البنك التجاري الأردني
Jordan Commercial Bank

| نموذج رقم (١-٣)<br>Form No. (1-3) | |
|---|---|
| TO: Jordan Securities Commission<br>Amman Stock Exchange<br>Date :30/8/2020<br>**Subject: Annual Report as of 31/12/2019** | السادة هيئة الاوراق المالية المحترمين<br>السادة بورصة عمان المحترمين<br>التاريخ:- ٢٠٢٠/٨/٣٠<br>**الموضوع: التقرير السنوي باللغة الانجليزية كما هي في ٢٠١٩/١٢/٣١** |
| Attached the English Annual Report of Jordan Commercial Bank as of 31/12/2019 | مرفق طيه نسخة من التقرير السنوي باللغة الانجليزية لشركة (البنك التجاري الاردني) كما بتاريخ ٢٠١٩/١٢/٣١ |
| Kindly accept our high appreciation and respect<br><br>Jordan Commercial Bank | وتفضلوا بقبول فائق الاحترام...<br><br>البنك التجاري الاردني |

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٣١ آب ٢٠٢٠
الرقم المتسلسل: 3293
رقم الملف: 11003
الجهة المختصة: [illegible]

jcb@jcbank.com.jo

# Annual Report

# For the Year Ended December 31, 2019

## Table of Content

# Annual Report 2019

## Mission Statement

### Vision:

Our vision is to become Jordan's leading private financial institution. We strive to achieve this goal by providing advanced and secure services in line with best banking practices.

### Goals:

We aim to provide our corporate, retail, and investment clients with customized, high quality and competitively priced financial solutions. Through both our ever-increasing and regularly enhanced range of cutting-edge banking solutions and our efficient distribution channels, we are able to deliver world-class products and services that reward our stakeholders and customers, as well as our employees.

### Values:

- Our employees are our greatest asset.
- Our customers are our highest priority.
- Transparency underpins our credibility.
- A sense of responsibility is the guide to our customer service.
- We strive for continuous improvement.
- We are driven by our deep sense of responsibility towards our community.

**Members of the Board of Directors**

- Mr. Micheal Faiq Ibrahim Sayegh, Chairman
- HE Mr. Ayman Haza' Barakat Al-Majali, Vice Chairman
- Mr. Shareef Tawfiq Hamd Al-Rawashdeh, Board Member
- Ms. Iman Mahmoud Allan Al-Damen, Board Member
- Mr. Yazeed Shamseddin "Mohammad Yousef" Al-Khalidi, Board Member
- Mr. Nabil Zaki George Mshahwar, Board Member (till 30/09/2019)
- HE Mr. Muhannad Shehadeh Khalil Khalil, Board Member (as of 22/12/2019)
- Al Saleh Holding Investment Co. Ltd., Board Member, represented by:
  Ms. Reem Nasser Mohammad Al-Saleh (from 04/09/2018 to 03/04/2019)
- Mr. Osama Omar Ali Hamad, Board Member (as of 11/06/2019)
- Social Security Corporation (1st Seat), Board Member, represented by:
  Mr. Mazen Hamdi Mohammad Al-Sahsah (till 12/06/2019)
  Ms. Areej Sulaiman Khalid Obaidat (as of 12/06/2019)
- Social Second (2nd Seat), Board Member, represented by:
  Ms. Shaden Ziad Nabih "Darwish Al-Hajji" (till 10/11/2019)
  Mr. Munis Omar Salim Abdel-Aal (as of 10/11/2019)
- First Jordan Investment Company, Board Member, represented by:
  Mr. Saleh Mohammed Saleh "Zaid Al Kilani"
- National Paints Factories Co. Ltd., Board Member, represented by:
  Mr. Abdelnour Nayef Abdelnour Abdelnour

# First: Chairman's Message

## Chairman’s Message

**Honorable Shareholders of the Jordan Commercial Bank,**

It gives me great pleasure to present to you the sixteenth annual report of the Jordan Commercial Bank for the year 2019. In 2019, the Bank achieved, for the second year in a row, a growth in after-tax net profits by 76.7% compared to 2018. Net profits increased from JD5.03 million in 2018 to JD5.31 million in 2019.

The Bank's main operating activities were affected in 2019 by the economic conditions of the Kingdom, which remained, as in previous years, without a significant improvement. The GDP growth rates, unemployment rates, public debt to GDP ratio and many economic indicators remained within the same levels as previous years. This situation was reflected on the economic activities of the Bank, making it maintain the same levels of achievement as in previous year.

**Dear Shareholders,**

The Bank’s achievements during 2019 were not limited to the improvement in many financial results, but there were also achievements at the operational level and at all levels. On the customer level, the Bank launched and developed several products and services, most notably the launching of extra features on credit cards, improvement of electronic services, development of Tejari Mobile, and addition of a number of services provided through ATMs and others. Among the Bank's achievements during 2019 was the development of the savings product. The Bank modified the winning mechanism and conditions as well as the amount of the prize. For example, the value of the grand prize was increased to JD500,000 on easy prize draw terms compared to other banks. This had a positive impact on the balances and number of savings accounts and led to their growth, as indicated earlier.

As part of the Bank’s endeavor to take advantage of the opportunities available in the market and to expand its customer base, the Bank targeted many categories and sectors, both in the area of deposits (e.g. teachers, doctors, retirees, military personnel, and other middle-income groups), and in the area of facilities, by targeting growth sectors (e.g. education, energy, industry, transportation, etc.), accompanied by a focus on the quality and solvency of customers. As for expansion, the Bank continued to implement its approved branching plan. It opened a number of branches in several regions, including the Sports City, Um Uthaina and Dahiyat Al Yasmeen branches. It also opened the Dahiyat Al Nakheel - Tejari Express branch and proceeded with the opening of more Tejari Express branches (according to the current strategic direction) in other regions. In addition to that, the Bank changed the locations of a number of branches to better areas close to services and customer presence, making sure that the design of the new branches would be in harmony with the ideal and modern image that the Bank planned for a number of its branches including Shmeisani, Gardens, Ramtha, etc.). In the same context, the Bank expanded the ATM network in several regions to cover most areas of customer presence. The number of ATMs until the end of 2019 reached a total of 65 ATMs across various regions.

**Dear Shareholders,**

Not only did the Bank focus on customers, it also focused on other areas. As regards business development and the IT system, the Bank undertook a number of projects, most notably the upgrading of the banking system to the latest international versions, automation and development of payment systems in line with the regulatory requirements, and automation of many operations and services, eventually leading to full automation (as per the Bank's strategy). It is worth noting that the Bank periodically reviewed all work procedures and policies and made the necessary changes to comply with the best banking practices in systematic and well-studied frameworks and mechanisms. All this was accompanied by the development of the accounting methodology to serve the requirements of all the Bank’s departments.

The Bank continued to care about its employees, being an important and integral part of the banking business. During 2019, the Bank added and improved a number of benefits and services for employees, activated succession and talent-nurturing plans, and worked to prepare qualified staff to take up appropriate administrative positions based on experience, competence and merit. The Bank also worked to strengthen its staff for a number of jobs by attracting experts from the banking market.

Moreover, the Bank directed a lot of attention to training to further promote and qualify staff and increase employee satisfaction, thereby making the Bank a preferred employer in line with its overall strategy, not to mention the great benefits offered to employees. Focus was placed on training due to its great importance in promoting employees’ professional skills and bridging the gap between the banking practices adopted in the Bank and those followed in the international banking business. The Bank provided specialized banking courses at the hands of experienced and competent trainers.

On the regulatory side, the Bank has continuously followed up on the requirements of the regulatory authorities and complied with them. It has also set up the necessary procedures that enhance the Bank's implementation of compliance standards in accordance with the instructions of the regulatory and other competent authorities. The Bank also studies and assesses the risks that it may be exposed to from various sources, and develops the necessary plans to manage them and reduce their impacts.

**Dear Shareholders,**

The Bank’s focus on banking business did not discourage it from playing a vital role towards society as well as fulfilling its noble social mission. From that standpoint, the Bank carried out many activities related to the local community involving the provision of support and care to many centers, institutions, associations and individuals in various fields. It also sponsored and participated in many economic events and conferences and provided training to a number of Jordanian fresh graduates as a sort of community participation aimed to strengthen the academic aspect of those graduates through practical experience.

**Dear Shareholders,**

Before concluding, it must be pointed out that it has been decades since the world has faced a challenge like new coronavirus (COVID-19). At the end of 2019, COVID-19 spread widely across the world, including Jordan, negatively impacting various economic, social and financial aspects.

Since people’s health and safety are our main concern, both government and private agencies have rushed with all their energies to take a number of precautionary and proactive measures to confront this epidemic. Those measures have succeeded in curbing the spread of COVID-19 and made Jordan among the least affected countries in the world—all thanks to God and to the important role played by many of the nation’s institutions, including the security services with all their branches, the medical personnel and many other service institutions, which have worked day and night to meet the needs of people during curfew and closure times.

Despite the positive impact of those measures on the health and epidemiological situation in the Kingdom, they have had a negative impact on economy. The lives of many citizens have been affected because of the closures and suspension of many economic activities. In order to alleviate the burdens of the people, the government has supported many institutions such as the Social Security Corporation, in cooperation with the private sector, including the banking sector, by providing a package of aid and initiatives. These actions have had a key role in mitigating the impact of those measures on the people. Financial and in-kind assistance has also been extended by the government to a number of families and individuals. In addition, the government has postponed the payment of fees for some services and the submission of tax returns, and speeded up tax refunds, etc. For its part, the banking system has adopted a number of measures, such as postponing loan installments, reducing interest rates on all kinds of facilities, and expanding the areas covered by government-backed loans, with the banking sector continuing without interruption to provide all the basic services which concern the people.

Adopting a participatory approach involving the government, the people and the private sector, the government has established a number of funds and initiatives, such as the Himmat Watan Fund. There have been big contributions from the people and private sector companies, as well as from the banking sector in general and the JCB and its employees in particular. This has made it easier for the government to provide assistance and support to those affected by this epidemic.

In conclusion, I would like to express my sincere thanks to our valued customers for their continued trust in the Bank. I would also like to extend my thanks to the authorities and bodies concerned with the banking business for their support to the Bank’s march, particularly the Central Bank of Jordan and the Securities Commission. I also wish to thank the members of the Bank's Board of Directors for their continuous support and care, and I cannot fail to extend thanks to the Bank’s family, both the management and employees, for their efforts to improve the Bank's performance and realize remarkable financial results.

Finally, I ask God Almighty that the coming years will bring us the best, and enable the Bank to achieve more progress, prosperity and good results. I also ask God Almighty to safeguard our country and its king, government and people.

