# JORDAN AHLI BANK
(PUBLIC SHAREHOLDING COMPANY)
AMMAN – HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2021
TOGETHER WITH THE INDEPENDENT AUDIT REPORT

JORDAN AHLI BANK
(PUBLIC SHAREHOLDING COMPANY)
AMMAN - HASHEMITE KINGDOM OF JORDAN
DECEMBER 31, 2021

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# Independent Auditor Report

AM/ 010932

To the Shareholders
Jordan Ahli Bank
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

## Report on the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Jordan Ahli Bank (A Public Shareholding Limited Company) (The "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, 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, 2021, 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 as per IFRS 9**<br>The Bank's direct credit facilites are stated space in the statement of financial position at around JD 1.36 billion as at December 31, 2021. The expected credit loss (ECL) allowance was around JD 82.5 million as at this date, which comprised an allowance of around JD 17.2 million against Stage 1 and 2 exposures and an allowance of around JD 65.7 million against exposures classified under Stage 3.<br><br>The audit of the impairment of credit facilities is a key area of focus because of their size (representing 46% of total assets) and due to the significance of the estimates and judgments used in classifying credit facilities 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 (39) for disclosures about credit risk. | We obtained a detailed understanding of the Bank's credit facilities, 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, 2021.<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 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. |

| 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.<br><br>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 (39) to the consolidated financial statements.<br><br>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.<br><br>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. | 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.<br><br>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.<br><br>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.<br><br>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. |

| 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 (47) 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 Matter**
The accompanying consolidated financial statements for the year ended December 31, 2020 was audited and reviewed by another auditor who issued unmodified opinion on February 3, 2021.

**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 13, 2022**

Deloitte & Touche

**Deloitte & Touche (M.E.) – Jordan**

Deloitte & Touche (M.E.)
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JORDAN AHLI BANK

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | December 31, 2021 | December 31, 2020 (Restated Note 46) |
|---|---|---|---|
| Assets: | | JD | JD |
| Cash and balances at central banks | 5 | 259,677,707 | 191,617,135 |
| Balances at banks and financial institutions | 6 | 177,418,823 | 167,340,463 |
| Deposits at banks and financial institutions | 7 | 20,312,861 | 19,618,676 |
| Direct credit facilities - net | 8 | 1,357,684,639 | 1,369,633,832 |
| Financial assets at fair value through other comprehensive income | 9 | 26,485,706 | 25,744,834 |
| Financial assets at amortized cost - net | 10 | 866,250,407 | 817,193,096 |
| Investment in associate company | 11 | - | 1,039,817 |
| Property and equipment and project under construction - net | 12 | 80,356,732 | 81,498,310 |
| Deferred tax assets | 20/b | 15,268,775 | 14,118,818 |
| Right of use assets | 38 | 10,031,598 | 8,744,226 |
| Intangible assets - net | 13 | 7,586,755 | 10,810,030 |
| Other assets | 14 | 132,342,750 | 138,637,804 |
| TOTAL ASSETS | | 2,953,416,753 | 2,845,997,041 |
| | | | |
| LIABILITIES AND OWNERS' EQUITY: | | | |
| LIABILITIES: | | | |
| Banks' and financial institutions' deposits | 15 | 161,786,222 | 143,818,778 |
| Customers' deposits | 16 | 2,003,750,863 | 1,904,393,574 |
| Margin accounts | 17 | 213,886,543 | 208,128,987 |
| Loans and borrowings | 18/a | 157,988,391 | 187,381,234 |
| Subordinated loan | 18/b | 25,000,000 | 25,000,000 |
| Other provisions | 19 | 3,685,682 | 3,896,808 |
| Lease liability | 38 | 9,663,597 | 8,419,731 |
| Income tax provision | 20/a | 10,398,470 | 5,783,953 |
| Other liabilities | 21 | 39,537,487 | 36,844,014 |
| TOTAL LIABILITIES | | 2,625,697,255 | 2,523,667,079 |
| | | | |
| OWNERS' EQUITY: | | | |
| BANK'S SHAREHOLDERS' EQUITY: | | | |
| Subscribed and paid in capital | 22 | 200,655,000 | 200,655,000 |
| Statutory reserve | 23 | 65,208,593 | 62,722,983 |
| Voluntary reserve | 23 | 15,761,637 | 15,761,637 |
| Periodic fluctuations reserve | 23 | 3,678,559 | 3,678,559 |
| Fair value reserve - net after tax | 24 | (5,645,628) | (4,794,408) |
| Retained earnings | 25 | 48,061,337 | 44,306,191 |
| Total owners' equity to the bank shareholders | | 327,719,498 | 322,329,962 |
| TOTAL OWNERS' EQUITY | | 327,719,498 | 322,329,962 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 2,953,416,753 | 2,845,997,041 |

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

JORDAN AHLI BANK

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Note | For the Year Ended December 31, 2021 | 2020 (Restated) |
|---|---|---|---|
| | | JD | JD |
| Interest income | 26 | 142,733,141 | 148,956,424 |
| Interest expense | 27 | 57,099,234 | 63,763,492 |
| Net interest income | | 85,633,907 | 85,192,932 |
| Net commission income | 28 | 13,184,907 | 13,315,828 |
| Net interest and commission income | | 98,818,814 | 98,508,760 |
| | | | |
| Gain from foreign currencies | 29 | 2,331,802 | 2,457,974 |
| Dividends from financial assets at fair value through other comprehensive income | 31 | 1,596,787 | 488,583 |
| Other income | 32 | 8,573,863 | 7,412,085 |
| Gross income | | 111,321,266 | 108,867,402 |
| | | | |
| Employees’ expenses | 33 | 35,929,881 | 37,431,424 |
| Depreciation and amortization | 12 & 13 | 9,206,351 | 9,720,851 |
| Other expenses | 34 | 21,921,378 | 22,112,205 |
| Depreciation of right-of-use assets | 38 | 1,852,485 | 1,844,639 |
| Provision for expected credit losses - net | 30 | 13,180,621 | 21,398,476 |
| Povision for real estate impairment and others expense | 14 | 2,000,000 | 1,552,580 |
| Total expenses | | 84,090,716 | 94,060,175 |
| Operating profit | | 27,230,550 | 14,807,227 |
| The Bank’s share of an associate's (losses) profits | 11 | (63,776) | 2,694,853 |
| Profit for the year before tax | | 27,166,774 | 17,502,080 |
| Income tax | 20/a | (12,936,342) | (7,062,374) |
| Profit for the Year | | 14,230,432 | 10,439,706 |
| | | | |
| Allocated to: | | | |
| Bank's shareholders | | 14,230,432 | 10,439,706 |
| Profit for the year | | 14,230,432 | 10,439,706 |
| | | | |
| | | JD/ Fils | JD/ Fils |
| Basic and diluted earnings per share (Bank's shareholders) | 35 | 0/071 | 0/052 |

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

JORDAN AHLI BANK

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | For the Year Ended December 31, 2021 | For the Year Ended December 31, 2020 (Restated) |
|---|---|---|---|
| | | JD | JD |
| Income for the year | | 14,230,432 | 10,439,706 |
| Other comprehensive income items | | | |
| Add: items not to be reclassified to profit or loss in subsequent periods | | | |
| Gain from sale of shares | | 2,845 | - |
| Change in Fair value reserve - net | 24 | (817,541) | 206,562 |
| Total Comprehensive Income for the Year | | 13,415,736 | 10,646,268 |
| Total Comprehensive Income for the Year Attributed to: | | | |
| Bank's shareholders | | 13,415,736 | 10,646,268 |
| | | 13,415,736 | 10,646,268 |

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF

THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ

WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

JORDAN AHLI BANK

(PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

| | Note | Subscribed and paid-in Capital | Reserves | | | | Retained Earnings | Total Shareholders Equity |
|---|---|---|---|---|---|---|---|---|
| | | | Statutory | Voluntary | Periodic Fluctuations | Fair Value Reserve - net | | |
| For the Year Ended December 31, 2021 | | JD | JD | JD | JD | JD | JD | JD |
| Balance - Beginning of the Year | | 200,655,000 | 62,722,983 | 15,761,637 | 3,678,559 | (4,794,408) | 44,306,191 | 322,329,962 |
| Income for the year | | - | - | - | - | - | 14,230,432 | 14,230,432 |
| Gain from sale of financial assets at fair value through other comprehensive income | | - | - | - | - | (33,679) | 36,524 | 2,845 |
| Change in fair value reserve | 24 | - | - | - | - | (817,541) | - | (817,541) |
| Total comprehensive income | | - | - | - | - | (851,220) | 14,266,956 | 13,415,736 |
| Distributed dividends | 25 | - | - | - | - | - | (8,026,200) | (8,026,200) |
| Transferred to reserve | | - | 2,485,610 | - | - | - | (2,485,610) | - |
| Balance - End of the Year | | 200,655,000 | 65,208,593 | 15,761,637 | 3,678,559 | (5,645,628) | 48,061,337 | 327,719,498 |
| For the Year Ended December 31, 2020 (Restated) | | | | | | | | |
| Balance - Beginning of the Year | | 200,655,000 | 60,964,485 | 15,761,637 | 3,678,559 | (7,388,412) | 34,138,598 | 307,809,867 |
| Prior years adjustments | 46 | - | - | - | - | 2,387,442 | 1,486,385 | 3,873,827 |
| Adjusted balance beginning of the year | | 200,655,000 | 60,964,485 | 15,761,637 | 3,678,559 | (5,000,970) | 35,624,983 | 311,683,694 |
| Income for the year | | - | - | - | - | - | 10,439,706 | 10,439,706 |
| Change in fair value reserve | 24 | - | - | - | - | 206,562 | - | 206,562 |
| Total comprehensive income | | - | - | - | - | 206,562 | 10,439,706 | 10,646,268 |
| Transferred to reserve | | - | 1,758,498 | - | - | - | (1,758,498) | - |
| Balance - End of the Year | | 200,655,000 | 62,722,983 | 15,761,637 | 3,678,559 | (4,794,408) | 44,306,191 | 322,329,962 |

- An amount of JD 12,826,867 from retained earnings is restricted to be used based on the Central Bank of Jordan instructions, against deferred tax assets as of December 31, 2021 (JD 11,841,104 as of December 31, 2020).

- The use of the surplus from the balance of the general banking risks reserve transferred to retained earnings amounted to JD 3,125,029, as of December 31, 2021 and 2020 is restricted without an approval in advance from the Central Bank of Jordan.

- The use of, periodic fluctuations reserve is restricted unless approved in advance by the Palestinian Monetary Authority.

- The use of the retained earing balance in equivalent of negative balance of the fair value reserve amounted to JD 5,645,628 is prohibited, according to the instructions of Jordan Securities Commission.

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF

THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ

WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

JORDAN AHLI BANK

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | For the Year Ended December 31, 2021 | 2020 (Restated) |
|---|---|---|---|
| Cash flow from operating activities | | JD | JD |
| Profit for the year before tax | | 27,166,774 | 17,502,080 |
| Adjustments: | | | |
| Depreciation and amortisation | 12,13,38 | 11,058,836 | 11,565,490 |
| Provision for expected credit losses, net | 30 | 13,180,621 | 21,398,476 |
| Other provisions | 11,19 | 557,051 | 933,774 |
| Impairment provision on assets seized by the bank | 14 | 2,000,000 | 1,344,247 |
| Dividends income on financial assets at fair value through other comprehensive income | 9 | (1,596,787) | (488,583) |
| (Gain) from sale of property and equipment and assets seized by the Bank | 32 | (1,205,494) | (105,475) |
| Bank's share of associate companies' losses (profits) | 11 | 63,776 | (2,694,853) |
| Net interest revenue | | (11,506,747) | (10,601,360) |
| Lease liability interest | 38 | 431,537 | 430,527 |
| Effect of exchange rate changes on cash and cash equivalents | 29 | 533,773 | (698,815) |
| Profit before changes in assets and liabilities | | 40,683,340 | 38,585,508 |
| | | | |
| CHANGES IN ASSETS AND LIABILITIES: | | | |
| Deposits at banks and financial institutions (maturing within a period exceeding 3 months) | | (685,596) | (11,103,944) |
| Direct credit facilities | | (62,701) | (19,137,477) |
| Other assets | | 24,817,405 | 17,151,805 |
| Banks' and financial institutions' deposits maturing within a period exceeding 3 months | | (9,782,326) | 9,559,249 |
| Customers' deposits | | 99,357,289 | 40,373,198 |
| Margin accounts | | 5,757,556 | (3,654,612) |
| Other liabilities | | (6,403,817) | (9,313,003) |
| Net Cash flow from Operating Activities Before Income Tax and paid provisions | | 153,681,150 | 62,460,724 |
| Income tax paid | 20/a | (9,307,588) | (12,190,307) |
| Other provisions paid | 19 | (768,177) | (379,695) |
| Net Cash flow from Operating Activities | | 143,605,385 | 49,890,722 |
| | | | |
| Net cash flow from investing activities | | | |
| Investing in associate companies | 11 | - | 4,962,962 |
| Financial assets at fair value through other comprehensive income | | (743,721) | (414,502) |
| (Purchases) Financial assets at amortized cost | 10 | (246,745,943) | (247,787,419) |
| Matured Financial assets at amortized cost | 10 | 197,566,223 | 185,080,281 |
| Purchases of property, equipment, projects under construction, and intangible assets | 12,13 | (5,030,686) | (6,888,019) |
| Dividends income on financial assets at fair value through other comprehensive income | | 1,596,787 | 488,583 |
| Proceeds from sale of properties and equipment | 12 | 189,188 | 620,128 |
| Net Cash Flow (used in) Investing Activities | | (53,168,152) | (63,937,986) |
| | | | |
| Cash Flow from Financing activities | | | |
| (Decrease) increase in loans and borrowings | | (29,392,843) | 42,371,508 |
| Dividends distibuted to shareholders | | (8,026,200) | - |
| Lease liabilities paid | 38 | (2,187,528) | (2,212,569) |
| Net Cash flow (used in) from Financing Activities | | (39,606,571) | 40,158,939 |
| Effect of exchange rate changes on cash and cash equivalents | 29 | (533,773) | 698,815 |
| Net increase in Cash and Cash Equivalents | | 50,296,889 | 26,810,490 |
| Cash and cash equivalents at the beginning of the year | | 239,652,198 | 212,841,708 |
| Cash and Cash Equivalents at the End of the Year | 36 | 289,949,087 | 239,652,198 |

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

## 1. General Information

Jordan Ahli Bank was established in the year 1955 as a public shareholding Company under registration No. (6) on July 1, 1955 in accordance with the company's law for the year 1927, with headquarters in Amman. Its address is Queen Noor Street, P.O Box 3103, Amman 11181 Jordan. AL A'MAL Bank was merged with the Bank effective from December 1, 1996. Moreover, Philadelphia Investment Bank was merged with Jordan Ahli Bank Company Public Shareholding Compnay effective from July 1, 2005.

The Bank provides all banking and financial services related to its business thought its main office, branches in Jordan (49 branches), foreign branches in Palestine and Cyprus (10 branches) and its subsidiaries in Jordan.

The Bank's shares are listed in Amman Stock Exchange - Jordan.

The consolidated financial statements have been approved by the Board of Directors in its meeting No. (1) held on 27 January 2022 and it is subject to the approval of the Central Bank of Jordan and the General Assembly of the Shareholders.

## 2. Significant Accounting Policies

### Basis of Preparation of Consolidated Financial Statement

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

The key differences between International Financial Reporting Standards that should be applied and what adopted by the Central Bank of Jordan are as follows:

- Provisions for expected credit losses are calculated in accordance with the International Financial Reporting Standard (9), and according to the Central Bank of Jordan (CBJ) whichever is more strict, the main significant differences are as follows:

  - Elimination of debt instrument issued or guaranteed by the Jordanian government, in addition to other credit exposures with the Jordanian government or guaranteed, in which credit exposures over the Jordanian government are ammended and guaranteed without 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. (2009/47) dated December 10, 2009 for each stage separately and the toughest results are taken.

  - In some special cases Central Bank of Jordan agrees on special arrangements related to the calculation of the expected credit losses' provision of direct credit facilities customers over the determined period.

  - The clients facilities related to governmental projects outcomes (transfers of Government dues) are excluded from provisions calculation.

  - Based on the two circulars of the Central Bank of Jordan to banks operating in Jordan No. 10/3/4375 and No. 10/3/14960 issued on March 15, 2020, and November 22, 2020, respectively. Therefore, it is permissible for the bank to postpone the instalments due, or which are due on some customers without considering it as a structuring and without affecting the customer's credit rating.

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

- Assets foreclosed to the Bank are shown in the consolidated statement of financial position, among other assets at their current value when it foreclosed to the Bank or at their fair value, whichever is lower. Furthermore, they are revaluated on the date of the consolidated financial statements separately, and any decrease in its value is recorded in the consolidated statement of profit or loss and consolidated comprehensive income while no increase in its value is recorded as revenue, in which, any subsequent increase is taken to the consolidated statement of profit or loss and other comprehensive income to the extent of not exceeding the previously recorded impairment value. A gradual provision has been taken for real estate acquired in exchange for debts according to the Central Bank of Jordan's generalization (10/1/16239) dated November 21, 2020, which is 5% of the total book value of these real estates from the year of 2021 until the required percentage is reached (50% of these properties by the end of the year 2030).

- 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, 2020, except for the effect of the items stated in the notes (3-a & 3-b).

2. <u>Basis of Preparation the consolidated financial information</u>

- The consolidated financial information include the financial information of the Bank and its subsidiaries under its control, Meanwhile, control exists when the Bank has control over the investee company, or it is exposed to variable returns or holds rights for its participation in the investee company, and the Bank is able to use its control over the investee company to affect those returns.

- All balances, transactions, income, and expenses between the Bank and its subsidiaries are eliminated.

- The subsidiaries' financial information 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 information to make them comply with the accounting policies used 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.

- The non-controlling interests represent the portion not owned by the Bank in the subsidiaries, Non-controlling interests are shown in the subsidiaries' net assets as a separate line item within the Bank's statement of shareholders' equity.

- The Bank owns the following subsidiaries as of December 31, 2021:

| Company's Name | Ownership of the Bank | December 31, 2021 Paid-up Capital | Investment amount | Nature of Operation | Date of Acquisition | Location | For the year ended December 31, 2021 Total Assets | Total Liabilities | Total Revenue | Total Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| | % | JD | JD | | | | JD | JD | JD | JD |
| Al-Alhli Microfinance Company | 100 | 6,000,000 | 6,000,000 | Micro Finance | 1999 | Jordan | 21,361,800 | 7,961,862 | 7,599,515 | 5,987,209 |
| Al-Alhli Financial Leasing Company | 100 | 17,500,000 | 17,500,000 | Finance leasing | 2009 | Jordan | 83,676,970 | 46,238,024 | 4,828,857 | 2,427,688 |
| Al-Alhli Financial Brokerage Company | 100 | 3,000,000 | 3,000,000 | Financial Brokerage | 2006 | Jordan | 4,263,828 | 884,331 | 288,822 | 576,244 |
| Al-Alhli Financial Technology Company | 100 | 600,000 | 600,000 | Financial Technology | 2018 | Jordan | 436,399 | 701 | 1,797 | 167,052 |
| TOTAL | | 27,100,000 | 27,100,000 | | | | | | | |

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

| Company's Name | Ownership of the Bank | December 31, 2020 Paid-up Capital | December 31, 2020 Investment amount | Nature of Operation | Date of Acquisition | Location | For the year ended December 31, 2020 Total Assets | Total Liabilities | Total Revenue | Total Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| | % | JD | JD | | | | JD | JD | JD | JD |
| Al-Alhli Microfinance Company | 100 | 6,000,000 | 6,000,000 | Micro Finance | 1999 | Jordan | 21,246,767 | 9,459,143 | 6,768,220 | 5,730,136 |
| Al-Alhli Financial Leasing Company | 100 | 17,500,000 | 17,500,000 | Finance leasing | 2009 | Jordan | 86,056,105 | 51,018,330 | 4,725,953 | 2,556,535 |
| Al-Alhli Financial Brokerage Company | 100 | 3,000,000 | 3,000,000 | Financial Brokerage | 2006 | Jordan | 4,055,955 | 515,957 | 157,742 | 284,663 |
| Al-Alhli Financial Technology Company | 100 | 600,000 | 600,000 | Financial Technology | 2018 | Jordan | 601,654 | 701 | 2,104 | 21,480 |
| TOTAL | | 27,100,000 | 27,100,000 | | | | | | | |

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;

- 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 holdings of the other vote holders;
- 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 made, including voting patterns at previous shareholders' meetings.

When it loses control of a subsidiary, the Bank performs the following:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the book value of any non-controlling interests,
- Derecognizes transfer differences accumulated 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.

<u>Segmental Reporting</u>
- 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 which are 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 risk and returns different from those of sectors functioning in other economic environments.

Net Interest Income

Interest income and expense for all financial instruments, except for those classified as held for trading, or those measured or designated as at fair value through 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 at fair value through the consolidated statement of profit or loss is included within the fair value movement during the period.

The effective interest rate is the rate that 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.

Interest income / interest expense is calculated by applying the effective interest rate to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the effective interest rate to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets originated or purchased credit-impaired, the effective interest rate reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

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

Net Commission Income

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

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

Contracts with customers that results in a recognition of financial instrument may be partially related to of IFRS 9 or IFRS 15. In this case, the commission related to IFRS 9 portion is recognized, and the remaining portion is recognized as per 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 Income

Net income from other financial instruments at fair value through profit or loss includes all gains and losses from changes in the fair value of financial assets and financial liabilities at fair value through profit or loss except those that are held for trading. The Bank has elected to present the full fair value movement of assets and liabilities at fair value through 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 are 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 loss as the hedged item. For designated and effective cash flow and net investment hedge accounting relationships, the gains and losses of the hedging instrument, including any hedging ineffectiveness included in 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 the statement of income depends on the classification and measurement of the equity investment, i.e.:

- For equity instruments which are held for trading, dividend income is presented in the statement of income in gain (loss) from financial assets through the statement of profit or loss;
- For equity instruments designated at fair value through other comprehensive income, dividend income is presented in dividends 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. Loans and advances to customers are recognized when they are recorded in the customer's account.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributed to the acquisition or the issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate on initial recognition. Transaction costs directly attributed 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 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 income on initial recognition (i.e. day 1 gain or loss);

- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 gain 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 income on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability or when derecognizing the instruments.

Financial Assets

Initial Recognition

All financial assets are recognized on the trading date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. They and 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 income 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 income, 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 the consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs, as well as a profit margin. The 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, which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.

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

- The stated policies and objectives of the portfolio and application of those policies whether the management strategy focuses on obtaining contractual revenues, maintaining specific profit rate matching the profit of financial assets with the period of 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.

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 Profit or Loss
Financial assets at fair value through the statement of income 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 the statement of income 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 profit or loss.

Reclassifications
If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model, which results in reclassifying the Bank's financial assets. 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 profit or loss; and
- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in the statement of profit or loss. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at fair value through the statement of profit or loss that are not part of a designated hedge accounting relationship, exchange differences are recognized in the statement of income either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at fair value through 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 statement of profit or loss (fair value option) can be classified at initial recognition even if the financial instruments are not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option may be used for financial assets if it significantly eliminates or significantly reduces the measurement or recognition inconsistency that would otherwise have resulted in the measurement of the asset or liability or recognized the related gain or loss on a different basis ("accounting mismatch"). The fair value option for financial liabilities can be chosen in the following cases:

- If the selection leads to a significant cancellation or reduction of the accounting mismatch.

- If the financial liabilities are part of a portfolio managed on a fair value basis, in accordance with a documented risk management or investment strategy; or

- If a derivative is included in the underlying financial or non-financial contract, and the derivative is not closely related to the underlying contract.

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

Impairment

The Bank recognizes loss allowances for expected credit losses on the following financial instruments that are not measured at fair value through 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 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 ECL, i.e. lifetime ECL that results from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- Full lifetime ECL, i.e. lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

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

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

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

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

When calculating the credit losses against credit exposures, a calculation comparasion according to IFRS 9 with Central Bank of Jordan instructions No. (2009/47) dated December 10, 2009 for each stage individual, the stronger results is taken. The credit instruments issued / 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 difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

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

- The borrower is past due more than 90 days on any material credit obligation to the Bank; or

- The borrower is unlikely to pay its credit obligations to the Bank in full.

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

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

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

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

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

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behavior. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime 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 probability of default used is forward looking, and the Bank uses the same methodologies and data used to measure the loss allowance for expected credit loss.

