**Capital Bank of Jordan**

**Consolidated Financial Statements**

**31 December 2021**

## Independent auditor's report
## To the shareholders of Capital Bank of Jordan - Public Shareholding Company
## Amman- the Hashemite Kingdom of Jordan

### Report on the Audit of the Consolidated Financial Statements

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Capital Bank of Jordan (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2021, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as amended by the Central Bank of Jordan instructions.

***What we have audited***

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**Our audit approach**

<u>Overview</u>

| | |
|---|---|
| **Key Audit Matters** | ● Measurement of Expected Credit Losses<br>● Business combination |

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We have designed the scope of the audit to perform sufficient procedures that enable us to express an opinion on the consolidated financial statements as a whole, taking into account the Groups structure, accounting processes, controls and business segments.

**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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Measurement of Expected Credit Losses*** | |
| The Group applies the Expected Credit Loss model (ECL) on all its financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and financial guarantee contracts including financing commitments in accordance with International Financial Reporting Standards as amended by the Central Bank of Jordan instructions.<br><br>The Group exercises significant judgement and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default for both funded and unfunded exposures, forward looking adjustments and staging criteria. | We performed the following audit procedures on the computation of the ECL included in the Group’s consolidated financial statements for the year ended 31 December 2021:<br><br>➢ We assessed and tested the design and operating effectiveness of the controls over the calculation of the excepted credit losses model.<br><br>➢ We tested the completeness and accuracy of the data used in the calculation of ECL.<br><br>➢ For a sample of exposures, we checked the appropriateness of the Group’s application of the staging criteria. |

**Key audit matter** (continued)

For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of collateral.

The Group's impairment policy under IFRS 9 as amended by the Central Bank of Jordan Instructions is presented in notes (2 and 3) to the consolidated financial statements, and which is related to the differences between IFRS 9 as should be implemented and what was implemented based on the Central Bank of Jordan instructions, and the significant accounting policies implemented when calculating the expected credit loss.

Due to the Covid 19 spread impacts, Management exercised amendments on the assumptions and expectations related to macroeconomic, Central Bank of Jordan instructions and reflected it on the ECL modules based on best available information then, and whether related to specific impacted sectors and customers as indicated in note (4) to the consolidated financial statements.

Measurement of ECL is considered as a key audit matter as the Group applies significant judgments and makes a number of assumptions in the staging criteria applied to the financial instruments as well as in developing ECL models for calculating its impairment provisions.

➢ We involved our internal specialists to assess the following areas:

- Conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9 as amended by the Central Bank of Jordan instructions.
- ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LGD), and exposure at default (EAD) for the Group's classes of financial instruments.
- Reasonableness of the assumptions made in developing the modelling framework including assumptions used for estimating forward looking scenarios and significant increase in credit risk.
- Recalculation of the expected credit losses for a sample of the impaired financial assets at each stage.
- Evaluating the impact of COVID 19 on expected credit losses model in relation to the future economic outlook, macroeconomic data, the probability of default, and the losses resulting from default and its associated weights.

➢ In addition, for the Stage 3 corporate portfolio, the appropriateness of provisioning assumptions were independently assessed for a sample of exposures selected on the basis of risk and the significance of individual exposures. An independent view was formed on the levels of provisions recognised, based on the detailed loan and counterparty information available in the credit file. For the Stage 3 retail portfolio, assumptions were independently assessed for each product category and an independent view was formed on the levels of provisions recognised at each category level.

➢ We recalculated the provision for non-performing loans in accordance with the Central Bank of Jordan Instructions Number (47/2009).

- We compared the expected credit loss calculated in accordance with IFRS 9 as amended by the Central Bank of Jordan Instructions with the provision for expected credit losses calculated in accordance with the instructions of the Central Bank of Jordan No. (47/2009) and ensured that the Group has recorded whichever is higher.

- We assessed the consolidated financial statement disclosures to ensure compliance with IFRS 7 and IFRS 9 as amended by the Central Bank of Jordan Instructions. We have also ensured completeness and accuracy of the disclosures by verifying the information to accounting records.

***Business Combination***

On 11 March 2021 and as indicated in note (50) to the consolidated financial statements, Capital Bank of Jordan completed the merger with Audi Bank (Jordan and Iraq branches) for a total purchase consideration of USD 65 million. This transaction has been accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method.

During 2021, management finalized the purchase price allocation ("PPA") exercise carried out as part of the business combination, which in accordance with IFRS 3 must be finalized within a period of 12 months following the acquisition date. As a result, the Group recognized a gain of JD 28 million as a bargain purchase at the consolidated financial statements.

The PPA required significant management judgment in determining the fair values of assets acquired and liabilities assumed.

We consider business combination as a key audit matter because of:

- the scale of the merger transaction and the PPA exercise conducted.

We have performed the following audit procedures for the years ended 31 December 2021:

- Obtain the merger agreements and its related reports and reviewed the key terms in the agreement and updated our understanding.

- Reconciling the assets and liabilities balances of the financial statements of Audi Bank branches in Jordan and Iraq with the balances included in the financial due diligence and PPA prepared by a third party and the final balances merged in the consolidated financial statements of the group at the date of the acquisition.

- We assessed the design and implementation of the key controls around:

  - the modelling process, including governance over the model and approval of key assumptions;
  - the integrity of data inputs into the valuation models.

- We reviewed and compared the Bank's valuation methodology with the requirements of IFRS 3 and involved our valuation specialists to assist in the review of the valuation methodology and the key underlying assumptions for the PPA.

| | |
|---|---|
| - the subjectivity and judgment inherent in determining the fair values of the assets acquired and the liabilities assumed; and the accuracy and completeness of the data used to calculate the components of the provisional PPA; and the related consolidated financial statement disclosures. | ➢ We reviewed the valuation reports and relevant board minutes and held discussions with management to assess whether the identification of the goodwill was in line with the requirements of the acquisition as per IFRS 3.<br>➢ We assessed the adequacy of the disclosures in the consolidated financial statements. |

**Other information**

The directors are responsible for the other information. The other information comprises all the other information included in the Group's annual report (but does not include the consolidated financial statements and our auditor's report therein), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as modified by the Central Bank of Jordan instructions. and with other identified applicable laws in the Hashemite Kingdom of Jordan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated 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.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 accounting records in accordance with International Financial Reporting Standards as amended by the Central Bank of Jordan, and which are in agreement with the accompanying consolidated financial statements. We recommend the General assembly of the Shareholders to approve these consolidated financial statements.

For and on behalf of PricewaterhouseCoopers "Jordan"

Hazem Sababa
License No. (802)

Amman, Jordan
7 February 2022

Certified Public Accountants
pwc
Amman - Jordan

**Capital Bank of Jordan**

**Consolidated Statement of Financial Position**

**As at 31 December 2021**

| | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| | | JD | JD |
| **Assets** | | | |
| Cash and balances with central banks | 5 | 425,840,132 | 295,853,517 |
| Balances at banks and financial institutions | 6 | 312,546,731 | 142,537,265 |
| Financial assets at fair value through other comprehensive income | 7 | 195,500,838 | 89,577,134 |
| Loans valued at fair value through the income statement | 8 | 82,883,298 | 112,529,504 |
| Direct credit facilities, net amortized cost | 9 | 2,031,147,338 | 1,302,958,951 |
| Financial assets at amortized cost | 10 | 987,021,419 | 563,884,457 |
| Pledged Financial Assets | 11 | - | 32,599,621 |
| Property, plant and equipment, net | 12 | 66,322,336 | 38,873,085 |
| Intangible assets, net | 13 | 30,502,672 | 21,705,921 |
| Right-of-use leased assets | 15 | 10,577,712 | 3,943,039 |
| Deferred tax assets | 22 | 19,350,284 | 15,562,847 |
| Other assets | 14 | 149,612,655 | 128,779,976 |
| **Total Assets** | | **4,311,305,415** | **2,748,805,317** |
| **Liabilities And Equity** | | | |
| **Liabilities** | | | |
| Banks and financial institutions' deposits | 16 | 381,144,289 | 138,058,853 |
| Customers' deposits | 17 | 2,770,807,278 | 1,674,212,806 |
| Margin accounts | 18 | 233,663,764 | 151,723,382 |
| Loans and borrowings | 19 | 414,265,782 | 329,991,227 |
| Income tax provision | 22 | 4,484,833 | 4,887,737 |
| Deferred tax liabilities | 22 | 2,881,882 | 2,815,978 |
| Sundry provisions | 21 | 2,497,992 | 3,518,481 |
| Expected credit losses provision against off-balance sheet items | 48 | 4,889,017 | 4,360,854 |
| Lease liabilities | 15 | 11,863,620 | 3,983,732 |
| Other liabilities | 23 | 64,296,322 | 51,204,957 |
| Subordinated loans | 20 | 28,360,000 | 28,360,000 |
| **Total Liabilities** | | **3,919,154,779** | **2,393,118,007** |
| **Equity** | | | |
| **Equity attributable to the Bank's shareholders** | | | |
| Paid in capital | 24 | 200,000,000 | 200,000,000 |
| Additional paid in capital | | 709,472 | 709,472 |
| Statutory reserve | 26 | 56,114,618 | 44,186,425 |
| Treasury Stocks | | - | (2,707,491) |
| Foreign currency translation adjustments | 27 | (16,540,837) | (16,540,837) |
| Fair value reserve | 28 | 813,120 | 3,619,029 |
| Retained earnings | 30 | 121,913,754 | 78,096,479 |
| **Net equity attributable to the Bank's shareholders** | | **363,010,127** | **307,363,077** |
| **Non-controlling interest** | | 29,140,509 | **48,324,233** |
| **Net Equity** | | **392,150,636** | **355,687,310** |
| **Total Liabilities and Equity** | | **4,311,305,415** | **2,748,805,317** |

The accompanying notes from 1 to 52 are an integrated part of these consolidated financial statements.

## Capital Bank Of Jordan
## Consolidated Statement Of Income
## For the Year Ended 31 December 2021

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | JD | JD |
| Interest income | 31 | 180,718,962 | 130,286,038 |
| Less: Interest expense | 32 | 78,712,392 | 61,216,002 |
| **Net interest income** | | **102,006,570** | **69,070,036** |
| Commission income | | 31,238,988 | 27,612,010 |
| Less: commission expense | | 6,296,656 | 3,198,108 |
| **Net commission income** | 33 | **24,942,332** | **24,413,902** |
| Gain from foreign currencies | 34 | 4,414,507 | 11,648,029 |
| Dividends income from financial assets at fair value through other comprehensive income | 7 | 337,276 | 233,577 |
| Gain from sale of financial assets at fair value through other comprehensive income -debt instruments | 7 | 21,019 | 1,070,702 |
| loss on evaluation of Loans valued at fair value through the income statement | 8 | (763,000) | - |
| Other income | 38 | 6,543,772 | 4,224,694 |
| **Net Income** | | **137,502,476** | **110,660,940** |
| Employees' expenses | 39 | 32,744,132 | 21,508,460 |
| Depreciation and amortization | 12-13-15 | 10,276,339 | 6,347,745 |
| Other expenses | 37 | 28,505,367 | 18,945,164 |
| Donations due to COVID-19 | | - | 1,178,739 |
| Loss on sale of seized property | | 687,287 | 116,202 |
| Expected credit losses on financial assets | 44-1-a | 19,955,072 | 24,545,414 |
| Impairment on seized assets, net | 14 | (67,416) | (16,038) |
| (Return from) Sundry provisions | 21 | 42,202 | 27,740 |
| **Total expenses** | | **92,142,983** | **72,653,426** |
| Result of acquisition | | 28,077,962 | - |
| Expenses of acquisition | | (2,701,444) | - |
| **Income before tax** | | **70,736,011** | **38,007,514** |
| Less: Income tax expense | 22 | 9,729,187 | 7,705,436 |
| **Net profit for the year** | | **61,006,824** | **30,302,078** |
| **Attributable to:** | | | |
| Bank's shareholders | | 78,813,333 | 25,956,079 |
| **Non - controlling interest** | | (17,806,509) | 4,345,999 |
| | | **61,006,824** | **30,302,078** |
| | | **JD/Fils** | **JD/Fils** |
| Basic and diluted earnings per share | 38 | **0.394** | **0.130** |

The accompanying notes from 1 to 52 are an integrated part of these consolidated financial statements.

**Capital Bank of Jordan**

**Consolidated Statement of Comprehensive Income**

**For the Year Ended 31 December 2021**

| | **2021** | **2020** |
|---|---|---|
| | **JD** | **JD** |
| **Income for the year** | 61,006,824 | 30,302,078 |
| **Add: items that may be reclassified to profit or loss in subsequent periods after excluding the impact of tax** | | |
| Exchange differences on translation of foreign operation | - | (19,045,355) |
| Income tax relating to these items | | |
| Change in the fair value of debt instruments at fair value through other comprehensive income - debt instruments | (2,945,734) | 2,469,181 |
| Gains from sales of debt instruments at fair value through other comprehensive income moved to income statement | (21,019) | (1,070,702) |
| **Add: items that will not be reclassified to profit or loss in subsequent periods after excluding the impact of tax** | | |
| Change in the fair value of equity instruments at fair value through other comprehensive income-equity instruments | 1,017,575 | (69,427) |
| **Total other comprehensive income for the year net of tax** | **(1,949,178)** | **(17,716,303)** |
| **Total comprehensive income for the year** | **59,057,646** | **12,585,775** |
| **Attributable to:** | | |
| Bank's shareholders | 76,525,313 | 16,341,102 |
| Non-controlling interest | (17,467,667) | (3,755,327) |
| | **59,057,646** | **12,585,775** |

**Capital Bank Of Jordan**

**Consolidated Statement of Cash Flows**

**For the Year Ended 31 December 2021**

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **Operating Activities** | | JD | JD |
| Profit before income tax | | 70,736,011 | 38,007,514 |
| **Adjustments for Non-Cash Items** | | | |
| Depreciation and amortization | | 10,276,339 | 6,347,745 |
| Impairment loss on direct credit facilities | | 19,955,072 | 24,545,410 |
| Impairment on assets seized by the bank | | (67,416) | (16,038) |
| Result of acquisition | | (28,077,962) | - |
| Sundry provisions | | 42,202 | (27,740) |
| Net accrued interest (receivable) payable | | (6,211,637) | (3,603,377) |
| Effect of exchange rate changes on cash and cash equivalents | | (2,001,617) | (5,253,774) |
| **Cash flows from operating activities before changes in assets and liabilities** | | **64,650,992** | **59,999,740** |
| **Changes in assets and liabilities -** | | | |
| Restricted balances | | (213,110) | (4,934,347) |
| Restricted balances at central banks | | (18,943,388) | 4,092,925 |
| Banks and financial institutions' deposits | | 5,000,000 | (5,000,000) |
| Financial assets at fair value through Income statement | | - | 3,054,812 |
| Direct credit facilities at amortized cost | | (484,675,432) | (327,582,539) |
| Other assets | | (1,687,108) | 7,338,942 |
| Banks and financial institutions' deposits maturing in more than three months | | - | 403,875 |
| Customers' deposits | | 708,714,395 | 346,685,961 |
| Margin accounts | | 13,824,934 | (17,286,184) |
| Other liabilities | | 3,206,141 | 12,137,606 |
| Paid sundry provisions | | (1,062,691) | (547,238) |
| **Net cash flow (used in) from operating activities before income tax** | | **288,814,733** | **78,363,553** |
| Income tax paid | | (7,282,792) | 78,363,553 |
| **Net cash flow (used in) from operating activities** | | **281,531,941** | **156,727,106** |
| **Investing Activities** | | | |
| Purchase of financial assets at fair value through other comprehensive income | | (132,361,325) | (36,212,955) |
| Sale of financial assets at fair value through other comprehensive income | | 25,328,519 | 6,092,116 |
| Cash as a result of acquisition | | 78,106,643 | - |
| Purchase of financial assets at amortized cost | | (390,891,818) | (55,305,272) |
| Sale / maturity of financial assets at amortized cost | | 121,786,057 | (1,782,694) |
| Change in financial assets pledged as collateral | | 32,599,621 | - |
| Purchase of property and equipment | | (18,017,951) | (10,937,383) |
| Purchase of intangible assets | | (10,208,555) | (10,051,495) |
| **Net cash flow used in investing activities** | | **(293,658,809)** | **(108,197,683)** |
| **Financing Activities** | | | |
| Proceeds from loans and borrowings | | 190,163,728 | 283,118,363 |
| Repayment of loans and borrowings | | (112,880,236) | (119,914,136) |
| obligations repaid during the year | | (1,808,449) | (1,432,076) |
| Treasury Shares | | 5,109,406 | (4,377,511) |
| Cash dividends | | (27,705,253) | - |
| **Net cash flow (used in) from financing activities** | | **52,879,196** | **157,394,640** |
| Net cash and cash equivalents | | 40,752,328 | 117,938,829 |
| Effect of exchange rate changes on National Bank of Iraq | | 2,001,617 | (24,888,870) |
| Effect of exchange rate changes on cash and cash equivalents | | - | 5,253,774 |
| Cash and cash equivalent at the beginning of the year | 40 | 263,032,649 | 164,728,916 |
| **Cash and cash equivalent at the end of the year** | | **305,786,594** | **263,032,649** |

The accompanying notes from 1 to 52 are an integrated part of these consolidated financial statements.

**Capital Bank of Jordan**

**Consolidated Statement of Changes in Owners Equity**

**For the Year Ended 31 December 2021**

| | Attributable to owners of the parent entity | | Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and Paid in Capital | Additional paid in capital | Statutory | Treasury Shares | Foreign currency translation adjustments | Fair value reserve | Retained earnings* | Equity attributable to the Bank's shareholders | Non-controlling interest | Total equity |
| **31 December 2021** | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **Balance at 01 January 2021** | 200,000,000 | 709,472 | 44,186,425 | (2,707,491) | (16,540,837) | 3,619,029 | 78,096,479 | 307,363,077 | 48,324,233 | 355,687,310 |
| Profit for the year | - | - | - | - | - | - | 78,813,333 | 78,813,333 | (17,806,509) | 61,006,824 |
| Change in financial assets at fair value through other comprehensive income - debt instruments | - | - | - | - | - | (3,231,773) | - | (3,231,773) | 286,039 | (2,945,734) |
| Realized gainsfrom selling financial assets at fair value through other comprehensive income moved to income statement | - | - | - | - | - | (21,019) | - | (21,019) | - | (21,019) |
| Change in financial assets at fair value through other comprehensive income - equity instruments | - | - | - | - | - | 964,772 | - | 964,772 | 52,803 | 1,017,575 |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **(2,288,020)** | **78,813,333** | **76,525,313** | **(17,467,667)** | **59,057,646** |
| Transferred to retained earnings from losses on sale of equity instruments at fair value through other comprehensive income (note 7 - 28) | - | - | - | - | - | (517,889) | 517,889 | - | 1,527 | 1,527 |
| Transferred to reserves | - | - | 11,928,193 | - | - | | (11,928,193) | - | - | - |
| Treasury stocks for subsidiaries | - | - | | 2,707,491 | - | - | 414,246 | 3,121,737 | 1,987,669 | 5,109,406 |
| Dividends (note 25,29) | - | - | - | | - | - | (24,000,000) | (24,000,000) | (3,705,253) | (27,705,253) |
| **Balance at 31 December 2021** | **200,000,000** | **709,472** | **56,114,618** | **-** | **(16,540,837)** | **813,120** | **121,913,754** | **363,010,127** | **29,140,509** | **392,150,636** |

| | Issued and Paid in Capital | Additional paid in capital | Statutory | General banking risk | Foreign currency translation adjustments | Fair value reserve | Retained earnings* | Equity attributable to the Bank's shareholders | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **31 December 2020** | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **Balance at 01 January 2020 as previously stated** | 200,000,000 | 709,472 | 41,201,491 | - | (5,223,143) | 1,636,797 | 55,404,849 | 293,729,466 | 53,749,580 | 347,479,046 |
| Profit for the year | - | - | - | - | - | - | 25,956,079 | 25,956,079 | 4,345,999 | 30,302,078 |
| Changes in foreign currency translations from foreign operations | - | - | - | - | (11,317,694) | - | - | (11,317,694) | (7,727,661) | (19,045,355) |
| Change in financial assets at fair value through other comprehensive income - debt instruments | - | - | - | - | - | 2,817,728 | - | 2,817,728 | (348,547) | 2,469,181 |
| Realized gainsfrom selling financial assets at fair value through other comprehensive income moved to income statement | - | - | - | - | - | (1,070,702) | - | (1,070,702) | - | (1,070,702) |
| Change in financial assets at fair value through other comprehensive income - equity instruments | - | - | - | - | - | (44,309) | - | (44,309) | (25,118) | (69,427) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **(11,317,694)** | **1,702,717** | **25,956,079** | **16,341,102** | **(3,755,327)** | **12,585,775** |
| Transferred to retained earnings from losses on sale of equity instruments at fair value through other comprehensive income (note 7 - 28) | - | - | - | - | - | 279,515 | (279,515) | - | - | - |
| Transferred to reserves | - | - | 2,984,934 | - | - | - | (2,984,934) | - | - | - |
| Treasury stocks for subsidiaries | - | - | - | (2,707,491) | - | - | - | (2,707,491) | (1,670,020) | (4,377,511) |
| **Balance at 31 December 2020** | **200,000,000** | **709,472** | **44,186,425** | **(2,707,491)** | **(16,540,837)** | **3,619,029** | **78,096,479** | **307,363,077** | **48,324,233** | **355,687,310** |

* Retained earnings include JD 19,350,284 which represents deferred tax assets as at 31 December 2021 against JD 15,562,847 as at 31 December 2020, according to the Central Bank of Jordan's regulations these balances are restricted.

* Retained earnings include JD 958,330 as at 31 December 2021 against JD 962,559 as at 31 December 2020, this amount represents unrealized gain as a result of early adoption of IFRS9 related to classification and measurement. This amount is not available for distribution according to the Securities and Exchange Commission regulations until the amount becomes realized .

– An amount equal to the negative balance of fair value reserve is restricted within retained earning and cannot be utilized, unless approval is taken from the Central Bank.

_ The general banking risks reserve is a restricted reserve that cannot be utilized without prior approval of the Central Bank of Jordan. Regarding the implementation of IFRS 9 the Central Bank of Jordan issued Circular No.10/1/1359 on 25 January 2018 , allowing banks to transfer the balance of general banking risk reserve to retained earnings to reflect the impact of IFRS 9 on the opening balance of retained earnings as at 1 January 2018. The Circular also stipulates that the balance of a general bank risk reserve item is a restricted balance. Dividends may not be distributed as dividends to shareholders and may not be used for any other purpose except with the approval of the Central Bank of Jordan. The unutilized balance amounted to 8,840,593

The accompanying notes from 1 to 52 are an integrated part of these consolidated financial statements.

## (1) General Information

The Bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995 in accordance with the Companies Law No. 1 of (1989). Its registered office is in Amman.

The Bank provides its banking services through its twenty three branches located in Amman - Jordan and its subsidiaries Capital Investment and Brokerage Company in Jordan Ltd, National Bank of Iraq in Iraq, Capital Investment Fund Company in Bahrain, and Capital Bank Corporate Advisory (Dubai International Finance Center) Ltd.

The Bank has subsequently increased its capital during prior years from JD 20 million to reach JD 200 million. The increases in capital were effected through capitalizing its distributable reserves, retained earning and private placements.

Capital Bank of Jordan shares are listed at Amman Stock Exchange - Jordan.

The consolidated financial statements were approved by the bank's board of directors at its meeting No. 01/2021 on January 27, 2022 and are subject to the approval of the Central Bank and the General Assembly of Shareholders.

## (2) Basis of the preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2021 for the Bank and its subsidiaries (together "the Group") were prepared in accordance with the standards issued by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee affiliated to the International Accounting Standards Board, as amended by the Central Bank of Jordan.

**(2-1) The main differences between the IFRSs as they must be applied and what has been approved by the Central Bank of Jordan are the following:**

a) Provisions for expected credit losses are formed in accordance with the instructions of the Central Bank of Jordan (No. 13/ 2018) "Application of the IFRS (9)" dated 6 June 2018 and in accordance with the instructions of the supervisory authorities in the countries in which the bank operates, whichever is stricter. The significant differences are as follows:

- Debt instruments issued or guaranteed by the Jordanian government are excluded, so that credit exposures are treated and guaranteed by the Jordanian government without credit losses.

- When calculating credit losses against credit exposures as per IFRS 9 instructions, the calculation results are compared with the Central Bank of Jordan instructions No. (47/2009) of 10 December 2009 for each stage separately and the stricter results are taken.

As stated in Central Bank of Jordan (CBJ) instructions for classification of credit facilities and calculating impairment provision No. (47/2009) dated 10 December 2009, the credit facilities are classified into the following categories:

**a) Low Risk Credit Facilities, no provisions calculated on:**
The credit facilities that have any of the following characteristics:
1) Granted to and Guaranteed by the Jordanian Government and to the governments of countries in which the Jordanian banks have foreign branches, provided that such facilities are held in the host country's currency.
2) 100% collateralized by cash margin (of the any-time outstanding amount).
3) 100% guaranteed by an acceptable bank guarantee

**b) Acceptable Risk Credit Facilities, no provisions calculated on:**
The credit facilities that have the following characteristics:
1) Strong financial positions and adequate cash flows.
2) Legally documented and well covered by acceptable collaterals.
3) Good alternative cash resources for repayment.
4) Active movement of the relative account and timely payment of principal and interest.
5) Competent management of the obligor.

**c) Watch-List Credit Facilities (Requiring special attention), impairment provisions are calculated on the below at a rate between 1.5% and 15%:**
The credit facilities that have any of the following characteristics:
1) The existence of past dues of principal and/or interest for a period exceeding (60) days but less than (90) days.
2) Overdraft exceeding the approved limit by (10%) or more for a period exceeding (60) days but less than (90) days.
3) Credit facilities which were previously classified as non-performing loans, and then reclassified as performing loans according to rescheduling.
4) Acceptable risk credit facilities which have been restructured twice within 12 months.
5) Credit facilities that are more than (60) days old and less than (90) days have passed since their expiry date and have not been renewed.
The above is in addition to the conditions mentioned in details in the instructions.

**d) Non-Performing Credit Facilities**

The credit facilities that have any of the following characteristics:

1) The maturity of the credit facilities or of one of its installments, irregularity of repaying of principal and/or interest of credit facilities and / or dormant overdraft have been past due for the following periods:

| Category | Days Overdue | Percentage of provision for the first year |
|---|---|---|
| Substandard | 90 - 179 days | 25% |
| Doubtful | 180 - 359 days | 50% |
| Loss | More than 360 days | 100% |

2) Overdraft facilities exceeding approved limits by (10%) or more for a period of (90) days or more.
3) Credit facilities which have matured and become invalid for a period of (90) days or more and have not been renewed.
4) Credit facilities extended to any obligor who went bankrupt, or to companies which were subjected to liquidation.
5) Credit facilities which have been restructured for three times within 12 months.
6) Overdrawn current and on demand accounts for a period of (90) days or more.
7) Guarantees claimed by the beneficiary and paid by the bank on behalf of the clients, where their values have not been debited to their accounts and are still unpaid for a period of (90) days or more.

- A low provision is calculated on credit facilities according to the instructions of 47/2009 for this category of facilities according to the above rates and the amount of the facilities not covered by acceptable guarantees during the first year, while the provision is completed for the amount covered by 25% over a period of four years.

- Interest and commissions are suspended on non-performing credit facilities and facilities classified as third stage granted to clients in accordance with the instructions of the Central Bank of Jordan and in accordance with the instructions of the supervisory authorities in the countries in which the bank operates, whichever is stricter.

- Assets that have been reverted to the Bank appear in the consolidated statement of financial position within other assets at the amount of which they were reverted to the Bank or the fair value, whichever is less, and are reassessed on the date of the consolidated financial statements individually. Any impairment in their value is recorded as a loss in the consolidated statement of profit or loss and the increase is not recorded as revenue. The subsequent increase is taken to the consolidated statement of profit or loss to the extent that it does not exceed the value of the previously recorded impairment. As of the beginning of 2015, a gradual provision was made for real estate acquired for more than 4 years against debts according to the Circular of the Central Bank of Jordan No. 4076/1/15 dated 27 March 2014 and No. 2510/1/10 dated 14 February 2017. Noting that the Central Bank of Jordan issued Circular No. 13967/1/10 dated 25 October 2018, in which the Circular No. 16607/1/10 dated 17 December 2017was approved for extension. The Central Bank of Jordan also confirmed postponing the calculation of the provision until the end of the year 2019. According to the Central Bank's Circular No. 16239/1/10 dated 21 November 2019, deduction of the required provisions against real estate acquired is made at the rate of (5%) of the total book values of these properties (regardless of the period of violation) as of the year 2021, so that the required percentage of 50% of these properties are reached by the end of the year.

- Additional provisions are calculated in the consolidated financial statements against some of the Bank's external investments in some neighboring countries, if any, according to the Central Bank of Jordan.
- Disclosures about the consolidated financial statements of the group have been presented according to the instructions issued and the required forms required by the Central Bank of Jordan.
- The notes about the consolidated financial statement were presented in accordance with the instructions and the securities, by the central Bank of Jordan.
- Some items are classified and presented in the Consolidated Statement of Financial Position, Consolidated Statement of Income and the Consolidated Statement of Cash Flows and the related disclosure, , such as credit facilities, interest in suspense, expected credit losses, investments, fair value levels, segments classification and disclosures related to risks and others, are presented and disclosed in accordance with the requirements of the Central Bank of Jordan, its instructions and circulated guidance which might not include all the requirements of IFRS such as IFRS 7, 9 and 13.

- The consolidated financial statements have been prepared in accordance with the historical cost principle, with the exception of financial assets at fair value through the consolidated income statement and financial assets at fair value through other comprehensive income that appear at fair value at the date of the consolidated financial statements, as well as financial assets and liabilities that have been hedged against the risks of change in their value at fair value.

The accounting policies used in preparation of the consolidated financial statements for the year ended 31 December 2021 are consistent with the accounting policies adopted for the year ended 31 December 2020 except as menioned in Note3 or 3-a .

## (2-2) The foundations of unifying the consolidated financial statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (together the "The Group"). Control exists when the bank controls the subsidiaries and relevant activities, and is exposed, or has right, to variable returns from its involvement with the subsidiaries, and has the ability to affect those returns.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognized in assets or liabilities, between the Bank and the following subsidiaries are eliminated in full:

1- Capital Investment and Brokerage Company Limited; of which the Bank owns 100% of its paid-in-capital amounted to JD 10,000,000 as at 31 December 2021. The company provides Brokerage services. The company was established on 16 May 2005.

2- National Bank of Iraq (NBI); of which the Bank owns 61.85% of its paid-in-capital of IQD 250 billion equivalent to JD 121,404,110 as at 31 December 2021. The Bank provides banking services, National Bank of Iraq was acquired effective 1 January 2005.

3- Capital Investment Fund Company Bahrain; of which the Bank owns 100% of its paid-in-capital of BHD 1,000 equivalent to JD 1,888 as at 31 December 2021. The purpose of the company is to manage mutual funds and it has not started its operations as of the date of preparing these consolidated financial statements.

4- Capital Investments (DIFC) UAE; of which the bank owns 100% of its paid in capital of USD 250,000 (JD 177,250) as at 30 December 2021. The purpose of the company is to offer financial consulting services. The company was registered and incorporated on 23 February 2015.

The result of operations of the subsidiaries are consolidated in the consolidated statement of income from the acquisition date which is the date on which control over the subsidiaries is gained by the Bank. The results of operations of the disposed subsidiaries are consolidated in the consolidated statement of income up to the disposal date which is the date the bank loses control over the subsidiaries.

Non-controlling interests represent the portion of shareholders' equity not owned by the Bank in the subsidiaries.

### (2-3) Segment information

The business sector represents a group of assets and operations that jointly provide products or services that are subject to risks and returns that differ from those related to other business sectors and which are measured according to the reports used by the executive directors and key decision makers of the bank.

The geographical segment provides services and products in a certain economic environment that is subject to returns and risks that differ from other segments that operate in other economical environments.

### (2-4) Revenue recognition

Interest income and expense for all financial instruments with the exception of those classified as held for trading or measured at fair value is recognized through the consolidated statement of income in “net interest income” as interest income and interest expense using the Effective interest method. Interest on financial instruments measured at fair value through the consolidated statement of income is also included in the fair value movement during the period.

An effective interest rate is the rate at which the estimated future cash flows of a financial instrument are discounted during the expected life of the financial instrument or, when appropriate, for a shorter period, to the net carrying amount of the financial asset or financial liabilities. Future cash flows are estimated by taking into account all contractual terms for the instrument.

Interest income / interest expense is calculated by applying the effective interest rate principle on the total carrying value of financial assets that are not credit impaired (i.e. on the basis of the amortized cost of the financial asset before settlement for any expected credit loss allowance) or to the amortized cost of financial liabilities. With regard to low credit financial assets (the third stage), interest will continue to be calculated and suspended during the same period in accordance with the instructions of the Central Bank of Jordan regarding the application of IFRS9. As for financial assets that have arisen or have been acquired and are of low credit rating, 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 income also includes the effective portion of fair value changes to derivatives that are designated as hedging instruments in the cash flow hedges of interest rate risk. With regard to fair value hedges of interest rate risk around interest expenses and income, the effective portion of fair value changes for specific derivatives are also included, and fair value changes to the specific risk for the hedged item are also included in interest income and expense, and interest expense also includes the value of interest versus rental contract obligations.

### (2-5) Net commission income

Net commission income and expense includes fees other than the fees that are an integral part of the effective interest rate. The commissions included in this part of the bank's consolidated income list also include commissions charged for the loan service, non-use commissions related to loan obligations when this is unlikely to result in a specific arrangement for lending and co-financing of loans.

For contracts with clients that result in recognition of financial instruments, part of which may be related to IFRS 9 or 15, case commissions are recognized in the part that relates to IFRS 9 and the remainder is recognized according to the International Financial Reporting Standard No. (15).

### (2-6) Net trading income (Gains on financial assets at fair value through income statement)

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 display the full fair value movement of the trading assets and liabilities in the trading income, including any related revenue, expenses and dividends.

### (2-7) Net income from other financial instruments at fair value through income statement

Net income from other financial instruments at fair value through the statement of income includes all gains and losses resulting from changes in the fair value of financial assets and financial liabilities at fair value through the statement of income except for the assets held for trading. The Bank has elected to present the transaction at full fair value of the assets and liabilities at fair value through the statement of income in this line, including interest income, expenses and dividends.

The fair value movement of derivatives held for economic hedging is presented where hedge accounting is not applied in "net income from other financial instruments at fair value through the statement of profits or losses". However, with respect to the designated and effective fair value hedge relationship, the gains and losses on the hedging instrument are presented on the same line item in the income statement as a hedged item. With regard to certain and effective cash flows and hedge accounting relationships with respect to net investment, the hedging instrument gains and losses, including any hedging ineffectiveness included in the statement of income, are included in the same item as a hedged item that affects the statement of income.

### (2-8) Dividend income

Dividend income is recognized when the right to receive payment is established, which is the preceding date for listed dividends, and usually the date on which shareholders agree to unquoted dividends.

The distribution of dividends in the consolidated statement of profits or losses depends on the classification and measurement of investment in shares, that is:

•In respect of equity instruments held for trading, dividend income is included in the statement of income in the statement of financial assets (losses) at fair value through the statement of income;

• For equity instruments classified at fair value through other comprehensive income, dividends are included in the statement of income in the item of dividends from financial assets at fair value through other comprehensive income

• For equity instruments not classified at fair value through other comprehensive income and not held for trading purposes, dividend income is recognized as net income from other instruments at fair value through the statement of income.

### (2-9) Financial instruments

**Initial Recognition and Measurement:**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to the fair value of the financial assets or financial liabilities, or deducted from them, as necessary, upon initial recognition, and the transaction costs directly related to the acquisition of financial assets are also recorded. Or financial liabilities at fair value through income statement directly in the income statement.

**If the transaction price differs from the fair value at initial recognition, the bank addresses this difference as follows:**

• If the fair value is established at a specified price in an active market for identical assets or liabilities or based on a valuation technique that uses only observable inputs in the market, the difference in income is recognized using initial recognition (i.e. income on the first day);

• In all other cases, the fair value is adjusted to match the transaction price (i.e. the first day's income will be deferred by being included in the initial carrying amount of the asset or liability).

After initial recognition, the deferred income will be taken to the statement of income on a logical basis, only to the extent that it arises from a change in a factor (including time) that market participants take into account when pricing the asset or liability or when the recognition is revoked of this tool.

### (2-10) Financial assets

**A) Initial Recognition**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Transaction costs that are directly attributable to the acquisition of financial assets designated at fair value through income are recognized in the consolidated statement of income.

**B) Subsequent measurement**

All recognized financial assets that fall within the scope of IFRS 9 (later) are required to be measured at amortized cost or fair value based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets, specifically the following:

• The financing instruments maintained in the business model that aims to collect contractual cash flows, and which have contractual cash flows that are only principal and interest payments on the principal outstanding, are subsequently measured at amortized cost;
• Funding instruments held within the business model that aims to both collect contractual cash flows and sell debt instruments, which have contractual cash flows that are only principal and interest payments on the principal amount outstanding, and are subsequently measured at fair value through other comprehensive income
• All other financing instruments (such as 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 income.

However, the bank can choose for that to be irrevocable after initial recognition of the financial asset on a per-asset basis, as follows:

•The bank can make the irreversible selection by including subsequent changes in the fair value of the investment in non-held property rights for trading or a possible replacement recognized by the buyer within the business merger to which the IFRS 3 applies, in other comprehensive income
• The bank can determine indefinitely the financing instruments that meet the amortized cost or fair value criteria through other comprehensive income as measured by the fair value from the statement of profits or losses if that abolishes or significantly reduces the inconsistency in accounting (referred to as the value option Fair).

**C) Debt instruments at amortized cost or fair value through other comprehensive income**

For the purposes of testing principal and interest principal payments (SPPI), the asset is the fair value of the financial asset upon initial recognition. This principal amount may change over the life of the financial asset (for example, if the principal is repaid). Interest consists of the allowance for the time value of money, the credit risk associated with the principal amount outstanding during a specified period of time and other basic lending options and risks, as well as the profit margin. An evaluation of principal and interest payments is made on the principal amount in the currency in which the financial asset is denominated.

The contractual cash flows that represent principal and interest payments on the principal amount outstanding are consistent with the underlying financing arrangement. Contractual terms that involve exposure to risks or fluctuations in contractual cash flows that are not linked to the primary financing arrangement, such as exposure to changes in stock prices or commodity prices, do not lead to contractual cash flows that are only payments of principal and interest. Also, the granted or acquired financial asset can be a basic financing arrangement regardless of whether it is a loan in its legal form.

**D) Business Model Assessment**

The bank adopts more than one business model to manage its financial instruments that reflect how the bank manages its financial assets in order to generate cash flows. The bank's business models determine whether the cash flows will result from collecting contractual cash flows or selling financial assets, or both.

The bank considers all relevant information available when conducting an evaluation of the business model. However, this assessment is not performed on the basis of scenarios that the bank does not reasonably expect to occur, such as so-called "worst-case" or "stress-case" scenarios. The bank also takes into account all available relevant evidence such as the following:

• The policies and objectives announced for the portfolio and the application of those policies whether the management strategy focuses on obtaining contractual revenue, maintaining a specific rate of profit, and matching the period of financial assets with the period of financial liabilities that finance those assets or achieving cash flows through the sale of assets.
• How to assess the performance of the business model and the financial assets held in this business model and inform key management personnel about this; and
• Risks that affect the performance of the business model (and the financial assets present in that model), and in particular the way those risks are managed.
• How to compensate business managers (for example, whether compensation is based on the fair value of assets under management or on contractual cash flows collected).

Upon initial recognition of the financial asset, the bank determines whether the recently recognized financial assets are part of an existing business model or whether it reflects the beginning of a new business model. The bank reassesses its business models in each reporting period to determine whether the business models have changed since the previous period.

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

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

**E) Financial assets - assess whether contractual cash flows are payments of principal and interest only:**

For the purposes of this evaluation, "principal amount" is defined as the fair value of a financial asset at the date of the initial recognition. “Interest” is defined as the consideration of the time value of money, the credit risk associated with the principal of the amount outstanding during a specific time period, and other underlying borrowing costs (such as liquidity risk and administrative costs), as well as a profit margin.

In assessing whether contractual cash flows are only payments of principal and interest, the bank has considered the contractual terms of the instrument. This includes assessing whether the financial assets involve a contractual period that can change the timing or amount of contractual cash flows and therefore the condition does not meet payments only for principal and interest. In making this assessment, the bank considers:

• Emergency events that change the amount or timing of cash flows.
• Prepaid features and the possibility to extend.
• Conditions that define the bank's claim for cash flows from a specified asset.

**F) Financial assets at fair value through income statement**

Financial assets at fair value through income are the following:

• Assets with contractual cash flows that are not principal and interest payments on the principal outstanding, or / and
• Assets held within the business model other than those held to collect contractual cash flows or held for collection and sale; or
• Assets designated at fair value through income statement using the fair value option.

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

**G) Reclassification**

If the business model in which the bank maintains financial assets changes, the financial assets that were affected will be reclassified. The classification and measurement requirements relating to the new category are applied prospectively from the first day of the first reporting period after the change in the business model that results in the reclassification of the bank's financial assets. Changes in contractual cash flows are considered within the framework of the accounting policy related to the amendment and exclusion of the financial assets shown below.

**(2-11) Foreign exchange gains and losses**

The carrying amount of financial assets recorded in foreign currency is determined and translated at the rates prevailing at the end of each reporting period. More specifically:

• Financial assets measured at amortized cost that are not part of a specific hedging relationship, it recognizes the difference in currency in the statement of profits or losses; and
• Debt instruments measured at fair value through other comprehensive income that are not part of a specific hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in the statement of income. Other exchange differences in other comprehensive income are recognized in the investment revaluation reserve; and
• Financial assets measured at fair value through the statement of profits or losses that are not part of a specific hedge accounting relationship, exchange differences from income are recognized in the statement of income;
• Equity instruments measured at fair value through comprehensive income, exchange rate differences in other comprehensive income are recognized in the investment revaluation reserve.

**(2-12) Fair value option:**

- A financial instrument with a fair value can be measured reliably at fair value through the consolidated statement of income (fair value option) upon initial recognition, even if the financial instruments are not acquired or incurred primarily for the purpose of selling or repurchasing. The fair value option for financial assets can be used if it substantially eliminates or reduces the inconsistency of the measurement or recognition that would otherwise have arisen from the measurement of assets or liabilities, or the recognition of related profit and loss on a different basis (“accounting mismatch”). The fair value option for financial liabilities can be chosen in the following cases:

• If the choice leads to the cancellation or substantially reduces accounting mismatch.
• If the financial liabilities are part of a portfolio managed on a fair value basis, according to a documented risk or investment management strategy.
• If there is a derivative included in the underlying financial or non-financial contract and the derivative is not closely related to the underlying contract.

