation for the year | (3,845,366) | (3,316,267) |
| Interest during the year | (984,241) | (918,592) |
| Lease expense during the year | (402,380) | (574,032) |

2. Lease Liabilities

| | For the Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| Beginning balance | 25,451,501 | 23,767,069 |
| Add: additions during the year | 4,669,894 | 4,918,627 |
| Interest during the year | 984,241 | 918,592 |
| less: disposal during the year | (310,881) | - |
| Less: paid during the year * | (4,340,806) | (4,152,787) |
| Balance as of December 31,2020 | 26,453,949 | 25,451,501 |

*including interest of JD 304,256

| | For the Year Ended December 31, | |
|---|---|---|
| Analysis of the accrual of lease liabilities: | 2020 | 2019 |
| | JD | JD |
| Less than one year | 1,936,802 | 1,652,520 |
| From 1 year to 5 years | 8,641,534 | 8,874,979 |
| More than 5 years | 15,875,613 | 14,924,002 |
| | 26,453,949 | 25,451,501 |

The undiscounted lease liabilities amounted to JD 32,069,195 as of December 31, 2020 (JD 30,798,733 as of December 31, 2019)

The following is the analysis of the accrual:

| | For the Year Ended December 31, | |
|---|---|---|
| Analysis of the accrual of lease liabilities: | 2020 | 2019 |
| | JD | JD |
| Less than one year | 2,601,631 | 2,216,277 |
| From 1 year to 5 years | 10,644,642 | 10,808,442 |
| More than 5 years | 18,822,922 | 17,774,014 |
| | 32,069,195 | 30,798,733 |

44. Risk Management:

The Bank continuously develops the risk - management structure to ensure effective management of all of its operations, the efficiency of the risk management process, and proper application of the regulatory controls across all of the Bank's operations. The risk management responsibility is allocated across various levels as summarized below :

1. Business Units:

The Business units comprise of employees who, through thier nature of work, manage the various risks associated with the Bank's operations in line with the acceptable risk appetite as determined by the Bank and specified in its policies.

To ensure efficient risk management, the Bank fully separates the functions of the business units from those of risk management. For example, credit underwriting and credit administration function is completely independent from Custmer Relations Management (CRM) within the business units. This ensures the integrity of credit decisions, and higher efficiency. In addition, the Middle Office operate under the umbrella of market risk, independent from the treasury and treasury operations.

2. Risk Management

This department operates independentlyfrom all business units. It reports to the Board through the Risk Management Committee to ensure its independence and ability to detect, measure, govern, and monitor risks within acceptable risk appetite as determined by the Bank; as well as submit periodic reports to the Board in this regard.

3. Internal Audit:

The Internal Audit Department is fully independent and directly reports to the Board Audit Committee. The Department functions as the last line of defence through implementing an audit plan that includes periodic audits of all the Bank's activities to ensure the detection of any violations of systems and noncompliance with the Banks' policies and procedures or the supervisors' regulations

4. Risk Management Committee:

The Board of Directors endorsed the Risk Management Committee as stipulated in it's charter, which has been drafted in accordance with best risk management practices and CBJ requirements. The Committee comprises of Board members and the Chief Risk Officer. All reports prepared by the Risk Management Department are submitted to the Committee periodically to ensure that the Committee's members are well informed of all risks in a timely manner. This enable the committee members to make decisions, and take measures mitigate risks that are not in line with the established risk appetite, and submit reports to the Board in this regard.

5. Board of Directors:

The Board of Directors has the following responsibilities with regard to risk management:

- Determining the acceptable risk levels for the group's various activities.
- Reviewing and approving the various risk policies.
- Monitoring risks and ensuring that necessary controls are in place through the Risk Management Committee.
- Delegating authority related to the approval, amendment, and renewal of credit to the credit committees while reviewing their performance and the validity of their decisions, a matter which would reflect on the quality of the credit portfolio.
- Approving the investments policies and decisions and approving investment transactions and dealing limits.

6. Assets and Liabilities Management Committee:

The Assets and Liabilities Management Committee comprises of the Chairman as President and the CEO, CCO, CFO, Treasurer and CRO as members. The Committee reviews the statement of financial position and recommends any amendments thereto, in addition to approving the liquidity and market risk management principles. Moreover, the Committee reviews the policies related to these risks, recommends their approval by the Board, and studies the various risk reports in order to take any necessary decisions related to amending the acceptable risks levels by the Group.

The Committee also recommends to the Board the allocation of capital for the various activities of the Bank in a manner that ensures that the use of capital is optimized.

A. Credit risks:

Credit risks are controlled within acceptable risk levels by the Group through the following:

1. Credit Policy: This policy accurately determines the general guidelines for credit underwriting, levels of acceptable credit risks, and basis used for establishing credit risk pricing and acceptable collateral. In addition, the policy outlines the monitoring activities over creditand ensure early detection of creditquality deterioration of the portfolio.

2. Training and Development: The continuous training and development of all credit staff and managers ensures better understanding of the client's business activity and needs, the fostering of expertise in credit analysis, and a better understanding of risks whentaking credit decisions ; as well as ensuring the effective management of portfolios.

3. Authority to Grant Credit: Credit applications are approved by specialized credit committees which are appointed and granted authorities by the Board of Directors.

4. Credit Risk Measurement: The Bank put in place, a credit rating system for corporate and medium-size companies. In addition, the Bank implements a scorecards framework for retailcustomers as a basis for underwriting and cross-selling of retail products.

5. Internal Valuation for Capital Adequacy: The Bank developed a model to measure capital adequacy based on a 5-year data forecast to calculate the potential capital requirements and the effect of stress testing on the Bank's capital adequacy, profitability, and liquidity.

6. Credit Risk Monitoring:
A specialized unit within the Risk Managment Department monitors the credit portfolio and prepares the relevant reports..

Through the early credit risk warning system, the Risk Management Department examines any indicators that may signal the deterioration of therisk profile of a customer. Such indicators include customer's transactions, financial performance, and the risk of their economic sectors , in addition to indicators related to the performance of the client's account at the Bank. This system allows the bank to detect, early on, any deterioration in the performance of the account and enables to the bank to take necessary measures to reduce any possible losses that may result from that and to ensure the adequacy of the allocations allocated to these accounts.

7 . Credit Portfolio Management:
All departments concerned with credit continuously review the credit portfolio to maintain a good level of credit exposure quality.

In managing the portfolio, efforts are made to ensure that the portfolio is diversified to avoid any concentration that could lead to an increase in the risk level of the portfolio. In this regard, the sectoral and the geographical distribution of the portfolio are monitored, in addition single borrower and related parties exposures are monitered and reported in addition to avoiding large credit exposures for a single customer except in exceptional cases and for discerning clients.

8 . Credit Risk Mitigation:
As a basic step to hedge credit risk, cash flows of financed projects are taken into account when determining the structure of facilities and payment schedules for any facilities granted to clients and the necessary controls to control these cash flows for use for repayment, as well as obtaining collaterals as stipulated in the credit policy, taking into account the quality and liquidity collaterals, in addition to the efficient application of procedures that ensure proper control of these guarantees and control their value and the ease of monetization where necessary

B. Operational Risks:
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Operational Risk Management Department, which also covers strategic and reputation risks, leads the implementation of a Bank operational risk management framework, as part of the overall strengthening and continuous improvement of the internal control systems within the Bank. The framework consists of risk identification and assessment, risk mitigation (including the implementation of controls) and ongoing monitoring work together to minimise operational disruptions and their effects. Major tools used for operational risk management include:

- Risk and Control Self-Assessment (RCSA); through which the Bank assesses the inherent operational risks of the Bank's products and services , the effectiveness of the control environment, and residual by weighting residual risks to provide a means of translating the RCSA output into metrics that give a relative ranking of the control environment.
- Key Risk Indicators are used to monitor the main drivers of exposure associated with key risks.

Loss data collection and analysis of operational risk that provide meaningful information for assessing the bank's exposure to operational risk and the effectiveness of internal controls.

The aim of operational risk management is not to prevent every risk materiaslising but to mitigate the risk to the acceptable limit in alignment with the risk appetite of the bank.

C. Information Security :

Information Security means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide integrity, confidentiality, and availability.

Bank Al Etihad has retained qualified staff along with all required resources to protect information and cyber security from security breach and threats.

The bank has maitained a comprehensive and effective Business Continuity Plan which defines how the Bank will manage incidents in the case of a disaster or other disruptive incident, and how it will recover its activities.

**Stress testing**

The objectives of stress testing is to determine the negative stress events that could face the bank and its business, and measure their impact on the bank's solvency, liquidity and reputation.

Also, stress testing will idetify the areas of weaknesses that the bank could face as a result of these negative stress events and allow the board of directors and executive management, to develop a strategic plan to reduce its impact.

Choosing the stress testing scenarios

Stress scenarios that cover all possible risks encountered by the Bank are selected. The impact of stressful scenarios are assessed on different bank portfolios, and on Porfit and Loss, Capital Adequacy Ratio and other regulatory limits , as follows:

1. Measuring the effect of stress scenarios on the Bank's credit portfolio concerning the increase in the percentage of non-performing loans due to many factors, including concentration in granting credits, deterioration of the economic sectors due to financial crises, quality of the credit portfolio, decrease in the value of collaterals, and other factors. The impact of these stress scenarios on income statement, Balance sheet, and capital adequacy ratios.

2. Measuring the effect of stress situations on the Bank's investments in terms of liquidity and change in the market prices such as Interest Rates, Foreign Exhchange rate etc. The impact of these risk scenarios is assessed on the income statement, statement of financial position, and capital adequacy ratios.

3. Measuring the effect of stress cenarios sce on the Bank's assets and liabilities in the the event of depreciation or apperciation of local currency against foreign currencies.

4. Measuring the effect of stress scenarioss on the Bank's liquidity due to several factors, including loss of depsoits,concentration of the clients' deposits and Banks' deposits and extensive deposit withdrawalsThe effect of these risk scenarios is factored into the calculation of the legal liquidity ratio,Liquidity Coverage Ratio and other liquidity ratios.

5. Measuring the effect of stress on the Bank's operational risks. The impact of this risk scenario is assessed on the capital adequacy ratio and Profit and loss.

Based on the results of these tests, contingency and recovery plans are established to face financial and economic crises should they arise.. Furthermore, risk mitigation tools are implemented, such as hedging and risk transfer strategies and minimum accepted collaterals limits, to lessen the impact of stress scnerios on the bank's Profit and Loss and Balance sheet stamenets.

Governance of the Application of Stress-testing Situations:

The Board of Directors is responsible for:

1. Reviewing stress testing results semi-annually (every 6 months), and direct the bank to take measures and or enforce controls as accordingly;

2. Ensuring that Executive Management complies with thecontingency plans and is prepared to face any stress scenario as it arises .

3. Verifying that the Risk Management Department is performing stress testing periodically. The Board shall have an active role in approving the scenarios and the underlying assumptions, test results analysis , and approving the contingency and recovery plans.

Executive Management's Responsibility

Executive Management is responsible for:

1. Making the right recommendations, based on the stress-testing results, and reporting them to the Board of Directors.

2. Implementing the decisions of the Board of Directors related to the Bank's stress testing results, in addition to informing the Board about these results.

3. Implementing and controlling stress testing, in compliance with the methodology approved by the Board of Directors.

4. Taking the stress testing results into consideration when planning capital with the aim of reaching the capital that matches the Bank's strategy and risk structure, in addition to taking the results into consideration while performing (ICAAP).