The qualitative factors that indicate significant increase in credit risk are reflected in 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 that are included on a 'watch list'. An exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

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

As a backstop when an asset becomes more than (30) 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.

<u>Modification and De-recognition of Financial Assets</u>
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, 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 per mount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

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

- The remaining lifetime 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 calculating the expected cash shortfalls from the original asset.

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in 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 the statement of income.

<u>Write-off</u>

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

Presentation of Allowance for ECL in the Consolidated 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 as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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

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

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

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

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

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

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The 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.

Derecognition of Financial Liabilities

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

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

Derivative Financial Instruments

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

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

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

Embedded derivatives

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

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

Financial Guarantee Contracts

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

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

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

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

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

Commitments to Provide a Loan at a Below-Market Interest Rate

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at fair value through the statement of income, are subsequently measured at the higher of:

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

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

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

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

Hedge Accounting

The Bank designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations, as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Bank does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition, the Bank does not use the exemption to continue using IAS 39 hedge accounting rules, i.e. the Bank applies IFRS 9 hedge accounting rules 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 similar treatment is applied to the one applied for the time value of options. The treatment for the forward element of a forward contract and the currency basis element is optional, and the option is applied on a hedge- by- hedge basis, unlike the treatment for the time value of the options which is mandatory. For hedge relationships with forwards, or foreign currency derivatives such as cross currency interest rate swaps, where the forward element or the currency basis spread is excluded from the designation, the Bank generally recognizes the excluded element in OCI.

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

Fair Value Hedges

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

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

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

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

<u>Cash Flow Hedges</u>
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 statement.

<u>Hedges of Net Investments in Foreign Operations</u>
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 the statement of income 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 based on the following rates:

| | % |
|---|---|
| Buildings | 2 |
| Equipment, furniture and fixtures | 10-20 |
| Vehicles | 15 |
| Computers | 30 |
| Other | 15-20 |

- If such indication exists and when the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is charged to 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 consider these factors at the measurement date. The fair value for measurement and / or disclosure purposes in these financial statements is determined on the same basis, except for measurement procedures that are similar to fair value procedures and are not fair value such as fair value as used in IAS 36.

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

Level (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: are 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 accrued tax and deferred taxes.

- Accrued 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 accumulated losses that are tax acceptable or items not subject to deduction for tax purposes.

- Tax is calculated based on tax rates and laws that are applicable in the country of operation.

- 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 Repossesed by the Bank

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, and any decrease in value is recorded as a loss in the consolidated statement of profit or loss and comprehensive income and the increase in value is not recorded as revenue. In addition, any subsequent increase is taken to the consolidated statement of profit or loss and comprehensive income to the extent that it does not exceed the previously recorded impairment value. A decleartion was issued later for this circulation dated to September 2, 2021 No. 10/3/13246 by (5%) of the total book values of these assets as of the year 2022 to reach the required percentage of (50%) of these assets by the end of the year 2030.

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. 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.

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 statement of profit or loss.

- 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.

<u>The Bank as a Lessor</u>
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. Adoption of new and revised Standards

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2021, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Interest Rate Benchmark Reform

In the prior year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

During February 2021, and in conjunction with the Group business, the Bank has established a business plan to transfer from LIBOR which is formed by the Association of Banks in Jordan that covers all the related aspects of transiting the credit facilities pricing granted in foreign currencies from LIBOR to other pricing strategies.

The approved reference prices by the Central Bank of Jordan, as an alternative to the LIBOR as follows:

| **Currency** | **Current Reference Pricing** | **Approved Alternative by the Central Bank of Jordan** |
|---|---|---|
| U.S. Dollar | LIBOR | SOFR |
| Euro | EURIBOR/EONIA | ESTR |
| GBP – British Pound | LIBOR | SONIA |
| Japanese Yen | LIBOR | TONA |
| Swiss Franc | LIBOR | SARON |

The efforts in the bank have been partitioned to three phases:

**<u>First Phase:</u>** Sort all the customers that were granted credit facilities in foreign currencies that its pricing is correlated with LIBOR in the Jordanian, Palestinian, and Cyprus branches.

**<u>Second Phase:</u>** Review of the credit facilities contracts of the sorted clients and obtain the legal opinion on the appropriate adjusting method in co-operation with the external legal councils.

**<u>Third Phase:</u>** Prepare the bank's system for the new requirements.
In addition to the treasury role through its involvement in the preparation of the group that is responsible of preparing for the movement and the transition into the LIBOR system, that was established by the Jordanian Banks Association to determine the best alternative pricing tool which could be approved as an alternative to the LIBOR system. The SOFR Forward Looking / term risk free rate that was published in Reuters agency and provided by Chicago Mercantile Exchange (CME), and was approved by the treasury department.

The summary of the granted credit facilities in US dollars as of 31 December 2021 as follows:

**<u>First Phase:</u>**
The contracts that are non-derivatives, and that is expected to adjust their reference pricing amounted to USD 177.74 million as of 31 December 2021 as in the Bank's consolidated financial statements.

**<u>Second Phase:</u>** Reviewing the Legal Authentication:
The signed contracts/appendixes of the granted credit facilities in foreign currencies were reviewed, and the related legal opinion were obtained, and the forms of the contracts' appendixes were approved and distributed to the branches.

With a reference to the granted credit facilities contains minimum limits agreed upon in the credit facilities contracts regarding the interest on those facilities, and the minimum limit agreed upon in the contracts continue to be valid and binding based on the legal experts' opinions.

**<u>Third Phase:</u>** Preparing the Bank's system for the new requirements:
The bank systems for Jordan branches, Cyprus and Palestine have been prepared to read and consider the new pricing tools and its application.

The associated risks to the interest rate arise from the potential impact of changes in interest rates on the financial assets, and the bank is exposed to these risks as a result of the mismatch between assets and liabilities that may result in a gap in it based on the different parameters of time, date, or reviewing the interest rates in a determined time period, were the stress testing are considered complimenting or vital part of the governance and risk management of the bank, based on its effects in the decision making process on the administrative, strategic, and the executive aspects, in addition to its prospective dimension in the risk assessment. Based on that, the results of these tests, its proposed scenarios, and the outcomes evaluations should be predetermined based on the outcomes of these tests.

- A group of scenarios are proposed that are appropriate with the size and the nature of the expected risks that the bank is exposed to. Those risks are sorted based on the effect on the bank from lower to severe, and the size of the losses that the bank is exposed to. Those risks should be reviewed on continuous bases and are adjusted based on the banking and economic situation in general. The stress tests are done based on the following:
- Re-pricing tests by assuming the mismatch between the pricing of assets and liabilities.
- Gap analysis tests: by determining the bank position regarding the assets and the liabilities that are sensitive to the interest rates risks.

The results of stress testing and its impact on the bank's assets and its financial position are analyzed and evaluated by determining the size of the expected losses or/ and the impact on the bank's reputation, the adequacy of the capital and also using the results in Capital Planning process to consider inject additional capital or not based on the internal capital adequacy assessment process (ICAAP).

The impact of the expected adjustments on the reference prices was studied, and there was no material impact on the amounts and disclosures contained in the consolidated financial statements for any of the first and second stage adjustments, as the group's financial instruments are not linked to the interbank borrowing rate (IBOR).

<u>COVID-19-Related Rent Concessions beyond June 30, 2021 - Amendment to IFRS 16</u>
In the prior year, the Group early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021.

In March 2021, the Board issued *Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)* that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022)
- There is no substantive change to other terms and conditions of the lease

Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements as the Group did not have any leases impacted by the amendment.

b. Standards issued but not effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

| New and revised IFRSs | Effective date |
|---|---|
| IFRS 17 Insurance Contracts (including the June 2020 amendments to IFRS 17)<br>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.<br><br>IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.<br><br>The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.<br><br>In June 2020, the Board issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the Board issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after January 1, 2023.<br><br>For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. | The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. |
| Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<br>The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.<br><br>The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise. | The effective date is yet to be set. Earlier application is permitted. |

| New and revised IFRSs | Effective date |
|---|---|
| Amendments to IAS 1 – Classification of Liabilities as Current or Non-current<br>The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.<br><br>The amendments clarify that the classification of liabilities as current or noncurrent is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. | The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. |
| Amendments to IFRS 3 – Reference to the Conceptual Framework<br>The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.<br><br>Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. | The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references. |
| Amendments to IAS 16 – Property, Plant and Equipment—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 before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.<br><br>The amendments also clarify the meaning of 'testing whether an asset is functioning properly. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.<br><br>If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.<br><br>The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.<br><br>The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. | January 1, 2022, with early application permitted. |

| New and revised IFRSs | Effective date |
|---|---|
| Amendments to IAS 37 – 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 consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and 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).<br><br>The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. | January 1, 2022, with early application permitted. |
| IFRS 1 First-time Adoption of International Financial Reporting Standards<br>The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a). | January 1, 2022, with early application permitted. |
| IFRS 9 Financial Instruments<br>The amendment clarifies that in applying the '10 per cent' test to assess 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><br>The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. | The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. |
| IFRS 16 Leases<br>The amendment removes the illustration of the reimbursement of leasehold improvements. | As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated. |
| IAS 41 Agriculture<br>The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.<br><br>The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. | January 1, 2022, with early application permitted. |

| New and revised IFRSs | Effective date |
| --- | --- |
| Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies<br>The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.<br><br>The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.<br><br>The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. | January 1, 2023, with earlier application permitted and are applied prospectively.<br><br>The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. |
| Amendments to IAS 8 - Definition of Accounting Estimates<br>The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".<br><br>The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:<br>• A change in accounting estimate that results from new information or new developments is not the correction of an error<br>• The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors<br><br>The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments. | January 1, 2023, with earlier application permitted |

| New and revised IFRSs | Effective date |
|---|---|
| Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction<br>The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.<br><br>Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.<br><br>Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.<br><br>The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.<br><br>The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:<br>• A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:<br>- Right-of-use assets and lease liabilities<br>- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset<br>• The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. | January 1, 2023, with earlier application permitted |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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

Preparation of the consolidated financial statements and application of the 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, provisions, in general, expected credit losses, as well as changes in fair value that appear in the consolidated statement of comprehensive income and within shareholders' equity. In particular, the Bank's management requires judgments to be made to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Meanwhile, the actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods.

We 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. 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 revenue.

According to the Central Bank of Jordan’s Circular No. 10/3/13246 dated September 2, 2021 at a rate of (5%) of the total book value of these properties (regardless of the violation period) from the year 2022 until the required percentage is reached (50%) of these properties by the end of the year 2030.

### 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 the income tax expense in accordance with the accounting regulations, laws and standards. Moreover, deferred tax assets and liabilities and the required tax provision are recognized.

### Litigation provision

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

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

Provision for 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 (39).

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 (39).

Establish groups of assets with similar credit risk characteristics

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

Re-division of portfolios and movements between portfolios

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

Models and assumptions used

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

a. Classification and measurement of financial assets and liabilities

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

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

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

b. Fair value measurement

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

c. Derivative financial instruments

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

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

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

Extension and termination options in leases
Extension and termination options are included in a number of leases. These terms are used to increase operational flexibility in terms of contract management, and most of the retained extension and termination options are renewable by both the bank and the lessor.

Determining the duration of the lease
When determining the duration of the lease, management takes into account all the facts and circumstances that create an economic incentive for the extension option, or no termination option. Extension options (or periods following termination options) are included only in the lease term if the lease is reasonably certain to be extended (or not terminated). The evaluation is reviewed in the event of a significant event or significant change in the circumstances affecting this assessment that are under the control of the tenant.

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

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

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

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

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

Discounting of lease payments
Leasing payments are deducted using the Bank's additional borrowing rate ("IBR"). The Administration applied the provisions and estimates to determine the additional borrowing rate at the start of the lease.

## 5. Cash and Balances at Central Banks

Details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Cash at vaults | 66,311,112 | 51,728,891 |
| Balances at the Central Banks: | | |
| Current accounts and call accounts | 9,609,467 | 6,018,631 |
| Term and notice deposits | 90,598,000 | 46,846,207 |
| Statutory cash reserve | 93,159,128 | 87,023,406 |
| Total Balances at the Central Banks | 193,366,595 | 139,888,244 |
| Total Cash and Balances at Central Banks | 259,677,707 | 191,617,135 |

- Except for the cash reserve with the central banks and the capital deposit with the Palestinian Monetary Authority amounting to JD 10,635,000 shown within time and notice deposit, There are no restricted cash balances as at December 31, 2021 and December 31, 2020.

- There are no balances, maturing within a period exceeding Three months as at December 31, 2021 and December 31, 2020.

The classification of gross balance with central banks according to the bank's internal credit rating is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage (1)- Individual | Stage (2)- Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| Governmental | 193,366,595 | - | - | 193,366,595 | 139,888,244 |
| Balance at end of year | 193,366,595 | - | - | 193,366,595 | 139,888,244 |

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

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage (1)- Individual | Stage (2)- Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at beginning of year | 139,888,244 | - | - | 139,888,244 | 154,093,815 |
| New balances during year | 136,317,359 | - | - | 136,317,359 | 93,008,385 |
| Paid balances | (82,839,008) | - | - | (82,839,008) | (107,213,956) |
| Balance at end of year | 193,366,595 | - | - | 193,366,595 | 139,888,244 |

## 6. Balances at Banks and Financial Institutions

The details of this item is as follows:

| | Local Banks and Financial Institutions | | Foreign Banks and Financial Institutions | | Total | |
|---|---|---|---|---|---|---|
| | December 31, | | December 31, | | December 31, | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | JD | JD | JD | JD | JD | JD |
| Current and call accounts | 147,206 | 249,174 | 68,526,712 | 52,315,311 | 68,673,918 | 52,564,485 |
| Deposits maturing within 3 months or less | 29,069,000 | 2,000,000 | 79,697,461 | 112,811,323 | 108,766,461 | 114,811,323 |
| Total | 29,216,206 | 2,249,174 | 148,224,173 | 165,126,634 | 177,440,379 | 167,375,808 |
| Less: ECL provision | (4,832) | (952) | (16,724) | (34,393) | (21,556) | (35,345) |
| Net balance at banks and financial institutions | 29,211,374 | 2,248,222 | 148,207,449 | 165,092,241 | 177,418,823 | 167,340,463 |

- Non-interest bearing balances at banks and financial institutions amounted to JD 68,673,918 as of December 31, 2021 (JD 52,564,485 as of December 31, 2020).

- There are no restricted balances as of December 31, 2021 and 2020.

The classification of gross balances with banks and financial institutions according to the bank's internal credit rating is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total | Total |
| Credit rating according to the Bank's internal Policy: | JD | JD | JD | JD | JD |
| From (1) to (6) | 138,682,031 | - | - | 138,682,031 | 148,889,677 |
| (7) | 11,194 | - | - | 11,194 | 11,967 |
| un-rated | 38,747,154 | - | - | 38,747,154 | 18,474,164 |
| Total Balance At the End of the Year | 177,440,379 | - | - | 177,440,379 | 167,375,808 |

The following is the movement of the total balances at banks and financial institutions:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at beginning of year | 167,375,808 | - | - | 167,375,808 | 135,816,486 |
| New balances during year | 120,541,533 | - | - | 120,541,533 | 188,524,930 |
| Withdrawn balances | (110,476,962) | - | - | (110,476,962) | (156,965,608) |
| Balance at end of year | 177,440,379 | - | - | 177,440,379 | 167,375,808 |

* Disclosure of the movement on the expected credit losses provision of balances at banks and financial institutions:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at beginning of the year | 35,345 | - | - | 35,345 | 29,151 |
| Expected credit loss on new balances for the year | - | - | - | - | 6,194 |
| Recovered credit loss on balances and settled amounts | (13,789) | - | - | (13,789) | - |
| Balance at end of year | 21,556 | - | - | 21,556 | 35,345 |

7. Deposits at Banks and Financial Institutions

Details of the following item are as follows:

| | Local Banks and Financial Institutions | | Foreign Banks and Financial Institutions | | Total | |
|---|---|---|---|---|---|---|
| | December 31, | | December 31, | | December 31, | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | JD | JD | JD | JD | JD | JD |
| Deposits maturing from 3 months to 6 months | - | - | 20,342,135 | 19,642,750 | 20,342,135 | 19,642,750 |
| Total | - | - | 20,342,135 | 19,642,750 | 20,342,135 | 19,642,750 |
| ECL provision | - | - | (29,274) | (24,074) | (29,274) | (24,074) |
| Net balance at banks and financial institutions | - | - | 20,312,861 | 19,618,676 | 20,312,861 | 19,618,676 |

Disclosure of the allocation of total deposits at banks according to the Bank's internal credit rating is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total | Total |
| Credit rating according to the Bank's internal policy | JD | JD | JD | JD | JD |
| 3 | 20,342,135 | - | - | 20,342,135 | 19,642,750 |
| Total - end of the year | 20,342,135 | - | - | 20,342,135 | 19,642,750 |

The following is the movement on the total deposits at Banks and Financial Institutions:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| Total balance at the beginning of the year | 19,642,750 | - | - | 19,642,750 | 8,545,000 |
| New balances during the year | 20,342,135 | - | - | 20,342,135 | 19,642,750 |
| Settled balances | (19,642,750) | - | - | (19,642,750) | (8,545,000) |
| Total Balance At the End of the Year | 20,342,135 | - | - | 20,342,135 | 19,642,750 |

- Disclosure of the provision for expected credit losses movement on deposits at banks and financial institutions:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at beginning of the year | 24,074 | - | - | 24,074 | 24,074 |
| Expected credit losses for new balances during the year | 5,200 | - | - | 5,200 | - |
| Total Balance At the End of the Year | 29,274 | - | - | 29,274 | 24,074 |

8. Direct Credit Facilities - Net

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| **Individuals (retail):** | | |
| Overdraft accounts | 1,488,239 | 1,625,328 |
| Loans and bills * | 317,357,214 | 316,412,699 |
| Credit cards | 9,888,698 | 9,679,101 |
| **Real estate loans** | 312,679,388 | 323,817,108 |
| **Corporate :** | | |
| **Large Corporate** | | |
| Overdraft accounts | 90,450,818 | 115,565,779 |
| Loans and bills * | 530,526,594 | 514,784,502 |
| **Small and Medium** | | |
| Overdraft accounts | 33,084,920 | 32,882,557 |
| Loans and bills * | 137,668,140 | 129,835,410 |
| **Government and public sector** | 31,531,105 | 24,904,449 |
| **Total** | 1,464,675,116 | 1,469,506,933 |
| Less: Interest in suspense | (24,049,947) | (22,898,709) |
| Expected credit losses provision | (82,940,530) | (76,974,392) |
| Net Direct Credit Facilities | 1,357,684,639 | 1,369,633,832 |

* Net after deducting interest and commission received in advance of JD 12,086,982 as of December 31, 2021 (JD 13,645,250 as of December 31, 2020).

- Non-performing credit facilities were amounted to JD 107,430,472 which is equivalent to 7.33% of total direct credit facilities as of December 31, 2021 (JD 110,523,831 which is equivalent to 7.52% of total direct credit facilities as of December 31, 2020).

- Non- performing credit facilities after deducting interest in suspense were amounted to JD 87,210,548 as of December 31, 2021 which is equivalent to 6.04% (JD 90,709,860 which is equivalent to 6.26% of total credit facilities balance after deducting interest in suspense as of December 31, 2020).

- Non-performing credit facilities transferred to off statement of financial position items amounted to JD 132,049,587 as at December 31, 2021 Noting that these credit facilities are fully covered with the suspended interests and provisions (JD 127,072,132 as of December 31, 2020).

- There are no credit facilities granted to, and guaranteed by the Jordanian government as at December 31, 2021 and December 31, 2020.

- Based on the Board of Directors decesions an amount of JD 2,124,124 of non performing facilities were written - off along with their suspended interest during the year 2021 (JD 2,323,698 during the year 2020).

The disclosure on the movement of the provision for gross expected credit losses is as follows:

| For the Year Ended December 31, 2021 | Retail | Real Estate Loans | Corporates: Corporate | Corporates: SMEs | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Balance at January 1, 2021 | 14,806,027 | 6,723,978 | 43,717,226 | 11,674,489 | 52,672 | 76,974,392 |
| Expected credit loss on new facilities granted during the period | 2,607,275 | 669,527 | 894,816 | 1,566,905 | - | 5,738,523 |
| Recovered of provision for expected credit loss paid | (1,565,321) | (986,882) | (403,387) | (1,509,923) | - | (4,465,513) |
| Transferred to stage 1 | 328,369 | 466,211 | (27,832) | (36,270) | - | 730,478 |
| Transferred to stage 2 | (560,035) | (319,531) | 10,042 | (226,191) | - | (1,095,715) |
| Transferred to stage 3 | 231,666 | (146,680) | 17,790 | 262,461 | - | 365,237 |
| Transferred to off statement of financial position | (396,776) | (541,489) | (1,697,028) | (3,081,320) | - | (5,716,613) |
| Effect on the provision at the end of the year - resulting from the reclassification between the three stages during the year | 1,811,132 | 1,128,111 | 76,860 | 630,191 | - | 3,646,294 |
| Changes resulting from adjustments | (1,423,994) | 1,211,343 | 6,772,877 | 507,783 | 24,581 | 7,092,590 |
| Written off facilities | (38,402) | (12,449) | (372,714) | (102,843) | - | (526,408) |
| Foreign exchange adjustments | 11,353 | - | 132,432 | 53,480 | - | 197,265 |
| Balance as at the end of the year | 15,811,294 | 8,192,139 | 49,121,082 | 9,738,762 | 77,253 | 82,940,530 |
| **Redistribution:** | | | | | | |
| Provision on an Individual basis | 15,811,294 | 8,192,139 | 49,121,082 | 9,738,762 | 77,253 | 82,940,530 |
| Provision on a collective basis | - | - | - | - | - | - |
| | 15,811,294 | 8,192,139 | 49,121,082 | 9,738,762 | 77,253 | 82,940,530 |

| For the Year Ended December 31, 2020 | Retail | Real Estate Loans | Corporates: Corporate | Corporates: SMEs | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2020 | 21,145,775 | 6,496,955 | 29,568,205 | 13,297,535 | 92,577 | 70,601,047 |
| Expected credit loss on new facilities granted during the period | 2,098,693 | 992,295 | 19,269,048 | 949,416 | - | 23,309,452 |
| Recovered of provision for expected credit loss paid | (2,088,053) | (1,364,112) | (4,664,376) | (1,462,994) | (39,905) | (9,619,440) |
| Transferred to stage 1 | 471,303 | 340,583 | 106,846 | 37,472 | - | 956,204 |
| Transferred to stage 2 | (394,974) | (340,650) | (1,936,068) | (16,877) | - | (2,688,569) |
| Transferred to stage 3 | (76,329) | 67 | 1,829,222 | (20,595) | - | 1,732,365 |
| Transferred to off statement of financial position | (5,518,732) | (832,278) | (2,300,536) | (3,463,772) | - | (12,115,318) |
| Effect on the provision at the end of the year - resulting from the reclassification between the three stages during the year | 1,068,869 | 672,571 | 14,511,685 | 585,855 | - | 16,838,980 |
| Changes resulting from adjustments | (1,079,320) | 762,929 | (12,645,848) | 1,674,475 | - | (11,287,764) |
| Written off facilities | (815,436) | (4,382) | (271,096) | (15,139) | - | (1,106,053) |
| Foreign exchange adjustments | (5,769) | - | 250,144 | 109,113 | - | 353,488 |
| Balance as at the end of the year | 14,806,027 | 6,723,978 | 43,717,226 | 11,674,489 | 52,672 | 76,974,392 |
| **Redistribution:** | | | | | | |
| Provision on an Individual basis | 14,806,027 | 6,723,978 | 43,717,226 | 11,674,489 | 52,672 | 76,974,392 |
| Provision on a collective basis | - | - | - | - | - | - |
| | 14,806,027 | 6,723,978 | 43,717,226 | 11,674,489 | 52,672 | 76,974,392 |

Provisions no longer needed resulted from settlements, repayments or transferred against other facilities were amounted to JD 4,465,513 for the year ended December 31, 2021 (JD 9,619,440 for the year ended December 31, 2020).