Sincerely,

**Chairman of the Board of Directors**
**Micheal Sayegh**

## Executive Management

| | Members of the Senior Executive Management | |
|---|---|---|
| | **Name** | **Title** |
| 1 | Caesar Hani Aziz Qulajen | Chief Executive Officer (CEO) |
| 2 | Alaa "Muhammad Salim" Abdulghani Qahef | Deputy CEO - Chief Operating Officer |
| 3 | Rami "Mohammad Jawad" Fuad Hadid | Deputy CEO - Chief Business Officer |
| 4 | Mohammad Ali Mohammad Al-Quraan | AGM Credit |
| 5 | Saleem Nayef Saleem Sawalha | AGM, Retail Banking and Branches |
| 6 | Abdallah Mahfouz Theodore Kishek | AGM Finance |
| 7 | Wael "Mohammad Yousef" Aref Rabieh | AGM, Corporate Banking |
| 8 | Anas Maher Radhi Ayesh | Executive Manager, Treasury, Investment and Financial Institutions |
| 9 | Mounir "Muhammad Gomaa" Ahmad Muhtasib* | Executive Manager, IT Department |
| 10 | Zaher "Mohamed Farouk" Dheeb Muala | Regional Manager of Palestine Branches |
| 11 | Waheed Darwish Muhareb Haymour* | Manager, Remedial & Collection Department |
| 12 | Ghada Mohammad Farhan Halloush* | BOD Secretary (till 30/04/2019) |
| 13 | Walid Khaled DeifAllah Al Qhewi* | Manager, Legal Department / BOD Secretary (as of 16/6/2019) |
| | **Heads of Regulatory Departments** | |
| 13 | Mahmoud Ibrahim Mahmoud Mahmoud | Manager, Compliance & AML Department |
| 14 | Mazen Abdel-Salam Mahmoud Al-Khateeb | Manager, Risk Department (till 20/11/2019) |
| 15 | Ajoud Sharaf Al-Din Ali AlRousan | General Auditor |

*Non-Senior Executive Management members

| | Heads of Bank Departments | |
|---|---|---|
| | **Name** | **Title** |
| 1 | Ibrahim Barakat Fayyad Alaween | Manager, Operations Engineering Department |
| 2 | Ibrahim Omar Ibrahim Al-Alami | Manager, SMEs Department |
| 3 | Jamal Hussein Abtan Raqqad | Manager, Corporate Communications Department |
| 4 | Hassan Lutfi Hassan Atout | Manager, Retail Credit Facilities Department |
| 5 | Ruba Jihad Atieh Shihab | Manager, Credit Control and Management Department |
| 6 | Ziad Ahmad Daoud Al-Ramahi | Manager, Strategic Planning Department |
| 7 | Sami Nimr Salem Al-Nabulsi | Manager, Financial Institutions Department |
| 8 | Ameed Naeem Abdul-Fattah Al-Batran | Manager, Central Operations Department |
| 9 | Fadi Anis Musa Rabee | Manager, Service Excellence Department |
| 10 | Faisal Mahmoud Mustafa Al-Nuemat | Manager, Trade Services Department |
| 11 | Maher Nayef Suleiman Halasa | Manager, Administrative Department |
| 12 | Muhammad Ahmad Muhammad Obeidat | Manager, Credit Analysis and Review Department |
| 13 | Noura Waleed Muhammad Al-Jitan | Manager, HR Planning & Development Department |
| 14 | Hani Abdul-Rahman Mahmoud Darwish | Manager, Treasury Department |
| 15 | Haytham Faisal Muhammad Al-Shamaileh | Manager, Follow-up and Collection Department (formerly Credit Follow-up Department) |
| 16 | Sajed Mahmoud Husni Abu Touq | Manager, Large Corporate Department |
| 17 | Waleed Khaled Dheifullah Al-Qheiwi | Manager, Legal Department |
| 18 | Yaser Fouzi Yousef Al-Qsous | Manager, Engineering Department |
| 19 | Samar Youssef Anis Al-Eryan<br>Haitham Amin Khalil Hammouri | Head of Shareholders Division (till 04/12/2019)<br>Head of Shareholders Division (Acting as of 3/12/2019) |

# Second: Board of Directors Report

**BOD Report**

Jordan Commercial Bank complies with the provisions of the Corporate Governance Code issued by the Central Bank of Jordan and the Corporate Governance Code for Shareholding Companies Listed in Amman Stock Exchange in relation to disclosures included in the Annual Report in accordance with the disclosure instructions and accounting standards. In compliance with the provisions of the Corporate Governance Code for Shareholding Companies Listed in the Amman Stock Exchange 2018 and the Corporate Governance Code for Companies, all required information has been included in the Annual Report. As such, the Bank is fully compliant with the disclosure of optimal corporate governance information. Disclosure information and corporate governance report are as follows:

**(1/A): Main activities of the Bank:**

Providing comprehensive banking services to all sectors of Corporate, SME's, Retail and Treasury and Investment in high quality and competitive interest rates to meet the financial needs of customers through the continuous development of products and services. The Bank also works on being geographically present in the strategic locations by spreading and developing its branches network throughout the Kingdom to enlarge its customers base and cover their various needs wherever they exist.

**(1/B): Geographical locations of the Bank and the number of employees in each of them:**

1. The address of the Head Office: King Abdullah II St. 8th square–toward the airport Building No. 384 - Bayader Wadi Seer / Al-Rawnaq District, Amman, Jordan

2. The total number of Jordan Commercial Bank employees was (867) by 31/12/2019 distributed based on geographical presence as follows:

| Jordan Branches | | | |
|---|---|---|---|
| **Branch** | **No. of Employees** | **Branch** | **No. of Employees** |
| Head Office | 470 | Fuheis | 8 |
| Head Office | 13 | Wasfi Al Tal St. | 10 |
| Dahiyat Al Yasmeen- Tejari Express | 3 | Abu Nseir | 7 |
| Dahiyat Al Nakheel - Tejari Express | 3 | Salt | 8 |
| Sports City | 7 | Muadi | 6 |
| Commercial Complex | 7 | Zarqa | 7 |
| Jabal Amman | 8 | Yajouz | 6 |
| Jabal Al Hussein | 8 | Um Uthaina | 6 |
| Abdali | 7 | Madaba | 7 |
| Mecca St. | 6 | Aqaba | 8 |
| Shmeisani | 9 | Karak | 9 |
| Suwaifeya | 15 | Irbid | 11 |
| Amman | 7 | Irbid Office | 7 |
| Al Yarmouk | 7 | Sweileh | 8 |
| Al Quwaysimeh | 8 | Ramtha | 8 |
| Marka | 10 | Al Husn St. | 8 |
| Al-Hashmi Al-Shamali | 9 | Mafraq | 8 |
| **Total :** | | | **729** |

| Palestine Branches | |
|---|---|
| **Branch** | **No. of Employees** |
| Regional Management | 81 |
| Nablus | 9 |
| Tulkarm | 8 |
| Ramallah | 8 |
| Ramallah Office | 8 |
| Jenin | 8 |
| Al Ram | 8 |
| Bethlehem | 8 |
| **Total** | **138** |

**(1/C): Volume of the Bank's Capital Investment:**
**The Bank's capital investment amounted to JD22,430,397.**

**(2): Jordan Commercial Bank does not have any affiliate companies.**

**(3/A): Names and Profiles of Board Members**

Names of present and resigned Board members during the year and their memberships on the boards of public shareholding companies, with confirmation that all Board Members of the Bank are nonexecutives:

1- **Mr. Micheal Faiq Ibrahim Sayegh**

**Chairman (Non-Independent)**

Date of Membership: 16/02/2004

Mr. Sayegh was born on 01/01/1946. He received his BA in Public Administration and Political Science from the University of Jordan (1971). Mr. Sayegh is the Board Chairman of Sayegh Group since 1979, comprising 33 companies across the Arab world, Eastern and Western Europe and Asia. Sayegh Group operates in different industries, such as chemicals, engineering, household appliances, real estate, banking and media, providing consumers with numerous and various services, products and commodities. The Group employs 5,000 employees.

- Mr. Sayegh holds the Order of the Holy Sepulchre of Metropolitan Vindictus of the Greek Orthodox Patriarchate in 2002.
- Mr. Sayegh holds King Hussein Medal for Distinguished Contributions of the First Class in 2007.

Mr. Sayegh is the board chairman, board member and honorary president of several companies, associations and clubs, including:

- Chairman, all Sayegh Group's companies
- Chairman, National Paints, with all its branches
- Member, the Board of Trustees of the King Abdullah II Award for Self-Employment and Entrepreneurship – Amman
- Honorary President, the Orthodox Club – Fuheis
- Member, the Orthodox Central Council
- Founder and Vice Chairman, the Executive Committee in the Orthodox Society
- Member, the Board of Trustees of the Association of International Affairs
- Founder and Chairman, the Palestine International Institute for Research and Services
- Member, the Arab Paint and Coating Producers Association - representing Palestine
- Member, the Board of Trustees of Jordan Medical Aid for Palestinians
- Member, the Board of Trustees of the Jordanian Society for Scientific Research (JSSR)
- Member, Al Jazeera Sudanese Jordanian Bank - Sudan
- Chairman, Arab Company for Paints Products - Palestine
- Member, the Board of Trustees of the Hashemite University
- Chairman, Dimensions Jordan & Emirates Commercial Investments Corp. (2014)

- Chairman, Red Sea Gas Trading Company
- Honorary Member, SMEs Association – Amman
- Chairman, Al Mahaba Al Yafia Charitable Society

Mr. Micheal Al-Sayegh is the chairman/member of the following JCB's Board Committees:

- Chairman, Credit Facilities Committee
- Member, Corporate Governance Committee
- Member, Nominations and Remuneration Committee

2- **HE Mr. Ayman Haza' Barakat Al-Majali**

**Vice Chairman (Non-Independent)**

Date of Membership: 16/02/2004

HE Mr. Al-Majali was born on 20/02/1949. He received his BA in History (1972) and started his career working at the Ministry of Foreign Affairs of Jordan. In 1993, he was appointed as Chief of Royal Protocol at the Royal Court, and in 1999 he was appointed as Deputy Prime Minister as well as Minister of Sports and Minister of Information. In 2002, he became a board member at the Jordan Gulf Bank and was re-elected in 2004 as Vice Chairman of the Board at the Jordan Commercial Bank.

Mr. Al-Majali was elected as a member of the Jordanian Parliament and was then elected as Head of Jordan's Lower House Finance Committee in 2010-2012.

H.E. Mr. Al-Majali is the board chairman/vice chairman of several companies:

- Chairman, First Jordan Investment Company PLC
- Chairman, Jordan Press Foundation (Al Rai Newspaper), Jordan
- Chairman, Al Jazeera Sudanese Jordanian Bank
- Chairman, Al Quds Ready Mix PLC
- Chairman, International Company for Outsourcing Services (CrysTelCall)
- Vice Chairman, Solidarity - First Insurance Company

HE Mr. Al-Majali is the chairman/member of the following JCB's Board Committees:

- Chairman, Debt and Property Settlement Committee
- Member, Audit Committee

### 3- Mr. Shareef Tawfiq Hamd Al-Rawashdeh

**Board Member (Independent)**

Date of Membership: 28/06/2012

Mr. Al-Rawashdeh was born on 01/08/1958. He received his BA in Economics from Yarmouk University in 1986. He worked as Internal Auditor at Jordan Kuwait Bank (1981-1987) and Loans Manager at Al Mashreq Bank, UAE (1987-1988). Mr. Al-Rawashdeh was also the Head of Retail Banking and Private Services Group and Manager of the Head Office of the Saudi Investment Bank, Riyadh, Saudi Arabia (1988-2010). He was a former member of the 16th Jordanian Parliament and member of Health and Environment Committee and Energy Committee (2010-2011). Mr. Al-Rawashdeh holds the Certified Board Member Certificate from IFC/JIOD.