5. Ensuring full cooperation among the Bank's different departments through coordianting with the Risk Management Department to come up with the closest real world stress testing results that the Bank might be prone to as a result of the local and international financial and economic circumstances.

Governance of applying stress tests

Responsibility of the Board of Directors:

1. To review the results of the stress tests of the bank on a semi-annual basis (every six months), in order to make decisions that are compatible with these results and that will ensure the safety of the bank in the event of exposure to any of these situations.

2. Ensure that the executive management abides by the plans and policies put in place to face any stressful situations that the bank is exposed to.

3. The Board must ensure that the Risk Management Department conducts stress tests periodically and that the Board has a major role in approving the assumptions and scenarios used, analyzing the test results and adopting the measures to be taken based on these results.

**The Bank's Definition for Applying Default and the Mechanism for Processing Default:**

The group is committed to the instructions of the regulatory authorities and best practices in the banking sector with regard to the application of default and the mechanism for dealing with bad debts .

Non-performing facilities are defined as those facilities that carry levels of risk under supervision or worse, and the following is a brief description of these degrees:

- **Watch List:**
  Borrower with no assured profits and extremely unstable operational revenues. The obligors' assets are witnessing a decrease in their value, coupled with an increase in doubtful debts without sufficient collaterals. Meanwhile, his exposure is constantly increasing and is greater than the accepted standards in his sector. In addition, the management and controls are weak. Debts classified as watch list will remain as such for a period of time under this rating to be monitored, so that their credit rating is improved in case the data that led to their classification under watch list will change or their credit rating downgraded.

- **Substandard:**
  Borrower is considered non-performing. Where Recovering the granted credit facilities based on the client's operational revenues is questionable, and their assets are not protected at an acceptable degree by net equity. In addition, the borrower's ability to commit to financial obligations or provide additional collaterals is weak. The facilities classified under this level of risks require a special provision according to the instructions of the Central Bank of Jordan.

- **Doubtful:**
  The Bank's chances of recovering the debts granted to the borrower is doubtful, and part of the principal is likely to be lost under the given circumstances that demonstrate the borrower's inability to fulfill their obligations towards the Bank. The facilities classified under this level of risks require a special provision according to the instructions of the Central Bank of Jordan.

- **Loss:**
  It is probable that part of the granted amount will be recovered in the future, and the Bank is still not fully convinced that recovery is unlikely. This matter does not encourage the Bank to irrevocably write off the debt, or cease the recovery process. The facilities classified as "Loss" require special provision according to the instructions of the Central Bank of Jordan.

**General Guildlines for dealing with default**

- Proposed rescheduling arangements are based on the client's ability to commit to it's financial obligations, as the Bank's aim is not only to improve the credit portfolio classification, but to also recover the loan amount granted to the client.

- While rescheduling debt repayment, a study of the borrower's cash flows must be conducted, especially if the borrower has liabilities towards creditors other than the Bank. This entails studying the borrower's cash flows, current guarantees, and any other extra assets that can be liquidated as an extra source for the repayment, or as an additional guarantee to mitigate the client's credit risk. Other aspects of the client are also studied, including the client's ability to manage the facilities, and validity of the legal documents and contracts in the Bank's possession, to ensure that they maintain the Bank's rights in case legal actions are taken against the borrower.

- In case the client commits to their repayment schedule for a period of not less than 3 months, the account classification is upgraded to a performing status.

**Internal Credit Classification System**

The Bank adopts an internal risk rating system to calculate the Risk Rating of Corporate and SMEs clients. The aim of this system is to asses credit risks at client and facility level . For each borrower a risk grade from 1-10 is calculated, where risk grade (1) is the least risky and (10) is the most. The calculation of Obligor and facility risk rating is the responsibility if the credit department.

Internal Risk classification of Obligors ensures:

- The ability to maintain a high asset quality, monitor the portfolio's quality, and identify effective plans and future strategies for managing credit risks.
- Implement a Risk Based Pricing framework.
- Determining the authority level for granting and/or renewing the credit limits.

The following table shows the building blocks of the Risk Grade:

| Indicator | Indicator's nature |
|---|---|
| Financial items | Quantitative |
| Management | Qqualitative |
| Corporate | Qqualitative |
| Economic sector | Qqualitative |

In order to calculate the Risk Rating, financial statements for 3 years and information about the economic sectors performance should be submitted, accordingly obligors are classified as follows:

| **Risk level** | **Risk rank** |
|---|---|
| Excellent | 1 |
| Strong | 2+ - 2- |
| Good | 3+ - 3- |
| Satisfactory | 4+ - 4- |
| Adequate | 5+ - 5- |
| Marginal | 6+ - 6- |
| Watch List | 7+ - 7- |
| Non-performing | 8 |

**Mechanism Used to Calculate the Expected Credit Losses on the Financial Instruments for Each Item Separately**

Expected credit losses are calculated on an individual basis for all debt instrustments and bank placements on IFRS9 system that is implemented by the Bank based on parameterized models and methodologies adopted by the Board of Directors and approved by the external auditor in the preparation of interim and year-end financial statements.

**a. Probability of Default (PD)**

The probability of default is measured for the purpose of calculating the expected credit losses in accordance with IFRS9 through using statistical models based on historical default data, credit exposure classification, and stressed and forecasted macroeconomic trends for corporates and SME's portfolio. As for the retail facilities portfolio, statistical models have been adopted based on the product characteristics and the client's credit behavior.

Under IFRS (9) all credit exposures and debt instruments that are listed under stage (1), are assigned a 1-year Probability of default. As for the credit exposures under Stage 2, the probability of default on a credit exposures is taken into consideration over the lifetime of the exposure.

**b. Loss Given Default**

When calculating the loss given default (LGD), the collaterals pledged against granting the credit exposure are evaluated. Moreover, only collaterals classified as risk mitigants are taken into account (legally documented within credit contracts, while nothing precludes the Bank from reaching the collateral) for the purpose of calculating the repayable amount of the credit exposure after applying haircuts as stipulated in CBJ Debt Classification Instructions No. (47/2009). In addition, LGDs are applied on the uncovered portion of the credit exposure. The LGD estimates are based on historical data related to recoveries upon liquidation and or and cash collection from borrowers or guarantors.

**c. Eexposure at Default**

When calculating Exposure at Default (EAD), the outstanding amount and type of debt instrument will be taken into consideration when arriving to the EAD. EAD coefficients are applied to outstanding exposures andis defined as the expected decrease in current outstanding exposure (of non-revolving loans) between the observation date (reporting date) and time of default (within the next 12 months). It is estimated by analyzing the historical nonperforming accounts' exposure against their exposure 12 months prior to default.

Furthermore, indirect credit exposures (non-financed) are considered on-balance credit exposures on which expected credit loss is calculated. Their probability of default is calculated as well based on historical default.

**d. Time Value of Money**

The expected credit loss is calculated by using the time value and Effective interest rate (EIR) as a discounting factor.

Governance of applying the requirements of the International Financial Reporting Standard, including the responsibilities of management and executive management, to ensure compliance with the regulatory requirements and applying the international standard.

**The Board of Directors:**

The Board of Directors ("BOD") plays an oversight role in the IFRS9 Policy and Process. The BOD is responsible for overseeing the establishment, approval, implementation and annual review of the IFRS9 Policy. To fulfil their responsibilities, the board instruct senior management to develop and maintain appropriate processes, which should be systematic and consistently applied, to determine appropriate provision. The board should also require senior management to report periodically the results of the credit risk assessment and measurement processes, including estimates of its ECL allowances.

**Risk Committee**

The Risk Committee also plays a supervisory role in the IFRS9 Process. The Risk Committee will continue to supervise the inherit risks of the loan and investment portfolio. The risk committee shall insure that:

- The business pricing strategy is commensurate with the costs of impairment from IFRS9.
- Provisioning sufficiently covers the expected credit losses.
- Capital is maintained above the threshold levels and remediation plans are in place

**Audit Committee**

The provision calculation results according to the international standard are submitted to the Audit Committee, which verifies the adequacy of the Bank's coverage of the expected credit loss in all of the Bank's financial statements.

**Executive Management**

Senior management should be able to demonstrate an understanding of the inherit risks when pricing exposures and managing Client Relationships. Pricing should to a certain extent reflect the inherit risk in transactions and compensate for booked ECL.

Senior management is is also responsible for implementing the credit risk strategy approved by the board and developing the aforementioned policies and processes.

Furthermore, Executive Management is responsible for implementing the reliable credit risk strategies approved by the Board of Directors and for developing the policies and procedures stated above.

**Risk Management Department**

The Risk Management Department ensures that the provisions adequately cover credit exposures. Ensure that the process and outputs of the system are fairly presented. The results are presented to the Board of Directors, the Risk Committee and Executive Management.

**Rescheduled Loans**

These represent loans previously classified under within Stage (3) in accordance with rescheduling principles. These loans amounted to JD 64,407,911 as of December 31, 2020 (JD 55,449,888 as of December 31, 2019).

**Restructured Loans**

Restructuring is the rearranging credit obligations in terms of adjusting installments, extending the tenor of the facility, postponing installments, or extending the grace period. These loans amounted to JD 427,941,610 during the year 2020 (JD 186,968,155 during the year 2019).

Debt Securities and Treasury Bills:
The Schedule below shows the distribution of bonds according to the rating agencies classification:

| Rating grade | Rating Institution | Within financial assets at fair value through P&L 2020 | Within financial assets amortized cost 2020 | Total 2020 | Total 2019 |
|---|---|---|---|---|---|
| | | JD | JD | JD | JD |
| AAA | S&P | - | - | - | 2,067,415 |
| AA+ | S&P | - | 21,208,246 | 21,208,246 | 23,333,825 |
| AA | S&P | - | 5,211,915 | 5,211,915 | - |
| AA- | S&P | - | 2,435,866 | 2,435,866 | 5,631,351 |
| A+ | S&P | - | 7,055,917 | 7,055,917 | 3,111,225 |
| A | S&P | - | 27,590,520 | 27,590,520 | 7,861,781 |
| A- | S&P | - | 4,181,356 | 4,181,356 | 16,706,376 |
| BBB+ | S&P | - | 4,540,053 | 4,540,053 | 7,476,330 |
| BBB | S&P | - | 7,905,575 | 7,905,575 | 1,512,680 |
| BBB- | S&P | - | 13,179,971 | 13,179,971 | 11,174,092 |
| BB+ | S&P | - | 5,653,921 | 5,653,921 | 4,263,321 |
| BB | S&P | - | - | - | - |
| BB- | S&P | - | 3,943,196 | 3,943,196 | - |
| B+ | S&P | 232,408 | 7,174,178 | 7,406,586 | 11,515,001 |
| B | S&P | - | 2,697,758 | 2,697,758 | - |
| B- | S&P | - | - | - | 611,756 |
| Un-rated | S&P | 1,309,210 | 35,332,186 | 36,641,396 | 41,031,127 |
| Governmental | S&P | - | 755,892,776 | 755,892,776 | 632,888,591 |
| Total | | 1,541,618 | 904,003,434 | 905,545,052 | 769,184,871 |

All the above bonds are classified under the stage 1, excluding a bond of JD 1,429,344, which has a risk rating of (b) and is classified under stage 2 and an Unrated bond of JD 250,000, classified under the 3 stage

B. Market risk

Market risk is defined as the risk arising from changes in interest rates, exchange rates, securities prices, and any other instrument held by the bank, such as minerals, which leads the bank to bear losses as a result of any financial positions inside or outside the budget.

The Bank adopts a conservative policy in managing these risks where limits for the exposure for each of these risks are defined taking into account the prevailing volatility of each.