Suspended Interests

The movement of the suspended interests is as follows:

| | Retail | Real estate loans | Corporates: Corporate | Corporates: SMEs | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| For the Year 2021 | | | | | |
| Balance beginning of the year | 2,649,980 | 2,721,101 | 12,785,529 | 4,742,099 | 22,898,709 |
| Add: Interest suspended during the year | 758,731 | 1,143,409 | 3,368,576 | 1,567,859 | 6,838,575 |
| Less: Interests transferred to revenue | (101,009) | (383,461) | (35,843) | (405,359) | (925,672) |
| Transferred to stage (1) | 3,418 | 4,948 | - | (6,095) | 2,271 |
| Transferred to stage (2) | (574) | (380,298) | - | (19,952) | (400,824) |
| Transferred to stage (3) | (2,844) | 375,350 | - | 26,047 | 398,553 |
| Less: Transferred to off-consolidated statement of financial position | (203,834) | (268,197) | (1,987,660) | (1,120,811) | (3,580,502) |
| Less: Written off suspended interests | (97,426) | (181,978) | (260,608) | (641,151) | (1,181,163) |
| Balance End of the Year | 3,006,442 | 3,030,874 | 13,869,994 | 4,142,637 | 24,049,947 |
| For the Year 2020 | | | | | |
| Balance at the beginning of the Year | 4,179,429 | 2,461,294 | 10,827,332 | 5,886,877 | 23,354,932 |
| Add: Interest suspended during the year | 1,137,531 | 1,243,959 | 3,849,822 | 1,698,880 | 7,930,192 |
| Less: Interests transferred to revenue | (137,003) | (274,690) | (309,634) | (349,008) | (1,070,335) |
| Transferred to stage (1) | 1,059 | 12,419 | - | 3,467 | 16,945 |
| Transferred to stage (2) | 65,105 | (40,866) | (4,595,616) | (30,521) | (4,601,898) |
| Transferred to stage (3) | (66,164) | 28,447 | 4,595,616 | 27,054 | 4,584,953 |
| Less: Transferred to off-consolidated statement of financial position | (2,325,632) | (609,497) | (1,353,208) | (2,361,120) | (6,649,457) |
| Less: Written off suspended interests | (204,345) | (99,965) | (228,783) | (133,530) | (666,623) |
| Balance End of the Year | 2,649,980 | 2,721,101 | 12,785,529 | 4,742,099 | 22,898,709 |

Disclosure on the allocation of gross facilities for retail according to the Bank's internal rating for retail:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Credit rating according to the Bank's internal policy: | | | | | |
| From (1) to (6) | 608,896 | 4,453 | - | 613,349 | 1,861,713 |
| (7) | - | 10,120 | - | 10,120 | - |
| From (8) to (10) | - | - | 53,047 | 53,047 | - |
| un-rated | 301,572,024 | 9,933,182 | 16,552,429 | 328,057,635 | 325,855,415 |
| Total | 302,180,920 | 9,947,755 | 16,605,476 | 328,734,151 | 327,717,128 |

The disclosure on the movement of facilities for retail is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 302,761,828 | 9,797,168 | 15,158,132 | 327,717,128 | 338,275,740 |
| New facilities during the year | 63,957,671 | 1,568,047 | 845,882 | 66,371,600 | 49,773,877 |
| Settled facilities | (59,905,949) | (2,811,182) | (1,901,008) | (64,618,139) | (51,348,344) |
| Transferred to stage 1 | 2,723,955 | (2,675,169) | (48,786) | - | - |
| Transferred to stage 2 | (5,531,248) | 5,552,023 | (20,775) | - | - |
| Transferred to stage 3 | (1,825,337) | (1,483,132) | 3,308,469 | - | - |
| Written off facilities and transferred to off statement of financial position items | - | - | (736,438) | (736,438) | (8,984,145) |
| Total Balance at the End of the Year | 302,180,920 | 9,947,755 | 16,605,476 | 328,734,151 | 327,717,128 |

The movement on the provision for expected credit losses for retail facilities is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 767,329 | 1,437,332 | 12,601,366 | 14,806,027 | 21,145,775 |
| Credit loss on new facilities during the year | 21,542 | 2,073 | 2,583,660 | 2,607,275 | 2,098,693 |
| Recovered from credit loss on paid facilities | - | - | (1,565,321) | (1,565,321) | (2,088,053) |
| Transferred to stage 1 | 398,333 | (372,745) | (25,588) | - | - |
| Transferred to stage 2 | (48,828) | 53,759 | (4,931) | - | - |
| Transferred to stage 3 | (21,136) | (241,049) | 262,185 | - | - |
| Effect on the provision at the end of the year - resulting from the reclassification between the three stages during the year | (393,122) | 539,143 | 1,665,111 | 1,811,132 | 1,068,869 |
| Changes resulting from adjustments | (252,488) | (93,193) | (1,078,313) | (1,423,994) | (1,079,320) |
| Written off facilities and transferred to off statement of financial position items | - | - | (435,178) | (435,178) | (6,334,168) |
| Adjustments resulting from changes in exchange rates | - | - | 11,353 | 11,353 | (5,769) |
| Total Balance at the End of the Year | 471,630 | 1,325,320 | 14,014,344 | 15,811,294 | 14,806,027 |

Disclosure on the allocation of gross facilities according to the Bank's internal rating for real estate:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Credit rating categories according to the Bank's internal policy: | | | | | |
| From (1) to (6) | 22,536,605 | 775,723 | - | 23,312,328 | 22,781,170 |
| (7) | - | 754,764 | - | 754,764 | 2,692,736 |
| From (8) to (10) | - | - | 2,381,615 | 2,381,615 | - |
| Un-rated | 257,904,356 | 12,289,554 | 16,036,771 | 286,230,681 | 298,343,202 |
| Total | 280,440,961 | 13,820,041 | 18,418,386 | 312,679,388 | 323,817,108 |

The disclosure on the movement of facilities for real estate is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Gross balance at the beginning of the year | 291,759,265 | 17,099,051 | 14,958,792 | 323,817,108 | 314,887,921 |
| New facilities during the year | 55,932,750 | 598,276 | 757,746 | 57,288,772 | 48,207,419 |
| Settled facilities | (63,429,861) | (1,362,001) | (2,630,517) | (67,422,379) | (37,732,110) |
| Transferred to stage 1 | 9,693,753 | (7,948,569) | (1,745,184) | - | - |
| Transferred to stage 2 | (8,938,962) | 9,297,685 | (358,723) | - | - |
| Transferred to stage 3 | (4,575,984) | (3,864,401) | 8,440,385 | - | - |
| Written off facilities and transferred to off statement of finanicial position items | - | - | (1,004,113) | (1,004,113) | (1,546,122) |
| Total Balance at the End of the Year | 280,440,961 | 13,820,041 | 18,418,386 | 312,679,388 | 323,817,108 |

The disclosure on the movement on the provision for expected credit losses for real estate is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 189,455 | 568,237 | 5,966,286 | 6,723,978 | 6,496,955 |
| Credit loss on new facilities during the year | 65,465 | 3,739 | 600,323 | 669,527 | 992,295 |
| Recovered from credit loss on paid facilities | - | - | (986,882) | (986,882) | (1,364,112) |
| Transferred to stage 1 | 476,564 | (173,430) | (303,134) | - | - |
| Transferred to stage 2 | (1,754) | 51,272 | (49,518) | - | - |
| Transferred to stage 3 | (8,599) | (197,373) | 205,972 | - | - |
| Effect on the provision at the end of the year - resulting from the reclassification between the three stages during the year | (466,933) | 127,209 | 1,467,835 | 1,128,111 | 672,571 |
| Changes resulting from adjustments | 19,496 | (73,749) | 1,265,596 | 1,211,343 | 762,929 |
| Written off facilities and transferred to off statement of financial position items | - | - | (553,938) | (553,938) | (836,660) |
| Adjustments resulting from changes in exchange rates | - | - | - | - | - |
| Total Balance at the End of the Year | 273,694 | 305,905 | 7,612,540 | 8,192,139 | 6,723,978 |

Disclosure on the allocation of gross facilities according to the Bank's internal rating for corporates:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Credit rating according to the Bank's internal policy: | | | | | |
| From (1) to (6) | 423,839,249 | 60,107,546 | - | 483,946,795 | 499,889,449 |
| (7) | - | 28,985,250 | - | 28,985,250 | 31,426,261 |
| From (8) to (10) | - | - | 52,841,317 | 52,841,317 | 51,948,973 |
| Un-rated | 48,140,894 | 2,601,889 | 4,461,267 | 55,204,050 | 47,085,598 |
| Total | 471,980,143 | 91,694,685 | 57,302,584 | 620,977,412 | 630,350,281 |

The disclosure on the movement of facilities for corporates is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Gross balance at the beginning of the year | 515,042,130 | 54,866,846 | 60,441,305 | 630,350,281 | 619,447,722 |
| New facilities during the year | 96,077,269 | 41,258,271 | 1,318,184 | 138,653,724 | 153,100,647 |
| Settled facilities | (127,623,545) | (15,139,357) | (945,681) | (143,708,583) | (138,044,465) |
| Transferred to stage 1 | 100,836 | (100,836) | - | - | - |
| Transferred to stage 2 | (11,324,206) | 11,324,206 | - | - | - |
| Transferred to stage 3 | - | (514,445) | 514,445 | - | - |
| Written off facilities and transferred to off statement of financial position items | (292,341) | - | (4,025,669) | (4,318,010) | (4,153,623) |
| Total Balance at the End of the Year | 471,980,143 | 91,694,685 | 57,302,584 | 620,977,412 | 630,350,281 |

The disclosure on the movement on the provision for expected credit losses for corporates is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 4,731,302 | 5,678,265 | 33,307,659 | 43,717,226 | 29,568,205 |
| Credit loss on new facilities during the year | 118,080 | 26 | 776,710 | 894,816 | 19,269,048 |
| Recovered from credit loss on paid facilities | - | - | (403,387) | (403,387) | (4,664,376) |
| Transferred to stage 1 | - | - | - | - | - |
| Transferred to stage 2 | (27,832) | 27,832 | - | - | - |
| Transferred to stage 3 | - | (17,790) | 17,790 | - | - |
| Effect on the provision at the end of the year - resulting from the reclassification between the three stages during the year | - | 68,105 | 8,755 | 76,860 | 14,511,685 |
| Changes resulting from adjustments | (942,198) | 2,218,054 | 5,497,021 | 6,772,877 | (12,645,848) |
| Written off facilities and transferred to off statement of financial position items | - | - | (2,069,742) | (2,069,742) | (2,571,632) |
| Adjustments resulting from changes in exchange rates | - | 152,543 | (20,111) | 132,432 | 250,144 |
| Total Balance at the End of the Year | 3,879,352 | 8,127,035 | 37,114,695 | 49,121,082 | 43,717,226 |

Disclosure on the allocation of gross facilities according to the Bank's internal rating for SMEs:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Credit rating according to the Bank's internal policy: | | | | | |
| From (1) to (6) | 118,840,721 | 12,232,327 | - | 131,073,048 | 120,993,956 |
| (7) | - | 9,595,893 | - | 9,595,893 | 10,019,730 |
| From (8) to (10) | - | - | 12,222,367 | 12,222,367 | 10,401,693 |
| Un-rated | 14,501,086 | 479,007 | 2,881,659 | 17,861,752 | 21,302,588 |
| Total | 133,341,807 | 22,307,227 | 15,104,026 | 170,753,060 | 162,717,967 |

The disclosure on the movement of facilities for SMEs is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Gross balance at the beginning of the year | 123,181,110 | 19,571,255 | 19,965,602 | 162,717,967 | 168,101,538 |
| New facilities during the year | 63,702,597 | 1,357,171 | 561,118 | 65,620,886 | 44,413,969 |
| Settled facilities | (44,249,975) | (5,403,747) | (2,985,945) | (52,639,667) | (43,823,978) |
| Transferred to stage 1 | 1,730,072 | (1,723,891) | (6,181) | - | - |
| Transferred to stage 2 | (10,172,631) | 10,175,244 | (2,613) | - | - |
| Transferred to stage 3 | (849,366) | (1,668,805) | 2,518,171 | - | - |
| Written off facilities and transferred to off statement of financial position items | - | - | (4,946,126) | (4,946,126) | (5,973,562) |
| Total Balance at the End of the Year | 133,341,807 | 22,307,227 | 15,104,026 | 170,753,060 | 162,717,967 |

The disclosure on the movement on the provision for expected credit losses for SMEs is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Gross balance at the beginning of the year | 1,276,065 | 964,520 | 9,433,904 | 11,674,489 | 13,297,535 |
| Credit loss on new facilities during the year | 152,896 | 2,273 | 1,411,736 | 1,566,905 | 949,416 |
| Recovered from credit loss on paid facilities | - | - | (1,509,923) | (1,509,923) | (1,462,994) |
| Transferred to stage 1 | 34,605 | (33,876) | (729) | - | - |
| Transferred to stage 2 | (63,762) | 65,303 | (1,541) | - | - |
| Transferred to stage 3 | (7,113) | (257,618) | 264,731 | - | - |
| Effect on the provision at the end of the year - resulting from the reclassification between the three stages during the year | (16,470) | 347,501 | 299,160 | 630,191 | 585,855 |
| Changes resulting from adjustments | 71,013 | 240,642 | 196,128 | 507,783 | 1,674,475 |
| Written off facilities and transferred to off statement of financial position items | - | - | (3,184,163) | (3,184,163) | (3,478,911) |
| Adjustments resulting from changes in exchange rates | - | - | 53,480 | 53,480 | 109,113 |
| Total Balance at the End of the Year | 1,447,234 | 1,328,745 | 6,962,783 | 9,738,762 | 11,674,489 |

Disclosure on the allocation of gross facilities according to the Bank's internal rating for government and public sector:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Credit rating according to the Bank's internal policy: | | | | | |
| Un-rated | 31,531,105 | - | - | 31,531,105 | 24,904,449 |
| Total | 31,531,105 | - | - | 31,531,105 | 24,904,449 |

The disclosure on the movement of facilities for government and public sector is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Total exposures at the beginning of the year | 24,904,449 | - | - | 24,904,449 | 22,980,641 |
| New exposures during the year | 6,626,656 | - | - | 6,626,656 | 1,923,808 |
| Total exposures at the ending of the year | 31,531,105 | - | - | 31,531,105 | 24,904,449 |

The disclosure on the movement on the provision for expected credit losses for governments and public sector is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 52,672 | - | - | 52,672 | 92,577 |
| Recovered from impairment loss on exposures paid during the year | - | - | - | - | (39,905) |
| Changes resulting from adjustments | 24,581 | - | - | 24,581 | - |
| Total balance of expected credit losses at the end of the year | 77,253 | - | - | 77,253 | 52,672 |

Disclosure on the allocation of gross facilities according to the Bank's internal rating for direct facilities:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Credit rating according to the Bank's internal policy: | | | | | |
| From (1) to (6) | 565,825,471 | 73,120,049 | - | 638,945,520 | 645,526,288 |
| (7) | - | 39,346,027 | - | 39,346,027 | 44,138,727 |
| From (8) to (10) | - | - | 67,498,346 | 67,498,346 | 62,350,666 |
| Un-rated | 653,649,465 | 25,303,632 | 39,932,126 | 718,885,223 | 717,491,252 |
| Total | 1,219,474,936 | 137,769,708 | 107,430,472 | 1,464,675,116 | 1,469,506,933 |

The disclosure on the movement of gross facilities for direct facilities is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Gross balance at the beginning of the year | 1,257,648,782 | 101,334,320 | 110,523,831 | 1,469,506,933 | 1,463,693,562 |
| New facilities during the year | 286,296,943 | 44,781,765 | 3,482,930 | 334,561,638 | 297,419,720 |
| Settled facilities | (295,209,330) | (24,716,287) | (8,463,151) | (328,388,768) | (270,948,897) |
| Transferred to stage 1 | 14,248,616 | (12,448,465) | (1,800,151) | - | - |
| Transferred to stage 2 | (35,967,047) | 36,349,158 | (382,111) | - | - |
| Transferred to stage 3 | (7,250,687) | (7,530,783) | 14,781,470 | - | - |
| Written off facilities and transferred to off statement of financial position items | (292,341) | - | (10,712,346) | (11,004,687) | (20,657,452) |
| Total Balance at the End of the Year | 1,219,474,936 | 137,769,708 | 107,430,472 | 1,464,675,116 | 1,469,506,933 |

The disclosure on the movement on the provision for gross expected credit losses for direct facilities is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 7,016,823 | 8,648,354 | 61,309,215 | 76,974,392 | 70,601,047 |
| Credit loss on new facilities during the year | 357,983 | 8,111 | 5,372,429 | 5,738,523 | 23,309,452 |
| Recovered from credit loss on paid facilities | - | - | (4,465,513) | (4,465,513) | (9,619,440) |
| Transferred to stage 1 | 909,502 | (580,051) | (329,451) | - | - |
| Transferred to stage 2 | (142,176) | 198,166 | (55,990) | - | - |
| Transferred to stage 3 | (36,848) | (713,830) | 750,678 | - | - |
| Effect on the provision at the end of the year - resulting from the reclassification between the three stages during the year | (876,525) | 1,081,958 | 3,440,861 | 3,646,294 | 16,838,980 |
| Changes resulting from adjustments | (1,079,596) | 2,291,754 | 5,880,432 | 7,092,590 | (11,287,764) |
| Written off facilities and transferred to off statement of financial position items | - | - | (6,243,021) | (6,243,021) | (13,221,371) |
| Adjustments resulting from changes in exchange rates | - | 152,543 | 44,722 | 197,265 | 353,488 |
| Total Balance at the End of the Year | 6,149,163 | 11,087,005 | 65,704,362 | 82,940,530 | 76,974,392 |

9. Financial Assets At Fair Value Through Other Comprehensive Income

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Quoted shares | 10,451,048 | 9,290,420 |
| Unquoted shares | 16,034,658 | 16,454,414 |
| | 26,485,706 | 25,744,834 |

- Cash dividends for the above-mentioned financial assets were amounted to JD 1,596,787 for the year ended December 31, 2021 (JD 488,583 for the year ended December 31, 2020).

10. Financial Assets at Amortized Cost - Net

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Governmental treasury bonds and bills | 765,683,348 | 687,798,245 |
| Corporate bonds | 101,503,440 | 130,301,096 |
| | 867,186,788 | 818,099,341 |
| Less: Provision for expected credit losses | (936,381) | (906,245) |
| | 866,250,407 | 817,193,096 |
| Bonds Analysis | | |
| With Fixed rate | 867,186,788 | 818,099,341 |
| Total | 867,186,788 | 818,099,341 |
| Unqouted bonds and bills | 867,186,788 | 818,099,341 |

Financial Assets at Amortized Cost Analysis according to IFRS 9 (before provision):

| | | |
|---|---|---|
| Stage (1) | 867,186,788 | 818,099,341 |
| Total | 867,186,788 | 818,099,341 |

The movement on financial assets at amortized cost based on internal credit of the bank as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total | Total |
| Credit rating according to the Bank's internal policy: | JD | JD | JD | JD | JD |
| Government | 765,683,348 | - | - | 765,683,348 | 687,798,245 |
| Un-rated | 101,503,440 | - | - | 101,503,440 | 130,301,096 |
| Total | 867,186,788 | - | - | 867,186,788 | 818,099,341 |

The movement on financial assets at amortized cost is as follows:

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total | Total |
| | JD | JD | JD | JD | JD |
| Total balance at the beginning of the year | 818,099,341 | - | - | 818,099,341 | 755,313,949 |
| New investments for the year | 246,745,943 | - | - | 246,745,943 | 247,787,419 |
| Matured investments | (197,566,223) | - | - | (197,566,223) | (185,080,281) |
| Change in fair value | (92,273) | - | - | (92,273) | 78,254 |
| Total Balance At the End of the Year | 867,186,788 | - | - | 867,186,788 | 818,099,341 |

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

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total | Total |
| | JD | JD | JD | JD | JD |
| Total balance at the beginning of the year | 906,245 | - | - | 906,245 | 419,976 |
| Expected credit losses on new investments for the year | 43,851 | - | - | 43,851 | 486,269 |
| Recovered from credit loss on matured investments | (13,715) | - | - | (13,715) | - |
| Total Balance At the End of the Year | 936,381 | - | - | 936,381 | 906,245 |

- During the year 2021, the Bank entered in agreements with the Central Bank of Jordan to repurchase treasury bonds as disclosed in note (18/a) against mortgaged treasury bo nominal value amounted to around 33,8 million (JD 24,5 million for year 2020).

## 11. Investment in Associate

Details of the following item are as follows:

| Name of Company | Country of establishment | Ownership percentage | December 31, 2021 | December 31, 2020 | Nature of business | Banks share of profit | Calculation method | Acquisition date |
|---|---|---|---|---|---|---|---|---|
| | | % | JD | JD | | % | | |
| Beach Hotels and Tourist Resorts Company | Jordan | - | - | 1,039,817 | Hospitality | 24.815 | Equity | 2006 |

- The bank's voting rights in the general assembly's decisions for this company is based on its ownership percentage.

- During the third quarter of the year 2021, the associate company, Beach Hotels and Tourist Resorts Company and the Arab International Hotels Company were merged, the impact of this merge an increase in bank's investment in the Arab International Hotels Company around 377,105 shares at face value 1 JOD / share, the percentage of the bank’s ownership of to the Arab Hotels Company after the increase becomes 3.625%, and the investment in the affiliated company was canceled from the bank's records, and the process of canceling the investment in the affiliated company resulted in a loss of JD 63,776 that was booked in the bank’s records. The Board of Commissioners of the Financial Investment Authority issued Resolution No. 147/2021 dated August 2, 2021, approving the registration of the shares of the capital increase of the Arab International Hotels Company resulting from the merger process, amounting to 728,881 shares at the nominal value of the share amounting to one dinars/share, and allocating these shares to the shareholders of the Beach Hotels and Tourist Resorts Company, each according to the percentage of its contribution.

The following is a summary of the movement in the associated company:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | 1,039,817 | 3,516,259 |
| Provision for violating investment | 208,333 | (208,333) |
| Bank's share from company's (losses) profit | (63,776) | 2,694,853 |
| Cash dividends | - | (2,977,777) |
| Reducing capital | - | (1,985,185) |
| Transferred to financial assets at fair value through other comprehensive inco | (1,184,374) | - |
| Balance End of the Year | - | 1,039,817 |

12. Property and Equipment - Net

The details of this item are as follows:

| | Land | Buildings | Tools, Furniture & Fixtures | Vehicles | Computers | Other | Total |
|---|---|---|---|---|---|---|---|
| For the year ended December 31, 2021 | JD | JD | JD | JD | JD | JD | JD |
| Cost: | | | | | | | |
| Balance at the beginning of the year | 23,296,866 | 49,299,167 | 26,929,345 | 1,002,234 | 14,958,658 | 10,349,188 | 125,835,458 |
| Additions | - | 1,366,533 | 1,411,073 | 109,212 | 718,415 | 310,240 | 3,915,473 |
| Disposals | (46,011) | (16,167) | (227,303) | (81,256) | (391,101) | (266,723) | (1,028,561) |
| Balance at the End of the Year | 23,250,855 | 50,649,533 | 28,113,115 | 1,030,190 | 15,285,972 | 10,392,705 | 128,722,370 |
| Accumulated Depreciation: | | | | | | | |
| Balance at the beginning of the year | - | 10,344,339 | 19,270,878 | 708,301 | 11,399,139 | 6,773,017 | 48,495,674 |
| Depreciation for the year | - | 922,128 | 1,701,418 | 117,756 | 1,400,561 | 651,458 | 4,793,321 |
| Disposals | - | (2,210) | (149,899) | (60,390) | (372,097) | (254,777) | (839,373) |
| Balance at the End of the Year | - | 11,264,257 | 20,822,397 | 765,667 | 12,427,603 | 7,169,698 | 52,449,622 |
| Net book value - property and equipment | 23,250,855 | 39,385,276 | 7,290,718 | 264,523 | 2,858,369 | 3,223,007 | 76,272,748 |
| Down payments for projects under constructions | - | - | 4,083,984 | - | - | - | 4,083,984 |
| Net Book Value at the End of the Year | 23,250,855 | 39,385,276 | 11,374,702 | 264,523 | 2,858,369 | 3,223,007 | 80,356,732 |
| For the year ended December 31, 2020 | | | | | | | |
| Cost: | | | | | | | |
| Balance at the beginning of the year | 23,212,146 | 49,013,924 | 26,294,922 | 1,007,435 | 13,818,946 | 9,637,269 | 122,984,642 |
| Additions | 84,720 | 285,243 | 1,174,316 | - | 1,780,176 | 1,351,778 | 4,676,233 |
| Disposals | - | - | (539,893) | (5,201) | (640,464) | (639,859) | (1,825,417) |
| Balance at the End of the Year | 23,296,866 | 49,299,167 | 26,929,345 | 1,002,234 | 14,958,658 | 10,349,188 | 125,835,458 |
| Accumulated Depreciation: | | | | | | | |
| Balance at the beginning of the year | - | 9,453,167 | 17,719,109 | 581,875 | 10,265,035 | 6,360,612 | 44,379,798 |
| Depreciation for the year | - | 906,378 | 1,719,965 | 127,817 | 1,735,655 | 1,048,924 | 5,538,739 |
| Disposals | - | (15,206) | (168,196) | (1,391) | (601,551) | (636,519) | (1,422,863) |
| Balance at the End of the Year | - | 10,344,339 | 19,270,878 | 708,301 | 11,399,139 | 6,773,017 | 48,495,674 |
| Net book value - property and equipment | 23,296,866 | 38,954,828 | 7,658,467 | 293,933 | 3,559,519 | 3,576,171 | 77,339,784 |
| Down payments for projects under constructions | - | - | 4,158,526 | - | - | - | 4,158,526 |
| Net Book Value at the End of the Year | 23,296,866 | 38,954,828 | 11,816,993 | 293,933 | 3,559,519 | 3,576,171 | 81,498,310 |
| Annual Depreciation Rate % | - | 2 | 10 - 20 | 15 | 30 | 15-20 | |

- Fully depreciated property and equipment amounted to JD 28,791,497 as of December 31, 2021 (JD 26,446,783 as of December 31, 2020) and are still being used by the Bank.