Mr. Al-Rawashdeh is the board chairman/board member of the following:

- Chairman, Al Bilad Securities & Investment Co. since 2006
- Chairman, National Chlorine Industries Company Ltd. (from 04/2016)
- Chairman, Al Jazira Capital Company, Egypt
- Board Member, Arab Aluminum Industry Co. LTD (ARAL) (from 04/2017)
- Board Member, Al Jazeera for Configuring & Managing Security Portfolios, Egypt
- Member, the Board of Trustees of Mutah University (till 2018)
- Chairman, Management Board of Canadian International Schools
- Chairman, Management Board of Mandala Beauty Clinic
- Member, Management Board of the Jordanian-Canadian Businessmen Association
- Member, Management Board of Royal Jordanian Gliding Club

Mr. Al-Rawashdeh is the chairman/member of the following JCB’s Board Committees:

- Chairman, Audit Committee
- Member, Debt and Property Settlement Committee
- Member, Nominations and Remuneration Committee
- Member, IT Governance Committee

### 4- Ms. Iman Mahmoud Allan Al-Damen

**Board Member (Independent)**

Date of Membership: 25/10/2015

Ms. Iman was born on 05/06/1957. She received her MBA in Finance from the University of Jordan in 1992. She also holds the Certified Board Member Certificate from Jordan Institute of Directors (JIoD).

Ms. Iman received BA in Business Administration from Kuwait University in 1979 and Diploma in Business Administration from University of Manchester, UK, in 1990. She possesses broad professional banking experience of more than eighteen years, especially in the field of corporate and SME credit and risk management.

Ms. Iman held several positions in the banking sector:

- Head of Risk and Credit Department, Capital Bank (12/2007 to 12/2011)
- Assistant General Manager for Facilities, Cairo Amman Bank (2003 to 12/2007)
- Facilities Manager, Jordan Gulf Bank (1998-2003)
- Manager, Facilities Department, Bank of Jordan (1993-1998)

In addition to her professional excellence, Ms. Iman has been involved in social work owing to her belief in the importance of the role of women in society and their active participation in sustainable economic development. For 20 years, she has been joining a number of civil society organizations, such as the Jordanian National Forum for Women (JNFW), chaired by HRH Princess Basma (to date). She is also the member of the working group of the MENA-OECD Competitiveness Programme/Women's Economic Empowerment. In addition, Ms. Iman is the chairwoman of Women on Boards, Jordan since its founding in 2018.

Ms. Iman is the chairperson/member of the following JCB's Board Committees:

- Chairwoman, Risk and Compliance Committee
- Member, Audit Committee
- Member, Corporate Governance Committee
- Member, IT Governance Committee

### 5- Mr. Yazeed Shamseddin "Mohammad Yousef" Al-Khalidi

**Board Member (Independent)**

Date of Membership: 25/10/2015

Mr. Al-Khalidi was born on 14/02/1965. He received his MBA/Finance from New York Institute of Technology (2004), and BA in Economics and Statistical Analysis/Business Administration from the University of Jordan (1988). He also holds the Certified Board Member Certificate from IFC/JIOD.

Mr. Al-Khalidi worked in several fields, including Financial Audit, Business Advisory, Financial Management, and Fund Management in several regional and local companies. He served as Chief Financial Officer at Pharmacy One Group: Chief Operating Officer at EuroMena Management UK Ltd. based in Cairo and specialized in Fund Management; Chief Financial Officer for the regional real estate developer, Empire Holding; VP Finance at international reinsurer, IGI; and Group Accounting Manager at EDGO Management Group operating in the energy, contracting and oilfield services sectors. Mr. Al-Khalidi started his professional career in the Audit and Business Advisory at Arthur Andersen offices in Amman in 1991.

Mr. Al-Khalidi is also a Board Member in the following companies:

- Solidarity - First Insurance Company PLC.
- Ro'yat Amman for Investment and Development Company PSC.
- Kasih Food Production Co. PSC.

Mr. Al-Khalidi is the chairman/member of the following JCB’s Board Committees:

- Chairman, Nominations and Remuneration Committee
- Member, Audit Committee
- Member, Strategic Planning Committee
- Member, Corporate Governance Committee

### 6- National Paints Factories Co. Ltd

**Board Member (Non-Independent)**

Date of Membership: 25/10/2015. Represented by:

**Mr. Abdelnour Nayef Abdelnour Abdelnour**

Mr. Abdelnour was born on 14/09/1972. He received his MBA/International Business from the University of Leeds, UK, (1997) and BA in Business Administration and Accounting from the University of Jordan (1994). He holds the Certified Board Member Certificate from IFC/JIOD.

Mr. Abdelnour is currently working as:

- Financial Advisor, Sayegh Group
- General Manager, Brinsley Enterprises
- Partner, Tadribat for Skills Development Company
- Chairman, BioScan Radiology Center
- Board Member, Biolab Medical Laboratory
- Board Member, First Jordan Investment Co.

Mr. Abdelnour attended several courses, the most important of which are:

- Strategic Planning in Banking, Euromoney, London
- Certified Board Member from the World Bank
- Financial and administrative analysis and estimate budgets
- Negotiation skills and time and crisis management
- Several courses at the Institute of Banking Studies on banking and corporate businesses

Mr. Abdelnour is a chairman/member of the following JCB's Board Committees:

- Chairman, Strategic Planning Committee
- Chairman, IT Governance Committee
- Member, Credit Facilities Committee
- Member, Debt and Property Settlement Committee

## 7- First Jordan Investment Co.

**Board Member (Non-Independent)**

Date of Membership: 20/04/2011

**Represented by: Mr. Saleh Mohammed Saleh "Zaid Al Kilani"**

Mr. Al-Kilani was born on 15/10/1966. He received his MBA from the United States in 1989, and BA in Political Science and International Administration from the United States in 1988. He also holds the Certified Board Member Certificate from IFC/JIOD.

Mr. Al-Kilani served as Chief Commissioner of the Development Zones Commission (2008-2010), Commissioner for Investment and Economic Development Affairs at the Aqaba Special Economic Zone Authority (2005-2008), and Former Chairman of the Dead Sea Development Company. He held a number of positions in both the public and private sectors. Mr. Al-Kilani also served as BoD Member of Jordan Commercial Bank as a representative of the Social Security Corporation on 15/02/2010 and as an independent BoD Member of Jordan Commercial Bank on 28/06/2012, as well as Program Development & Impact Advisor to Abdul Hameed Shoman Foundation (04/2013 to date).

Mr. Al-Kilani is the chairman/member of the following JCB's Board Committees:

- Member, Nominations and Remuneration Committee
- Member, Risk and Compliance Committee
- Member, Credit Facilities Committee
- Member, Strategic Planning Committee

## 8- Mr. Osama Omar Ali Hamad

**Board Member (Independent)**

Date of Membership: 11/06/2019

Mr. Osama was born on 21/09/1974. He is a lawyer and legal counsel. He is the managing partner of Hamad and Co. Law Firm (Attorneys and Legal Consultants). Mr. Osama has extensive experience in banking business, financing operations, project financing, energy and infrastructure projects, public-private partnership projects, corporate mergers, and investment funds in Jordan and several countries in the region and around the world.

Mr. Osama holds a Master's Degree of Laws in Banking and Finance from the King's College, the University of London, UK, and International Practice Diploma from the College of Law of England and Wales, UK. He also attended many courses from several international universities and centers.

Mr. Osama is a member of the following JCB's Board Committees:

- Chairman, Corporate Governance Committee
- Member, Credit Facilities Committee
- Member, Nominations and Remuneration Committee

**9- Social Security Corporation (1st Seat)**

**Board Member (Non-Independent)**

Date of Membership: 25/10/2015. Represented by:

**Mr. Mazen Hamdi Mohammad Al Sahsah (23/04/2017-12/06/2019)**

Mr. Al Sahsah was born on 31/12/1975. He received his BA in Banking and Finance from the University of Yarmouk (1997). He also holds several professional certificates, including:

- Certified Valuation Analyst (CVA) certificate, IACVA, USA - Jordan (2012)
- Certified Financial Management (CFM) certificate, IMA, USA - Jordan (2003)
- Certified Management Accounting (CMA) certificate, IMA, USA - Jordan (2002)

Mr. Al Sahsah has worked in the Social Security Corporation/Social Security Investment Fund (SSIF) since 2006 as Head of Studies and Financial Analysis Division at the Project Finance Department. He also served as a Board Member at Saraya Aqaba Real Estate Development (Saraya Aqaba) (01/05/2013-22/04/2017).

Mr. Al-Sahsah is a member of the following JCB's Board Committees:

- Member, Credit Facilities Committee
- Member, Risk and Compliance Committee
- Member, Strategic Planning Committee

**Ms. Areej Sulaiman Khalid Obaidat (as of 12/06/2019)**

Ms. Areej was born on 30/11/1982. She received BA in Accounting and MA in Finance and Banking from the University of Jordan, and completed the first and second levels of the CFA certification.

Ms. Areej is the Head of the Analysis and Valuation Section (since 2016) in the Social Security Investment Fund (SSIF). She has been working in the SSIF since 2004, and held positions as a Senior Financial Analyst (2008-2016) and Internal Auditor (2004-2008).

Ms. Areej served as a board member of the Jordan Ahli Bank (5/2017-5/2019) as a representative of the Social Security Corporation.

She also served as a board member of the Arab Potash Company (12/2016-4/2017) as a representative of the Social Security Corporation.

Ms. Areej is a member of the following JCB's Board Committees:

- Member, Credit Facilities Committee
- Member, Risk and Compliance Committee
- Member, Strategic Planning Committee

### 10-Social Security Corporation (2nd Seat)

**Board Member (Non-Independent)**

Date of Membership: 25/10/2015. Represented by:

**Ms. Shaden Ziad Nabih "Darwish Al-Hajji" (24/02/2016-10/11/2019)**

Ms. Shaden was born on 19/09/1981. She received her BA in Banking and Finance from the University of Jordan (2003). She also holds several professional certificates, including:

- Chartered Financial Analyst (CFA) Certificate from CFA Institute, Virginia, USA (2010)
- Certified Board Member from IFC/JIOD

Ms. Shaden held several positions in the Social Security Investment Fund since 2003 to date. She worked as a financial analyst at the Pubic Equity Department (2003-2007), and as a senior financial analyst (2007-2010). Currently, she is the Head of Portfolio Management at the Pubic Equity Department (2010 to date).

Ms. Shaden also delivers lectures on the CFA certificate at one of the accredited training centers in Jordan.

- Member of the CFA Society, Jordan
- Member of a number of committees established at the Social Security Investment Fund

Ms. Shaden is also a member of the following JCB's Board Committees:

- Member, Audit Committee
- Member, Risk and Compliance Committee
- Member, Debt and Property Settlement Committee

**Mr. Munis Omar Salim Abdel-Aal (as of 10/11/2019)**

Mr. Munis was born on 07/04/1982. He received his BA in Accounting from Yarmouk University (2004) and holds several professional certificates, including:

- CMA Certificate from the Institute of Management Accountants (IMA) (2014).
- CPA Certificate from the American Institute of Certified Public Accountant (AICPA) (2018)
- Diploma in International Financial Reporting (DipIFR) from the Association of Chartered Certified Accountants (ACCA) (2019)

Mr. Munis was a former board member of Bank al Etihad (11/2017-11/2019).
He was also a former board member of the Jordan Press and Publishing Company/Al-Dustour (04/2017-11/2017).

He served as the Head of the Settlement Division and Deputy Financial Director of the Social Security Investment Fund (SSIF) (06/2006-12/2018).
He is the Head of the Investment Risk Division of the SSIF (01/2019 to date).
He is a part-time lecturer at Morgan International, Amman.