**Interest rate risk**

They represent losses arising from fluctuations in interest rates in the markets or resulting from changes in product prices arising from the change in interest rates and it has a negative impact on the bank's revenues and its equity.

These risks may also arise from the mismatch in the re-pricing dates of assets and liabilities in a manner that may result in a decrease in the group’s revenues as a result of the timing difference in re-pricing.

Interest rate risk lies in debt instruments and derivatives that include debt instruments in addition to other derivatives whose value is linked to market prices.

In general, the value of long-term instruments is more sensitive to interest rate risk than the value of short-term instruments

Interest rate risks are managed by the Risk Management department. The asset liability management provided with regular gap reports on interest rates re-pricing, in addition to sensitivity reports related to interest rate price changes per currency. These reports show that interest rate risks are within the lowest range.

1 - Credit Exposures Distributions

For the year ended December 31, 2020

| Internal Rating for the Bank | Category Classification According to (47/2009) | Total Exposure Value | Expected Credit Loss | Probability of Default | Exposure when Default (in Millions) | Average Loss on Default |
|---|---|---|---|---|---|---|
| Performing exposures | | JD | JD | % | JD | % |
| 1 | Performing | 140,277,160 | 3,932 | (0.96%) - (11%) | 125 | 60.9% |
| 2 | Performing | 209,224,122 | 188,027 | (0.06%) - (100%) | 180 | 50.9% |
| 3 | Performing | 266,111,032 | 899,753 | (0.32%) - (100%) | 193 | 51.7% |
| 4 | Performing | 651,870,549 | 3,771,301 | (0.32%) - (100%) | 502 | 51.5% |
| 5 | Performing | 659,901,582 | 8,198,367 | (0.32%) - (100%) | 525 | 50.7% |
| 6 | Performing | 394,294,571 | 14,915,550 | (0.32%) - (100%) | 310 | 50.5% |
| 7 | Performing | 229,396,546 | 16,172,469 | (0.32%) - (85%) | 194 | 50.3% |
| Unclassified | Performing | 3,388,279,237 | 8,998,423 | (0.32%) - (100%) | 2,043 | 60.6% |
| Total | | 5,939,354,799 | 53,147,822 | | 4,071 | |
| Nonperforming exposures | | | | | | |
| 8 | Non - performing | 56,632,676 | 31,835,816 | 100% | 48 | 96.0% |
| Unclassified | Non - performing | 63,647,939 | 40,325,777 | 100% | 54 | 81.0% |
| Total | | 120,280,615 | 72,161,593 | | 102 | |
| Grand Total | | 6,059,635,414 | 125,309,415 | | 4,174 | |

2. Credit risk according to economic sectors:

**a. Distributions according to financial instruments exposure:**

| | Financial | Industrial | Trading | Real Estate | Agriculture | Shares | Individuals | Government and Public | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Cash at central banks | 620,008,775 | - | - | - | - | - | - | - | - | 620,008,775 |
| Balances at banks and financial institutions | 397,084,528 | - | - | - | - | - | - | - | - | 397,084,528 |
| Deposits at banks and financial institutions | 4,448,457 | - | - | - | - | - | - | - | - | 4,448,457 |
| Direct credit facilities and financing | 6,789,397 | 331,431,767 | 507,534,073 | 765,863,450 | 45,292,739 | 124,762,763 | 574,926,893 | 212,514,816 | 382,512,235 | 2,951,628,133 |
| Treasury, bills and Bonds and as follows: | 100,940,569 | 7,347,433 | 8,050,558 | - | - | - | - | 789,206,492 | - | 905,545,052 |
| Within: Financial assets at fair value through statement of profit and loss | 1,463,324 | - | - | - | - | - | - | 78,294 | - | 1,541,618 |
| Within: Financial assets at fair value through statement of other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Within: Financial assets at amortized cost | 99,477,245 | 7,347,433 | 8,050,558 | - | - | - | - | 789,128,198 | - | 904,003,434 |
| Other Assets | 2,556,572 | 1,087,628 | 11,626,000 | 417,379 | 167,419 | 10,069 | 554,526 | 8,007,775 | 23,874,850 | 48,302,218 |
| Total | 1,131,828,298 | 339,866,828 | 527,210,631 | 766,280,829 | 45,460,158 | 124,772,832 | 575,481,419 | 1,009,729,083 | 406,387,085 | 4,927,017,163 |
| Financial guarantees | 31,192,525 | 19,891,041 | 43,772,865 | 5,258,531 | 145,311 | 1,052,006 | 12,973,518 | - | 92,021,939 | 206,307,736 |
| Letter of credit and acceptances | 9,818,554 | 22,027,245 | 89,991,041 | - | 54,800,637 | 258,604 | 39,649,036 | - | 36,910,774 | 253,455,891 |
| Other Liabilities | 20,942,636 | 141,769,423 | 152,469,291 | 6,236,714 | 11,030,550 | 6,736,418 | 52,584,831 | - | 138,780,105 | 530,549,968 |
| Total 2020 | 1,193,782,013 | 523,554,537 | 813,443,828 | 777,776,074 | 111,436,656 | 132,819,860 | 680,688,804 | 1,009,729,083 | 674,099,903 | 5,917,330,758 |
| Total 2019 | 985,135,976 | 477,214,192 | 752,342,522 | 728,998,931 | 98,499,911 | 84,847,095 | 573,123,850 | 778,731,709 | 758,295,177 | 5,237,189,363 |

b. Distribution of exposure according to staging (IFRS 9)

| | Stage (1) | | Stage (2) | | | |
|---|---|---|---|---|---|---|
| | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Financial | 1,178,189,546 | 25,752 | 15,566,695 | - | 20 | 1,193,782,013 |
| Industrial | 470,744,040 | 4,083,259 | 47,015,159 | 669,056 | 1,043,023 | 523,554,537 |
| Trading | 716,540,494 | 14,635,042 | 66,314,100 | 6,412,547 | 9,541,645 | 813,443,828 |
| Real Estates | 348,755,100 | 320,689,520 | 84,586,510 | 14,165,914 | 9,579,030 | 777,776,074 |
| Agriculture | 83,564,255 | - | 27,781,091 | - | 91,310 | 111,436,656 |
| Shares | 29,545,690 | 99,949,446 | 1,474,212 | 1,051,559 | 798,953 | 132,819,860 |
| Individual | 528,575,136 | 125,908,531 | 19,704,129 | 2,622,181 | 3,878,827 | 680,688,804 |
| Government and public sector | 1,009,729,083 | - | - | - | - | 1,009,729,083 |
| Other | 553,727,466 | 6,449,006 | 102,071,457 | 5,651,001 | 6,190,973 | 674,089,903 |
| Total 2020 | 4,919,370,810 | 571,740,556 | 364,513,353 | 30,572,258 | 31,123,781 | 5,917,320,758 |
| Total 2019 | 4,403,021,942 | 442,649,288 | 333,358,536 | 31,085,167 | 27,074,430 | 5,237,189,363 |

3. Exposure according to geographical distribution

a. Total exposure distribution according to the geographical regions - net:

| December 31,2020 | Inside Jordan | Other Middle East Countries | Europe | Asia * | Africa | America | Other Countries | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Cash and balances at CBJ | 620,008,775 | - | - | - | - | - | - | 620,008,775 |
| Balances at banks and financial institutions | 20,623,596 | 107,962,794 | 149,188,107 | 53,972,083 | - | 64,703,015 | 634,933 | 397,084,528 |
| Deposits at banks and financial institutions | 3,000,000 | - | 1,448,457 | - | - | - | - | 4,448,457 |
| Direct credit facilities and financing | 2,951,628,133 | - | - | - | - | - | - | 2,951,628,133 |
| Treasury Bills and Bonds are as follows: | 778,913,449 | 64,860,112 | 23,951,768 | 991,842 | - | 34,713,185 | 2,114,696 | 905,545,052 |
| Within: Financial assets at fair value through statement of profit and loss | - | 1,463,324 | - | - | - | 78,294 | - | 1,541,618 |
| Within: Financial assets at fair value through statement of other comprehensive income | - | - | - | - | - | - | - | - |
| Within: Financial assets at amortized cost | 778,913,449 | 63,396,788 | 23,951,768 | 991,842 | - | 34,634,891 | 2,114,696 | 904,003,434 |
| Other Assets | 48,302,218 | - | - | - | - | - | - | 48,302,218 |
| Total | 4,422,476,171 | 172,822,906 | 174,588,332 | 54,963,925 | - | 99,416,200 | 2,749,629 | 4,927,017,163 |
| Financial guarantees | 206,307,736 | - | - | - | - | - | - | 206,307,736 |
| Letter of credit and acceptances | 246,099,810 | 7,356,081 | - | - | - | - | - | 253,455,891 |
| Other Liabilities | 530,549,968 | - | - | - | - | - | - | 530,549,968 |
| Total 2020 | 5,405,433,685 | 180,178,987 | 174,588,332 | 54,963,925 | - | 99,416,200 | 2,749,629 | 5,917,330,758 |
| Total 2019 | 4,778,201,176 | 197,408,866 | 121,183,462 | 60,136,769 | - | 80,114,318 | 144,772 | 5,237,189,363 |

b. Exposure distribution according to staging (IFRS 9)

| | Stage (1) | | Stage (2) | | | |
|---|---|---|---|---|---|---|
| December 31,2020 | Individual | Collective | Individual | Collective | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Inside Jordan | 4,408,871,167 | 571,740,556 | 363,125,923 | 30,572,258 | 31,123,781 | 5,405,433,685 |
| Other Middle East countries | 180,178,987 | - | - | - | - | 180,178,987 |
| Europe | 173,200,902 | - | 1,387,430 | - | - | 174,588,332 |
| Asia | 54,963,925 | - | - | - | - | 54,963,925 |
| Africa | - | - | - | - | - | - |
| America | 99,416,200 | - | - | - | - | 99,416,200 |
| Other Countries | 2,749,629 | - | - | - | - | 2,749,629 |
| Total 2020 | 4,919,380,810 | 571,740,556 | 364,513,353 | 30,572,258 | 31,123,781 | 5,917,330,758 |
| Total 2019 | 4,403,021,942 | 442,649,288 | 333,358,536 | 31,085,167 | 27,074,430 | 5,237,189,363 |

4. Credit exposures that have been reclassified

a. Total credit exposures that have been reclassified

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | 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 Reclassified |
| December 31,2020 | JD | JD | JD | JD | JD | % |
| Cash and balances at central banks | - | - | - | - | - | 0.00% |
| Balances at banks and financial institutions | - | - | - | - | - | 0.00% |
| Deposits at banks and financial institutions | - | - | - | - | - | 0.00% |
| Direct credit facilities and financing | 373,343,013 | 126,681,037 | 118,245,398 | 24,292,588 | 150,973,625 | 4.89% |
| Treasury Bills and Bonds are as follows: | - | - | 250,000 | - | - | 0.00% |
| Within: Financial assets at fair value through statement of profit and loss | - | - | - | - | - | 0.00% |
| Within: Financial assets at fair value through statement of other comprehensive income | - | - | 250,000 | - | - | 0.00% |
| Within: Financial assets at amortized cost | - | - | - | - | - | 0.00% |
| Derivatives | - | - | - | - | - | 0.00% |
| Mortgaged financial assets (debt instruments) | - | - | - | - | - | 0.00% |
| Other Assets | - | - | - | - | - | 0.00% |
| Total | 373,343,013 | 126,681,037 | 118,495,398 | 24,292,588 | 150,973,625 | 4.89% |
| Financial guarantees | 22,818,742 | 581,483 | 1,785,217 | 2,055,294 | 2,636,777 | 1.28% |
| Letter of credit and acceptances | 15,584,347 | - | - | - | - | 0.00% |
| Other Liabilities | 11,543,057 | 4,851,274 | - | - | 4,851,274 | 0.91% |
| Grand Total | 423,289,159 | 132,113,794 | 120,280,615 | 26,347,882 | 158,461,676 | 4.14% |