These tools cannot be reclassified to fair value through the consolidated statement of income while they are held or issued. Financial assets designated at fair value through the consolidated statement of income are recorded at fair value with any unrealized gains or losses arising from changes in the fair value recognized in investment income.

**(2-13) Expected credit losses:**

- The Bank recognizes loss allowances for expected credit loss on The following financial instruments that are not measured at fair value through The consolidated statement of income:

• Balances and deposits with banks and banking institutions.
• Direct credit facilities (loans and advances to customers).
• Financial assets at amortized cost (debt instrument securities).
• Financial assets at fair value through the statement of other comprehensive income - debt instruments
• Exposures off the balance sheet subject to credit risk (financial guarantee contracts issued).

Impairment loss is not recognized in equity instruments.

With the exception and notes Impairment losses are Purchased or Originated rating-Impaired' (POCI) financial assets (which are considered separately below), ECL are required to be measured through a loss allowance at an amount equal to:

• 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that can be realized within 12 months after the reporting date, referred to in Stage 1.
• 12-month ECL, i.e. lifetime ECL that result from those possible default events over the age of the financial instrument, referred to in Stage 2 and Stage 3.

A loss allowance for 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, ECL are measured at an amount equal to the 12-month ECL.

ECL 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, which arise from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For the limits not utilized, the expected credit loss is the difference between the present value of the difference between the contractual cash flows due to the Bank if the borrower withdraws the financing and the cash flows that the Bank expects to receive if the financing is utilized.

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

All other financial assets, with the exception of debt instruments carried at amortized cost, are subsequently measured at fair value.

The Bank measures ECL on an individual basis, or on the portfolio basis that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a portfolio basis.

Provisions for expected credit losses are formed in accordance with the instructions of the Central Bank of Jordan No. (13/2018) "Application of the International Financial Reporting Standard (9)" dated June 6, 2018 and in accordance with the instructions of the supervisory authorities in the countries in which the bank operates, whichever is greater, that the fundamental differences are as follows :

When calculating credit losses against credit exposures, the calculation results are compared according to the IFRS (9) under the instructions of the Central Bank of Jordan No. (47/2009) of 10 December 2009 for each stage separately and the stricter results are taken.

**Credit-impaired financial assets:**

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

• Significant financial difficulty faced by borrower or issuer.
• Breach of contract, for example, default or delay in payment.
• The Bank grants the borrower a waiver for economic or contractual reasons related to the borrower's financial difficulty.
• The disappearance of an active market for that financial asset because of financial difficulties.
• 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 FVTOCI 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 possibility of a backstop if amounts are overdue for 90 days or more. However, cases where the asset's impairment is not recognized after (90) days of maturity, 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 consolidated statement of income. A favourable change for such assets creates an impairment gain.

**Definition of default:**

The definition of default is deemed critical to the determination of ECL. 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 ECL and the identification of a significant increase in credit risk as shown below.

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

• The borrower defaults for more than 90 days on any significant credit obligation to the Bank.
• The borrower is unlikely to pay his credit obligations to the of 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 of another obligation to the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

• Interest and commissions are suspended on non-performing credit facilities granted to clients in accordance with the instructions of the Central Bank of Jordan.
• Credit facilities and their suspended interest covered by provisions are transferred entirely off the consolidated statement of financial position, in accordance with the decisions of the Board of Directors in this regard.

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

**Significant increase in credit risk:**

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to 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 will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank will not consider that financial assets with 'low' credit risk at the reporting date did not have 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 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 financing, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, that can be obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as taking into consideration various internal and external sources of actual and forecast economic information. For retail financing, forward looking lending 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 behaviour. 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 date of reporting.
• The remaining lifetime PD at a point in time that was estimated based on facts and circumstances at the initial recognition of the exposure.

The PDs are considered forward-looking, and the Bank uses the same methodologies and data used to measure the expected credit loss provisions.

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' given 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 compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 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.

**(2-14) Modification and de-recognition of financial assets**

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

The bank renegotiates loans with customers who face financial difficulties to increase collection and reduce the risk of default. The terms of repayment of the loan are facilitated in cases where the borrower has made all reasonable efforts to pay under the original contractual terms, and an important risk of default or default has occurred and it is expected that the borrower will be able to fulfil 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 a waiting policy that applies to corporate and individual lending.

When a financial asset is modified, the bank assesses whether this amendment leads to de-recognition. As per the Bank's policy, the modification leads to de-recognition when it causes a significant difference in the terms

• Qualitative factors, such as the non-existence of contractual cash flows after modification as SPPI, change in currency or change in the counterparty, or extent of change in interest rates, maturity, or covenants. If this does not clearly indicate a fundamental modification

• Conducting a quantitative evaluation to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows in accordance with the revised terms, and deduct both amounts based on the original effective interest

In the case where the financial asset is derecognized, the loss allowance for ECL is remeasured at the date of de-recognition 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 de-recognition. 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 as credit- impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in de-recognition, 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.

• The remaining PD at the reporting date based on the revised terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in de-recognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural 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 behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to de-recognition, 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, 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 also recognizes a collateralized borrowing for the proceeds received.

On de-recognition 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 the consolidated statement of income, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/ loss previously recognized in OCI is not subsequently reclassified to the consolidated statement of income.

### (2-15) Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as the customer not participating in a payment plan with the Bank. The Bank classifies the funds or amounts due for write-off after exhausting all possible payment methods and taking the necessary approvals. However, if the financing or receivable is written off, the Bank continues the enforcement activity to try to recover the outstanding receivables, which are recognized in the consolidated statement of income upon recovery.

### (2-16) Presentation of expected credit loss allowances in consolidated financial statements

• For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
• For debt instruments measured at FVTOCI: no loss allowance is recognized in the consolidated 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;
• Loans commitments and financial guarantee contracts: as a provision.
• 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.

### (2-17) Loans and advances

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

• Loans and advances measured at amortized cost; initially measured at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method.
• Loans and advances, which are measured at FVTPL or designated as at FVTPL; are measured at fair value with changes recognized immediately in income.

### (2-18) Financial liabilities and equity

Issued Debt and equity instruments 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 that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

### (2-19) Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. The equity instruments issued by the bank are recognized according to the returns received, after deduction of direct issuance costs.

#### A) Share 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.

#### B) Treasury Shares

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

**C) Composite instruments**

The component parts of the composite instruments (such as convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the content of the contractual arrangements, definitions of financial liabilities and equity instruments. The transfer option that will be settled by exchanging a fixed cash amount or other financial asset for a specified number of the company's equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing interest rate in the market for similar non-convertible instruments. In the case of non-embedded related derivatives, they are first separated and the remaining financial liabilities are recorded on an amortized cost basis using the effective interest method until they are extinguished upon conversion or on the instrument's maturity date.

**(2-20) Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through income statement or other financial liabilities.

**A) Financial liabilities at fair value through income statement**

Financial liabilities are classified at fair value through the statement of profits or losses when financial liabilities (1) are held for trading or (2) are classified at fair value through the statement of income. A financial liability is classified as held for trading if:

• It was primarily incurred for the purpose of repurchasing it in the short term; or
• At initial recognition, this is part of the portfolio of specific financial instruments that are managed by the bank and which have a modern pattern of profit taking in the short term; or
• It is a non-specific and effective derivative as a hedging instrument.

A financial liability other than a financial liability held for the purpose of trading or the possible consideration that a buyer may pay as part of a business combination at fair value is determined through the statement of income upon initial recognition if:

• This classification would substantially eliminate or reduce the inconsistency of the measurement or recognition that might otherwise arise; or
• The financial obligation was part of the group of financial assets, financial liabilities, or both, whose performance is managed and evaluated on a fair value basis, in accordance with the documented risk or investment management strategy of the bank, and information related to the formation of the group was provided internally on this basis; or
• If the financial obligation forms part of a contract that contains one or more derivatives, and IFRS 9 allows a fully hybrid contract (compound) to be determined at fair value through the statement of income.

Financial liabilities are stated at fair value through the statement of income at fair value, and any gains or losses arising from re-measurement are recognized in the statement of income to the extent that they are not part of a specific hedge relationship. The net profit / loss recognized in the statement of income includes any interest paid on financial liabilities and is included in the item "net income from other financial instruments at fair value through the statement of income.

However, in respect of non-derivative financial liabilities designated at fair value through the statement of income, the amount of the change in the fair value of the financial liabilities that resulted from changes in the credit risk of those liabilities is included in other comprehensive income, unless recognition of the effects of changes in credit risk arises Liabilities in other comprehensive income to create or increase accounting inconsistencies in the consolidated statement of income. The remaining amount of changes in the fair value of the liability is recognized in the consolidated statement of income, and changes in the fair value attributable to the credit risk of the financial liabilities recognized in other comprehensive income are subsequently reclassified as income. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

With regard to loan obligations issued and financial guarantee contracts classified at fair value through the statement of income, all gains and losses are included in the consolidated statement of income.

When determining whether recognition of changes in the credit risk of liabilities in other comprehensive income will create or increase the accounting mismatch in the consolidated statement of income, the bank assesses whether it expects to offset the effects of changes in the credit risk of the liabilities in the consolidated statement of income A change in the fair value of another financial instrument that was measured at fair value through the consolidated statement of income.

**B) Other financial liabilities**

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

The effective interest method is a method for calculating the amortized cost of a financial liability and allocating interest expenses over the relevant period. An effective interest rate is the rate that exactly discounts estimated future cash payments during the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount at initial recognition to obtain details on the effective interest rate.

**C) Derecognition**

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

When the bank exchanges one debt instrument with the current lender for another instrument on significantly different terms, this exchange is accounted for as amortization of the original financial liabilities and new financial liabilities are recognized. Likewise, the bank treats the material amendment to the terms of the existing obligation or part thereof as amortization of the original financial liability and recognition of the new obligation. The terms are assumed to differ materially if the reduced present value of the cash flows is under the new terms, including any fees paid, net of any fees received and discounted using the original effective rate of at least 10% from the reduced present value of the remaining cash flows of the original financial liabilities.

**(2-21) Derivative financial instruments:**

The bank enters into a variety of derivative financial instruments, some of which are held for trading while others are maintained to manage exposure to interest rate risk, credit risk, and foreign exchange rate risk. Financial derivatives include foreign currency forward contracts, interest rate swaps, interest rate swaps across currencies and credit default swaps.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value at the date of each statement of financial position. The resulting profits/ losses are recognized in the consolidated statement of income immediately unless the derivative is identified and are effective as a hedging instrument, in which case the timing of recognition in the consolidated statement of income depends on the nature of the hedge relationship. The Bank identifies certain derivatives as either fair value hedges for recognized assets and liabilities, or for the company’s obligations (fair value hedges), potential forecasting hedges, foreign currency risk hedges for fixed obligations (cash flow hedges) or net investments in foreign operations (net investment hedges).

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

**(2-22) 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 the consolidated statement of income.

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.

**(2-23) 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 incurred because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank’s entity are initially measured at their fair value, and if they are not determined at fair value through the consolidated statement of income that does not result from the transfer of a financial asset, they are subsequently measured:

• The amount of the loss allowance determined in accordance with IFRS (9).
• The amount initially recognized, less, where appropriate, the amount of accumulated income recognized in accordance with the Bank's revenue collection policies, whichever is greater.

Financial guarantee contracts that are not designated at fair value through the consolidated statement of income are presented as provisions in the consolidated statement of financial position and remeasurement is presented in other income.

The Bank did not specify any financial guarantee contracts at fair value through the consolidated statement of income.

**(2-24) Commitments to provide a loan at an interest rate lower than the market price:**

Commitments to provide a loan at an interest rate lower than the market price are measured initially at their fair value, and if they are not determined at fair value through the consolidated statement of income, they are subsequently measured:

• The amount of the loss allowance determined in accordance with IFRS (9).
• The amount initially recognized, less, where appropriate, the amount of accumulated income recognized in accordance with the Bank's revenue collection policies, whichever is greater.

Commitments to provide a loan at an interest rate lower than the market price, which are not designated at fair value through the consolidated statement of income are presented as provisions in the consolidated statement of financial position, and remeasurement is presented in other income.

The bank did not designate any commitments to provide a loan at an interest rate lower than the market price, which are designated at fair value through the consolidated statement of income.

**(2-25) Derivative financial instruments**

### A) Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 Financial Instruments (e.g. financial liabilities) 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 FVTPL.

### B) Hedge accounting

The bank identifies certain derivatives as hedging instruments with respect to foreign currency and interest rate risks in fair value hedges, cash flow hedges or net investment hedges in foreign operations as appropriate. Hedges of foreign exchange risk on bank liabilities are also accounted for as cash flow hedges. The Bank does not apply fair value hedge accounting to interest rate risk portfolio hedges. In addition, the bank does not use the exemption to continue using the hedge accounting rules using International Accounting Standard No. (39), meaning that the bank applies the hedge accounting rules of IFRS 9.

At the inception of the hedge relationship, the bank documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. Furthermore, at hedge inception and on an ongoing basis, the bank documents whether the hedging instrument is effective in offsetting the changes in the fair value or cash flows of the hedged item that can be attributed to the hedged risk, and at which all hedging relationships meet the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument; and
- The impact of credit risk does not dominate the changes in value resulting from this economic relationship; and
- The hedging ratio for the hedging relationship is the same resulting from the quantity of the hedged item for which the bank is actually hedging and the amount of the hedging instrument that the bank actually uses to hedge that quantity of the hedged item.

The bank re-balances the hedge relationship in order to comply with the requirements of the hedge ratio as necessary. In such cases, the stopover may be applied to only part of the hedging relationship. For example, the hedge ratio may be adjusted in such a way that a portion of the hedging item is no longer part of the hedge relationship, and hence hedge accounting is discontinued only for the size of the hedging item that is no longer part of the hedging relationship.

If the hedging relationship ceases to meet the hedge effectiveness requirements for the hedge ratio but the risk management objective for that hedge relationship remains the same, then the Group adjusts the hedge ratio for the hedge relationship (such as rebalancing the hedge again) so that the criteria for the hedge are regrouped.

In some hedge relationships, the bank only determines the true value of the options. In this case, the change in the fair value of the time value component of the option contract in other comprehensive income, over the hedging period, is deferred to the extent that it relates to the hedged item and is reclassified from equity to the income statement when the hedged item does not lead to the recognition of the non-financial items. . The Bank's risk management policy does not include hedging of items that lead to recognition of non-financial items, because the bank's risk relates to financial substances only.

The hedged items determined by the bank are period-related hedging items, which means that the original time value of the option relating to the hedged item of equity is amortized to the income statement on a rational basis (for example, according to the straight-line method) over the life of the hedge.

In some hedging relationships, the bank excludes from the determination of the forward component of a forward contract or a currency difference of the currency hedging instrument. In this case, the same treatment applies as for the time value of the options. The treatment of the forward component of the forward contract and the component on a currency basis is optional, and the option is applied on a hedged basis separately, unlike the treatment of the time value of the options that are considered mandatory. With regard to hedging relationships and forward derivatives or foreign currencies such as interest rate swaps across currencies, when the forward component or the difference on a currency basis is excluded from the rating, the bank generally recognizes the excluded component in other comprehensive income.

Detail the fair values of the derivative instruments used for hedging purposes and the movements in equity hedge reserve.

### C) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the consolidated statement of income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the consolidated statement of income.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to the consolidated statement of income from that date.

When the hedge gain / loss is recognized in the income statement, it is recognized in the same line as the hedged item.

The bank discontinues hedge accounting only when the hedging relationship (or part thereof) ceases to fulfill the qualifying criteria (after rebalancing, if any). This includes cases where the hedging instrument has expired, sold, terminated, or exercised, and the disposal is accounted for for future effect. Also, the fair value adjustment to the carrying value of hedged items for which the effective interest rate method is used (i.e. debt instruments measured at amortized cost or at FVOCI) arising from the cessation of the hedged risk in the statement of income does not exceed Hedge accounting.

**D) Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the consolidated statement of comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income, and is included in the other income line item.

Amounts previously recognized in the consolidated statement of comprehensive income and accumulated in equity are reclassified to consolidated statement of income in the periods when the hedged item affects the recognition of a non-financial assets or a non-financial liability, the gains and losses previously recognized in the consolidated statement of comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

The bank discontinues hedge accounting only when the hedging relationship (or part thereof) ceases to fulfill the qualifying criteria (if any, and after rebalancing if any). This includes situations where the hedging instrument expires or is sold, terminated, or exercised, or when the occurrence of a specific hedging transaction is not considered highly probable and the discontinuation is accounted for with future effect. Any gain / loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the eventual expected transaction is recorded in profit or loss. When the occurrence of a forecast transaction becomes unexpected, the cumulative gain / loss is reclassified in shareholders' equity and recognized directly in the income statement.

**E) Hedges of net investments in foreign operations**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the consolidated statement of comprehensive income and accumulated under the heading of cumulative translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the cumulative translation reserve are reclassified to the consolidated statement of income on the disposal of the foreign operation.

**(2-26) Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognized amounts or when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**(2-27) Accounts managed for the interest of clients**

Accounts managed by the bank on behalf of clients are not considered assets of the bank. The fees and commissions for managing these accounts are shown in the statement of income. A provision is made against the decrease in the value of the portfolios managed for the benefit of clients from their capital.

**(2-28) Fair value measurement**

The fair value is defined as the price that will be received to sell any of the assets or pay for transferring any of the liabilities in an orderly transaction between market participants on the date of measurement, regardless of whether the price can be achieved directly or whether it is estimated thanks to another valuation method. When estimating the fair value of any of the assets or liabilities, the bank takes into consideration when determining the price of any of the assets or liabilities whether market participants should take those factors into consideration at the measurement date. Fair value is determined for measurement and / or disclosure purposes in these financial statements according to those principles, except for those related to measurement procedures that are similar to fair value procedures and are not fair value such as fair value as used in International Accounting Standard No. (36).

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in income on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Fair value levels are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**(2-29) Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**(2-30) Employees' benefits**

**Employees' short term benefits**

Employee's short term benefits are recognized as expenses when providing related services. The commitment relating to the amount expected to be paid is recognized when the Bank has a current legal or constructive obligation to pay for the previous services provided by the employee and the obligation can be estimated reliably.

**Employees' other long-term benefits**

The Bank's net liabilities in relation to employees' benefits are the amount of future benefits that employees have received for their services in the current and previous periods. Those benefits are deducted to determine their present value. The remeasurement is recognized in the consolidated statement of income in the period in which it arises.

**(2-31) Income Tax**

Tax expense comprises current tax and deferred taxes.
Current tax is based on taxable profits, which may differ from accounting profits disclosed in the consolidated statement of income. Accounting profits may include non-taxable profits or tax-deductible expenses which may be exempted in the current or subsequent financial years.

Taxes are calculated based on tax rates confirmed under the laws, regulations and instructions of the Hashemite Kingdom of Jordan and the countries which subsidiaries are operating in.

The deferred taxes are taxes expected to be paid or refunded as a result of the temporary differences between assets and liabilities – in the consolidated financial statements and the value of the tax basis profit. Deferred taxes are measured by adhering to the consolidated financial position statement and calculated based on tax rates that are expected to apply in the period when assets are realized or liabilities are settled.

The carrying amount of the deferred assets are reviewed at the date of the consolidated financial statements and are 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 assets be utilized.

**(2-32) Assets seized in settlement of debts**

In certain cases, the Bank may close out transactions by acquiring assets in settlement of debts. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment losses) at the date of exchange. These assets are recorded in "Other assets". It is the Bank's policy to dispose of such repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

As of the beginning of the year 2015, a progressive provision was calculated for the expropriated real estate in exchange for debts that have passed over a period of more than 4 years, according to the Central Bank of Jordan Circular No. 15/1/4076 dated March 27, 2014 and No. 10/1/2510 dated February 14, 2017. Note That the Central Bank of Jordan issued Circular No. 13967/1/10 on October 25, 2019, in which it approved the extension of Circular No. 10/1/16607 on December 17, 2017, in which it confirmed the postponement of the calculation of the provision until the end of the year 2020. This is in accordance with the bank's circular Central No. 10/1/16239 on November 21, 2020, the deduction of the required allocations in exchange for the expropriated real estate will be completed at (5%) of the total book values of those real estate (regardless of the period of violation), with effect from the year 2021, so that the required percentage is reached (50%) of those properties are by the end of 2029.

**(2-33) Financial assets pledged as collateral**

The financial assets pledged by the Bank are for the purpose of providing collateral for the counterparty to the extent that counterparty is permitted (to sell and /or re-pledge the assets). The method of valuation is related to the financial policies for its original classification.

### (2-34) Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's financial consolidated statements due to the Bank's continuing exposure to the risks and rewards of these assets using the same accounting policies (where the buyer has the right to use these assets (sell or re-lien) they are reclassified as liened financial assets).

The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the Bank's consolidated financial statements as assets since the Bank is not able to control these assets. 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 in the consolidated statement of income over the agreement term using the effective interest method.

### (2-35) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Lands are not depreciated.

Depreciation is recognized so as to write-off the cost of assets, using the straight-line method, over the estimated useful lives of the respective assets, as follows:

| | % |
|---|---|
| Buildings | 2 |
| Equipment and furniture | 2.5-15 |
| Vehicles | 15 |
| Computers | 25 |
| Other | 10 |

When the recoverable amount of any property and equipment is less than its net book value, its value is reduced to the recoverable value and the impairment value is recorded in the income statement.

The useful life of property and equipment is reviewed at the end of each year. If the expected useful life differs from the previously prepared estimates, the change in the estimate for subsequent years is recorded as a change in the estimates.

Property and equipment are excluded upon disposal or when there are no future benefits expected from their use or disposal.

### (2-36) Intangible assets

#### A) Goodwill

Goodwill is recorded at cost which represents the increase in the acquisition or purchase cost of an investment over the fair value of the company's net assets at the acquisition date. Goodwill resulting from investing in subsidiaries is recorded in a separate item as intangible assets. Goodwill resulting from investing in associates appears as part of the investment account in the associate and the cost of goodwill is subsequently reduced by any impairment in the investment value.

Goodwill is allocated to cash-generating unit(s) for the purpose of impairment testing.

Goodwill impairment is tested at the reporting date. Goodwill is written down if there is an indication that it is impaired and if the estimated recoverable amount of cash-generating unit (s) to which the goodwill belongs is lower than the carrying amount of the cash-generating unit (s). Impairment is recognized in the consolidated statement of income.

#### B) Other intangible assets

Intangible assets that are acquired through the merger are stated at fair value at the date of acquisition. The intangible assets that are obtained by a method other than the merger are stated at cost.

Intangible assets are classified on the basis of their estimated lifetime for a definite or indefinite period. Intangible assets that have a definite lifetime are amortized during this lifetime and are recognized in the consolidated statement of income. For intangible assets that have a indefinite lifetime, their impairment is reviewed at the date of the consolidated financial statements and any impairment is recognized in the consolidated statement of income.

Intangible assets resulting from the Bank's business are not capitalized and are recognized in the consolidated statement of income in the same period.

Any indications for the impairment of intangible assets are reviewed at the date of the financial statements. The estimate of the useful lives of those assets is reviewed and any adjustments are made for subsequent periods.

Below is the accounting policy for each item of intangible assets at the bank:

• Trademarks: Amortized using the straight line method with a fixed ratio of 25%
• Computer software and systems ( main & others ): Amortized using the straight line method with a fixed ratio from 12% to 25%.

### (2-37) Impairment of non-financial assets

The carrying value of the Group's non-financial assets is reviewed at the end of each fiscal year except for the deferred tax assets, to determine whether there is an indication of impairment. In the event of 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 those assets.

The recoverable amount is the higher of an asset's fair value -less costs to sale - and the value in use.
All impairment losses are taken to the consolidated statement of income and other comprehensive income.

The impairment loss for goodwill is not reversed. For other assets, the impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that was determined after the depreciation or amortization has taken place if the impairment loss is not recognized.

### (2-38) Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position of each company in the Group are expressed in the functional currency of the Bank, and the presentation currency of the consolidated financial statements.

The separate financial statements of the Bank's subsidiaries are prepared, and the separate financial statements of each of the Group's companies are presented in the main functional economic currency in which they operate. Transactions are recorded in currencies other than the Bank's functional currency, according to the exchange rates prevailing on the dates of those transactions. On the date of the statement of financial position, the financial assets and liabilities are translated into foreign currencies at the exchange rates prevailing on that date. Non-monetary items carried at fair value and denominated in foreign currencies are also translated at the exchange rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not reclassified.

Exchange differences are recognized in the consolidated statement of income in the period in which they arise, except for:

• Foreign currency exchange differences on transactions made in order to hedge foreign currency risk.
• Foreign currency exchange differences on monetary items required to/ from a foreign operation that are not planned or unlikely to be settled in the near future (and therefore these differences are part of the net investment in the foreign operation), which is recognized initially in the calculation of other consolidated comprehensive income, and are reclassified from equity to the consolidated statement of income upon sale or partial disposal of net investment

For the purpose of the presentation of the consolidated financial statements, assets and liabilities of foreign operations of the Bank are transferred according to the exchange rates prevailing at the date of the statement of financial position. Revenue is also transferred according to the average exchange rates for the period, unless exchange rates change significantly during that period, in which case exchange rates are used on the date of transactions. Emerging differences, if any, are recognized in the consolidated statement of comprehensive income and grouped into a separate component of equity.

When excluding foreign operations (i.e. eliminating the Bank's entire share in foreign operations, or that resulting from the loss of control of a subsidiary within foreign operations or partial disposal of its share in a joint arrangement or an associate of a foreign nature in which the held share becomes a financial asset), all foreign currency exchange differences accumulated in the separate item that represent the equity of that operation attributable to the owners of the bank, are reclassified to the consolidated statement of income.

In addition, with regard to partial disposal of a subsidiary that includes foreign operations and does not result in the Bank losing control of the subsidiary, its share of the accumulated exchange differences is reversed to net comprehensive income at a rate that is excluded and is not recognized in the consolidated statement of income. As for all other partial liquidations (such as partial liquidation of associates or joint ventures that do not result in the Bank losing significant influence or joint control), the share of accumulated exchange differences is reclassified to the consolidated statement of income.

### (2-39) Leases

The Bank has implemented IFRS (16) "Leases" that have replaced existing guidance on leases as of 1 January 2019, including IAS (17) "Leases" and IFRIC (4) "Determining whether an arrangement contains a lease", SIC (15) "Operating lease -incentives" and SIC (27) retrospectively from 1 January 2018"Evaluating the substance of transactions involving the legal form of a lease".

The bank determines whether the contract is a lease or includes lease clauses. The contract is considered a lease contract or includes a lease if it includes the transfer of control over a specified asset for a specified period in exchange for compensation as defined in the leasing contract in the standard.

#### The Bank as a lessee

On the date of signing the contract, or on the date of the revaluation of the contract that contains the lease elements, the Bank distributes the entire contract value to the contract components in a proportional manner consistent with the value. It is to be noted that the Bank has decided for leases that include land and building to treat the components of the contract as one item.

The bank recognizes the right to use the obligations of the lease at the beginning of the lease. The right to use is measured at the initial recognition of the cost, which includes the initial value of the rental contract obligation adjusted for the lease payments that took place at the beginning or before the contract, until any initial direct costs are realized or any costs less the impact of any rental incentives received.

The right to use the asset is subsequently depreciated using the straight-line method from the date of the beginning of the contract, considering the lower of useful life of either the lease term or the remaining life of the rental asset. The useful life of the leased asset is estimated on the basis of estimating the useful life of the property and equipment. The value of the right to use the asset is periodically reduced to reflect the lower value (if any) and is modified to reflect the effect of the amendments on the item of obligations related to lease contracts.

The obligations associated with the lease are measured at the initial recognition of the present value of the unpaid lease payments at the date of the lease, deducted using the interest rate presented in the lease, and if it is not possible to determine, the borrowing rate used by the bank is used. Usually the borrowing rate used by the bank is what ends up being used.

The bank determines the borrowing rate by analyzing its loans from various external sources and making some adjustments to reflect the lease terms and the type of leased assets.

The lease payments taken into account for the purposes of calculating the obligations related to the lease include the following:

• Fixed payments, including substantial fixed payments,
• Variable payments that depend on an index or ratio and that are measured upon initial recognition taking into account this indicator or the ratio at the date of the lease,
• The amounts expected to be paid under the residual value guarantee clause; and
• Purchase option price when the bank is confident that it will implement the purchase option disclosure, lease payments when an optional renewal clause exists and the bank has the intention to renew the lease contract, and fines related to early termination of the contract unless the bank is confident that it will not perform early termination.

Obligations related to lease contracts are measured based on amortized cost, using the effective interest rate. The liabilities are re-measured when there is a change in the future rental payments as a result of the change in a specific index or ratio, and when there is a change in the management's estimates regarding the payable amount under the item of the residual value guarantee, or when the bank's plan in relation to exercising the option to buy, renew or terminate the contract changes.

When the obligations related to lease contracts are measured this way, adjustments are recorded in the right to use the asset or in the statement of income in the case where the carrying amount of the right to use the asset has been fully amortized.

The bank offers the right to use the assets under property and equipment, and the liabilities related to lease contracts are displayed among other liabilities (borrowed funds) in the consolidated statement of financial position.

Short-term leases and leases for low-value assets:

The Bank chose not to recognize the right of use assets and lease obligations for short-term leases for items with a 12-month lease term or less and the low-value leases. The Bank recognizes the lease payments associated with these contracts as operating expenses on a straight-line basis over the lease term.

**The Bank as a lessor**

When the bank is lessor, at the start of the lease, it determines whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank performs a comprehensive evaluation to demonstrate whether the lease largely transfers all risks and benefits associated with ownership of this asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Bank takes into account certain indicators such as whether the lease is the greater part of the economic life of the asset.

The Bank applies the requirements of de-recognition and impairment in IFRS 9 for net investment in the lease. The Bank performs a periodic review of the expected non-guaranteed residual value that was used to calculate the total investment amount in the lease.

**(2-40) Cash and Cash equivalents**

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

**(2-41) Dividends on ordinary shares**

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

## (3) Changes in accounting policies and disclosures

**(a) New standards issued and applicable for the annual periods starting on or after 1 January 2021 which has been followed by the group:**

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2021:

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2**
The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. Due to the prevalent nature of IBOR-based contracts, adjustments can affect companies across all sectors. The amendments are effective as of January 1, 2021.
The Group has no substantial exposure to instruments which are referenced to IBOR. As at 31 December 2021 the Group has a derivative instrument which is referenced to IBOR amounting 82,883,298 and yet to transition to alternative reference rate., the carrying value of this derivative liability amounted to JD 1.4 Million and is recognised under other liability.

**Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions**
As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The above amendment and interpretation did not have significant impact on the consolidated financial statements.

**(b) New standards issued and not yet applicable or early adopted by the Group for the periods starting on or after 1 January 2021:**

As at 30 June 2021, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2021.

| Standard | Description | Effective Date |
|---|---|---|
| **IFRS 17 Insurance Contracts** | This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. | January 1, 2023 |
| **Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16** | The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. | January 1, 2022 |
| **Reference to the Conceptual Framework – Amendments to IFRS 3** | Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. | January 1, 2022 |
| **Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37** | The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. | January 1, 2022 |
| **Annual Improvements to IFRS Standards 2018–2020** | The following improvements were finalised in May 2020:<br>IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.<br>IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.<br>IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.<br>IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. | January 1, 2022 |

| | | |
|---|---|---|
| **Classification of Liabilities as Current or Non-current – Amendments to IAS 1** | The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non- current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.<br>The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.<br>They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. | 1 January 2023 (deferred from 1 January 2022) |
| **Disclosure of Accounting Policies– Amendments to IAS 1 and IFRS Practice Statement 2** | The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. | January 1, 2023 |
| **Definition of Accounting Estimates– Amendments to IAS 8** | The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. | January 1, 2023 |
| **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12** | The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. | January 1, 2023 |
| **Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28** | The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non- monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). | N\A |

## (4) Critical accounting judgements and estimates

In the application of the Group's accounting policies, which are described in Note 3 management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where management has used estimates, assumptions, or exercised judgements are as follows:

**Effect of COVID-19 on the Financial Statements**

The emergence and spread of the new Corona virus (Covid-19) was confirmed in early 2020, which affected commercial and economic activities. In response, governments and central banks launched economic support measures and relief actions (deferred payments) to reduce the impact on individuals and companies.

When determining the expected credit losses for the first quarter of 2020, the group took into consideration (according to the best available information) the uncertainties about the Covid-19 epidemic and the economic support measures and relief work from the Jordanian government and the Central Bank of Jordan, and the group also took into consideration the instructions issued by the Central Bank of Jordan (No. 10/3/4375 issued on March 15, 2020) and the guidelines issued by the International Accounting Standards Board on March 27, 2020 related to the classification of stages due to the existence of a substantial increase in credit risk (SICR).

**Identifying whether a significant increase in credit risk (SICR) has occurred for IFRS 9**

Financial assets at amortized cost are required to be moved from the current stage to the next one if and only if they have been the subject of a SICR since origination. In accordance with IFRS 9 SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument.

The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.
The Group has initiated a programmed of payment holidays for its customers operating in highly impacted sectors by deferring interest/principal due for a period of one month to three months. These payment holidays are considered as short-term liquidity to address borrowers' cash flow issues. The holidays offered to customers may indicate a SICR. However, the Group believes that the extension of these payment holidays do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constraints and a change in its lifetime credit risk. This approach is consistent with the expectations of the Central Bank of Jordan as referred to in its issued circular (no. 10/3/4375 issued on 15 March 2021 which has not considered the arrangements over the impacted sectors during this period as rescheduling or restructuring of credit facilities for the period for the purpose of assessing the SICR) and accordingly was not considered as modification of the terms of contract.

**Probability and likelihood**

Despite the continuous assessment of the impact of the Covid-19 epidemic, the changes made to the expected credit losses based on macroeconomic indicators reflect an acceptable degree of expectations and the outlook for this impact.

When preparing statements of expected credit losses as on December 31, 2021, the governmental measures supporting the mitigation of the impact of Covid-19 in some sectors were taken into consideration in addition to applying judgment and estimation in the progress classification of specific sectors and customers who have a good knowledge of their financial position and the extent of their vulnerability to The outbreak of the Covid-19 epidemic, which led to the classification of some of these customers within a more stringent stage, and the reason for this classification for these customers is due to the cessation of production, the decline in supply and demand, and the losses resulting from the disruption of the business of these companies as a result of the comprehensive ban and the suspension of foreign trade and export operations due to the closure of the border ports For the kingdom.

When studying the impact of the Coronavirus, on some affected sectors, the group took into account many negative factors, including:
1. The impact on tourism revenues
2. The impact on remittances of expatriates
3. Impact on external grants
4. The overall impact on the current account

On the other hand, a number of positive factors were taken into consideration, including:
1. Initiatives of the Central Bank of Jordan and the Jordan Loan Guarantee Corporation
2. Central Bank instructions regarding postponement of loan installments and interest
3. Governmental initiatives and the Social Security Corporation
4. Reducing interest rates
5. Enhancing the Central Bank of Jordan's liquidity (including reducing the cash reserves ratio)

As a result of studying the impact of the Covid-19 epidemic, the group made the following adjustments, which led to an increase in the expected credit losses for the period:
1. The probability ratio of the (Base Case) level scenario for the economic indicators was (60%), while the (Downside) and (Upside) level reached (40%) and (0%), respectively.
2. Modifying the assessment of the risks of the economic sectors affected by the Covid-19 epidemic, as the assessment of their risks increased in most of them to approach (High Risk)
3. Adjusting the probability of default (PD%) associated with assessing the risks of each economic sector, in line with expectations of a high default rate and the realization of the scenarios of economic factors
4. Adjustment of Loss upon Default (LGD%) ratios, as the rates of deductions and the expected recovery period for real estate guarantees, car and machinery mortgages, and pledged shares increased.

As of September 30, 2021, the group studied the macroeconomic impact of Covid-19 according to the information available at the time. As amendments were made to the classification of the stages of borrowers of specific sectors (companies and individuals) that were more exposed to the Covid-19 epidemic, such as the tourism sector, the restaurant sector, the transport sector, the car trade, car parts and some industrial sectors, which led to an increase in the expected credit losses for the period.

The Group will continue to reassess its position and the associated impact on a regular basis, and as with any economic forecast, expectations and possibilities are subject to a high degree of uncertainty and thus actual results may differ significantly from those expected. Management expects greater clarity on the impact of Covid-19 on the outcome of the group's business and the size of expected credit losses and the impact on liquidity during 2021.

It was likely to be difficult to determine the specific effects of covid-19, and the assessment of the significant increase in credit risk (SICR), however the Bank has considered the potential impact based on the best available information of the uncertainties caused by this pandemic and taking into account the economic support and relief measures of Central Bank of Jordan.

Where, the Bank has recognized that the impact was mainly in the business operations (disruptions in the supply chain and in the cash flow) of customers who mainly rely on export and/or import with no diversification in revenue streams, suppliers, customers, and trading area, and have limited experience or weak management and performance in adverse conditions; changes in its operating environment, tightened liquidity, and managing the inventory, as well as have high risk grades and financials weakness. Furthermore, some economic sectors have been directly impacted, mainly for example; Transportations, Tourism & Hotels & restaurants, entertainment, trading.

Accordingly, the retail segment has been affected by losing all or part of their periodic income which the bank considers their source of payment.

The Bank has initiated a program of payment holidays for its customers whose cash flows are affected and operating in highly impacted sectors by deferring interest/principal due for a period of one month to three months. These payment holidays are considered as short-term liquidity to address borrowers' cash flow issues. The holidays offered to customers may indicate a SICR. However, the Bank believes that the extension of these payment holidays does not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments.

By analyzing the impact of this pandemic on Jordan economic and based on reasonableness of Forward-Looking Information, the Bank has revised and updated its methodology of ECL calculation;

**Updating the probability weights of the 3 macroeconomic scenarios as following:**

Jordan Market:

| | Scenario 1 Upside (Probability 0%): | | | |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| **Economic Growth GDP** | 2.00% | -2.50% | 2.50% | 3.00% |
| **Stock Market General Index** | | -14% | 17% | 7% |
| **Key Policy Rate** | -150 bps | 0 bps | 0 bps | 25 bps |
| **Inflation** | 0.80% | 1.50% | 3.00% | 3.50% |

| | Scenario 2 Base Case (Probability 60%): | | | |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| **Economic Growth GDP** | 2.00% | -3.50% | 2.00% | 2.20% |
| **Stock Market General Index** | | -28% | 10% | 9% |
| **Key Policy Rate** | -150 bps | 0 bps | 0 bps | 0 bps |
| **Inflation** | 0.80% | 1.00% | 2.00% | 2.30% |

| | Scenario 3 Downside (Probability 40%): | | | |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| **Economic Growth GDP** | 2.00% | -4.50% | -1.00% | 2.00% |
| **Stock Market General Index** | | -43% | 0% | 13% |
| **Key Policy Rate** | -150 bps | 0 bps | 0 bps | 0 bps |
| **Inflation** | 0.80% | -1.00% | 0.00% | 2.00% |

**Upside Scenario:**

- Assuming the economy will decelerate at a slower pace and will recover at a stronger pace
- This would only happen should the world economy rebound and demand recovers, leading to higher inflation
- Given higher inflation and the negative impact of higher oil price on foreign reserves, it is unlikely that the CBJ decrease rates, but increasing rates is also highly unlikely in years 2020 and 2021, so we assumed 25 bps increase in 2022

**Base Case Scenario:**

- Economic Growth: Based on World Bank's estimates
- Stock Market General Index: Assuming ROE*100 to PBV @ 8
- Key Policy Rate: It's unlikely that the Fed increases interest rates over the next 3 years. Under our base case scenario, we assume the CBJ will not widen the spread
- Inflation: Based on World Bank's estimates

**Downside Scenario:**

- Higher than initially anticipated impact of the virus on the economy or the reemergence of the virus
- Inflation in that case will be more muted
- Interest rates unlikely to change

<u>Iraq Market:</u>

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Real GDP Growth** | 3.30% | -5.80% | 0.70% | 3.00% | 3.60% |
| **Inflation** | -0.20% | 0% | 2% | 3% | 3% |
| **Oil Price** | 64 | 38.1 | 44 | 58.5 | 65 |

SOURCE: ECONOMIST INTELLIGENCE UN

**<u>Updating the probability of Default (PD%):</u>**

To estimate the PD after the impact of COVID-19, we have used the PD estimated from first implementation of IFRS 9 and updated it according to the macroeconomic scenarios above by using the change in NPLs determined through a regression to forecast future NPL%. Based on the macroeconomic scenarios the forecasted NPL for the year 2020, 2021 and 2022 is 11.49%, 11.09% and 10.16% respectively. The average change is 23.52% which has been reflected in the base PD.

To obtain point in time PD as required by IFRS 9, the Bank has used historical default data of capital bank for each grade.

The PD is divided into two dimensions, Customer grade and Industry Risk.