Mr. Munis is a member of the following JCB's Board Committees:

- Member, Audit Committee
- Member, Risk and Compliance Committee
- Member, Debt and Property Settlement Committee

**11-Al Saleh Investment Holding Limited Company**

Board Member (Non-Independent)
Date of Membership: 04/09/2018-03/04/2019.

Represented by Ms. Reem Nasser Mohammad Al-Saleh

Ms. Reem was born on 11/09/1988. She received her BSc in Business Administration/Finance & Marketing from the American University of Sharjah – UAE (2010). Ms. Reem also holds several certificates, including:

- Commercial Lending Certificate from Barclays Bank (2011 - 2013), Corporate Banking covering large MNCs

  Investment Strategies Certificate in Managing Family Wealth, Next Generation Academy, from UBS Bank in Switzerland.

Work Experience:

- Co-owner of Al Saleh Holding Investment Co. Ltd.
- Running the investment and asset management portfolio of the Holding Co.
- Actively involved in the development and operation of the subsidiaries of the Holding Company operating in the food, industrial and financial sectors
- Treasury and Global Markets, Deutsche Bank (2011)
- New Business Development Manager, Thomson Reuters (2014-2017)

**12-HE Mr. Muhannad Shehadeh Khalil Khalil**

Board Member (Independent)

Date of Membership: 22/12/2019.

HE Mr. Muhannad was born on 25/08/1970. He received his MBA from Lincoln University, USA (1994), and BSc in Computer Science from Lincoln University, USA (1992).

HE Mr. Muhannad is currently holding the position of the Chairman of Government Investment Company (part-time). He has 23 years of experience in financial and investment institutions in both the public and private sectors, involving a set of leadership roles in Jordan, Lebanon, Egypt and Palestine. HE Mr. Muhannad served for two years as the Minister of State for Investment Affairs, preceded by a year and eight months as the Head of the Investment Authority at the Office of HM King Abdullah II.

HE Mr. Muhannad held leading positions in distinguished institutions in the local community, such as HSBC/Retail Banking and Wealth Management, and MetLife Alico's General Manager of Jordan and Palestine branches for 4 years.

HE Mr. Muhannad possesses outstanding skills in the management of major public and private organizations, business and political relations management, negotiations with international companies, strategic planning, risk management, and wealth management. He is also an interlocutor and speaker at various local and regional conferences. Moreover, he demonstrates great efficiency and skills in the areas of change management, revenue and profit improvement, and focus on distinctive performance standards and quality services.

**13. Mr. Nabil Zaki George Mshahwar**

**Board Member (Independent)**

Date of Membership: 10/04/2016-30/09/2019.

Mr. Mshahwar was born on 22/09/1963. He received his MA in Finance and Banking from Paris-Sorbonne University, Abu Dhabi (2015) and BSc in Computer Science from Utah State University, USA (1985).

Mr. Mshahwar served as Executive VP Finance and Strategic Planning, Al Hilal Bank; Senior Vice President at Arab Bank; Board Member, Visa Jordan (2008 - 2009); and Board Member, Al Nisr Al Arabi Insurance Company (2008 - 2009). He currently works as a banking consultant.

Mr. Mshahwar is the chairman/member of the following JCB’s Board Committees:

- Member, IT Governance Committee
- Member, Corporate Governance Committee
- Member, Strategic Planning Committee

## (3/B) Profiles of Senior Executives

**1. Caesar Hani Aziz Qulajen**
**Chief Executive Officer (CEO)**

- Date of Appointment: 01/04/2015.
- Date of Birth: 22/08/1964.

**Academic Qualifications:**

- MBA/Finance from the University of Dallas in Texas, USA (1999).

**Work Experience:**

- Deputy CEO, the Housing Bank for Trade and Finance (2012-2015)
- Assistant General Manager at the Housing Bank for Trade and Finance (2008-2012)
- CEO, Ebram Investment Group, Saudi Arabia (2006-2008)
- Assistant General Manager, Samba Financial Group (SAMBA) (2004-2006)
- Manager, Arthur Andersen & Co., Saudi Arabia (1999-2004)
- Social Security Corporation (1989-1997)

**2. Alaa "Muhammad Salim" Abdulghani Qahef**
**Deputy CEO - Chief Operating Officer**

- Date of Appointment: 01/07/2004.
- Date of Birth: 17/03/1973.

**Academic Qualifications:**

- MBA from the German Jordanian University (2012)

**Work Experience:**

- Customer Service and Products Manager, DHL Company (1995-2004)

**3. Rami "Mohammad Jawad" Fuad Hadid**
**Deputy CEO - Chief Business Officer**

- Date of Appointment: 10/09/2009.
- Date of Birth: 28/02/1969.

**Academic Qualifications:**

- BA in Accounting from the University of Jordan (1992)
- Master of Business Administration and Accounting from the USA (1998)
- Holds CPA Certificate, New York, USA (1999)

**Work Experience:**

- General Manager of Corporate Facilities at Capital Bank (2004-2009)
- Housing Bank, Bahrain (2003-2004)
- BNP Paribas, Bahrain (1999-2002)
- Arab Banking Corporation Bank, New York (1999)
- Whinney Murray & Co. (1995-1996)
- United Tube Packaging Industry Co. Ltd. (1994)
- Whinney Murray & Co. (1992-1993)

**4. Mohammed Ali Mohammed Al-Quraan**
**AGM Credit**

- Date of Appointment: 19/06/2007
- Date of Birth: 20/10/1971

**Academic Qualifications:**

- BA in Economics from Yarmouk University (1995)

**Work Experience:**

- Industrial Development Bank (2003-2004)
- MMIS Management Consultants (2002-2003)
- Jordan Loan Guarantee Corporation (2000-2002)
- Egyptian Arab Land Bank (1997-2000)
- Aribah International Company (1996-1997)

**5. Saleem Nayef Saleem Sawalha**
**AGM, Retail Banking and Branches**

- Date of Appointment: 01/03/2016
- Date of Birth: 20/09/1975

**Academic Qualifications:**

- BA in Economics from Yarmouk University (1997)
- MA in Marketing and Small Enterprises from California State University, East Bay, USA (2001)

**Work Experience:**

- Regional Manager of Visa International Service Association (Jordan, Palestine and Iraq ) (2014-2016)
- Head of Local Branches, Bank Al-Etihad (2008-2014)
- Branch Manager, Wachovia Bank (2007-2008)
- Branch Manager, Washington Mutual (2004-2008)

6. **Abdallah Mahfouz Theodore Kishek**
   **AGM Finance**
   - Date of Appointment: 14/06/2015
   - Date of Birth: 05/08/1967

**Academic Qualifications:**

- BA in Accounting from Walsh University, USA (1990)
- CPA (1991)

**Work Experience:**

- Assistant General Manager of Financial Operations at Bank Al-Etihad (2009-2015)
- Assistant General Manager of Finance at Bank AlJazira in Saudi Arabia (2003-2009)
- Senior Financial Officer at Arthur Andersen & Co., Saudi Arabia, (1993-2003)
- Accountant at Schrader-Porter & Associates, Inc., USA (1992)

7. **Wael “Mohammad Yousif” Aref Rabieh**
   **AGM, Corporate Banking**
   - Date of Appointment: 24/08/2014
   - Date of Birth: 07/11/1977

**Academic Qualifications:**

- BA in Accounting from Al-Zaytoona University (1999)
- MA in Finance from the Arab Academy for Banking and Financial Studies (2004)

**Work Experience:**

- Arab Banking Corporation (2006–2014)
- Jordan Ahli Bank (2004-2006)
- Bank of Jordan (2000-2004)

8. **Anas Maher Radi Ayesh**
   **Executive Manager of Treasury, Investment and Financial Institutions**
   - Date of Appointment: 12/11/2017
   - Date of Birth: 12/10/1979

**Academic Qualifications:**

- BA in Economics and Finance from Yarmouk University (2001)

**Work Experience:**

- Senior Manager, Head of Investment at Safwa Islamic Bank (2011-2017)
- Treasury Manager, Arab Jordan Investment Bank, Qatar (2007-2011)
- Treasury Manager, Arab Jordan Investment Bank, Jordan (2006-2007)
- Treasury Officer, SGBJ (2005-2006)
- Capital Bank of Jordan (formerly known as Export & Finance Bank) (2001-2005)

**9. Mahmoud Ibrahim Mahmoud Mahmoud**
**Manager, Compliance & AML Dept.**

- Date of Appointment: 26/05/2013
- Date of Birth: 10/08/1980

**Academic Qualifications:**

- BA of Commerce from the University of Mysore in India (2002)
- MSc in Accounting Information Systems (MAC-AIS) from Kingston University, London (2007)
- Certified Internal Controls Auditor (CICA) by the Institute for Internal Controls, New Jersey, USA (2008)
- Certified Compliance Professional (CCP) by the Global Academy of Finance and Management (2011)

**Work Experience:**

- Head of Compliance at Bank of Jordan (2009-2013)
- Audit Supervisor at Brothers CPA Jordan (member of INPACT) (2007-2009)
- Team Lead at Ibrahim Hamdan Auditing and Consulting Services (2002-2005)

**10. Ajoud Sharaf Al-Din Ali AlRousan**
**General Auditor**

- Date of Appointment: 02/04/2017
- Date of Birth: 18/08/1969.

**Academic Qualifications:**

- BA in Accounting from Aleppo University, Syria (1992)
- MA in Finance and Accounting from the Arab Academy for Banking and Financial Sciences (1997)

**Work Experience:**

- Head of Internal Audit at Standard Chartered, Jordan (2016-2017)
- Chief of Internal Audit at Jordan Dubai Islamic Bank (2009-2016)
- Manager of Performance and Risk Assurance at Abu Dhabi Accountability Authority (1997-2009)
- Budget Analyst at the General Budget Department in the Ministry of Finance (1993-1997)

11. **Zaher "Mohamed Farouk" Dheeb Muala**
**Regional Manager of Palestine branches (Acting on 28/05/2018 and Incumbent on 30/07/2018)**
- Date of Appointment: 21/01/2018
- Date of Birth: 01/03/1978

**Academic Qualifications:**
- BA in Business Administration from Marygrove College, USA (1999)

**Work Experience:**
- VP - Head of Consumer Credit (Assets), Arab Bank (2007-2018)
- Personal Financial Representative, Washington Mutual Bank (2006-2007)
- Personal Banker, JP Morgan Chase (2002-2006)
- Financial Advisor, UBS Bank (2000-2002)

12. **Mr. Mounir "Muhammad Gomaa" Ahmad Muhtasib**
**Executive Manager, IT Department**
- Date of Appointment: 26/11/2018
- Date of Birth: 22/12/1971

**Academic Qualifications:**

- BSc in Computer Information Systems from Amman University (1994)

**Work Experience:**
- Housing Bank for Trade and Finance (1995-2000)
- Saudi Investment Bank (2000–2004)
- Director of Solutions Support, Housing Bank for Trade and Finance (2004-2018)

13. **Mr. Waheed Darwish Muhareb Haymour**
**Manager, Remedial & Collection Department**

- Date of Appointment: 01/06/2017
- Date of Birth: 03/08/1964

**Academic Qualifications:**
- BA of Law from Al-Zaytoona University (2012)
- Two-Year Diploma in Financial and Banking Sciences from the Arab Community College (1988)

**Work Experience:**
- Director of Settlement and Debt Recovery Center, Housing Bank for Trade and Finance (1989-2017)

14. **Mazen Abdel-Salam Mahmoud Al-Khateeb**
**Manager, Risk Management (22/06/2004-20/11/2019)**
- Date of Appointment: 22/06/2004
- Date of Birth: 20/11/1959

**Academic Qualifications:**
- BA in Accounting from Baghdad University (1982)

**Work Experience:**
- Head of the Credit Control and Management Dept. at Bank Al-Etihad (1995-2004)
- Internal Auditor at the Egyptian Arab Land Bank (1992-1995)
- Chief Internal Auditor at Kuwait Finance House (1986-1990)
- Auditor at Arthur Young in Kuwait (1982-1986)

15. **Ms. Ghada Mohammad Farhan Halloush**
**BoD Secretary (25/04/2004-30/04/2019)**
- Date of Appointment: 25/04/2004
- Date of Birth: 26/11/1959

**Academic Qualifications:**
- BA from the American University (1983)

**Work Experience:**
- Assistant Director of Projects Department, Social Security Corporation (1984-2004)
- Deputy General Manager of Jordan Commercial Bank till 31/12/2016
- BoD Secretary (acting on 17/04/2017 and incumbent on 01/01/2017 to date)

Names of Board Members and Senior Executives who resigned during the year:

- Mr. Nabil Zaki George Mshahwar resigned from the Board of Directors as an independent member on 30/09/2019.
- Ms. Ghada Mohammad Farhan Halloush, BoD Secretary, resigned on 30/04/2019.
- Mr. Mazen Abdel-Salam Mahmoud Al-Khateeb, Risk Department Manager, resigned on 20/11/2019.