Credit exposures that have been reclassified:

b. Expected credit loss for exposures that have been reclassified

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Exposures that have been reclassified | | | Expected credit loss due to reclassified exposures | | | | |
| | Exposure Reclassified from Stage (2) | Exposure Reclassified from Stage (3) | Total Exposures Reclassified | Stage (2) - Individual | Stage (2) - Collective | Stage (3) - Individual | Stage (3) - Collective | Total |
| December 31,2020 | 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 and financing | 126,681,037 | 24,292,588 | 150,973,625 | 125,142 | 91,434 | 837,727 | 61,521 | 1,115,824 |
| Treasury Bills and Bonds are as follows: | - | - | - | - | - | - | - | - |
| Within: Financial assets at fair value through statement of profit and loss | - | - | - | - | - | - | - | - |
| Within: Financial assets at fair value through statement of other comprehensive income | - | - | - | - | - | - | - | - |
| Within: Financial assets at amortized cost | - | - | - | - | - | - | - | - |
| Derivatives | - | - | - | - | - | - | - | - |
| Mortgaged financial assets (debt instruments) | - | - | - | - | - | - | - | - |
| Other Assets | - | - | - | - | - | - | - | - |
| Total | 126,681,037 | 24,292,588 | 150,973,625 | 125,142 | 91,434 | 837,727 | 61,521 | 1,115,824 |
| Financial guarantees | 581,483 | 2,055,294 | 2,636,777 | 2,681 | - | 36,166 | - | 38,847 |
| Letter of credit and acceptances | - | - | - | 2,763 | - | - | - | 2,763 |
| Other Liabilities | 4,851,274 | - | 4,851,274 | 69,344 | - | - | - | 69,344 |
| Grand Total | 132,113,794 | 26,347,882 | 158,461,676 | 199,930 | 91,434 | 873,893 | 61,521 | 1,226,778 |

5 - Credit Risk Exposures (after provision for impairment, outstanding interest and returns, and before collateral and other risk mitigators:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| **Items inside Consolidated Financial Position** | | |
| Balances at central banks | 620,008,775 | 503,730,148 |
| Balances at banks and financial institutions | 397,084,528 | 330,805,729 |
| Deposits at banks and financial institutions | 4,448,457 | 3,000,000 |
| **Direct Credit Facilities and Financing - Net:** | | |
| Individual | 679,248,343 | 546,325,189 |
| Real estate mortgages | 765,863,450 | 721,045,576 |
| Corporates: | | |
| Large corporates | 1,107,406,817 | 1,112,591,393 |
| SME's | 186,594,707 | 148,998,985 |
| Government and Public Sector | 212,514,816 | 106,890,228 |
| Total | 2,951,628,133 | 2,635,851,371 |
| **Treasury Bills and Bonds:** | | |
| Within financial assets at fair value through statement of profit and loss | 1,541,618 | 3,610,938 |
| Within financial assets at amortized cost | 904,003,434 | 765,573,933 |
| Other assets | 48,302,218 | 51,153,359 |
| Total On-Consolidated Financial Position Items | 4,927,017,163 | 4,293,725,478 |
| **Off- Consolidated Financial Position Items** | | |
| Letter of guarantees | 206,307,736 | 212,812,759 |
| Letter of credits | 157,989,274 | 179,142,122 |
| Acceptances | 95,466,617 | 101,656,906 |
| Un-utilized facilities ceilings | 530,549,968 | 449,852,098 |
| Total Off-Consolidated Financial Position Items | 990,313,595 | 943,463,885 |
| Total On- and Off - Consolidated Financial Position Items | 5,917,330,758 | 5,237,189,363 |

The above table represents the Bank's maximum credit exposure as of December 31, 2020 and 2019 without taking into account collaterals or other credit risk mitigators.

6. Expected Credit Losses as of December 31, 2020:

| Description | Stage (1) - Individual | Stage (1) - Collective | Stage (2) - Individual | Stage (2) - Collective | Stage (3) | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Cash and balances at central banks | - | - | - | - | - | - |
| Balances and deposits at banks and financial institutions | 189,682 | - | - | - | - | 189,682 |
| Deposits at bank and financial institutions | 611 | - | - | - | - | 611 |
| Direct credit facilities and financing | 17,865,958 | 891,869 | 28,807,402 | 154,124 | 71,763,261 | 119,482,614 |
| Debt instruments within portfolio of the financial assets at amortized costs | 451,976 | - | 41,914 | - | 250,000 | 743,890 |
| Debt instruments within financial assets at fair value through statement of other comprehensive income | - | - | - | - | - | - |
| Financial guarantees | 523,285 | - | 202,467 | - | 148,332 | 874,084 |
| Un-utilized facilities ceilings | 3,257,282 | - | 393,476 | - | - | 3,650,758 |
| Letter of credit and acceptances | 334,267 | - | 33,509 | - | - | 367,776 |

| | Stage (1) - Individual | Stage (1) - Collective | Stage (2) - Individual | Stage (2) - Collective | Stage (3) | Total |
|---|---|---|---|---|---|---|
| Expected Credit Losses as of December 31, 2019 | JD | JD | JD | JD | JD | JD |
| Cash and balances at central banks | - | - | - | - | - | - |
| Balances and deposits at banks and financial institutions | 211,356 | - | - | - | - | 211,356 |
| Direct credit facilities and financing | 12,061,543 | 288,324 | 10,513,762 | 311,412 | 73,841,760 | 97,016,801 |
| Debt instruments within portfolio of the financial assets at amortized costs | 528,640 | - | - | - | 250,000 | 778,640 |
| Debt instruments within financial assets at fair value through statement of other comprehensive income | - | - | - | - | - | - |
| Financial guarantees | 285,113 | - | 91,012 | - | 63,171 | 439,296 |
| Un-utilized facilities ceilings | 1,370,441 | - | 150,754 | - | - | 1,521,195 |
| Letter of credit and acceptances | 386,436 | - | 30,840 | - | - | 417,276 |

## 45. Sectoral Analysis

A. Bank Activities Information:

For management purposes, the Bank is organized into the following major business sectors based on the reports used by the chief operating decision maker:

- Individual accounts: This item includes following up on individual customer's deposits and granting them credit facilities, credit cards and other services.

- Small and Medium Enterprises: This item includes following up on the client's deposits and credit facilities. Moreover, these clients are classified based on the volume of the granted deposits and facilities according to the Bank's instructions and principles and in compliance with the regulatory bodies' instructions.

- Large Companies' Accounts: This item includes following up on the client's deposits and credit facilities. Moreover, these clients are classified based on the volume of the granted deposits and facilities according to the Bank's instructions and principles and in compliance with the regulatory bodies' instructions.

- Treasury: This item includes providing treasury and trading services and managing the Bank's funds and long- term investments at amortized costs, which are maintained to collect the contractual cash flows.

- Investments and Foreign Currencies Management: This item includes the Bank's local and foreign investments which are recorded at fair value, in addition to the foreign currencies trading\ services.

- Others: This sector includes all the accounts not listed within the sectors mentioned above, such as shareholder's rights, investments in associates, property and equipment, general management, support management, and the treasury.

The following table represents information on the Bank's sectors according to activities:

| | | | | | Total | |
|---|---|---|---|---|---|---|
| | | | | | For the Year Ended December 31, | |
| | Individual | Corporates | Treasury | Other | 2020 | 2019 |
| Description | JD | JD | JD | JD | JD | JD |
| Total Income | 103,480,985 | 129,739,798 | 53,135,053 | 1,963,294 | 288,319,130 | 289,500,189 |
| (Provision) for direct customers' credit facilities and financing loss | (11,387,102) | (18,924,444) | 96,386 | (9,960,274) | (40,175,434) | (17,306,333) |
| Segments' results | 33,689,324 | 60,808,005 | 47,880,381 | 1,963,294 | 144,341,004 | 154,906,291 |
| Unallocated expenses | | | | | (97,439,704) | (93,547,607) |
| Operating income before tax | | | | | 46,901,300 | 61,358,684 |
| Bank's share of profit from investments in associates | | | | | 5,485 | (12,596) |
| Income before tax | | | | | 46,906,785 | 61,371,280 |
| Income tax | | | | | (16,862,741) | (23,329,865) |
| Income for the Year | | | | | 30,044,044 | 38,016,223 |
| | | | | | | |
| Capital Expenditures | | | | | 13,677,453 | 13,466,932 |
| Depreciation and Amortization | | | | | 14,163,978 | 12,620,578 |
| | | | | | December 31, | |
| | | | | | 2020 | 2019 |
| Other Information | | | | | JD | JD |
| Segment Assets | 1,217,333,113 | 1,730,381,608 | 1,715,890,889 | - | 4,663,605,610 | 4,061,304,156 |
| Undistributed assets | - | - | - | 610,099,386 | 610,099,386 | 518,371,829 |
| Total Assets | 1,217,333,113 | 1,730,381,608 | 1,715,890,889 | 610,099,386 | 5,273,704,996 | 4,579,675,985 |
| Segment Liabilities | 2,869,784,043 | 1,364,991,141 | 405,784,911 | - | 4,640,560,095 | 3,963,750,786 |
| Undistributed liabilities | - | - | - | 126,741,559 | 126,741,559 | 136,681,086 |
| Total Liabilities | 2,869,784,043 | 1,364,991,141 | 405,784,911 | 126,741,559 | 4,767,301,654 | 4,100,431,872 |

B. Geographical Information

This sector represents the geographical distribution of the Banks' operations. The Bank performs its operations mainly inside the Kingdom, and these operations represent the local operations.