The risk assessment of the most impacted industries has been changed as a result of Covid-19 impact on the economy, for example the risk assessment of the (Tourism sector) and (Transportation sector) has been changed from (Medium Risk) to (High Risk) and (Medium to High Risk) respectively

**Jordan (Corp & SMEs)**

| PD after COVID-19 (Jordan) | | | | | |
|---|---|---|---|---|---|
| **Risk /Rating** | **Low Risk** | **Low to Medium Risk** | **Medium Risk** | **Medium to High Risk** | **High Risk** |
| 1 | 0.06% | 0.08% | 0.11% | 0.23% | 0.36% |
| 2+ | 0.07% | 0.10% | 0.14% | 0.29% | 0.46% |
| 2 | 0.09% | 0.13% | 0.18% | 0.37% | 0.58% |
| 2- | 0.11% | 0.16% | 0.22% | 0.47% | 0.73% |
| 3+ | 0.15% | 0.20% | 0.28% | 0.60% | 0.93% |
| 3 | 0.19% | 0.25% | 0.36% | 0.76% | 1.17% |
| 3- | 0.24% | 0.32% | 0.45% | 0.96% | 1.48% |
| 4+ | 0.30% | 0.41% | 0.58% | 1.22% | 1.87% |
| 4 | 0.38% | 0.51% | 0.73% | 1.53% | 2.35% |

| | | | | | |
|---|---|---|---|---|---|
| 4- | 0.48% | 0.65% | 0.91% | 1.93% | 2.97% |
| 5+ | 0.61% | 0.82% | 1.16% | 2.44% | 3.73% |
| 5 | 0.77% | 1.04% | 1.47% | 3.08% | 4.69% |
| 5- | 0.97% | 1.32% | 1.85% | 3.87% | 5.87% |
| 6+ | 1.23% | 1.67% | 2.34% | 4.86% | 7.33% |
| 6 | 1.55% | 2.10% | 2.94% | 6.09% | 9.13% |
| 6- | 1.95% | 2.65% | 3.70% | 7.61% | 11.32% |
| 7 | 2.46% | 3.34% | 6.99% | 9.48% | 13.97% |
| 8 | 3.10% | 4.19% | 8.75% | 11.75% | 17.14% |
| 9 | 3.91% | 5.26% | 10.94% | 14.50% | 20.87% |
| 10 | 7.48% | 11.21% | 14.31% | 27.16% | 41.23% |

| PD after COVID-19 (Iraq) | | | | |
|---|---|---|---|---|
| Low Risk | Low to Medium Risk | Medium Risk | Medium to High Risk | High Risk |
| 0.41% | 0.43% | 0.46% | 0.58% | 0.71% |
| 0.60% | 0.63% | 0.67% | 0.82% | 0.99% |
| 0.62% | 0.66% | 0.71% | 0.90% | 1.11% |
| 0.64% | 0.69% | 0.75% | 1.00% | 1.26% |
| 1.03% | 1.08% | 1.16% | 1.48% | 1.81% |
| 1.07% | 1.13% | 1.24% | 1.64% | 2.05% |
| 1.12% | 1.20% | 1.33% | 1.84% | 2.36% |
| 2.06% | 2.17% | 2.34% | 2.98% | 3.63% |
| 2.14% | 2.27% | 2.49% | 3.29% | 4.11% |
| 2.24% | 2.41% | 2.67% | 3.69% | 4.73% |
| 3.24% | 3.45% | 3.79% | 5.07% | 6.36% |
| 3.40% | 3.67% | 4.10% | 5.71% | 7.32% |
| 3.60% | 3.95% | 4.48% | 6.50% | 8.50% |
| 4.74% | 5.18% | 5.85% | 8.37% | 10.84% |
| 5.06% | 5.61% | 6.45% | 9.60% | 12.64% |
| 5.46% | 6.16% | 7.21% | 11.12% | 14.83% |
| 6.85% | 7.73% | 11.38% | 13.87% | 18.36% |
| 7.49% | 8.58% | 13.14% | 16.14% | 21.53% |
| 9.18% | 10.53% | 16.21% | 19.77% | 26.14% |
| 13.62% | 17.35% | 20.45% | 33.30% | 47.37% |

**Retail**

| Rating | Actual PD | After COVID-19 PD |
|---|---|---|
| A | 0.04% | 0.04% |
| B | 0.14% | 0.14% |
| C | 0.61% | 0.61% |
| D | 2.70% | 3.34% |
| E | 11.15% | 13.77% |
| F | 100% | 100% |

**Upgrading LGD%**

Based on the updated macroeconomic scenarios above, two components of the LGD has been updated; collateral haircut and time to recover, below are the collaterals which have been changed:

Haircut

| Collateral | Actual LGD | New |
|---|---|---|
| Real Estate | 23% | 30% |
| Cars | 50% | 52% |
| Machine | 53% | 61% |
| Stocks | 16% | 25% |

Time to recover

| Collateral Type | Actual | New |
|---|---|---|
| Real Estate | 5 | 7 |
| Cars | 1 | 2 |
| Machine | 2 | 3 |

Accordingly, the ECL has been increased by (11.49%) to cover the impact of Covid-19

The Bank continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

The bank policy is to maintain a minimum liquidity higher than regulatory limit and to reach that limit we have been engaged with many of Financial institution to diversity the source of funds to maintain an acceptable level of variation.

The Bank performed a stress testing scenario given to the rapid changes and guidance issued by CBJ. The impact has been reflected of the bank's financial position, where the Bank has strong financial and liquidity position and its obligations will be met normally.

The below credit risk scenarios (Multi Factors) have been performed and the financial impact and capital impact have been measured:

| Scenarios | Stress Level | | |
|---|---|---|---|
| | Mid | Medium | Severe |
| Most Impacted Sectors due to Corona- increase in NPLs | 10% | 15% | 30% |
| Retail portfolio- increase in NPLs | 2% | 5% | 10% |
| Equity investments portfolio- decrease prices | 10% | 20% | 40% |
| Outside Subsidiary Profit- decrease in profit | 10% | 20% | 40% |
| CAR% Impact | -0.20% | -1% | -0.90% |
| New Provisions (Million) | 3.7 | 6.3 | 12.5 |

The below Liquidity risk scenarios have been performed and the impact on LLR and LCR have been measured where these % maintained above 100%:

| Scenarios | Stress Level | | |
|---|---|---|---|
| | Mid | Medium | Severe |
| Decrease in High Liquid assets | 5% | 10% | 20% |
| Withdraw top deposits | 1 | 3 | 5 |

**Impairment in seized assets**

Impairment of seized assets is calculated based on recent real estate valuations and approved by accredited valuers for the purpose of calculating the impairment of assets seized. The Impairment is reviewed periodically.

**Tangible and Intangible assets useful lives**

Useful life for property and equipment is reviewed each year. If expected useful life is different from the previous one, the difference is adjusted prospectively as a change in accounting estimate.

**Income Tax**

The group is subject to income tax and therefore this requires judgment in determining the income tax provision. The Group recognizes income tax liabilities based on its expectations of whether the tax audit will result in any additional tax. If the final tax estimate is different from what was recorded, then the differences will affect the current income tax in the period in which these differences are found.

**Legal provision**

Legal provisions are taken for lawsuits raised against the Bank based on the Bank legal advisor's opinion.

**Assets and liabilities that are stated at cost**

Management reviews, on a regular basis, the assets and liabilities that are stated at cost to estimate impairments, if any. Impairment losses are recognized in the consolidated statement of income for the year.

**Provision for expected credit loss**

The Bank's management is required to use significant judgments and estimates to estimate future cash flows amounts and timings, and estimate the risks of a significant increase in credit risk for financial assets after initial recognition and future measurement information for expected credit losses. The most significant policies and estimates used by the Bank's management are detailed in Note (47).

**Business model assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence, including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**Significant increase in credit risk**

ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information. Estimates used by the Bank's management, which are related to the significant change in credit risk that lead to a change in classification within the three stages (1, 2, and 3) are detailed in Note (47).

**Establishing groups of assets with similar credit risk characteristics**

When the expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics (such as the type of instrument, the degree of credit risk, the type of collateral, the initial recognition date, the remaining period of maturity date, the industry, the borrower's geographic location, etc.). The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

**Re-segmentation of portfolios and movement between portfolios**

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECL, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECL but the amount of ECL changes because the credit risk of the portfolios differ.

**Models and assumptions used**

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL, as outlined in Note (47). Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**a) Classification and measurement of financial assets and liabilities**

- The Bank classifies financial instruments or components of financial assets upon initial recognition, either as a financial asset, financial liability, or an equity instrument in accordance with the substance of the contractual agreements and the definition of the instrument. Reclassification of a financial instrument in the consolidated financial statements is subject to its substance rather than its legal form.

- The Bank determines the classification upon initial recognition as well as a reassessment of that determination, if possible and appropriate, at the date of each consolidated statement of financial position.

- When measuring financial assets and liabilities, some of the Bank's assets and liabilities are remeasured at fair value for the purposes of preparing financial reports. When estimating the fair value of any of the assets or liabilities, the Bank uses the observable available market data. In the absence of Level 1 inputs, the Bank performs the assessments using professionally qualified independent evaluators. The Bank works in close cooperation with qualified external evaluators to develop appropriate valuation techniques and data on the fair value estimation model.

**b) Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

**c) Derivative Financial Instruments**

- The fair value of derivatives measured at fair value is generally obtained by referring to the listed market prices, discounted cash flow models and recognized pricing models, if appropriate. In the absence of market price, fair value is determined using valuation techniques that reflect observable market data. These techniques include comparing similar instruments when there are observable market prices, discounted cash flow analysis, pricing option models and other valuation techniques commonly used by market participants. The main factors that management considers when applying the model are:

• The expected timing and probability of future cash flows of the instrument, as these cash flows are generally subject to the terms of the instrument, although management judgment may be required in cases where the ability of the counterparty to pay the instrument according to the contractual terms is in doubt; and
• An appropriate discount percentage for the instrument. The management determines this percentage based on its assessment of the margin of the ratio for the instrument, which is higher than the risk-free ratio. When evaluating the instrument with reference to comparative tools, management considers the entitlement, structure and degree of classification of the instrument based on the system with which the existing position is compared. When evaluating tools based on the model using the fair value of the main components, management also considers the need to make adjustments to calculate a number of factors such as bid differences, credit status, portfolio services costs and uncertainty about the model.

**Lease extension and termination options**

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

**Determination of lease term**

- In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The extension options (or periods after the termination options) are included only in the term of the lease 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 that affect this evaluation and that are under the control of the lessee.

**Key sources of estimation uncertainty**

The following are key estimations that the management has used in the process of applying the of the Bank's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

**Establishing the number and relative weightings of forward-looking scenarios for each type of types product/ Market and determining the forward looking information relevant to each scenario:**

When measuring ECL, the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

**- Probability of default (PD)**

PD is a key entry point in the measurement of expected credit loss. PD is an estimate of the probability of default, over a certain period of time, which includes the computation of historical data, assumptions and projections related to future conditions.

**- Loss given default (LGD)**

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

**- Measurement and assessment procedures of fair value**

When estimating the fair value of assets or liabilities, the Bank uses the observable available market data. In the absence of Level 1 inputs, the Bank performs the assessments using appropriate valuation models to determine the fair value of financial instruments.

**- Discounting lease payments**

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

**(5) Cash and Balances with Central Banks**

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Cash on hand | 108,130,727 | 67,920,621 |
| **Balances at Central Banks:** | | |
| Current and demand deposits | 55,809,231 | 37,245,515 |
| Time and notice deposit | 100,500,000 | 87,000,000 |
| Statutory cash reserve | 161,400,174 | 103,687,381 |
| **Total** | **425,840,132** | **295,853,517** |

- The monetary reserve at the Central Bank of Jordan amounted to JD 111,264,017 as at December 31 2021 compared to JD 72,494,663 as at December 31 2020.

- There are no due balances during the period exceeding three months as at 31 December 2021 and 31 December 2020.

- The value of reserves with restricted withdrawals at the Central Bank of Iraq amounted to JD 50,136,157 as at December 31 2021 compared to the amount of JD 31,192,718 as at December 31 2020, and was excluded from cash and cash equivalents for the purpose of the consolidated cash flow statement.

- There were no expected credit losses at cash and balances at Central Banks as of 31 December 2021 and 31 December 2020, as per the Central Bank's request reflecting IFRS 9.

**Distribution of cash balances with Central banks by categories of the Bank's internal credit rating**

**-The below presentation is as required by the Central bank of Jordan instructions for implementing IFRS 9, Circular no. 13/2018**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 318,309,728 | - | - | 318,309,728 |
| Acceptable risk / performing | 107,530,404 | - | - | 107,530,404 |
| **Total** | **425,840,132** | **-** | **-** | **425,840,132** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 218,585,459 | - | - | 218,585,459 |
| Acceptable risk / performing | 77,268,058 | - | - | 77,268,058 |
| **Total** | **295,853,517** | **-** | **-** | **295,853,517** |

**Movements of balances with central banks:**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 295,853,517 | - | - | 295,853,517 |
| Add: new balances during the year | 216,986,615 | - | - | 216,986,615 |
| Settled balances | (87,000,000) | - | - | (87,000,000) |
| **Gross balance** | **425,840,132** | **-** | **-** | **425,840,132** |

| As of 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2019 | 205,186,455 | - | - | 205,186,455 |
| Add: new balances during the year | 155,180,413 | - | - | 155,180,413 |
| Settled balances | (50,759,947) | - | - | (50,759,947) |
| Adjustments due to change in exchange rates | (13,753,404) | - | - | (13,753,404) |
| **Gross balance** | **295,853,517** | **-** | **-** | **295,853,517** |

**Movements of provision for expected credit losses**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | - | - | - | - |
| Add: new balances during the year | - | - | - | - |
| Settled balances | - | - | - | - |
| **Net balance** | **-** | **-** | **-** | **-** |

| As of 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | - | - | - | - |
| Add: new balances during the year | - | - | - | - |
| Settled balances | - | - | - | - |
| **Net balance** | **-** | **-** | **-** | **-** |

## (6) Balances at banks and financial institutions

| | Local banks and financial institutions | | Foreign Banks and Financial Institutions | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | JD | JD | JD | JD | JD | JD |
| Current and demand deposits | 7,809,246 | 19,767,098 | 218,108,303 | 79,222,153 | 225,917,549 | 98,989,251 |
| Deposits maturing within or less than 3 months | 64,247,450 | 38,689,420 | 22,450,752 | 4,927,550 | 86,698,202 | 43,616,970 |
| Less: Expected credit loss | - | - | (69,020) | (68,956) | (69,020) | (68,956) |
| | **72,056,696** | **58,456,518** | **240,490,035** | **84,080,747** | **312,546,731** | **142,537,265** |

- Non-interest bearing balances at banks and financial institutions amounted to JD 225,708,928 as at 31 December 2021 against JD 98,989,251 as at 31 December 2020.

- Restricted balances amounted to JD 6,319,823 as at 31 December 2021 against JD 1,179,012 as at 31 December 2020. Which will be exluded from the cash and cash equivelent on the consolidated cash flow statement.

1 -balances with banks and financial institutions

**The movement of -balances with banks and financial institutions during the Year According to IFRS 9**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 142,516,324 | 20,806 | 69,091 | - | 142,606,221 |
| Add: new balances during the year | 187,320,800 | - | - | - | 187,320,800 |
| Settled balances | (17,307,977) | (3,222) | (71) | - | (17,311,270) |
| **Net balance** | **312,529,147** | **17,584** | **69,020** | **-** | **312,615,751** |

**The movement of the provision for impairment losses according Stages during the year According to IFRS 9**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | - | - | - | - |
| Add: new balances during the year | - | - | - | - |
| Settled balances | - | - | - | - |
| **Net balance** | **-** | **-** | **-** | **-** |

**Distribution of balances at banks and financial institutions by categories of the Bank's internal credit rating:**

**-The below presentation is as required by the Central bank of Jordan instructions for implementing IFRS 9, Circular no. 13/2018**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 220,158,945 | - | - | 220,158,945 |
| Acceptable risk / performing | 92,370,202 | 17,584 | 69,020 | 92,456,806 |
| **Total** | **312,529,147** | **17,584** | **69,020** | **312,615,751** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 70,607,588 | - | - | 70,607,588 |
| Acceptable risk / performing | 71,908,736 | 20,806 | 69,091 | 71,998,633 |
| **Total** | **142,516,324** | **20,806** | **69,091** | **142,606,221** |

**Movements of balances with banks and financial institutions**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 142,516,324 | 20,806 | 69,091 | 142,606,221 |
| Add: new balances during the year | 187,320,800 | - | - | 187,320,800 |
| Settled balances | (17,307,977) | (3,222) | (71) | (17,311,270) |
| **Net balance** | **312,529,147** | **17,584** | **69,020** | **312,615,751** |

| As of 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 98,086,703 | 181,632 | - | 98,268,335 |
| Add: new balances during the year | 82,437,259 | - | - | 82,437,259 |
| Settled balances | (33,397,384) | (160,826) | - | (33,558,210) |
| Transfer from the third stage during the year | (56,458) | - | 56,458 | - |
| Adjustments due to change in exchange rates | (4,553,796) | - | 12,633 | (4,541,163) |
| **Net balance** | **142,516,324** | **20,806** | **69,091** | **142,606,221** |

**Movements of provision for expected credit losses during the period**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | - | - | 68,956 | 68,956 |
| Add: new balances during the year | - | - | 64 | 64 |
| Settled balances | (13) | - | - | (13) |
| Additions due to acquisition | 13 | - | - | 13 |
| **Net balance** | **-** | **-** | **69,020** | **69,020** |

| As of 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | - | - | - | - |
| Impairment loss on new balances and deposits | - | - | 67,702 | 67,702 |
| Adjustments due to change in exchange rates | - | - | 1,254 | 1,254 |
| **Net balance** | **-** | **-** | **68,956** | **68,956** |

## (7) Financial Assets at Fair Value through Other Comprehensive Income

The details of this disclosure as as follows:

| | 2021 | 2020 |
|---|---|---|
| **Publicly listed assets** | **JD** | **JD** |
| Treasury bonds | 118,364,706 | 24,709,428 |
| Governmental debt securities and its guarantee's | 6,612,408 | 6,753,528 |
| Other government bonds | 34,725,690 | 33,735,685 |
| Quoted shares* | 8,408,284 | 7,658,901 |
| **Total** | **168,111,088** | **72,857,542** |
| **Unlisted assets** | | |
| Treasury bonds | 4,051,655 | 4,123,384 |
| Governmental debt securities and its guarantee's | 7,065,800 | - |
| Unquoted shares* | 16,128,683 | 12,621,139 |
| Investment Funds * | 163,070 | - |
| **Total** | **27,409,208** | **16,744,523** |
| Less: Expected credit loss | (19,458) | (24,931) |
| **Total Financial Assets at Fair Value through Other Comprehensive Income** | **195,500,838** | **89,577,134** |
| **Analysis of bonds and bills:** | | |
| Fixed Rate | 170,963,871 | 69,297,094 |
| **Total** | **170,963,871** | **69,297,094** |

* investments in shares were classified as investment held at fair value through other comprehensive income for long strategic purposes.

- The cash dividends have amounted to JD 337,276 and reflect the shares that the bank owns in other companies during the year ended 31 December 2021 against JD 233,577 during the year ended 31 December 2020.

- Realized gains resulted from sales of financial assets at fair value through other comprehensive Income / debt amounted to JD 21,019 during the year ended December 2021 against realized gains worth JD 1,070,702 during the year ended 31 December 2020, and that has been transferred to the retained earnings through the income statement.

- Realized losses resulted from sales of financial assets at fair value through other comprehensive Income / equity amounted to JD 517,889 during the year ended December 2021 against realized losses worth JD 279,515 during the year ended 31 December 2020, and that has been transferred to the retained earnings through the consolidated equity statement.

- Expected credit losses on bonds and treasury bills guaranteed by the Jordanian government are not calculated as per the requirement of the Central Bank of Jordan in accordance with IFRS 9.

- Expected credit losses on bonds and treasury bills guaranteed by the Jordanian government are not calculated as per the requirement of the Central Bank of Jordan in accordance with IFRS 9.

**Financial Assets at Fair Value through other comprehensive income**

**Distribution of gross financial Assets at Fair Value through Other Comprehensive Income - debt instrument by categories of the Bank's internal credit rating**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 147,197,518 | - | - | 147,197,518 |
| Acceptable risk / performing | 23,622,741 | - | - | 23,622,741 |
| **Total** | **170,820,259** | **-** | **-** | **170,820,259** |

| As of 31 December 2020 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 28,832,812 | - | - | 28,832,812 |
| Acceptable risk / performing | 40,489,213 | - | - | 40,489,213 |
| **Total** | **69,322,025** | **-** | **-** | **69,322,025** |

**Movements of gross financial assets at fair value through other comprehensive income:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 69,322,025 | - | - | 69,322,025 |
| Add: new balances during the year | 119,557,953 | - | - | 119,557,953 |
| Settled balances | (25,328,519) | - | - | (25,328,519) |
| Additions due to acquisition | 7,268,800 | - | - | 7,268,800 |
| **Net balance** | **170,820,259** | **-** | **-** | **170,820,259** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 45,087,299 | - | - | 45,087,299 |
| Add: new balances during the year | 38,045,962 | - | - | 38,045,962 |
| Settled balances | (3,186,674) | - | - | (3,186,674) |
| What has been converted into pledged financial assets | (7,268,800) | - | - | (7,268,800) |
| Adjustments due to change in exchange rates | (3,355,762) | - | - | (3,355,762) |
| **Net balance** | **69,322,025** | **-** | **-** | **69,322,025** |

**Movements of provision on financial assets at fair value through other comprehensive income:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2021 | 24,931 | - | - | 24,931 |
| Add: new balances during the year | 19,458 | - | - | 19,458 |
| Settled balances | (24,931) | - | - | (24,931) |
| **Net balance** | **19,458** | **-** | **-** | **19,458** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance at 1 January 2020 | 27,634 | - | - | 27,634 |
| Impairment loss on new investments during the year | 6,581 | - | - | 6,581 |
| Settled balances | (9,284) | - | - | (9,284) |
| **Net balance** | **24,931** | **-** | **-** | **24,931** |

## (8) Loans valued at fair value through the income statement

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Loans | 112,529,504 | 108,831,500 |
| Setteled Balances | (26,587,500) | - |
| Change in Fair Value during the year | (3,058,706) | 3,698,004 |
| **Total** | **82,883,298** | **112,529,504** |

- The Group granted a loan of $ 150,000,000, equivalent to JDs 106,350,000, with a fixed interest of 5.7% over a five-year repayment period and a one-year grace period. The loan's balance amounted $ 116,901,690 equivalent to JD 82,883,298 on 31 december 2021 against $ 158,715,803 equivalent to JD 112,529,504 on 31 December 2020. The Group has decided to hedge the risk of changes in interest rates in the markets by entering into forward interest contracts with a correspondent bank on similar contractual terms. As a result of this hedging, the bank rated the loan at fair value through the income statement in line with the classification and measurement of the corresponding hedging instrument.

-The amount mentioned above represents the maximum exposure to credit risk.

## (9) Direct Credit Facilities - Amortized cost

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| **Retail customers** | | |
| Overdrafts | 12,700,164 | 16,277,618 |
| Loans and bills * | 527,671,246 | 167,684,666 |
| Credit cards | 14,320,677 | 7,765,329 |
| **Real estate Mortgages** | 209,579,908 | 164,756,741 |
| **Corporate Lending** | | |
| Overdrafts | 115,830,740 | 107,337,408 |
| Loans and bills * | 949,933,362 | 681,153,026 |
| **Small and medium enterprises "SMEs" facilities** | | |
| Overdrafts | 21,847,513 | 15,829,866 |
| Loans and bills * | 216,149,725 | 172,538,499 |
| **Government and public sector lending** | 119,021,813 | 60,023,731 |
| **Total** | **2,187,055,148** | **1,393,366,884** |
| Less: Suspended interest | 35,353,857 | 23,437,800 |
| Less: provisions to impairment in direct credit facilities and ECL | 120,553,953 | 66,970,133 |
| **Net direct credit facilities** | **2,031,147,338** | **1,302,958,951** |

* Net of interest and commissions received in advance amounted to JD 1,436,856 as at 31 December 2021 against JD 1,747,998 as at 31 December 2020.

- Non-performing credit facilities amounted to JD 146,875,815 as at 31 December 2021 against JD 91,662,806 as at 31 December 2020 which represents 6.72% of total direct credit facilities as at 31 December 2021 against 6.6 % as at 31 December 2020.
- Non-performing credit facilities, net of suspended interest, amounted to JD 114,004,616 as at 31 December 2021 against JD 69,409,296 as at December 2020 which represents 5.30 % as at 31 December 2021 against 5.07 % as at December 2020 of total direct credit facilities after excluding the suspended interest.
- Credit facilities granted to and guaranteed by the government as at 31 December 2021 amounted by 48,718,754 against JD Zero as at 31 December 2020 .
- There were no provisions calculated on the expected losses from credit facilities granted to the Jordanian government or guaranteed by the Jordanian Government in accordance to IFRS 9.

**direct credit facilities - Corporate**

**The movement of direct credit facilities - Corporate - during the Year According to IFRS 9**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 646,363,625 | 87,603,355 | 54,523,454 | - | 788,490,434 |
| Add: new balances during the year / Additions | 309,350,693 | 43,710,702 | 6,004,802 | - | 359,066,197 |
| Settled balances | (193,181,353) | (41,056,052) | (10,145,025) | - | (244,382,430) |
| Transfer to the first stage during the year | 12,379,037 | (12,374,037) | (5,000) | - | - |
| Transfer to second stage during the year | (14,862,620) | 14,862,634 | (14) | - | - |
| Transferred to the third stage during the year | (241,267) | (11,858,889) | 12,100,156 | - | - |
| Additions due to acquisition | 125,679,300 | - | - | 10,970,960 | 136,650,260 |
| Written off balances | - | (291,514) | (1,619,944) | - | (1,911,458) |
| **Net balance** | **885,487,415** | **80,596,199** | **60,858,429** | **10,970,960** | **1,037,913,003** |

**The movement of the provision for impairment losses of direct credit facilities according Stages during the period According to IFRS 9**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 4,047,394 | 5,665,749 | 30,848,582 | 40,561,725 |
| Impairment loss of direct credit facilities during the period | 6,555,819 | 2,643,865 | 22,701,809 | 31,901,493 |
| Recoveries | (3,948,980) | (4,746,291) | (5,922,904) | (14,618,175) |
| Transfer from first stage | 191,449 | (191,449) | - | - |
| Transfer from second stage | (185,591) | 185,591 | - | - |
| Transfer from third stage | - | (1,080) | 1,080 | - |
| Written off balances | - | (291,514) | (1,023,570) | (1,315,084) |
| **Net balance** | **6,660,091** | **3,264,871** | **46,604,997** | **56,529,959** |

• **The below presentation is as required by the Central bank of Jordan instructions for implementing IFRS 9, Circular no. 13/2018**

**Direct credit facilities at amortized cost - Corporate**

**Distribution of direct credit facilities for Corporate segment by the Bank's internal credit rating segmentation**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 189,557,120 | 1,355,456 | - | 190,912,576 |
| Acceptable risk / performing | 659,689,466 | 118,653,133 | 13,814,013 | 792,156,612 |
| **Non- Performing** | | | | |
| Substandard | - | - | 989,199 | 989,199 |
| Doubtful | - | - | 3,770,736 | 3,770,736 |
| Loss | - | - | 77,934,979 | 77,934,979 |
| **Total** | **849,246,586** | **120,008,589** | **96,508,927** | **1,065,764,102** |

| As of 31 December 2020 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 137,164,306 | 5,769,775 | - | 142,934,081 |
| Acceptable risk / performing | 509,199,319 | 81,833,580 | 6,436,174 | 597,469,073 |
| **Non- Performing** | | | | |
| Substandard | - | - | 154,846 | 154,846 |
| Doubtful | - | - | 5,076,814 | 5,076,814 |
| Loss | - | - | 42,855,620 | 42,855,620 |
| **Total** | **646,363,625** | **87,603,355** | **54,523,454** | **788,490,434** |

**Movement of Direct credit facilities at amortized cost for Corporate segment according to Cenral Bank's Regulations:**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 646,363,625 | 87,603,355 | 54,523,454 | 788,490,434 |
| Add: new balances during the year / Additions | 309,350,693 | 43,710,702 | 6,004,802 | 359,066,197 |
| Settled balances | (193,181,353) | (41,056,052) | (10,145,025) | (244,382,430) |
| Transfer to the first stage during the year | 12,379,037 | (12,374,037) | (5,000) | - |
| Transfer to second stage during the year | (14,862,620) | 14,862,634 | (14) | - |
| Transferred to the third stage during the year | (241,267) | (11,858,889) | 12,100,156 | - |
| Changes due to Acquisition | 89,438,471 | 39,412,390 | 35,650,498 | 164,501,359 |
| Written off balances | - | (291,514) | (1,619,944) | (1,911,458) |
| **Net balance** | **849,246,586** | **120,008,589** | **96,508,927** | **1,065,764,102** |

| As of 31 December 2020 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 438,197,012 | 70,468,268 | 67,403,291 | 576,068,571 |
| Add: new balances during the year / Additions | 288,062,150 | 29,670,861 | 5,601,942 | 323,334,953 |
| Settled balances | (69,718,343) | (19,212,826) | (11,082,823) | (100,013,992) |
| Transfer to the first stage during the year | 3,794,490 | (258,023) | (3,536,467) | - |
| Transfer to second stage during the year | (8,761,279) | 9,710,649 | (949,370) | - |
| Transferred to the third stage during the year | (189,708) | (5,000) | 194,708 | - |
| Written off balances | - | - | (1,498,090) | (1,498,090) |
| Adjustments due to change in exchange rates | (5,020,697) | (2,770,574) | (1,609,737) | (9,401,008) |
| **Net balance** | **646,363,625** | **87,603,355** | **54,523,454** | **788,490,434** |

* The new additions to the third stage represent the outstanding interest recorded during the year.

**Movement of provision for impairment losses for direct credit facilities for Corporate segment according to Cenral Bank's Regulations:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 4,047,394 | 5,665,749 | 30,848,582 | 40,561,725 |
| Impairment loss of direct credit facilities during the period | 6,555,819 | 2,643,865 | 22,701,809 | 31,901,493 |
| Recoveries | (3,948,980) | (4,746,291) | (5,922,904) | (14,618,175) |
| Transfer from the first stage | 191,449 | (191,449) | - | - |
| Transfer from second stage | (185,591) | 185,591 | - | - |
| Transferred from the third stage | - | (1,080) | 1,080 | - |
| Additions due to acquisition | 1,674,516 | 1,497,045 | 17,610,629 | 20,782,190.0 |
| Written off balances | - | (291,514) | (1,023,570) | (1,315,084) |
| **Net balance** | **8,334,607** | **4,761,916** | **64,215,626** | **77,312,149** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 1,722,536 | 2,967,166 | 21,625,697 | 26,315,399 |
| Impairment loss of direct credit facilities during the period | 3,200,873 | 4,403,867 | 14,072,856 | 21,677,596 |
| Recoveries | (765,141) | (1,539,437) | (3,127,401) | (5,431,979) |
| Transfer from the first stage | 7,504 | (7,504) | - | - |
| Transfer from second stage | (64,024) | 64,024 | - | - |
| Transferred from the third stage | (3,115) | - | 3,115 | - |
| Adjustments due to change in exchange rates | (51,239) | (222,367) | (754,797) | (1,028,403) |
| **Net balance** | **4,047,394** | **5,665,749** | **30,848,582** | **40,561,725** |

**direct credit facilities - SMES**

**The movement of direct credit facilities - SMES - during the Year According to IFRS 9**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 114,462,987 | 51,455,396 | 22,449,982 | - | 188,368,365 |
| Add: new balances during the year / Additions | 71,217,547 | 5,711,239 | 13,379,996 | - | 90,308,782 |
| Settled balances | (28,863,730) | (20,743,780) | (4,329,164) | - | (53,936,674) |
| Transfer to the first stage during the year | 2,015,464 | (2,015,429) | (35) | - | - |
| Transfer to second stage during the year | (5,812,115) | 6,377,769 | (565,654) | - | - |
| Transferred to the third stage during the year | (802,573) | (6,111,716) | 6,914,289 | - | - |
| Additions due to acquisition | 11,809,032 | - | - | 1,947,628 | 13,756,660 |
| Written off balances | - | - | (3,935,343) | - | (3,935,343) |
| **Net balance** | **164,026,612** | **34,673,479** | **33,914,071** | **1,947,628** | **234,561,790** |

**The movement of the provision for impairment losses of direct credit facilities according Stages during the period According to IFRS 9**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 783,862 | 2,417,762 | 8,979,574 | 12,181,199 |
| Impairment loss of direct credit facilities during the period | 671,188 | 850,470 | 8,589,434 | 10,111,092 |
| Recoveries | (695,140) | (1,604,082) | (1,496,468) | (3,795,690) |
| Transfer from the first stage | 67,960 | (67,960) | - | - |
| Transfer from second stage | (60,232) | 88,328 | (28,096) | - |
| Written off balances | - | - | (2,099,000) | (2,099,000) |
| **Net balance** | **767,638** | **1,684,518** | **13,945,444** | **16,397,601** |

**Direct credit facilities at amortized cost - Small and Medium Enterprises**

**Distribution of direct credit facilities for Small and Medium segments by the Bank's internal credit rating segmentation**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 34,609,539 | 537,866 | - | 35,147,405 |
| Acceptable risk / performing | 125,078,360 | 38,730,853 | 10,671,000 | 174,480,213 |
| **Non- Performing** | | | | |
| Substandard | - | - | 1,697,619 | 1,697,619 |
| Doubtful | - | - | 5,654,199 | 5,654,199 |
| Loss | - | - | 21,017,802 | 21,017,802 |
| **Total** | **159,687,899** | **39,268,719** | **39,040,620** | **237,997,238** |

| As of 31 December 2020 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 22,811,362 | 374,670 | - | 23,186,032 |
| Acceptable risk / performing | 91,651,625 | 51,080,726 | 2,969,993 | 145,702,344 |
| **Non- Performing** | | | | |
| Substandard | - | - | 742,945 | 742,945 |
| Doubtful | - | - | 1,105,868 | 1,105,868 |
| Loss | - | - | 17,631,176 | 17,631,176 |
| **Total** | **114,462,987** | **51,455,396** | **22,449,982** | **188,368,365** |

**Movement of Direct credit facilities at amortized cost for Small and Medium segments according to Cenral Bank's Regulations:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 114,462,987 | 51,455,396 | 22,449,982 | 188,368,365 |
| Add: new balances during the year / Additions * | 71,217,547 | 5,711,239 | 13,379,996 | 90,308,782 |
| Settled balances | (28,863,730) | (20,743,780) | (4,329,164) | (53,936,674) |
| Transfer from (to) the first stage during the year | 2,015,464 | (2,015,429) | (35) | - |
| Transfer (from) to second stage during the year | (5,812,115) | 6,377,769 | (565,654) | - |
| Transferred (from) to the third stage during the year | (802,573) | (6,111,716) | 6,914,289 | - |
| Additions due to acquisition | 7,470,319 | 4,595,240 | 5,126,549 | 17,192,108 |
| Written off balances | - | - | (3,935,343) | (3,935,343) |
| **Net balance** | **159,687,899** | **39,268,719** | **39,040,620** | **237,997,238** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 79,625,248 | 44,709,859 | 21,417,322 | 145,752,429 |
| Add: new balances during the year / Additions * | 55,246,992 | 19,248,333 | 2,499,520 | 76,994,845 |
| Settled balances | (22,809,687) | (7,206,335) | (2,264,495) | (32,280,517) |
| Transfer from (to) the first stage during the year | 7,521,153 | (7,423,933) | (97,220) | - |
| Transfer (from) to second stage during the year | (3,393,736) | 4,438,591 | (1,044,855) | - |
| Transferred (from) to the third stage during the year | (102,098) | (2,272,381) | 2,374,479 | - |
| Written off balances | - | - | (428,392) | (428,392) |
| Adjustments due to change in exchange rates | (1,624,885) | (38,738) | (6,377) | (1,670,000) |
| **Net balance** | **114,462,987** | **51,455,396** | **22,449,982** | **188,368,365** |

* The new additions to the third stage represent the outstanding interest recorded during the year.

**Movement of provision for impairment losses for direct credit facilities for Small and Medium segments according to Cenral Bank's Regulations:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 783,862 | 2,417,762 | 8,979,574 | 12,181,199 |
| Impairement loss of direct credit facilities during the year | 671,188 | 850,470 | 8,589,434 | 10,111,092 |
| Recoveries | (695,140) | (1,604,082) | (1,496,468) | (3,795,690) |
| Transfer to (from) the first stage | 67,960 | (67,960) | - | - |
| Transfer to (from) second stage | (60,232) | 88,328 | (28,096) | - |
| Additions due to acquisition | 203,420 | 53,107 | 1,851,986 | 2,108,513 |
| Written off balances | - | - | (2,099,000) | (2,099,000) |
| **Net balance** | **971,058** | **1,737,625** | **15,797,430** | **18,506,114** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 233,885 | 577,593 | 8,898,974 | 9,710,453 |
| Impairement loss of direct credit facilities during the year | 789,562 | 2,073,690 | 2,814,115 | 5,677,367 |
| Recoveries | (132,889) | (272,452) | (2,516,640) | (2,921,981) |
| Transfer to (from) the first stage | 63,251 | (63,251) | - | - |
| Transfer to (from) second stage | (114,073) | 114,073 | - | - |
| Transferred from the third stage | - | (7,259) | 7,259 | - |
| Written off balances | - | - | (221,651) | (221,651) |
| Adjustments due to change in exchange rates | (55,874) | (4,632) | (2,483) | (62,989) |
| **Net balance** | **783,862** | **2,417,762** | **8,979,574** | **12,181,199** |

**direct credit facilities - Retail**

**The movement of direct credit facilities - Retail during the Year According to IFRS 9**

**Direct credit facilities at amortized cost - RETAIL**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 172,292,920 | 9,046,652 | 10,388,041 | - | 191,727,613 |
| Add: new balances during the year / Additions | 347,563,172 | 3,396,113 | 774,347 | - | 351,733,632 |
| Settled balances | (45,593,604) | (5,588,325) | (844,377) | - | (52,026,306) |
| Transfer to the first stage during the year | 11,132,773 | (10,293,059) | (839,714) | - | - |
| Transfer to second stage during the year | (6,857,096) | 7,006,454 | (149,358) | - | - |
| Transferred to the third stage during the year | (1,565,276) | (3,217,334) | 4,782,610 | - | - |
| Additions due to acquisition | 54,755,218 | - | - | 4,131,227 | 58,886,445 |
| Written off balances | - | - | (8,530,525) | - | (8,530,525) |
| **Net balance** | **531,728,107** | **350,501** | **5,581,024** | **4,131,227** | **541,790,859** |

**The movement of the provision for impairment losses of direct credit facilities according Stages during the period According to IFRS 9**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 739,139 | 366,322 | 5,736,529 | 6,841,990 |
| Impairment loss of direct credit facilities during the period | 1,358,432 | 51,177 | 6,876,732 | 8,286,341 |
| Recoveries | (680,951) | (1,489,195) | (2,258,313) | (4,428,459) |
| Transfer from the first stage | 30,672 | (30,672) | | - |
| Transfer from second stage | (62,730) | 83,701 | (20,971) | - |
| Written off balances | | | (5,898,319) | (5,898,319) |
| **Net balance** | **1,384,562** | **(1,018,667)** | **4,435,658** | **4,801,553** |

**Direct credit facilities at Amortized cost - Retail**

**Distribution of direct credit facilities for Retail segment by the Bank's internal credit rating segmentation**

| **As of 31 December 2021** | **Stage one** | **Stage two** | **Stage three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 278,169,579 | 2,096,265 | 28,009 | 280,293,853 |
| Acceptable risk / performing | 242,081,762 | 11,698,280 | 2,514,171 | 256,294,213 |
| **Non- Performing** | | | | |
| Substandard | - | - | 2,576,270 | 2,576,270 |
| Doubtful | - | - | 2,754,799 | 2,754,799 |
| Loss | - | - | 12,772,952 | 12,772,952 |
| **Total** | **520,251,341** | **13,794,545** | **20,646,201** | **554,692,087** |

| **As of 31 December 2020** | **Stage one** | **Stage two** | **Stage three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 65,386,694 | 450,157 | 73,317 | 65,910,168 |
| Acceptable risk / performing | 106,906,226 | 8,596,495 | 162,013 | 115,664,734 |
| **Non- Performing** | | | | |
| Substandard | - | - | 1,028,170 | 1,028,170 |
| Doubtful | - | - | 772,471 | 772,471 |
| Loss | - | - | 8,352,070 | 8,352,070 |
| **Total** | **172,292,920** | **9,046,652** | **10,388,041** | **191,727,613** |

**Movement of Direct credit facilities at amortized cost for Retail segment according to Cenral Bank's Regulations:**

| **As of 31 December 2021** | **Stage one** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 172,292,920 | 9,046,652 | 10,388,041 | 191,727,613 |
| Add: new balances during the year / Additions* | 347,563,172 | 3,396,113 | 774,347 | 351,733,632 |
| Settled balances | (45,593,604) | (5,588,325) | (844,377) | (52,026,306) |
| Transfer to the first stage during the year | 11,132,773 | (10,293,059) | (839,714) | - |
| Transfer to second stage during the year | (6,857,096) | 7,006,454 | (149,358) | - |
| Transferred to the third stage during the year | (1,565,276) | (3,217,334) | 4,782,610 | - |
| Additions due to acquisition | 43,278,452 | 13,444,044 | 15,065,177 | 71,787,673 |
| Written off balances | - | - | (8,530,525) | (8,530,525) |
| **Net balance** | **520,251,341** | **13,794,545** | **20,646,201** | **554,692,087** |

| **As of 31 December 2020** | **Stage one** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 98,518,991 | 5,502,046 | 16,083,366 | 120,104,403 |
| Add: new balances during the year / Additions* | 94,929,894 | 4,016,866 | 953,579 | 99,900,339 |
| Settled balances | (23,117,364) | (1,334,553) | (178,552) | (24,630,469) |
| Transfer to the first stage during the year | 10,536,967 | (2,490,062) | (8,046,905) | - |
| Transfer to second stage during the year | (3,865,833) | 3,954,547 | (88,714) | - |
| Transferred to the third stage during the year | (685,044) | (585,053) | 1,270,097 | - |
| Written off balances | - | - | (53,200) | (53,200) |
| Adjustments due to change in exchange rates | (4,024,691) | (17,139) | 448,370 | (3,593,460) |
| **Net balance** | **172,292,920** | **9,046,652** | **10,388,041** | **191,727,613** |

* The new additions to the third stage represent the outstanding interest recorded during the year.