## (4): Names of Major Shareholders with Equity of 1% or More Compared to Previous Year and Final Beneficiary:

| SN | Shareholder's Name | Nationality | Beneficiary | No. of Shares | | Number of Pledged Shares | Percentage of Pledged Shares of Total Contribution | Pledging Agency | No. of Shares | | Number of Pledged Shares | Percentage of Pledged Shares of Total Contribution | Pledging Agency |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | as at 31/12/2019 | Percentage % | | | | as at 31/12/2018 | Percentage % | | | |
| 1 | Al Saleh Investment Holding Limited Company | Saudi | | 31,800,000 | 26.50% | None | None | None | 31,800,000 | 26.50% | None | None | None |
| | - | - | Reem Nasser Mohammad Al-Saleh (25%) | | | | | | | | | | |
| | | | Norah Nasser Mohammad Al-Saleh (25%) | | | | | | | | | | |
| | | | Maha Nasser Mohammad Al-Saleh (25%) | | | | | | | | | | |
| | | | Sarah Nasser Mohammad Al-Saleh (25%) | | | | | | | | | | |
| 2 | Social Security Corporation | Jordanian | Itself | 23,808,021 | 19.84% | None | None | None | 23,808,021 | 19.84% | None | None | None |
| 3 | First Jordan Investment Co. | Jordanian | | 14,741,872 | 12.28% | 1,199,998 | 8.14% | Arab Jordan Investment Bank (AJIB) | 14,741,872 | 12.31% | 1,199,998 | 8.14% | Arab Jordan Investment Bank (AJIB) |
| | | | A. Micheal Faiq Ibrahim Sayegh (20.465%) | | | | | | | | | | |
| | | | B. Commercial Bank (9.96%) | | | 1,250,000 | 8.48% | Bank al Etihad | | | 1,250,000 | 8.48% | Bank al Etihad |
| | | | C. Nazi Tawfiq Nakhleh Qebti (8.00%) | | | | | | | | | | |
| | | | D. Faris Micheal Faiq Sayegh (8.00%) | | | | | | | | | | |
| | | | E. National Paints Holding Company (6.72%) | | | | | | | | | | |
| | | | F. Faiq Micheal Faiq Sayegh (5.691%) | | | | | | | | | | |
| | | | G. Clara Abdel Nour Nayef Abdel Nour (5.19%) | | | | | | | | | | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | H. United for Real Estate Development (2.998%)<br>I. Abdelnour Nayef Abdelnour Abdelnour (2.616%)<br>J. Abeer Farid Eisa Agabi (2.309%)<br>K. National Industries Company (2.00%)<br>L. Al Saud Company Ltd. (1.934%)<br>M. Social Security Corporation (1.90%)<br>N. Al Saud Investment Co. (1.494%)<br>O. Fahad bin Abdullah bin Hassan Al Madyan (1.423%) | | | | | | | | | | |
| 4 | Micheal Faiq Ibrahim Sayegh | Jordanian | Himself | 12,838,796 | 10.70% | None | None | None | 12,844,687 | 10.70% | None | None | None |
| 5 | Ibrahim Faiq Ibrahim Sayegh | Jordanian | Himself | 12,089,011 | 10.07% | None | None | None | 12,089,011 | 10.07% | None | None | None |
| 6 | Samer Saleem Faiq Sayegh | Jordanian | Himself | 6,894,048 | 5.74% | None | None | None | 6,894,048 | 5.74% | None | None | None |
| 7 | Sami Saleem Faiq Sayegh | Jordanian | Himself | 3,628,590 | 3.02% | None | None | None | 3,628,590 | 3.02% | None | None | None |
| 8 | Samar Saleem Faiq Sayegh | Jordanian | Herself | 1,814,296 | 1.51% | None | None | None | 1,814,296 | 1.51% | None | None | None |
| 9 | National Paints Holding Company | Jordanian | Micheal Faiq Ibrahim Sayegh (33.33%)<br>Ibrahim Faiq Ibrahim Sayegh (33.33%)<br>Samer Saleem Faiq Sayegh (33.33%) | 1,656,641 | 1.38% | None | None | None | 1,656,641 | 1.38% | None | None | None |
| 10 | Nuha Micheal Mousa Haddad | Jordanian | Herself | 1,295,926 | 1.07% | None | None | None | 1,295,926 | 1.07% | None | None | None |

**(5)/A: The Bank's Competitive Position by Business Segment*:**

| Description | 2018 | 2019 |
|---|---|---|
| **Market Share/Facilities** | 2.84% | 2.70% |
| **Market Share/Deposits** | 2.39% | 2.37% |
| **Market Share/Assets** | 2.64% | 2.54% |

*For Jordan Branches Only

**(5)/B: Jordan Commercial Bank's credit ratings issued by Capital Intelligence:**

| | | | |
|---|---|---|---|
| **Foreign currency risk rating (short term)** | **B** | **Sovereign risks (short term)** | **B** |
| **Foreign currency risk rating (long term)** | **BB-** | **Sovereign risks (long term)** | **BB-** |
| **Financial strength rating** | **BB** | **Outlook** | **Negative** |
| **Support rating** | **3** | | |

**(6): There is no dependence on specific suppliers or customers, local or foreign, whose dealings with the Bank constitute 10% or more of the total purchases and/or sales or revenues.**

**(7/A): Neither Jordan Commercial Bank nor any of its products enjoy any government protection or privileges by virtue of any laws or regulations.**

**(7/B): Jordan Commercial Bank has not obtained any patents or concession rights from any local or international organizations.**

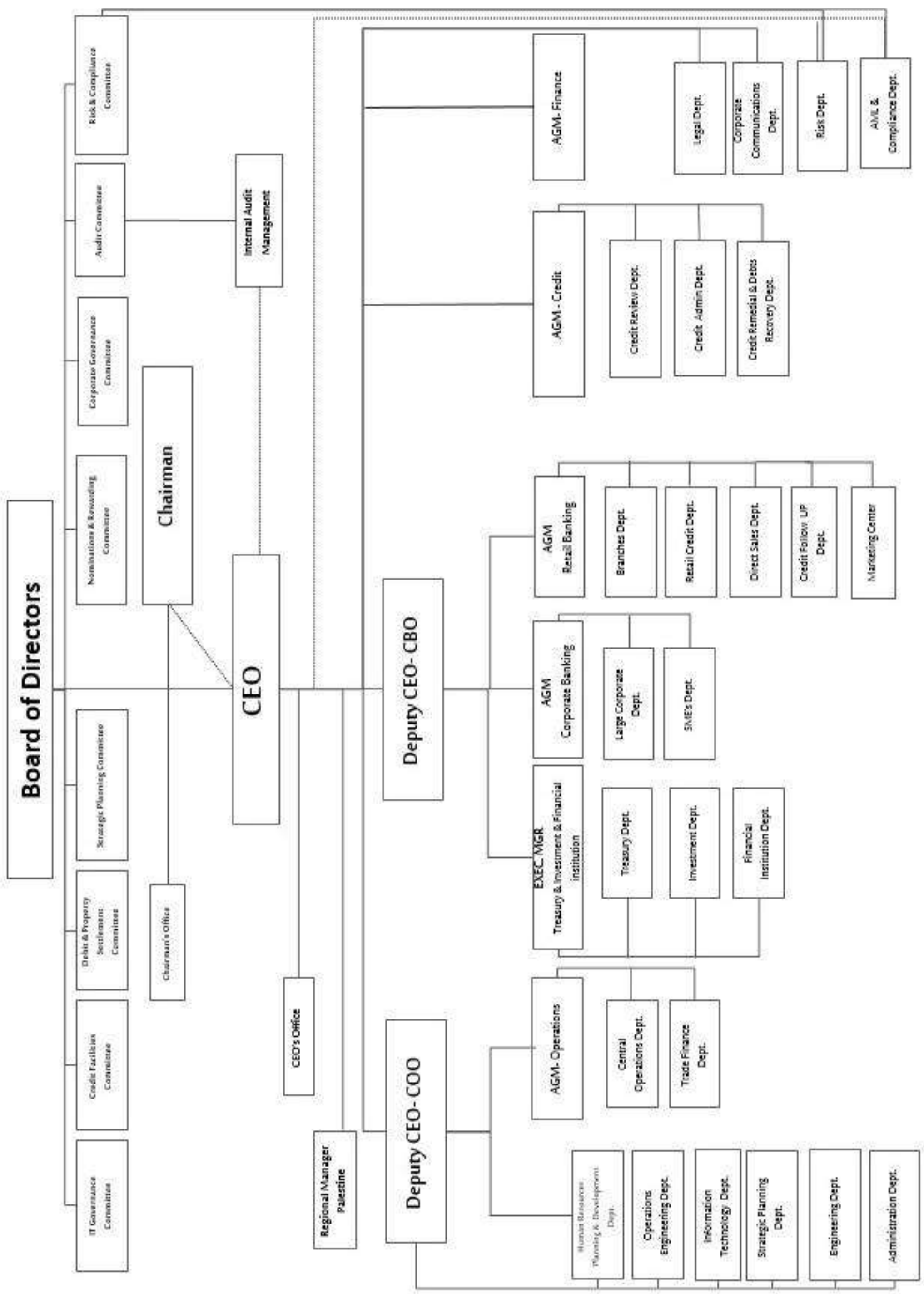
**(8/A): No resolutions rendered by the government, international organizations or others have any material impact on the Bank, its products or competitiveness.**

**(8/B): International Quality Standards:**

- Obtaining the ISO 27001 certification in the field of information security
- Renewing the PCI-DSS compliance certificate

**(9): The organizational structure of the Bank, the number of employees, their qualifications, and the training programs attended by the employees during 2018:**