The following table shows the distribution of the Bank's operating income and capital expenditure by geographical segment:

| | Inside Jordan | | Outside Jordan | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | JD | JD | JD | JD | JD | JD |
| Total Income | 280,967,575 | 282,092,148 | 7,351,555 | 7,408,041 | 288,319,130 | 289,500,189 |
| Capital Expenditure | 13,677,453 | 13,466,932 | - | - | 13,677,453 | 13,466,932 |

| | Inside Jordan | | Outside Jordan | | Total | |
|---|---|---|---|---|---|---|
| | December 31, | | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Total Assets | 4,776,254,004 | 4,141,081,853 | 497,450,992 | 438,594,132 | 5,273,704,996 | 4,579,675,985 |

The distribution of the collaterals' fair value against the total credit exposures is as follows:

| Description | Total Exposure | Collaterals' Fair Value: Cash Margin | Trading Shares | Accepted Bank Guarantees | Real Estates | Vehicles and Equipment | Other | Total Collaterals | Net Exposures after the Collaterals | Expected Credit Loss |
|---|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| 2020 | | | | | | | | | | |
| Balances at central banks | 620,008,775 | - | - | - | - | - | - | - | 620,008,775 | - |
| Balances at banks and financial institutions | 397,274,210 | - | - | - | - | - | - | - | 397,274,210 | 189,682 |
| Deposits at banks and financial institutions | 4,449,068 | - | - | - | - | - | 3,000,000 | 3,000,000 | 1,449,068 | 611 |
| **Credit and Financing Facilities :** | - | - | - | - | - | - | - | - | - | - |
| Individual | 708,769,983 | 22,305,200 | 907,062 | - | 23,881,649 | 168,411,728 | 189,392 | 215,695,031 | 493,074,952 | 25,401,230 |
| Real estate mortgages | 783,136,250 | 10,226,617 | - | - | 547,525,659 | 49,794,059 | 2,044,190 | 609,590,525 | 173,545,725 | 14,336,802 |
| Large corporates | 1,182,132,275 | 66,630,885 | 12,406,137 | 280,000 | 223,269,806 | 10,198,348 | 113,806,245 | 426,591,421 | 755,540,854 | 67,069,526 |
| SME's | 201,552,664 | 16,353,219 | 737,501 | 435,663 | 77,229,122 | 4,437,199 | 55,132,560 | 154,325,264 | 47,227,400 | 12,675,056 |
| Government and Public Sector | 212,514,816 | - | - | - | - | - | - | - | 212,514,816 | - |
| Treasury Bills and Bonds are as follows: | - | - | - | - | - | - | - | - | - | - |
| Within Financial assets at fair value through statement of profit and loss | 1,541,618 | - | - | - | - | - | - | - | 1,541,618 | - |
| Within financial assets at fair value through statement of other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at amortized cost | 904,747,324 | - | - | - | - | - | - | - | 904,747,324 | 743,890 |
| Other assets | 48,302,218 | - | - | - | - | - | - | - | 48,302,218 | - |
| Total | 5,064,429,201 | 115,515,921 | 14,050,700 | 715,663 | 871,906,236 | 232,841,334 | 174,172,387 | 1,409,202,241 | 3,655,226,960 | 120,416,797 |
| Financial guarantees | 207,181,818 | 27,700,699 | 53,726 | 8,114 | 18,509,555 | 3,234,450 | 15,519,541 | 65,026,085 | 142,155,733 | 874,082 |
| Letter of credit and acceptances | 253,823,669 | 40,371,078 | - | - | 4,142,771 | - | 3,616,387 | 48,130,236 | 205,693,433 | 367,778 |
| Other liabilities | 534,200,726 | 384,000 | - | - | 993,275 | - | 10,955,000 | 12,332,275 | 521,868,451 | 3,650,758 |
| Grand Total | 6,059,635,414 | 183,971,698 | 14,104,426 | 723,777 | 895,551,837 | 236,075,784 | 204,263,315 | 1,534,690,837 | 4,524,944,577 | 125,309,415 |

The bank maintains collateral or other credit enhancements to mitigate credit risk associated with financial assets. The Group maintains financial instruments amounting to JD 1,743,384,772 as of December 31, 2020 (compared to JD 1,627,882,577 as of December 2019) with a loss allowance for it due to guarantees at the end of the reporting period.

The estimated value of collateral, which is not recognized, held at the end of the reporting period is JD 1,212,868,176 as of December 31, 2020 (compared to JD 1,188,357,950 as of December 31, 2019. The value of collateral is not considered except to the extent that mitigates credit risk. There was no change in the bank's collateral policy during the current year. The following are the main types of collateral and associated asset types.

| Financial Assets | Related collaterals |
|---|---|
| Real estate loans | Real estate guarantees, advance trusts and personal guarantees |
| Personal loans | The portfolio consists of personal loans and credit cards and is linked to guarantees such as salary transfer, personal guarantees, cash insurance, cars |
| Corporate Loans | Real estate, equity shares, cash guarantees, personal guarantees, bank guarantees, transfer of dues from government and private agencies, insurance policies, cars and machinery |
| SME's | Real estate, equity shares, cash guarantees, personal guarantees, bank guarantees, transfer of dues from government and private agencies, insurance policies, cars and machinery |
| Government and public sector | - |
| Deposits with banks and banking institutions | Cash Margin |
| guarantees | Real estate, cash insurances, personal guarantees, bank guarantees, transfer of dues from government and private agencies, insurance policies |
| Documentary credits and acceptances | Real estate, cash insurances, personal guarantees, bank guarantees, transfer of dues from government and private agencies, insurance policies |
| Other Liabilities | Real estate, cash insurances, personal guarantees, bank guarantees, transfer of dues from government and private agencies, insurance policies |

The distribution of the collaterals' fair value against the total credit exposures is as follows:

| Description | Total Exposure | Collaterals' Fair Value | | | | | | | Net Exposures after the Collaterals | Expected Credit Loss |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash Margin | Trading Shares | Accepted Bank Guarantees | Real Estates | Vehicles and Equipment | Other | Total Collaterals | | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| 2019 | | | | | | | | | | |
| Balances at central banks | 503,730,148 | - | - | - | - | - | - | - | 503,730,148 | - |
| Balances at banks and financial institutions | 331,017,085 | - | - | - | - | - | - | - | 331,017,085 | 211,356 |
| Deposits at banks and financial institutions | 3,000,000 | - | - | - | - | - | 3,000,000 | 3,000,000 | - | - |
| **Credit and Financing Facilities :** | | | | | | | | | | |
| Individual | 566,371,619 | 16,765,789 | 809,448 | - | 27,968,656 | 154,915,270 | 122,664 | 200,581,827 | 365,789,792 | 16,806,351 |
| Real estate mortgages | 731,907,486 | 16,224,662 | - | - | 611,920,404 | 50,072,909 | 2,979,150 | 681,197,125 | 50,710,361 | 8,438,426 |
| Large corporates | 1,183,967,589 | 34,012,940 | 7,010,383 | 280,100 | 305,654,303 | 10,938,346 | 98,835,617 | 456,731,689 | 727,235,900 | 61,873,990 |
| SME's | 160,414,291 | 21,588,123 | 745,913 | 397,430 | 80,750,442 | 5,570,808 | 27,511,432 | 136,564,148 | 23,850,143 | 9,708,250 |
| Government and Public Sector | 106,890,228 | - | - | - | - | - | - | - | 106,890,228 | 189,784 |
| Treasury Bills and Bonds are as follows: | | | | | | | | | | |
| Within Financial assets at fair value through statement of profit and loss | 3,610,938 | - | - | - | - | - | - | - | 3,610,938 | - |
| Within financial assets at fair value through statement of other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at amortized cost | 766,352,573 | - | - | - | - | - | - | - | 766,352,573 | 778,640 |
| Other assets | 51,153,359 | - | - | - | - | - | - | - | 51,153,359 | - |
| Total | 4,408,415,316 | 88,591,514 | 8,565,744 | 677,530 | 1,026,293,805 | 221,497,333 | 132,448,863 | 1,478,074,789 | 2,930,340,527 | 98,006,797 |
| Financial guarantees | 213,252,055 | 9,734,322 | - | - | 19,905,440 | 3,231,650 | 3,395,213 | 36,266,625 | 176,985,430 | 439,296 |
| Letter of credit and acceptances | 281,216,304 | 36,698,761 | - | 2,092,738 | 4,897,988 | 2,800 | 14,223,167 | 57,915,454 | 223,300,850 | 417,276 |
| Other liabilities | 451,373,293 | 100,000 | - | - | 555,000 | - | 477,000 | 1,132,000 | 450,241,293 | 1,521,195 |
| Grand Total | 5,354,256,968 | 135,124,597 | 8,565,744 | 2,770,268 | 1,051,652,232 | 224,731,783 | 150,544,244 | 1,573,388,868 | 3,780,868,100 | 100,384,564 |

The distribution of the collaterals' fair value against the total credit exposures within stage (3) is as follows:

| Description | Total Exposure | Collaterals' Fair Value | | | | | | | Net Exposures after the Collaterals | Expected Credit Loss |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash Margin | Trading Shares | Accepted Bank Guarantees | Real Estates | Vehicles and Equipment | Other | Total Collaterals | | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| 2020 | | | | | | | | | | |
| Balances at central banks | - | - | - | - | - | - | - | - | - | - |
| Balances at banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| Deposits at banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| Direct Credit Facilities and Financing | - | - | - | - | - | - | - | - | - | - |
| Individual | 28,323,459 | 47,406 | - | - | 2,560,801 | 5,453,686 | 46,944 | 8,108,837 | 20,214,622 | 20,113,075 |
| Real estate mortgages | 18,460,780 | - | - | - | 11,155,108 | 172,190 | 556,850 | 11,884,148 | 6,576,632 | 5,945,750 |
| Large corporates | 53,292,394 | 3,000 | - | - | 12,092,026 | 2,615,407 | 7,367,565 | 22,077,998 | 31,214,396 | 36,743,565 |
| SME's | 18,168,765 | 458,724 | - | - | 6,101,236 | 616,990 | 5,342,292 | 12,519,242 | 5,649,523 | 8,960,871 |
| Government and Public Sector | - | - | - | - | - | - | - | - | - | - |
| Treasury Bills and Bonds are as follows: | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at fair value through statement profit of and loss | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at fair value through statement of other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at amortized cost | 250,000 | - | - | - | - | - | - | - | 250,000 | 250,000 |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| Total | 118,495,398 | 509,130 | - | - | 31,909,171 | 8,858,273 | 13,313,651 | 54,590,225 | 63,905,173 | 72,013,261 |
| Financial guarantees | 1,785,217 | 304,103 | - | - | 75,000 | - | 87,840 | 466,943 | 1,318,274 | 148,332 |
| Letter of credit and acceptances | - | - | - | - | - | - | - | - | - | - |
| Other liabilities | - | - | - | - | - | - | - | - | - | - |
| Grand Total | 120,280,615 | 813,233 | - | - | 31,984,171 | 8,858,273 | 13,401,491 | 55,057,168 | 65,223,447 | 72,161,593 |

The distribution of the collaterals' fair value against the total credit exposures within stage (3) is as follows:

| Description | Total Exposure | Collaterals' Fair Value | | | | | | | Net Exposures after the Collaterals | Expected Credit Loss |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash Margin | Trading Shares | Accepted Bank Guarantees | Real Estates | Vehicles and Equipment | Other | Total Collaterals | | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| 2019 | | | | | | | | | | |
| Balances at central banks | - | - | - | - | - | - | - | - | - | - |
| Balances at banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| Deposits at banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| Direct Credit Facilities and Financing | - | - | - | - | - | - | - | - | - | - |
| Individual | 20,328,578 | 45,876 | - | - | 2,619,001 | 4,619,901 | 25,000 | 7,309,778 | 13,018,800 | 14,786,867 |
| Real estate mortgages | 17,042,952 | 175,803 | - | - | 6,056,438 | - | 240,300 | 6,472,541 | 10,570,411 | 5,134,012 |
| Large corporates | 61,610,235 | 106,018 | - | - | 10,263,766 | 29,100 | 4,193,465 | 14,592,349 | 47,017,886 | 45,459,194 |
| SME's | 17,468,861 | 802,746 | - | - | 5,398,040 | 347,950 | 3,806,864 | 10,355,600 | 7,113,261 | 8,461,687 |
| Government and Public Sector | - | - | - | - | - | - | - | - | - | - |
| Treasury Bills and Bonds are as follows: | | | | | | | | | - | |
| Within financial assets at fair value through statement profit of and loss | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at fair value through statement of other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at amortized cost | 250,000 | - | - | - | - | - | - | - | 250,000 | 250,000 |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| Total | 116,700,626 | 1,130,443 | - | - | 24,337,245 | 4,996,951 | 8,265,629 | 38,730,268 | 77,970,358 | 74,091,760 |
| Financial guarantees | 1,211,776 | - | - | - | - | - | - | - | 1,211,776 | 63,171 |
| Letter of credit and acceptances | - | - | - | - | - | - | - | - | - | - |
| Other liabilities | - | - | - | - | - | - | - | - | - | - |
| Grand Total | 117,912,402 | 1,130,443 | - | - | 24,337,245 | 4,996,951 | 8,265,629 | 38,730,268 | 79,182,134 | 74,154,931 |

B. Market Risks

Market risks are defined as those risks resulting from price fluctuations in a way that affects the Bank's profit or owners' equity. This definition includes the change in the currencies exchange rates, stocks prices, and interest rates.