**Movement of provision for impairment losses for direct credit facilities for Retail segment according to Cenral Bank's Regulations:**

| **As of 31 December 2021** | **Stage one** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 739,139 | 366,322 | 5,736,529 | 6,841,990 |
| Impairment loss of direct credit facilities during the period | 1,358,432 | 51,177 | 6,876,732 | 8,286,341 |
| Recoveries | (680,951) | (1,489,195) | (2,258,313) | (4,428,459) |
| Transfer to the first stage | 30,672 | (30,672) | - | - |
| Transfer to second stage | (62,730) | 83,701 | (20,971) | - |
| Addition due to acquistion | 701,010 | 1,266,268 | 8,994,650 | 10,961,928 |
| Written off balances | - | - | (5,898,319) | (5,898,319) |
| **Net balance** | **2,085,572** | **247,601** | **13,430,308** | **15,763,481** |

| **As of 31 December 2020** | **Stage one** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 661,998 | 156,191 | 5,277,960 | 6,096,149 |
| Impairment loss of direct credit facilities during the period | 649,950 | 288,945 | 1,737,394 | 2,676,289 |
| Recoveries | (513,073) | (73,944) | (1,094,573) | (1,681,590) |
| Transfer to the first stage | 113,788 | (113,788) | - | - |
| Transfer to second stage | (112,682) | 112,698 | (16) | - |
| Written off balances | - | | (22,842) | (22,842) |
| Adjustments due to change in exchange rates | (60,842) | (3,780) | (161,394) | (226,016) |
| **Net balance** | **739,139** | **366,322** | **5,736,529** | **6,841,990** |

**direct credit facilities - Real Estate**

**The movement of direct credit facilities - Real Estate during the Year According to IFRS 9**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 120,112,118 | 30,156,751 | 14,487,872 | - | 164,756,741 |
| Add: new balances during the year / Additions | 27,791,547 | 1,170,702 | 1,239,713 | - | 30,201,962 |
| Settled balances | (17,840,047) | (2,810,075) | (10,372,727) | - | (31,022,849) |
| Transfer to the first stage during the year | 11,265,197 | (10,620,653) | (644,544) | - | - |
| Transfer to second stage during the year | (12,466,604) | 12,566,274 | (99,670) | - | - |
| Transferred to the third stage during the year | (1,216,570) | (9,821,980) | 11,038,550 | - | - |
| Additions due to acquisition | 32,875,511 | - | - | 437,023 | 33,312,534 |
| Written off balances | - | - | (3,534,929) | - | (3,534,929) |
| **Net balance** | **160,521,152** | **20,641,019** | **12,114,265** | **437,023** | **193,713,459** |

**The cumulative movement of the provision for impairment losses of direct credit facilities according Stages during the period According to IFRS 9**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 297,749 | 1,353,804 | 5,733,666 | 7,385,219 |
| Impairment loss of direct credit facilities during the period | 298,033 | 175,906 | 1,721,585 | 2,195,524 |
| Recoveries | (805,437) | (1,295,542) | (7,041,545) | (9,142,524) |
| Transfer from the first stage | 88,311 | (88,311) | - | - |
| Transfer from second stage | (326,554) | 326,554 | - | - |
| Written off balances | - | - | (1,773,248) | (1,773,248) |
| **Net balance** | **(447,898)** | **472,411** | **(1,359,542)** | **(1,335,029)** |

**Direct credit facilities at amortized cost - Real Estate**

**Distribution of direct credit facilities for Real Estate facilities by the Bank's internal credit rating segmentation**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 32,829,345 | 2,477,707 | - | 35,307,052 |
| Acceptable risk / performing | 120,158,161 | 27,340,663 | 9,066,774 | 156,565,598 |
| **Non- Performing** | | | | |
| Substandard | - | - | 367,109 | 367,109 |
| Doubtful | - | - | 2,000,979 | 2,000,979 |
| Loss | - | - | 15,339,170 | 15,339,170 |
| **Total** | **152,987,506** | **29,818,370** | **26,774,032** | **209,579,908** |

| As of 31 December 2020 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 25,815,134 | 2,766,661 | 203,309 | 28,785,104 |
| Acceptable risk / performing | 94,296,984 | 27,390,090 | 18,771 | 121,705,845 |
| **Non- Performing** | | | | |
| Substandard | - | - | 319,463 | 319,463 |
| Doubtful | - | - | 1,522,058 | 1,522,058 |
| Loss | - | - | 12,424,271 | 12,424,271 |
| **Total** | **120,112,118** | **30,156,751** | **14,487,872** | **164,756,741** |

**Movement of Direct credit facilities at amortized cost for Real Estate facilities according to Cenral Bank's Regulations:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 120,112,118 | 30,156,751 | 14,487,872 | 164,756,741 |
| Add: new balances during the year / Additions * | 27,791,547 | 1,170,702 | 1,239,713 | 30,201,962 |
| Settled balances | (17,840,047) | (2,810,075) | (10,372,727) | (31,022,849) |
| Transfer to the first stage during the year | 11,265,197 | (10,620,653) | (644,544) | - |
| Transfer to second stage during the year | (12,466,604) | 12,566,274 | (99,670) | - |
| Transferred to the third stage during the year | (1,216,570) | (9,821,980) | 11,038,550 | - |
| Additions due to acquisition | 25,341,865 | 9,177,351 | 14,659,767 | 49,178,983 |
| Written off balances | - | - | (3,534,929) | (3,534,929) |
| **Net balance** | **152,987,506** | **29,818,370** | **26,774,032** | **209,579,908** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 114,908,753 | 24,317,068 | 16,463,737 | 155,689,558 |
| Add: new balances during the year / Additions * | 30,083,092 | 10,056,805 | 1,265,926 | 41,405,823 |
| Settled balances | (20,469,044) | (9,602,276) | (2,267,320) | (32,338,640) |
| Transfer to the first stage during the year | 4,262,774 | (4,145,897) | (116,877) | - |
| Transfer to second stage during the year | (7,942,251) | 10,609,708 | (2,667,457) | - |
| Transferred to the third stage during the year | (731,206) | (1,078,657) | 1,809,863 | - |
| **Net balance** | **120,112,118** | **30,156,751** | **14,487,872** | **164,756,741** |

* The new additions to the third stage represent the outstanding interest recorded during the year.

**Movement of provision for impairment losses for direct credit facilities for Real Estate facilities according to Cenral Bank's Regulations:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 297,749 | 1,353,804 | 5,733,666 | 7,385,219 |
| Impairment loss of direct credit facilities during the year | 298,033 | 175,906 | 1,721,585 | 2,195,524 |
| Recoveries | (805,437) | (1,295,542) | (7,041,545) | (9,142,524) |
| Transfer to the first stage | 88,311 | (88,311) | - | - |
| Transfer to second stage | (326,554) | 326,554 | - | - |
| Additions due to acquisition | 773,698 | 870,007 | 8,663,533 | 10,307,238 |
| Written off balances | - | - | (1,773,248) | (1,773,248) |
| **Net balance** | **325,800** | **1,342,418** | **7,303,991** | **8,972,209** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 119,156 | 69,890 | 3,539,658 | 3,728,704 |
| Impairment loss of direct credit facilities during the year | 216,372 | 1,394,901 | 2,778,205 | 4,389,478 |
| Recoveries | (97,774) | (50,992) | (584,197) | (732,963) |
| Transfer to the first stage | 124,121 | (124,121) | - | - |
| Transfer to second stage | (64,126) | 64,126 | - | - |
| **Net balance** | **297,749** | **1,353,804** | **5,733,666** | **7,385,219** |

**Direct credit facilities at amortized cost - Government and Public Sector**

**Distribution of direct credit facilities for Governmental & Public sectors by the Bank's internal credit rating segmentation**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Acceptable risk / performing | 88,021,813 | - | - | 88,021,813 |
| **Total** | **119,021,813** | - | - | **119,021,813** |

| As of 31 December 2020 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Acceptable risk / performing | 60,023,731 | - | - | 60,023,731 |
| **Total** | **60,023,731** | - | - | **60,023,731** |

**Movement of Direct credit facilities at amortized cost for Governmental & Public sectors according to Cenral Bank's Regulations:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 60,023,731 | - | - | 60,023,731 |
| Add: new balances during the year / Additions * | 62,354,268 | - | - | 62,354,268 |
| Settled balances | (3,356,186) | - | - | (3,356,186) |
| **Net balance** | **119,021,813** | **-** | **-** | **119,021,813** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 49,198,622 | - | - | 49,198,622 |
| Add: new balances during the year / Additions * | 23,669,110 | - | - | 23,669,110 |
| Settled balances | (12,844,001) | - | - | (12,844,001) |
| **Net balance** | **60,023,731** | **-** | **-** | **60,023,731** |

* The new additions to the third stage represent the outstanding interest recorded during the year.

**Movement of provision for impairment losses for direct credit facilities for Governmental & Public sectors according to Cenral Bank's Regulations:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | - | - | - | - |
| Impairment loss of direct credit facilities during the year | - | - | - | - |
| Recoveries | - | - | - | - |
| **Net balance** | **-** | **-** | **-** | **-** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 3,369 | - | - | 3,369 |
| Impairment loss of direct credit facilities during the year | - | - | - | - |
| Recoveries | (3,369) | - | - | (3,369) |
| **Net balance** | **-** | **-** | **-** | **-** |

**direct credit facilities - Cummulitive**

**The cumulative movement of direct credit facilities during the period According to IFRS 9**

**Direct credit facilities at amortized cost - Cumulative**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 1,113,255,381 | 178,262,154 | 101,849,349 | - | 1,393,366,884 |
| Add: new balances during the year / Additions | 818,277,227 | 53,988,756 | 21,398,858 | - | 893,664,841 |
| Settled balances | (288,834,920) | (70,198,232) | (36,026,437) | - | 395,059,589- |
| Transfer to the first stage during the year | 36,792,471 | (35,303,178) | (1,489,293) | - | - |
| Transfer to second stage during the year | (39,998,435) | 40,813,131 | (814,696) | - | - |
| Transferred to the third stage during the year | (3,825,686) | (31,009,919) | 34,835,605 | - | - |
| Additions due to acquisition | 225,119,061 | - | - | 27,821,982 | 252,941,043 |
| Written off balances | - | - | (17,620,741) | - | (17,620,741) |
| **Net balance** | **1,860,785,099** | **136,552,712** | **102,132,645** | **27,821,982** | **2,127,292,438** |

**The cumulative movement of the provision for impairment losses of direct credit facilities according Stages during the period According to IFRS 9**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 5,868,144 | 9,803,637 | 51,298,352 | 66,970,133 |
| Impairment loss of direct credit facilities during the period | 8,883,472 | 3,721,418 | 39,889,560 | 52,494,450 |
| Recoveries | (6,130,508) | (9,135,110) | (16,719,230) | (31,984,848) |
| Transfer from the first stage | 378,392 | (378,392) | - | - |
| Transfer from second stage | (635,107) | 684,174 | (49,067) | - |
| Transferred from the third stage | - | (1,080) | 1,080 | - |
| Written off balances | - | (291,514) | (10,794,137) | (11,085,651) |
| **Net balance** | **8,364,393** | **4,403,133** | **63,626,558** | **76,394,084** |

**Direct credit facilities at amortized cost - Cumulative**

**Distribution of direct credit facilities by the Bank's internal credit rating segmentation**

| **As of 31 December 2021** | **Stage one** | **Stage two** | **Stage three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 566,165,583 | 6,467,294 | 28,009 | 572,660,886 |
| Acceptable risk / performing | 1,235,029,562 | 196,422,929 | 36,065,958 | 1,467,518,449 |
| **Non- Performing** | | | | |
| Substandard | - | - | 5,630,197 | 5,630,197 |
| Doubtful | - | - | 14,180,713 | 14,180,713 |
| Loss | - | - | 127,064,903 | 127,064,903 |
| **Total** | **1,801,195,145** | **202,890,223** | **182,969,780** | **2,187,055,148** |

| **As of 31 December 2020** | **Stage one** | **Stage two** | **Stage three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 251,177,496 | 9,361,263 | 276,626 | 260,815,385 |
| Acceptable risk / performing | 862,077,885 | 168,900,891 | 9,586,951 | 1,040,565,727 |
| **Non- Performing** | | | | |
| Substandard | - | - | 2,245,424 | 2,245,424 |
| Doubtful | - | - | 8,477,211 | 8,477,211 |
| Loss | - | - | 81,263,137 | 81,263,137 |
| **Total** | **1,113,255,381** | **178,262,154** | **101,849,349** | **1,393,366,884** |

**Movement of Direct credit facilities at amortized cost according to Cenral Bank's Regulations:**

| **As of 31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 1,113,255,381 | 178,262,154 | 101,849,349 | 1,393,366,884 |
| Add: new balances during the year / Additions * | 818,277,227 | 53,988,756 | 21,398,858 | 893,664,841 |
| Settled balances | (288,834,920) | (70,198,232) | (25,691,293) | (384,724,445) |
| Transfer to the first stage during the year | 36,792,471 | (35,303,178) | (1,489,293) | - |
| Transfer to second stage during the year | (39,998,435) | 40,813,131 | (814,696) | - |
| Transferred to the third stage | (3,825,686) | (31,009,919) | 34,835,605 | - |
| Additions due to acquisition | 165,529,107 | 66,629,025 | 70,501,991 | 302,660,123 |
| Written off balances | - | - | (17,620,741) | (17,620,741) |
| **Net balance** | **1,801,195,145** | **203,181,737** | **182,969,780** | **2,187,346,662** |

| **As of 31 December 2020** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 780,448,626 | 144,997,241 | 121,367,716 | 1,046,813,583 |
| Add: new balances during the year / Additions * | 491,991,238 | 62,992,865 | 10,320,967 | 565,305,070 |
| Settled balances | (148,958,439) | (37,355,990) | (15,793,190) | (202,107,619) |
| Transfer to the first stage during the year | 26,115,384 | (14,317,915) | (11,797,469) | - |
| Transfer to second stage during the year | (23,963,099) | 28,713,495 | (4,750,396) | - |
| Transferred to the third stage | (1,708,056) | (3,941,091) | 5,649,147 | - |
| Written off balances | - | - | (1,979,682) | (1,979,682) |
| Adjustments due to change in exchange rates | (10,670,273) | (2,826,451) | (1,167,744) | (14,664,468) |
| **Net balance** | **1,113,255,381** | **178,262,154** | **101,849,349** | **1,393,366,884** |

* New balances / additions during phase three represent suspended interest during the year

**Movement of provision for impairment losses for direct credit facilities according to Cenral Bank's Regulations:**

| **As of 31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 5,868,144 | 9,803,637 | 51,298,352 | 66,970,133 |
| Impairment loss of direct credit facilities/ Additions during the year | 8,883,472 | 3,721,418 | 39,889,560 | 52,494,450 |
| Recoveries | (6,130,508) | (9,135,110) | (16,719,230) | (31,984,848) |
| Transfer to (from) the first stage | 378,392 | (378,392) | - | - |
| Transfer to (from) second stage | (635,107) | 684,174 | (49,067) | - |
| Transferred to (from) the third stage | - | (1,080) | 1,080 | - |
| Additions due to acquistion | 3,352,644 | 3,686,427 | 37,120,798 | 44,159,869 |
| Written off balances | - | (291,514) | (10,794,137) | (11,085,651) |
| **Net balance** | **11,717,037** | **8,089,560** | **100,747,356** | **120,553,953** |

| **As of 31 December 2020** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 2,740,944 | 3,770,840 | 39,342,289 | 45,854,073 |
| Impairment loss of direct credit facilities/ Additions during the year | 4,501,806 | 7,422,190 | 21,294,792 | 33,218,788 |
| Recoveries | (1,512,246) | (1,936,825) | (7,322,811) | (10,771,882) |
| Transfer to the first stage | 308,664 | (308,664) | - | - |
| Transfer to second stage | (354,905) | 354,921 | (16) | - |
| Transferred to the third stage | (3,115) | (7,259) | 10,374 | - |
| Changes due to Adjustments | 354,951 | 739,213 | 107,779 | 1,201,943 |
| Written off balances | - | - | (1,215,381) | (1,215,381) |
| Adjustments due to change in exchange | (167,955) | (230,779) | (918,674) | (1,317,408) |
| **Net balance** | **5,868,144** | **9,803,637** | **51,298,352** | **66,970,133** |

**The cumulative movement of the provision for impairment losses of direct credit facilities according to sectors:**

| **As of 31 December 2021** | **Retail** | **Real estate** | **Corporate** | **SMEs** | **Government and Public** | **Total** |
|---|---|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 6,841,990 | 7,385,219 | 40,561,725 | 12,181,199 | - | 66,970,133 |
| Impairment loss of direct credit facilities during the year | 8,286,341 | 2,195,524 | 31,901,493 | 10,111,092 | - | 52,494,450 |
| Recoveries | (4,428,459) | (9,142,524) | (14,618,175) | (3,795,690) | - | (31,984,848) |
| Transfer (from) to the first stage | (32,058) | (238,243) | 5,858 | 7,728 | - | (256,715) |
| Transfer from (to) second stage | 53,029 | 238,243 | (6,938) | 20,368 | - | 304,702 |
| Transferred to (from) the third stage | (20,971) | - | 1,080 | (28,096) | - | (47,987) |
| Additions due to acquistion | 10,961,928 | 10,307,238 | 20,782,190 | 2,108,513 | - | 44,159,869 |
| Written off balances | (5,898,319) | (1,773,248) | (1,315,084) | (2,099,000) | - | (11,085,651) |
| **Net balance** | **15,763,481** | **8,972,209** | **77,312,149** | **18,506,114** | **-** | **120,553,953** |

| **As of 31 December 2020** | **Retail** | **Real estate** | **Corporate** | **SMEs** | **Government and Public** | **Total** |
|---|---|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 6,096,149 | 3,728,704 | 26,315,398 | 9,710,453 | 3,369 | 45,854,073 |
| Impairment loss of direct credit facilities during the year | 2,554,081 | 4,331,304 | 21,300,485 | 5,032,918 | - | 33,218,788 |
| Recoveries | (1,681,590) | (732,963) | (5,431,979) | (2,921,981) | (3,369) | (10,771,882) |
| Transfer (from) to the first stage | 1,106 | 59,995 | (56,520) | (50,822) | - | (46,241) |
| Transfer from (to) second stage | (1,090) | (59,995) | 56,520 | 50,822 | - | 46,257 |
| Transferred to (from) the third stage | (16) | - | - | - | - | (16) |
| Changes due to Adjustments | 122,208 | 58,174 | 377,111 | 644,450 | - | 1,201,943 |
| Written off balances | (22,842) | - | (970,888) | (221,651) | - | (1,215,381) |
| Adjustments due to change in exchange rates | (226,016) | - | (1,028,403) | (62,989) | - | (1,317,408) |
| **Net balance** | **6,841,990** | **7,385,219** | **40,561,724** | **12,181,200** | **-** | **66,970,133** |

**Interest in suspense**

The movement of interest in suspense is as follow:

| As of 31 December 2021 | Retail | Real estate | Corporate | SMEs | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 3,287,310 | 3,222,152 | 11,655,538 | 5,272,800 | 23,437,800 |
| Suspended interest during the period | 774,347 | 1,239,713 | 6,004,802 | 2,090,464 | 10,109,326 |
| Interest transferred to income | (455,753) | (802,919) | (1,518,231) | (862,901) | (3,639,804) |
| Additions due to acquisition | 1,939,300 | 1,937,994 | 7,068,909 | 1,326,935 | 12,273,138 |
| Amounts written off | (2,632,206) | (1,761,680) | (596,374) | (1,836,343) | (6,826,603) |
| **Balance at the end of the year** | **2,912,998** | **3,835,260** | **22,614,644** | **5,990,955** | **35,353,857** |

| As of 31 December 2020 | Retail | Real estate | Corporate | SMEs | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 3,000,973 | 2,305,645 | 9,256,316 | 3,372,535 | 17,935,469 |
| Suspended interest during the period | 953,579 | 1,265,926 | 5,601,942 | 2,499,520 | 10,320,967 |
| Interest transferred to income | (465,629) | (349,419) | (1,709,119) | (391,169) | (2,915,336) |
| Amounts written off | (30,358) | - | (527,202) | (206,741) | (764,301) |
| Foreign exchange differences | (171,255) | - | (966,399) | (1,345) | (1,138,999) |
| **Balance at the end of the year** | **3,287,310** | **3,222,152** | **11,655,538** | **5,272,800** | **23,437,800** |

**Direct credit facilities portfolio is distributed as per the following geographical and industrial sectors classification:**

| | Inside Jordan | Outside Jordan | 31 December 2021 | 31 December 2020 |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Financial | 58,406,982 | - | 58,406,982 | 24,137,414 |
| Industrial | 253,589,953 | 26,381,191 | 279,971,144 | 156,683,495 |
| Commercial | 292,186,980 | 114,317,112 | 406,504,092 | 318,572,460 |
| Real estate and Construction | 378,604,643 | 34,306,351 | 412,910,994 | 322,145,135 |
| Tourism and hotels | 65,671,216 | - | 65,671,216 | 46,809,774 |
| Agriculture | 24,997,330 | 19,150,519 | 44,147,849 | 38,090,438 |
| Shares | 79,934,579 | - | 79,934,579 | 81,799,133 |
| Services utilities and public | 91,835,527 | - | 91,835,527 | 84,043,767 |
| Transportation services (including air transportation) | 72,261,686 | - | 72,261,686 | 52,831,926 |
| Government and public sector | 119,021,813 | - | 119,021,813 | 60,023,731 |
| Retail | 295,578,389 | 235,230,339 | 530,808,728 | 177,697,588 |
| Other | 15,325,380 | 10,255,158 | 25,580,538 | 30,532,023 |
| **Total** | **1,747,414,478** | **439,640,670** | **2,187,055,148** | **1,393,366,884** |

**(10) <u>Financial Assets At Amortized Cost</u>**

This item consists of the following:

**<u>Financial assets at amortized cost with no market prices</u>**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| Treasury bonds | 168,405,903 | 77,199,293.00 |
| Governmental debt securities | 742,326,091 | 447,477,050 |
| Governmental debt securities and its guarantee | 44,442,157 | 30,503,143 |
| Bonds, Corporate debt securities | 8,890,500 | 9,245,000 |
| Other government bonds | 24,663,998 | - |
| **Total** | **988,728,649** | **564,424,486** |
| Less: Impairment allowance and expected credit losses | (1,707,230) | (540,029) |
| **Total** | **987,021,419** | **563,884,457** |
| **Analysis of bonds and bills:** | | |
| Fixed Rate | 979,838,149 | 552,321,485 |
| Floating rate | 7,183,270 | 11,562,972 |
| **Total** | **987,021,419** | **563,884,457** |

**Financial Assets at Amortized Cost**

**The cumulative movement of Financial Assets at Amortized Cost during the period According to IFRS 9**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 558,724,486 | 5,200,000 | 500,000 | - | 564,424,486 |
| Add: new balances during the year | 365,560,996 | - | - | - | 365,560,996 |
| Settled balances | (121,786,057) | - | - | - | (121,786,057) |
| Transferred from (to) the third stage during the year | - | (5,200,000) | 5,200,000 | - | - |
| Additions due to acquisition | 155,198,403 | - | - | - | 155,198,403 |
| Transfers from pledged financial assets | 25,330,821 | - | - | - | 25,330,821 |
| **Net balance as at 31 December 2021** | **983,028,649** | **-** | **5,700,000** | **-** | **988,728,649** |

**The cumulative movement of the provision for impairment losses of Financial Assets at Amortized Cost according Stages during the period According to IFRS 9**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 8,652 | 31,377 | 500,000 | 540,029 |
| Impairment loss of direct credit facilities during the | 25,131 | - | 1,149,291 | 1,174,422 |
| Recoveries | (7,221) | - | - | (7,221) |
| Transferred from the third stage during the year | - | (31,377) | 31,377 | - |
| **Net balance as at 31 December 2021** | **26,562** | **-** | **1,680,668** | **1,707,230** |

**Financial Assets At Amortized Cost**

**Distribution of financial Assets at Amortized Cost by categories of the Bank's internal credit rating:**

**-The below presentation is as required by the Central bank of Jordan instructions for implementing IFRS 9, Circular no. 13/2018**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 955,174,151 | - | - | 955,174,151 |
| Acceptable risk / performing | 27,854,498 | - | - | 27,854,498 |
| **Non- Performing** | | | | |
| Loss - Bad debt | - | - | 5,700,000 | 5,700,000 |
| **Total** | **983,028,649** | - | **5,700,000** | **988,728,649** |

| As of 31 December 2020 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 555,179,486 | - | - | 555,179,486 |
| Acceptable risk / performing | 3,545,000 | 5,200,000 | - | 8,745,000 |
| **Non- Performing** | | | | |
| Loss - Bad debt | - | - | 500,000 | 500,000 |
| **Total** | **558,724,486** | 5,200,000 | **500,000** | **564,424,486** |

**Movements of Financial Assets at Amortized Cost:**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 558,724,486 | 5,200,000 | 500,000 | 564,424,486 |
| Add: new balances during the year | 365,560,996 | - | - | 365,560,996 |
| Settled balances | (121,786,057) | - | - | (121,786,057) |
| Transferred from (to) the third stage during the year | - | (5,200,000) | 5,200,000 | - |
| Changes due to Acquisition | 155,198,403 | - | - | 155,198,403 |
| Transfers from pledged financial assets (note 11) | 25,330,821 | - | - | 25,330,821 |
| **Net balance as at 31 December 2021** | **983,028,649** | **-** | **5,700,000** | **988,728,649** |

| As of 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 465,223,476 | - | 5,700,000 | 470,923,476 |
| Add: new balances during the year | 81,385,377 | - | - | 81,385,377 |
| Settled balances | (10,044,030) | - | - | (10,044,030) |
| Transferred from (to) third stage during the year | - | 5,200,000 | (5,200,000) | - |
| Transfers to pledged financial assets (note 11) | (25,330,821) | - | - | (25,330,821) |
| Transfers from pledged financial assets (note 11) | 47,490,484 | - | - | 47,490,484 |
| **Net balance as at 31 December 2020** | **558,724,486** | **5,200,000** | **500,000** | **564,424,486** |

**Movements of provision on of Financial Assets at Amortized Cost:**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 8,652 | 31,377 | 500,000 | 540,029 |
| Impairment loss on new investments during the year | 25,131 | - | 1,149,291 | 1,174,422 |
| Recoveries on Settled balances | (7,221) | - | - | (7,221) |
| Transferred from the third stage during the year | - | (31,377) | 31,377 | - |
| **Net balance as at 31 December 2021** | **26,562** | **-** | **1,680,668** | **1,707,230** |

| As of 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 49,967 | - | 500,000 | 549,967 |
| Impairment loss on new investments during the year | - | 31,377 | - | 31,377 |
| Recoveries on Settled balances | (41,315) | - | - | (41,315) |
| **Net balance as at 31 December 2020** | **8,652** | **31,377** | **500,000** | **540,029** |

No provision for expected credit losses was calculated on bonds and treasury bills for the Jordanian government and that is according to the regulations by the Central Bank of Jordan related to IFRS 9.

## (11) Pledged Financial Assets

**Distribution of financial Assets at Amortized Cost by categories of the Bank's internal credit rating:**

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | **Pledged Financial Assets** | **Associated Liabilities (Note 19)** | **Pledged Financial Assets** | **Associated Liabilities (Note 19)** |
| | **JD** | **JD** | **JD** | **JD** |
| Financial Assets at Amortized Cost | - | - | 25,330,821 | 26,094,227 |
| Financial Assets at Fair Value Through Other Comprehensive Income (bonds guaranteed by Jordanian Government) | - | - | **7,268,800** | **7,487,863** |
| **Total** | **-** | **-** | **32,599,621** | **33,582,090** |

- The bonds were mortgaged as of 31 December 2021 & 31 December 2020, against funds borrowed from the Central Bank Repurchase Agreement (REPO).

**Disclosure of the movement on pledged financial assets**

| As of 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at beginning of the year | 32,599,621 | - | - | 32,599,621 |
| What has been transferred to financial assets at amortized cost (note 10) | (25,330,821) | - | - | (25,330,821) |
| What has been transferred from financial assets at fair value through other comprehensive income (note 7) | (7,268,800) | - | - | (7,268,800) |
| **Total** | - | - | - | - |

| As of 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Fair value at beginning of the year | 47,490,484.00 | - | - | 47,490,484 |
| What has been transferred to financial assets at amortized cost (note 10) | (47,490,484) | - | - | (47,490,484) |
| What has been transferred from financial assets at amortized cost (note 10) | 25,330,821 | - | - | 25,330,821 |
| What has been transferred from financial assets at fair value through other comprehensive income (note 7) | 7,268,800 | - | - | 7,268,800 |
| **Total** | **32,599,621** | - | - | **32,599,621** |

- The provision for expected credit losses has not been calculated for Jordanian government bonds, which are guaranteed by the pledged Jordanian government, in accordance with the instructions of the Central Bank of Jordan related to the application of IFRS 9.

**(12) Property, plant and Equipment - Net**

| 2021 | Lands | Buildings | Furniture & Fixtures | Vehicles | Computers | Others* | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | JD | JD | JD | JD | JD | JD | JD |
| Balance at 1 January 2021 | 16,180,461 | 7,683,580 | 13,949,610 | 551,698 | 7,254,264 | 15,428,957 | 61,048,571 |
| Additions | - | 3,023,085 | 2,330,871 | 151,460 | 4,235,571 | 2,609,209 | 12,350,196 |
| Disposals | - | - | (606,474) | - | (34,994) | (1,501,924) | (2,143,392) |
| Additions due to acquisition | 2,728,802 | 6,135,717 | 4,870,243 | 61,400 | 2,996,061 | 6,714,015 | 23,506,238 |
| **Balance at the end of the year** | **18,909,263** | **16,842,382** | **20,544,250** | **764,558** | **14,450,902** | **23,250,257** | **94,761,613** |
| **Accumulated depreciation:** | | | | | | | |
| Balance at 1 January 2021 | - | 1,585,278 | 8,219,149 | 472,165 | 5,143,150 | 10,687,831 | 26,107,573 |
| Depreciation charge for the year | - | 317,788 | 1,942,970 | 73,549 | 822,669 | 1,565,998 | 4,722,973 |
| Disposals | - | - | (580,551) | - | (34,864) | (1,482,462) | (2,097,877) |
| Additions due to acquisition | - | 1,219,749 | 4,332,040 | 61,397 | 2,467,288 | 6,093,495 | 14,173,969 |
| **Balance at the end of the year** | **-** | **3,122,815** | **13,913,608** | **607,111** | **8,398,243** | **16,864,862** | **42,906,638** |
| Net book value of property and equipment | 18,909,263 | 13,719,567 | 6,630,643 | 157,447 | 6,052,660 | 6,385,395 | 51,854,975 |
| Advanced payment to purchase property & equipment | 4,630,329 | 5,237,567 | 3,372,216 | - | 82,638 | 1,144,611 | 14,467,361 |
| **Net book value of property and equipment at the end of the year 2021** | **23,539,592** | **18,957,134** | **10,002,859** | **157,447** | **6,135,298** | **7,530,006** | **66,322,336** |

| 2020 | Lands | Buildings | Furniture & Fixtures | Vehicles | Computers | Others* | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | JD | JD | JD | JD | JD | JD | JD |
| Balance at 1 January 2020 | 13,442,742 | 6,833,954 | 10,671,698 | 602,666 | 7,024,689 | 15,084,659 | 53,660,408 |
| Additions | 3,686,685 | 1,039,100 | 3,724,225 | - | 483,886 | 945,022 | 9,878,919 |
| Disposals | - | - | (41,384) | (15,342) | (16,962) | (65,432) | (139,120) |
| Foreign exchange differences | (948,966) | (189,474) | (404,929) | (35,626) | (237,349) | (535,292) | (2,351,636) |
| **Balance at the end of the year** | **16,180,461** | **7,683,580** | **13,949,610** | **551,698** | **7,254,264** | **15,428,957** | **61,048,571** |
| **Accumulated depreciation:** | | | | | | | |
| Balance at 1 January 2020 | - | 1,505,787 | 7,587,245 | 462,529 | 4,594,688 | 10,065,700 | 24,215,949 |
| Depreciation charge for the year | - | 113,338 | 1,156,948 | 53,954 | 565,369 | 1,103,892 | 2,993,501 |
| Disposals | - | - | (28,438) | (18,227) | (16,907) | (51,569) | (115,141) |
| Foreign exchange differences | - | (33,847) | (496,606) | (26,091) | - | (430,192) | (986,736) |
| **Balance at the end of the year** | **-** | **1,585,278** | **8,219,149** | **472,165** | **5,143,150** | **10,687,831** | **26,107,573** |
| Net book value of property and equipment | 16,180,461 | 6,098,302 | 5,730,461 | 79,533 | 2,111,114 | 4,741,126 | 34,940,998 |
| Advanced payment to purchase property & equipment | - | - | 38,901 | - | 290,686 | 3,602,500 | 3,932,087 |
| **Net book value of property and equipment at the end of the year 2020** | **16,180,461** | **6,098,302** | **5,769,362** | **79,533** | **2,401,800** | **8,343,626** | **38,873,085** |

* Others represent renovation, interior design and decoration of buildings and branch offices.

- Fully depreciated property and equipment amounted to JD 17,547,372 as of 31 December 2021 against JD 16,759,739 as of 31 December 2020.
- The remaining cost to complete projects under implementation is estimated at against 4,809,367 dinars as of December 31, 2021, compared to approximately 2,490,490 dinars as of December 31, 2020

**(13) Intangible Assets, Net**

This Item Consists of the following:

| | 2021 | | |
|---|---|---|---|
| | Computer Software & Systems | Customers Relations | Total |
| | JD | JD | JD |
| Balance at 1 January 2021 | 11,180,010 | - | 11,180,010 |
| Additions | 10,464,233 | - | 10,464,233 |
| Amortization for the year | (3,709,527) | - | (3,709,527) |
| Additions due to acquisition | 1,292,873 | 253,180 | 1,546,053 |
| **Balance at the end of the year** | **19,227,589** | **253,180** | **19,480,769** |
| Projects under development | 11,021,903 | - | 11,021,903 |
| **Balance at the end of the year** | **30,249,492** | **253,180** | **30,502,672** |

| | 2020 |
|---|---|
| Balance at 1 January 2020 | 3,351,178 |
| Additions | 9,981,967 |
| Amortization for the year | (2,102,006) |
| Adjustments due to change in exchange rates | (51,129) |
| **Balance at the end of the year** | **11,180,010** |
| Projects under development | 10,525,911 |
| **Balance at the end of the year** | **21,705,921** |

- Fully amortized intangible assets amounted to JD 17,833,322 as of 31 December 2021 against JD 15,417,303 as of 31 December 2020.
- The remaining cost to complete projects under impementation is estimated at 8,435,221 JD as of December 31 ,2021 for an amount of 24,801,554 against December 31,2020

**(14) Other Assets**

This item consists of the following:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Accrued interest and revenue | 33,537,922 | 21,268,858 |
| Prepaid expenses | 8,786,222 | 2,504,395 |
| Collaterals seized by the bank against matured debts - amortized cost* | 68,234,167 | 59,040,733 |
| Purchased banks acceptances - amortized cost | 26,050,501 | 34,452,639 |
| Assets / derivatives unrealized gain (Note 41) | 220,412 | 610,863 |
| Refundable deposits | 4,230,067 | 3,535,961 |
| Others | 8,553,364 | 7,366,527 |
| **Total** | **149,612,655** | **128,779,976** |

* According to the regulations of the Central Bank of Jordan, the bank is required to dispose seized real estate in a maximum period of two years from the acquisition date. The Central Bank may approve an extension up to two executive years at most. According to the Central Bank circular No. 10/1/4076 , a provision should be calculated for real estate seized for a period longer than four years .

**The following is a summary of the movement of assets seized by the bank:**

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the period | 59,040,733 | 67,172,269 |
| Additions | 25,658,566 | 4,285,416 |
| Additions due to acquisition | 2,719,517 | - |
| Retirements | (19,252,065) | (10,605,647) |
| Impairment losses | 107,531 | (1,004,170) |
| Releases from seized real estate | (40,115) | 1,020,208 |
| Foreign currency translation differences | - | (1,827,343) |
| Balance at the end of the period | **68,234,167** | **59,040,733** |

**Purchased Banks acceptances - Amortized cost**

**Distribution of bank acceptances and export documents and bills purchased by categories of the Bank's internal credit rating:**

| As of 31 December 2021 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing from 1 to 3 | 131,989 | - | - | 131,989 |
| Acceptable risk / performing from 4 to 9 | 25,911,931 | 94,248 | - | 26,006,179 |
| **Total** | **26,043,920** | **94,248** | **-** | **26,138,168** |

| As of 31 December 2020 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing from 1 to 3 | 1,653,412 | - | - | 1,653,412 |
| Acceptable risk / performing from 4 to 9 | 32,767,602 | 148,595 | - | 32,916,197 |
| **Total** | **34,421,014** | **148,595** | **-** | **34,569,609** |

**Movements of bank acceptances and export documents and bills purchased:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 34,421,014 | 148,595 | - | 34,569,609 |
| Add: new balances during the year | 192,311 | - | - | 192,311 |
| Settled balances | (8,569,404) | (54,347) | - | (8,623,751) |
| **Net balance** | **26,043,921** | **94,248** | **-** | **26,138,169** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 30,277,120 | 232,297 | - | 30,509,417 |
| Add: new balances during the year | 34,420,245 | 148,595 | - | 34,568,840 |
| Settled balances | (30,276,351) | (232,297) | - | (30,508,648) |
| **Net balance** | **34,421,014** | **148,595** | - | **34,569,609** |

**Movements of provisions on bank acceptances and export documents and bills purchased:**

| As of 31 December 2021 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 112,298 | 4,672 | - | 116,970 |
| Add: new balances during the year | 364 | - | - | 364 |
| Settled balances | (27,958) | (1,708) | - | (29,666) |
| **Net balance** | **84,704** | **2,964** | - | **87,668** |

| As of 31 December 2020 | Stage one | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 79,220 | 2,488 | - | 81,708 |
| Add: new balances during the year | 111,530 | 4,672 | - | 116,202 |
| Settled balances | (78,452) | (2,488) | - | (80,940) |
| **Net balance** | **112,298** | **4,672** | - | **116,970** |

**(15) Right to use leased assets and leased assets contracts obligations**

| The right to use leased assets | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| **balance as of 01 January 2021** | 3,943,039 | 3,695,089 |
| Add: new contracts during 2021 | 2,108,629 | 1,297,530 |
| Add: additions due to acquisition | 8,334,833 | - |
| Less: depreciation during the year | 1,843,839 | 1,252,237 |
| Less: terminated contracts | 1,964,950 | - |
| Foreign currency translation differences | - | 202,657 |
| **Balance as of 31 December 2021** | **10,577,712** | **3,943,039** |

| Obligations of leased assets contracts | | |
|---|---|---|
| **balance as of 01 January 2021** | 3,983,732 | 3,787,881 |
| Add: interest expenses during the year | 587,088 | 246,839 |
| Add: new contracts during 2021 | 1,912,594 | 1,310,130 |
| Add: additions due to acquisiton | 9,037,127 | - |
| Less: obligations repaid during the year | 1,808,449 | 1,432,076 |
| Less: terminated contracts | 1,848,472 | - |
| Foreign currency translation differences | - | 70,958 |
| **Balance as of 31 December 2021** | **11,863,620** | **3,983,732** |

All of the Long-Term leases are related to Branches Rent Contracts

The value of rents paid on short-term contracts (less than a year) amounted to JD 383,256 as of December 31, 2021, compared to an amount of JD 302,641 as of December 31, 2020

The value of rents paid on long-term contracts (More than a year) amounted to JD 1.808.449 as of December 31, 2021, compared to an amount of JD 1.432.076 as of December 31, 2020

The following is an analysis of the maturity of lease obligations as of December 31, 2021:

| | less than one year | from 1 year to 5 years | more than 5 years | **total** |
|---|---|---|---|---|
| Right-of-use leased assets | 946,336 | 3,017,342 | 6,614,034 | **10,577,712** |
| Leased liabilities | 869,725 | 2,902,531 | 8,091,363 | **11,863,620** |

## (16) Banks and Financial Institutions' Deposits

The details are as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Inside Jordan | Outside Jordan | Total | Inside Jordan | Outside Jordan | Total |
| | JD | JD | JD | JD | JD | JD |
| Current and demand deposits | 85,382 | 23,357,016 | 23,442,398 | 77,148 | 13,986,215 | 14,063,363 |
| Term deposits under 3 months | 19,040,585 | 333,661,306 | 352,701,891 | 19,947,754 | 104,047,736 | 123,995,490 |
| **Total** | **24,125,967** | **357,018,322** | **381,144,289** | **20,024,902** | **118,033,951** | **138,058,853** |

## (17) Customers' Deposits

This item consists of the following:

| 2021 | Retail | Corporate | SMEs | Government and Public Sectors | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Current and demand deposits | 258,460,635 | 455,541,790 | 100,313,719 | 24,554,919 | 838,871,063 |
| Saving accounts | 193,361,382 | 3,204,858 | 817,302 | - | 197,383,542 |
| Time and notice deposits | 1,070,484,079 | 465,759,604 | 72,923,539 | 110,142,312 | 1,719,309,534 |
| Certificates of deposit | 15,243,139 | - | - | - | 15,243,139 |
| **Total** | **1,537,549,235** | **924,506,252** | **174,054,560** | **134,697,231** | **2,770,807,278** |

| 2020 | Retail | Corporate | SMEs | Government and Public Sectors | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Current and demand deposits | 170,083,431 | 230,515,021 | 71,290,279 | 44,473,011 | 516,361,742 |
| Saving accounts | 91,394,775 | - | 37,289 | - | 91,432,064 |
| Time and notice deposits | 598,656,698 | 254,221,350 | 26,935,238 | 104,399,899 | 984,213,185 |
| Certificates of deposit | 82,205,815 | - | - | - | 82,205,815 |
| **Total** | **942,340,719** | **484,736,371** | **98,262,806** | **148,872,910** | **1,674,212,806** |

- The deposits of government and general public sector inside Jordan amounted to JD 120,370,733 representing 4.34 % of the total deposits as at 31 December 2021 against JD 148,872,910 representing 5.12 % as at 31 December 2020.
- The deposits of government and general public sector inside Iraq amounted to JD 14,326,498 representing 0.52 % of the total deposits as at 31 December 2021 against none as at 31 December 2020.
- Non-interest bearing deposits amounted to JD 817,208,987 representing 29.49 % of total deposits as at 31 December 2021 against JD 426,458,931 representing 25.99 % of the total deposits as at 31 December 2020.
- Reserved deposits (restricted withdrawals) amounted JD 5,751,775 as at 31 December 2021, against JD 13,645,671 as at 31 December 2020.
- Dormant deposits amounted to JD 8,414,661 as at 31 December 2021 against JD 6,390,038 as at 31 December 2020.
- Customer deposits significantly increased during the year 2021, due to the natural growth of the business and due to the combination and acquisition of the Bank Audi SAL in Jordan and Iraq.

## (18) Margin Accounts

The details are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Margins on direct credit facilities | 75,122,686 | 71,081,895 |
| Margins on indirect credit facilities | 105,588,350 | 56,917,756 |
| Margin dealings | 1,097,822 | 889,822 |
| Others | 51,854,906 | 22,833,909 |
| **Total** | **233,663,764** | **151,723,382** |

**(19) Loans and Borrowings**

The details are as follows :

| 31 December 2021 | Amount | Number of Installments - Total | Number of Installments - Outstanding | Frequency of Instalments | Collaterals (note 11) | Interest rate | Re-financed Interest rate |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | | JD | % | |
| Amounts borrowed from central banks | 207,545,080 | 21,034 | 15,896 | Monthly and semi annual payment and payment at maturity | - | 0.00% to 4.00% | 3.75% to 4.75% |
| Amounts borrowed from local banks and financial institutions | 60,000,000 | 7 | 7 | One payment | - | 4.30% to 7.00% | 4.50% to 12.40% |
| Amounts borrowed from foreign banks and financial institutions | 146,720,702 | 75 | 66 | Monthly and semi annual payment and payment at maturity | - | 1.00% to 2.79% | 3.87% to 12.00% |
| **Total** | **414,265,782** | | | | - | | |

| 31 December 2020 | Amount | Number of Installments - Total | Number of Installments - Outstanding | Frequency of Instalments | Collaterals | Interest rate | Re-financed Interest rate |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | | JD | % | |
| Amounts borrowed from central banks | 184,704,862 | 12,704 | 12,176 | Monthly and semi annual payment and payment at maturity | 32,599,621 | 0.00% to 4.00% | 3.75% to 4.75% |
| Amounts borrowed from local banks and financial institutions | 55,000,000 | 6 | 6 | One payment | - | 4.30% to 7.00% | 4.50% to 12.40% |
| Amounts borrowed from foreign banks and financial institutions | 90,286,365 | 74 | 52 | Monthly and semi annual payment and payment at maturity | - | 1.00% to 2.79% | 3.87% to 12.00% |
| **Total** | **329,991,227** | | | | **32,599,621** | | |

• Borrowed money from the Central Bank includes JD 207,545,080 that represents amounts borrowed to refinance the customers' loans in the medium term financing programs that have been re-borrowed. These loans mature during 2022 - 2038.