### (A) Jordan Commercial Bank Organizational Structure:



## (B) The number of Bank's employees and their qualifications:

| | Number | | Number | | | |
|---|---|---|---|---|---|---|
| **Academic Qualifications** | **Males** | **%** | **Females** | **%** | **Total** | **%** |
| PhD | 1 | 0.12 | 0 | 0.00 | 1 | 0.12 |
| Master's Degree | 54 | 6.23 | 22 | 2.54 | 76 | 8.77 |
| Higher Diploma | 2 | 0.23 | 1 | 0.12 | 3 | 0.35 |
| Bachelor's Degree | 366 | 42.21 | 213 | 24.57 | 579 | 66.78 |
| 2-Year Diploma | 32 | 3.69 | 38 | 4.38 | 70 | 8.07 |
| 1-Year Diploma | 1 | 0.12 | 17 | 1.96 | 18 | 2.08 |
| High School (Tawjihi) (Pass) | 14 | 1.61 | 11 | 1.27 | 25 | 2.88 |
| Below High School (Tawjihi) | 95 | 10.96 | 0 | 0.00 | 95 | 10.96 |
| **Total** | **565** | **65.17** | **302** | **34.83** | **867** | **100.00** |

## (C) Internal and External Training Courses:

| Internal and External Training Courses<br>From 01/01/2019 till 31/12/2019 | | | | |
|---|---|---|---|---|
| | **No. of Courses** | **No. of Participants** | **Males** | **Females** |
| **Institute of Banking Studies** | **82** | **255** | **156** | **99** |
| **Training institutes (courses, conferences, seminars) within Jordan** | **105** | **226** | **149** | **77** |
| **Internal training courses (Training & Development Center)** | **104** | **2249** | **1464** | **785** |
| **Training courses (outside Jordan)** | **5** | **7** | **6** | **1** |
| **Conferences & Seminars outside Jordan / Senior Management** | **2** | **1** | **1** | _ |

- The Bank held 105 training courses at the Bank’s Training and Development Center benefiting 2,249 employees.
- In addition, 82 courses were held at the Institute of Banking Studies and 226 employees participated in the courses delivered at the Union of Arab Banks and other distinguished and reputable centers specialized in skill development.
- The Bank also distributed 70 graduates from Jordanian universities to the Bank's branches to train them as a means of effective contribution and partnership with the local community.

**(10): Risks faced by the Bank:**

- **Credit Risk:** Credit Risk is defined as the current and potential financial loss arising from the failure of the Bank's borrower or counterparty to meet the terms of the loan in full and on time, which affects the Bank's revenue.

- **Market Risk:** It refers to the potential loss that may arise from changes in market prices, such as the change in interest rates, foreign currency exchange rates and equity instrument prices, and consequently, the change in the fair value of cash flows of the financial instruments on and off the statement of financial position.

- **Liquidity Risk:** Liquidity Risk is defined as the loss to which the Bank might be exposed due to the unavailability of the necessary funds to finance its growing operations or obligations upon their maturity at the appropriate cost and time. It is considered as part of the Assets and Liabilities Management (ALM).

- **Operational Risk:** Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

- **Compliance Risk:** Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation a bank may suffer as a result of its failure to comply with applicable laws, regulations, instructions and professional and ethical banking regulations issued by local and international regulatory bodies, including the Bank’s internal policies, codes of conduct and sound banking practices and standards.

- **Information Security Risk:** It is defined as the loss or negative effects that the Bank may be exposed to as a result of internal or external attacks that threaten its information, whether in electronic or paper form.

**(11): Bank’s achievements in figures and a description of the important events the Bank experienced throughout the year:**

## ➢ Business Sectors:

### Corporate Banking:

The corporate sector is one of the main business sectors in the JCB, and it contributes significantly to achieving revenues and profits. It constitutes an important proportion of the private sector, which is considered the main driver of economy. The private sector’s dealings with banks account for more than 90% of the total dealings in the deposit and facility activities.

The corporate sector (i.e. large corporations and SMEs) plays an important role in achieving the Bank’s strategy (to be a bank better prepared for growth). It can fulfill this by studying the market, exploring opportunities in it, and working to exploit them in a manner commensurate with the available capabilities and in accordance with the policies of the Bank and instructions of the regulatory authorities. **During 2019, the corporate sector made several achievements, most notably:**

- Promoting the growth of direct and indirect credit facilities in a balanced manner, and increasing the Bank's market share thereof by granting facilities to clients within targeted sectors, including: transportation, energy, industry, contracting, finance sectors and others.

- Following up market developments, especially those related to interest rate changes, with a view to keeping pace with the banking market, maintaining the competitive position of the Bank, and achieving the best returns for the Bank at acceptable risks.

- Improving the quality of the credit facilities portfolio by processing (i.e. restructuring/rescheduling) a number of accounts to gradually exit from them in coordination with the relevant departments.

- Developing work procedures through:
    - Using a new credit system to analyze customer data.
    - Raising staff efficiency, by focusing on training and engaging employees in specialized courses.

## Retail Sector:

The retail sector is the largest source of funds in the Bank, as it attracts retail customer deposits, which account for the largest share of deposits. Moreover, retail facilities constitute a significant proportion of investments. In addition to deposits and facilities, the retail sector provides a wide package of banking services to the Bank's customers through various (electronic and traditional) service channels. This helps promote the Bank's image as a comprehensive bank that provides its customers with all the advanced banking services that they need and in the way that suits their needs at competitive prices.

During 2019, the JCB took important steps in the area of retail banking services towards strengthening its strategy (to be a bank better prepared for growth) through geographical expansion and spread to a large number of areas, by opening new traditional and express branches (which provide specific services to retail customers in flexible working hours). The number of the JCB's branches reached 32 branches, covering all parts of the Kingdom.  The JCB also expanded its ATM network to serve the retail sector by installing a large number of ATMs (in several regions), amounting to 65 ATMs inside Jordan by the end of the year.

The sector also targeted many segments of society, strengthening and promoting the financial inclusion strategy advocated by several official and economic bodies. Additionally, the sector offered new products and developed existing products by adjusting their features in a manner that fulfills market needs and meets customer requirements. (These procedures positively and directly impacted the Bank's performance and business results by 1.55% compared to the beginning of the year, including the savings account balances that grew by 7.12%)

**Among the retail sector's achievements during the year (at the level of its various departments) are the following:**

**Follow-up and Collection:**

- - Fully activating the collection system, resulting in a reduction in the non-performing loans for retail facilities.

**Electronic Channels:**

- Installing a number of ATMs in targeted areas across the Kingdom (e.g. Ashrafieh, Shafa Badran, and Al-Salam Gas Station). By the end of the year, the number of both internal and external ATMs reached 65 in Jordan.

- Launching and developing the features of a number of services, including:
  - Instant issuance of cards in all branches
  - Instant cash deposit via ATM in a number of branches
  - Instant issuance of YELO Card in branches
  - Cash back service on World + Visa Infinite cards
  - Transfer of World + Visa Infinite card transaction processing to MasterCard
  - Launching of an eFAWATEERcom bill payment campaign
  - Modification of cash withdrawal limits
  - New SMS on the account
  - Visa PIN Management

**Branch Network:**

- Developing work procedures (e.g. amendment of custody schedules and secret codes, creation of a service level agreement, implementation of the new signature system, implementation of the new treasury system, cancellation of checker machines from branches, cancellation of postage stamp machines and settlement of their accounts, and amendment of the method for responding to incoming clearing checks (ECC) based on customer classification).
- Opening Dahiyat Al Nakheel (first Tejari Express), Dahiyat Al Yasmeen and Sports City branches, and completing the commissioning of Abu Sous branch (Tejari Express).

**Direct Sales:**

- Training employees on different sales methods and interaction with customers.
- Raising the efficiency of customer service employees, which resulted in the reduction of complaints.
- Enhancing the image of JCB among customers by focusing on the marketing and promotional activities of the Bank.

**Product Development:**

**Developing and adding various features for a number of products, including:**

- Offering of easy payment plans on Visa cards.
- Cashback on Visa Infinite and World cards.
- Amendments to the electronic account statement service, and launch of ‘My Sales’ campaign.

**Retail Facilities:**

- Adjusting interest rates on personal loans.
- Offering the advance salary service.

**Marketing:**

Launching marketing and promotional campaigns for a number of the Bank's products and services, including: Retiree loans, auto loans, Tejari savings, housing loans for expatriates, U credit card, amendment of personal loan benefits (interest), grand prize draws for savings accounts with public and media visibility, balance doubling with the automatic saving service, opening of the Dahiyat Al Nakheel - Tejari Express, and an interactive campaign on social media to promote the automatic savings service and Tejari savings accounts.

## Treasury and Investment Sector:

The treasury sector monitors the conditions and developments of the banking market and business environment and deals accordingly. It also searches for the best opportunities available in the banking market to invest the Bank’s funds, taking into account the balance between returns and risks. Through its constituent departments, the sector monitors the Bank’s liquidity ratios and interest rates granted to customers, making adjustments to them as necessary, and trades in foreign currencies, as well as runs investments in the monetary and financial markets, in a way that enhances the Bank’s revenues, diversifies its sources of income, and reduces risks. In addition, the sector monitors the Bank’s dealings with international financial institutions and strengthens its relations with them, in a manner that ensures the smooth functioning of the business activities of the Bank and its customers. **Among the sector's main achievements in this area are the following:**

**Treasury Department:**

- Investing funds in the money market and fixed-income instruments of the Central Bank of Jordan in a way that increases the Bank's revenues without affecting the liquidity ratios.
- Trading in foreign currencies to diversify the Bank's sources of income and increase its revenues from them.

- Monitoring developments in the local and global markets to ensure the Bank's ability to cope with their various changes.

**Investment Department:**

- Automating the equity portfolio completely and adopting automatic valuation on the system directly.
- Monitoring the financial market conditions and the Bank's equity portfolio.

**Financial Institutions:**

- Renewing the agreement with the Saudi Fund for Development/Export Finance Line.
- Building a new relationship with the Arab Bank - China.

## Support Services:

### Human Resources Department:

The HR Department affirmed its commitment to apply effective recruitment policies ensuring the selection of the best qualified human resources, while adhering to the principle of equal opportunities. The Department also applied the staff development and motivation policy by allowing employees to apply for higher administrative and supervisory vacancies and adopted the principle of efficiency in filling such vacancies, giving preference to the Bank's staff. At the same time, the Department made great efforts in training and qualifying the next generation of employees to be assigned to supervisory functions in the future according to the job succession plans.

To recognize and appreciate the distinguished performance of employees, the promotion policies, financial benefits and remunerations were amended by the Board of Directors and entered into force. In this respect, more than 61 male and female employees were promoted to higher positions.

In order to increase employee job satisfaction and achieve the Bank's human resources development strategy, "making the Bank a preferred employer," the Bank provided, in addition to the above, other benefits and advantages to employees, which had a positive impact on the Bank's turnover rate (13.7%) which is considered a good rate in the financial market.

To improve and ensure the effectiveness of communication channels between the Bank and its employees, several programs, projects and campaigns were launched, such as the Think Pink (awareness session on cancer held in October), Book Fair, and Story Day. In addition, questionnaires were launched to take their opinion on a number of services, such as the medical system and the Bank's cafeteria.

To increase the return on investment in human capital, a focus was placed on training due to its great importance in developing employees and enhancing their professional skills, which had a direct positive impact on their performance. During the year, the Bank held 105 training courses at the Bank's Training and Development Center (internally) benefiting 2,249 employees. In addition, 82 courses were held at the Institute of Banking Studies, and 226 employees participated in the courses delivered at the Union of Arab Banks and other specialized centers.