The Bank uses a conservative policy to manage market risk. Moreover, these risks are controlled through the adoption of clear policies in this regard and establishing risk limits for each risk type. Our policy aims to reduce minimize these risks.

1. Interest Rate Risks:

A conservative policy is adopted to manage interest rate risks, whereby most of the Bank's assets and liabilities are re-priced in the short term. This limits the effect of interest rate fluctuations on the Bank's profitability and the price of its assets and investments.

Interest rate risks are managed by the Risk Management department. The asset liability management provided with regular gap reports on interest rates re-pricing, in addition to sensitivity reports related to interest rate price changes per currency. These reports show that interest rate risks are within the lowest range.

For the Year 2020

| Currency | Increase in Interest Rate | Sensitivity of Net Interest Income (Gains/ Losses) in (Thousands) | Sensitivity on Equity |
|---|---|---|---|
| | | JD | JD |
| Jordanian Dinar | 1% | 5,963 | 5,963 |
| US Dollar | 1% | 2,337 | 2,337 |
| Euro | 1% | 198 | 198 |
| GBP | 1% | 39 | 39 |
| Japanese Yen | 1% | 729 | 729 |
| Other Currencies | 1% | (179) | (179) |

For the Year 2019

| Currency | Increase in Interest Rate | Sensitivity of Net Interest Income (Gains/ Losses) in (Thousands) | Sensitivity on Equity |
|---|---|---|---|
| | | JD | JD |
| Jordanian Dinar | 1% | 5,126 | 5,126 |
| US Dollar | 1% | 1,630 | 1,630 |
| Euro | 1% | 146 | 146 |
| GBP | 1% | (2) | (2) |
| Japanese Yen | 1% | 341 | 341 |
| Other Currencies | 1% | (18) | (18) |

In case of a negative change in the interest rate, then the effect will be the same as the change in the above-mentioned table with an opposite sign.

2. Currency Risks:

The Bank's policy is to fully hedge the currency risk by limiting open positions in foreign currencies only within the limits set and according to a clear policy which reduces the sensitivity of the Bank’s profitability to currency price changes. Ceilings are placed for open positions for each currency and total currencies, and daily evaluations of these positions are made to reduce the risks of currency exchange rates to the minimum.

| Currency | change in Currency Exchange Rate | Effect on Profits and Losses | Effect on Equity |
|---|---|---|---|
| | | JD | JD |
| For the Year 2020 | | | |
| US Dollar | 1% | 34,091 | 18,737 |
| Euro | 1% | (18,055) | - |
| GBP | 1% | (2,905) | - |
| Japanese Yen | 1% | 224,651 | - |
| Other Currencies | 1% | (7,523) | - |
| For the Year 2019 | | | |
| US Dollar | 1% | 265,506 | 47,348 |
| Euro | 1% | (115,506) | - |
| GBP | 1% | (49,483) | - |
| Japanese Yen | 1% | 274,953 | - |
| Other Currencies | 1% | (112,598) | - |

In case of a 1% decrease in the currency exchange rate, the effect will be the same as the financial effect mentioned in the tables above with an opposite sign.

3. Change in Stock Price Risks:

Trading portfolio risk management depends on a policy that is based on diversification of investments, where investments are distributed on a sectoral basis, within the most stable sectors, and across several financial markets to reduce risks to acceptable levels. Regular monitoring of risks is also conducted through:

Determining the different investments ceilings
Determining limits to stop losses per investment coupled with daily monitoring
Regularly assessing the investment portfolio by an independent body (intermediary office)
Performing sensitivity analysis to measure the extent to which these investments may be impacted in case the markets invested in drop, so as to maintain risks within levels acceptable to the Bank

These risks are managed by the Risks Management Department in cooperation with the Treasury Department. Moreover, their recommendations are submitted to the Assets and Liabilities Management Committee.

| Market | Change in Market Index | Effect on profits and losses | Effect on Equity |
|---|---|---|---|
| | | JD | JD |
| For the Year 2020: | | | |
| Amman Stock Exchange | 5% | 261,755 | 352,361 |
| Al-Quds Stock Exchange (Palestine) | 5% | - | 655,802 |
| FTSE 100 | 5% | 9,893 | - |
| Hang Seng Index | 5% | - | 1,079 |
| Borsa Italian | 5% | - | - |
| Swiss Market index (SMI) | 5% | 11,728 | - |
| For the Year 2019: | | | |
| Amman Stock Exchange | 5% | 280,584 | 357,781 |
| Al-Quds Stock Exchange (Palestine) | 5% | - | 788,722 |
| FTSE 100 | 5% | - | - |
| Hang Seng Index | 5% | - | - |
| Borsa Italian | 5% | - | - |
| Swiss Market index (SMI) | 5% | - | - |

c. Liquidity Risks

The bank has a liquidity strategy to manage liquidity risk in accordance with the risk tolerance and to ensure that the bank maintains sufficient liquidity all times and in times of stress. The Bank continuously expands its depositors' base and diversifies the sources of its funds with the aim of maintaining its stability. In this respect, the Bank maintains its liquidity level within risk appetite limits.

Bank's liquidity risk management policy ensures that the bank maintains liquidity limits at the corresponding banks to ensure easy access to high quality liquid assets at can be liquidated at reasonable cost and time in case of an unexpected demand.

To measure the Bank's liquidity levels, a schedule is prepared periodically to verify that liquidity is within the acceptable levels. In addition, the Legal liquidity ratio is calculated on daily basis to ensure compliance with the regulatory requirements and internal policies.

Various stress scenarios' identified and measured to ensure the Bank's ability to withstand any changes that might take place in the financial markets.

The Treasury Department manages funds in line with the Bank's liquidity policy endorsed by the Assets and Liabilities Management Committee and submits regular reports to the Committee. Moreover, the Risk Management Department monitors the liquidity levels and ensures adherence to the Bank's internal policies.

(44/c) Liquidity Risks:

The following table illustrates the distribution of the liabilities (un-discounted) on the basis of the remaining period from the date of the consolidated financial statements until the date of contractual maturity.

| rates to the minimum. | Less than a Month | 1-3 Months | 3-6 Months | More than 6 Months | 1-3 Years | More than 3 Years | No Specific Maturity | Total |
|---|---|---|---|---|---|---|---|---|
| As of December 31, 2020: | JD | JD | JD | JD | JD | JD | JD | JD |
| Liabilities: | | | | | | | | |
| Banks and financial institution deposits | 240,771,673 | 30,213,393 | - | 3,049,042 | 7,090,000 | - | - | 281,124,108 |
| Customers' deposits | 1,339,621,088 | 782,982,819 | 649,293,913 | 966,397,456 | 316,134,445 | - | - | 4,054,429,720 |
| Margin accounts | 37,825,666 | 20,270,957 | 21,427,391 | 17,030,912 | 34,471,735 | 126,037,767 | - | 257,064,428 |
| Borrowed Funds | - | 160,227 | 394,746 | 5,507,610 | 49,725,381 | 37,228,274 | - | 93,016,238 |
| Subordinated loans | - | - | - | - | - | 25,465,405 | - | 25,465,405 |
| Sundry provisions | - | - | - | - | - | - | 1,333,898 | 1,333,898 |
| Income tax liabilities | - | - | - | - | - | - | 24,680,734 | 24,680,734 |
| Leasing liabilities | 639,886 | 235,494 | 572,401 | 1,072,850 | 5,388,811 | 24,078,754 | - | 31,988,195 |
| Other liabilities | - | - | - | - | - | - | 68,379,574 | 68,379,574 |
| Total | 1,618,858,313 | 833,862,889 | 671,688,451 | 993,057,870 | 412,810,371 | 212,810,200 | 94,394,206 | 4,837,482,300 |
| Total assets (according to expected maturities) | 1,260,252,236 | 298,068,393 | 365,040,111 | 327,798,123 | 991,993,077 | 1,758,624,406 | 271,928,649 | 5,273,704,996 |
| As of December 31, 2019: | | | | | | | | |
| Liabilities: | | | | | | | | |
| Banks and financial institution deposits | 85,184,014 | 41,604,084 | 1,000,000 | 6,610,146 | 16,125,000 | - | - | 150,523,244 |
| Customers' deposits | 1,119,552,449 | 663,993,336 | 649,739,788 | 882,935,963 | 306,832,799 | - | - | 3,623,054,335 |
| Margin accounts | 42,314,149 | 9,820,712 | 16,266,853 | 12,880,583 | 25,670,757 | 85,752,828 | - | 192,705,882 |
| Borrowed Funds | 12,318,385 | 6,774 | 12,422,069 | 11,675,656 | 13,049,471 | 18,094,607 | - | 67,566,962 |
| Sundry provisions | - | - | - | - | - | - | 930,224 | 930,224 |
| Income tax liabilities | - | - | - | - | - | - | 20,634,229 | 20,634,229 |
| Leasing liabilities | 407,129 | 331,861 | 561,672 | 964,480 | 6,960,120 | 21,588,470 | - | 30,813,732 |
| Other liabilities | - | - | - | - | - | - | 76,583,458 | 76,583,458 |
| Total | 1,259,776,126 | 715,756,767 | 679,990,382 | 915,066,828 | 368,638,147 | 125,435,905 | 98,147,911 | 4,162,812,066 |
| Total assets (according to expected maturities) | 1,024,534,478 | 220,749,470 | 308,198,654 | 311,388,786 | 820,445,710 | 1,642,735,773 | 251,623,114 | 4,579,675,985 |

Interest Rate Re-Pricing Gap:

Classification is based on interest re-pricing or maturing, whichever is closer.