• The amounts borrowed from local institutions are all borrowed from the Jordan Mortgagee Refinance Company with a total amount of JD 60 Million. The loans mature during 2022 - 2028.

• Loans bearing fixed - interest rates amounted to JD 410,970,782 and loans bearing floating - interest rates amounted to JD 3,295,000 as at 31 December 2020 against JD 326,286,227 and JD 3,705,000 respectively as at 31 December 2020.

• Based on the most recent covenant assesment we are complying with all contingent rules and conditions with our financial institution leaders.

the below table shows the movement on the loans and borrowings as of :

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Balance as at 1 January 2020 | 329,991,227 | 165,319,524 |
| New balances during the year / Additions | 190,163,728 | 283,118,363 |
| Settled balances | (112,880,236) | (119,914,136) |
| Changes due to Acquisition | 6,991,063 | - |
| Adjustments due to change in exchange rates | - | 1,467,476 |
| **Total** | **414,265,782** | **329,991,227** |

**(20) Subordinated Loans**

| 31 December 2021 | Amount | Frequency of instalments | Collaterals | Interest Rate |
|---|---|---|---|---|
| | JD | | JD | % |
| Subordinated Loan | - | One payment maturing on 15 March 2026 | - | 0.00% |
| **Total** | **-** | | **-** | |

| 31 December 2020 | Amount | Frequency of instalments | Collaterals | Interest Rate |
|---|---|---|---|---|
| | JD | | JD | % |
| Subordinated Loan | - | One payment maturing on 15 March 2026 | - | 0.00% |
| **Total** | **-** | | **-** | |

- The Bank has completed issuing a $40 million bond on March 15 2020, classified as a tier two in accordance with Basel III instructions.

**(21) Sundry Provisions**

| 31 December 2021 | Balance at the beginning of the year | Provided during the period/year | Utilized during the period/year | Transferred to income | Balance at the end of the period/year |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Provision for lawsuits raised against the bank | 102,700 | 61,700 | (49,604) | - | 114,796 |
| Other provisions | 3,415,781 | - | (1,013,087) | (19,498) | 2,383,196 |
| **Total** | **3,518,481** | **61,700** | **(1,062,691)** | **(19,498)** | **2,497,992** |
| **31 December 2020** | | | | | |
| Provision for lawsuits raised against the bank | 102,700 | 27,740 | (27,740) | - | 102,700 |
| Other provisions | 4,819,310 | - | (519,498) | - | 4,299,812 |
| Foreign Currency translation differences | - | - | (884,031) | - | (884,031) |
| **Total** | **4,922,010** | **27,740** | **(1,431,269)** | **-** | **3,518,481** |

- The bank has taken fill provisions against the differences resulting from the currency auctions as requested by the Central Bank of Iraq from the affiliate -National Bank of Iraq- during the year 2018, by which the National Bank of Iraq claimed these amounts from its customers according to the Central Bank of Iraq, in addition to the recourse of the judiciary to collect these amounts. The National Bank of Iraq has collected an amount of JD 398,915 during the year ended 31 December 2021 against JD 615,369 during the year ended 31 December 2020.

## (22) Income Tax

**A- The movement of income tax provision is as follows:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| **Balance at the beginning of the period/year** | 4,887,737 | 6,850,303 |
| Income tax paid | (7,282,792) | (9,621,681) |
| Income tax charge for the year | 6,604,273 | 7,713,455 |
| Income tax charge for previous years | 307,327 | 175,237 |
| Foreign exchange translation differences | - | (229,577) |
| **Balance at the end of the period/year** | **4,484,833** | **4,887,737** |

**Income tax expense presented in consolidated income statement:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| | JD | JD |
| Current income tax charge for the year | 6,604,273 | 7,713,455 |
| Previous years income tax charges | 307,327 | 175,237 |
| Deferred tax assets for the year | 3,087,007 | (602,582) |
| Deferred tax liabilities for the year | (269,420) | (69,575) |
| Foreign exchange translation differences | - | 488,901 |
| | **9,729,187** | **7,705,436** |

- Legal income tax rate on the Bank's revenues and brokerage firm is 34% and 24% respectively. In addition to 4% for national contribution tax.

- Legal income tax on the Bank's revenues in Iraq is 15%.

- A final settlement has been made with the Income and Sales tax department regarding the Bank's tax in Jordan till the end of 2020.

- The Income and Sales Tax Department did not commence its review on the Bank's account for the year ended 2019 and 2020 until the date of these consolidated financial statements.

- The Bank has submitted its financial statements for the years ended till 2018, and the Income Tax Department has not reviewed these statements until the date of consolidated financial statements.

- A final settlement has been made with the Income and Sales Tax Department regarding the tax on Capital Investment and Brokerage company till the end of 2019.

- Capital Investment and Brokerage company have submitted the tax return till the year 2020. Final settlements are still pending as of the date of the consolidated financial statements.

- A final settlement has been made with the Income Tax Department regarding the tax on National Bank of Iraq till the end of 2016, and the Bank has settled the amounts due until the end of 2020.

- The management and tax consultants believe that the income tax provision recorded is sufficient to meet the tax obligations as at 31 December 2021.

**B- Income Tax liabilities**

The movement of income tax liability is as follows:

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Balance at the beginning of the year** | **Released** | **Additions** | **Balance at the end of the year** | **Deferred Tax** | **2020** |
| **Items Included** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** |
| **a) Deferred tax assets** | | | | | | |
| Provision for lawsuits held against the bank | 130,440 | (77,344) | 61,700 | 114,796 | 43,622 | 49,567 |
| Impairment loss on seized shares | 7,191,841 | - | - | 7,191,841 | 2,732,900 | 2,732,900 |
| Losses from revaluation of financial assets through income statement | 90,340 | (90,340) | - | - | - | - |
| Provision for watch list facilities | 25,789,404 | (9,208,802) | 10,890,906 | 27,471,508 | 10,222,707 | 5,977,643 |
| Losses from revaluation of financial assets through other comprehensive income | 2,620,050 | (277,766) | 3,129,269 | 5,471,553 | 1,958,974 | 2,957,379 |
| Additional provision on other credit facilities | - | - | - | - | - | - |
| Impairment losses of acquired assets | 8,979,959 | (1,050,887) | 233,707 | 8,162,779 | 3,101,856 | 3,412,384 |
| Other deferred tax assets | 1,195,909 | (1,196,504) | 3,466,644 | 3,466,049 | 1,290,225 | 432,974 |
| **Total** | **45,997,943** | **(11,901,643)** | **17,782,226** | **51,878,526** | **19,350,284** | **15,562,847** |
| **b) Deferred tax liabilities** | | | | | | |
| Unrealized gains – financial assets at fair value though OCI | 7,440,697 | (5,314,733) | 4,051,752 | 6,177,716 | 2,208,332 | 1,873,009 |
| Financial assets at fair value through income statement | 2,481,500 | (709,000) | - | 1,772,500 | 673,550 | 942,969 |
| **Total** | **9,922,197** | **(6,023,733)** | **4,051,752** | **7,950,216** | **2,881,882** | **2,815,978** |

- The deferred tax assets and liabilities of the Bank as at 31 December 2014 were calculated using a 35% tax rate which had an impact on deferred tax assets of JD 994.807 and deferred tax liabilities of JD 29.345 based on the new income tax law of 31 December 2014 and effective from 1 January 2015.

The movement on deferred tax assets/ liabilities is as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| | **JD** | **JD** | **JD** | **JD** |
| Balance at the beginning of the year | 15,562,848 | 2,815,978 | 14,845,952 | 2,616,165 |
| Additions | 5,102,314 | 335,323 | 3,075,253 | 269,388 |
| Released | (1,314,878) | (269,419) | (2,358,357) | (69,575) |
| **Balance at the end of the year** | **19,350,284** | **2,881,882** | **15,562,848** | **2,815,978** |



- The Income tax rates on deferred tax assets and liabilities ranged between 28% - 38% in accordance to the newly issued Income Tax Law number 38, effective 1 January 2020.

- Reconciliation between taxable profit and the accounting profit is as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Accounting profit | 70,736,011 | 38,007,514 |
| Non-taxable income | (59,632,180) | (12,540,596) |
| Non-deductible expenses | 20,135,953 | 11,293,457 |
| **Taxable profit** | **31,239,784** | **36,760,375** |
| Effective rate of income tax | 13.75% | 20.27% |

- The statutory income tax rate on bank profits in Jordan is 38%, and the statutory income tax rate in the countries in which the bank has investments ranges between 15% - 24%.

**(23) Other Liabilities**

This item consists of the following:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Accrued interest expense | 16,887,671 | 10,830,244 |
| Accrued expenses | 6,904,734 | 3,453,483 |
| Certified cheques | 7,278,415 | 4,715,290 |
| Cheques payable | 2,127,431 | 1,309,806 |
| Board of directors' remuneration | 68,334 | 65,000 |
| Brokerage payables | 21,526,344 | 19,272,726 |
| Liabilities / derivatives unrealized gain (Note 41) | 1,414,498 | 3,698,004 |
| Guarantees | 453,716 | 659,326 |
| Others | 7,635,179 | 7,201,078 |
| **Total** | **64,296,322** | **51,204,957** |

**(24) Paid In Capital**

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

**(25) Cash Dividends and Proposed Cash Dividends**

The Bank's board of directors, in its meeting held on 15 April 2021 approved the distribution of cash dividends at a value of 12% of the subscribed group paid-up capital equivalent to JD 24,000,000

The Bank's ordinary General Assembly, in its meeting held on 27 January 2022 No. 01/2022, approved distribution of cash dividends at a value of 15% of the subscribed group paid-up capital, and is subject to the approval of the Central Bank of Jordan and the Public Authority of Shareholders.

**(26) Reserves**

**Statutory Reserve**

As required by the Law, 10% of the profit before tax is transferred to the statutory reserve. This reserve is not available for distribution to shareholders according to the banking and company laws.

The use of the following reserves is restricted by law:

| Description | Amount | Restriction Law |
|---|---|---|
| | JD | |
| Statutory reserve - 31 December 2021 | 56,114,618 | Companies and Banks law |
| Statutory reserve - 31 December 2020 | 44,186,425 | Companies and Banks law |

**(27) Foreign currency translation adjustments**

The foreign currency translation differences represents the exchange differences resulted from translation of the net assets of the National Bank of Iraq upon the consolidation of the financial statements.

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| **Balance at the beginning of the year** | (16,540,837) | (5,223,143) |
| Net movement | - | (11,317,694) |
| **Balance at the end of the year** | **(16,540,837)** | **(16,540,837)** |

**(28) Fair value reserve**

| | Financial assets at fair value through other comprehensive income |
|---|---|
| **31 December 2021** | JD |
| **Balance at the beginning of the year** | 3,619,029 |
| Unrealized loss from debt instruments | (4,305,696) |
| Realized Loss of sale of debt instruments at fair value through other comprehensive income transferred to income | (21,019) |
| Unrealized gain from equity instruments | 1,370,329 |
| Loss from sale of equity instruments through other comprehensive income | (517,889) |
| Deferred tax assets | 1,003,689 |
| Deferred tax liabilities | (335,323) |
| **Balance at the end of the Year** | **813,120** |

| | |
|---|---|
| **31 December 2020** | JD |
| **Balance at the beginning of the year** | 1,636,797 |
| Unrealized Gain from debt instruments | 2,876,087 |
| Realized Loss of sale of debt instruments at fair value through other comprehensive income transferred to income | (1,070,702) |
| Unrealized gain from equity instruments | 101,375 |
| Gains from sale of equity instruments through other comprehensive income | 279,515 |
| Deferred tax assets | 114,313 |
| Deferred tax liabilities | (269,388) |
| Differences from foreign currency translations | (48,968) |
| **Balance at the end of the Year** | **3,619,029** |

**(29) Material partially - owned subsidiaries**

**First: Proportion of equity interest held by non-controlling interests is as follows:**

| 31 December 2021 | Country | Nature of activity | Non-controlling interest ownership percentage | Non controlling interest share of dividends distributed |
|---|---|---|---|---|
| National Bank of Iraq | Iraq | Banking | 38.15% | 3,705,253 |
| **31 December 2020** | | | | |
| National Bank of Iraq | Iraq | Banking | 38.15% | - |

**Second: The following is the summarized financial information of these subsidiaries, this information is based on amounts before inter-company eliminations.**

A. Summarized statement of financial position before elimination entries as of :

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| | National Bank of Iraq | National Bank of Iraq |
| | JD | JD |
| Cash, balances and deposits | 290,079,352 | 214,288,827 |
| Financial assets through OCI | 36,659,100 | 34,847,369 |
| Credit facilities, net | 419,837,979 | 154,231,487 |
| Financial assets at amortized cost | 24,663,997 | - |
| Other assets | 105,215,247 | 30,390,123 |
| **Total assets** | **876,455,675** | **433,757,806** |
| Banks, customers deposits' and margin accounts | 654,300,152 | 239,218,270 |
| Loans & borrowings | 49,000,733 | 32,198,834 |
| Provisions and other liabilities | 23,358,237 | 16,763,939 |
| **Total liabilities** | **726,659,122** | **288,181,043** |
| Shareholders' equity | 149,796,553 | 145,576,763 |
| **Total liabilities and shareholders' equity** | **876,455,675** | **433,757,806** |
| **Non-Controlling interest *** | **29,140,509** | **48,324,233** |

* The financial statements of the National Bank of Iraq showa Goodwill of 58.8 million JD resulting from the acquisition of Bank Audi's branches business in Iraq, which resulted using the fair value acquisition method.

* During the consolidation of the financial statements of the National Bank of Iraq with the parent company, this goodwill was reversed along with the value of the outcome of the acquisition in Jordan which resulted from the acquisition of the business of Bank Audi branches in Jordan, as it was considered as a single transaction.

* The effect of reversing the resulted goodwill in the National Bank of Iraq has been allocated between the non-controlling interests and shareholders equity.

* The Ordinary General Assembly of the National Bank of Iraq, in its meeting held on March 18, 2021, approved the distribution of cash dividends to shareholders at the rate of 8% of the bank's paid-up capital.

B. Summarized statement of comprehensive income before elimination entries as of:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| | National Bank of Iraq | National Bank of Iraq |
| | JD | JD |
| Interest and commission income, net | 36,825,079 | 24,656,741 |
| Other income | 3,267,232 | 7,102,253 |
| **Total Income** | **40,092,311** | **31,758,994** |
| General and administrative expenses | 23,233,471 | 14,361,473 |
| Provisions | 971,332 | 3,199,130 |
| **Total expenses** | **24,204,803** | **17,560,603** |
| **Profit before tax** | 15,887,508 | 14,198,391 |
| **Income tax** | 2,641,237 | 2,806,520 |
| **Profit after tax** | **13,246,271** | **11,391,872** |
| Other comprehensive income | 1,035,098 | 16,009,632 |
| **Total comprehensive income for the year** | **14,281,369** | **27,401,504** |
| **Non-Controlling interest** | **(17,467,667)** | **(3,755,327)** |

C. Summarized cash flow for National Bank of Iraq:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| | **National Bank of Iraq** | **National Bank of Iraq** |
| | **JD** | **JD** |
| **Cash flows** | | |
| Operating | 38,188,089 | 20,149,733 |
| Investing | (38,182,907) | (9,407,630) |
| Financing | 19,858,673 | 18,921,937 |
| **Net increase/(Decrease)** | **19,863,855** | **29,664,040** |

## (30) Retained Earnings

| | 2021 |
|---|---|
| | **JD** |
| Balance at 1 January 2021 | 78,096,479 |
| Gain on sale of financial assets through other comprehensive income | 517,889 |
| Sale of treasury stocks from subsidiaries | 414,246 |
| Transferred to reserves | (11,928,193) |
| Distributed dividends (Note 25) | (24,000,000) |
| Profit at end of year | 78,813,333 |
| **Balance at the end of the year** | **121,913,754** |

| | 2020 |
|---|---|
| | **JD** |
| Balance at 1 January 2020 | 55,404,849 |
| Loss on sale of financial assets through other comprehensive income | (279,515) |
| Transferred to reserves | (2,984,934) |
| Profit at end of year | 25,956,079 |
| **Balance at the end of the year** | **78,096,479** |

- The balance of retained earnings includes a restricted amount of JD 19.350.284 as at 31 December 2021 against JD 14,845,952 as at 31 December 2020 which represents the deferred tax assets that cannot be utilized according to the Central Bank of Jordan Regulations.

- The balance of retained earnings includes unrealized gain of JD 958,330 as at 31 December 2021 against JD 927,971 as at 31 December 2020 which represents the effect of early adoption of IFRS (9) related to classification and measurement. However, this amount is restricted from use except for the amounts that become realized regulations according to Securities and Exchange Commission.

- Amount equal to the negative balance of a fair value reserve is considered a restricted reserve that cannot be utilized.

- The general banking risks reserve is a restricted reserve that cannot be utilized without prior approval of the Central Bank of Jordan. Regarding the implementation of IFRS 9 the Central Bank of Jordan issued Circular No.10/1/1359 on 25 January 2018 , allowing banks to transfer the balance of general banking risk reserve to retained earnings to reflect the impact of IFRS 9 on the opening balance of retained earnings as at 1 January 2018. The Circular also stipulates that the balance of a general bank risk reserve item is a restricted balance. Dividends may not be distributed as dividends to shareholders and may not be used for any other purpose except with the approval of the Central Bank of Jordan. The unutilized balance amounted to JD 8,840,593.

**(31) Interest Income**

This item consists of the following:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| **Direct Credit Facilities:-** | | |
| **Retail** | | |
| Overdrafts | 1,470,478 | 1,146,772 |
| Loans and bills | 29,445,953 | 11,026,555 |
| Credit cards | 1,623,587 | 1,041,502 |
| **Real estate mortgages** | 12,225,601 | 9,764,398 |
| **Corporate** | | |
| Overdrafts | 11,461,162 | 10,139,406 |
| Loans and bills | 54,635,216 | 41,467,185 |
| **Small and medium enterprises (SMEs)** | | |
| Overdrafts | 1,437,661 | 2,594,407 |
| Loans and bills | 11,169,031 | 12,064,112 |
| **Government and public sectors** | 4,378,724 | 2,877,171 |
| Balances at central banks | - | 28,162 |
| Balances at banks and financial institutions | 1,692,652 | 1,625,561 |
| Financial assets at fair value through other comprehensive income - debt instruments | 5,727,208 | 3,417,107 |
| Interest on pledged financial assets | 490,882 | 1,963,526 |
| Financial assets at amortized cost | 41,036,616 | 30,103,010 |
| Loans and advances at fair value through other comprehensive income | 3,924,191 | 1,027,164 |
| **Total** | **180,718,962** | **130,286,038** |

**(32) Interest Expense**

The details are as follow:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Banks and financial institutions deposits | 3,762,741 | 4,020,107 |
| Customers' deposits : | | |
| Current accounts and deposits | 2,646,162 | 982,747 |
| Saving deposits | 1,372,003 | 755,761 |
| Time and notice deposits | 55,415,339 | 40,355,243 |
| Certificates of deposits | 1,635,604 | 4,131,202 |
| Interest on leased asset obligations | 587,090 | 246,839 |
| Margin accounts | 2,312,585 | 1,122,585 |
| Loans and borrowings | 8,317,789 | 8,096,014 |
| Deposits guarantee fees | 2,663,079 | 1,505,504 |
| **Total** | **78,712,392** | **61,216,002** |

**(33) Net Commission Income**

The details are as follow:

| | 2021 | 2020 |
|---|---|---|
| Commission income : | JD | JD |
| Direct credit facilities | 4,205,793 | 3,069,398 |
| Indirect credit facilities | 15,579,428 | 12,550,747 |
| Other commission | 11,453,767 | 11,991,865 |
| Less: Commission expense | (6,296,656) | (3,198,108) |
| **Net Commission Income** | **24,942,332** | **24,413,902** |

**(34) Gain From Foreign Currencies**

The details are as follow:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Revaluation of foreign currencies | 2,001,617 | 5,253,774 |
| Revaluation trading in foreign currencies | 2,412,890 | 6,394,255 |
| **Total** | **4,414,507** | **11,648,029** |

**(35) Other Income**

| The details are as follow: | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Recovery from written - off debts | 1,826,770 | 341,685 |
| Gain (loss) on revaluation of loans at fair value | - | - |
| Income and commission from investments and securities | 4,124,775 | 2,620,255 |
| Collection against auction price swaps * | 398,915 | 615,369 |
| Others | 193,312 | 647,385 |
| **Total** | **6,543,772** | **4,224,694** |

* Based on the instructions of the Central Bank of Iraq, the amount JD 398,915 was collected from National Bank of Iraq customers which represents the differences imposed by the Central Bank of Iraq during 2021, compared to JD 615,369 during 2020.

**(36) Employees' Expenses**

| The details are as follow: | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Salaries and benefits | 28,509,851 | 17,740,183 |
| Bank's contribution in social security | 2,440,369 | 2,039,827 |
| Medical expenses | 1,290,705 | 1,209,446 |
| Employees' training | 250,058 | 172,090 |
| Bank's contribution to social activities fund | 20,560 | 15,292 |
| Paid vacations | 137,769 | 178,868 |
| Others | 94,820 | 152,754 |
| **Total** | **32,744,132** | **21,508,460** |

**(37) Other Expenses**

| The details are as follow: | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Rent and building services | 3,225,393 | 2,611,848 |
| Advertisement | 3,447,882 | 2,866,677 |
| Computer expenses | 4,019,880 | 2,569,948 |
| Consulting and professional fees | 6,734,815 | 2,600,211 |
| Internet | 688,896 | 999,596 |
| Subscriptions | 252,743 | 412,715 |
| Board of Directors' transportation | 1,852,701 | 1,587,807 |
| Maintenance | 867,853 | 773,732 |
| Post, telephone, swift | 872,106 | 713,989 |
| Travel and transportation | 550,169 | 300,812 |
| Donations | 781,689 | 499,378 |
| Subscriptions, fees and licenses | 799,982 | 454,307 |
| Security services | 1,012,782 | 724,709 |
| Operational Loss | 177,768 | 32,980 |
| Insurance | 928,767 | 606,568 |
| Stationary and printing | 507,169 | 331,459 |
| Cash transportation services | 277,742 | 295,835 |
| Reuters' and Bloomberg subscription expense | 282,122 | 244,612 |
| Hospitality | 218,781 | 71,805 |
| Others | 1,006,127 | 246,176 |
| **Total** | **28,505,367** | **18,945,164** |

**(38) Earnings Per Share**

**Basic earnings per share:**

The details are as follow:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Profit for the period attributable to Bank's shareholders | 78,813,333 | 25,956,079 |
| Weighted average number of shares during the period | 200,000,000 | 200,000,000 |
| | JD / Fils | JD / Fils |
| **Basic and diluted earnings per share** | **0.394** | **0.130** |

- The basic earning per share is equivalent to the diluted earning per share, since the bank did not issue any convertible financial instruments.

**(39) Fair Value of Financial Assets not Presented at Fair Value in the Financial Statements**

| | 31 December 2021 | | | 31 December 2020 | |
|---|---|---|---|---|---|
| | Book value | Fair value | Level | Book value | Fair value |
| | JD | JD | | JD | JD |
| Financial assets at amortized cost | 987,021,419 | 1,010,904,151 | one and two | 563,884,457 | 598,429,335 |
| Direct credit facilities, net | 2,031,147,338 | 2,031,147,338 | two | 1,302,958,951 | 1,302,958,951 |
| Pledged financial assets | - | - | one and two | 25,330,821 | 26,456,371 |

Carrying Value approximate fair value for all other financial assets and liabilities Which are carried at amortised cost and not presented in the table above

**(40) Cash and Cash Equivalents**

The details are as follow:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Cash and balances with central banks maturing within 3 months | 375,703,975 | 264,660,799 |
| Add: Balances at banks and financial institutions maturing within 3 months | 312,546,731 | 142,537,265 |
| Less: Banks and financial institutions' deposits maturing within 3 months | (376,144,289) | (138,058,853) |
| Less: Restricted cash balances (Note 6) | (6,319,823) | (6,106,562) |
| | **305,786,594** | **263,032,649** |

**(41) Derivative financial instruments**

The table below shows the details of derivative financial instruments at the end of the year.

| | | | | Par (nominal) value maturity | |
|---|---|---|---|---|---|
| **2021** | **Positive fair value (note 14)** | **Negative fair value (Note 23)** | **Total nominal amount** | **Within 3 months** | **3-12 months** |
| | JD | JD | JD | JD | JD |
| Currency sale contract | 1,665 | - | 23,905,149 | 20,595,817 | 3,309,332 |
| Currency purchases contract | - | 12,200 | 23,548,022 | 20,244,192 | 3,303,830 |
| Currency swaps contracts | 218,747 | - | 63,841,185 | 51,060,096 | 12,781,089 |
| Interest swap contracts | - | 1,402,298 | 79,762,500 | - | 79,762,500 |
| **2020** | | | | | |
| Currency sale contract | 190,368 | - | 16,484,676 | 15,717,241 | 767,435 |
| Currency purchases contract | - | - | 16,714,108 | 15,946,673 | 767,435 |
| Currency swaps contracts | 420,495 | - | 77,959,137 | 37,645,122 | 40,314,015 |
| Interest swap contracts | - | 3,698,004 | 106,350,000 | - | 106,350,000 |

The par (nominal) value indicates the value of the outstanding transactions at year end and does not indicate market risk or credit risk.

**(42) Related Parties Transactions**

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

| | Ownership | | Paid in capital | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | % | % | JD | JD |
| Capital Investment and Brokerage Company | 100 ٪ | 100 ٪ | 10,000,000 | 10,000,000 |
| National Bank of Iraq | 61.85٪ | 61.85٪ | 86,739,856 | 86,739,856 |
| Bahrain Investment Fund Company | 100 ٪ | 100 ٪ | 1,888 | 1,888 |
| Capital Investment (DIFC) Limited | 100 ٪ | 100 ٪ | 177,250 | 177,250 |

The Bank has entered into transactions with subsidiaries, Shareholders, directors and senior management within the normal activities of the Bank and using commercial interest rates and commissions.

- The following related parties transactions took place during the year:

| | Related party | | | | Total | |
|---|---|---|---|---|---|---|
| | BOD members | Executive management | Subsidiaries * | Major Shareholders | 2021 | 2020 |
| | JD | JD | JD | JD | JD | JD |
| **Statement of financial position items:** | | | | | | |
| Bank deposits with related parties | - | - | 40,867,382 | - | 40,867,382 | - |
| Bank deposits | 104,876,108 | 828,456 | 9,318,880 | 5,387 | 115,028,831 | 123,236,215 |
| Margin accounts | 42,662 | 20,994 | 113,831,573 | - | 113,895,229 | 70,469,885 |
| Direct credit facilities | 21,408,293 | 1,585,999 | 520 | 3,700,000 | 26,694,812 | 33,912,380 |
| Direct credit facilities - watch list | - | - | - | - | - | 4,263,872 |
| **Off-balance sheet items:** | | | | | | |
| Indirect credit facilities | 6,117,113 | 1,000 | 80,259,598 | - | 86,377,711 | 78,256,133 |
| Expected credit losses stage 1 | 443,341 | 340 | 86,877 | 10,622 | 541,180 | 295,081 |
| Expected credit losses stage 2 | - | - | - | - | - | 500,099 |
| **Statement of income items:** | | | | | | |
| Interest and commission income | 1,989,092 | 86,892 | 6,104,625 | 138,944 | 8,319,553 | 6,295,532 |
| Interest and commission expense | 3,991,020 | 18,305 | 351,481 | 298 | 4,361,104 | 5,531,557 |

* The effect of balances and movements with affiliate companies for purposes of consolidating financial statements.

• Interest rates on credit facilities in Jordanian Dinar range between 2.00% - 9.95%.
• Interest rates on credit facilities in foreign currency range between 6.50% - 6.50%.
• Interest rates on deposits in Jordanian Dinar range between 3.125% - 4.35%.
• Interest rates on deposits in foreign currency between 1.50% - 1.50%.

Compensation of the key management personnel benefits for the bank and its subsidiaries as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Benefits (Salaries, wages, and bonuses) of executive management for the Group | 3,597,806 | 3,424,180 |
| **Total** | **3,597,806** | **3,424,180** |

**(43) Fair Value of Financial Instruments**

Financial instruments include cash balances, deposits at banks and the Central Bank of Jordan, direct credit facilities, other financial assets, customers' deposits, banks deposits and other financial liabilities.

There are no material differences between the fair value of financial instruments and their book value.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques by which all inputs significantly effect the recorded fair value may be observed, either directly or indirectly from market information.
Level 3: Other techniques using inputs significantly effecting the recorded fair values; which are not based on observable market data.

The following table shows the breakdown of the financial instruments at fair value and according to the above hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **2021** | | | | |
| **Financial assets-** | | | | |
| Financial assets at fair value through other comprehensive income | 168,091,630 | 27,409,208 | - | 195,500,838 |
| Loans and advances at fair value through income statement | - | 82,883,298 | - | 82,883,298 |
| Derivative instruments (Note 14) | - | 220,412 | - | 220,412 |
| **Financial Liabilities** | | | | |
| Derivative instruments (Note 23) | - | 1,414,498 | - | 1,414,498 |
| **2020** | | | | |
| **Financial assets-** | | | | |
| Financial assets at fair value through other comprehensive income | 72,832,611 | 16,744,523 | - | 89,577,134 |
| Loans and advances at fair value through income statement | - | 112,529,504 | - | 112,529,504 |
| Derivative instruments (Note 14) | - | 610,863 | - | 610,863 |
| Mortgaged Assets | - | 7,268,800 | - | 7,268,800 |
| **Financial Liabilities** | | | | |
| Derivative instruments (Note 23) | - | 3,698,004 | - | 3,698,004 |

**(44) Risk Management Policies**

The Bank has followed a comprehensive strategy within the best practices in managing the risks that it may be exposed to (credit risk, operational risk, market risk, liquidity risk, interest rate risk, concentration risk, information security, and any other risks) in order to preserve the Bank's financial position and profitability.

The general framework of risk management in the bank, its follow-up and mitigation, and compliance with the instructions of the regulatory authorities and the Basel Committee is a comprehensive and joint responsibility through multiple bodies in the bank, starting with the Board of Directors and its committees such as the Risk Committee, the Audit Committee and the Compliance Committee, in addition to the various internal committees in the bank such as the Internal Risk Management Committee Asset and liability management, facilities committees, in addition to all bank departments and branches.

The Risk Management Department, which is an independent and specialized department in the Bank, which operates according to the approved risk management policies and credit policies in identifying and measure existing and potential risks (financial and non-financial) and raising the necessary reporting on a periodic basis, in additional to adopting and implementing the requirements of Basel Committee, the Central Bank of Jordan and the best practices in the field of risk management. The risk management participates in evaluating the bank's ability and the adequacy and distribution of its capital in achieving its strategic objectives and determining the requirements necessary to manage and control the associated risks, control and the complexity of its operations. These principles are as follows:

1. The Board of Directors and its risk committee both review and approve the Bank’s Risk Appetite for potential losses associated with the various risk factors, as well as review and approve the Risk Management Policies in order to ensure that these policies keep up with all developments in the banking industry in terms of growing its operations and expansion of its services. In addition the Board of Directors ensures that the Bank’s strategies are being implemented in relation to the bank’s risk management.

2. The Chief Executive Officer is considered the primary responsible person for implementing risk management recommendations in accordance to the principles of Board of Directors and the Risk Committee . He is also the head of the Internal Risk Management Committee.
3. The Chief Risk Officer is responsible for managing risks and the associated practices within the bank’s activities structure, and submitting periodic reports to the risk management committee emanating from the Board of Directors.

4. The risk management philosophy at the Bank is based on knowledge, experience ,the judgment capability of the supervisory management , and the availability of a clear authority matrix set by the Board of Directors.
5. Continuously developing the risk management systems and taking on the necessary steps and measures needed to make sure that the Bank is in compliance with the new international standards, namely the requirements of Basel III and IFRS 9.

6. The Risk Department manages the Bank’s risks according to a comprehensive centralized methodology, with the presence of systems that assist in managing these risks, and by providing various business units at the Bank with the methodologies and tools that are necessary for achieving an efficient and proper management of all types of risks. The Risk Department, which is headed by the Chief Risk Officer, is linked to the Board’s Risk Management Committee. There is also a direct link that connects the Chief Risk Officer with the Chief Executive Officer.
7. Risk management is the responsibility of all employees.
8. The role of the Assets and Liabilities Committee is in planning the optimal deployment and allocation of capital, assets and liabilities and the continuous monitoring of liquidity and market risks.
9. The Internal Audit Department provides an independent assurance on the compliance of the Bank’s business units with the risk management policies and procedures, and the effectiveness of the Bank’s risk management framework.

10. The Chief Financial Officer (CFO) is responsible for identifying the financial risks, as well as monitoring and maintaining the quality and soundness of financial information, and ensuring the accuracy and integrity of the disclosed financial statements.

11. The Chief Compliance Officer is responsible for ensuring that the Bank complies with all the relevant regulations, legislation and laws, especially those issued by the regulatory authorities.

**During 2021 the Bank has worked on several primary principles in risk management, mainly on the following:**

1. Implementation of the new updated credit rating system (CreditLens)
2. Update the limits of acceptable risks in the bank (Risk Appetite)
3. Preparing the internal capital adequacy assessment process (ICAAP) and stress testing
4. Updating the criteria for staging and calculating expected credit losses in line with the conditions of the Corona pandemic
5. Obtaining the updated PCI DSS certificate for the bank and the National Bank of Iraq
6. Developing Cyber Security Standards for the Bank's operating systems
7. Implementing security controls related to the SWIFT system according to standards and requirements
8. Perform multiple security checks for bank applications and internal external network
9. Developing a Security Awareness Program to the customers & bank's Staff.
10. Develop authority matrix for important and critical systems
11. Classification of assets for most of the bank's departments
12. Apply Basic Indicator Approach and Standardized Approach for measuring the operational risks in the bank
13. Activate Key Risk Indicators (KRIs)
14. Monitor all the operational risks at the bank by ensure conducting the Control and Risk Self Assessments (CRSA)
15. Completion of upgrading Operational Risk system
16. Monitoring all financial transactions through credit cards via one of the latest specialized system in compliance with regulators' instructions
17. Implement COBIT 2019 framework for Operational Risk, Business Continuity and Information Security Department

18. Create a protocol to deal with COVID pandemic and update it regularly based on regulators' directions / recommendations and re-evaluating Business Continuity Plans accordingly
19. Developing a comprehensive Business Impact Analysis model for all bank departments and creating a clear methodology for assessing the criticality of the bank's systems and products
20. Conduct Disaster Recovery (DR) site testing
21. Conduct call tree testing for all departments and branches and update the related procedures
22. Review and update Operational Risk and Business Continuity policies and procedures in addition to creating a comprehensive BCP
23. Conducting awareness campaigns for all staff regarding the importance of Business Continuity

**For the year 2022, the Bank is planning to work on several primary principles in risk management, mainly on the following:**

1. Update the limits of acceptable risks in the bank (Risk Appetite)
2. Updating the staging criteria and expected credit loss calculations
3. Preparing the internal capital adequacy assessment process (ICAAP) and stress testing
4. Establishing an automated system for risk management and developing its reports
5. Update the Information Security and Cyber Security Strategy
6. Obtaining the updated PCI DSS certificate for the bank and the National Bank of Iraq
7. Implementation of security controls related to the SWIFT system as per standards and requirements
8. Implementation of the security information management system, update and upgrade the systems
9. Implementation of Cyber security software application
10. Implementation of the COBIT Framework for Information Security
11. Development of Key Risk Indicators.
12. Introducing Key Performance Indicators.
13. Updating the authority matrix for critical and critical systems
14. Develop a security awareness program for employees and bank customers
15. Update information security policies and procedures
16. Automating Key Risk Indicators (KRIs) process
17. Evaluating the operational risks on process level
18. Review and update the Risk and Controls Self-Assessment (CRSA)
19. Updating Operational Risk and Business Continuity policies, procedures and BCP
20. Periodic review of approved work procedures and policies according to the procedures classification list
21. Staff training and awareness on the culture of operational risk and business continuity plan
22. Maintaining maturity level in COBIT 2019 processes related to Operational Risk and Business Continuity
23. Evaluating the bank’s operating and new systems based on the pre- approved methodology
24. Conduct all the needed tests to ensure business continuity

**(44-1-A) Credit risk management**

Credit risk is the risk of suffering financial loss, should any of the Group's customers fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from loan and advances, loan commitments arising from such lending activities, trade finance and treasury activities but can also arise from financial guarantees, letter of credit, endorsements and acceptances. The Group is also exposed to other credit risks arising from investments in debts instruments, derivatives as well as settlement balances with market counterparties.

Credit risk is the single largest risk from the Group's business of extending Loans and Advances (including loan commitments, LCs and LGs) and carrying out investment in securities and debts; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralized in a risk management department which reports regularly to the Risk Management Committee.

The Bank generally manages Credit Risk through:

- A clear and comprehensive policy for managing credit risk in addition to approved credit policies.
- Setting clear and specific limits for credit risks level that are set by the Board of Directors and then circulated to the different business units.
- Adopting the concept of credit committees to ensure that the credit decisions are not made on individual or subjective basis.
- Having a clear criteria for selecting clients, the target market and the acceptable level of credit.
- A comprehensive and thorough financial and credit analysis covering the various aspects of risk for each clients and/or credit processes.
- The results of Moody's Credit Rating System in determining each client's risk classification.
- Reviewing and analyzing the quality of the credit portfolio periodically, according to specific performance indicators.
- Evaluating and monitoring constantly to avoid high credit concentration, and implementing the required remedial actions.
- Adopting early warning indicators and recognition of possible risks in the credit portfolio while revising them on a regular basis.
- Effective management and follow up of the preservation of the legal documentation process and collateral administration to ensure that there are no negative indicators or regress that may necessitate the undertaking of pre-emptive or safety actions.
- Periodical revision, or when necessary, of all extended credit facilities on individual basis to ensure that there are no negative indicators or regress that necessitate the undertaking of pre-emptive or safety actions.

**Key Credit Risk Management Methods:**

**1- Loans and advances**

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using the concept of Expected Loss which requires the following measures:

-Probability of Default (PD)
-Loss Given Default (LGD)
-Exposure at Default (EAD)

Under IFRS 9 expected loss is replaced by expected Credit Loss (ECL), which is based on macro adjusted PD, LGD & EAD measures. Additionally it also captures deterioration and lifetime likelihood of defaults.

**2- Credit risk grading**

In accordance with the Credit Risk Management Principle, the availability of an internal credit rating system for customers is an essential element in the process of measuring credit risk, assessing the quality of the credit portfolio and determining its credit risk structure.

The international credit rating system "Moodys"has been applied to the Bank and its subsidaries since 2013, 2017 and 2018 respectively. The system has assisted the Bank with;

Measuring customer risk scores, and improved the process of collecting and evaluating quantitative and qualitative information that can be relied upon in the risk measurement methodology

Collecting and analyzing historical and projected financial data in order to analyze the historical and expected financial performance and cash flows of customers, in addition to performing Sensitivity Analysis based on many factors and expected strategies.

The process of monitoring the terms and financial covenants is contained in loan agreements

Conducting analysis of the economic sectors and comparisons of the financial statements of clients of similar companies in the same sector based on the available system database

The system is based on two dimensions (two dimensions) first: the customer risk (Obligor Risk Rating), which reflects the degree of credit capacity of the customer independently of the guarantees provided, and is linked to the probability of default (PD%), the second: Facility risk and calculation of loss upon default (LGD%) and credit exposure upon default (EAD), using a set of rating models that reflect the nature and activities of the bank's customers, as follows:

| | | |
|---|---|---|
| Country Scorecard Model | SMEs Programmed Lending Model | Corporate Rating Model |
| High Net Worth Individual Model | Retail Scorecard Model | SMEs Financial Model |
| Project Finance Model | Financial Institutions Scorecard Model | SMEs Non-Financial Model |

The output of the (Moody's) rating system are translated into various grades of risk that distinguish between customers on the basis of their credit risk. Institutional customer have 10 risk scores / 20 sub-grades, retail customers have 6 risk scores, while financial institutions and countries have 8 scores.

For corporate customer, the model evaluates from a finanical and non-financial aspect as follows:

Financial evaluation: which is based on an analysis of clients' financial statements, and includes:
Financial Ratios relating to Operations
Liquidity ratios
Financial ratios related to the capital structure
Debt Service Ratios
Non-financial evaluation: which depends on qualitative factors about the customer, and includes:
Industry risks
Management quality
Experience and customer experience in his activity and dealing with banks (Company Standing)

On the other hand, the system uses the Scorecard methodology in some of the classification models used, such as the classification models for individual customers, financial institutions, countries and governments, which include evaluation of various financial and non-financial factors in line with the nature of each of them.

The Group use specific internal rating models tailored to the various industry segments/counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data input into the model.

The credit grades are calibrated such that risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a 6 and 8 rating grade is higher than the difference in the PD between a 3 and 5 rating grade.

The Risk Rating system for performing assets ranges from 1 to 10, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated 6, 7, 8, 9, and 10 corresponding to NAUR (Non-accrual under Restructuring), Substandard, Doubtful, Loss classifications and Write-off.