13. Intangible Assets - Net

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | Computer Software | |
| | 2021 | 2020 |
| | JD | JD |
| Balance at the beginning of the year | 10,810,030 | 13,502,104 |
| Additions | 1,189,755 | 1,490,038 |
| Amortization for the year | (4,413,030) | (4,182,112) |
| Balance at the End of the Year | 7,586,755 | 10,810,030 |
| Annual Amortization Rate | 14% - 33% | 14% - 33% |

14. Other Assets

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Seized of assets by the Bank against debts* | 89,012,597 | 91,749,387 |
| Accrued interest and commissions | 19,456,857 | 18,903,299 |
| Checks and transfers under collection | 4,178,888 | 9,375,842 |
| Seized assets sold through installments - net | 10,570,432 | 10,829,102 |
| Prepaid expenses | 3,754,555 | 2,943,608 |
| Various debtors | 2,225,458 | 1,953,045 |
| Prepaid rent | 1,321,878 | 587,112 |
| Refundable deposits - Net | 298,503 | 328,785 |
| Temporary advances | 1,357,495 | 1,895,838 |
| Other | 166,087 | 71,786 |
| Total | 132,342,750 | 138,637,804 |

* The Central Bank of Jordan regulations require a disposal of these assets during a maximum period of two years from th date of foreclose. In exceptional cases, the Central Bank may extend this period to maximum two consecutive years.

As of the beginning of the year 2015, a gradual provision was calculated for the expropriated real estate against debts tha been expropriated for a period of time more than 4 years based on the Central Bank of Jordan Circular No. 4076/1/15 date March 27, 2014 and No. 2510/1/2510 dated February 14, 2017. noting that the Central Bank of Jordan has issued Circular No. 13967/1/10 on October 25, 2018, approving the extension of the circular. No. 10/1/16607 dated December 17, 2017, in which confirmed the deferred of calculating the allowance until the end of the year 2019.

A gradual provision was made for assets seized against debts in accordance to the Central Bank of Jordan Circular No. 10/3/13246 dated September 2, 2021, the deduction of the provisions required against seized assets should continue at a rate of 5% of the total book values of these properties from the year of 2022, until the required percentage of 50% is reached by the end of 2030.

* The movement on assets seized by the Bank against debts is as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Balance Beginning of the Year | 91,749,387 | 89,610,670 |
| Additions | 4,221,207 | 5,631,810 |
| Disposals * | (5,081,443) | (3,177,013) |
| Impairment loss | (1,000,000) | (1,344,247) |
| Impairment recoveries | - | 544,602 |
| Sold real estate impairment provision used | 108,750 | 156,866 |
| Provision for breached asset recoveried | 14,696 | 326,699 |
| Provision for breached asset | (1,000,000) | - |
| Balance End of the Year | 89,012,597 | 91,749,387 |

* Sale profit during the year 2021 amounted to around JD 859 thousand (JOD 130 thousand loss during the year 2020)

** Movement on the impairment on breached assets seized by the Bank is as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Balance Beginning of the Year | 9,473,598 | 9,847,644 |
| Impairment loss for the year | 1,000,000 | - |
| Recorverd from sold seized assets | (14,696) | (374,046) |
| Balance End of the Year | 10,458,902 | 9,473,598 |

15. Banks and Financial Institutions' Deposits

The details of this item are as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Inside Jordan | Outside Jordan | Total | Inside Jordan | Outside Jordan | Total |
| | JD | JD | JD | JD | JD | JD |
| Current and call accounts | 5,100,564 | 3,167,057 | 8,267,621 | 178,833 | 5,043,547 | 5,222,380 |
| Time deposits | 47,888,092 | 105,630,509 | 153,518,601 | 46,801,938 | 91,794,460 | 138,596,398 |
| Total | 52,988,656 | 108,797,566 | 161,786,222 | 46,980,771 | 96,838,007 | 143,818,778 |

- There are banks and financial institutions deposits maturing within a period exceeding three months amounted to JD 25,273,779 as at 31 December 2021 (JD 35,148,378 as of 31 December 2020).

16. Customers' Deposits

The details of this item are as follows:

| | Retail | Corporates | SMEs | Government and Public Sector | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| For the Year Ended December 31, 2021 | | | | | - |
| Current and demand accounts | 191,651,691 | 143,159,461 | 164,825,198 | 18,083,879 | 517,720,229 |
| Saving accounts | 258,548,901 | - | - | - | 258,548,901 |
| Time and notice deposits | 690,690,772 | 254,921,908 | 162,169,783 | 119,699,270 | 1,227,481,733 |
| Total | 1,140,891,364 | 398,081,369 | 326,994,981 | 137,783,149 | 2,003,750,863 |
| For the Year Ended December 31, 2020 | | | | | |
| Current and demand accounts | 196,856,289 | 143,291,220 | 153,155,518 | 10,339,870 | 503,642,897 |
| Saving deposits | 242,262,293 | - | - | - | 242,262,293 |
| Time and notice deposits | 674,323,262 | 225,895,698 | 149,076,382 | 109,193,042 | 1,158,488,384 |
| Total | 1,113,441,844 | 369,186,918 | 302,231,900 | 119,532,912 | 1,904,393,574 |

- Public sectors and the government of Jordan deposits inside the Kingdom amounted to JD 134,367,590 representing 6.71% of total customers' deposits as at 31 December 2021 ( JD 116,739,588 representing 6.13% of total customers' deposits as at 31 December 2020).

- Non-interest-bearing deposits amounted to JD 627,638,003 representing 31.32% of total customers' deposits as at 31 December 2021 (JD 557,521,558 representing 29.28% of total customers' deposits as at 31 December 2020).

- Reserved deposits (restricted withdrawal) amounted to JD 3,275,823 representing 0.16% of total customers' deposits of as at 31 December 2021 (JD 2,676,737 representing 0.14% of total customers' deposits as at 31 December 2020).

- Dormant deposits amounted to JD 40,030,175 representing 2% of total customers' deposits as of 31 December 2021 (JD 39,583,390 representing 2.08% of total customers deposits as of 31 December 2020).

17. Margin Accounts

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Cash margins on direct credit facilities | 163,363,823 | 167,480,495 |
| Cash margins on indirect credit facilities | 28,835,603 | 28,556,086 |
| Other margin amount | 21,687,117 | 12,092,406 |
| **Total** | 213,886,543 | 208,128,987 |

18. Borrowed Funds

18/A.Borrowed Funds

The details of this item are as follows:

| | Amount | No. of Installments Total | Outstanding | Payment frequency | Collaterals | Interest Rate | Relending interest rate |
|---|---|---|---|---|---|---|---|
| December 31, 2021 | | | | | | % | % |
| Central Bank of Jordan | 2,400,000 | 30 | 23 | Semi- annually | None | 1/95 | 6/75 |
| Central Bank of Jordan | 1,212,713 | 30 | 30 | Semi- annually | None | 3 | 7/48 |
| Central Bank of Jordan | 999,000 | 14 | 6 | Semi- annually | None | 2/5 | 7/19 |
| Central Bank of Jordan | 1,959,250 | 20 | 17 | Semi- annually | None | 2 | 7 |
| Central Bank of Jordan | 884,377 | 26 | 25 | Semi- annually | None | 1/4 | 4/75 |
| Central Bank of Jordan | 36,059,482 | - | - | Renewed monthly | None | -/5 | 4/5 |
| Central Bank of Jordan (Repurchase treasury bills agreement) | 34,928,648 | - | - | Renewed monthly | None | 2 | - |
| European Bank for Reconstruction and Development | 1,012,857 | 7 | 1 | Semi- annually | None | 4/18 | 9 - 12 |
| Jordan Mortgage Refinance Company | 35,000,000 | 1 | 1 | one payment | None | 5/5 | 4/5 -8/5 |
| Local Bank (loan to a Subsidiary) | 3,125,000 | 24 | 19 | 24Monthly installments effective from the withdrawal date | None | 5/10 | 9/75 |
| Local Bank (loan to a Subsidiary) | 9,402,602 | 24 | 24 | 24Monthly installments effective from the withdrawal date | None | 5 | 9/75 |
| Local Bank (loan to a Subsidiary) | 388,896 | 36 | 6 | 36Monthly installments effective from the withdrawal date | None | 5/45 | 9/75 |
| Jordan Mortgage Refinance Company (loan to a Subsidiary) | 26,500,000 | 7 | 6 | + 5/3/2023 + 8/25/2022 + 7/1/2024 + 10/4/2023 + 5/12/2023 9/26/2024 | None | 4/45 - 6/3 | 9/75 |
| Local Bank (loan to a Subsidiary) | 460,135 | - | - | 36Monthly installments effective from the withdrawal date | None | 5/75 | 15 - 18 |
| Local Bank (loan to a Subsidiary) | 928,200 | - | - | 36Monthly installments effective from the withdrawal date | None | 5/45 | 15 - 18 |
| Local Bank (loan to a Subsidiary) | 1,218,289 | - | - | 36Monthly installments effective from the withdrawal date | None | 5/50 | 15 - 18 |
| Central Bank of Jordan (loan to a Subsidiary) | 1,508,942 | - | - | Semi- annually | None | - | - |
| **Total** | 157,988,391 | | | | | | |
| December 31, 2020 | | | | | | | |
| Central Bank of Jordan | 2,800,000 | 30 | 24 | Semi- annually | - | 2/07 | 6/79 |
| Central Bank of Jordan | 1,212,715 | 30 | 30 | Semi- annually | - | 3 | 6/143 |
| Central Bank of Jordan | 1,377,000 | 14 | 7 | Semi- annually | - | 2/5 | 6/143 |
| Central Bank of Jordan | 2,189,750 | 20 | 19 | Semi- annually | - | 2/12 | 6/166 |
| Central Bank of Jordan | 34,520,013 | - | - | Renewed monthly | - | -/638 | 4/692 |
| Central Bank of Jordan (Repurchase treasury bills agreement) | 27,196,973 | - | - | Renewed monthly | - | 2 | - |
| European Bank for Reconstruction and Development | 3,038,571 | 7 | 4 | Semi- annually | - | 4/18 | 9 - 12 |
| Jordan Mortgage Refinance Company | 65,000,000 | 3 | 3 | One payment | - | 6/35 -4/74 | 8/5 - 4/5 |
| Local Bank (loan to a Subsidiary) | 1,910,570 | 24 | 14 | June 30, 2021 | - | 5/50 | 9/75 |
| Local Bank (loan to a Subsidiary) | 3,891,780 | 24 | 24 | May 30, 2021 | - | 5/50 | 9/75 |
| Local Bank (loan to a Subsidiary) | 4,166,671 | 36 | 30 | Monthly 36 installments effective from the withdrawal date | - | 5/45 | 9/75 |
| Jordan Mortgage Refinance Company (loan to a Subsidiary) | 35,000,000 | 8 | 8 | 17June 2021, 1 July 2021,24 ,September 2021 December 30 August 25 ,2021 May 3 ,2022 May 12 ,2023 October 4 ,2023 2023 | - | 6/3 - 4/45 | 9/75 |
| Local Bank (loan to a Subsidiary) | 4,007,356 | - | - | Monthly 36 installments effective from the withdrawal date | - | 5/75 | 18 - 15 |
| Local Bank (loan to a Subsidiary) | 584,104 | - | - | Monthly 36 installments effective from the withdrawal date | - | 5/45 | 18 - 15 |
| Local Bank (loan to a Subsidiary) | 485,731 | - | - | Monthly 36 installments effective from the withdrawal date | - | 5/50 | 18 - 15 |
| **Total** | 187,381,234 | | | | | | |

- Loans with fixed-interest rates amounted to JD 157,988,391 as at December 31, 2021 (December 31, 2020 JD 187,381,234).
- The loans that where regranted to the clients (except the repurchase agreements) JD 115,109,923 as at December 31, 2021 (December 31, 2020: JD 150,798,622)

18/B.Subordinated Loan

The details of this item are as follows:

| | Amount | No. of issued bonds Total | Remaining | Payment frequency | Collaterals | Interest Rate |
|---|---|---|---|---|---|---|
| 2021 | JD | | | | | |
| Inconvertible subordinated bond to shares | 25,000,000 | 250 | - | October 12, 2023 | - | 5.5% |
| 2020 | | | | | | |
| Inconvertible subordinated bond to shares | 25,000,000 | 250 | - | October 12, 2023 | - | 5.5% |

- During the year 2017, the bank issued subordinated bond with inconvertible nominal amount to stocks for 6 years through private placement. The nominal amount of the bond amounted to JD 100,000 with variable rate equal to the discount rate of the Central Bank of Jordan added to a margin rate of 2% paid semi-annually and matured in 12 October 2023.

## 19. Other Provision

The details for this item are as follows:

| | Balance at the beginning of the year | Additions during the year | Used during the year | Balance at the end of the year |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| 2021 | | | | |
| Provision for end of service indemnity | 3,236,849 | 341,051 | (394,101) | 3,183,799 |
| Provision for legal claims against the Bank | 528,205 | - | (237,604) | 290,601 |
| Other provisions | 131,754 | 216,000 | (136,472) | 211,282 |
| Total | 3,896,808 | 557,051 | (768,177) | 3,685,682 |
| 2020 | | | | |
| Provision for end of service indemnity | 2,970,453 | 373,441 | (107,045) | 3,236,849 |
| Provision for legal claims against the Bank | 442,354 | 100,000 | (14,149) | 528,205 |
| Other provisions | 138,255 | 252,000 | (258,501) | 131,754 |
| Total | 3,551,062 | 725,441 | (379,695) | 3,896,808 |

## 20. Income Tax

a. Income Tax Provision

The details for this item during the year are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | 5,783,953 | 10,097,921 |
| Income tax paid | (9,307,588) | (12,190,307) |
| Income tax for the year | 11,998,460 | 7,583,366 |
| Prior years' income tax expense | 1,923,645 | 292,973 |
| Balance at the end of the year | 10,398,470 | 5,783,953 |

Income tax in the consolidated statement of profit or loss represents the following:

| | 2021 | 2020 (Restated) |
|---|---|---|
| | JD | JD |
| Accrued income tax on the year's profit | 11,998,460 | 7,583,366 |
| Prior years' income tax expense | 1,923,645 | 292,973 |
| Deferred tax assets for the year | (1,202,538) | (1,037,417) |
| Amortization of deferred tax assets for the year | 216,775 | 223,452 |
| | 12,936,342 | 7,062,374 |

b. Deferred Tax Assets:

The details for this item are as follows:

| Accounts included | December 31, 2021 Beginning Balance | Prior year's adjustments (note 46) | Adjusted beginning balance | Amounts released | Additions | Year-end balance | Deferred Tax | December 31, 2020 (Restated) Deferred Tax |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Prior years' provision for non-performing loans | 1,814,813 | - | 1,814,813 | 63,436 | - | 1,751,377 | 468,040 | 484,993 |
| Interest in suspense | 1,976,513 | - | 1,976,513 | 85,033 | - | 1,891,480 | 505,483 | 528,206 |
| Provision for impairment in real estate and land | 10,473,597 | - | 10,473,597 | 14,695 | 1,000,000 | 11,458,902 | 4,354,383 | 3,979,967 |
| Fair value reserve | - | 7,072,122 | 7,072,122 | 307,443 | 1,322,857 | 8,087,536 | 2,441,908 | 2,277,714 |
| Provision for lawsuits | 371,785 | - | 371,785 | 110,609 | - | 261,176 | 94,404 | 135,467 |
| Provision for end-of-service indemnity | 3,092,610 | - | 3,092,610 | 394,101 | 332,543 | 3,031,052 | 847,631 | 859,553 |
| Other provision | 548,924 | - | 548,924 | 73,015 | - | 475,909 | 127,183 | 146,695 |
| IFRS (9) provision stage (1 and 2) | 8,758,142 | 6,258,235 | 15,016,377 | - | 1,904,000 | 16,920,377 | 6,429,743 | 5,706,223 |
| **Total** | 27,036,384 | 13,330,357 | 40,366,741 | 1,048,332 | 4,559,400 | 43,877,809 | 15,268,775 | 14,118,818 |

The movement on the deferred tax assets accounts is as follows:

| | Deferred tax assets 2021 | 2020 (Restated) |
|---|---|---|
| | JD | JD |
| Balance Beginning of Year | 14,118,818 | 9,540,754 |
| Prior year's adjustments (Note 46) | - | 3,873,828 |
| Adjusted beginning balance | 14,118,818 | 13,414,582 |
| Additions | 1,483,560 | 1,036,922 |
| Amortized | (333,603) | (332,686) |
| **Total** | 15,268,775 | 14,118,818 |

c. Summary of the reconciliation of accounting income to taxable income:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Accounting profit | 27,166,774 | 17,502,080 |
| Non-taxable profit | (5,890,088) | (9,305,448) |
| Non-deductible expenses | 7,726,267 | 9,174,505 |
| Taxable profit | 29,002,953 | 17,371,137 |
| Effective income tax rate | 47.62% | 40.35% |

- The statutory tax rate for the banks in Jordan is 38% which contains 35% + 3% national contribution according to tax law no. (34) from the year 2014, amended by law no. (38) for the year 2018, and the statutory tax rates for the foreign branches and subsidiaries range between 12.5% to 28.79%.

- The Bank has reached a final settlement with the Income and Sales Tax Department for all previous years up to the year 2018 for Jordan Branches.

- Financial years 2019 and 2020 : Tax return was submitted However, the Income and Sales Tax Department did not review the records until the date of preparation these consolidated financial statements.

- A final tax settlement has been reached with the income tax and value-added tax for Palestine branches up to the year 2018.

- A final tax settlement has been reached for Cyprus branch up to the year 2019.

- Ahli Financial Brokerage Company (subsidiary) – reached to a final settlement with the Income and Sales Tax Department up to the year 2018, tax return was submitted for the years 2019 and 2020. However, the Income and Sales Tax Department did not review the records yet.

- Ahli Finance Leasing Company (subsidiary) – reached to a final settlement with the Income and Sales Tax Department up to the year 2018, tax return was submitted for the years 2019 and 2020. However, the Income and Sales Tax Department did not review the records yet.

- Ahli Microfinance Company (subsidiary) – reached to a final settlement with the Income and Sales Tax Department up to the year 2017, tax return was submitted for the years 2018,2019 and 2020. However, the Income and Sales Tax Department did not review the records yet.

- Ahli Financial Technology Company (subsidiary) – reached to a final settlement with the Income and Sales Tax Department up to the year 2019, tax return was submitted for the year 2020. However, the Income and Sales Tax Department did not review the records yet.

| Income tax rates are as follows: | December 31, | |
|---|---|---|
| Income tax rate | 2021 | 2020 |
| Jordan Branches | 38% | 38% |
| Palestine Branches | 28.79% | 28.79% |
| Cyprus Branch | 12.5% | 12.5% |

## 21. Other Liabilities

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Accepted checks and transfer | 3,310,247 | 3,746,535 |
| Accounts payable to financial brokerage customers | 825,983 | 446,491 |
| Accrued interests | 7,950,110 | 8,301,939 |
| Temporary deposits | 6,288,846 | 7,734,211 |
| Various creditors | 2,562,439 | 1,563,948 |
| Accrued expenses | 8,955,473 | 6,828,059 |
| Interest and commissions received in advance | 1,966,395 | 1,680,028 |
| Dividends checks - delayed in payment | 1,306,997 | 1,225,848 |
| Board of directors' remuneration | 68,834 | 64,667 |
| Provision for expected credit losses on indirect credit facilities and unutilized facilities limits * | 6,185,918 | 5,038,738 |
| Others | 116,245 | 213,550 |
| Total | 39,537,487 | 36,844,014 |

* The classification of gross balance for indirect facilities according to the Group’s internal credit rating is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| From 1 to 6 | 694,093,478 | 7,402,451 | - | 701,495,929 | 616,741,547 |
| 7 | - | 5,871,277 | - | 5,871,277 | 7,283,911 |
| From 8 to 10 | - | 1,000 | 1,413,702 | 1,414,702 | 2,107,841 |
| Un-rated | 59,431,934 | 1,248,573 | 1,188,220 | 61,868,727 | 78,104,700 |
| Balance at the End of the period / year | 753,525,412 | 14,523,301 | 2,601,922 | 770,650,635 | 704,237,999 |

* The movement on gross indirect facilities is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 680,703,059 | 20,558,036 | 2,976,904 | 704,237,999 | 652,472,442 |
| New facilities for the year | 259,876,832 | 2,944,066 | - | 262,820,898 | 213,557,060 |
| Settled facilities | (186,993,452) | (9,020,409) | (396,136) | (196,409,997) | (161,791,503) |
| Transferred to stage (1) | 2,757,656 | (2,740,656) | (17,000) | - | - |
| Transferred to stage (2) | (2,786,064) | 2,795,564 | (9,500) | - | - |
| Transferred to stage (3) | (32,619) | (13,300) | 45,919 | - | - |
| Adjustments resulting from changes in exchange rates | - | - | 1,735 | 1,735 | - |
| Balance at the End of the year | 753,525,412 | 14,523,301 | 2,601,922 | 770,650,635 | 704,237,999 |

* The movement on the provision for expected credit losses for the indirect credit facilities during the year is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 2,675,558 | 1,255,861 | 1,107,319 | 5,038,738 | 3,373,953 |
| Expected credit losses on new exposures | 2,346,203 | 23,264 | - | 2,369,467 | 1,571,463 |
| Recovered from the impairment loss on the paid facilities | (543,220) | (80,045) | - | (623,265) | - |
| Transferred to stage (1) | 71,232 | (60,432) | (10,800) | - | - |
| Transferred to stage (2) | (21,793) | 21,968 | (175) | - | - |
| Transferred to stage (3) | (945) | (1,623) | 2,568 | - | - |
| Effect on provision-resulting from reclassification among Three stages for the year | (57,159) | 5,469 | 20,705 | (30,985) | 115,507 |
| Changes resulted from adjustments | (670,190) | 112,889 | (10,736) | (568,037) | (22,185) |
| Balance at the End of the year | 3,799,686 | 1,277,351 | 1,108,881 | 6,185,918 | 5,038,738 |

* The classification of gross balance for letters of guarantees according to the Group's internal credit rating is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| From 1 to 6 | 225,991,082 | 5,033,528 | - | 231,024,610 | 239,328,799 |
| 7 | - | 5,514,322 | - | 5,514,322 | 6,670,571 |
| From 8 to 10 | - | 1,000 | 1,413,702 | 1,414,702 | 2,107,841 |
| Un-rated | 830,063 | 884,446 | 1,188,220 | 2,902,729 | 3,331,148 |
| Total | 226,821,145 | 11,433,296 | 2,601,922 | 240,856,363 | 251,438,359 |