Interests rates sensitivity is as follows:

| As of December 31, 2020 | 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 banks | 165,000,000 | - | - | - | - | - | 556,060,432 | 721,060,432 |
| Balances at banks and financial institutions | 324,436,400 | 26,548,006 | - | - | - | - | 46,100,122 | 397,084,528 |
| Deposits at banks and financial institutions | - | - | 1,449,068 | 3,000,000 | - | - | (611) | 4,448,457 |
| Financial assets at fair value through statement of profit and loss | - | - | - | - | - | 1,541,618 | 13,678,278 | 15,219,896 |
| Direct credit facilities and financing - net | 45,854,818 | 97,263,524 | 1,887,911,326 | 135,774,617 | 334,917,955 | 468,138,350 | (18,232,457) | 2,951,628,133 |
| Financial assets at fair value through statement other comprehensive income | - | - | - | - | - | - | 31,654,110 | 31,654,110 |
| Financial assets at amortized cost | - | 51,789,532 | 61,213,891 | 71,662,069 | 305,032,371 | 415,049,461 | (743,890) | 904,003,434 |
| Investments in associates | - | - | - | - | - | - | 349,507 | 349,507 |
| Right of use assets | - | - | - | - | - | - | 27,031,520 | 27,031,520 |
| Property and equipment | - | - | - | - | - | - | 68,782,265 | 68,782,265 |
| Intangible assets | - | - | - | - | - | - | 27,046,436 | 27,046,436 |
| Deferred tax assets | - | - | - | - | - | - | 25,652,474 | 25,652,474 |
| Other assets | 4,470,202 | 10,571,616 | 6,951,890 | 2,315,507 | 125,601 | - | 75,308,988 | 99,743,804 |
| Total Assets | 539,761,420 | 186,172,678 | 1,957,526,175 | 212,752,193 | 640,075,927 | 884,729,429 | 852,687,174 | 5,273,704,996 |
| Liabilities | | | | | | | | |
| Banks and financial institution deposits | 88,917,663 | 38,427,479 | 13,335,000 | 14,793,125 | 7,090,000 | - | 118,124,778 | 280,688,045 |
| Customers' deposits | 1,303,160,041 | 588,452,303 | 481,477,032 | 785,292,324 | 54,582,506 | - | 790,046,786 | 4,003,010,992 |
| Margin accounts | 140,232,106 | 5,401,864 | 1,726,000 | 1,000,767 | - | - | 102,941,721 | 251,302,459 |
| Borrowed Funds | - | 159,824 | 392,538 | 5,037,645 | 26,066,318 | 28,759,232 | 29,736,446 | 90,152,003 |
| Subordinated Loans | - | - | - | - | - | 21,300,000 | - | 21,300,000 |
| Sundry provisions | - | - | - | - | - | - | 1,333,898 | 1,333,898 |
| Income tax provision | - | - | - | - | - | - | 24,680,734 | 24,680,734 |
| Leasing liabilities | - | - | - | - | - | - | 26,453,949 | 26,453,949 |
| Other liabilities | - | - | - | - | - | - | 68,379,574 | 68,379,574 |
| Total Liabilities | 1,532,309,810 | 632,441,470 | 496,930,570 | 806,123,861 | 87,738,824 | 50,059,232 | 1,161,697,886 | 4,767,301,654 |
| Interest Rate Re- Pricing Gap | (992,548,390) | (446,268,792) | 1,460,595,605 | (593,371,668) | 552,337,103 | 834,670,197 | (309,010,712) | 506,403,342 |
| As of December 31, 2019 | | | | | | | | |
| Total Assets | 439,007,674 | 126,154,113 | 1,808,535,653 | 167,290,209 | 617,718,910 | 672,510,017 | 748,459,409 | 4,579,675,985 |
| Total Liabilities | 1,278,281,842 | 533,481,701 | 517,085,357 | 743,961,878 | 118,683,389 | 16,946,607 | 891,991,098 | 4,100,431,872 |
| Interest Rate Re- Pricing Gap | (839,274,168) | (407,327,588) | 1,291,450,296 | (576,671,669) | 499,035,521 | 655,563,410 | (143,531,689) | 479,244,113 |

Concentration in currency risk:

| As of December 31, 2020 | Euro | GBP | Japanese Yen | Other | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Assets | | | | | |
| Balances at CBJ | 23,839,836 | 1,412,197 | - | 21,343,385 | 136,432,877 |
| Balances at banks and financial institutions | 37,705,030 | 11,032,024 | 1,584,385 | 10,042,731 | 376,853,730 |
| Deposits at banks and financial institutions | - | 1,449,068 | - | - | 1,449,068 |
| Financial assets at fair value through statement of profit and loss | 3,721,165 | - | - | - | 10,034,655 |
| Direct credit and financing facilities- net | 294,178 | 21,352 | 87,475,450 | - | 355,827,020 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 10,317,675 |
| Financial assets at amortized cost | 14,816,477 | 1,940,262 | - | - | 289,039,814 |
| Other assets | - | - | - | - | - |
| Total Assets | 80,376,686 | 15,854,903 | 89,059,835 | 31,386,116 | 1,179,954,839 |
| Liabilities | | | | | |
| Banks and financial institution deposits | - | - | - | - | - |
| Customers' deposits | 3,544,536 | 2,772 | 66,515,881 | 5,524,189 | 151,545,153 |
| Margin accounts | 68,956,106 | 14,907,992 | 113,552 | 22,730,503 | 939,423,432 |
| Other liabilities | 7,035,992 | 1,305,020 | - | 3,871,820 | 77,692,539 |
| Total Liabilities | 79,536,634 | 16,215,784 | 66,629,433 | 32,126,512 | 1,168,661,124 |
| Net concentration in the Consolidated Statement of Financial Position | (1,805,548) | (290,512) | 22,465,135 | (752,343) | 23,025,861 |
| Contingent Liabilities Off - Consolidated Statement of Financial Position | 52,774,209 | 6,864,780 | 41,419,805 | 52,968,982 | 602,168,591 |
| As of December 31, 2019 | | | | | |
| Total Assets | 74,219,447 | 11,330,235 | 42,533,670 | 15,114,805 | 1,002,133,620 |
| Total Liabilities | 85,770,075 | 16,278,578 | 15,038,367 | 26,374,619 | 975,846,545 |
| Net concentration in the Consolidated Statement of Financial Position | (11,550,628) | (4,948,343) | 27,495,303 | (11,259,814) | 26,287,075 |
| Contingent Liabilities Off - Consolidated Statement of Financial Position | 6,962,675 | 12,337,702 | 83,965,916 | 438,821,692 | 598,403,438 |

Secondly: Off- Consolidated of Financial Position Items:

| | Up to 1 Year | 1 - 5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| As of December 31, 2020 | JD | JD | JD | JD |
| Letters of credit and acceptances | 274,044,140 | 12,319,776 | - | 286,363,916 |
| Un-utilized ceilings | 534,200,726 | - | - | 534,200,726 |
| Letters of guarantee | 188,373,141 | 18,784,377 | 24,300 | 207,181,818 |
| Total | 996,618,007 | 31,104,153 | 24,300 | 1,027,746,460 |
| As of December 31, 2019 | | | | |
| Letters of credit and acceptances | 304,804,181 | 5,780,416 | - | 310,584,597 |
| Un-utilized ceilings | 451,373,293 | - | - | 451,373,293 |
| Letters of guarantee | 178,495,386 | 34,503,257 | 253,412 | 213,252,055 |
| Total | 934,672,860 | 40,283,673 | 253,412 | 975,209,945 |

## 46. Capital Management

a. The capital adequacy ratio as of December 31, 2020 and 2019 was calculated based on Basel III Instructions, and the Bank's regulatory capital consists of a primary capital representing ordinary shares (CET1) and a supplementary capital, in addition to Tier

b. The regulatory bodies' requirements related to the ordinary shares capital

The Central Bank of Jordan's instructions require that minimum regulatory capital be (12.375%) of assets and off-balance sheet items weighted by risks, market risks, and operational risks. This percentage represents the minimum, as the Bank adheres to maintaining, at all times, an adequate ratio that exceeds the minimum by an appropriate margin in line with Basel III requirements.

c. Manner of achieving capital management objectives

Capital management represents the optimal employment of the sources of funds to achieve the highest return on capital within the acceptable risk limits approved by the Board of Directors. In addition, capital management endeavors to maintain the minimum capital prescribed by the laws and regulations in force. In this regard, the Bank adopts a policy that aims to minimize the costs of funds as much as possible through obtaining funds from low-cost sources, expanding the customers' base, and optimally employing these sources within acceptable risk limits to achieve the highest possible return on capital.

d. Capital Adequacy

In addition to subscribed capital, capital includes the statutory reserve, voluntary reserve, share premium, retained earnings, cumulative change in fair value , general banking risk reserve and treasury stocks.

The Bank is committed to applying the requirements set forth by regulators concerning capital, as follows:

1- The Central Bank of Jordan's instructions that capital adequacy ratio should not go below 12.375%.
2- Compliance with the minimum limit set for the paid capital of Jordanian Banks, which is JD 100 million.
3- The Bank's investments in stocks and shares should not exceed 50% of subscribed capital.
4-The ratio of credit limits (credit concentration) to regulatory capital.
5- Banks and Companies' laws related to the deduction of the legal reserve at a rate of 10% of the Bank's profit before tax.

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| **Common Equity Shareholders Rights** | | |
| Paid-up capital | 160,000,000 | 160,000,000 |
| Retained earnings after deduction of the expected distributions | 51,518,099 | 51,596,833 |
| The cumulative change in fair value | (2,609,036) | 372,413 |
| Share premium | 80,213,173 | 80,213,173 |
| Statuary reserve | 61,004,473 | 56,257,522 |
| Voluntary reserve | 41,829,012 | 38,833,125 |
| Recognizable non controlling shareholders | 40,043,180 | 38,036,041 |
| Interim profit (losses) after tax and deduction of the expected distributions | - | - |
| **Total Common Equity Tire 1 before regulatory adjustments** | **431,998,901** | **425,309,107** |
| | | |
| **Regulatory Adjustments (Propositions of the Capital)** | | |
| Goodwill and intangible assets | (27,046,436) | (24,409,882) |
| Deferred tax assets resulting from investments within Tier 1 (10% | (25,652,474) | (12,891,744) |
| **Total Tier 1 capital** | **379,299,991** | **388,007,481** |
| | | |
| **Additional capital** | | |
| Recognizable minority rights | 7,066,444 | 6,712,243 |
| **Total Capital (Tier 1)** | **386,366,435** | **394,719,723** |
| | | |
| **Tier 2 Capital** | | |
| General Banking risk reserve | | - |
| Provision for debts tools listed in Tier 1 | 18,083,875 | 12,593,424 |
| Recognizable non-controlling shareholders | 9,421,925 | 8,949,657 |
| Financial tools issued by the Bank that bear supporting capital | 21,300,000 | - |
| **Total Supporting Capital** | **48,805,800** | **21,543,081** |
| **Total Regulatory Capital** | **435,172,235** | **416,262,804** |
| **Total Risk Weighted Assets** | **3,005,394,577** | **2,975,004,022** |
| | | |
| Capital Adequacy Ratio (CET 1) (%) | %14.48 | %13.99 |
| Primary Capital Ratio (%) | %12.62 | %13.04 |
| Supporting Capital Ratio (%) | %1.62 | %0.72 |

| | 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Financial leverage rate | | |
| Tier 1 Capital | 386,366,435 | 394,719,723 |
| Total assets in and out of the financial positions after removing deductible items from Tier 1 | 5,837,745,385 | 5,124,324,785 |
| Financial leverage rate | 6.62% | 7.70% |

Capital adequacy was calculated on December 31, 2020 and December 31, 2020 based on the instruction of Basel Committee III.