These risk ratings have been mapped into 8 Grades which are defined below:

| Stage | CB Grade | Description |
|---|---|---|
| 1 | 1 | FI rated 1, 2, 3, and 4 possess superior intrinsic financial strength. Typically, they will be institutions with highly valuable and defensible business franchises, strong financial fundamentals, and a very predictable and stable operating environment. |
| | 2 | |
| | 3 | |
| | 4 | |
| | 5 | FI rated 5 possess strong intrinsic financial strength. Typically, they will be institutions with valuable and defensible business franchises, good financial fundamentals, and a predictable and stable operating environment. |
| 2 | 6 | FI rated 6 possess adequate intrinsic financial strength. Typically, they will be institutions with more limited but still valuable business franchises. These FI will display either acceptable financial fundamentals within a predictable and stable operating environment, or good financial fundamentals within a less predictable and stable operating environment. |
| | 7 | FI rated 7 display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment. |
| 3 | 8 | FI rated 8 display very modest intrinsic financial strength, with a higher likelihood of periodic outside support or an eventual need for outside assistance. Such institutions may be limited by one or more of the following factors: a weak and limited business franchise; financial fundamentals that are materially deficient in one or more respects; or a highly unpredictable or unstable operating environment. |

Ineternal Credit rating for corporate and SMEs:

| Stage | CB Grade | Description |
|---|---|---|
| | 1 | Obligations rated 1 are judged to be of the highest quality, and carry the lowest level of credit risk. |
| | 2 | Obligations rated 2 are judged to be of high quality and very low credit risk. |

| | | |
|---|---|---|
| 1 | 3 | Obligations rated 3 are judged to be upper-medium grade and carry a low credit risk. |
| | 4 | Obligations rated 4 are judged to be medium-grade and carry a Low to moderate credit risk and as such may possess certain speculative characteristics. |
| | 5 | Obligations rated 5 are judged to be speculative and carry a moderate credit risk. |
| | 6 | Obligations rated 6 are considered speculative with a moderate to High credit risk. |
| **Stage** | **CB Grade** | **Description** |
| 2 | 7 | Obligations rated 7 are judged to be speculative of poor standing and carry a very high credit risk. |
| | 8 | Obligations rated 8 are highly speculative and are likely for PDs, with some prospect of recovery of principal and interest/yield. |
| | 9 | Obligations rated 9 are the lowest rated and are typically in default, with no prospect for recovery of principal or interest/yield. |
| 3 | 10 | Obligations rated 10 are in default, with little prospect for full recovery of principal or interest/ yield. |

Ineternal credit rating for retail and real estate:

| Stage | CB Grade | Description |
|---|---|---|
| 1 | A | Obligations rated A are judged to be of the highest quality, and carry the lowest level of credit risk. |
| | B | Obligations rated B are judged to be of high quality and low credit risk. |
| | C | Obligations rated C are judged to be upper-medium grade and carry a low credit risk. |
| 2 | D | Obligations rated D are judged to be speculative and carry a moderate credit risk. |
| | E | Obligations rated E are judged to be speculative of poor standing and carry a very high credit risk. |
| 3 | F | Obligations rated F are in default, with little prospect for full recovery of principal or interest/ yield. |

**3- Expected credit loss measurement**

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition of a facility as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. The identification of SICR is measured via a change in one year probability of default between the date of inception of facility and the date of IFRS 9 ECL run.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.

- Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

- All government and government-guaranteed financial instruments have been taken into account in the calculation of total expected credit losses.

**4- Significant increase in credit risk (SICR)**

The Group considers a financial asset to have experienced a significant increase in credit risk when a significant change in one year probability of default occurs between the origination date of a specific facility and the IFRS 9 ECL run date.

**Quantitative criteria**

**Corporate loans:**

For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following quantitative factors:
- Operating Performance
- Operating Efficiency
- Debt Service
- Liquidity Assessment
- Capital structure

**Retail:**

For Retail portfolio, if the borrowers meet one or more of the following criteria:
• Adverse findings for an account/ borrower as per credit department data;
• Loan rescheduling before 30 Days Past Due (DPD);
• Accounts overdue between 30 and 90 days

**Treasury:**

• Significant increase in probability of default of the underlying treasury instrument;
• Significant change in the investment's expected performance & behavior of borrower (collateral value, payment holiday, payment to income ratio etc.).

**- Qualitative criteria:**

Corporate Loans
For corporate loans, if the borrower experiences a significant increase in probability of default, which can be triggered by the following Default Risk Indicator's (DRI):
- Past Due
- Net Worth Erosion
- Fraudulent Activity
- Mandatory Restructure
- Financial Covenants Breach
- Significant Operations Disruption

For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following qualitative factors:

- Management
- Industry Outlook
- Financial Conduct
- Income Stability
- Lifecycle Stage
- Auditor Information

The Group has not used the low credit exemption for any financial instruments in the year ended 31 December 2018.

**Backstop:**

If the borrower is more than 30 days past due on its contractual payments a backstop is applied and the financial asset is considered to have experienced a significant increase in credit risk.

**5- Definition of default and credit-impaired assets**

The Group defines a financial corporate, retail and investment instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

**- Quantitative criteria**

The borrower is more than 90 days past due on its contractual payments.

**- Qualitative criteria:**

According to the Basel definition, default is considered to have occurred with regard to particular obligors when either one of the following events have taken place:

• The Bank considers that the obligor is unlikely to pay its credit obligation to the Group in full without recourse by the Bank to actions like realizing security (if held).
• The Bank puts the credit obligation on a non-accrued status.
• The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure.
• The Bank sells the credit obligation at a material credit-related economic loss.
• The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
• The Bank has filed for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation to the Banking Group.
• The obligor is past due more than 90 days on any material credit obligation to the Banking Group.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months. This period of twelve months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different cure definitions.

The Bank applies a three-stage approach to measuring ECL on financial instruments accounted for at amortised cost and FVOCI.  Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii) Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.  This uses the same criteria as under IAS 39, the Bank's methodology for specific provisions remains unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

**6- Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition of a specific facility or whether an asset is considered credit-impaired. The Group has adopted a forward exposure method for computing the ECL for each facility. The bank has opted for a monthly granular computation of PD, EAD and LGD.

**- Probability of default (PD):**

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

**- Loss given default (LGD):**

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

The Bank estimates the following haircuts for its main collaterals:

| Collateral Type | LGD% |
|---|---|
| Cash Margin, Government Guaranteed, Qualified Banking Guarantees, Other external qualified guarantors | 0% |
| Stocks and financial Assets | 25% |

| | |
|---|---|
| Real Estate | 30% |
| Cars | 52% |
| Machines | 61% |

**- Exposure at default (EAD):**

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

Lifetime expected credit losses are expected credit loss resulting from all probable default events over the expected lifetime of the financial instrument. Expected credit losses are the probability-weighted average of credit losses and the weighing factor is the Probability of Default (PD) for a lifetime.

The Group has implemented a risk rating model since 2014 which has enabled the Bank to collect historical risk ratings since 2014 and build point in time credit transition matrices for the last 12 years.

This has enabled the bank to derive a credit index using the historical transition matrices. The credit index correlates with specific macro-economic factors, which have been statistically, established through regression models.

These models were used to forecast future credit transitions using Moody's research macro-economic forecast under the IFRS 9 scenarios i.e. upwards and downwards.

- The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayments loans, this is based on the contractual repayments owed by the borrower over a 12 month period or lifetime basis.
- For revolving products (overdraft, revolving and credit cards), the exposure at default is predicted by taking current withdrawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining committed limit by the time of default.

**The Group has adopted a workout methodology for LGD computation. For the Corporate segment, the Bank has developed the LGD framework using more than 10 years of data.**

- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

- Forward-looking economic information is also included in determining the 12-month and lifetime PD.

- There have been no significant changes in estimation techniques or significant assumptions made during the year.

**7- Importance of staging criteria**

- Staging is based on the assessment of relative movement in the credit quality of the loans from the time of initial recording.
- Loans in stage 3 are those loans for which the bank has objective evidence of impairment. Accordingly, specific provision is recorded for such exposures.
- Stage transfer is triggered by assessing the relative change in credit risk (measured using lifetime risk of default) and not by the absolute credit risk at the reporting date.
- 30 days past due is the last resort.

**Bank management's main definition and criteria for significant increase in credit risk (stage 2) includes the following parameters:**

**For exposures (credit facilities) to corporate customers**

- 30 days past due on installment
- Downgrade by 7 notches of the risk rating scale of 20 points.
- Customer is classified as (7,8,9).
- Customer is classified under watchlist, restructured, rescheduled.

**For exposures (credit facilities) to retail customers**

- 30 days past dues on installments
- Customer is classified under watchlist, restructured, rescheduled.
- Customer is classified as E with more than 30 days past due
- Customer is classified as F

**For exposures (Deposits balances) with banks and financial institutions**

- Current risk rate is 6 or 7

**For exposures to (Financial assets) at amortized cost and at fair value through the statement of comprehensive income**

- Current risk rate ranges from CCC to C

**The Bank's definition and criteria for the significant increase in credit risk (stage 3) include the following criteria:**

**For exposures (credit facilities) to corporate customers**

- 90 days past due.
- Customer is classified as (10).
- The customer is facing liquidity difficulties
- Customer is classified under non-performing.

**For exposures (credit facilities) to retail customers**

- 90 days past due.
- Customer is classified under non-performing
- Customer is classified as (F) and has more than 60 days past due

**For exposures (Deposits balances) with banks and financial institutions**

- Current risk rate is 8

**For exposures to (Financial assets) at amortized cost and at fair value through the statement of comprehensive income**

- Current risk rate ranges from D

**8- Forward looking information incorporated in the ECL models**

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out of the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment or a long run average growth rate (e.g. GDP) over a period of two to five year). The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

**9- Sensitivity analysis**

The Group has calculated ECL at an individual financial instrument level, hence does not require any grouping of financial instruments in the process of loss calculation.

The most significant assumptions affecting the ECL allowance in respect of retail and wholesale credit portfolios are as follows:

- Interest rate
- Unemployment
- Inflation

The Group has performed a sensitivity analysis on how ECL on the credit portfolio will change if the key assumptions used to calculate ECL change by a certain percentage. The impact on ECL due to a relative change in the forecasted Gross Domestic Product (GDP) and Gross Fixed Investment Growth (GFIG) rate by +10% / -10% in each of the base, upside and downside scenarios would result respectively in an ECL reduction by JD (1,908,019) and an ECL increase of JD 1,908,019. These changes are applied simultaneously to each probability weighted scenarios used to compute the expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

**10- IFRS 9 Governance**

This section describes the roles and responsibilities of the Committees and groups, specific to the IFRS 9 process at the Bank.

**- BOARD OF DIRECTORS ("BOARD" or "BoD")**

The Board will be responsible for:

• Approving the IFRS 9 Framework, that has been recommended by RMC,

• Ensuring the Bank's Management is taking the required to comply with the standard

• Maintaining ECL allowances at an appropriate level and to oversee that CBJ has appropriate credit risk practices for assessment and measurement processes, including internal controls in place to consistently determine allowances in accordance with the stated policies and procedures, the applicable accounting framework and relevant supervisory guidance.

The BOD may delegate the responsibility of reviewing the detailed IFRS 9 related policies to the RMC.

**- RISK MANAGEMENT COMMITTEE ("RMC")**

The Risk Management Committee will be responsible for:

- Reviewing and recommending the IFRS 9 framework to the BoD,
- Reviewing the implementation of IFRS 9 and ensuring the appropriate steps for compliance,
- Reviewing and approving the periodic disclosures in accordance to the Standard.
- Recommending adjustments to the business models, framework, methodology and policies and procedures

**- INTERNAL AUDIT DEPARTMENT ("IAD")**

Internal Audit Department will be responsible for independently:

- Ensure the Bank's overall compliance with the Standard
- Reviewing the methodology and assumptions to ensure compliance
- Ensure appropriate levels of expected credit losses relative to the Bank's profile.

**- INTERNAL RISK MANAGEMENT COMMITTEE ("IRMC")**

The Internal Risk Management Committee will be responsible for:

- Overlooking and approving the periodic reporting's according to the standards.
- making the necessary recommendations to the Risk Committee of the Board of Directors
- Recommending adjustments to the business models, framework, methodology and policies and procedures to the RMC.

**- RISK MANAGEMENT DEPARTMENT ("RMD")**

The Chief Risk Officer and his/her respective personnel in the RMD will be responsible for:

- Developing and update the framework and methodology to be implemented by the Bank.
- Creating the expected credit loss models in compliance with the standard.
- Identify the criteria and develop the model to classify stages
- Coordinate between the different departments and units to manage the implementation of IFRS 9.
- Evaluate the impact of the ECL on the capital adequacy ratio.

**- FINANCIAL CONTROL DEPARTMENT ("FCD")**

FCD will be responsible for:

- Creating the business models
- Classifying and measuring the financial assets
- Reflecting the IFRS 9 impact on the Bank's financials.

**- CREDIT CONTROL DEPARTMENT**

- Identifying the stages of each customer and calculate the expected credit loss for each customer
- Updating customer information for IFRS 9 calculations to comply with the classified stage
- Create required reports

**(44-A-1) Expected credit loss for net recovered expenses**

| 31 December 2021 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balances with banks and financial institutions | (13) | - | 64 | 51 |
| Debt instruments at fair value through other comprehensive income | (5,473) | - | - | (5,473) |
| Direct credit facilities at amortized cost | 2,496,249 | (5,108,990) | 23,122,343 | 20,509,602 |
| Financial asstes at amortized cost - Debt instruments | 17,910 | (31,377) | 1,180,668 | 1,167,201 |
| Other financial assets measured at amortized cost | (27,594) | (1,708) | - | (29,302) |
| Letters of guarantee | (811,143) | (90,094) | (795,549) | (1,696,786) |
| Unutilized direct credit limits | 306,350 | (3,546) | - | 302,804 |
| Letters of credit | (267,862) | 59,955 | - | (207,907) |
| Bank acceptances | (81,406) | (3,713) | - | (85,119) |
| **Total** | **1,627,018** | **(5,179,473)** | **23,507,526** | **19,955,072** |

| 31 December 2020 | Stage one | Stage two | Stage three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balances with banks and financial institutions | (255) | - | 67,702 | 67,447 |
| Debt instruments at fair value through other comprehensive income | (2,703) | - | - | (2,703) |
| Direct credit facilities at amortized cost | 3,295,155 | 6,263,576 | 14,090,118 | 23,648,849 |
| Financial asstes at amortized cost - Debt instruments | (41,315) | 31,377 | - | (9,938) |
| Other financial assets measured at amortized cost | 33,078 | 2,184 | - | 35,262 |
| Letters of guarantee | 244,157 | 184,209 | 462,958 | 891,324 |
| Unutilized direct credit limits | 181,675 | (97,643) | - | 84,032 |
| Letters of credit | 503,450 | (27,352) | - | 476,098 |
| Bank acceptances | (483,411) | (161,546) | - | (644,957) |
| **Total** | **3,729,831** | **6,194,805** | **14,620,778** | **24,545,414** |

**(44-A-2) Credit Risk Exposures** (after impairment provisions and suspended interest and before collateral held or other mitigation factors):

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| **Statement of financial position items:** | | |
| Balances at Central Banks | 317,709,405 | 227,932,896 |
| Balances at banks and financial institutions | 312,926,016 | 142,576,136 |
| **Direct credit facilities** | | |
| Retail | 537,778,673 | 182,626,662 |
| Real estate | 198,821,957 | 155,769,597 |
| **Corporate & SMEs** | | |
| Corporate | 974,824,033 | 741,344,490 |
| Small and medium enterprises (SMEs) | 214,828,896 | 172,919,678 |
| Governmental and public sector | 119,388,336 | 60,187,977 |
| Direct credit facilities through income statement | 83,650,601 | 113,546,088 |
| **Bonds and treasury bills:** | | |
| Financial assets at fair value through other comprehensive income statement | 174,563,616 | 70,701,687 |
| Financial assets at amortized cost | 1,000,744,777 | 572,078,174 |
| Pledged financial assets | - | 33,238,850 |
| Other assets | 26,419,103 | 34,539,050 |
| **Total statement of financial position Items** | **3,961,655,413** | **2,507,461,285** |
| **Off - statement of financial position items** | | |
| Letters of guarantee | 251,478,630 | 144,679,111 |
| Export Letters of credit | 137,109,229 | 64,422,199 |
| Confirmed Import Letters of credit | 14,832,594 | 23,157,779 |
| Issued acceptances | 90,806,002 | 70,387,661 |
| Unutilized credit facilities | 280,252,801 | 127,664,372 |
| Forward purchase contracts | 296,545,718 | 94,673,245 |
| Forward interest contracts | 79,762,500 | 106,350,000 |
| Total off - statement of financial position items | **1,150,787,474** | **631,334,367** |
| **Total** | **5,112,442,887** | **3,138,795,652** |

• The table above represents the maximum limit of the Bank's credit risk exposure as of 31 December 2021 and 2020, without taking into consideration the collateral and the other factors which will decrease the Bank's credit risk.

• For the statement of financial position items, the exposure in the above table is based on the balances as appeared on the consolidated statement of financial position, in addition to the related accrued interests.

**(44-A-3) Credit risk management disclosure**

**1) Distribution of credit exposure**

| Internal credit rating | Classification According to instruction number (2009/47) | Total Exposures | Expected credit loss (ECL) | Probability of Default (PD) | Classification by external classification institutions | Exposure at default (EAD) | Loss given default (LGD) % |
|---|---|---|---|---|---|---|---|
| **Performing Exposures** | | | | | | | |
| **Balances at Central Banks** | | | | | | | |
| | Low risk | 318,309,728 | - | - | - | 318,310 | - |
| | Acceptable risk | 107,530,404 | - | - | - | 107,530 | - |
| **Balances and deposits at banks and financial institutions** | | | | | | | |
| | Low risk | 70,607,588 | - | - | - | 70,608 | - |
| | Acceptable risk | 71,908,736 | 69,020 | 2.52% | - | 71,909 | 0.10% |
| **Loans and Advances measured at fair value through income statement** | | | | | | | |
| | Acceptable risk | 82,883,298 | - | - | Unrated | - | - |
| **Direct credit facilities- amortized cost:** | | | | | | | |
| Corporate companies | | | | | | | |
| | Low risk | 190,912,576 | 347,779 | 0.68% | Unrated | 190,913 | 28.89% |
| | Acceptable risk | 792,156,612 | 12,786,523 | 6.76% | Unrated | 792,157 | 27.49% |
| Small and medium entities | | | | | | | |
| | Low risk | 35,147,405 | 44,571 | 0.50% | Unrated | 35,147 | 25.66% |
| | Acceptable risk | 174,480,213 | 2,725,803 | 13.54% | Unrated | 174,480 | 19.51% |
| Retail | | | | | | | |
| | Low risk | 280,293,853 | 1,399,455 | 1.17% | Unrated | 280,294 | 43.11% |
| | Acceptable risk | 256,294,213 | 1,166,537 | 2.03% | Unrated | 256,294 | 32.94% |
| Real estate | | | | | | | |
| | Low risk | 35,307,052 | 3,716 | 0.06% | Unrated | 35,307 | 18.17% |
| | Acceptable risk | 156,565,598 | 1,664,502 | 11.33% | Unrated | 156,566 | 16.93% |
| Government and public sector | | | | | | | |
| | Low risk | 31,000,000 | - | - | Unrated | 31,000 | - |
| | Acceptable risk | 88,021,813 | - | - | Unrated | 88,022 | - |
| **Financial Assets At Amortized Cost - Debt instruments** | | | | | | | |
| | Low risk | 955,174,151 | - | - | BB- | 955,174 | - |
| | Acceptable risk | 27,854,498 | 26,562 | 6.60% | BB-/Unrated | 27,854 | - |
| **Financial Assets at Fair Value through Other Comprehensive Income - Debt instruments** | | | | | | | |
| | Low risk | 147,197,518 | - | - | BB- | 147,198 | - |
| | Acceptable risk | 23,622,741 | 19,458 | 0.21% | AA/BBB- | 23,623 | - |

| Internal credit rating | Classification According to instruction number (2009/47) | Total Exposures | Expected credit loss (ECL) | Probability of Default (PD) | Classification by external classification institutions | Exposure at default (EAD) | Loss given default (LGD) % |
|---|---|---|---|---|---|---|---|
| **Letters of guarantee** | | | | | | | |
| | Low risk | 58,105,425 | 77,941 | 0.00% | Unrated | 58,105 | 0 |
| | Acceptable risk | 192,316,148 | 1,798,571 | 0.40% | Unrated | 192,316 | 34.73% |
| **Unutilized direct credit limits** | | | | | | | |
| | Low risk | 131,858,042 | 128,440 | 0.00% | Unrated | 131,858 | 0.00% |
| | Acceptable risk | 149,303,323 | 780,124 | 0.57% | Unrated | 149,303 | 43.42% |
| **Letters of credit** | | | | | | | |
| | Low risk | 47,240,612 | 147,854 | 0.00% | Unrated | 47,241 | 0.00% |
| | Acceptable risk | 105,883,585 | 1,034,520 | 0.93% | Unrated | 105,884 | 25.65% |
| **Issued Acceptances** | | | | | | | |
| | Low risk | 13,780,447 | 91,011 | 0.00% | Unrated | 13,780 | 0.00% |
| | Acceptable risk | 77,945,664 | 829,098 | 0.81% | Unrated | 77,946 | 37.45% |
| **Bank acceptances and claims of purchased financial receivables** | | | | | | | |
| | Low risk | 131,989 | 168 | 0.00% | Unrated | 132 | 0.00% |
| | Acceptable risk | 26,006,179 | 87,500 | 0.28% | Unrated | 26,006 | 45.00% |
| **<u>Non-performing exposures</u>** | | | | | | | |
| **Direct credit facilities - amortized cost:** | | | | | | | |
| Corporate companies | | | | | | | |
| | Substandard | 989,199 | 8,276,215 | 100٪ | Unrated | 967 | 20.10% |
| | Doubtful | 3,770,736 | 1,713,230 | 100٪ | Unrated | 3,509 | 64.04% |
| | Loss | 77,934,979 | 54,188,400 | 100٪ | Unrated | 57,550 | 49.07% |
| Small and medium entities | | | | | | | |
| | Substandard | 1,697,619 | 366,992 | 100٪ | Unrated | 1,664 | 37.94% |
| | Doubtful | 5,654,199 | 2,462,612 | 100٪ | Unrated | 5,475 | 28.99% |
| | Loss | 21,017,802 | 12,906,138 | 100٪ | Unrated | 15,458 | 38.41% |
| Retail | | | | | | | |
| | Substandard | 2,576,270 | 1,121,701 | 100٪ | Unrated | 2,551 | 19.82% |
| | Doubtful | 2,754,799 | 2,229,087 | 100٪ | Unrated | 2,529 | 34.14% |
| | Loss | 12,772,952 | 9,846,701 | 100٪ | Unrated | 10,162 | 50.98% |
| Real estate | | | | | | | |
| | Substandard | 367,109 | 31,212 | 100٪ | Unrated | 362 | 18.87% |
| | Doubtful | 2,000,979 | 413,897 | 100٪ | Unrated | 1,830 | 16.32% |
| | Loss | 15,339,170 | 6,858,882 | 100٪ | Unrated | 11,947 | 28.04% |
| **Financial Assets At Amortized Cost - Debt instruments** | | | | | | | |
| | Loss | 5,700,000 | 1,680,668 | 100٪ | Unrated | 5,700 | 100.00% |
| **Letters of guarantee** | | | | | | | |
| | Substandard | - | - | 100٪ | Unrated | - | 1.70% |
| | Doubtful | 161,429 | - | 100٪ | Unrated | 161 | 40.30% |
| | Loss | 2,773,597 | 1,457 | 100٪ | Unrated | 2,774 | 44.34% |

**2- Concentration in credit exposures based on economic sectors is as follows:**

**a) Total distribution of exposures according to financial instruments subject to impairment losses**

| | 31 December 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Financial** | **Industrial** | **Commercial** | **Real estate** | **Agriculture** | **Shares** | **Retail** | **Governmental and Public Sector** | **Other** | **Total** |
| | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** |
| **Balance sheet items** | | | | | | | | | | |
| Balances at Central Banks | - | - | - | - | - | - | - | 317,709,405 | - | 317,709,405 |
| Balances at banks and financial institutions | 312,926,016 | - | - | - | - | - | - | - | - | 312,926,016 |
| Direct Credit facilities at amortized cost | 56,341,511 | 255,601,693 | 359,561,944 | 377,466,938 | 42,735,768 | 75,815,630 | 515,538,806 | 119,392,267 | 243,187,338 | 2,045,641,895 |
| Loans and advances at fair value through income statement | - | 83,650,601 | - | - | - | - | - | - | - | 83,650,601 |
| **Bonds and treasury bills:** | | | | | | | | | | |
| Financial assets at fair value through other comprehensive income | 3,155,769 | 1,581,855 | - | 531,505 | - | - | - | 165,309,131 | 3,985,356 | 174,563,616 |
| Financial assets at Amortized cost | 3,225,534 | - | - | - | - | - | - | 993,497,039 | 4,022,204 | 1,000,744,777 |
| Financial derivatives | - | - | - | - | - | - | - | - | - | - |
| Pledged financial assets - debt instruments | - | - | - | - | - | - | - | | - | - |
| Other assets | 26,195,997 | 223,106 | - | - | - | - | - | - | - | 26,419,103 |
| **Total 2021** | **401,844,827** | **341,057,255** | **359,561,944** | **377,998,443** | **42,735,768** | **75,815,630** | **515,538,806** | **1,595,907,842** | **251,194,898** | **3,961,655,413** |
| **Off - balance sheet items** | | | | | | | | | | |
| Letter of guarantee | 34,426,700 | 12,676,593 | 68,931,165 | 66,731,901 | 1,124,330 | 888,971 | 10,608,152 | - | 56,090,818 | 251,478,630 |
| Letter of credit | 37,808,126 | 13,486,562 | 53,137,799 | 324,658 | 2,240,831 | - | 1,024,988 | 15,667,267 | 28,251,592 | 151,941,823 |
| Other Liabilities | 370,645,919 | 150,278,346 | 98,960,001 | 14,876,406 | 9,476,134 | 3,795,008 | 46,828,438 | - | 52,506,769 | 747,367,021 |
| **Total** | **844,725,572** | **517,498,756** | **580,590,909** | **459,931,408** | **55,577,063** | **80,499,609** | **574,000,384** | **1,611,575,109** | **388,044,077** | **5,112,442,887** |

| | 31 December 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financial | Industrial | Commercial | Real estate | Agriculture | Shares | Retail | Governmental and Public Sector | Other | Total |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **Balance sheet items** | | | | | | | | | | |
| Balances at Central Banks | - | - | - | - | - | - | - | 227,932,896 | - | 227,932,896 |
| Balances at banks and financial institutions | 142,576,136 | - | - | - | - | - | - | - | - | 142,576,136 |
| Deposits at banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| Direct Credit facilities at amortized cost | 23,539,643 | 149,434,515 | 287,981,055 | 296,819,403 | 37,086,945 | 77,536,580 | 169,275,014 | 60,187,977 | 210,987,272 | 1,312,848,404 |
| Loans and advances at fair value through income statement | - | 113,546,088 | - | - | - | - | - | - | - | 113,546,088 |
| **Bonds and treasury bills:** | | | | | | | | | | |
| Financial assets at fair value through income statement | - | - | - | - | - | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 23,977,648 | 886,934 | - | - | - | - | - | 44,073,759 | 1,763,346 | 70,701,687 |
| Financial assets at Amortized cost | 3,604,787 | - | - | - | - | - | - | 563,304,764 | 5,168,623 | 572,078,174 |
| Financial derivatives | - | - | - | - | - | - | - | - | - | - |
| Pledge financial assets | - | - | - | - | - | - | - | 33,238,850 | - | 33,238,850 |
| Other assets | 34,308,716 | 143,924 | - | - | - | - | - | - | - | 34,452,640 |
| **Total 2020** | **228,006,930** | **264,011,461** | **287,981,055** | **296,819,403** | **37,086,945** | **77,536,580** | **169,275,014** | **928,738,246** | **217,919,241** | **2,507,374,875** |
| **Off - balance sheet items** | | | | | | | | | | |
| Letter of guarantee | 33,461,234 | 6,944,961 | 19,763,708 | 14,566,839 | 432,341 | 5,443,133 | - | 19,114,232 | 44,952,663 | 144,679,111 |
| Letter of credit | 32,370,504 | 5,280,331 | 22,369,566 | 143,892 | 2,821,836 | 207,385 | - | - | 24,386,464 | 87,579,978 |
| Other Liabilities | 249,540,317 | 117,113,308 | 15,737,189 | 69,803 | 4,496,339 | 221,967 | - | - | 11,896,355 | 399,075,278 |
| **Total** | **543,378,985** | **393,350,061** | **345,851,518** | **311,599,937** | **44,837,461** | **83,409,065** | **169,275,014** | **947,852,478** | **299,154,723** | **3,138,709,242** |

**b) Total distribution of exposures according to financial instruments subject to impairment losses**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Financial | 401,748,611 | 17,590 | 78,626 | 401,844,827 |
| Industrial | 315,307,530 | 20,161,334 | 5,588,391 | 341,057,255 |
| Commercial | 304,228,222 | 44,465,312 | 10,868,410 | 359,561,944 |
| Real estate | 275,227,113 | 81,785,771 | 20,985,559 | 377,998,443 |
| Agriculture | 35,911,444 | 6,794,872 | 29,452 | 42,735,768 |
| Shares | 72,839,519 | 2,784,552 | 191,559 | 75,815,630 |
| Retail | 496,221,055 | 13,394,401 | 5,923,350 | 515,538,806 |
| Governmental and Public Sector | 1,595,907,842 | - | - | 1,595,907,842 |
| Other | 213,901,231 | 27,863,379 | 9,430,288 | 251,194,898 |
| **Total** | **3,711,292,567** | **197,267,211** | **53,095,635** | **3,961,655,413** |

| 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Financial | 227,875,664 | 20,811 | 196,865 | 228,093,340 |
| Industrial | 237,890,275 | 22,200,899 | 3,920,287 | 264,011,461 |
| Commercial | 215,772,501 | 61,294,660 | 10,913,894 | 287,981,055 |
| Real estate | 238,070,745 | 48,870,314 | 9,878,344 | 296,819,403 |
| Agriculture | 34,146,624 | 2,763,181 | 177,140 | 37,086,945 |
| Shares | 70,834,207 | 6,006,584 | 695,789 | 77,536,580 |
| Retail | 159,498,373 | 8,069,803 | 1,706,838 | 169,275,014 |
| Governmental and Public Sector | 928,738,246 | - | - | 928,738,246 |
| Other | 190,177,315 | 25,895,950 | 1,845,976 | 217,919,241 |
| **Total** | **2,303,003,950** | **175,122,202** | **29,335,133** | **2,507,461,285** |

**3) Credit Concentration based on geographic distribution is as follows:**

**a) Total distribution of exposures according to geographic region**

| | 31 December 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Inside Jordan** | **Other Middle Eastern countries** | **Europe** | **Asia** | **Africa** | **America** | **Other Countries** | **Total** |
| | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** |
| Balances at Central Banks | 210,179,001 | 107,530,404 | - | - | - | - | - | 317,709,405 |
| Balances at banks and financial institutions | 74,485,600 | 42,547,495 | 56,693,016 | 2,388,111 | 1,258,049 | 135,279,876 | 273,869 | 312,926,016 |
| Direct Credit facilities at amortized cost | 1,624,864,709 | 420,777,186 | - | - | - | - | - | 2,045,641,895 |
| Loans and advances at fair value through income statement | 83,650,601 | - | - | - | - | - | - | 83,650,601 |
| **Bonds and treasury bills:** | | | | | | | | |
| Financial assets at fair value through other comprehensive income | 132,643,425 | 38,220,947 | 814,598 | - | 385,682 | 2,498,964 | - | 174,563,616 |
| Financial assets at Amortized cost | 972,368,749 | 28,376,028 | - | - | | - | - | 1,000,744,777 |
| Other assets | 591,709 | 25,767,268 | - | - | 60,126 | - | - | 26,419,103 |
| **Total 2021** | **3,098,783,794** | **663,219,328** | **57,507,614** | **2,388,111** | **1,703,857** | **137,778,840** | **273,869** | **3,961,655,413** |
| Letter of guarantee | 147,167,751 | 64,774,248 | 39,532,631 | - | - | 4,000 | - | 251,478,630 |
| Letter of Credit | 76,516,297 | 75,425,526 | - | - | - | - | - | 151,941,823 |
| Other Liabilities | 687,258,727 | 60,108,294 | - | - | - | - | - | 747,367,021 |
| **Total** | **4,009,726,569** | **863,527,396** | **97,040,245** | **2,388,111** | **1,703,857** | **137,782,840** | **273,869** | **5,112,442,887** |

| | 31 December 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Inside Jordan** | **Other Middle Eastern countries** | **Europe** | **Asia** | **Africa** | **America** | **Other Countries** | **Total** |
| | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** |
| Balances at Central Banks | 150,664,838 | 77,268,058 | | | | | | 227,932,896 |
| Balances at banks and financial institutions | 39,763,454 | 36,465,245 | 43,049,262 | 2,580,627 | - | 20,682,610 | 34,938 | 142,576,136 |
| Direct Credit facilities at amortized cost | 1,158,616,917 | 154,231,487 | - | - | - | - | - | 1,312,848,404 |
| Loans and advances at fair value through income statement | 113,546,088 | - | - | - | - | - | - | 113,546,088 |
| **Bonds and treasury bills:** | | | | | | | | |
| Financial assets at fair value through other comprehensive income | 12,607,355 | 56,722,352 | 683,611 | 389,446 | 298,923 | - | - | 70,701,687 |
| Financial assets at Amortized cost | 568,473,387 | 3,604,787 | - | - | - | - | - | 572,078,174 |
| Pledged financial assets - debt instruments | 33,238,850 | - | - | - | - | - | - | 33,238,850 |
| Other assets | 230,335 | 34,308,715 | - | - | - | - | - | 34,539,050 |
| **Total 2019** | **2,077,141,224** | **362,600,644** | **43,732,873** | **2,970,073** | **298,923** | **20,682,610** | **34,938** | **2,507,461,285** |
| Letter of guarantee | 99,506,222 | 41,621,834 | 3,548,555 | - | 500 | 2,000 | - | 144,679,111 |
| Letter of Credit | 36,688,497 | 50,891,481 | - | - | - | - | - | 87,579,978 |
| Other Liabilities | 348,896,355 | 50,178,923 | - | - | - | - | - | 399,075,278 |
| **Total** | **2,562,232,298** | **505,292,882** | **47,281,428** | **2,970,073** | **299,423** | **20,684,610** | **34,938** | **3,138,795,652** |

## b) Distribution of exposures according to geographic region on stages according to IFRS 9

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Inside Jordan | 2,890,838,208 | 158,253,546 | 49,692,040 | 3,098,783,794 |
| Other Middle Eastern countries | 620,815,653 | 39,000,080 | 3,403,595 | 663,219,328 |
| Europe | 57,507,614 | - | - | 57,507,614 |
| Asia | 2,374,526 | 13,585 | - | 2,388,111 |
| Africa | 1,703,857 | - | - | 1,703,857 |
| America | 137,778,840 | - | - | 137,778,840 |
| Other Countries | 273,869 | - | - | 273,869 |
| **Total** | **3,711,292,567** | **197,267,211** | **53,095,635** | **3,961,655,413** |

| 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Inside Jordan | 1,896,553,865 | 154,084,819 | 26,502,540 | 2,077,141,224 |
| Other Middle Eastern countries | 338,745,854 | 21,022,197 | 2,832,593 | 362,600,644 |
| Europe | 43,732,873 | - | - | 43,732,873 |
| Asia | 2,954,887 | 15,186 | - | 2,970,073 |
| Africa | 298,923 | - | - | 298,923 |
| America | 20,682,610 | - | - | 20,682,610 |
| Other Countries | 34,938 | - | - | 34,938 |
| **Total** | **2,303,003,950** | **175,122,202** | **29,335,133** | **2,507,461,285** |

**distribution of exposures according to financial instruments subject to impairment losses**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | | JD |
| Financial | 401,748,611 | 17,590 | 78,626 | - | 401,844,827 |
| Industrial | 315,307,534 | 20,161,330 | 5,588,391 | - | 341,057,255 |
| Commercial | 312,279,848 | 36,413,686 | 9,169,134 | 1,699,276 | 359,561,944 |
| Real estate | 302,956,886 | 54,055,998 | 16,731,375 | 4,254,184 | 377,998,443 |
| Agriculture | 35,911,444 | 6,794,872 | 29,452 | - | 42,735,768 |
| Shares | 72,839,519 | 2,784,552 | 191,559 | - | 75,815,630 |
| Retail | 496,221,055 | 13,394,401 | 5,923,350 | - | 515,538,806 |
| Governmental and Public Sector | 1,595,907,842 | - | - | - | 1,595,907,842 |
| Other | 241,062,426 | 702,184 | 6,548,831 | 2,881,457 | 251,194,898 |
| **Total** | **3,774,235,165** | **134,324,613** | **44,260,718** | **8,834,917** | **3,961,655,413** |

**Distribution of exposures according to geographic region on stages according to IFRS 9**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | | JD |
| Inside Jordan | 2,953,780,806 | 95,310,948 | 40,857,123 | 8,834,917 | 3,098,783,794 |
| Other Middle Eastern countries | 620,815,653 | 39,000,080 | 3,403,595 | - | 663,219,328 |
| Europe | 57,507,614 | - | - | - | 57,507,614 |
| Asia | 2,374,526 | 13,585 | - | - | 2,388,111 |
| Africa | 1,703,857 | - | - | - | 1,703,857 |
| America | 137,778,840 | - | - | - | 137,778,840 |
| Other Countries | 273,869 | - | - | - | 273,869 |
| **Total** | **3,774,235,165** | **134,324,613** | **53,095,635** | **8,834,917** | **3,961,655,413** |

**4- The fair value distribution of collateral against credit exposure (for total credit exposures) is as follows:**

| 31 December 2021 | Total Exposure | Interest In Suspense | Fair value of Collaterals | | | | | | Net exposures after collateral | Expected credit loss (ECL) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Cash Collaterals | Listed stocks | Accepted guarantees | Real estate | Cars and equipment | Total Collateral | | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Cash and balances at central banks | 317,709,405 | - | - | - | - | - | - | - | 317,709,405 | - |
| Balances at banks and financial institutions | 312,926,016 | - | - | - | - | - | - | - | 312,926,016 | - |
| **Direct credit facilities:** | | | | | | | | | | |
| Retail | 556,455,152 | 2,912,998 | 23,429,737 | 11,927,421 | - | 42,185,061 | 23,982,711 | 328,364,171 | 228,090,981 | 15,763,481 |
| Real estate Mortgages | 211,629,426 | 3,835,260 | 1,799,233 | - | - | 195,081,154 | 3,559,453 | 200,439,840 | 11,189,586 | 8,972,209 |
| **Companies** | | | | | | | | | | |
| Corporate | 1,074,750,826 | 22,614,644 | 30,143,932 | 14,109,913 | 20,125,899 | 255,055,735 | 30,908,165 | 350,880,026 | 723,870,800 | 77,312,149 |
| Small and medium enterprises "SMEs" | 239,325,965 | 5,990,955 | 5,599,756 | 1,254,902 | - | 103,687,720 | 3,835,864 | 117,717,757 | 121,608,208 | 18,506,114 |
| Government and public sector lending | 119,388,336 | - | | - | - | - | - | - | 119,388,336 | - |
| Loans and advances at fair value through income statement | 83,650,601 | - | - | - | - | - | - | - | - | - |
| **Debt, subordinate, and treasury bills :** | | | | | | | | | | |
| Financial assets at fair value through other comprehensive income | 174,583,074 | - | - | - | - | - | - | - | 174,583,074 | 19,458 |
| Financial assets at amortized cost | 1,002,452,007 | - | - | - | - | 5,200,000 | - | 5,200,000 | 997,252,007 | 1,707,230 |
| Other assets | 26,506,771 | - | - | - | - | - | - | - | 26,506,771 | 87,668 |
| **Total** | **4,119,377,579** | **35,353,857** | **60,972,658** | **27,292,236** | **20,125,899** | **601,209,670** | **62,286,193** | **1,002,601,794** | **3,033,125,184** | **122,368,309** |
| Letters of guarantee | 253,356,599 | - | 49,676,997 | 1,400 | 631,269 | 38,595,414 | 2,693,096 | 91,598,175 | 161,758,424 | 1,877,969 |
| Letters of credit | 153,124,197 | - | 68,393,600 | - | 1,911,097 | 12,952,487 | 78,930 | 83,336,113 | 69,788,084 | 1,182,374 |
| Other liabilities | 749,195,694 | - | 45,306,448 | - | - | 1,254,377 | 276,497 | 46,837,322 | 702,358,372 | 1,828,673 |
| **Total** | **5,275,054,069** | **35,353,857** | **224,349,703** | **27,293,636** | **22,668,265** | **654,011,947** | **65,334,716** | **1,224,373,405** | **3,967,030,063** | **127,257,325** |

| 31 December 2020 | Total Exposure | Interest In Suspense | Fair value of Collaterals | | | | | | | Net exposures after collateral | Expected credit loss (ECL) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Cash Collaterals | Listed stocks | Accepted guarantees | Real estate | Cars and equipment | Others | Total Collateral | | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Cash and balances at central banks | 227,932,896 | - | - | - | - | - | - | - | - | 227,932,896 | - |
| Balances at banks and financial institutions | 142,645,092 | - | - | - | - | - | - | - | - | 142,645,092 | 68,956 |
| Deposits at banks and financial institutions | - | - | - | - | - | - | - | - | - | - | - |
| **Direct credit facilities:** | | | | | | | | | | | |
| Retail | 192,755,962 | 3,287,310 | 12,789,918 | 13,759,142 | - | 2,406,763 | 16,514,190 | 687,466 | 46,157,479 | 146,598,483 | 6,841,990 |
| Real estate Mortgages | 166,376,968 | 3,222,152 | 3,058,058 | - | - | 157,295,594 | - | - | 160,353,652 | 6,023,316 | 7,385,219 |
| **Companies** | | | | | | | | | | | |
| Corporate | 793,561,752 | 11,655,538 | 20,966,365 | 10,521,855 | 3,017,304 | 167,723,201 | 24,449,210 | 12,673,708 | 239,351,643 | 554,210,109 | 40,561,724 |
| Small and medium enterprises "SMEs" | 190,373,678 | 5,272,800 | 7,991,500 | 357,123 | - | 75,127,534 | 4,622,646 | 6,100,749 | 94,199,552 | 96,174,126 | 12,181,200 |
| Government and public sector lending | 60,187,977 | - | 182,117 | - | - | - | - | - | - | 60,187,977 | - |
| Financial assets at fair value through other comprehensive income | 113,546,088 | - | - | - | - | - | - | - | - | - | - |
| **Debt, subordinate, and treasury bills :** | | | | | | | | | | | |
| Financial assets at fair value through other comprehensive income | 70,726,618 | - | - | - | - | - | - | - | - | 70,726,618 | 24,931 |
| Financial assets at amortized cost | 572,618,203 | - | - | 4,690,079 | - | 7,159,440 | - | - | 11,849,519 | 560,768,684 | 540,029 |
| Pledged financial assets | 33,238,850 | - | - | - | - | - | - | - | - | 33,238,850 | - |
| Other assets | 34,656,020 | - | - | - | - | - | - | - | - | 34,656,020 | 116,970 |
| **Total** | **2,598,620,104** | **23,437,800** | **44,987,958** | **29,328,199** | **3,017,304** | **409,712,532** | **45,586,046** | **19,461,923** | **551,911,845** | **1,933,162,171** | **67,721,019** |
| Letters of guarantee | 146,285,015 | - | 54,097,302 | 118,656 | 822,158 | 13,525,907 | 1,332,916 | - | 69,896,939 | 76,388,076 | 1,605,904 |
| Letters of credit | 88,954,239 | - | 38,928,424 | - | 693,460 | 17,216,550 | - | 17,331,190 | 74,169,624 | 14,784,615 | 1,374,261 |
| Other liabilities | 400,455,968 | - | 31,367,084 | - | - | 3,000,000 | - | - | 34,367,084 | 366,088,884 | 1,380,690 |
| **Total** | **3,234,315,326** | **23,437,800** | **169,380,768** | **29,446,855** | **4,532,922** | **443,454,989** | **46,918,962** | **36,793,113** | **730,345,492** | **2,390,423,746** | **72,081,874** |