* The movement on letters of guarantees is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 235,625,559 | 12,835,896 | 2,976,904 | 251,438,359 | 230,492,662 |
| New facilities during the year | 38,790,035 | 1,636,910 | - | 40,426,945 | 48,602,761 |
| Settled facilities | (47,510,038) | (3,104,797) | (395,841) | (51,010,676) | (27,657,064) |
| Transferred to stage 1 | 1,665,552 | (1,648,552) | (17,000) | - | - |
| Transferred to stage 2 | (1,717,639) | 1,727,139 | (9,500) | - | - |
| Transferred to stage 3 | (32,324) | (13,300) | 45,624 | - | - |
| Adjustments resulting from changes in exchange rates | - | - | 1,735 | 1,735 | - |
| Balance at the end of the year | 226,821,145 | 11,433,296 | 2,601,922 | 240,856,363 | 251,438,359 |

* The movement on the provision for expected credit losses for letters of guarantees is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 1,084,668 | 1,028,974 | 1,107,319 | 3,220,961 | 2,134,447 |
| ECL for new facilities during the year | 695,689 | 20,000 | - | 715,689 | 475,179 |
| Recoveries from ECL related to settled facilities | (28,285) | - | - | (28,285) | - |
| Transferred to stage 1 | 41,354 | (30,554) | (10,800) | - | - |
| Transferred to stage 2 | (14,262) | 14,437 | (175) | - | - |
| Transferred to stage 3 | (945) | (1,623) | 2,568 | - | - |
| three stages during the year | (33,410) | (2,876) | 20,705 | (15,581) | 139,128 |
| Changes resulting from adjustments | (38,505) | 57,751 | (10,736) | 8,510 | 472,207 |
| Balance at the end of the year | 1,706,304 | 1,086,109 | 1,108,881 | 3,901,294 | 3,220,961 |

* The classification of gross balance for letters of credits according to the Group's internal credit rating is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| From 1 to 6 | 87,108,116 | 368,579 | - | 87,476,695 | 120,649,809 |
| 7 | - | 215,309 | - | 215,309 | 356,692 |
| From 8 to 10 | - | - | - | - | - |
| Un-rated | - | - | - | - | - |
| Total | 87,108,116 | 583,888 | - | 87,692,004 | 121,006,501 |

* The movement on letters of credits is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 119,318,594 | 1,687,907 | - | 121,006,501 | 131,691,788 |
| New facilities during the year | 44,326,243 | 219,522 | - | 44,545,765 | 61,183,473 |
| Settled facilities | (76,536,721) | (1,323,541) | - | (77,860,262) | (71,868,760) |
| Transferred to stage 1 | - | - | - | - | - |
| Transferred to stage 2 | - | - | - | - | - |
| Transferred to stage 3 | - | - | - | - | - |
| Balance at the end of the year | 87,108,116 | 583,888 | - | 87,692,004 | 121,006,501 |

*The movement on the provision for expected credit losses for letters of credits is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 410,316 | 34,604 | - | 444,920 | 400,743 |
| ECL for new facilities during the year | - | - | - | - | 388,054 |
| Recoveries from ECL related to settled facilities | (8,329) | - | - | (8,329) | - |
| Transferred to stage 1 | - | - | - | - | - |
| Transferred to stage 2 | - | - | - | - | - |
| Transferred to stage 3 | - | - | - | - | - |
| Effect on provision-resulting from reclassification among three stages during the year | - | - | - | - | (3,278) |
| Changes resulting from adjustments | - | - | - | - | (340,599) |
| Balance at the end of the year | 401,987 | 34,604 | - | 436,591 | 444,920 |

* The classification of gross balance for unutilized facilities limits according to the Group's internal credit rating is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| From 1 to 6 | 380,994,280 | 2,000,344 | - | 382,994,624 | 256,762,939 |
| 7 | - | 141,646 | - | 141,646 | 256,648 |
| From 8 to 10 | - | - | - | - | - |
| Un-rated | 58,601,871 | 364,127 | - | 58,965,998 | 74,773,552 |
| Total | 439,596,151 | 2,506,117 | - | 442,102,268 | 331,793,139 |

* The movement on unutilized facilities limits is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 325,758,906 | 6,034,233 | - | 331,793,139 | 290,287,992 |
| New exposures during the year | 176,760,554 | 1,087,634 | - | 177,848,188 | 103,770,826 |
| Re-paid/derecognized facilities | (62,946,693) | (4,592,071) | (295) | (67,539,059) | (62,265,679) |
| Transferred to stage 1 | 1,092,104 | (1,092,104) | - | - | - |
| Transferred to stage 2 | (1,068,425) | 1,068,425 | - | - | - |
| Transferred to stage 3 | (295) | - | 295 | - | - |
| Balance at the end of the year | 439,596,151 | 2,506,117 | - | 442,102,268 | 331,793,139 |

* The movement on the provision for expected credit losses for unutilized limits is as follows:

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | 2020 |
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 1,180,574 | 192,283 | - | 1,372,857 | 838,763 |
| ECL for new facilities during the year | 1,650,514 | 3,264 | - | 1,653,778 | 708,230 |
| Recoveries from ECL related to settled facilities | (506,606) | (80,045) | - | (586,651) | - |
| Transferred to stage 1 | 29,878 | (29,878) | - | - | - |
| Transferred to stage 2 | (7,531) | 7,531 | - | - | - |
| Transferred to stage 3 | - | - | - | - | - |
| Effect on provision-resulting from reclassification among three stages during the year | (23,749) | 8,345 | - | (15,404) | (20,343) |
| Changes resulting from adjustments | (631,685) | 55,138 | - | (576,547) | (153,793) |
| Balance at the end of the year | 1,691,395 | 156,638 | - | 1,848,033 | 1,372,857 |

## 22. Paid-up Capital

Authorized and paid-in capital amounted to JD 200,655,000 divided into 200,655,000 shares at a par value of JD 1 per share as of December 31, 2021 and JD 200,655,000 divided into 200,655,000 shares as of December 31, 2020.

Members of General Assembly decided in their ordinary meeting held on 29 April 2021 to approve the distribution of cash dividends at 4% of the capital amounting to JD 8,026,200 of the retained earnings balance to the shareholders as profits for the year 2020.

## 23. Reserves

The details of the reserves as of December 31, 2021 and 2020 as follows:

a. Statutory Reserve

The accumulated amounts in this account represent the amounts transferred from the annual net income before tax at 10% according to the Bank's Law and the Companies law. This reserve cannot be distributed to shareholders.

b. Voluntary Reserve

This reserve represents amounts transferred from the pre-tax income at a rate not exceeding 20% during previous years. The voluntary reserve shall be utilized for the purposes determined by the Board of Directors. The General Assembly has the right to distribute it in full or in partially as dividends to shareholders.

Restricted reserves are as follows:

| | December 31, | | |
|---|---|---|---|
| Reserve | 2021 | 2020 | Regulation |
| | JD | JD | |
| Statutory Reserve | 65,208,593 | 62,722,983 | Banking law and corporate law. |
| Fair Value Reserve | (5,645,628) | (4,794,408) | Central bank of Jordan and Securities Commission. |
| Periodic Fluctuations Reserve | 3,678,5959 | 3,678,5959 | Palestinian Monetary Authority instructions. |

24. Fair Value Reserve - Net

Details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 (Restated) |
| | JD | JD |
| Balance at the beginning of the year | (4,794,408) | (7,388,412) |
| Prior years adjustments (note 46) | - | 2,387,442 |
| Adjusted balance at the beginning of the year | (4,794,408) | (5,000,970) |
| Shares re-allocation refunds | (33,679) | - |
| Net unrealized (losses) profit transferred to the OCI statement | (981,735) | 316,290 |
| Deferred tax assets | 164,194 | (109,728) |
| Balance at the end of the period/ year | (5,645,628) | (4,794,408) |

25. Retained Earning and Distributed Dividends and Recommended for Distribution

Details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 (Restated) |
| | JD | JD |
| Balance at the beginning of the year | 44,306,191 | 34,138,598 |
| Prior years adjustments (note 46) | - | 1,486,385 |
| Adjusted Balance at the beginning of the year | 44,306,191 | 35,624,983 |
| Profit for the year | 14,230,432 | 10,439,706 |
| Gains from sale of financial assets at fair value through other comprehensive income | 36,524 | - |
| Distributed Dividends | (8,026,200) | - |
| (Transferred) to reserves | (2,485,610) | (1,758,498) |
| Balance at the end of the year | 48,061,337 | 44,306,191 |

- The use of an amount of JD 12,826,867 (JD 11,841,104 as of December 31, 2020) is restricted and constitute of deffered tax assets, based o instructions of Central Bank of Jordan, the use of it should be pre-approved by Central Bank of Jordan.

- The Board of Directors recommended to distribute 7% of the paid in capital as cash dividends equivalent of JD 14,046 million of the retained to the shareholders as profits for the year 2021, the dividends is subject to Central Bank of Jordan and General Assembly approval, the dividends

for the year 2020 was 4% amounted to JD 8,026 Million.

26. Interest Income

Details of this item are as follows:

| | 2021 | 2020 |
|---|---|---|
| Direct Credit Facilities: | JD | JD |
| **Individuals (Retail)** | | |
| Overdrafts | 162,591 | 189,830 |
| Loans and bills | 24,851,026 | 27,030,705 |
| Credit cards | 1,644,989 | 1,955,019 |
| **Real estate mortgages** | 20,574,614 | 22,323,941 |
| **Corporate** | | |
| Overdrafts | 9,258,324 | 10,908,523 |
| Loans and bills | 29,934,355 | 29,428,937 |
| **Small and medium enterprises lending** | | |
| Overdrafts | 2,505,410 | 2,906,091 |
| Loans and bills | 13,518,162 | 13,516,777 |
| **Public and governmental sectors** | 1,617,955 | 1,513,583 |
| Balances at Central Banks | 573,644 | 423,353 |
| Balances and deposits at banks and financial institutions | 260,213 | 597,905 |
| Financial assets at amortized cost | 37,831,858 | 38,161,760 |
| | 142,733,141 | 148,956,424 |

27. Interest Expense

Details of this item are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Banks and financial institution deposits | 3,136,209 | 3,835,586 |
| **Customers' deposits:** | | |
| Current and demand accounts | 440,963 | 186,304 |
| Saving accounts | 585,783 | 135,022 |
| Time and notice placements | 37,877,680 | 41,636,701 |
| Lease liability interest | 431,537 | 430,527 |
| Cash margins | 4,520,503 | 4,913,252 |
| Borrowed funds | 6,099,485 | 8,343,751 |
| Subordinated bonds | 1,375,000 | 1,501,027 |
| Deposit insurance fees | 2,632,074 | 2,781,322 |
| | 57,099,234 | 63,763,492 |

## 28. Net Commission Income

The details of this item are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Commission income: | | |
| Direct credit facilities commission | 2,767,969 | 2,987,752 |
| Indirect credit facilities commission | 5,298,553 | 5,438,319 |
| Other commissions | 5,959,217 | 5,730,591 |
| Less: commission expense | (840,832) | (840,834) |
| **Total Net Commission** | 13,184,907 | 13,315,828 |

## 29. Foreign Currencies Income

The details of this item are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Trading / operations in foreign currencies | 2,865,575 | 1,759,159 |
| Revaluation of foreign currencies | (533,773) | 698,815 |
| | 2,331,802 | 2,457,974 |

## 30. Expected Credit Losses Expense -Net

The details of this item are as follows:

| | | 2021 | | | | 2020 |
|---|---|---|---|---|---|---|
| | Note | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | | JD | JD | JD | JD | JD |
| Balances at banks and financial institutions | 5,6 | (8,589) | - | - | (8,589) | 6,194 |
| Financial assets at amortized cost | 10 | 30,136 | - | - | 30,136 | 486,269 |
| Direct credit facilities | 8 | (867,660) | 2,286,108 | 10,593,446 | 12,011,894 | 19,241,228 |
| Indirect credit facilities | 22 | 1,124,128 | 21,490 | 1,562 | 1,147,180 | 1,664,785 |
| | | 278,015 | 2,307,598 | 10,595,008 | 13,180,621 | 21,398,476 |

## 31. Dividends Income from Financial Assets at Fair Value through Other Comprehensive Income

Details of this item are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Dividend income from companies shares | 643,413 | 488,583 |
| Dividend income from investment fund | 953,374 | - |
| Total | 1,596,787 | 488,583 |

## 32. Other Income

Details of this item are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Recovery from written-off debts | 3,639,420 | 2,191,458 |
| Interest in suspense recoveries | 925,672 | 1,070,335 |
| Recovered impairment loss from seized assets sold | - | 871,301 |
| Buildings rent revenue | 192,590 | 344,646 |
| Rental income of safe deposit boxes | 288,055 | 198,505 |
| Gain from sale of property and equipment and seized assets | 1,205,494 | 105,475 |
| Income from check books | 136,082 | 86,791 |
| Brokerage commission income | 147,205 | 46,556 |
| Other income | 2,039,345 | 2,497,018 |
| Total | 8,573,863 | 7,412,085 |

## 33. Employees' Expenses

The details of this item are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Employees’ salaries, benefits and remuneration | 29,137,149 | 30,117,711 |
| Bank’s contribution to social security | 2,600,554 | 2,858,594 |
| Bank’s contribution to employees savings fund | 1,440,290 | 1,577,331 |
| Medical expenses | 1,730,760 | 1,594,256 |
| End of service indemnity | 341,051 | 373,441 |
| Employees’ training | 254,665 | 300,878 |
| Travel expenses | 127,395 | 357,001 |
| Employees' life insurance | 137,554 | 134,021 |
| Employees' activities | 160,463 | 118,191 |
| | 35,929,881 | 37,431,424 |

### 34. Other Expenses

Details of this item are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Fees and subscriptions | 3,059,428 | 3,056,476 |
| Information Technology licenses | 4,421,665 | 4,717,908 |
| Maintenance, repair and cleaning | 1,873,650 | 1,850,216 |
| Donations | 232,016 | 1,788,988 |
| Legal fees | 1,444,833 | 1,732,215 |
| Insurance fees | 2,629,003 | 1,586,326 |
| Advertisement | 1,919,873 | 1,181,963 |
| Board of Directors’ expenses | 1,116,140 | 1,073,200 |
| Water, electricity and heating | 964,385 | 953,076 |
| Telecommunication | 1,016,736 | 849,227 |
| Printing and stationery | 595,273 | 593,702 |
| Other operating expenses | 297,034 | 440,235 |
| Rent and key money | 245,313 | 236,944 |
| Studies, research and consulting expenses | 436,291 | 378,439 |
| Transportation | 520,852 | 434,381 |
| General assembly meeting expenses | 68,210 | 70,000 |
| Security | 547,336 | 562,804 |
| Professional fees | 375,298 | 383,644 |
| Hospitality | 54,185 | 37,066 |
| Expenses of land and real estate evaluations | 38,857 | 20,395 |
| Lawsuits provision expenses | - | 100,000 |
| Board of Director’s remunerations | 65,000 | 65,000 |
| | 21,921,378 | 22,112,205 |

### 35. Earnings per Share

Details of this item are as follows:

| | 2021 | 2020 (Restated) |
|---|---|---|
| | JD | JD |
| Profit for the year | 14,230,432 | 10,439,706 |
| Weighted average number of shares (share) | 200,655,000 | 200,655,000 |
| | Fils/JD | Fils/JD |
| Basic and diluted earnings per share (Bank's Shareholders) | 0/071 | 0/052 |

### 36. Cash and Cash Equivalents

The details of this item are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Cash and balances with Central Banks maturing within 3 months | 259,677,707 | 191,617,135 |
| Balances at banks and financial institutions' maturing within 3 months | 177,418,823 | 167,340,463 |
| Banks and financial institutions' deposits maturing within 3 months | (136,512,443) | (108,670,400) |
| Restricted cash balances | (10,635,000) | (10,635,000) |
| | 289,949,087 | 239,652,198 |

37. Balances and Transactions with Related Parties

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

| Company Name | Ownership | Paid in Capital 2021 | Paid in Capital 2020 |
|---|---|---|---|
| | % | JD | JD |
| Ahli Micro Finance Company | 100 | 6,000,000 | 6,000,000 |
| Ahli Financial Leasing Company | 100 | 17,500,000 | 17,500,000 |
| Ahli Brokerage Company | 100 | 3,000,000 | 3,000,000 |
| Ahli Financial Technology | 100 | 600,000 | 600,000 |

The Bank has entered into transactions with members of the Board of Directors and Executive Management within the normal course of its activities at the commercial interest rates and commissions. All facilities granted to the related parties are performing and classified under Stage 1 and ECL for these facilities was calculated according to IFRS 9 requirements.

The following related party transactions took place during the year:

| | Related Parties | | | | | Total | |
|---|---|---|---|---|---|---|---|
| | Associates | Board of Directors | Executive Management | Subsidiaries | Other * | 2021 | 2020 |
| | JD | JD | JD | JD | JD | JD | JD |
| **Statement of Financial Position Items:** | | | | | | | |
| Credit facilities | - | 3,701,283 | 6,330,093 | 939,510 | 87,653,432 | 98,624,318 | 101,548,094 |
| Related Parties' deposits at the bank | - | 48,335,112 | 3,564,824 | 3,797,006 | 25,511,257 | 81,208,199 | 84,708,325 |
| Cash margins | - | 900 | 348,659 | - | 14,427,490 | 14,777,049 | 9,369,751 |
| Assets at amortized cost | - | - | - | - | 3,572,937 | 3,572,937 | 3,533,008 |
| **Off Statement of Financial Position Items:** | | | | | | | |
| Indirect facilities | - | 51,000 | - | 978,450 | 3,683,149 | 4,712,599 | 5,245,007 |
| | | | | | | For the Year Ended December 31, | |
| | | | | | | 2021 | 2020 |
| **Consolidated Statement of Profit or loss Items:** | | | | | | JD | JD |
| Interest and commission income | 14 | 305,454 | 325,580 | 74,016 | 4,483,918 | 5,188,982 | 5,029,521 |
| Interest and commission expense | 87,087 | 2,093,436 | 55,115 | 41,487 | 777,905 | 3,055,030 | 3,118,941 |

Additional information

* This item represents companies partially owned by members of the Bank's Board of Directors' relatives, and the Bank's employees.

There are accounts receivable from a subsidiary company (Ahli Brokerage Company) of JD 2,333,234 belonging to a related party as at 31 December 2021. On 31 October 2013, the Company signed a settlement agreement with the client to pay the obligations through an advance payment upon signing the settlement agreement, in addition to monthly instalments, as well as enhancement of their guarantees.

- Final settelments were reached with related parties to subsidiaries and its results were recorded in the subsidary's books after obtaining the needed approvals.

- The Bank doesn't have any deposits at the subsidiaries, associates and other related parties.

- Debit interest rates on deposits in Jordanian Dinar range between 0% - 4.05%
- Debit interest rates on deposits in foreign currency range between 2.4% - 10.5%

b. The following is a summary of the benefits (salaries and remunerations plus other benefits) of the executive management of the Bank:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Salaries and other benefits | 3,780,078 | 4,055,150 |
| Travel and transportation | - | 7,700 |
| Per diems | - | 1,400 |
| Total | 3,780,078 | 4,064,250 |

38. Right of Use assets / Lease Liabilities

Details of this item are as follows:

a. Right of use assets

The bank leases many assets, including lands and buildings, the average lease term is 8 years, and the following is the movement over the right to use assets during the year:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Beginning balance | 8,744,226 | 9,591,399 |
| Add: additions during the year | 3,139,857 | 1,109,565 |
| less: Cancelled contracts | - | (112,099) |
| less: Depreciation for the year | (1,852,485) | (1,844,639) |
| Balance – End of the Year | 10,031,598 | 8,744,226 |

Amounts that were recorded in the statement of profits or losses:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Depreciation for the year | 1,852,485 | 1,844,639 |
| Interest for the year | 431,537 | 430,527 |
| Lease expense during the year | 245,313 | 231,944 |

b. Lease liabilities

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Beginning balance | 8,419,731 | 9,214,391 |
| Add: Additions during the year | 3,139,857 | 1,109,565 |
| Interest during the year | 431,537 | 430,527 |
| Less: Cancelled contracts during the year | (140,000) | (122,183) |
| Less: paid during the year | (2,187,528) | (2,212,569) |
| **Balance – End of the Year** | 9,663,597 | 8,419,731 |

Maturity of lease liabilities analysis:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Up to a year | 438,456 | 595,946 |
| From one to five years | 4,095,776 | 3,366,047 |
| More than five years | 5,099,365 | 4,457,738 |
| | 9,633,597 | 8,419,731 |

## 39. Risk Management

1. Risk Management System

   The Risk Management Department at the Bank reports to the Board of Directors according the Corporate Governance instructions issued by the Central Bank of Jordan. The Board of Directors assumes responsibility of reviewing and approving risk management strategies, policies and procedures at the Bank on an annual basis, which illustrates the general risk management framework. The Board of Directors delegates its powers to the monitoring of all risk management activities to the Risk Management Committee established under the board of directors' decision.

2. Risk Management Culture

   The Bank's risk management approach is based on experience, knowledge and culture of risks in which each employee is responsible for the potential risks included in their scope of work.

   Risk management provides independent monitoring and support to establish and disseminate the risk management concept as a whole and at all administrative levels. It also proactively helps in identifying potential losses, setting plans for the appropriate responses and to implement to the required procedures encounter such risks in the event of such occurrences contributing to the reduction potential losses and expenses.

- Risk management activities are listed in a general risk management policy which enables the bank to identify risks and set appropriate limits for them. The said policy serves as a general framework for managing the main risks along with a number of separate policies for every types of risk, including:
- Policies for managing credit risks, market risks and operational risks;
- Liquidity risks policy and interest rates risk policy for the bank's portfolio.
- Policy of internal assessment of capital adequacy.
- Stress testing policy.
- Business continuity policy.
- IFRS 9 a framework and policy for estimating expected credit loss
- Credit policy and investment policy are considered to be a complement risk management policy for the purpose of risks control and management.

The Bank's management pays special attention to Basel requirements and the best practices internationally for managing risks as they serve as a framework for enhancing the bank's ability in upgrading the control environment and encountering all risks (operational, market and credit). All practical steps were taken for implementation, whereas specialized units were established to manage all risks. Such units will take the responsibility of recognizing, measuring, managing and controlling all types of risks and determining the extent of compliance with regulations, laws and standards issued by local or international bodies in accordance to best known practices, size of the Bank's operations and types of the risks it is exposed to.

The Risk Management of the Group is responsible for performing the following functions:

- Developing the Bank's Risk Management Framework.
- Developing and executing risk management's strategy and enhancing policies and procedures which determine the roles and responsibilities of each of the parties at all administrative levels.
- Developing and reviewing risk management's policies regularly to ensure their effectiveness and amending them accordingly, as required.
- Developing a methodology for internal evaluation of the Bank's capital adequacy, whereas is comprehensive, effective and capable of identifying the risks which the Bank may encounter, taking into consideration the Bank's strategic and capital management plan.
- Developing the general framework and recovery plan indicators
- Developing a document on the bank's acceptable risks.
- Monitoring the level of the bank's executive departments' compliance with the specified levels of the acceptable risks.
- Ensuring a business continuity plan is in place and reviewing it regularly.

- Reporting the risks resulting from any expansion in the activities of the Bank to the Risk Management Committee established by the Board of Directors.
- Performing stress tests regularly to measure the Bank's resilience to withstanding shocks and encountering high risks and obtaining the approval of the Board of Directors.
- Submitting regular reports to Risk Management Committee containing information on actual risk management system (Profile Risk) for all activities of the Bank compared to the acceptable risk document and (Risk Appetite) following-up addressing negative deviations.
- Verifying the integration of risk measurement mechanisms with the used management information systems.
- Raising awareness on risk management in the Bank units to enhance the control environment and help staff of all administrative levels in gaining a deep understanding of the risks the Bank encounters.
- Reviewing strategic decisions and making recommendations to avoid risks and optimally utilizing the capital.
- Coordinating with all control departments of the Bank to ensure that the internal controls are in place or delegating the management of these risks to external parties or insuring them.

3. Levels of Acceptable Risks
- The process of identifying levels of acceptable risks is performed according to the quantitative measurement methods, nature and the distinctiveness of various risks. The said process aims to identify the risk levels accepted by the Bank in order to achieve its strategic objectives. Such limits are reflected in the risk appetite document approved by the bank which is subject to monitoring mechanism on a regular basis, as well as mechanism to address any deviations and violations, if any.
- The general acceptable risks framework is developed in line with on the Bank's strategic plan, issued by regulatory bodies in regard to credit liquidity risks, as well as capital management in a manner that supports growth and development of the Bank's operations.