**The following is a summary of the numbers of participants and training courses, as well as training providers for the year 2019.**

| Training Provider | No. of Courses | No. of Participants |
|---|---|---|
| The Bank's Training & Development Center | 104 | 2,249 |
| Institute of Banking Studies | 82 | 255 |
| Courses & programs at various institutes and centers | 105 | 226 |
| Training courses outside Jordan | 5 | 7 |
| Forums & conferences outside Jordan / Top Management | 2 | 1 |

## Engineering Department:

The importance of the Engineering Department stems from its direct communication with the different functions in the Bank and with the employees therein. **During 2019, the Department made several achievements, most notably:**

- Meeting the requirements of different functions related to banking services and daily business, while adopting the policy of reducing and rationalizing the Bank's capital and operating expenses, and optimizing the use of resources to achieve financial savings, including the cost of electricity as the solar energy project was completed.
- Improving the exterior and interior look of the Bank's branches through continuous supervision and upgrading of the existing branches and buildings and the newly opened branches, and providing logistical support to them, as well as monitoring and updating ATMs.
- Upgrading security and protection systems for the Bank's branches and buildings (e.g. installing additional cameras for the operations building and linking the alarm systems with the new alarm station).
- Providing locations for external ATMs (e.g. Al-Salam Gas Station, Shafa Badran, and Ashrafieh).
- Fulfilling the security and safety requirements and adhering to the requirements of the regulatory authorities in this aspect, in addition to activating security and safety systems in several locations (e.g. implementing the evacuation system in the Bank's Headquarters in the event of a fire, applying the requirements of the Central Bank in relation to ATMs and linking them with alarm stations, providing the internal and external bodies with the required camera recordings, and activating the security system in the Abu Al-Sous and Al-Yasmeen branches).

## Administrative Department:

The Administrative Department plays a key and active role in meeting the business requirements related to administrative affairs and procurement, as well as the needs of Bank's different functions and the employees working in them through direct and continuous communication with them. It aims to provide a comfortable and safe work environment for all employees. Moreover, the Department makes continuous effort to control and rationalize expenses, without prejudice to the level of services and benefits provided. **The key achievements of the Department during the year include:**

- Providing support and contributing to supervising staff transfer and recruitment in new branches.
- Rationalizing and controlling operational and capital expenses by optimizing the utilization of the Bank's resources, recycling of furniture, and negotiating with suppliers and owners of property (rented by the Bank) to get discounts and preferential prices. In addition to the existing suppliers, the Bank approved new suppliers during the year, noting that those new suppliers were from the local market.
- Conducting a mock evacuation drill at the Bank.
- Activating the emergency plan in the winter season by keeping shifts around the clock to respond to weather events, in order to preserve the property of the Bank and ensure quick response.

## Operations Engineering Department:

The Operations Engineering Department of Jordan Commercial Bank is one of the main arms supporting all the Bank's functions and is a cornerstone for ensuring that all banking services are provided to customers in line with the sound banking rules. This comes in implementation of the Bank's strategy to be one of the leading banks in the provision of banking services.

Operations engineering involves studying and redesigning all banking operations within the framework of a systematic approach conforming to best practices, ensuring fast and quality service delivery, achieving significant savings in operating costs, and meeting the requirements of the regulatory body in all areas. The main achievements of the Department during 2019 include:

**- The Bank's Policies and Procedures:** (I) Documenting the policies and work procedures; (II) re-designing the operations of the various activities of the Bank in a manner that ensures the implementation of controls over them and in line with the instructions of the regulatory authorities, quality standards and risk management frameworks; and (III) standardizing all the forms and contracts used by the Bank to ensure conformity with all the legal aspects of dealing with customers.

**- Organization and Development of Operations:** (I) Preparing organizational structures and job descriptions for the various functions in line with the instructions of the regulatory authorities, the principle of segregation of duties, and different business requirements; (II) preparing dealing and service level agreements and procedure cycles that regulate the relationship between the functions concerned with these services; and (III) managing the SharePoint system to facilitate employees' access to information and centralize it under one roof.

**- Automation of Banking Operations:** The Department played a key role in the area of full automation of banking operations to meet the requirements of various functions in the Bank through the effective role of the Department's team in cooperation with the IT Department. Many automation projects were implemented to ensure better and quick customer services and improve the automated regulatory environment for various banking operations.

### Information Technology Department:

In 2019, the Bank continued to meet business requirements to contribute to providing the best services and products and enable customers to complete their various banking transactions easily and safely. The Bank managed to do so through the application of new systems, development of existing systems and upgrading of the current infrastructure. In 2019, a number of systems and applications were implemented and upgraded, particularly the following:

- Upgrading the banking system by activating a set of subsystems to improve and provide new services and solutions;
- Upgrading and developing the Tejari Mobile system, which provides electronic banking services that are highly secure and easy to use, and contains new advanced services;
- Upgrading and developing ATMs, leading to an increase in the volume of banking transactions effected through ATMs;
- Developing treasury and investment systems to achieve the strategy of automating various systems and activities;
- Upgrading and developing the payment systems in accordance with the requirements of the regulatory authorities; and
- Starting work on several projects that support the digital transformation plan.

In 2019 and in an effort to strengthen the Bank’s security and protection systems, the Bank implemented a set of security processes, controls and solutions to comply with the cybersecurity requirements. This would strengthen the security and protection systems and reduce cyber risks in light of the evolution of electronic attack methods. In addition, the COBIT project was continued in order to comply with the CBJ’s requirements in the area of IT governance to ensure optimal use of IT resources and effective risk management. The PCI-DSS compliance certificate was renewed.

## ➢ Control Sector:

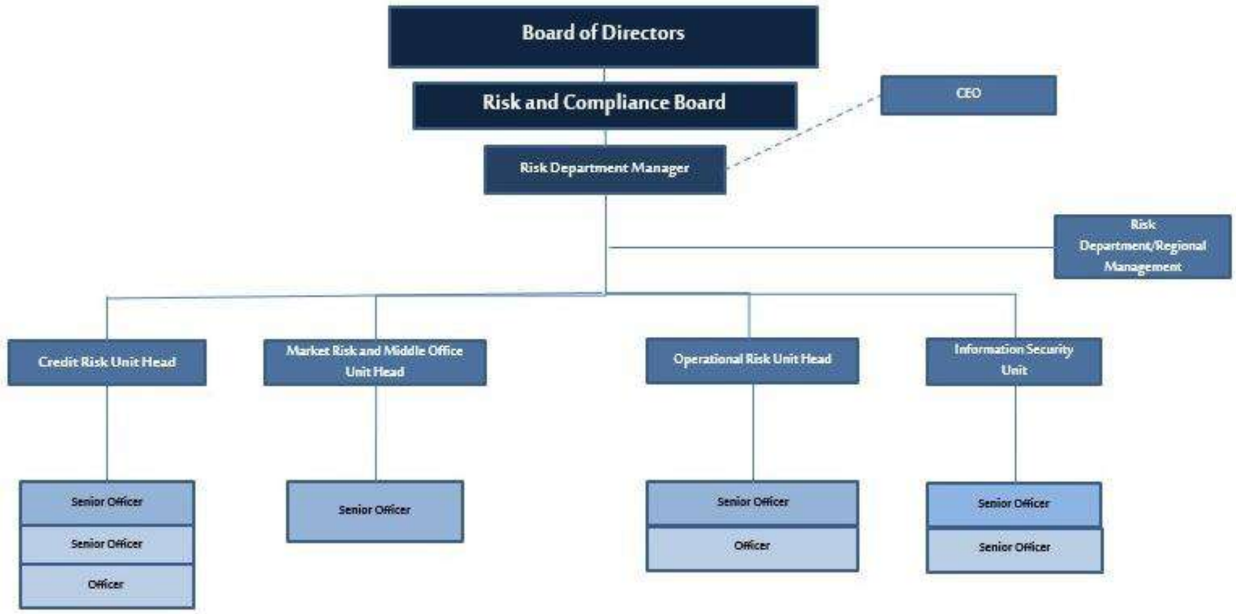
### Risk Department:

The Risk Department identifies and manages the Bank's risks. The scope of the Risk Department covers the various departments and functions of the Bank. The Department achieved the following:

- Implemented the CBJ's instructions regarding large exposures and credit limits, as well as the instructions of the Treasury and Investment Department and financial institutions.
- Implemented the foreign currency buying and selling settlement risk policy and prepared the necessary report in this regard.
- Reviewed the Bank's risk profile and confirmed that it covered all the major risks to which the Bank, as a whole, might be exposed.
- Continued to assess the operational risks of the various departments and branches of the Bank and ensured the adequacy and effectiveness of control measures in controlling all such risks.
- Continued to implement and develop stress tests by applying the scenarios required by the CBJ in addition to other scenarios developed by the Risk Department in cooperation with the relevant departments in the Bank.
- Prepared a study on the Bank's financial indicators compared to the financial solvency results of Jordanian and similar banks and continued to monitor the Bank's performance against such indictors.
- Prepared a study on the expected historical financial burdens that affected the Bank in the last 3 years.
- Applied the IFRS 9 requirements according to the CBJ's instructions and measured its impact on the Bank's position.
- Conducted an internal capital adequacy assessment process (ICAAP) for the Bank by calculating the capital required to address all the risks faced by the Bank.

- Updated and developed the Bank’s risk appetite levels and developed a reporting system for risk levels, periodically monitoring such levels to identify any deviation and its impact on the calculation of capital charges.
- Measured the impact of the implementation of Basel III requirements, specifically the liquidity coverage ratio.
- Tested the contingency liquidity plan by assuming certain scenarios in coordination with the concerned bodies at the Bank.
- Conducted a comprehensive examination of the Business Continuity Plan and its associated plans.
- Assessed information security risks and cybersecurity risks at the Bank.
- Carried out penetration tests for all systems, peripherals and networks to detect vulnerabilities and assess risks and systems immunity against outside or inside attacks.
- Obtained the ISO 27000 Certificate in information security.
- Participated in applying the COBIT 5 requirements regarding risk and information security management processes.
- Implemented and activated the monitoring and security controls to reduce technology-related risks in line with the Bank's overall strategy.
- Oversaw the implementation of the GDPR Law requirements.
- Supervised the implementation of a number of instructions:
    - Adaptation to cyber risks issued by the CBJ.
    - ATMs issued by the CBJ.
    - Customer Security Program (CSP) issued by Swift and the CBJ.
- Continued to train on and spread risk culture at all levels of the Bank for all types of risks, as well as provide training on business continuity plans and information security.

**Risk Department's Organizational Structure:**




## Compliance Department:

The Compliance Department plays a crucial role in monitoring the Bank's implementation of compliance standards to avoid exposure to the risks of non-compliance in its banking transactions and to avoid actions against it by regulatory authorities. It manages to do so through the following:

- **Periodic disclosures:** The Compliance Department monitors the relevant parties in the Bank to ensure implementation of the requirements of the regulatory bodies received by the Bank sufficiently in advance and ensures compliance with disclosures. The Department strives to enhance the accuracy of the data provided by the Bank to the regulatory bodies.
- **Application of the instructions of dealing with customers fairly and transparently and addressing customer complaints:** Handling customer complaints and feedback is one of the most important elements of dealing with customers fairly and transparently. Customer feedback is extremely important as it provides a wealth of information about issues affecting customer satisfaction. Such

information can be used to improve services provided to customers and help the Bank develop its work and take actions to avoid or minimize customer complaints in the future. The complaint handling system is defined as "the organization's response to any failure in the process of providing services to customers." The Bank has a Customer Complaints Unit that reports to the Compliance & AML Department. The Unit receives and responds to customer complaints through various channels with the aim of enhancing customer satisfaction and trust. It classifies complaints, conducts various quantitative and analytical studies, and identifies the causes of complaints, where required. It also submits periodic reports to the Board of Directors and the Central Bank of Jordan in this regard.