47. Analysis of the Maturities of Assets and Liabilities

The following table illustrates the assets and liabilities according to the expected maturity periods:

| | Up to 1 Year | Over 1 Year | Total |
|---|---|---|---|
| December 31, 2020 | JD | JD | JD |
| **Assets** | | | |
| Cash and balances at CBJ | 721,060,432 | - | 721,060,432 |
| Balances at banks and financial institutions | 397,084,528 | - | 397,084,528 |
| Deposits at banks and financial institutions | 4,448,457 | - | 4,448,457 |
| Direct credit facilities and financing - net | 938,446,727 | 2,013,181,406 | 2,951,628,133 |
| Financial assets at fair value through statement of profit or loss | 15,219,896 | - | 15,219,896 |
| Financial assets at fair value through statement of other comprehensive income | - | 31,654,110 | 31,654,110 |
| Financial assets at amortized cost | 184,665,492 | 719,337,942 | 904,003,434 |
| Right of use assets | 2,339,774 | 24,691,746 | 27,031,520 |
| Investments in associates | 349,507 | - | 349,507 |
| Property and equipment | - | 68,782,265 | 68,782,265 |
| Intangible assets | - | 27,046,436 | 27,046,436 |
| Deferred tax assets | 25,652,474 | - | 25,652,474 |
| Other assets | 99,626,821 | 116,983 | 99,743,804 |
| **Total Assets** | 2,388,894,108 | 2,884,810,888 | 5,273,704,996 |
| **Liabilities:** | | | |
| Banks and financial institutions deposits | 280,688,045 | - | 280,688,045 |
| Customers' deposits | 3,925,943,711 | 77,067,281 | 4,003,010,992 |
| Margin accounts | 91,152,443 | 160,150,016 | 251,302,459 |
| Borrowed funds | 5,487,509 | 84,664,494 | 90,152,003 |
| Subordinated loan | - | 21,300,000 | 21,300,000 |
| Sundry provisions | 1,333,898 | - | 1,333,898 |
| Income tax provision | 24,680,734 | - | 24,680,734 |
| Leasing liabilities | 1,936,804 | 24,517,145 | 26,453,949 |
| Other liabilities | 65,836,022 | 2,543,552 | 68,379,574 |
| **Total Liabilities** | 4,397,059,166 | 370,242,488 | 4,767,301,654 |
| **Net** | (2,008,165,058) | 2,514,568,400 | 506,403,342 |

| December 31, 2019 | Up to 1 Year<br>JD | Over 1 Year<br>JD | Total<br>JD |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at CBJ | 563,867,223 | - | 563,867,223 |
| Balances at banks and financial institutions | 330,805,729 | - | 330,805,729 |
| Deposits at banks and financial institutions | 3,000,000 | - | 3,000,000 |
| Financial assets for trade | - | - | - |
| Direct credit facilities and financing - net | 844,227,278 | 1,791,624,093 | 2,635,851,371 |
| Financial assets at fair value through statement of profit or loss | 16,535,618 | - | 16,535,618 |
| Financial assets at fair value through statement of other comprehensive income | - | 32,313,468 | 32,313,468 |
| Financial assets at amortized cost | 107,761,733 | 657,812,200 | 765,573,933 |
| Right of use assets | 3,356,546 | 23,161,327 | 26,517,873 |
| Investments in associates | 354,022 | - | 354,022 |
| Property and equipment | - | 72,138,592 | 72,138,592 |
| Intangible assets | - | 24,409,882 | 24,409,882 |
| Deferred tax assets | 12,891,744 | - | 12,891,744 |
| Other assets | 95,290,569 | 125,961 | 95,416,530 |
| **Total Assets** | 1,978,090,462 | 2,601,585,523 | 4,579,675,985 |
| **Liabilities:** | | | |
| Banks and financial institutions deposits | 149,997,070 | - | 149,997,070 |
| Customers' deposits | 3,495,107,638 | 80,859,823 | 3,575,967,461 |
| Margin accounts | 77,624,162 | 108,073,862 | 185,698,024 |
| Borrowed funds | 35,947,833 | 29,222,072 | 65,169,905 |
| Sundry provisions | 930,224 | - | 930,224 |
| Income tax provision | 20,634,229 | - | 20,634,229 |
| Leasing liabilities | 1,652,520 | 23,798,981 | 25,451,501 |
| Other liabilities | 74,039,906 | 2,543,552 | 76,583,458 |
| **Total Liabilities** | 3,855,933,582 | 244,498,290 | 4,100,431,872 |
| **Net** | (1,877,843,120) | 2,357,087,233 | 479,244,113 |

## 48. Contingent Liabilites and Commitments

### a. Credit liabilities and commitments:

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| Letters of credit | 190,879,149 | 208,781,007 |
| Acceptances | 95,484,767 | 101,803,590 |
| Letters of guarantee: | | |
| - Payments | 55,636,201 | 53,600,584 |
| - Performance | 75,015,534 | 85,107,403 |
| - Other | 76,530,083 | 74,544,068 |
| Futures contracts | 147,721,448 | 86,991,299 |
| Interest swap contracts | - | 18,434,000 |
| Unused Limits of Credit Facilities and Financing | 534,200,726 | 451,373,293 |
| Total | 1,175,467,908 | 1,080,635,244 |

### b. Contractual Obligations:

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | JD | JD |
| Property and equipment purchase contracts | 729,786 | 1,501,970 |
| Intangible assets purchase contracts | 1,646,644 | 1,003,102 |

## 49. Lawsuits against the Bank

Lawsuits against the Bank amounted to JD 1,202,731 as of December 31, 2020 (JD 1,403,344 as of December 31, 2019), and the related provisions to JD 531,021 as of December 31, 2020 (JD 535,159 as of December 31, 2019). In the opinion of the Bank's management and its legal counsel, the said provisions are adequate.

## 50. Compartive Figures

Some Compartive Figures for the year 2019 have been reclassified to match the year 2020 figures, and have had no impact on the consolidated statement of profit or loss and equity for 2019, as follows:

a. Regulatory capital

| | December 31, 2019 | |
|---|---|---|
| | After reclassification | Before reclassification |
| | JD | JD |
| Regulatory capital* | 416,262,804 | 400,262,804 |
| Regular Shareholder Capital Adequacy Ratio (CET1)(%) | %13,04 | %12,50 |
| Capital adequacy ratio (CET1)(%) | %13,27 | %12,73 |
| Regulatory capital adequacy ratio(%) | %13,99 | %13,45 |

* According to the Circular of the Central Bank of Jordan No. 1/1/4693 issued on April 9, 2020 and to hedge the negative effects of the Virus Corona event (Covid 19), it was decided to postpone the distribution of dividends to the shareholders by Jordanian licensed banks for the year 2019 and the amount that was recorded during 2019 was released.

b. The stamtement of cash flows

Some cash flow statement items have been reclassified, resulting in a change in net cash flows or uses from operational, investment and financing activities as follows:

| | December 31, 2019 | |
|---|---|---|
| | After reclassification | Before reclassification |
| | JD | JD |
| Net cash (used in) investment | (15,217,404) | (19,370,191) |
| Net cash (used in) financing | (51,508,149) | (47,355,361) |

## 51. **Impact of Covid - 19**

The coronavirus ("COVID – 19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID – 19 has brought about uncertainties in the global economic environment.

The Bank is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID – 19 outbreak may have one its operations and financial performance.

The Bank has performed an assessment of COVID – 19 pandemic which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the year ended December 31, 2020:

a. Expected credit losses

The uncertainties caused by COVID – 19, have required the Bank to update the inputs and assumptions used for the determination of ECLs as at December 31, 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Bank has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected probability of defaults for the credit portfolio of the Bank.

In addition to the assumptions outlined above, the Bank has given specific consideration to the relevant impact of COVID – 19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors and reflecting the Bank's management estimates (Management Overlay) in evaluating the impact on certain sectors or specific customers based on studying each sector or customers separately.

b. Valuation estimates and judgements

The Bank has also considered potential impacts of the current economic volatility in determination of the reported amounts of the Bank's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information.

c. Deferred installments and customer credit ratings

Based on the Central Bank of Jordan Circular number 10/3/4375 and 10/3/14960 issued on March 15, 2020 and November 22, 2020 to the banks operating in Jordan, the bank postponed the installments due or that would be due on some customers without considering this as a restructuring and without affecting the customer credit rating, the postponed installments amounted to around JD 324 million during the year 2020.

52. Fair Value Hierarchy

A. The fair value of financial assets and financial liabilities of the Bank specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Bank are evaluated at fair value at the end of each fiscal period. The following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used).

| Financial Assets | Fair Value December 31, 2020 | Fair Value December 31, 2019 | The Level of Fair Value | Evaluation Method and Inputs used | Important Intangible Inputs | Relation between the Fair Value and the Important Intangible Inputs |
|---|---|---|---|---|---|---|
| | JD | JD | | | | |
| **Financial Assets at Fair Value** | | | | | | |
| Financial Assets at Fair Value through statement of Profit or Loss: | | | | | | |
| Government bonds listed on financial markets | 78,294 | 74,800 | Level 1 | Quoted prices in financial markets | N/A | N/A |
| Companies bonds listed on financial markets | 1,463,324 | 3,536,138 | Level 1 | Quoted prices in financial markets | N/A | N/A |
| Companies shares listed on financial market | 5,667,508 | 5,611,686 | Level 1 | Quoted prices in financial markets | N/A | N/A |
| Investments Funds | 8,010,770 | 7,312,994 | Level 2 | The treasury manager evaluation of fair value | N/A | N/A |
| **Total** | **15,219,896** | **16,535,618** | | | | |
| Financial Assets at Fair Value through Other Comprehensive Income: | | | | | | |
| Quoted Shares in active markets | 20,184,837 | 22,930,050 | Level 1 | Quoted prices in financial markets | N/A | N/A |
| investment fund | 1,732,795 | - | level 2 | The treasury manager evaluation of fair value | N/A | N/A |
| Unquoted Shares in active markets | 9,736,478 | 9,383,418 | Level 3 | Through using equity method and based on the latest available financial information | N/A | N/A |
| **Total** | **31,654,110** | **32,313,468** | | | | |
| **Total Financial Assets at Fair Value** | **46,874,010** | **48,849,086** | | | | |

There were no transfers between level 1 and level 2 during the year ended December 31, 2020 and 2019.

The movement financial assets classification fair value through (level 3):

| | For the year ended, December 31 2020 | 2019 |
|---|---|---|
| | JD | JD |
| Beginning balance | 9,383,418 | 6,492,405 |
| Additional | 1,122,336 | 3,170,988 |
| Disposal | (85,004) | (9) |
| Change in fair value | (684,272) | (279,976) |
| | 9,736,478 | 9,383,408 |

B. The fair value of the financial assets and financial liabilities of the Bank (non-specific fair value on an ongoing basis:

Except for what is set out in the table below, we believe that the carrying amount of financial assets and liabilities shown in the consolidated financial statements of the Bank approximates their fair value:

| | December 31, 2020 | | December 31, 2019 | | The level of |
|---|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value | Fair Value |
| | JD | JD | JD | JD | |
| **Financial Assets of Non-specified Fair Value** | | | | | |
| Term deposits, and certificate of deposits at the Central Bank | 165,000,000 | 165,009,041 | 86,700,000 | 86,705,118 | Level 2 |
| Current accounts, and balances at Banks and Financial Institutions | 401,532,985 | 401,646,486 | 333,805,729 | 334,007,648 | Level 2 |
| Direct credit facilities at amortized costs | 2,951,628,133 | 2,955,472,848 | 2,635,851,371 | 2,641,471,297 | Level 2 |
| Other financial assets at amortized costs | 904,003,434 | 914,246,887 | 765,573,933 | 775,252,780 | Level 1 and 2 |
| Total Financial Assets of Non-specified Fair Value | 4,422,164,552 | 4,436,375,262 | 3,821,931,033 | 3,837,436,843 | |
| **Financial Liabilities of Non-specified Fair Value** | | | | | |
| Banks' and Financial Institutions' deposits | 280,688,045 | 281,019,540 | 149,997,070 | 150,319,722 | Level 2 |
| Customers' deposits | 4,003,010,992 | 4,026,685,059 | 3,575,967,461 | 3,610,746,013 | Level 2 |
| Cash margin | 251,302,459 | 251,414,819 | 185,698,024 | 185,779,644 | Level 2 |
| Borrowed funds | 90,152,003 | 90,356,837 | 65,169,905 | 65,728,525 | Level 2 |
| Subordinated loans | 21,300,000 | 21,626,896 | - | - | |
| Total Financial Liabilities of Non-specified Fair Value | 4,646,453,499 | 4,671,103,150 | 3,976,832,460 | 4,012,573,904 | |

The fair value of the financial assets and liabilities for level 2 was determined in accordance with agreed pricing models, which reflect the credit risk of the parties dealt with.