4. Stress Testing
- Stress testing at the bank level is an integral part of the risks review and evaluation. Stress testing provides information on the financial integrity and risk matrix at the bank. It also provides early warning indicators regarding the Bank's capital.
- Stress testing is an integral part of the corporate governance system and risk management process as they notify the bank departments on the impact of unexpected negative events associated with various risks. The stress testing significantly impacts the administrative and strategic decisions and provide the board of directors and the executive management with indicators on the size of the capital required to encounter any losses that might result from changes that impact the bank's position and creditworthiness. Stress testing is considered important as it has a future-oriented nature in evaluating risks, compared to other methods that depend on historical data without taking into considerations the future events.
- Stress testing is carried out at the levels of sensitive and analytical scenarios and their impact is reflected on capital adequacy ratio, profits and losses in a set of levels, including: moderate, medium and severe.
- The results of stress testing are analyzed and evaluated to identify their impact on the type of the bank's assets and financial position either through the size of the expected losses and/or their impact on the bank's reputation and capital adequacy. The results of stress testing are used in capital planning and identification of their impact on generating additional capital according to the Internal Capital Adequacy Assessment Process (ICAAP).
- Scenarios prepared are proportionate to the nature and type of risks encountering the bank from the least influential to the most influential, including scenarios determining size of losses the Bank may bear in order to identify uncovered risks. The scenarios' scope is identified accurately, reviewed periodically and amended as per the changes at the bank level, banking industry level and economy level in general.

- Due to the COVID-19 pandemic that started at the beginning of 2020 and its impact on the global and national economy. The Bank has prepared stress testing based on the impacted sectors from least to most impacted in order to deal with the expected losses arising from the pandemic which might affect the Bank's position and solvency. This was based on two main pillars:
  - ✓ Making changes to the expected credit losses by assuming a number of scenarios that depend on estimating the impact of COVID-19 pandemic on macroeconomic indicators
  - ✓ Reflecting Management Overlay is assessing the impact on certain sectors or specific customers based on studying each sector or customer individually in order to each reasonable expectation for the outcomes of this event.

5. Non-performing and Mechanism of Processing by the Bank:

Irregular/ non-performing facilities are defined as credit facilities that meet the following characteristics:

- The debtor is facing significant financial difficulties (very weak financial data).
- Has passed its maturity, or the maturity of one of its installments, or irregular payment of the principal and/or interest and/ or an overdraft account stagnant for the following periods:
  - ✓ Doubtful credit facilities from 90-179 days
  - ✓ Substandard credit facilities from 180-359 days
  - ✓ Default credit facilities for more than 360 days
  - ✓ Overdraft balance exceeding the allowed limit by 10% or more and for 90 days or more.
  - ✓ Credit facilities that were expired and not renewed 90 days ago or more.
- The bank extinguishing part of the debtor’s obligations for reasons related to financial difficulties facing the debtor party and its inability to pay all obligations on time.
- The presence of clear indications that the debtor's bankruptcy is imminent.
- The absence of an active market for the financial instrument due to financial difficulties faced by the debtor party (source of credit exposure / debt instrument).
- The acquisition (purchase or creation) of a debt instrument at a significant discount represents a credit loss.
- Credit facilities granted to any client who declared bankruptcy or to any company that was put in liquidation.
- Credit facilities structured three times within a year.
- Current accounts and overdrawn accounts for 90 days or more.
- The value of guarantees paid on behalf of clients and not debited to their accounts for 90 days or more.
- The concept of default (Stage 3) is applied to all of the customer’s accounts in case the concept applies to any of his exposures (Customer Level).

Mechanism of processing Non-performing:

When classifying non-performing debt, the bank allocates provisions according to the instructions of the central bank, and the processing mechanism is through reschedules or documented settlements that end the debt’s maturity in accordance with the instructions and standards. In exceptional circumstances, the bank may be forced to give the customer a short and specific period of time that is commensurate with the circumstances that called for it. The bank resorts to legal treatment of debt, including the enforcement of guarantees when it has exhausted all amicable means of collection, and it has formed its conviction that collecting the debt in this way has become the only way that guarantees the bank to recover its rights.

6. Internal Credit Rating System

The Bank uses Moody's System for Internal credit rating to evaluate business clients, identify credit risks and evaluate default probability of the counterparty. The Bank applies internal rating models designed for various categories of clients based on exposure nature, type of borrower and banking sector managed by the borrower. The Credit Rating System consists of three main models used by business departments to analyze and classify clients based on financial and non-financial data of the clients. Credit Departments archive and approve the financial and non-financial data.

The System allows selecting one model out of the three models. The model is selected based on availability and clarity of the financial data provided by the client and a set of questions relating to the client activity.

The system is applied to clients' portfolio including large firms, small and medium enterprises in the Bank's branches at Jordan, Palestine and Cyprus.
The Credit Rating System consists of 10 credit ratings. The default risks increase upward depending on the risk degree. There is a definition for each credit rating as internally approved by the Bank.

Working Mechanism of the System:

- Full details of clients are entered by business departments as they can contact the clients and learn about their conditions and activities.
- Credit Review Department reviews the input data and credit ratings of the clients to ensure the accuracy, objectivity and compatibility of the data entered to the system with the credit data and study provided to the client in general. Override feature may be used by users with credit-related powers to increase or decrease risks degrees according to specified information to estimate the borrower conditions.
- The Credit Rating System maintains a complete record of the risk degrees of the archived accounts for clients, starting from establishment of the credit relationship and regular updates conducted annually at least or reclassifying the client's rating if required.

Application and Initial Recognition

To rate credit exposures through internal rating system, the existing rating of the credit exposure is compared to the rating upon initial recognition by internally prepared studies to document historical information of the risks of each debt to identify risk degree in initial recognition. As for unrated credit exposures in the date of the financial statements, they are included in Phase II until they are duly classified. The new accounts must be rated using the internal rating system and their ratings are considered as an initial recognition in the classification date.

7. Approved Mechanism to Measure Expected Credit Losses

- IFRS 9 requirements include measuring expected credit losses (impairment losses/provision losses) of the credit exposures and debt instruments within IFRS 9 scope in terms of the method of inserting the credit exposures/debt instruments. In addition, IFRS 9 requirements includes a general approach and framework for ECL calculation through 3-phase approach defined by the new standard to recognize credit impairment that is dependent on the quality of credit risks since initial recognition. Assets are transferred between the three phases according to the changes in the credit risks. Based on these phases the change in ECL in recognized.
- The model of ECL calculation for debt instruments that subject to IFRS 9 was applied to all Jordan branches, subsidiaries and external branches in line with the instructions of the central bank of Jordan as well as IFRS9 requirements.
- The Bank followed an approach to measure ECL on individual basis for credit exposures and debt instruments without identifying common components and specifications on a collective basis. ECL are calculated on the single contract (account) level that shows the impact of an individual details for each contract through identifying ECL formula variables by calculation of EAD, PD, LGD, time of maturity according to the detailed information of each contract. The following formula was used to calculate ECL:

  Expected Credit Loss (ECL) = Probability of Default (PD) % X Exposure at Default (EAD) X Loss Given Default (LGD)%

8. Probability of Default (PD)

It is an estimate of the probability that the credit exposure/ debt instrument will default during a specific period of time, starting from the date of the financial statements, and is estimated as follows:

Corporations banking:

- Transition Matrix is developed for facilities sector (including large firms and small-sized and medium-sized enterprises) as reflected in the rating data in Moody's Internal Rating System for one year. The data covers two periods for credit exposures at the branches of Jordan, Palestine and Cyprus at the level of individual clients.
- PDs and their annual updates available in Moody's System are used to generate default values for default probability at the level of banking sectors to be integrated in the approved ECLs model. A statistical model is constructed and a PiT PD and LTDR are extracted so that these variables reflect the probability matrix of Lifetime PD.

Retail banking:

- Transition matrix for branches in Jordan, external branches and subsidiaries is developed based on Delinquency Buckets information for the past 24 Months. Transition matrix is developed as per the product type, including secured and unsecured products.

Sovereign bodies and banks:

- Probability of default matrices for credit exposures and debt instruments owed by sovereign bodies and banks in various regions of the world are developed by relying on reports generated by Standard & Poor to extract PiT PD and LTDR.

Exposure at Default (EAD)

- EAD is followed based on credit limits available for clients or utilized EAD whichever is greater for direct or indirect exposures. Amounts that may be withdrawn by the debtor in future are considered. The Credit Conversion Factor (CCF) of 100% is applied to indirect facilities (including bank guarantees and documentary credits) and to unutilized credit ceilings.
- The expected lifetime for debt is considered in behavioral analysis the period during which the debt remains outstanding, such as overdrafts and credit cards for which a 3-year maturity has been applied.
- The value of unutilized Limits is proportionately distributed to contracts relating to this ceiling. In other words, the unutilized EAD for the contracts within this ceiling is divided to the total value for utilized contracts within the same ceiling. This mechanism is also applied for collaterals which distributed to ensure proper distribution of credit exposures to their corresponding collaterals .

Loss Given Default (LGD)

An estimate of the amount of potential loss on default. It represents the difference between contractual cash flows and those that the bank expects to collect, including the collateral provided. It is often expressed as a percentage of the credit exposure amount at default.

Portion Covered with Collaterals

The managerial LGD model is applied to the portion covered with guarantees. Acceptable financial and non-financial guarantees deemed as credit mitigates against such exposures that are legally documented in credit contracts. There is no legal impediment preventing access to them. Hair-cut percentages for each type of acceptable guarantees are considered according to the instructions of the Central Bank of Jordan. The following formula is applied to calculate LGD for the portion covered with guarantee as follows:

LGD=1 - (Exposure After Mitigation / Exposure Before Mitigation x 100%)

It has been taken into account the expected time period for recovery of real estate guarantees, cars and stocks according to the methodology adopted within the bank.

The percentage losses are identified by assuming default for some banking sectors within the branches of Jordan, the banking group, subsidiaries and foreign branches according to the methodology used in the bank.

Portion Not Covered with Collaterals

The historical data of the non-performing credit exposures for portions covered and uncovered with guarantees and collections made in the upcoming periods and in 4 years cut-off time from default date are used to study and analyze recovery rate for all banking sectors (large firms, small-sized enterprises and medium-sized enterprises) and to individually specify LGD percentage. LGD for portion uncovered with guarantees for various banking sectors and according to the approved methodology by the bank.

Application Scope

According to the followed approach, credit exposures and financial instruments fall within ECL and in a manner that meet IFRS 9 requirements:

Loans and credit facilities (direct and indirect)

ECLs are calculated based on credit ceilings or utilized exposure whichever is higher to identify EAD by using CCF at 100%. As for Probability Default (PD), matrices developed for banking sectors in the upcoming 12 months or residual lifetime for the credit exposure. Phases required by IFRS 9 are considered to rate credit exposures based on the significant change determinants in credit risks. LGD for the portion uncovered with guarantee is applied as per the review of recovery rate for banking sectors. The acceptable financial and non-financial guarantees will be taken after application of standard hair-cut rates for all types of guarantees. The current value of the cash flows for the lifetime of the credit are calculated through Effective Interest Rate (EIR) given at the calculation date. It is noteworthy that one-year was used on average for all exposures with no outstanding date. Except for overdrafts and credit cards for which 3 years were used.

Debt instruments recorded at the amortized cost or at fair value through the other comprehensive income

The ECLs are calculated by using the balances of debt instruments and interest is applied to the total debt instrument to calculate EAD. As for PD, the matrices developed for all types of debt instruments are applied and a LGD of 45% was applied.

The current value of the cash flows for the lifetime of the debt instruments are calculated using Effective Interest Rate (EIR).

It should be noted that debt instruments (treasury bills) of the Jordanian Government have been treated without calculation of ECL.

Credit exposures by banks, sovereign bodies and financial institutions

ECLs are calculated by using the balances of credit exposures to calculate EAD. As for PD, the matrices developed for banks, sovereign bodies and financial institutions according to their geographical distribution at local, regional and international levels. LGD of 45% was applied. The current value of the cash flows for the lifetime of the credit are calculated through Effective Interest Rate (EIR).

9. Determinants for significant changes in credit risks

All credit exposures and financial instruments subject to ECL measurement must have specific determinants to be considered as a significant increase in credit risks. Financial instrument and credit exposures are moved through the t

| Variable | Stage 2 | Stage 3 |
|---|---|---|
| Change in credit Rating of the debt instrument/Credit Exposure | - Customers, which are having 2 grades deterioration in their final rating compared to their initial rating/ On Internal Rating Model.<br>- Substantial reduction, actual or expected, of external Credit Rating of credit exposure/ debt instrument | - The accounts to which the definition as defaulted/ irregular debts<br>- Bankruptcy or declaration on under liquidation for companies.<br>- Internal Risk Rating are (8-9-10) |
| Unrated Credit Exposure / Debt instrument | Lack of Credit Rating of credit exposure/ debt instrument | |
| Day past Dues (DPD) | Dues for 30 days and more and less than 90 days | |
| Internal Risk Rating | Risk Rating is (7) | |
| Account Status | Accounts Under Watch category | |

Furthermore, the exposures under Retail Segment are governed by certain determinants as indicator to be considered impactful increase in the credit risks. For transition of the credit exposure among the three stages, the Bank has adopted the following approach within the calculation of the expected credit loss model:

| Variable | Stage 2 | Stage 3 |
|---|---|---|
| Day Past Dues ( DPD) | Dues for 30 days and more and less than 90 days | The accounts to which the definition as defaulted/ irregular debts |
| Account Status | Accounts Under Watch category | |

Taking into consideration other indicators that are considered appropriate to evaluate the increase in credit risk level or indicate the presence of default in this case the debt should be classified in stage 3 /2 in reference to IFRS 9, and Central Bank of Jordan circular number 47/2009.

10. Key Economic Indicators Used in Calculating Expected Credit Losses (ECLs)

Key economic indicators are considered in measuring probability default (PD) for several sectors. Historical information, current conditions and future events expected according to information or meaningful conclusions may be relied upon.

A statistical model with economic single variable is used and macroeconomic variables are relied upon. Macroeconomic variables represent growth rates in GDP and difference in unemployment rates for the past ten years. They are linked with the forecasted economic variable in future for the next five years to reflect the impact of changes to the annual PD rates expected in future. GDP for the following sectors and geographical areas were relied upon:

1. Jordan.
2. Palestine.
3. Cyprus.
4. Subsidiary/ Ahli Leasing.

Exposures of debt instruments owed by sovereign bodies and banks.

1. North America .
2. Europe & Central Asia
3. East Asia & Pacific
4. Arab World .

Differences in annual un-employment rates for the following sectors and geographical areas were relied upon:

1. Jordan.
2. Palestine
3. Cyprus
4. Ahlia Micro Finance

## 11. Application Governance of IFRS 9

Corporate governance is one of the modern management requirements of companies. It plays a fundamental role in identifying responsibilities and relations between parties to achieve the bank vision and objectives. It also provides the board of directors and the executive management with appropriate tools and means to achieve strategic objectives and ensure creating an effective control environment.

The Bank adheres to corporate governance requirements according to the instructions of the Central Bank of Jordan and best international practices set by Basel Committee. To achieve application governance of IFRS 9, the responsibilities of the board of directors, executive management, involved business units are detailed below.

Board of Directors Responsibilities

- Identifying the bank strategic objectives, directing the executive management to formulate and approve strategies that aim at achieving objectives and approving action plans consistent with such strategies.
- Evaluating existing infrastructure, taking decisions concerning changes and improvements to ensure ECLs calculation according to the relevant legislation.
- The executive management supervision committees established by the board of directors ensure that internal control systems are in place, ensure availability of policies, plans and procedures and verify compliance with the bank's internal policies and application of international standards and relevant legislation.
- Taking procedures for effective monitoring of the IFRS 9 sound application and protection of the systems used in application.
- Ensuring that oversight units (including Risks Management Department and Internal Audit Department) take all needed actions to validate approaches and systems used in IFRS 9 application and provide necessary support.
- Approving business models used in identification of objectives and rules of financial instruments' acquisition and classification.
- Adopting appropriate policies and procedures related to IFRS application, exceptional cases and system outputs. An independent party will be responsible for deciding upon exceptions or changes. Such exceptions or changes must be presented to board of directors or audit committee formed by it.
- Ensuring that credit rating systems and ECLs calculation systems are in place.

Executive Management's Responsibilities

- Providing appropriate infrastructure, making recommendations on changes or improvements that support IFRS 9 application accurately and thoroughly by qualified professionals and through adequate database and appropriate information system.
- Reviewing regulations, policies, procedures and any relevant standards and identify how appropriate they are for the standard application.
- Distributing tasks and responsibilities and business units' involvement in proper application of the international accounting standard.
- Following up regular reports related to the findings of IFRS 9 application and identifying the impact of its application on the bank's financial condition from quantitative and qualitative aspects.
- Setting corrective procedures approved by the board of directors.
- Protecting systems used in the application process.
- Reflecting IFRS 9 impact on pricing strategies and policies.

Related Depts Responsibilities

The tasks and responsibilities of the bank's departments related to the application of the requirements of the international standard are subject to the general framework and policy approved within the bank

Rescheduled Loans

These represent loans previously classified under within Stage (3) in accordance with rescheduling principles. These loans amounted to JD 10,093,287 during the year ended December 31, 2021 (JD 21,313,713 as of December 31, 2020).

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 115,741,794 during the year 2021 (JD 101,679,833 during the year 2020).

Bills bonds and debentures

The table below shows the classification of bills bonds and debentures according to external rating agencies:

| Rating Grade | Rating Institution | As of December 31, 2021 | 2020 |
|---|---|---|---|
| | | JD | JD |
| Governmental | Government bonds and government guaranteed | 765,683,348 | 687,798,245 |
| Un-rated | - | 101,503,440 | 130,301,096 |
| Total | | 867,186,788 | 818,099,341 |

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 finanicial statments.

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.

2- Allocation of exposures according to industrial sectors:

A- Allocation of exposures according to financial instruments - net

| | 2021 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Financial | Industrial | Trading | Real Estate | Agricultural | Public Services | Shares | Retail | Government and Public Sector | Other | Total |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at central banks | - | - | - | - | - | - | - | - | 193,366,595 | - | 193,366,595 |
| Balances at banks and financial institutions | 177,418,823 | - | - | - | - | - | - | - | - | - | 177,418,823 |
| Deposits at banks and financial institutions | 20,312,861 | - | - | - | - | - | - | - | - | - | 20,312,861 |
| Direct credit facilities | 19,343,400 | 122,322,797 | 252,111,132 | 468,351,167 | 63,556,303 | 142,429,787 | 5,824,208 | 252,291,993 | 31,453,852 | - | 1,357,684,639 |
| Financial assets at amortized cost | 100,578,968 | - | - | - | - | - | - | - | 765,671,439 | - | 866,250,407 |
| Other assets | 19,456,857 | - | - | - | - | - | - | - | - | - | 19,456,857 |
| Total | 337,110,909 | 122,322,797 | 252,111,132 | 468,351,167 | 63,556,303 | 142,429,787 | 5,824,208 | 252,291,993 | 990,491,886 | - | 2,634,490,182 |
| Financial guarantees | 236,955,069 | - | - | - | - | - | - | - | - | - | 236,955,069 |
| Letters of credit | 87,255,413 | - | - | - | - | - | - | - | - | - | 87,255,413 |
| Other liabilities | 440,254,235 | - | - | - | - | - | - | - | - | - | 440,254,235 |
| Total 2021 | 1,101,575,626 | 122,322,797 | 252,111,132 | 468,351,167 | 63,556,303 | 142,429,787 | 5,824,208 | 252,291,993 | 990,491,886 | - | 3,398,954,899 |

b. Allocation of exposures according stage categories of IFRS (9) December 31, 2021:

| Item | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Financial | 1,083,571,310 | 16,263,504 | 1,740,812 | 1,101,575,626 |
| Industrial and mining | 103,308,086 | 13,231,086 | 5,783,625 | 122,322,797 |
| Trading | 227,403,634 | 20,443,475 | 4,264,023 | 252,111,132 |
| Real estate | 438,261,814 | 21,285,067 | 8,804,286 | 468,351,167 |
| Agricultural | 21,651,298 | 41,538,449 | 366,556 | 63,556,303 |
| Public Services | 127,613,448 | 14,101,752 | 714,587 | 142,429,787 |
| Shares | 5,427,853 | - | 396,355 | 5,824,208 |
| Retail | 242,092,996 | 9,271,161 | 927,836 | 252,291,993 |
| Government and Public Sector | 990,491,886 | - | - | 990,491,886 |
| Other | - | - | - | - |
| Total | 3,239,822,325 | 136,134,494 | 22,998,080 | 3,398,954,899 |

3- Allocation of exposures according to geographical locations:

a. Allocation of exposures according to geographical regions - net

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Inside Jordan | Middle East | Europe | Asia * | Africa | Americas | Other Countries | Total |
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at central banks | 149,246,743 | 43,470,068 | 649,784 | - | - | - | - | 193,366,595 |
| Balances at banks and financial institutions | 29,211,375 | 17,985,719 | 101,103,933 | 1,112,737 | - | 28,005,059 | - | 177,418,823 |
| Deposits at banks and financial institutions | - | - | 20,312,861 | - | - | - | - | 20,312,861 |
| Direct credit facilities | 1,161,591,343 | 186,012,552 | 10,080,744 | - | - | - | - | 1,357,684,639 |
| Financial assets at amortized cost | 803,289,367 | 48,781,040 | 14,180,000 | - | - | - | - | 866,250,407 |
| Other assets | 17,989,494 | 1,292,601 | 174,762 | - | - | - | - | 19,456,857 |
| Total | 2,161,328,322 | 297,541,980 | 146,502,084 | 1,112,737 | - | 28,005,059 | - | 2,634,490,182 |
| Financial guarantees | 224,750,647 | 11,736,400 | 468,022 | - | - | - | - | 236,955,069 |
| Letters of credit | 81,126,276 | 6,129,137 | - | - | - | - | - | 87,255,413 |
| Other liabilities | 399,563,302 | 32,619,121 | 8,071,812 | - | - | - | - | 440,254,235 |
| Total 2021 | 2,866,768,547 | 348,026,638 | 155,041,918 | 1,112,737 | - | 28,005,059 | - | 3,398,954,899 |

b. Allocation of exposures according stage categories of IFRS (9) December 31, 2021:

| Item | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Inside Jordan | 2,717,383,845 | 128,282,554 | 21,102,148 | 2,866,768,547 |
| Middle East | 338,374,343 | 7,756,363 | 1,895,932 | 348,026,638 |
| Europe | 154,946,341 | 95,577 | - | 155,041,918 |
| Asia | 1,112,737 | - | - | 1,112,737 |
| Africa | - | - | - | - |
| Americas | 28,005,059 | - | - | 28,005,059 |
| Other Countries | - | - | - | - |
| Total 2021 | 3,239,822,325 | 136,134,494 | 22,998,080 | 3,398,954,899 |

* Except for the Middle East countries

4- Allocation of reclassified exposures:

a. Gross of reclassified exposures

| Item | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Stage 2 | | Stage 3 | | | |
| | Total Exposure Value | Reclassified Exposures | Total Exposure Value | Reclassified Exposures | Total Reclassified Exposures | Percentage of Reclassified Exposures |
| | JD | JD | JD | JD | JD | % |
| Balances at central banks | - | - | - | - | - | |
| Balances at banks and financial institutions | - | - | - | - | - | |
| Deposits at banks and financial institutions | - | - | - | - | - | |
| Direct credit facilities | 137,769,708 | 16,369,910 | 107,430,472 | 12,599,208 | 28,969,118 | 11.81% |
| Financial assets at amortized cost | - | - | - | - | - | |
| Other assets | - | - | - | - | - | |
| Total statement of financial position exposure | 137,769,708 | 16,369,910 | 107,430,472 | 12,599,208 | 28,969,118 | |
| Total off-statement of financial position exposure | 14,523,301 | 41,608 | 2,601,922 | 19,419 | 61,027 | 0.36% |
| Total | 152,293,009 | 16,411,518 | 110,032,394 | 12,618,627 | 29,030,145 | |

**b. Expected credit losses of reclassified exposures:**

| Item | December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reclassified Exposures | | | Expected credit loss of reclassified exposures | | | |
| | Total exposures reclassified from stage 2 | Total exposures reclassified from stage 3 | Total reclassified exposures | Stage 2- Individual | Stage 3- Individual | Total | Percentage of Loss for Reclassified Exposures |
| | JD | JD | JD | JD | JD | JD | % |
| Balances at central banks | - | - | - | - | - | - | |
| Balances at banks and financial institutions | - | - | - | - | - | - | |
| Deposits at banks and financial institutions | - | - | - | - | - | - | |
| Direct credit facilities | 16,369,910 | 12,599,208 | 28,969,118 | (1,095,715) | 365,237 | (730,478) | (2.522)% |
| Financial assets at amortized cost | - | - | - | - | - | - | |
| Other assets | - | - | - | - | - | - | |
| Total statement of financial position exposure | 16,369,910 | 12,599,208 | 28,969,118 | (1,095,715) | 365,237 | (730,478) | |
| Total off - statement of financial position exposure | 41,608 | 19,419 | 61,027 | (40,087) | (8,407) | (48,494) | (79.463)% |
| Total | 16,411,518 | 12,618,627 | 29,030,145 | (1,135,802) | 356,830 | (778,972) | |

5. Exposure to credit risk (after net of allowances for impairment and suspended interest and before the effect of risk mitigates and collaterals):

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| **On- Consolidated Statement of Financial Position Items** | 193,366,595 | 139,888,244 |
| Balances at Central Banks | 177,418,823 | 167,340,463 |
| Balances at banks and financial institutions | 20,312,861 | 19,618,676 |
| Deposits at banks and financial institutions | | |
| **Direct credit facilities:** | | |
| Retail | 309,916,415 | 310,261,121 |
| Real-estate loans | 301,456,375 | 314,372,029 |
| Large corporations | 557,986,336 | 573,847,526 |
| Small and medium enterprises | 156,871,661 | 146,301,379 |
| Lending to governmental and public sectors | 31,453,852 | 24,851,777 |
| Bills and Notes: | | |
| Financial assets held at amortized cost, net | 866,250,407 | 817,193,096 |
| Other assets | 19,456,857 | 18,903,299 |
| **Total on-Consolidated Statement of Financial Position Items** | 2,634,490,182 | 2,532,577,610 |
| **Off-Consolidated Statement of Financial Position Items** | | |
| Letters of guarantee | 236,955,069 | 248,217,398 |
| Letters of credit & Acceptances | 87,255,413 | 120,561,581 |
| Un-utilized credit facilities limits | 440,254,235 | 330,420,282 |
| **Total off-Consolidated Statement of Financial Position Items** | 764,464,717 | 699,199,261 |
| **Total on & off-Consolidated Statement of Financial Position Items** | 3,398,954,899 | 3,231,776,871 |

- The above table represents the maximum credit risk for the bank as of December 31, 2021 and 2020 without taking the collaterals or effect of mitigation into consideration.