**5 - The fair value distribution of collateral against credit exposure is as follows (for exposures under stage three):**

| 31 December 2021 | Total Exposure | Interest In Suspense | Fair value of Collaterals: Cash Collaterals | Listed stocks | Real estate | Cars and equipements | Total Collateral | Net exposures after collateral | Expected credit loss (ECL) |
|---|---|---|---|---|---|---|---|---|---|
| | JD | | JD | JD | JD | JD | JD | JD | JD |
| Balances at banks and financial institutions | 69,020 | - | - | - | - | - | - | 69,020 | 69,020 |
| **Direct credit facilities:** | | | | | | | | | |
| Retail | 20,723,934 | 2,912,998 | 109,381 | 13,458 | 3,642,949 | 990,717 | 5,899,075 | 14,824,859 | 13,430,308 |
| Real estate Mortgages | 27,025,060 | 3,835,260 | 86,899 | - | 21,947,696 | 321,420 | 22,356,015 | 4,669,045 | 7,303,991 |
| **Companies** | | | | | | | | | |
| Corporate | 97,610,761 | 22,614,644 | 54,376 | - | 34,801,845 | 1,590,795 | 40,209,156 | 57,401,605 | 64,215,626 |
| Small and medium enterprises -SMEs | 39,642,918 | 5,990,955 | 1,506,500 | - | 15,982,354 | 50,000 | 18,533,323 | 21,109,595 | 15,797,430 |
| Government and public sector lending | | | | | | | | | |
| **Debt, subordinate, and treasury bills:** | | | | | | | | | |
| Financial assets at amortized cost | 5,700,000 | - | - | - | 5,200,000 | - | 5,200,000 | 500,000 | 1,680,668 |
| **Total** | **190,771,693** | **35,353,857** | **1,757,155** | **13,458** | **81,574,844** | **2,952,931** | **92,197,569** | **98,574,124** | **102,497,043** |
| Letters of guarantee | 6,740,168 | - | 890,178 | - | 2,330,128 | 14,975 | 3,235,281 | 3,504,887 | 8,931 |
| Other liabilities | 664 | - | - | - | - | - | - | 664 | - |
| **Total** | **197,512,525** | **35,353,857** | **2,647,333** | **13,458** | **83,904,972** | **2,967,906** | **95,432,850** | **102,079,675** | **102,505,974** |

|  |  |  | Fair value of Collaterals |  |  |  |  |  |  |  |  |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **31 December 2020** | **Total Exposure** | **Interest In Suspense** | **Cash Collaterals** | **Listed stocks** | **Accepted guarantees** | **Real estate** | **Cars and equipment** | **Others** | **Total Collateral** | **Net exposures after collateral** | **Expected credit loss (ECL)** |
|  | **JD** |  | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** |
| Balances at banks and financial institutions | 69,091 | - | - | - | - | - | - | - | - | 69,091 | 68,956 |
| **Direct credit facilities:** |  |  |  |  |  |  |  |  |  |  |  |
| Retail | 10,660,321 | 3,287,310 | 84,933 | 437,513 | - | 776,526 | 1,851,587 | - | 3,150,559 | 7,509,762 | 5,736,529 |
| Real estate Mortgages | 14,671,036 | 3,222,152 | 435,133 | - | - | 11,647,653 | - | - | 12,082,786 | 2,588,250 | 5,733,666 |
| **Companies** |  |  |  |  |  |  |  |  |  |  |  |
| Corporate | 54,829,675 | 11,434,161 | 1,513,741 | - | 33,180 | 13,820,578 | 1,826,504 | - | 17,194,003 | 37,635,672 | 30,848,582 |
| Small and medium enterprises- SMEs | 23,688,742 | 5,272,800 | 2,198,139 | - | - | 5,362,406 | 50,000 | 56,162 | 7,666,707 | 16,022,035 | 8,979,575 |
| **Debt, subordinate, and treasury bills:** |  |  |  |  |  |  |  |  |  |  |  |
| Financial assets at amortized cost | 500,000 | - | - | - | - | - | - | - | - | 500,000 | 500,000 |
| **Total** | **104,418,865** | **23,216,423** | **4,231,946** | **437,513** | **33,180** | **31,607,163** | **3,728,091** | **56,162** | **40,094,055** | **64,324,810** | **51,867,308** |
| Letters of guarantee | 5,283,031 | - | 1,353,261 | - | - | 1,070,912 | 13,275 | - | 2,437,448 | 2,845,583 | 472,812 |
| Other liabilities | 20,885 | - | - | - | - | - | - | - | - | 20,885 | - |
| **Total** | **109,722,781** | **23,216,423** | **5,585,207** | **437,513** | **33,180** | **32,678,075** | **3,741,366** | **56,162** | **42,531,503** | **67,191,278** | **52,340,120** |

6) **Total credit exposures that have been reclassified**

a) **Total credit exposures that have been reclassified**

| 31 December 2021 | Stage Two | | Stage Three | | | |
|---|---|---|---|---|---|---|
| | Total Exposure | reclassified exposure | Total Exposure | Total reclassified exposures | Total reclassified exposures | Percentage of reclassified exposures |
| | JD | JD | JD | JD | JD | |
| Balances at banks and financial institutions | 17,584 | - | - | - | - | **0%** |
| Direct Credit Facilities at amortized cost | 194,800,663 | 40,128,957 | 82,222,424 | 14,911,353 | 55,040,310 | **20%** |
| **Bonds and treasury bills within:** | | | | | | |
| Financial assets at Amortized cost | - | - | 4,019,332 | 5,168,623 | 5,168,623 | **129%** |
| Other assets | 91,284 | - | - | - | - | |
| **Total** | **194,909,531** | **40,128,957** | **86,241,756** | **20,079,976** | **60,208,933** | **21%** |
| Letters of guarantee | 8,604,090 | 2,650,865 | 6,731,237 | 3,973,319 | 6,624,184 | **43%** |
| Letters of Credit | 396,502 | - | - | - | - | **0%** |
| Bank acceptances | 14,166 | - | - | - | - | **0%** |
| Unutilized credit facilities | 1,716,815 | 11,196 | 664 | - | 11,196 | **1%** |
| **Total** | **10,731,573** | **2,662,061** | **6,731,901** | **3,973,319** | **6,635,380** | **38%** |

| 31 December 2020 | Stage Two | | Stage Three | | | |
|---|---|---|---|---|---|---|
| | Total Exposure | reclassified exposure | Total Exposure | Total reclassified exposures | Total reclassified exposures | Percentage of reclassified exposures |
| | JD | JD | JD | JD | JD | |
| Balances at banks and financial institutions | 20,806 | - | 135 | 135 | 135 | **1%** |
| Direct Credit Facilities at amortized cost | 168,458,517 | 28,358,574 | 50,550,997 | 2,950,777 | 31,309,351 | **14%** |
| **Bonds and treasury bills within:** | | | | | | |
| Financial assets at Amortized cost | 5,168,623 | 5,200,000 | - | - | 5,200,000 | **101%** |
| Other assets | 143,923 | - | - | - | - | **-** |
| **Total** | **173,791,869** | **33,558,574** | **50,551,132** | **2,950,912** | **36,509,486** | **16%** |
| Letters of guarantee | 7,955,269 | 3,225,608 | 4,810,219 | 2,149,095 | 5,374,703 | **42%** |
| Letters of Credit | 956,210 | - | - | - | - | **0%** |
| Bank acceptances | 514,904 | - | - | - | - | **0%** |
| Unutilized credit facilities | 3,776,508 | 60,139 | 20,885 | - | 60,139 | **2%** |
| **Total** | **13,202,891** | **3,285,747** | **4,831,104** | **2,149,095** | **5,434,842** | **30%** |

**b) Expected Credit Loss for the reclassified exposures**

| 31 December 2021 | Exposures that have been classified | | | Expected Credit Loss for the reclassified exposures | | |
|---|---|---|---|---|---|---|
| | Exposures that were reclassified from stage two | Exposures that were reclassified from stage three | Total reclassified exposures | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD | JD | JD |
| Direct Credit Facilities - amortized cost | 40,128,957 | 14,911,353 | 55,040,310 | (684,174) | (19,924,252) | 34,431,884 |
| Financial assets at Amortized cost | - | 5,168,623 | 5,168,623 | - | (31,377) | 5,137,246 |
| **Total** | **40,128,957** | **20,079,976** | **60,208,933** | **(684,174)** | **(19,955,629)** | **39,569,130** |
| Letters of guarantee | 2,650,865 | 3,973,319 | 6,624,184 | (62,878) | - | 6,561,306 |
| Unutilized credit facilities | 11,196 | - | 11,196 | - | - | 11,196 |
| **Total** | **2,662,061** | **3,973,319** | **6,635,380** | **(62,878)** | **-** | **6,572,502** |

| 31 December 2020 | Exposures that have been classified | | | Expected Credit Loss for the reclassified exposures | | |
|---|---|---|---|---|---|---|
| | Exposures that were reclassified from stage two | Exposures that were reclassified from stage three | Total reclassified exposures | Stage Two | Stage Three | Total |
| | JD | JD | JD | JD | JD | JD |
| Direct Credit Facilities - amortized cost | 28,358,574 | 2,950,777 | 31,309,351 | (354,921) | (2,698,370) | 28,256,060 |
| Financial assets at Amortized cost | 5,200,000 | - | 5,200,000 | - | - | 5,200,000 |
| **Total** | **33,558,574** | **2,950,777** | **36,509,351** | **(354,921)** | **(2,698,370)** | **33,456,060** |
| Letters of guarantee | 3,225,608 | 2,149,095 | 5,374,703 | (14,840) | (567,804) | 4,792,059 |
| Unutilized credit facilities | 60,139 | - | 60,139 | (25,373) | - | 34,766 |
| **Total** | **3,285,747** | **2,149,095** | **5,434,842** | **(40,213)** | **(567,804)** | **4,826,825** |

**7) Credit exposures according to the Central Bank of Jordan instructions number 47/2009 are in conformity with IFRS 9**

| 31/12/2020 | According to the Central Bank of Jordan instructions number 47/2009 | | | | According to the International Financial Reporting Standards | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Stage one | | | Stage two | | | Stage Three | | |
| | Total | Interest in suspense | Gross | Provision | Total | Expected credit loss | Interest in suspense | Total | Expected credit loss | Interest in suspense | Total | Expected credit loss | Interest in suspense |
| **Performing loans** | 1,923,366,381 | - | 1,923,366,382 | - | 1,801,195,145 | 11,717,037 | 68,153 | - | - | - | - | - | - |
| **Watch list** | 116,812,954 | - | 116,812,954 | 2,529,043 | - | - | - | 202,890,223 | 8,075,015 | 106,699 | - | - | - |
| **Non performing:** | - | - | - | - | - | - | - | - | - | - | 182,969,780 | 78,275,290 | 35,179,005 |
| - Substandard | 5,630,197 | 85,472 | 5,544,725 | 9,614,388 | - | - | - | - | - | - | - | - | - |
| - Doubtful | 14,180,713 | 838,091 | 13,342,622 | 6,927,298 | - | - | - | - | - | - | - | - | - |
| - Loss | 127,064,903 | 31,947,637 | 95,117,267 | 84,208,842 | - | - | - | - | - | - | - | - | - |
| **Total** | **2,187,055,148** | **32,871,200** | **2,154,183,950** | **103,279,571** | **1,801,195,145** | **11,717,037** | **68,153** | **202,890,223** | **8,075,015** | **106,699** | **182,969,780** | **78,275,290** | **35,179,005** |

**7- Rescheduled loans**

Are defined as loans that were classified as “Non-performing” credit facilities, and subsequently removed and included under “Watch List” based upon a proper rescheduling that complies with the Central Bank of Jordan’s regulations. These loans amounted to JD 45,312,741 as of 31 December 2020, against JD54,199,174 as of 31 December 2020.
The rescheduled loans balances represents the scheduled loans either still classified as watch list or transferred to as performing.

**8- Restructured loans**

Restructuring is defined as reorganizing credit facilities in terms of installments, extending the term of credit facilities, deferment of installments, or extending the grace period and accordingly are classified as “Watch List” in case of restructuring twice during the year according to the Central Bank of Jordan instructions number 47/2009 issued on 10 December 2009 and its amendments. These debts amounted to JD 66,975,947 as of 31 December 2021 against JD 112,598,526 as of 31 December 2020.

**9- Bonds and Treasury Bills**

The following table shows the classifications of bonds and treasury bills based on the international credit rating agencies:

**2021**

| Risk Rating Class | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Pledged financial assets | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Non-rated | 8,890,500 | - | - | 8,890,500 |
| Governmental | 979,838,149 | 161,620,280 | - | 1,141,458,429 |
| S&P (AA) | - | 1,734,243 | - | 1,734,243 |
| S&P (A +) | - | 899,207 | - | 899,207 |
| S&P (A) | - | 3,946,338 | - | 3,946,338 |
| S&P (A-) | - | 1,093,771 | - | 1,093,771 |
| S&P (BBB+) | - | 527,266 | - | 527,266 |
| S&P (B) | - | 285,384 | - | 285,384 |
| S&P (BB-) | - | 420,197 | - | 420,197 |
| S&P (BBB-) | - | 293,573 | - | 293,573 |
| **Total** | **988,728,649** | **170,820,259** | **-** | **1,159,548,908** |

**2020**

| Risk Rating Class | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Pledged financial assets | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Non-rated | 9,245,000 | 7,492,397 | - | 16,737,397 |
| Governmental | 555,179,486 | 59,777,684 | 32,599,621 | 647,556,791 |
| S&P (AA) | - | 1,470,254 | - | 1,470,254 |
| S&P (B +) | - | 142,454 | - | 142,454 |
| S&P (B-) | - | 296,575 | - | 296,575 |
| S&P (BBB-) | - | 142,661 | - | 142,661 |
| **Total** | **564,424,486** | **69,322,025** | **32,599,621** | **666,346,132** |

**(44 - 2) Market Risk**

Market Risk is the risk of fluctuations and changes in the fair value or the cash flow of financial instruments, due to changes in market prices such as interest rates, exchange rates, and stock prices. Market risk arises from open positions in interest rates, currency rates and equity and security investments. These risks are monitored through specific policies and procedures by specialized committees and concerned business units. The risks include the following:

1. Interest Rate Risk
2. Exchange Rate Risk
3. Equity Price Risk

The Bank manages the expected market risk by adopting financial and investment policies within a specific strategy, and through the Assets and Liabilities Committee, which is tasked with the supervision of market risk and providing advice regarding the acceptable risks and the policy that is being followed.

The Market Risk Unit has been established and staffed by qualified and trained personnel to manage this type of risk according to the following:

1. Policies and procedures that are approved by the Board of Directors and the Central Bank of Jordan.
2. Market Risk Policy that includes principles of identifying, managing, measuring and monitoring this type of risk and having it approved by the relevant committees.
3. Monitoring reports for managing and monitoring market risk.
4. Developing tools and measures to manage and monitor market risk through:
    a. Sensitivity Analysis
    b. Basis Point Analysis
    c. Value at Risk (VaR)
    d. Stress Testing
    e. Stop-Loss Limit Reports
    f. Monitoring the Bank’s investment limits
    g. Monitoring the Bank’s investment portfolio at fair value through other comprehensive income and conducting revaluations of the portfolio on a regular basis.
5. The Middle Office Unit is tasked with monitoring, on a daily basis, all the investment limits in the money market and the foreign exchange transactions.

**1- Interest Rate Risk:**

Interest rate risk arises from the possible impact of changes in interest rates on the Bank’s profits or the fair value of financial instruments. The Bank is exposed to interest rate risk due to the possible interest rate mismatch or gap between assets and liabilities valued at different time intervals, or the revision of the interest rates at a given time interval. The Bank manages these risks by reviewing the interest rates on assets and liabilities on a regular basis.

The Assets and Liabilities Management Policy includes limits for interest rate sensitivity. The Asset and Liability Committee evaluates the interest rate risk through periodic meetings and examines the gaps in the maturities of assets and liabilities and the extent by which it is affected by the current and expected interest rates, while comparing it with the approved limits, and implementing hedging strategies when needed.

The Bank uses hedging instruments such as Interest Rate Swaps to curb the negative impact of fluctuations in interest rates.

**Interest Rate Risk Reduction Methods:**

The Asset and Liability Committee, through periodic meetings convened for this purpose, evaluates the assets and liabilities maturity gaps, and the extent of their exposure to the impacts of current and expected interest rates are examined. In addition, solutions are proposed to reduce the impact of these risks.

Balancing due dates of assets and liabilities; the management of the Bank seeks to harmonize the impact of interest rates changes within the assets and liabilities maturity categories to mitigate any negative impact that may arise from fluctuations in interest rates.

**Interest Rate Gaps:**
The Bank mitigates any gaps in interest rates through a circular that adjusts interest rates on its assets and liabilities that links and balances the maturities and interests.

**Interest Rate Hedging:**
The Bank acquires long-term financing to meet its long-term investments using fixed interest rates as much as possible to avoid interest rate fluctuations. Conversely, the Bank invests in short-term investments to meet any possible fluctuations.

The sensitivity of statement of income is represented by the effect of the possible expected changes in interest rates on the Bank's profits for one year. It is calculated based on the financial assets and liabilities that carry a variable interest rate as at 31 December 2020:

**2021**

| Currency | Increase in interest rate | Sensitivity of interest income (profit and loss) | Sensitivity of equity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 1 | (368,027) | - |
| Euro | 1 | 373 | - |
| Pound Sterling | 1 | (48) | - |
| Japanese Yen | 1 | 14 | - |
| Other Currencies | 1 | (1,063) | - |

**2020**

| Currency | Decrease in interest rate | Sensitivity of interest income (profit and loss) | Sensitivity of equity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 1 | 440,669 | - |
| Euro | 1 | 435 | - |
| Pound Sterling | 1 | (1,076) | - |
| Japanese Yen | 1 | 15,451 | - |
| Other Currencies | 1 | 234 | - |

**The sensitivity of the interest rates is as follows:**

**The following analysis shows interest rate re-pricing or maturity dates, whichever is earlier:**

| 31 December 2021 | Less than 1 month JD | 1 – 3 months JD | 3 – 6 months JD | 6 – 12 months JD | 1 – 3 years JD | 3 years or more JD | Non-interest bearing JD | Total JD |
|---|---|---|---|---|---|---|---|---|
| **Assets-** | | | | | | | | |
| Cash and balances at Central Banks | 100,500,000 | - | - | - | - | - | 325,340,132 | 425,840,132 |
| Balances and deposits at banks and financial institutions | 65,666,181 | 4,927,551 | - | - | - | - | 241,952,999 | 312,546,731 |
| Direct credit facilities at amortized cost | 357,574,356 | 125,795,561 | 132,790,901 | 178,316,842 | 405,887,479 | 817,524,937 | 13,257,262 | 2,031,147,338 |
| Loans and advances measured at fair value through income statement | - | - | 13,813,883 | 13,813,883 | 55,255,532 | - | - | 82,883,298 |
| Financial assets at fair value through other comprehensive income | - | 285,384 | 9,926,190 | 1,440,404 | 34,700,556 | 124,448,267 | 24,700,037 | 195,500,838 |
| Financial assets at amortized Cost - net | 5,200,000 | 27,687,442 | 183,064,006 | 59,617,467 | 372,142,431 | 339,310,073 | - | 987,021,419 |
| Property and equipment - net | - | - | - | - | - | - | 66,322,336 | 66,322,336 |
| Intangible assets - net | - | - | - | - | - | - | 30,502,672 | 30,502,672 |
| Deferred tax assets | - | - | - | - | - | - | 19,350,284 | 19,350,284 |
| Leased Assets | 145,861 | 153,246 | 200,109 | 473,514 | 2,039,430 | 7,565,552 | - | 10,577,712 |
| Other assets | 12,085,732 | 3,638,138 | 17,713,903 | 4,068,848 | 9,544,847 | 12,067,721 | 90,493,466 | 149,612,655 |
| **Total Assets** | **541,172,130** | **162,487,322** | **357,508,992** | **257,730,958** | **879,570,275** | **1,300,916,550** | **811,919,188** | **4,311,305,415** |
| **Liabilities-** | | | | | | | | |
| Banks and financial institution deposits | 136,102,074 | 205,255,818 | 709,000 | 17,958,077 | - | - | 21,119,320 | 381,144,289 |
| Customers' deposits | 496,930,114 | 376,403,914 | 384,434,541 | 656,058,777 | 39,421,475 | 349,469 | 817,208,988 | 2,770,807,278 |
| Cash Margin accounts | 39,522,686 | 13,904,181 | 16,204,224 | 21,236,205 | 50,970,128 | 90,361,015 | 1,465,325 | 233,663,764 |
| Loans and borrowings | 19,153,362 | 15,225,757 | 23,701,854 | 55,863,232 | 168,564,057 | 95,840,221 | 35,917,299 | 414,265,782 |
| Income tax provisions | - | - | - | - | - | - | 4,484,833 | 4,484,833 |
| Deferred tax liabilities | - | - | - | - | - | - | 2,881,882 | 2,881,882 |
| Sundry provisions | - | - | - | - | - | - | 2,497,992 | 2,497,992 |
| Expected credit losses provision against off balance sheet items | - | - | - | - | - | - | 4,889,017 | 4,889,017 |
| Obligations for lease contracts | 162,621 | 256,561 | 80,737 | 394,626 | 2,050,162 | 8,918,913 | - | 11,863,620 |
| Other liabilities | 7,893,996 | 3,008,787 | 3,105,218 | 6,017,706 | 910,629 | 8,542,935 | 34,817,051 | 64,296,322 |
| Bond loans | - | - | - | - | - | 28,360,000 | - | 28,360,000 |
| **Total liabilities** | 699,764,853 | 614,055,018 | 428,235,574 | 757,528,623 | 261,916,451 | 232,372,553 | 925,281,707 | 3,919,154,779 |
| **Interest rate sensitivity gap** | **(158,592,723)** | **(451,567,696)** | **(70,726,582)** | **(499,797,665)** | **617,653,824** | **1,068,543,997** | **(113,362,519)** | **392,150,636** |
| **31 December 2020** | | | | | | | | |
| **Total Assets** | **263,368,996** | **151,627,111** | **207,820,551** | **226,799,170** | **629,112,382** | **771,317,016** | **498,760,091** | **2,748,805,317** |
| **Total Liabilities** | **348,084,665** | **274,019,946** | **279,409,893** | **470,794,146** | **384,717,069** | **130,466,822** | **505,625,466** | **2,393,118,007** |
| **Interest rate sensitivity gap** | **(84,715,669)** | **(122,392,835)** | **(71,589,342)** | **(243,994,976)** | **244,395,313** | **640,850,194** | **(6,865,375)** | **355,687,310** |

**2- Currency Risks**

The currency risk is the risk of change in the value of financial instruments due to change in exchange rates. The Jordanian Dinar is the base currency of the Bank. The Board of Directors imposes limits for the financial position of each currency at the Bank. The foreign currency positions are monitored on a daily basis, and hedging strategies are implemented to ensure the maintenance of foreign currencies' positions within the approved limits.

The Bank's investment policy states that it is possible to hold positions in major foreign currencies, provided that they do not exceed 5% of shareholders' equity for each currency, and that the gross foreign currencies position does not exceed 15% of shareholders equity. Also, the foreign currency positions are monitored on a daily basis. In addition, complex market instruments can be used to hedge against fluctuations in currency exchange rates according to limits that ensure the Bank is not exposed to additional risks.

The following table illustrates the possible effect on the statement of income as a result of fluctuations in exchange rates against the Jordanian Dinar, assuming that all other variables remain constant:

**2021-**

| Currency | Change in currency exchange rate | Effect on profit and loss |
|---|---|---|
| | % | JD |
| Euro | 5 | (187,321) |
| British Pound Sterling | 5 | (5,452) |
| Japanese Yen | 5 | 1,209 |
| Other currencies | 5 | (5,141) |

**2020-**

| Currency | Change in currency exchange rate | Effect on profit and loss |
|---|---|---|
| | % | JD |
| Euro | 5 | (29,011) |
| British Pound Sterling | 5 | 154,394 |
| Japanese Yen | 5 | 3,195 |
| Other currencies | 5 | 101,944 |

In the event of negative change in the indicator, the effect will remain constant but with an opposite sign.

## Concentration in Foreign currency risk:

| 2021 | US Dollar | Euro | Pound sterling | Japanese Yen | Other | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and balances at Central Bank of Jordan | 119,471,587 | 2,029,758 | 518,375 | - | 106,332,462 | 228,352,182 |
| Balances at banks and financial institutions | 245,381,162 | 40,761,737 | 13,702,368 | 1,291,747 | 11,407,195 | 312,544,209 |
| Financial assets at fair value through other comprehensive income | 162,630,153 | 548,590 | 708,807 | - | 5,269,105 | 169,156,655 |
| Loans and advances at fair value through income statement | 82,883,298 | - | - | - | - | 82,883,298 |
| Credit facilities at amortized cost | 306,955,427 | 2,296 | 33,285 | 13,602,150 | 315,248,819 | 635,841,977 |
| Financial assets at amortized cost - net | 344,091,641 | - | - | - | 9,712,329 | 353,803,970 |
| Leased assets | - | - | - | - | 6,125,974 | 6,125,974 |
| Property and equipment - net | 1,618,515 | - | - | - | 14,634,540 | 16,253,055 |
| Intangible assets - net | 4,824,508 | - | - | - | 4,355,465 | 9,179,973 |
| Deferred tax assets | - | - | - | - | - | - |
| Other assets | 70,938,991 | 458,020 | 55,674 | 12,109 | 6,798,988 | 78,263,782 |
| **Total Assets** | **1,338,795,282** | **43,800,401** | **15,018,509** | **14,906,006** | **479,884,877** | **1,892,405,075** |
| **Liabilities** | | | | | | |
| Banks and financial institution deposits | 349,273,861 | 7,475,011 | 26,715 | - | 8,718,797 | 365,494,384 |
| Customers' deposits | 830,888,279 | 26,406,543 | 14,677,488 | 79,710 | 280,396,496 | 1,152,448,516 |
| Cash Margin accounts | 99,151,847 | 6,856,716 | 123,057 | 23,493 | 22,936,628 | 129,091,741 |
| Loans and borrowings | 143,175,018 | - | - | - | 36,525,003 | 179,700,021 |
| Income tax provision | - | - | - | - | 2,498,412 | 2,498,412 |
| Sundry provisions | 45,406 | - | - | - | 2,337,790 | 2,383,196 |
| Expected credit losses provision against off balance sheet items | - | - | - | - | 2,095,939 | 2,095,939 |
| Other liabilities | 12,881,865 | 236,531 | 3,593,658 | 404 | 8,225,334 | 24,937,792 |
| Bond loans | 28,360,000 | - | - | - | - | 28,360,000 |
| Lease obligations | - | - | - | - | 7,650,391 | 7,650,391 |
| **Total Liabilities** | **1,463,776,276** | **40,974,801** | **18,420,918** | **103,607** | **371,384,790** | **1,894,660,392** |
| Net concentration in the statement of financial position | (124,980,994) | 2,825,600 | (3,402,409) | 14,802,399 | 108,500,087 | (2,255,317) |
| Forward contracts | 22,474,086 | 234,037 | 23,476 | (14,779,360) | (737,194) | 7,215,045 |
| **Net concentration in foreign currency** | **(102,506,908)** | **3,059,637** | **(3,378,933)** | **23,039** | **107,762,893** | **4,959,728** |

| 2020 | US Dollar | Euro | Pound sterling | Japanese Yen | Other | Total |
|---|---|---|---|---|---|---|
| **Total Assets** | **724,107,996** | **46,186,211** | **14,876,851** | **15,874,079** | **211,721,059** | **1,012,766,196** |
| **Total Liabilities** | **722,117,220** | **42,250,569** | **16,019,804** | **360,881** | **176,283,506** | **957,031,980** |
| Net concentration in the statement of financial position | 1,990,776 | 3,935,642 | (1,142,953) | 15,513,198 | 35,437,553 | 55,734,216 |
| Forward contracts | 28,447,372 | (1,365,459) | 244,117 | (15,449,242) | 141,900 | 28,447,372 |
| **Net concentration in foreign currency** | **30,438,148** | **2,570,183** | **(898,836)** | **63,956** | **35,579,453** | **67,752,904** |

**3- Equity Price Risk**

Equity price risk arises from the change in the fair value of equity investments. The Bank manages this risk by distributing its investments over various geographic and economic sectors. Most of the Bank's equity investments are listed in Amman Stock Exchange.

The following table illustrates the statement of income sensitivity and the cumulative change in fair value as a result of possible reasonable changes in the equity prices, assuming that all other variables remain constant:

| Indicator | Change in indicator | Effect on profit and loss | Effect on equity |
|---|---|---|---|
| **2021 -** | **%** | **JD** | **JD** |
| Amman Stock exchange | 5 | - | 112,246 |
| Regional Markets | 5 | - | 206,513 |

| Indicator | Change in indicator | Effect on profit and tax | Effect on equity |
|---|---|---|---|
| **2020 -** | **%** | **JD** | **JD** |
| Amman Stock exchange | 5 | - | 148,849 |
| Regional Markets | 5 | - | 156,086 |

In the event of negative change in the indicator, the effect will remain constant but with an opposite sign.

**(44 - 3) Liquidity Risk**

Liquidity risk refers to the risk arising from the probability of the Bank being unable to raise adequate funds in any geographical region, currency and time, to meet its obligations when they are due, or to finance its activities without bearing high costs or incurring losses because of resorting to:

1. Selling Bank assets at low prices; leading to a decrease in the expected returns and the financial profits of the Bank.
2. Acquiring high-cost obligations in order to meet its commitments, which would lead to an increase in the costs and a consequent decrease in the expected profits of the Bank.

The impact of a liquidity risk is identified by ascertaining the extent of the liquidity of its assets and the ability of the Bank to convert liquid and semi-liquid assets into cash with the least amount of losses if the prices decrease. The Bank should provide the assets that can be sold at a price that is close to its fair value. Accordingly, the liquidity risk which the Bank may be subject to can be divided into the following:

A- Funding Liquidity Risk: the inability of the Bank to convert assets into cash such as accounts receivable, or obtain financing to meet commitments

B- Market Liquidity Risk: the inability of the Bank to sell assets in the market or the sale of these assets at a large financial loss due to the poor liquidity or demand in the market.

The treasury and Investment department is responsible for managing the Bank's liquidity, while the Asset and Liability Committee (ALCO) manages, measures and monitors the liquidity risk which are governed by pre-set policies and procedures as well as the Contingency Funding Plan. The Committee is tasked with monitoring and controlling liquidity and ensuring the optimum strategic distribution of the Bank assets and liabilities, whether in the on/off-statement of financial position items of it in coordination with the head of Treasury and Investment Department. The management of liquidity risk is conducted within the following group of inputs:

1- A set of policies and procedures approved by the committees which determine principles, definition, management, measurement and monitoring of liquidity risk.

2- Contingency Funding Plan, which includes:

   a. Specific procedures for liquidity contingency management.

   b. A specialized committee for liquidity contingency management.

   c. Liquidity Contingency Plan.

   d. Analysis of the liquidity position of the Bank based on the following liquidity reports:

- Duration gap analysis of assets and liabilities
- Legal liquidity ratio, liquidity according to maturity ladder (in Jordanian dinar and foreign currencies).
- Certificate of Deposits (CDs) issued by Capital Bank (in Jordanian dinar and foreign currencies).
- Customers Deposits (in Jordanian dinar and foreign currencies)
- Liquidity Indicators Report
- Stress testing

The Treasury and Investment Department, in coordination with the Market Risk Unit, diversifies funding sources and matches its maturity dates, and maintains sufficient liquid assets, in order to mitigate liquidity risk. Accordingly, this is accomplished through:

**Analysis and monitoring of assets and liabilities maturity dates**: the Bank examines the liquidity of its assets and liabilities as well as any changes that may occur on a daily basis. Through the Asset and Liability Committee, the Bank seeks to achieve a balance between the maturity dates of the assets and liabilities, and monitors the gaps in relation to those specified by the policies of the Bank.

**Liquidity Contingency Plan**: Assets and Liabilities Risk Management Committee submits its recommendations regarding the liquidity risk management and its procedures and sets necessary orders to apply the effective monitoring controls and issues reports regarding liquidity risk and the ability to adhere to the policies and controls. In addition to providing analytical resources to top management including monitoring all the technical updates related to the measurements and liquidity risk and its application.

**Geographical and sectorial distribution**: the assets and liabilities of the Bank are distributed regularly into local and foreign investments depending on more than one financial and capital market. The facilities are also distributed among several sectors and geographical regions while maintaining a balance between providing customer and corporate credit. Furthermore, the Bank seeks to diversify the sources of funding and their maturity dates.

**Cash reserves at the banking monitoring authorities**: The Bank maintains a statutory cash reserve at the banking monitoring authorities amounting to JD 103,687,381.

**First: The table below summarizes the undiscounted cash flows of the financial liabilities:**

| | Less than 1 month | 1 – 3 months | 3 – 6 months | 6 – 12 months | 1 – 3 years | 3 years or more | No fixed maturity | Total |
|---|---|---|---|---|---|---|---|---|
| **31 December 2021** | JD | JD | JD | JD | JD | JD | JD | JD |
| **Liabilities-** | | | | | | | | |
| Banks and financial institution deposits | 157,389,994 | 206,018,618 | 714,270 | 18,225,030 | - | - | - | 382,347,912 |
| Customers' deposits | 1,315,369,246 | 379,199,264 | 390,144,520 | 675,547,565 | 42,934,621 | 401,375 | - | 2,803,596,591 |
| Margin accounts | 41,012,864 | 13,929,473 | 16,263,176 | 21,390,723 | 52,082,729 | 93,648,422 | - | 238,327,387 |
| Loans and borrowings | 55,101,069 | 15,298,274 | 23,927,629 | 56,927,494 | 178,198,105 | 104,969,582 | 35,917,299 | 470,339,452 |
| Income tax provision | - | 4,484,833 | - | - | - | - | - | 4,484,833 |
| Deferred tax liabilities | - | - | - | - | - | - | 2,881,882 | 2,881,882 |
| Sundry provisions | - | - | - | 2,383,196 | - | - | 114,796 | 2,497,992 |
| Provisions against off - balance sheet items | - | - | - | - | - | - | 4,889,017 | 4,889,017 |
| The rights to use leased contracts | 162,621 | 256,561 | 80,737 | 394,626 | 2,050,162 | 8,918,912 | - | 11,863,619 |
| Other liabilities | 42,711,054 | 3,008,787 | 3,105,218 | 6,017,706 | 910,629 | 8,542,935 | - | 64,296,329 |
| Subordinated loans | - | - | - | - | - | 38,286,000 | - | 38,286,000 |
| **Total Liabilities** | **1,611,746,848** | **622,195,810** | **434,235,550** | **780,886,340** | **276,176,246** | **254,767,226** | **43,802,994** | **4,023,811,014** |
| **Total Assets** | **321,276,601** | **168,975,988** | **366,593,777** | **265,499,315** | **916,613,116** | **1,334,198,614** | **938,148,003** | **4,311,305,415** |
| **31 December 2020** | | | | | | | | |
| **Liabilities-** | | | | | | | | |
| Banks and financial institution deposits | 118,251,207 | 20,028,338 | - | - | - | - | - | 138,279,545 |
| Customers' deposits | 574,869,123 | 206,358,057 | 266,904,949 | 439,326,438 | 225,811,248 | 3,764,592 | - | 1,717,034,407 |
| Margin accounts | 23,324,315 | 11,584,111 | 11,304,706 | 16,381,852 | 49,635,877 | 44,152,206 | - | 156,383,067 |
| Loans and borrowings | 79,458,853 | 36,293,866 | 3,376,180 | 26,092,573 | 140,675,029 | 62,865,522 | - | 348,762,023 |
| Income tax provision | - | 4,887,737 | - | - | - | - | - | 4,887,737 |
| Deferred tax liabilities | - | - | - | - | - | - | 2,815,978 | 2,815,978 |
| Sundry provisions | - | - | - | 3,415,781 | - | - | 102,700 | 3,518,481 |
| Provisions against off - balance sheet items | - | - | - | - | - | - | 4,360,854 | 4,360,854 |
| The rights to use leased contracts | - | - | - | 1,843,370 | 517,713 | 1,622,649 | - | 3,983,732 |
| Other liabilities | 42,984,459 | 1,862,101 | 2,432,585 | 2,573,614 | 1,211,117 | 141,081 | - | 51,204,957 |
| Subordinated loans | - | - | - | - | - | 38,286,000 | - | 38,286,000 |
| **Total Liabilities** | **838,887,957** | **281,014,210** | **284,018,420** | **489,633,628** | **417,850,984** | **150,832,050** | **7,279,532** | **2,469,516,781** |
| **Total Assets** | **355,335,045** | **159,527,614** | **208,759,542** | **226,799,171** | **598,167,510** | **774,432,742** | **425,783,692** | **2,748,805,317** |

**Second: The table below summarizes the maturities of financial derivatives as of the date of the consolidated financial statements:**

Financial derivatives / liabilities which are settled in net include: foreign currency derivatives, off-the statement of Financial position items market currency options, currency futures, and on-statement of financial position foreign currency swap contracts:

**Foreign Currency Derivatives**

| 2021 | Up to 1 month | 1 – 3 months | 3 – 6 months | 6 – 12 months | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| **Derivatives held for trading** | | | | | |
| Outflows | 9,535,207 | 2,809,332 | 500,000 | 11,060,611 | 23,905,149 |
| Inflows | 9,194,211 | 2,808,026 | 495,804 | 11,049,981 | 23,548,022 |

| 2020 | Up to 1 month | 1 – 3 months | 3 – 6 months | 6 – 12 months | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| **Derivatives held for trading** | | | | | |
| Outflows | 23,355,010 | 30,007,353 | 39,260,855 | 1,820,595 | 94,443,813 |
| Inflows | 23,350,430 | 30,241,365 | 39,260,855 | 1,820,595 | 94,673,245 |

**Third: Off-the statement of Financial position items:**

| 2021 | Up to 1 year | 1 – 5 years | Total |
|---|---|---|---|
| | JD | JD | JD |
| Acceptances and Letters of Credit | 91,726,111 | 153,124,197 | 244,850,308 |
| Unutilized credit limits | - | 281,161,365 | 281,161,365 |
| Letters of guarantee | 253,356,599 | - | 253,356,599 |
| Foreign Currency Forward Deals | 296,545,718 | - | 296,545,718 |
| Interest Forward Deals | - | 79,762,500 | 79,762,500 |
| **Total** | **641,628,428** | **514,048,062** | **1,155,676,490** |

| 2020 | Up to 1 year | 1 – 5 years | Total |
|---|---|---|---|
| | JD | JD | JD |
| Acceptances and Letters of Credit | 90,761,408 | 69,585,720 | 160,347,128 |
| Unutilized credit limits | 626,053 | 127,413,781 | 128,039,834 |
| Letters of guarantee | 146,285,015 | - | 146,285,015 |
| Foreign Currency Forward Deals | 94,673,245 | - | 94,673,245 |
| Interest Forward Deals | - | 106,350,000 | 106,350,000 |
| **Total** | **332,345,721** | **303,349,501** | **635,695,222** |

**(44-4) Operational risk:**

Operational risk is defined as the risk of loss arising from inadequate or failure of internal processes, human factor or systems, or resulting from external events. From a management perspective, this definition also includes legal risk, strategic risk and reputational risk for the purposes of managing these types of risk.

Due to the continuous change in the working environment and the management's desire to remain in-sync with all the technological advancements and to introduce new banking services and products, Operational Risk Policy has been designed and developed for the Bank's departments, branches and subsidiary, whereby the main principles are included and the policy's objectives are aligned with the Bank's strategic objectives.

Moreover, Bank's strategies have been implemented to enhance the role of Operational Risk management which is represented by Operational Risk Management Framework, that includes all bank's departments, branches and subsidiaries. This requires determining, evaluating, supervising and rendering the operational risk for each branch separately as outlined in Basel committee through which Control and Risk Self Assessment (CRSA) made by:

1. Holding “Workshops” based on analyzing the related procedures, events and audit reports thus identifying risks, controls, and determine gaps which will be self tested by entities' managers.
2. Implement Key Risk Indicators (KRIs) at the bank's level.
3. Create and update Business Continuity Plans.

Therefore, the Operational Risk and Business Continuity efficiency is a joint responsibility with all departments from all levels, as it is part of their responsibilities through:

1- Conducting CRSA testing on time and without delay.
2- Provide Operational Risk with accurate data transparently.
3- Reporting and disclosing any losses or operating events without delay or hesitation.
4- Implement “Remedial Actions/ Recommendations / Mitigations” by Operational Risk department, that would mitigate the risks which were identified through workshops / reporting of events or losses /CRSA.
5- Board of Directors, related committees and top management have a major role in supporting Operational Risk activities and methodology.

To ensure that the above is implemented, the Operational Risk Management Department is keen on spreading knowledge and increasing awareness about Operational Risk Management and Business Continuity by conducting training courses and workshops for all Bank departments and by creating an effective work environment. In addition, the Operational Risk Management Department is responsible for raising reports to the Internal Risk Committee concerning any short comings or violations. This will ultimately lead to the development of risk profile at each department / unit level and the Bank level as a whole.

In addition to the above, Operational Risk Department is responsible on:

1 - Reviewing the Bank's internal policies and procedures to highlight risks and work on mitigating such prior to implementation.

2 - Conducting stress testing and observing the results.

3 - Ensure updating and upgrading Operational Risk system.

4 - Update Business Continuity Plans.

**Information Security :**

The responsibility of the Information Security / Risk management unit lies in ensuring security, availability and accuracy of the Banks information through the following:-

1. Developing an Information security Strategy & program based on leading International standards (ISO 27k, PCI DSS), that is in line with the Bank's strategy.
2. Providing the tools and means necessary to reduce Information security risks.
3. Developing security policies related to Information systems and resources.
4. Developing a security awareness programm for Bank's employees & Customers.
5. Managing security incidents related to Information management systems and raising recommendations to Top Management.
6. Developing security standards for various Information systems.
7. Participating in the business continuity plan to ensure business continuity in the event of any disaster.
8. Identifying the appropriate controls to mitigate the risks faced by the bank through analyzing various Information security risks.
9. Preparing and developing security measures related to Information systems security incidents.
10. Managing Information systems security incidents and raising relevant recommendations to Top Management.
11. Ensuring the security and Integrity of hardware, software and various applications through risk analysis and periodic testing to ensure safe use of these resources.