**40- Segment Information**

**a. Information on the Bank's Segments:**
For management purposes, the Bank is organized into the following major business sectors based on the reports used by the general manager and 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 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.

- 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.

| | Retail | Small and Medium entities | Corporate | Treasury | Other | Total For the Year Ended December 31, 2021 | Total For the Year Ended December 31, 2020 |
|---|---|---|---|---|---|---|---|
| | JD | | JD | JD | JD | JD | JD |
| Total revenue | 31,549,077 | 20,960,640 | 33,827,791 | 20,804,493 | 4,179,265 | 111,321,266 | 108,867,402 |
| Provision for expected credit losses | (3,451,191) | (1,194,956) | (8,465,747) | (24,331) | (44,396) | (13,180,621) | (21,398,476) |
| Segment results | 28,097,886 | 19,765,684 | 25,362,044 | 20,780,162 | 4,134,869 | 98,140,645 | 87,468,926 |
| Unallocated expenses | - | - | - | - | (68,910,095) | (68,910,095) | (71,109,119) |
| Impairment provision on seized assets | - | - | - | - | (2,000,000) | (2,000,000) | (1,344,247) |
| Provision for violating investments | - | - | - | - | - | - | (208,333) |
| Associate companies profit (loss) | - | - | - | (63,776) | - | (63,776) | 2,694,853 |
| Profit before tax | 28,097,886 | 19,765,684 | 25,362,044 | 20,716,386 | (66,775,226) | 27,166,774 | 17,502,080 |
| Income tax | - | - | - | - | (12,936,342) | (12,936,342) | (7,062,374) |
| Net profit | | | | | | 14,230,432 | 10,439,706 |
| Capital expenditures | | | | | | 5,030,686 | 6,888,019 |
| Depreciation and amortization | | | | | | 11,058,836 | 11,565,490 |

Other information:

| | Individual | Small and Medium entities | Corporate Banking | Treasury | Other | December 31, 2021 | December 31, 2020 |
|---|---|---|---|---|---|---|---|
| | JD | | JD | JD | JD | JD | JD |
| Segment assets | 592,115,850 | 208,178,808 | 588,396,392 | 1,319,801,670 | 112,581,283 | 2,821,074,003 | 2,706,319,420 |
| Investments in associates | - | - | - | - | - | - | 1,039,817 |
| Assets not distributed over sector | - | - | - | - | 132,342,750 | 132,342,750 | 138,637,804 |
| Total assets | 592,115,850 | 208,178,808 | 588,396,392 | 1,319,801,670 | 244,924,033 | 2,953,416,753 | 2,845,997,041 |
| Segment liabilities | 1,200,438,787 | 401,723,278 | 624,216,452 | 311,033,500 | 48,747,751 | 2,586,159,768 | 2,486,823,065 |
| Liabilities not distributed over sector | - | - | - | - | 39,537,487 | 39,537,487 | 36,844,014 |
| Total liabilities | 1,200,438,787 | 401,723,278 | 624,216,452 | 311,033,500 | 88,285,238 | 2,625,697,255 | 2,523,667,079 |

**B- Geographical Information:**

The following table represents the geographical segments of the bank's business. The bank practices its activities mainly in the Kingdom, which represent

businesses inside the Kingdom, and the bank practices activities in Palestine

Below is the distribution of the revenues, assets and capital expenditures as per the geographical information:

| | Inside Jordan 2021 | Inside Jordan 2020 | Outside Jordan 2021 | Outside Jordan 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|
| | JD | JD | | JD | JD | |
| Total revenue | 98,593,110 | 96,882,438 | 12,728,156 | 11,984,964 | 111,321,266 | 108,867,402 |
| Capital expenditures | 4,455,338 | 5,257,016 | 575,348 | 1,631,003 | 5,030,686 | 6,888,019 |
| Total assets | 2,518,754,002 | 2,441,911,325 | 434,662,751 | 404,085,716 | 2,953,416,753 | 2,845,997,041 |

Fair value of collaterals obtained against total credit exposures as of 31 December 2021 :

| | | Collateral Fair Value | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Item | Total Exposure Value | Cash Margin | Quoted Shares | Acceptable LGs | Real Estates | Cars and Mechanics | Others | Total Collateral Value | Net Exposure after collateral | Expected Credit Loss (ECL) |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at central banks | 193,366,595 | - | - | - | - | - | - | - | 193,366,595 | - |
| Balances at banks and financial institutions | 177,440,379 | - | - | - | - | - | - | - | 177,440,379 | 21,556 |
| Deposits at banks and financial institutions | 20,342,135 | - | - | - | - | - | - | - | 20,342,135 | 29,274 |
| **Credit Facilities:** | 1,464,675,116 | 128,596,430 | 5,476,380 | 5,259,208 | 840,622,480 | 35,250,953 | 44,257,950 | 1,059,463,401 | 405,211,715 | 82,940,530 |
| Retail | 328,734,151 | 40,100,912 | 12,044 | 52,613 | 7,961,043 | 4,874,759 | 28,773 | 53,030,144 | 275,704,007 | 15,811,294 |
| Real estate loans | 312,679,388 | 516,950 | - | - | 483,425,323 | 32,937 | 35,892,805 | 519,868,015 | (207,188,627) | 8,192,139 |
| Corporate | 620,977,412 | 47,823,216 | 4,967,426 | 1,435,088 | 240,402,716 | 23,663,598 | 2,117,211 | 320,409,255 | 300,568,157 | 49,121,082 |
| SMEs | 170,753,060 | 40,155,352 | 496,910 | 3,771,507 | 108,833,398 | 6,679,659 | 6,219,161 | 166,155,987 | 4,597,073 | 9,738,762 |
| Government and public sectors | 31,531,105 | - | - | - | - | - | - | - | 31,531,105 | 77,253 |
| Financial assets at amortized cost | 867,186,788 | - | - | - | - | - | - | - | 867,186,788 | 936,381 |
| Other assets | 19,456,857 | - | - | - | - | - | - | - | 19,456,857 | - |
| Total statement of financial position items | 2,742,467,870 | 128,596,430 | 5,476,380 | 5,259,208 | 840,622,480 | 35,250,953 | 44,257,950 | 1,059,463,401 | 1,683,004,469 | 83,927,741 |
| Total off statement of financial position items | 770,650,635 | 41,901,076 | 252,000 | - | 58,232,940 | 364,703 | - | 100,750,719 | 669,899,916 | 6,185,918 |
| Total | 3,513,118,505 | 170,497,506 | 5,728,380 | 5,259,208 | 898,855,420 | 35,615,656 | 44,257,950 | 1,160,214,120 | 2,352,904,385 | 90,113,659 |

Fair value of collaterals obtained against total credit exposures as of 31 December 2020 :

| Item | Total Exposure Value | Collateral Fair Value: Cash Margin | Quoted Shares | Acceptable LGs | Real Estates | Cars and Mechanics | Others | Total Collateral Value | Net Exposure after collateral | Expected Credit Loss (ECL) |
|---|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at central banks | 139,888,244 | - | - | - | - | - | - | - | 139,888,244 | - |
| Balances at banks and financial institutions | 167,375,808 | - | - | - | - | - | - | - | 167,375,808 | 35,345 |
| Deposits at banks and financial institutions | 19,642,750 | - | - | - | - | - | - | - | 19,642,750 | 24,074 |
| **Credit Facilities:** | 1,469,506,933 | 108,720,249 | 10,998,461 | 4,473,070 | 852,001,136 | 21,762,529 | 74,863,998 | 1,072,819,443 | 396,687,490 | 76,974,392 |
| Retail | 327,717,128 | 42,976,574 | 324,930 | 57,009 | 11,211,492 | 5,505,906 | - | 60,075,911 | 267,641,217 | 14,806,027 |
| Real estate loans | 323,817,108 | 442,782 | - | - | 482,545,389 | 84,000 | 66,027,800 | 549,099,971 | (225,282,863) | 6,723,978 |
| Corporate | 630,350,281 | 30,550,486 | 9,943,531 | 1,291,573 | 246,618,392 | 5,042,211 | 1,574,529 | 295,020,722 | 335,329,559 | 43,717,226 |
| SMEs | 162,717,967 | 34,750,407 | 730,000 | 3,124,488 | 111,625,863 | 11,130,412 | 7,261,669 | 168,622,839 | (5,904,872) | 11,674,489 |
| Government and public sectors | 24,904,449 | - | - | - | - | - | - | - | 24,904,449 | 52,672 |
| Financial assets at amortized cost | 818,099,341 | - | - | - | - | - | - | - | 818,099,341 | 906,245 |
| Other assets | 18,903,299 | - | - | - | - | - | - | - | 18,903,299 | - |
| Total statement of financial position items | 2,633,416,375 | 108,720,249 | 10,998,461 | 4,473,070 | 852,001,136 | 21,762,529 | 74,863,998 | 1,072,819,443 | 1,560,596,932 | 77,940,056 |
| Total off statement of financial position items | 575,900,860 | 4,522,947 | - | - | 5,561,923 | 6,440,491 | - | 16,525,361 | 559,375,499 | 5,038,738 |
| Total | 3,209,317,235 | 113,243,196 | 10,998,461 | 4,473,070 | 857,563,059 | 28,203,020 | 74,863,998 | 1,089,344,804 | 2,119,972,431 | 82,978,794 |

Fair value of collaterals obtained against stage 3 credit exposures as at 31 December 2021 :

| Item | Total Exposure Value | Collateral Fair Value | | | | | | | Net Exposure after collateral | Expected Credit Loss (ECL) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash Margin | Quoted Shares | Acceptable LGs | Real Estates | Cars and Mechanics | Others | Total Collateral Value | | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at central banks | - | - | - | - | - | - | - | - | - | - |
| Balances at banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| Deposits at banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| **Credit Facilities:** | 107,430,472 | 2,968,633 | 984,387 | 801,191 | 38,775,966 | 21,722,285 | 462,033 | 65,714,495 | 41,715,977 | 65,704,362 |
| Retail | 16,605,476 | 78,217 | 12,044 | 52,613 | 1,199,775 | 543,488 | 28,773 | 1,914,910 | 14,690,566 | 14,014,344 |
| Real estate loans | 18,418,386 | 60,476 | - | - | 17,785,585 | - | 88,212 | 17,934,273 | 484,113 | 7,612,540 |
| Corporate | 57,302,584 | 2,576,421 | 972,343 | 36,244 | 10,324,764 | 20,483,498 | 244,383 | 34,637,653 | 22,664,931 | 37,114,695 |
| SMEs | 15,104,026 | 253,519 | - | 712,334 | 9,465,842 | 695,299 | 100,665 | 11,227,659 | 3,876,367 | 6,962,783 |
| Government and public sectors | - | - | - | - | - | - | - | - | - | - |
| Financial assets at amortized cost | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| Total statement of financial position items | 107,430,472 | 2,968,633 | 984,387 | 801,191 | 38,775,966 | 21,722,285 | 462,033 | 65,714,495 | 41,715,977 | 65,704,362 |
| Total off statement of financial position items | 2,601,922 | 1,648,419 | - | - | 1,864,267 | 206,800 | - | 3,719,486 | 1,117,564- | 1,108,881 |
| Total | 110,032,394 | 4,617,052 | 984,387 | 801,191 | 40,640,233 | 21,929,085 | 462,033 | 69,433,981 | 40,598,413 | 66,813,243 |

Fair value of collaterals obtained against stage 3 credit exposures as at 31 December 2020 :

| Item | Total Exposure Value | Collateral Fair Value | | | | | | | Net Exposure after collateral | Expected Credit Loss (ECL) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash Margin | Quoted Shares | Acceptable LGs | Real Estates | Cars and Mechanics | Others | Total Collateral Value | | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at central banks | - | - | - | - | - | - | - | - | - | - |
| Balances at banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| Deposits at banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| **Credit Facilities:** | 110,523,831 | 3,002,402 | 1,114,881 | 807,612 | 52,359,878 | 3,009,527 | 678,105 | 60,972,405 | 49,551,426 | 61,309,215 |
| Retail | 15,158,132 | 68,071 | 19,873 | 57,009 | 1,202,503 | 633,031 | - | 1,980,487 | 13,177,645 | 12,601,366 |
| Real estate loans | 14,958,792 | 24,099 | - | - | 16,174,164 | - | 51,412 | 16,249,675 | (1,290,883) | 5,966,286 |
| Corporate | 60,441,305 | 2,510,321 | 1,095,008 | 43,681 | 21,685,374 | 976,381 | 238,875 | 26,549,640 | 33,891,665 | 33,307,659 |
| SMEs | 19,965,602 | 399,911 | - | 706,922 | 13,297,837 | 1,400,115 | 387,818 | 16,192,603 | 3,772,999 | 9,433,904 |
| Government and public sectors | - | - | - | - | - | - | - | - | - | - |
| Financial assets at amortized cost | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| Total statement of financial position items | 110,523,831 | 3,002,402 | 1,114,881 | 807,612 | 52,359,878 | 3,009,527 | 678,105 | 60,972,405 | 49,551,426 | 61,309,215 |
| Total off statement of financial position items | 2,976,904 | 1,703,597 | - | - | 5,561,923 | 6,440,491 | - | 13,706,011 | (10,729,107) | 1,107,319 |
| Total | 113,500,735 | 4,705,999 | 1,114,881 | 807,612 | 57,921,801 | 9,450,018 | 678,105 | 74,678,416 | 38,822,319 | 62,416,534 |

b.Market risk

Market risk is defined as the risks resulting from a change in market prices in a way that affects the bank's profits or equity in it. This definition includes the change in currency exchange rates and stock prices in addition to interest rates.

The Bank adopts a conservative policy in managing these risks, as these risks are controlled by adopting clear policies regarding them and the adoption of exposure limits for each type of these risks and our policy aims to reduce these risks to the lowest levels.

1. Interest rate risk

In managing interest rate risks, the bank relies on a conservative policy, as most of the bank's assets and liabilities are subject to re-pricing in the short term,this conservative policy limits the impact of the change in interest rates on the bank's profits or on the prices of its assets and investments.

Interest rate risk is managed by the Asset and Liability Management Committee, whereby this committee is provided with interest re-pricing gap reports periodically.In addition to the reports of sensitivity to changes in interest rates that are prepared for each currency separately, as it is clear from these reports that the impact of these risks is within the lowest level.

For year 2021

| Currency | Change (increase) in interest rate (%) | Sensitivity of interest revenue (profit or loss) | Sensitivity of shareholders' equity |
|---|---|---|---|
| | | JD | JD |
| US Dollar | 1 | 20,317 | - |
| Euro | 1 | (62,547) | - |
| Sterling Pound | 1 | 209 | - |
| Japanese Yen | 1 | 146 | - |
| Other Currencies | 1 | (28,770) | - |

| Currency | Change (decrease) in interest rate (%) | Sensitivity of interest revenue (profit or loss) | Sensitivity of shareholders' equity |
|---|---|---|---|
| | | JD | JD |
| US Dollar | 1 | (20,317) | - |
| Euro | 1 | 62,547 | - |
| Sterling Pound | 1 | (209) | - |
| Japanese Yen | 1 | (146) | - |
| Other Currencies | 1 | 28,770 | - |

For year 2020

| Currency | Change (increase) in interest rate (%) | Sensitivity of interest revenue (profit or loss) | Sensitivity of shareholders' equity |
|---|---|---|---|
| | | JD | JD |
| US Dollar | 1 | 1,939 | - |
| Euro | 1 | 1,493 | - |
| Sterling Pound | 1 | (55) | - |
| Japanese Yen | 1 | (450) | - |
| Other Currencies | 1 | (41,975) | - |

| Currency | Change (decrease) in interest rate (%) | Sensitivity of interest revenue (profit or loss) | Sensitivity of shareholders' equity |
|---|---|---|---|
| | | JD | JD |
| US Dollar | 1 | (1,939) | - |
| Euro | 1 | (1,493) | - |
| Sterling Pound | 1 | 55 | - |
| Japanese Yen | 1 | 450 | - |
| Other Currencies | 1 | 41,975 | - |

**2. Foreign currencies risk**

The bank's policy is based on the complete hedging of currency risks, whereby open positions in foreign currencies are not maintained except within the minimum limits and according to a clear policy based on reducing sensitivity of the bank's profits to changes in currency rates, and limits are set for open positions for each currency separately and for the total currencies and the evaluation of these positions on a daily basis to reduce the risk of currency exchange rates to their minimum.

| Currency | Change (increase) in interest rate (%) | Effect on profits or losses | Sensitivity of shareholders' equity |
|---|---|---|---|
| For year 2021 | % | JD | JD |
| US Dollar | - | - | - |
| Euro | 5 | (318,900) | - |
| Sterling Pound | 5 | (1,343) | - |
| Japanese Yen | 5 | 732 | - |
| Other Currencies | 5 | (6,958) | - |

| Currency | Change (increase) in interest rate (%) | Effect on profits or losses | Sensitivity of shareholders' equity |
|---|---|---|---|
| For year 2020 | | JD | JD |
| US Dollar | - | - | - |
| Euro | 5 | 31,489 | - |
| Sterling Pound | 5 | (111) | - |
| Japanese Yen | 5 | (1,553) | - |
| Other Currencies | 5 | (8,410) | - |

In the case of a decrease in the currency exchange rate by 5%, it will have the same financial effect as above, with the opposite indication.

**3. Risks of changes in shares prices:**

This represents the risk resulting from the decline in the fair value of the investment portfolio of the shares due to the changes in the value of the shares' indicators and the change in the value of shares individually.

| Indicator For year 2021 | Change equity prices (%) | Effect on profits or losses | Effect on shareholders |
|---|---|---|---|
| | % | JD | JD |
| Financial markets | 5 | - | 522,552 |

| Indicator For year 2020 | Change equity prices (%) | Effect on profits or losses | Effect on shareholders |
|---|---|---|---|
| | % | JD | JD |
| Financial markets | 5 | - | 464,521 |

Stock Prices risk

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.

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.

**40/c. Liquidity risk**

The table below summarizes the distribution of liabilities on the basis of the remainder undiscounted contractual maturity at December 31, 2021 and 2020

| As of December 31, 2021 | Less than 1 Month | 1 - 3 Months | 3 - 6 Months | 6 - 12 Months | 1 - 3 Years | More than 3 Years | Without Maturity | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Liabilities | | | | | | | | |
| Banks and financial institutions' deposits | 29,088,388 | 107,470,955 | 25,583,656 | - | - | - | - | 162,142,999 |
| Customers' deposits | 188,077,864 | 1,004,217,362 | 337,193,304 | 312,203,178 | 168,851,390 | - | - | 2,010,543,098 |
| Margin accounts | 33,872,283 | 9,158,216 | 10,819,506 | 16,065,848 | 143,976,302 | - | - | 213,892,155 |
| Borrowed funds | 438,466 | 1,881,592 | 3,565,073 | 8,402,234 | 142,965,980 | 1,128,306 | - | 158,381,651 |
| Subordinated Loans | - | - | - | - | 25,000,000 | 402,226 | - | 25,402,226 |
| Other provisions | - | - | - | - | - | - | 3,685,682 | 3,685,682 |
| Income tax provision | 2,237,633 | - | 8,160,837 | - | - | - | - | 10,398,470 |
| Lease Liabilities | - | - | - | - | - | - | 9,663,597 | 9,663,597 |
| Other liabilities | - | - | - | - | - | - | 31,587,377 | 31,587,377 |
| Total Liabilities | 253,714,634 | 1,122,728,125 | 385,322,376 | 336,671,260 | 480,793,672 | 1,530,532 | 44,936,656 | 2,625,697,255 |
| Total Assets | 443,823,706 | 171,067,460 | 123,813,093 | 166,003,506 | 665,989,942 | 1,127,153,019 | 255,566,027 | 2,953,416,753 |
| | | | | | | | | |
| As of December 31, 2020 | | | | | | | | |
| Liabilities | | | | | | | | |
| Banks and financial institutions' deposits | 62,567,228 | 46,150,072 | 35,458,255 | - | - | - | - | 144,175,555 |
| Customers' deposits | 231,001,850 | 928,315,567 | 283,056,599 | 283,803,488 | 176,888,066 | 8,099,079 | - | 1,911,164,649 |
| Margin accounts | 17,372,770 | 12,304,465 | 11,977,774 | 24,272,836 | 142,206,754 | - | - | 208,134,599 |
| Borrowed funds | 622,908 | 625,895 | 6,015,600 | 19,607,358 | 26,473,918 | 134,428,815 | - | 187,774,494 |
| Subordinated Loans | - | - | - | - | 25,000,000 | 402,226 | - | 25,402,226 |
| Other provisions | - | - | - | - | - | - | 3,896,808 | 3,896,808 |
| Income tax provision | 2,237,633 | - | 3,629,223 | - | - | - | - | 5,866,856 |
| Lease Liabilities | - | - | - | - | - | - | 5,783,953 | 5,783,953 |
| Other liabilities | - | - | - | - | - | - | 31,467,939 | 31,467,939 |
| Total Liabilities | 313,802,389 | 987,395,999 | 340,137,451 | 327,683,682 | 370,568,738 | 142,930,120 | 41,148,700 | 2,523,667,079 |
| Total Assets | 412,148,822 | 114,225,771 | 188,239,609 | 251,087,930 | 573,256,772 | 1,047,606,430 | 259,431,707 | 2,845,997,041 |

**Interest Rate Re-Pricing Gap**

The classification is based on the interest repricing periods or maturities whichever is earlier.

| 2021 | Less than 1 Month | 1 - 3 Months | 3 - 6 Months | 6 - 12 Months | 1 - 3 Years | More than 3 Years | Non-Interest Bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Assets | | | | | | | | |
| Cash and balances at Central Banks | 81,399,198 | - | - | - | - | 10,635,000 | 167,643,509 | 259,677,707 |
| Balances at banks and financial institutions | 40,409,680 | 70,312,228 | - | - | - | - | 66,696,915 | 177,418,823 |
| Deposits at banks and financial institutions | - | - | 20,312,861 | - | - | - | - | 20,312,861 |
| Direct credit facilities - Net | 43,565,799 | 58,147,936 | 94,634,324 | 143,049,091 | 221,475,435 | 796,372,059 | 439,995 | 1,357,684,639 |
| Financial assets at fair value through OCI | - | - | - | - | - | - | 26,485,706 | 26,485,706 |
| Financial assets at amortized cost | 43,163,072 | 42,026,223 | 8,192,379 | 21,331,098 | 440,550,124 | 310,987,511 | - | 866,250,407 |
| Right of use | - | - | - | - | - | - | 10,031,598 | 10,031,598 |
| Property and equipment | - | - | - | - | - | - | 80,356,732 | 80,356,732 |
| Intangible assets | - | - | - | - | - | - | 7,586,755 | 7,586,755 |
| Deferred tax assets | - | - | - | - | - | - | 15,268,775 | 15,268,775 |
| Other assets | - | - | - | - | - | - | 132,342,750 | 132,342,750 |
| Total Assets | 208,537,749 | 170,486,387 | 123,139,564 | 164,380,189 | 662,025,559 | 1,117,994,570 | 506,852,735 | 2,953,416,753 |
| Liabilities | | | | | | | | |
| Banks and financial institutions' deposits | 29,088,388 | 107,424,055 | 25,273,779 | - | - | - | - | 161,786,222 |
| Customers' deposits | 187,410,293 | 373,300,325 | 335,709,663 | 311,761,613 | 167,930,966 | - | 627,638,003 | 2,003,750,863 |
| Margin accounts | 5,694,044 | 9,158,216 | 10,819,506 | 16,065,848 | 143,970,690 | - | 28,178,239 | 213,886,543 |
| Borrowed funds | 438,466 | 1,881,592 | 3,565,073 | 8,402,234 | 142,572,720 | 1,128,306 | - | 157,988,391 |
| Subordinated Loans | - | - | - | - | 25,000,000 | - | - | 25,000,000 |
| Other provisions | - | - | - | - | - | - | 3,685,682 | 3,685,682 |
| Income tax provision | - | - | - | - | - | - | 10,398,470 | 10,398,470 |
| Lease liability | - | - | - | - | - | - | 9,663,597 | 9,663,597 |
| Other liabilities | - | - | - | - | - | - | 39,537,487 | 39,537,487 |
| Total Liabilities | 222,631,191 | 491,764,188 | 375,368,021 | 336,229,695 | 479,474,376 | 1,128,306 | 719,101,478 | 2,625,697,255 |
| Interest Rate Re-Pricing Gap | (14,093,442) | (321,277,801) | (252,228,457) | (171,849,506) | 182,551,183 | 1,116,866,264 | (212,248,743) | 327,719,498 |
| 2020 | | | | | | | | |
| Total Assets | 184,907,228 | 113,644,698 | 187,566,080 | 249,464,613 | 564,636,546 | 1,038,447,981 | 507,329,895 | 2,845,997,041 |
| Total Liabilities | 299,266,610 | 426,548,507 | 334,735,870 | 327,242,117 | 369,249,442 | 142,527,894 | 624,096,639 | 2,523,667,079 |
| Interest Rate Re-Pricing Gap | (114,359,382) | (312,903,809) | (147,169,790) | (77,777,504) | 195,387,104 | 895,920,087 | (116,766,744) | 322,329,962 |

Concentration in foreign currency risk:

| As of December 31, 2021 | US Dollar | Euro | Sterling Pound | Japanese Yen | Other Currencies | Total |
|---|---|---|---|---|---|---|
| Assets | JD | JD | JD | JD | JD | JD |
| Cash and balances at Central Banks | 50,033,423 | 2,238,918 | 182,085 | - | 38,398,667 | 90,853,093 |
| Balances at banks and financial institutions | 144,043,950 | 19,739,291 | 7,725,080 | 1,138,285 | 4,625,872 | 177,272,478 |
| Deposits at banks and financial institutions | - | 13,631,047 | 6,681,814 | - | - | 20,312,861 |
| Direct credit facilities - net | 166,296,322 | 2,441,535 | 96,707 | 2 | 77,682,672 | 246,517,238 |
| Financial assets at fair value through OCI | 65,909 | 341,336 | - | - | - | 407,245 |
| Financial assets at amortized cost | 113,548,433 | 4,012,940 | - | - | 4,632,336 | 122,193,709 |
| Right of use | 13,012 | - | - | - | - | 13,012 |
| Property and equipment | 587,841 | - | - | - | - | 587,841 |
| Intangible assets | 100,380 | - | - | - | - | 100,380 |
| Other assets | 2,647,542 | 41,486 | 7,494 | (10) | 3,240,212 | 5,936,724 |
| Total Assets | 477,336,812 | 42,446,553 | 14,693,180 | 1,138,277 | 128,579,759 | 664,194,581 |
| Liabilities | | | | | | |
| Banks and financial institution deposits | 22,202,081 | 3,804,871 | 3,329,041 | - | 20,222,696 | 49,558,689 |
| Customers' deposits | 409,119,744 | 42,198,777 | 11,257,272 | 310,454 | 98,633,554 | 561,519,801 |
| Cash margins | 39,542,704 | 2,314,780 | 78,455 | 813,192 | 9,360,311 | 52,109,442 |
| Borrowed funds | 1,012,857 | - | - | - | - | 1,012,857 |
| Other provisions | 72,354 | - | - | - | - | 72,354 |
| Income tax provision | - | - | - | - | - | - |
| Lease liability | 13,049 | - | - | - | - | 13,049 |
| Other liabilities | 2,643,099 | 506,127 | 55,270 | - | 502,360 | 3,706,856 |
| Total Liabilities | 474,605,888 | 48,824,555 | 14,720,038 | 1,123,646 | 128,718,921 | 667,993,048 |
| Net concentration on consolidated statement of financial position | 2,730,924 | (6,378,002) | (26,858) | 14,631 | (139,162) | (3,798,467) |
| Contingent liabilities off consolidated statement of financial position | 130,884,955 | 11,835,349 | 2,024,813 | 8,016,426 | 7,695,875 | 160,457,418 |
| As of December 31, 2020 | | | | | | |
| Total Assets | 481,254,253 | 38,238,779 | 11,542,963 | 9,936,285 | 109,125,796 | 650,098,076 |
| Total Liabilities | 480,276,359 | 37,608,998 | 11,545,173 | 9,967,349 | 109,294,004 | 648,691,883 |
| Net concentration on consolidated statement of financial position | 977,894 | 629,781 | (2,210) | (31,064) | (168,208) | 1,406,193 |
| Contingent liabilities off the consolidated statement of financial position | 189,158,483 | 20,496,080 | 1,656,259 | 2,549,145 | 12,170,491 | 226,030,458 |

Second: off-consolidated statement of financial position items:

| As of December 31, 2021 | Up to 1 Year | 1 - 5 Years | Total |
|---|---|---|---|
| | JD | JD | JD |
| Acceptances and letters of credit | 116,783,545 | 1,267,515 | 118,051,060 |
| Unutilized limits | 442,102,268 | - | 442,102,268 |
| Letters of guarantee | 203,805,088 | 37,051,275 | 240,856,363 |
| Total | 762,690,901 | 38,318,790 | 801,009,691 |

| As of December 31, 2020 | | | |
|---|---|---|---|
| Acceptances and letters of credit | 165,953,783 | 7,597,852 | 173,551,635 |
| Unutilized limits | 331,793,139 | - | 331,793,139 |
| Letters of guarantee | 228,175,040 | 23,263,319 | 251,438,359 |
| Total | 725,921,962 | 30,861,171 | 756,783,133 |

## 41. Capital Management

a. The capital adequacy ratio as of December 31, 2021 and 2020 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 Tier2.

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%), For banks that have foreign presence, the minimum capital adequacy ratio is 14%, Banks are classified into 5 categories, the best of which is having an average capital adequacy equal to or more than 14%.

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

Through the management of its capital, the Bank seeks to achieve the below goals:

- Compliance with the Central Bank capital related requirements.
- To keep the ability of the Bank to continue as a going concern.
- Having a strong capital base for supporting the Bank's expansion and development.

Capital adequacy is reviewed and reported quarterly to the Central Bank of Jordan.

According to the Central Bank Instructions, the minimum requirement for capital adequacy is 12%. For Banks that have foreign presence the minimum capital adequacy ratio is 14%, Banks are classified into 5 categories, the best of which is having an average capital adequacy equal to or more than 14%.

The Bank manage its capital structure and makes the necessary adjustments in terms of working conditions. No adjustments were made on the objectives, policies and procedures related to capital restructuring during the year.

The Bank manage its capital structure based on CBJ that are based on Basel 3 agreement is as stated in the table below :

| | December 31, | |
|---|---|---|
| | 2021 | 2020 (Restated) |
| | JD (In Thousands) | JD (In Thousands) |
| **Common Equity Shareholders Rights** | | |
| Authorized capital - (Paid) | 200,655 | 200,655 |
| Retained earnings | 48,061 | 44,306 |
| The cumulative change in fair value | (5,645) | (4,794) |
| Statutory reserve | 65,209 | 62,723 |
| Voluntary reserve | 15,762 | 15,762 |
| other reserve | 3,678 | 3,678 |
| **Total Common Equity Tire 1 before regulatory adjustments** | **327,720** | **322,330** |
| **Regulatory Adjustments (deductions from Capital)** | | |
| Goodwill and intangible assets | (7,586) | (10,810) |
| Proposed dividends | (14,046) | (8,026) |
| Postponed provisions with the approval of the Central Bank | (7,200) | (9,234) |
| Investment in Bank’s capital, financial institutions and insurance companies | (3,025) | (3,575) |
| Investments where the bank owns more than 10% | - | (1,040) |
| Deferred tax assets | (15,269) | (14,119) |
| **Net Common Equity Shareholders Rights** | **280,594** | **275,526** |
| **Additional capital** | - | - |
| **Net Primary Capital (Tier 1)** | **280,594** | **275,526** |
| **Tier 2 capital** | | |
| Provision for debts tools listed in Stage 1 | 10,936 | 10,658 |
| Subordinated bonds | 5,000 | 10,000 |
| **Total Supporting Capital** | **15,936** | **20,658** |
| **Total Regulatory Capital** | **296,530** | **296,184** |
| **Total Risk Weighted Assets** | **1,863,180** | **1,907,214** |
| Capital percentage from regular shares (CET 1) (%) | %15,06 | %14,45 |
| Regulatory capital percentage (%) | %15,92 | %15,53 |

During October 2017, the bank issued subordinated bonds in the amount of JD 25 million for a period of six years at discounted interest rate to the Central Bank of Jordan in addition to 2% margin in order to improve the capital adequacy percentage.

| **Liquidity Coverage Ratio (LCR):** | December 31, |
|---|---|
| | 2021 |
| | JD (In Thousands) |
| Total high-quality liquid assets after adjustments | 990,829 |
| Total net cash outflow | 438,104 |
| Liquidity Corves Ratio (LCR) (%) | %226,2 |
| | |
| The Liquidity Coverage Ratio/ based on the average of all working days | % 188,7 |

42. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

| | Up to 1 Year | More than 1 Year | Total |
|---|---|---|---|
| December 31, 2021 | JD | JD | JD |
| **Assets** | | | |
| Cash and balances at Central Banks | 249,042,707 | 10,635,000 | 259,677,707 |
| Balances at banks and financial institutions | 177,418,823 | - | 177,418,823 |
| Deposits at banks and financial institutions | 20,312,861 | - | 20,312,861 |
| Direct credit facilities - Net | 339,837,145 | 1,017,847,494 | 1,357,684,639 |
| Financial assets at fair value through OCI | - | 26,485,706 | 26,485,706 |
| Financial assets at amortized cost | 739,051,444 | 127,198,963 | 866,250,407 |
| Right of use | - | 10,031,598 | 10,031,598 |
| Property and equipment | - | 80,356,732 | 80,356,732 |
| Intangible assets | - | 7,586,755 | 7,586,755 |
| Deferred tax assets | - | 15,268,775 | 15,268,775 |
| Other assets | - | 132,342,750 | 132,342,750 |
| **Total Assets** | 1,525,662,980 | 1,427,753,773 | 2,953,416,753 |
| **Liabilities** | | | |
| Banks and financial institution deposits | 161,786,222 | - | 161,786,222 |
| Customers' deposits | 1,835,819,897 | 167,930,966 | 2,003,750,863 |
| Cash margins | 14,737,614 | 199,148,929 | 213,886,543 |
| Borrowed funds | 14,287,365 | 143,701,026 | 157,988,391 |
| Subordinated loans | - | 25,000,000 | 25,000,000 |
| Other provisions | - | 3,685,682 | 3,685,682 |
| Income tax provision | 10,398,470 | - | 10,398,470 |
| Lease liability | - | 9,663,597 | 9,663,597 |
| Other liabilities | - | 39,537,487 | 39,537,487 |
| **Total Liabilities** | 2,037,029,568 | 588,667,687 | 2,625,697,255 |
| **Net** | (511,366,588) | 839,086,086 | 327,719,498 |

| December 31, 2020 | Up to 1 Year | More than 1 Year | Total |
|---|---|---|---|
| | JD | JD | JD |
| **Assets** | | | |
| Cash and balances at Central Banks | 180,982,135 | 10,635,000 | 191,617,135 |
| Balances at banks and financial institutions | 167,340,463 | - | 167,340,463 |
| Deposits at banks and financial institutions | 19,618,676 | - | 19,618,676 |
| Direct credit facilities - Net | 395,184,613 | 974,449,219 | 1,369,633,832 |
| Financial assets at fair value through OCI | - | 25,744,834 | 25,744,834 |
| Financial assets at amortized cost | 753,739,841 | 63,453,255 | 817,193,096 |
| Right of use | - | 8,744,226 | 8,744,226 |
| Investments in associate | - | 1,039,817 | 1,039,817 |
| Property and equipment | - | 81,498,310 | 81,498,310 |
| Intangible assets | - | 10,810,030 | 10,810,030 |
| Deferred tax assets | - | 14,118,818 | 14,118,818 |
| Other assets | - | 138,637,804 | 138,637,804 |
| **Total Assets** | 1,516,865,728 | 1,329,131,313 | 2,845,997,041 |
| **Liabilities** | | | |
| Banks and financial institution deposits | 143,818,778 | - | 143,818,778 |
| Customers’ deposits | 1,720,326,853 | 184,066,721 | 1,904,393,574 |
| Cash margins | 65,927,845 | 142,201,142 | 208,128,987 |
| Borrowed funds | 26,871,761 | 160,509,473 | 187,381,234 |
| Subordinated loans | - | 25,000,000 | 25,000,000 |
| Other provisions | - | 3,896,808 | 3,896,808 |
| Income tax provision | 5,783,953 | - | 5,783,953 |
| Lease liability | - | 8,419,731 | 8,419,731 |
| Other liabilities | - | 36,844,014 | 36,844,014 |
| **Total Liabilities** | 1,962,729,190 | 560,937,889 | 2,523,667,079 |
| **Net** | (445,863,462) | 768,193,424 | 322,329,962 |

## 43. Commitments and Contingent Liabilties

Details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Letter of credit: | JD | JD |
| Letter of credit-outgoing | 63,752,264 | 57,262,633 |
| Letter of credit-incoming | 30,359,056 | 52,545,134 |
| Acceptances | 23,939,740 | 63,743,868 |
| Letter of guarantees: | | |
| Payment | 112,907,034 | 116,138,301 |
| Performance bonds | 91,018,267 | 94,537,895 |
| Others | 36,931,062 | 40,762,163 |
| Unutilized credit facilities Limits | 442,102,268 | 331,793,139 |
| | 801,009,691 | 756,783,133 |

## 44.Accounts Managed on Behalf of Customers

Details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | JD | JD |
| Accounts managed on behalf of customers | 10,707,620 | 10,227,695 |

## 45.Lawsuits Against the Bank

Lawsuits raised against the Bank amounted to JD 2,558,173 as at 31 December 2021 (31 December 2020: JD 2,814,990). In tl of the Bank's management and the legal advisor, no further liabilities exceeding the provision amounted to JD 290,601 is requir December 31, 2021 (December 31, 2020.: JD 528,205).

Lawsuits raised by the bank against others amounted around JD 289 million, those lawsuits are still pending at the specialized c they have no financial impact on the Bank.

## 46. Comparative figures

a. During the ended December 31, 2021, the Bank has retrospectively adjusted the comparative figures balances as a result of an accounting adjustments from prior years, based on the International Accounting Standard 8-Accounting Policies, Changes in Accounting Estimates by booking deferred assets on the following:

1. All balance of expected of credit losses provisions for stages 1 and 2 after the implementation year.
2. All net fair value reserve.

- The effect of the adjustments as follows:

The adjustments on the items related to the year 2020:

| | December 31, 2020 | | |
|---|---|---|---|
| | Balance before the Adjustments | Effect of the Adjustments | Adjusted Balance |
| Consolidated Statement of Financial Position: | JD | JD | JD |
| Assets | | | |
| Deferred Tax Assets | 9,462,975 | 4,655,843 | 14,118,818 |
| Consolidated Statement of Change's in Shareholders' Equity | | | |
| Retained Earnings | (41,928,062) | (2,378,129) | (44,306,191) |
| Net fair value reserve after tax (negative) | 7,072,122 | (2,277,714) | 4,794,408 |
| | | - | |

| | For the Year Ended December 31, 2020 | | |
|---|---|---|---|
| | Balance before the Adjustments | Effect of the Adjustments | Adjusted Balance |
| | JD | JD | JD |
| Statement of Profit or Loss | | | |
| Income tax expense | 8,037,021 | (974,647) | 7,062,374 |
| Net income for the year | 9,547,962 | 891,744 | 10,439,706 |
| Basic and diluted earnings per share attributable to Bank's shareh | 0.048 | 0.004 | 0.052 |
| Statement of Comprehensive Income | | | |
| Change in fair value | 316,290 | (109,728) | 206,562 |

The adjustments on the items related to the years before 2020:

| | January 1, 2020 | | |
|---|---|---|---|
| | Balance before the Adjustments | Effect of the Adjustments | Adjusted Balance |
| Consolidated Statement of Financial Position: | JD | JD | JD |
| Assets | | | |
| Deferred Tax Assets | 9,540,754 | 3,873,828 | 13,414,582 |
| Consolidated Statement of Change's in Shareholders' Equity | | | |
| Retained Earnings | (34,138,598) | (1,486,385) | (35,624,983) |
| Net fair value reserve after tax (negative) | 7,388,412 | (2,387,442) | 5,000,970 |

b. Some of the comparative figures for the year 2020 have been reclassified to match the classification of the financial stateme year ending on December 31, 2021.The reclassifications have no impact on the profit and loss statement, comprehensive in equity for the year 2020.

Below are the main items that are reclassified:

| | December 31, 2020 | |
|---|---|---|
| | Balance before the reclassification | Balance after the reclassification |
| Consolidated Statement of Financial Position: | JD | JD |
| Assets | | |
| Property and equipment | 90,242,536 | 81,498,310 |
| Right of use | - | 8,744,226 |
| Liabilities | | |
| Lease liability | - | 8,419,731 |
| Other liabilities | 45,180,842 | 36,844,014 |

Accordingly, the details of the consolidated statement of financial position as of January 1, 2020 became as follows :

| | January 1, 2020 (Restated) |
|---|---|
| **Assets** | JD |
| Cash and balances at Central Banks | 212,324,788 |
| Balances at banks and financial institutions | 135,787,335 |
| Deposits at banks and financial institutions | 8,520,926 |
| Direct credit facilities-net | 1,369,737,583 |
| Financial assets at fair value through OCI | 25,014,042 |
| Financial assets at amortized cost | 754,893,973 |
| Investment in associate | 3,516,259 |
| Property and equipment-net | 91,633,021 |
| Deferred tax assets | 13,414,582 |
| Intangible assets - net | 13,502,104 |
| Other assets | 138,352,740 |
| **Total Assets** | 2,766,697,353 |
| **Liabilities and Shareholders' Equity** | |
| **Liabilities:** | |
| Banks and financial institutions’ deposits | 150,146,290 |
| Customers' deposits | 1,864,020,376 |
| Margin accounts | 211,783,599 |
| Borrowed funds | 145,009,726 |
| Subordinated Loans | 25,000,000 |
| Other provisions | 3,551,062 |
| Income tax provision | 10,097,921 |
| Other liabilities | 45,404,685 |
| **Total Liabilities** | 2,455,013,659 |
| **Shareholders' Equity** | |
| **Bank’s Shareholders’ Equity** | |
| Authorized and paid-up capital | 200,655,000 |
| Statutory reserve | 60,964,485 |
| Voluntary reserve | 15,761,637 |
| Periodic fluctuations reserve | 3,678,559 |
| Fair value reserve-net | (5,000,970) |
| Retained earnings | 35,624,983 |
| **Total Bank’s Shareholders’ Equity** | 311,683,694 |
| **Total Shareholders' Equity** | 311,683,694 |
| **Total Liabilities and Shareholders' Equity** | 2,766,697,353 |

## 47. 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 noting that there were no changes to policies, estimates and judgments during the period ended December 31, 2021:

### 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 during the year, 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 52 million during the year ended December 31, 2021 (JD 183 million during the year 2020).

48. Fair Value Hierarchy

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

Some financial assets and liabilities of the Company are measured at fair value at the end of each fiscal period. The following table shows information about how the fair value of these financial assets and liabilities is determined (valuation methods and inputs used).

| Financial Assets / Financial Liabilities | Fair Value December 31 2021 | Fair Value December 31 2020 | The Level of Fair Value | Valuation Method and Inputs Used | Important Intangible Inputs | Relation between Fair Value and Significant Intangible Inputs |
|---|---|---|---|---|---|---|
| | JD | JD | | | | |
| Financial Assets at Fair Value in Income Statement | | | | | | |
| Financial Assets at Fair Value in Other Comprehensive Income | | | | | | |
| Quoted shares | 10,451,048 | 9,290,420 | Level I | Prices listed in stock exchanges | Not Applicable | Not Applicable |
| Investments fund | - | - | Level II | The fund managers evaluation of the fair value | Not Applicable | Not Applicable |
| Unquoted shares | 16,034,658 | 16,454,414 | Level III | Through using equity method based on the latest financial information available | Not Applicable | Not Applicable |
| Total | 26,485,706 | 25,744,834 | | | | |
| Financial Assets at Fair Value | 26,485,706 | 25,744,834 | | | | |

There were no transfers between the first level and second level during 2021.

b. The fair value of financial assets and financial liabilities of the Company (non-specific fair value on an ongoing basis):

Except as set out in the table below, we believe that the carrying value of financial assets and financial liabilities in the financial statements of the Company approximates their fair value, as the Company's management believes that the carrying value of the items listed below approximate their fair value, due to either their short-term maturity or repricing of interest rates during the year.

| | December 31, 2021 Book Value | December 31, 2021 Fair Value | December 31, 2020 Book Value | December 31, 2020 Fair Value | Fair Value Level |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | |
| Financial Assets with an Unspecified Fair Value | | | | | |
| Balances at central banks | 90,598,000 | 90,606,219 | 46,846,207 | 46,848,355 | Level II |
| Balances and deposits at banks and other financial institutes | 197,731,684 | 197,734,698 | 186,959,139 | 186,961,497 | Level II |
| Direct credit facilities - net | 1,357,684,639 | 1,364,781,919 | 1,369,633,832 | 1,376,195,281 | Level II |
| Financial assets at amortized costs | 866,250,407 | 877,269,669 | 817,193,096 | 828,338,788 | Level I and II |
| Seized assets against debts | 89,012,597 | 105,770,770 | 91,749,387 | 106,631,006 | |
| Total Financial Assets with an Unspecified Fair Value | 2,601,277,327 | 2,636,163,275 | 2,512,381,661 | 2,544,974,927 | |
| Financial Liabilities with an Unspecified Fair Value | | | | | |
| Banks and financial institutions' deposits | 161,786,222 | 162,198,847 | 143,818,788 | 144,175,555 | Level II |
| Customers deposits | 2,003,750,863 | 2,010,471,656 | 1,904,393,574 | 1,911,164,649 | Level II |
| Cash margins | 213,886,543 | 213,888,440 | 208,128,987 | 208,134,599 | Level II |
| Borrowed funds | 157,988,391 | 158,116,994 | 187,381,234 | 187,774,494 | Level II |
| Total Financial Liabilities with an Unspecified Fair Value | 2,537,412,019 | 2,544,675,937 | 2,443,722,583 | 2,451,249,297 | |

For the above-mentioned items, the second level financial liabilities and financial assets have been determined at fair value according to the agreed-upon pricing model, which reflects the credit risk of the parties dealt with.