**(45) Segment Information**

**1. Information about bank Activities:**

For management purposes the Bank is organized into four major segments that are measured according to the reports used by the main decision maker at the Bank:

**Retail banking**: Includes handling individual customers' deposits, credit facilities, credit card, and other services.

**Corporate banking**: Includes monitoring deposits, credit facilities, and other banking facilities provided to corporate customers.

**Corporate finance:** Principally arranging structured financing, and providing services relating to privatizations, IPOs, and mergers and acquisitions.

**Treasury:** Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations.

These segments are the basis on which the Bank reports its segment information:

| | | | | | | Total | |
|---|---|---|---|---|---|---|---|
| | **Retail Banking** | **Corporate Banking** | **Corporate Finance** | **Treasury** | **Other** | **2021** | **2020** |
| | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** |
| Total revenue | 50,430,816 | 94,815,807 | 13,545 | 73,841,864 | 3,409,492 | 222,511,524 | 175,075,050 |
| Net of acquisition Impact | - | - | - | - | 25,376,518 | 25,376,518 | - |
| Impairment and expected credit losses and financial assets | 3,331,442 | (23,841,043) | - | (1,161,728) | 1,716,257 | (19,955,072) | (24,545,414) |
| Segment results | 22,529,983 | 27,844,479 | 13,545 | 62,620,739 | 29,915,176 | 142,923,922 | 86,115,526 |
| Unallocated expenses | | | | | | **(72,187,911)** | **(48,108,012)** |
| Profit before tax | | | | | | **70,736,011** | **38,007,514** |
| Income tax | | | | | | **(9,729,187)** | **(7,705,436)** |
| Net income | | | | | | **(81,917,098)** | **(55,813,448)** |
| **Other information** | | | | | | | |
| Segmental assets | 733,030,371 | 1,381,000,265 | - | 1,920,909,120 | 276,365,659 | 4,311,305,415 | 2,748,805,317 |
| Segmental liabilities | 1,537,549,236 | 1,466,921,806 | - | 823,770,071 | 90,913,666 | 3,919,154,779 | 2,393,118,007 |
| Capital expenditure | | | | | | (28,226,506) | (20,988,878) |
| Depreciation and amortization | | | | | | (10,276,339) | (6,056,762) |

**2. Geographical Information**

This segment represents the geographical operations of the bank. The bank operates primarily in Jordan and also operates internationally in the Middle East, Europe, Asia, America and the Far-East.

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

| | **Inside Jordan** | | **Outside Jordan** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| | **JD** | **JD** | **JD** | **JD** | **JD** | **JD** |
| Total revenue | 196,684,311 | 151,478,242 | 25,827,213 | 23,596,808 | 222,511,524 | 175,075,050 |
| Total assets | 3,448,433,796 | 2,318,485,256 | 862,871,619 | 430,320,061 | 4,311,305,415 | 2,748,805,317 |
| Capital expenditure | 16,230,083 | 18,459,899 | 11,996,423 | 2,528,979 | 28,226,506 | 20,988,878 |

## (46) Capital Management

The Bank maintains an appropriate paid-in-capital in order to meet its operational risk, and it regularly monitors its capital adequacy in accordance with BASEL to comply with the Central Bank of Jordan’s regulations.

According to Central Bank of Jordan regulations (52/2010), the minimum paid-in-capital of Jordanian banks should be JD 100 million before the end of 2011 and the capital for the foreign banks in Jordan should not be less than half of the capital for the Jordanian banks in accordance to article (12) and article (8) from the Law and Banks number (28) for the year 2000 and its adjustments. In addition, the regulation requires a minimum leverage ratio of 4% as per article 67/2016 CBJ regulations.

Through its operational years; the Bank maintained a capital adequacy ratio in excess of 12%, being the minimum capital adequacy rate required by the Central Bank of Jordan (8% as per Basel). Furthermore, the Bank regularly reviews and complies with the concentration ratios using regulatory capital as an indicator; noting that the instructions impose a ratio of no less than 14%.

The Bank manages and restructures its capital in light of the changes in the business environment. There has been no change on the Bank’s capital structure during 2021 and 2020.

**Description of paid-in-capital**

According to CBJ regulations regarding Basel III, regulatory capital comprises of:

1- Tier 1 capital, which refers to the Bank's core capital, and consists of:

- Common Equity Tier 1 (CET1) which includes the following: (paid in capital, retained earnings, statutory and voluntary reserves, cumulative change in fair value, foreign currency translation adjustment, minority interest ( recognizable under CET1)), it also includes the following deductions (year/period losses, goodwill and intangible assets, deferred tax assets, treasury stocks, shortage in required provisions, shortages in tier 2 capital, restricted balances, gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies and unconsolidated subsidiaries.
- Additional Tier 1 (AT1), Additional Tier 1 capital consists of the sum of the following elements:

(convertible bonds, preferred stocks, financial instruments issued by the bank and holds the characteristics of additional capital, minority interest (recognizable under AT1), it also includes the following deductions (gross insignificant investments (<10%) and significant investments (>10%) in other banks, financial institutions, insurance companies, and unconsolidated subsidiaries.

2- Tier 2 capital, which is the supplementary capital, consists of the following elements; subordinated debt, general banking risk reserve and minority interest, and deducts the following; insignificant investments (<10%) and significant investments (>10%) in other banks, financial institution, insurance companies and
The transition period for the deductions in tier 1 and tier 2 related to the investments in banks, financial institutions, insurance companies and unconsolidated subsidiaries occurs gradually over 5 years according to CBJ regulations. By the end of the year 2020, these deductions will be fully deducted from Tier 1.

Central Bank of Jordan emphasized on the importance of complying with Basel III regulation in building up addition capital as a percentage of risk weighted assets, which restricts cash dividends, through the following buffers:

1- Conservation Buffer

2- Countercyclical Buffer

3- D-SIBs

**Regulatory Requirements for paid in capital**

Capital adequacy ratio is calculated based on the simplified approach (standardized approach) in accordance with the regulations of the Central Bank of Jordan, which in turn are based on the verdicts of the Basel committee. Below are the comparative figures of the capital adequacy ratio:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| **Primary capital-** | | |
| Paid-in-capital | 200,000,000 | 200,000,000 |
| Statutory reserves | 56,114,618 | 44,186,425 |
| Additional paid in capital | 709,472 | 709,472 |
| Retained earning | 120,955,424 | 77,133,920 |
| Total cumulative change in fair value | 813,120 | 3,619,029 |
| Changes due to Foreign Currency translations | (16,540,837) | (16,540,837) |
| Non-controlling interest | 29,587,673 | 20,469,481 |
| Proposed cash dividends | (30,000,000) | (24,000,000) |
| **Less-** | | |
| Intangible assets | 30,502,672 | 21,705,921 |
| Deferred tax assets | 17,391,310 | 15,562,847 |
| Investments at other financial institutions (banks, financial institutions and insurance companies) | 86,851 | 30,079 |
| Treasury stocks | - | 2,707,491 |
| **Total Primary capital** | **313,658,637** | **265,571,152** |
| **Supplementary Capital** | | |
| Impairment losses according to IFRS9 – Stage 1 | 16,356,209 | 3,396,826 |
| Non-controlling interest | 1,947,324 | 520,016 |
| Subordinated loans | 22,688,000 | 28,360,000 |
| Investments at other financial institutions (banks, financial institutions and insurance companies) | - | - |
| **Total Subordinated Capital** | 40,991,533 | 32,276,842 |
| **Net Supplementary Capital Tier 2** | 40,991,533 | 32,276,842 |
| **Total Regulatory Capital** | **354,650,171** | **297,847,994** |
| **Total Risk weighted assets** | **2,384,560,903** | **1,826,310,338** |
| **Capital adequacy (%)** | **14.87%** | **16.31%** |
| **Primary Capital (%)** | **13.15%** | **14.54%** |

**(47) Fiduciary Accounts**

Investment custody accounts amounted to JD 145,903,232 as of 31 December 2021 compared to JD 143,262,948 in 31 December 2020.

**(48) 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:

| 2021- | Up to 1 year | More than 1 year | Total |
|---|---|---|---|
| | JD | JD | JD |
| **Assets** | | | |
| Cash and balances at Central Banks | 100,500,000 | 325,340,132 | 425,840,132 |
| Balances at banks and financial institutions | 312,546,731 | - | 312,546,731 |
| Direct credit facilities at amortized cost, net | 794,477,660 | 1,236,669,678 | 2,031,147,338 |
| Loans and Advances at fair value through income statement | - | 82,883,298 | 82,883,298 |
| Direct credit facilities at fair value through other comprehensive income | 11,651,978 | 183,848,860 | 195,500,838 |
| Financial assets at amortized cost - net | 59,617,467 | 927,403,952 | 987,021,419 |
| Pledged Financial Assets | - | - | - |
| Property plants and equipment -net | - | 66,322,336 | 66,322,336 |
| Intangible assets -net | - | 30,502,672 | 30,502,672 |
| Deferred tax assets | - | 19,350,284 | 19,350,284 |
| The right to use leased contracts | 972,730 | 9,604,982 | 10,577,712 |
| Other assets | 37,506,621 | 112,106,034 | 149,612,655 |
| **Total Assets** | **1,317,273,187** | **2,994,032,228** | **4,311,305,415** |
| **Liabilities** | | | |
| Banks and financial institution deposits | 381,144,289 | - | 381,144,289 |
| Customers' deposits | 1,913,827,346 | 856,979,932 | 2,770,807,278 |
| Margin accounts | 90,867,296 | 142,796,468 | 233,663,764 |
| Loans and borrowings | 113,944,205 | 300,321,577 | 414,265,782 |
| Income tax provision | 4,484,833 | - | 4,484,833 |
| Deferred tax liabilities | 2,881,882 | - | 2,881,882 |
| Sundry provisions | 2,497,992 | - | 2,497,992 |
| Provision against off-balance sheet items | 4,889,017 | - | 4,889,017 |
| Obligations for lease contracts | 894,545 | 10,969,075 | 11,863,620 |
| Other liabilities | 20,025,707 | 44,270,615 | 64,296,322 |
| Subordinated loans | - | 28,360,000 | 28,360,000 |
| **Total Liabilities** | **2,535,457,112** | **1,383,697,667** | **3,919,154,779** |
| **Net** | **(1,218,183,925)** | **1,610,334,561** | **392,150,636** |

## 2020-

| | Up to 1 year | More than 1 year | Total |
|---|---|---|---|
| | JD | JD | JD |
| **Assets** | | | |
| Cash and balances at Central Banks | 87,000,000 | 208,853,517 | 295,853,517 |
| Balances at banks and financial institutions | 142,537,265 | - | 142,537,265 |
| Direct credit facilities at amortized cost, net | 502,675,126 | 800,283,825 | 1,302,958,951 |
| Financial assets at fair value through income statement | - | 112,529,504 | 112,529,504 |
| Direct cerdit facilities at fair value through other comprehensive income | 142,454 | 89,434,680 | 89,577,134 |
| Financial assets at amortized cost - net | 21,327,146 | 542,557,311 | 563,884,457 |
| Pledged Financial Assets | 11,397,623 | 21,201,998 | 32,599,621 |
| Property plants and equipment -net | - | 34,940,997 | 34,940,997 |
| Intangible assets -net | - | 11,180,010 | 11,180,010 |
| Deferred tax assets | - | 15,562,847 | 15,562,847 |
| The right to use leased contracts | 515,289 | 3,427,750 | 3,943,039 |
| Other assets | 44,429,724 | 98,808,251 | 143,237,975 |
| **Total Assets** | **810,024,627** | **1,938,780,690** | **2,748,805,317** |
| **Liabilities** | | | |
| Banks and financial institution deposits | 138,058,853 | - | 138,058,853 |
| Customers' deposits | 1,039,775,590 | 634,437,216 | 1,674,212,806 |
| Margin accounts | 50,640,324 | 101,083,058 | 151,723,382 |
| Loans and borrowings | 144,094,685 | 185,896,542 | 329,991,227 |
| Income tax provision | 4,887,737 | - | 4,887,737 |
| Deferred tax liabilities | 2,815,978 | - | 2,815,978 |
| Sundry provisions | 3,518,481 | - | 3,518,481 |
| Provision against off-balance sheet items | 4,360,854 | - | 4,360,854 |
| Obligations for lease contracts | 1,843,370 | 2,140,362 | 3,983,732 |
| Other liabilities | 11,959,191 | 39,245,766 | 51,204,957 |
| Subordinated loans | - | 28,360,000 | 28,360,000 |
| **Total Liabilities** | **1,401,955,063** | **991,162,944** | **2,393,118,007** |
| **Net** | **(591,930,436)** | **947,617,746** | **355,687,310** |

## (49) Contingent Liabilities and Commitments (Off statement of financial position)

a) The total outstanding commitments and contingent liabilities are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Letters of credit | 138,291,603 | 65,796,460 |
| Confirmed Export Letters of credit | 14,832,594 | 23,157,779 |
| Acceptances | 91,726,111 | 71,392,889 |
| Letters of guarantee : | | |
| - Payments | 63,306,201 | 40,456,761 |
| - Performance | 109,081,557 | 62,134,208 |
| - Others | 80,968,841 | 43,694,046 |
| Foreign currency forward | 296,545,718 | 94,673,245 |
| Interest rate forward contracts | 79,762,500 | 106,350,000 |
| Unutilized direct credit limits | 281,161,365 | 128,039,834 |
| **Total** | **1,155,676,490** | **635,695,222** |
| Less: Expected credit losses | (4,889,017) | (4,360,855) |
| **Contingent Liabilities and Commitments- Net** | **1,150,787,473** | **631,334,367** |

b) The contractual commitments of the Bank are as follows:

| | 2021 | 2020 |
|---|---|---|
| | JD | JD |
| Intangible assets contracts | 8,435,221 | 15,348,491 |
| Property, Plant & Equipment contracts | 1,313,597 | 434,512 |
| Construction contracts | 3,495,770 | 1,242,484 |
| | **13,244,588** | **17,025,487** |

**Letter Of Credit**

**The cumulative movement of Letter of Credit during the period According to IFRS 9**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Purchased originated credit-impaired (POCI)** | **Total** |
|---|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 87,981,261 | 972,978 | - | - | 88,954,239 |
| Add: new balances during the year | 115,901,248 | 195,541 | - | - | 116,096,789 |
| Settled balances | (56,535,780) | (425,874) | - | - | (56,961,654) |
| Transfer to the first stage during the year | 269,420 | (269,420) | - | - | - |
| Additions due to acquisition | 5,018,803 | - | - | - | 5,018,803 |
| **Net balance** | **152,634,952** | **473,225** | **-** | **-** | **153,108,177** |

**The cumulative movement of the provision for impairment losses of Letter of Credit according Stages during the period According to IFRS 9**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 1,357,493 | 16,768 | - | 1,374,261 |
| Impairment loss of indirect credit facilities during the year | 830,235 | 18,235 | - | 848,470 |
| Impairment loss of matured exposures | (1,052,340) | (4,037) | - | (1,056,377) |
| Transfer to the first stage during the period | 9,667 | (9,667) | - | - |
| Transfer to second stage during the period | (55,424) | 55,424 | - | - |
| **Net balance** | **1,089,631** | **76,723** | **-** | **1,166,354** |

**Impairment loss on Letter of Credit**

**Distribution of letter of credit by categories of the Bank's internal credit rating:**

**-The below presentation is as required by the Central bank of Jordan instructions for implementing IFRS 9, Circular no. 13/2018**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 47,240,612 | - | - | 47,240,612 |
| Acceptable risk / performing | 105,410,360 | 473,225 | - | 105,883,585 |
| **Total** | **152,650,972** | **473,225** | **-** | **153,124,197** |

| **31 December 2020** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 5,928,488 | - | - | 5,928,488 |
| Acceptable risk / performing | 82,052,773 | 972,978 | - | 83,025,751 |
| **Total** | **87,981,261** | **972,978** | **-** | **88,954,239** |

**The movement of Contingent Liabilities**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 87,981,261 | 972,978 | - | 88,954,239 |
| Add: new balances during the year | 115,901,248 | 195,541 | - | 116,096,789 |
| Settled balances | (56,535,780) | (425,874) | - | (56,961,654) |
| Transfer to the first stage during the year | 269,420 | (269,420) | - | - |
| Addition due to acquisition | 5,034,823 | - | - | 5,034,823 |
| **Net balance** | **152,650,972** | **473,225** | **-** | **153,124,197** |

| **31 December 2020** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 50,245,721 | 311,336 | - | 50,557,057 |
| Add: new balances during the year | 57,947,962 | 664,336 | - | 58,612,298 |
| Settled balances | (22,216,209) | (2,694) | - | (22,218,903) |
| Adjustments due to change in exchange rates | 2,003,787 | - | - | 2,003,787 |
| **Net balance** | **87,981,261** | **972,978** | **-** | **88,954,239** |

**The movement of the provision for impairment losses of Contingent Liabilities**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 1,357,493 | 16,768 | - | 1,374,261 |
| Impairment loss of indirect credit facilities during the year | 830,235 | 18,235 | - | 848,470 |
| Settled balances | (1,052,340) | (4,037) | - | (1,056,377) |
| Transfer to the first stage during the period | 9,667 | (9,667) | - | - |
| Transfer to second stage during the period | (55,424) | 55,424 | - | - |
| Addition due to acquisition | 16,020 | - | - | 16,020 |
| **Net balance** | **1,105,651** | **76,723** | **-** | **1,182,374** |

| **31 December 2020** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 908,600 | 43,238 | | 951,838 |
| Impairment loss of indirect credit facilities during the year | 1,538,701 | 6,474 | | 1,545,175 |
| Settled balances | (1,035,251) | (33,826) | | (1,069,077) |
| Adjustments due to change in exchange rates | (54,557) | 882 | | (53,675) |
| **Net balance** | **1,357,493** | **16,768** | **-** | **1,374,261** |

**Letter Of Guarantee**

**The cumulative movement of Letter of Guarantee during the period According to IFRS 9**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 132,741,708 | 8,260,276 | 5,283,031 | - | 146,285,015 |
| Add: new balances during the year | 142,245,342 | 2,184,023 | 309,200 | - | 144,738,565 |
| Settled balances | (155,748,387) | (5,175,279) | (3,146,342) | - | (164,070,008) |
| Transfer to the first stage during the year | 144,994 | (144,994) | - | - | - |
| Transfer to second stage during the year | (2,703,743) | 2,713,743 | (10,000) | - | - |
| Transferred to the third stage during the year | (835,901) | (3,137,418) | 3,973,319 | - | - |
| Additions due to acquisition | 124,434,884 | - | - | (708) | 124,434,176 |
| **Net balance** | **240,278,897** | **4,700,351** | **6,409,208** | **(708)** | **251,387,748** |

**The cumulative movement of the provision for impairment losses of Letter of Guarantee according Stages during the period According to IFRS 9**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 828,085 | 305,007 | 472,812 | 1,605,904 |
| Impairment loss of indirect credit facilities during the year | 1,273,799 | 55,414 | - | 1,329,213 |
| Impairment loss of matured exposures | (2,024,422) | (206,028) | (795,549) | (3,025,999) |
| Transfer to the first stage during the period | 2,358 | (2,358) | - | - |
| Transfer to second stage during the period | (62,878) | 62,878 | - | - |
| **Net balance** | **16,942** | **214,913** | **(322,737)** | **(90,882)** |

**Impairment loss on Letter of Guarantee**

**Distribution of letter of guarantee by categories of the Bank's internal credit rating:**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 58,096,425 | - | 9,000 | 58,105,425 |
| Acceptable risk / performing | 179,693,197 | 8,826,809 | 3,796,142 | 192,316,148 |
| **Non- Performing** | | | | |
| Doubtful | - | - | 161,429 | 161,429 |
| Loss | - | - | 2,773,597 | 2,773,597 |
| **Total** | **237,789,622** | **8,826,809** | **6,740,168** | **253,356,599** |

| **31 December 2020** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 14,297,295 | 44,100 | 8,000 | 14,349,395 |
| Acceptable risk / performing | 118,444,413 | 8,216,176 | 97,464 | 126,758,053 |
| **Non- Performing** | | | | |
| Substandard | - | - | 74,939 | 74,939 |
| Doubtful | - | - | 60,300 | 60,300 |
| Loss | - | - | 5,042,328 | 5,042,328 |
| **Total** | **132,741,708** | **8,260,276** | **5,283,031** | **146,285,015** |

**The movement of letters of guarantee**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 132,741,708 | 8,260,276 | 5,283,031 | 146,285,015 |
| Add: new balances during the year | 142,245,342 | 2,184,023 | 309,200 | 144,738,565 |
| Settled balances | (155,748,387) | (5,175,279) | (3,146,342) | (164,070,008) |
| Transfer to the first stage during the year | 144,994 | (144,994) | - | - |
| Transfer to second stage during the year | (2,703,743) | 2,713,743 | (10,000) | - |
| Transferred to the third stage during the year | (835,901) | (3,137,418) | 3,973,319 | - |
| Addition due to acquisition | 121,945,609 | 4,126,458 | 330,960 | 126,403,027 |
| **Net balance** | **237,789,622** | **8,826,809** | **6,740,168** | **253,356,599** |

| **31 December 2020** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 122,824,356 | 6,061,161 | 7,748,065 | 136,633,582 |
| Add: new balances during the year | 39,599,307 | 592,798 | 5,895 | 40,198,000 |
| Settled balances | (25,230,576) | (829,999) | (2,747,013) | (28,807,588) |
| Transfer to the first stage during the year | 461,922 | (411,229) | (50,693) | - |
| Transfer to second stage during the year | (860,841) | 3,240,448 | (2,379,607) | - |
| Transferred to the third stage during the year | (2,323,996) | (392,903) | 2,716,899 | - |
| Adjustments due to change in exchange rates | (1,728,464) | - | (10,515) | (1,738,979) |
| **Net balance** | **132,741,708** | **8,260,276** | **5,283,031** | **146,285,015** |

**The movement of the provision for impairment losses of letters of guarantee**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 828,085 | 305,007 | 472,812 | 1,605,904 |
| Impairment loss of indirect credit facilities during the year | 1,273,799 | 55,414 | - | 1,329,213 |
| Settled balances | (2,024,422) | (206,028) | (795,549) | (3,025,999) |
| Transfer to the first stage during the year | 2,358 | (2,358) | - | - |
| Transfer to second stage during the year | (62,878) | 62,878 | - | - |
| Addition due to acquisition | 1,629,377 | 7,806 | 331,668 | 1,968,851 |
| **Net balance** | **1,646,319** | **222,719** | **8,931** | **1,877,969** |

| **31 December 2020** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 623,764 | 120,798 | 20,145 | 764,707 |
| Impairment loss of indirect credit facilities during the year | 1,119,076 | 216,388 | - | 1,335,464 |
| Settled balances | (302,466) | (37,622) | (104,052) | (444,140) |
| Transfer to the first stage during the year | 10,191 | (9,397) | (794) | - |
| Transfer to second stage during the year | (14,840) | 14,840 | - | - |
| Transferred to the third stage | (567,804) | - | 567,804 | - |
| Adjustments due to change in exchange rates | (39,836) | - | (10,291) | (50,127) |
| **Net balance** | **828,085** | **305,007** | **472,812** | **1,605,904** |

**Acceptances**

**The cumulative movement of Acceptances during the period According to IFRS 9**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 70,874,090 | 518,799 | - | - | 71,392,889 |
| Add: new balances during the year | 58,133,797 | 14,348 | - | - | 58,148,145 |
| Settled balances | (42,624,233) | (518,799) | - | - | (43,143,032) |
| Additions due to acquisition | 5,328,109 | - | - | - | 5,328,109 |
| **Net balance** | **91,711,763** | **14,348** | **-** | **-** | **91,726,111** |

**The cumulative movement of the provision for impairment losses of Acceptances according Stages during the period According to IFRS 9**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 1,001,333 | 3,895 | - | 1,005,228 |
| Impairment loss of indirect credit facilities during the year | 620,999 | 181 | - | 621,180 |
| Impairment loss of matured exposures | (702,405) | (3,894) | - | (706,299) |
| **Net balance** | **919,927** | **182** | **-** | **920,109** |

**Impairment loss on Acceptances**

**Distribution of acceptances by categories of the Bank's internal credit rating:**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 13,780,447 | - | - | 13,780,447 |
| Acceptable risk / performing | 77,931,316 | 14,348 | - | 77,945,664 |
| **Total** | **91,711,763** | **14,348** | **-** | **91,726,111** |

| 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 13,213,399 | - | - | 13,213,399 |
| Acceptable risk / performing | 57,660,691 | 518,799 | - | 58,179,490 |
| **Total** | **70,874,090** | **518,799** | **-** | **71,392,889** |

**The movement of acceptances**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 70,874,090 | 518,799 | - | 71,392,889 |
| Add: new balances during the year | 58,133,797 | 14,348 | - | 58,148,145 |
| Settled balances | (42,624,233) | (518,799) | - | (43,143,032) |
| Addition due to acquisition | 5,328,109 | - | - | 5,328,109 |
| **Net balance** | **91,711,763** | **14,348** | **-** | **91,726,111** |

| 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 146,250,600 | 1,841,143 | - | 148,091,743 |
| Add: new balances during the year | 34,904,904 | 518,799 | - | 35,423,703 |
| Settled balances | (107,783,149) | (1,631,774) | - | (109,414,923) |
| Adjustments due to change in exchange rates | (2,498,265) | (209,369) | - | (2,707,634) |
| **Net balance** | **70,874,090** | **518,799** | **-** | **71,392,889** |

**The movement of the provision for impairment losses**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 1,001,333 | 3,895 | - | 1,005,228 |
| Impairment loss of indirect credit facilities during the year | 620,999 | 181 | - | 621,180 |
| Settled balances | (702,405) | (3,894) | - | (706,299) |
| Transfer to second stage during the period | - | - | - | - |
| **Net balance** | **919,927** | **182** | **-** | **920,109** |

| 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 1,433,375 | 161,017 | - | 1,594,392 |
| Impairment loss of indirect credit facilities during the year | 1,172,505 | 3,894 | - | 1,176,399 |
| Settled balances | (1,655,916) | (165,440) | - | (1,821,356) |
| Adjustments due to change in exchange rates | 51,369 | 4,424 | - | 55,793 |
| **Net balance** | **1,001,333** | **3,895** | **-** | **1,005,228** |

**Unutilized direct credit limits**

**The cumulative movement of Unutilized direct credit limits during the period According to IFRS 9**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Purchased originated credit-impaired (POCI)** | **Total** |
|---|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 124,166,882 | 3,852,067 | 20,885 | - | 128,039,834 |
| Add: new balances during the year | 195,112,033 | 1,658,028 | 31,292 | - | 196,801,353 |
| Settled balances | (169,901,607) | (9,074,459) | (51,513) | - | (179,027,579) |
| Transfer to second stage during the year | (11,196) | 11,196 | - | - | - |
| Additions due to acquisition | 135,117,459 | - | - | - | 135,117,459 |
| **Net balance** | **284,483,571** | **(3,553,168)** | **664** | **-** | **280,931,067** |

**The cumulative movement of the provision for impairment losses of Unutilized direct credit limits according Stages during the period According to IFRS 9**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 299,903 | 75,559 | - | 375,462 |
| Impairment loss of indirect credit facilities during the year | 666,715 | 47,191 | - | 713,906 |
| Impairment loss of matured exposures | (360,365) | (50,737) | - | (411,102) |
| **Net balance** | **606,253** | **72,013** | **-** | **678,266** |

**Impairement loss on Unutilized direct credit limits**

**Distribution of unutilized direct credit limits by categories of the Bank's internal credit rating:**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | 131,733,554 | 124,488 | - | 131,858,042 |
| Acceptable risk / performing | 147,638,319 | 1,664,340 | 664 | 149,303,323 |
| **Total** | **279,371,873** | **1,788,828** | **664** | **281,161,365** |

| 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Low risk / performing | - | - | - | - |
| Acceptable risk / performing | 67,126,390 | 141,201 | - | 67,267,591 |
| **Total** | **67,126,390** | **141,201** | **-** | **67,267,591** |

**The movement of unutilized direct credit limits**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 124,166,882 | 3,852,067 | 20,885 | 128,039,834 |
| Add: new balances during the year | 195,112,033 | 1,658,028 | 31,292 | 196,801,353 |
| Settled balances | (169,901,607) | (9,074,459) | (51,513) | (179,027,579) |
| Transfer to second stage during the year | (11,196) | 11,196 | - | - |
| Addition due to acquisition | 130,005,761 | 5,341,996 | 664 | 135,348,421 |
| **Net balance** | **279,371,873** | **1,788,828** | **1,328** | **281,162,029** |

| 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 137,674,509 | 2,744,057 | 19,007 | 140,437,573 |
| Add: new balances during the year | 15,427,310 | 3,690,352 | 20,886 | 19,138,548 |
| Settled balances | (28,726,097) | (2,663,921) | (19,008) | (31,409,026) |
| Transfer to second stage during the year | (85,512) | 85,512 | - | - |
| Adjustments due to change in exchange rates | (123,328) | (3,933) | - | (127,261) |
| **Net balance** | **124,166,882** | **3,852,067** | **20,885** | **128,039,834** |

**The movement of the provision for impairment losses of unutilized direct credit limits**

| 31 December 2021 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 299,903 | 75,559 | - | 375,462 |
| Impairement loss of indirect credit facilities during the year | 666,715 | 47,191 | - | 713,906 |
| Settled balances | (360,365) | (50,737) | - | (411,102) |
| Addition due to acquisition | 230,298 | - | - | 230,298 |
| **Net balance** | **836,551** | **72,013** | **-** | **908,564** |

| 31 December 2020 | Stage One | Stage Two | Stage Three | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2020 | 116,747 | 178,326 | - | 295,073 |
| Impairement loss of indirect credit facilities during the year | 289,124 | 47,002 | - | 336,126 |
| Settled balances | (82,076) | (170,018) | - | (252,094) |
| Transfer to second stage during the period | (25,373) | 25,373 | - | - |
| Adjustments due to change in exchange rates | 1,481 | (5,124) | - | (3,643) |
| **Net balance** | **299,903** | **75,559** | **-** | **375,462** |

**Unutilized direct credit limits**

**The cumulative movement of Indirect credit facilities during the period According to IFRS 9**

| 31 December 2021 | First stage | Second stage | Third stage | Purchased originated credit-impaired (POCI) | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | | JD |
| Balance as at 1 January 2021 | 415,763,941 | 13,604,120 | 5,303,916 | - | **434,671,977** |
| Add: new balances during the year | 511,392,420 | 4,051,940 | 340,492 | - | **515,784,852** |
| Settled balances | (424,810,007) | (15,194,411) | (3,197,855) | - | **(443,202,273)** |
| Transfer to the first stage during the year | 414,414 | (414,414) | - | - | **-** |
| Transfer to second stage during the year | (2,714,939) | 2,724,939 | (10,000) | - | **-** |
| Transferred to the third stage during the year | (835,901) | (3,137,418) | 3,973,319 | - | **-** |
| Addition due to acquisition | 269,899,255 | - | - | (708) | **269,898,547** |
| **Net balance** | **769,109,183** | **1,634,756** | **6,409,872** | **(708)** | **777,153,103** |

**The cumulative movement of the provision for impairment losses of Indirect Credit Facilities according Stages during the period According to IFRS 9**

| 31 December 2021 | First stage | Second stage | Third stage* | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Balance as at 1 January 2021 | 3,486,814 | 401,229 | 472,812 | 4,360,855 |
| Impairment loss of indirect credit facilities during the year | 3,391,748 | 121,021 | - | 3,512,769 |
| Settled balances | (4,139,532) | (264,696) | (795,549) | (5,199,777) |
| Transfer to the first stage during the year | 12,025 | (12,025) | - | - |
| Transfer to second stage during the year | (118,302) | 118,302 | - | - |
| **Net balance** | **2,632,753** | **363,831** | **(322,737)** | **2,673,847** |

**Expected credit loss on indirect credit facilities**

**Distribution of indirect credit facilities subject to IFRS 9 by categories of the Bank's internal credit rating:**

**-The below presentation is as required by the Central bank of Jordan instructions for implementing IFRS 9, Circular no. 13/2018**

| **31 December 2021** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 250,851,038 | 124,488 | 9,000 | 250,984,526 |
| Acceptable risk / performing | 510,673,192 | 10,978,722 | 3,796,806 | 525,448,720 |
| **Non- Performing** | | | | |
| Doubtful | - | - | 161,429 | 161,429 |
| loss | - | - | 2,773,597 | 2,773,597 |
| **Total** | **761,524,230** | **11,103,210** | **6,740,832** | **779,368,272** |

| **31 December 2020** | **Stage One** | **Stage Two** | **Stage Three** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Low risk / performing | 100,565,572 | 185,301 | 8,000 | 100,758,873 |
| Acceptable risk / performing | 315,198,369 | 13,418,819 | 118,349 | 328,735,537 |
| **Non- Performing** | | | | |
| Substandard | - | - | 74,939 | 74,939 |
| Doubtful | - | - | 60,300 | 60,300 |
| loss | - | - | 5,042,328 | 5,042,328 |
| **Total** | **415,763,941** | **13,604,120** | **5,303,916** | **434,671,977** |

**The cumulative movement of indirect credit facilities subject to IFRS 9 calculation:**

| **31 December 2021** | **First stage** | **Second stage** | **Third stage** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 415,763,941 | 13,604,120 | 5,303,916 | 434,671,977 |
| Add: new balances during the year | 511,392,420 | 4,051,940 | 340,492 | 515,784,852 |
| Settled balances | (424,810,007) | (15,194,411) | (3,197,855) | (443,202,273) |
| Transfer to the first stage during the year | 414,414 | (414,414) | - | - |
| Transfer to second stage during the year | (2,714,939) | 2,724,939 | (10,000) | - |
| Transferred to the third stage during the year | (835,901) | (3,137,418) | 3,973,319 | - |
| Addition due to acquisition | 262,314,302 | 9,468,454 | 330,960 | 272,113,716 |
| **Net balance** | **761,524,230** | **11,103,210** | **6,740,832** | **779,368,272** |

| **31 December 2020** | **First stage** | **Second stage** | **Third stage** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 456,995,186 | 10,957,697 | 7,767,072 | 475,719,955 |
| Add: new balances during the year | 147,879,483 | 5,466,285 | 26,781 | 153,372,549 |
| Settled balances | (183,956,031) | (5,128,388) | (2,766,021) | (191,850,440) |
| Transfer to the first stage during the year | 461,922 | (411,229) | (50,693) | - |
| Transfer to second stage during the year | (946,353) | 3,325,960 | (2,379,607) | - |
| Transferred to the third stage during the year | (2,323,996) | (392,903) | 2,716,899 | - |
| Adjustments due to change in exchange rates | (2,346,270) | (213,302) | (10,515) | (2,570,087) |
| **Net balance** | **415,763,941** | **13,604,120** | **5,303,916** | **434,671,977** |

**The cumulative movement of the provision for impairment losses of indirect credit facilities:**

| **31 December 2021** | **First stage** | **Second stage** | **Third stage** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2021 | 3,486,815 | 401,227 | 472,812 | 4,360,854 |
| Impairment loss of indirect credit facilities during the year | 3,391,748 | 121,021 | - | 3,512,769 |
| Settled balances | (4,139,532) | (264,696) | (795,549) | (5,199,777) |
| Transfer to the first stage during the year | 12,025 | (12,025) | | - |
| Transfer to second stage during the year | (118,302) | 118,302 | - | - |
| Addition due to acquisition | 1,875,695 | 7,806 | 331,668 | 2,215,169 |
| **Net balance** | **4,508,449** | **371,635** | **8,931** | **4,889,015** |

| **31 December 2020** | **First stage** | **Second stage** | **Third stage** | **Total** |
|---|---|---|---|---|
| | **JD** | **JD** | **JD** | **JD** |
| Balance as at 1 January 2020 | 3,082,487 | 503,377 | 20,145 | 3,606,009 |
| Impairment loss of indirect credit facilities during the year | 4,119,406 | 273,758 | - | 4,393,164 |
| Impairment loss of matured exposures | (3,075,709) | (406,906) | (104,052) | (3,586,667) |
| Transfer to the first stage during the year | 10,191 | (9,397) | (794) | - |
| Transfer to second stage during the year | (40,213) | 40,213 | - | - |
| Transferred to the third stage | (567,804) | - | 567,804 | - |
| Adjustments due to change in exchange rates | (41,543) | 182 | (10,291) | (51,652) |
| **Net balance** | **3,486,815** | **401,227** | **472,812** | **4,360,854** |

**(50) Lawsuits against the Bank**

- The lawsuits raised against the Bank, as part of the ordinary course of business, amounted to JD 14,803,484 as at 31 December 2021 against JD 25,382,777 as at 31 December 2020. According to the Bank's management and legal counselor, the Bank will not be liable in any of these cases, excluding a lawsuit for JD 114,796.

- The lawsuits raised against National Bank of Iraq, as part of the ordinary course of business, amounted to JD 1,517,901 as at 31 December 2021 against JD 1,499,467 as at 31 December 2020.
- No lawsuits were raised against Capital Investment and Brokerage Company Ltd/Jordan, as part of the ordinary course of business as at 31 December 2021 as well as at 31 December 2020.

**(51) Acquisition of Bank Audi Branches in Jordan and Iraq**

- During September 2020, the Group signed a non-binding and exclusive "Letter of Intent" agreement to acquire the banking business of the
- The table below shows a summary of the net fair division of assets and liabilities acquired at the end of the business day on March 11, 2021:

| | 11 March 2021 |
|---|---|
| **Assets** | **JDs** |
| Cash and balances with banks and central banks | 119,888,013 |
| Financial assets at fair value through other comprehensive income | 2,210,437 |
| Direct credit facilities at amortized cost | 234,376,344 |
| Other financial assets at amortized cost | 155,198,402 |
| Other Assets | 36,794,379 |
| **Total Assets** | **548,467,575** |
| **Liabilities and Equity** | |
| **Liabilities** | |
| Customer Deposits | 387,880,077 |
| Cash margins | 68,115,448 |
| Borrowed funds | 6,991,062 |
| Other liabilities | 15,621,656 |
| **Total Liabilities** | **478,608,243** |
| **Net fair value of the business acquired at the date of acquisition** | **69,859,332** |
| **The purchase price paid for the acquisition** | **41,781,370** |
| **Result from the acquisition** | **28,077,962** |

- Cash and Cash equivalent from the acquired subsidiary is amounting to 6,397,815 as at March 11, 2021 .

**Study of the purchase price agreement**

- A study of the distribution of the purchase price was carried out by an independent company, and the preliminary study was completed at the end of December 2021

- Management has went ahead with this acquisition due to the significant step in the group's expansion strategy and its ambitious plans to further reinforce its competitive position also this step comes within the growth that the group has witnessed in its budget over the past several years, and according to this acquisition deal, Capital Bank branches in Jordan will grow to 28 and those of the National Bank of Iraq to 18.

- Furthermore, the fact that Bank Audi's desire to exit the Jordanian and Iraqi market is in line with the group's strategy to expand and enhance its competitive position, which positively affected the completion of the deal.

- For each class of acquired receivables, the gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected are as follows

| | Gross contractual amounts receivable | The contractual cash flows not expected |
|---|---|---|
| | JDs | JDs |
| Cash and balances with banks and central | 119,888,026 | - |
| Financial assets at fair value through other | 2,210,437 | - |
| Direct credit facilities at amortized cost | 278,536,214 | 597,810 |
| Other financial assets at amortized cost | 155,198,402 | - |
| Other Assets | 36,794,379 | - |
| **Total Assets** | **592,627,458** | **597,810** |

- The fair value of acquired net direct credit facilities at amortized cost is 234,376,344 and the gross contractual amount for direct credit facilities at amortized cost is 278,536,214 , with a loss allowance of 44,159,870 recognised on acquisition.

- Acquisition related transaction costs of JOD 2,701,444 were expensed disclosed separately on the Consolidated statement of income and the include the following:

| | |
|---|---|
| Professional fees | 1,274,581 |
| Governmental Fees | 69,128 |
| other fees | 1,357,735 |
| **Total** | **2,701,444** |

- The acquired bank contributed revenue of 12.9 million Jordanian dinars for the period from the date of acquisition until December 31, 2021. If the acquisition took place on January 1, 2021, the group's revenue for the period ending on December 31, 2021 will have an impact of 16.6 million Jordanian dinars.

**Purchase consideration - Cash outflow**

| | |
|---|---|
| **Outflow of cash to acquire, net of cash** | **41,781,370** |
| Cash Considraction | 41,781,370 |
| **less - balance acquired** | **119,888,013** |
| Cash and balances with banks and central banks | 119,888,013 |
| **Net Outflow of cash - investing activities** | **(78,106,643)** |

## (52) Other Notes

### A) Other events

During the fourth quarter of the year, the bank announced that the bank had issued nominal loan bonds within the first tranche of the capital, which are permanent, not convertible into shares, and amortized by the issuer after the lapse of 5 years.
The bank intends to register and offer these bonds in the United Arab Emirates, so that the proceeds of the offering will be used to finance the bank's expansion plans and various activities.

On December 25, 2021, the Capital Bank of Jordan signed a "binding offer" agreement regarding the desired and expected acquisition of Societe Generale Bank - Jordan by purchasing 100% of Societe Generale Bank - Lebanon's stakes in Societe Generale Bank - Jordan and from the rest of its shareholders, and this matter Subject to the results of the financial, legal and administrative due diligence study intended to work on all aspects, business and activities of Societe Generale Bank - Jordan. Work is underway to complete all necessary approvals from the Central Bank of Jordan and other regulatory authorities. This decision comes within the bank's strategy to expand and enhance its market share.

### B) Reclassification of comparative figures

Some of the comparative figures for the year ended December 31, 2020 have been reclassified to match the classification of the financial statements for the year ended December 31, 2021. This amendment had no impact on the income statement and the statement of changes in equity for the group.

| 31 December 2020 | As previously stated | adjustment amount | Restated |
|---|---|---|---|
| Property, plant and equipment, net | 34,940,997 | 3,932,088 | 38,873,085 |
| Intangible assets, net | 11,180,010 | 10,525,911 | 21,705,921 |
| Other assets | 143,237,975 | (14,457,999) | 128,779,976 |

| 31 December 2019 | As previously stated | adjustment amount | Restated |
|---|---|---|---|
| Property, plant and equipment, net | 33,151,390 | (3,706,931) | 29,444,459 |
| Intangible assets, net | 20,002,960 | (16,651,782) | 3,351,178 |
| Other assets | 124,041,194 | 20,358,713 | 144,399,907 |