In 2019, the Unit received a total of 226 complaints. Most complaints were related to the central region branches and focused on work processes, some technical errors, and other complaints were related to customers' lack of knowledge of the services provided by the Bank or invalidity of a customer's request. The Compliance & AML Department/Customer Complaints Unit follows up about complaints, communicate with customers to gain their satisfaction and clarify any misunderstanding, and recommend appropriate corrective measures. The most used method for submitting complaints is telephone followed by communication through the Bank's website.

- **Monitoring and management of compliance at external branches and mutual coordination and cooperation:** The organizational structure of the compliance function at the Regional Office (Palestine) was modified to become an independent department and was provided with additional staff, to ensure consistency between its practices and the Bank's general policy. The AML function was separated from the Compliance function (in the Regional Office) and an AML policy stemming from the Bank's general policy was adopted.
- **FATCA compliance:** A plan was implemented in accordance with the policy of registration with the IRS. A specialized department was established, meetings were held, follow-ups with the relevant parties were conducted, and reporting procedures were implemented.

- **Development of Compliance function at the Bank:** In this regard, the Department reviewed and approved the compliance control policy and the AML/CFT Policy. It also applied the GoAML reporting system. In 2019, the Bank adopted an integrated system aimed at strengthening compliance and AML/CFT control mechanisms.
- **Corporate governance:** The requirements of the CBJ's Corporate Governance Instructions were identified and the Bank's Corporate Governance Manual was aligned accordingly. A study was conducted to identify the most important requirements and compare them to the Bank's practices, and a work plan was also developed for implementation. In addition, the policies, manuals and charters for Board committees were prepared, reviewed and approved by Board members. Moreover, the Bank took steps to ensure compliance with IT governance requirements within the COBIT 5 Framework, as well as the Corporate Governance Regulations for Listed Shareholding Companies issued by Jordan Securities Commission.
- **HR development:** The Department was provided with qualified and experienced staff. Current employees received training in line with the best international standards. A number of the Department's staff obtained professional certificates including: Advanced Certification Recertification Guide, COBIT 5 foundation, IISI, TOT, CCO and CAMS. This would enable the Department to address the challenges and risks associated with the Bank's various operations as part of a leading compliance culture and in line with the best banking practices.

### Audit Department:

The Audit Department seeks to improve the control environment at the Bank by providing independent and objective consulting services and assurances to the concerned authorities. The Department also seeks to provide added value to its programs and activities to help the Bank achieve its goals and strategy by working side by side with all the Bank's departments.

The Board Audit Committee oversees the internal audit function and defines the responsibilities and tasks of the parties concerned with internal audit, as part of its role. The Auditor-General is responsible for managing and overseeing audit work and activities.

**The main achievements of the Audit Department in 2019 include:**

- Implemented the automatic audit system to develop the audit process.
- Prepared the annual audit plan approved by the Audit Committee, covering most activities of the Bank.
- Carried out periodic audits of the Bank's departments and branches (within the annual plan prepared and approved), in addition to a number of special tasks requested by the Senior Management.
- Commenced to develop an audit manual in accordance with the best professional practices and regulatory authorities' instructions.
- Prepared an annual report on the adequacy of internal control systems to reduce risks faced by the Bank and made appropriate recommendations to address weaknesses therein.
- Verified the validity and integrity of the methodologies and systems used within the framework of the application of the International Financial Reporting Standard No. (9), which was applied as of 1/1/2018, and the extent of the Bank's compliance with the methodologies and policies prepared for that purpose.
- Reviewed and evaluated the mechanism used in measuring the expected credit losses in the Bank to ensure the accuracy of calculations and results.
- Confirmed that business units carried out the tasks assigned to them in a manner that would strengthen internal control systems and risk management and governance processes.
- Verified compliance with the Bank's internal policies, international standards and applicable instructions of regulatory authorities.

## Corporate Social Responsibility:

Proceeding from the Bank's commitment to contribute to the development of local community, promote the CSR culture among the Bank's employees to serve the local community, and cultivate a positive mental image of the Bank among all members of society, perceiving it an important part of society and a major component of the banking sector, the Bank carried out a number of CSR and community service activities by supporting, sponsoring and participating in a number of economic, social and charitable events and activities, as follows:

- Sponsoring a number of events, including: Al Hussein Technical University Students Project, Junior Football League, Cyber Crime Forum, Al Isra'a School/synthetic grass installation, Akhtaboot's 10th Job Fair, Training Course for the Jordan Press Foundation (Al-Rai), You Are Important initiatives (awareness campaigns for both men and women), Christmas Bazaar, Musician Ilham Al Madfai Concert, and others.
- **Supporting charitable institutions, centers and foundations within the following areas:**
  - **People with Special Needs:** Beit Hamza Initiative, Jordanian Women's Development Society, and Society for the Families and Friends of the Disabled.
  - **Poverty alleviation:** Al-Mansheya Society for Social Development, Al-Salt Charitable Society, the Sacred Heart of Jesus Scouts and Guides, food parcels during the blessed month of Ramadan, the Jerusalem Forum (helping the people in Jerusalem), and aids for students from Palestine.
  - **Education:** Al-Aman Fund for the Future of Orphans.
  - **Sports:** Support for Al-Karmel Sports and Cultural Club, and Al-Baqa'a Sports Club.
  - **Culture:** Jordan Cultural Forum and Dar Ward for Publishing and Distribution.
  - **Charities and social and religious fields:** Short Statured Society for Culture and Arts, restoration of Al-Rashidiya Mosque in Karak, and others.
- Distributing 70 male and female graduates of Jordanian universities to the Bank's branches to be trained for effective participation in developing the local community and strengthening the academic skills along with the practical skills of new graduates.

**(12): The bank is in the process of selling its branches operating in Palestine through the acquisition of most of the assets and liabilities by the National Bank in Palestine, Jordan Commercial Bank in return is obtaining 15% of the shares of the National Bank after the increase. The acquisition resulted in a total loss of JD 3.7 million, which is of a non-recurring nature.**

**(13): Chronological order of realized profits (losses), dividends, shareholders' net equity, and share price for the years 2014-2018 (JD):**

| Description | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Net profit** | 5,313,066 | 5,029,366 | 3,788,813 | 9,325,406 | 15,756,877 |
| **Shareholders' net equity** | 139,198,774 | 134,043,930 | 149,540,599 | 145,814,791 | 137,981,433 |
| **Cash dividends (proposed)** | - | - | - | - | - |
| **Dividend payout ratio (proposed)** | - | - | - | - | - |
| **Bonus issue (proposed)** | - | - | - | 7,125,000 | 7,875,000 |
| **Bonus issue ratio (proposed)** | - | - | - | 6.3% | 7.5% |
| **Closing price/share** | 0.79 | 0.85 | 1.19 | 1.4 | 1.17 |

- **Shareholders shall be given priority to subscribe to new shares in an IPO.**

## (14): Financial Position and Operating Results:

| Summary of Key Financial Indicators: | | | | | Rounded to nearest million (JD) |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| **Main Items of the Income Statement** | | | | | |
| Net interest income | 31.1 | 29.6 | 36.4 | 38.6 | 36.9 |
| Net interest and commission income | 36.9 | 34.8 | 41.4 | 43.4 | 42.7 |
| Gross income | 42.6 | 40.8 | 48.2 | 49.6 | 64.0 |
| Net income before tax | 9.1 | 7.2 | 6.3 | 12.0 | 24.1 |
| Net income after tax | 5.3 | 5.0 | 3.8 | 9.3 | 15.8 |
| Earnings (Loss) per share/JD | 0.044 | 0.042 | 0.032 | 0.082 | 0.139 |
| **Main Items of the Balance Sheet** | | | | | |
| Total assets | 1,386.6 | 1,353.6 | 1,382.3 | 1,265.3 | 1,487.6 |
| Shareholders' equity | 139.2 | 134.0 | 149.5 | 145.8 | 138.0 |
| Credit portfolio, Net | 669.0 | 727.9 | 718.0 | 634.0 | 599.3 |
| Securities portfolio | 289.7 | 316.7 | 344.6 | 341.0 | 405.9 |
| Cash and Bank Balances | 107.9 | 153.9 | 180.0 | 161.7 | 362.2 |
| Customer deposits | 836.7 | 893.2 | 971.3 | 957.3 | 1,041.5 |
| Cash margins | 56.6 | 84.4 | 91.8 | 69.9 | 73.0 |
| Banks' deposits | 87.4 | 117.3 | 121.4 | 51.8 | 193.4 |
| **Key Financial Ratios:** | | | | | |
| Return on assets ratio | 0.4% | 0.4% | 0.3% | 0.7% | 1.2% |
| Return on equity ratio | 3.9% | 3.5% | 2.6% | 6.6% | 12.2% |
| Capital adequacy | 11.1% | 11.5% | 13.7% | 15.3% | 14.2% |
| Net credit portfolio / customers' deposits | 80.0% | 81.5% | 73.9% | 66.2% | 57.5% |
| Net non-performing loans (not covered by provisions) / Net credit portfolio | 3.4% | 2.6% | 2.5% | 2.9% | 3.6% |
| Coverage ratio for non-performing loans | 68.0% | 75.8% | 63.2% | 54.8% | 56.3% |
| Statutory liquidity ratio | 108.5% | 104.6% | 119.8% | 119.7% | 131.0% |

***Up to 2015 according to Basel II, and from 2016 onward according to Basel III.**

**(15): Important future developments and future plan:**

**Overall Strategic Objectives (2020)**

- **Overall Strategic Objective:**

To be well positioned for growth with solid financial and operating results by maintaining high quality deposits and facilities and achieving growth in operating profits leading to a strong competitive position and attracting quality deposits from, and extending facilities to, new customers. In light of the Covid-19 pandemic, the bank expects that the results of the business in 2020 will be less than in 2019, and work is in progress to reassess the financial and operating conditions.

- **Strategy Main Pillars:**

The Bank’s general strategy has the following main pillars:

  - **Financial:** To achieve a strong financial position and constant growth in operating profits, and enjoy a competitive position, especially in the retail sector.
  - **Banking Services:** To be a leading bank in the provision of competitive services to targeted customer groups.
  - **Human Resources:** To focus on human resources to become the best bank to work for.

- **General Strategic Objectives:**

**First: Business**

  - **Retail:** To be one of the top five banks in providing services to targeted customer groups such as upper mass employees and achieve constant growth in these groups by providing services and products that meet their needs (launch new targeted services or improve existing ones).

- **Treasury:** In addition to its supporting role in managing funds and maturity and interest rate gaps, Treasury should become a profit center as well.
- **Corporate:** The following sub-goals should be achieved:
  - Addressing and improving the credit portfolio.
  - Achieving balanced growth in credit facilities.
  - Focusing on cross-selling.

**Second: Support**

- **Operations Engineering:** Enhance the banking identity by establishing a general and unified framework that governs the work of various departments. The procedures conduct of business and operations of the Bank should be unified and documented for all departments.
- **Information Technology:** Achieve comprehensive automation of various activities.
- **Human Resources:** Invest in human capital by attracting and retaining experienced and competent employees and improving their performance to become the preferred bank to work for.

**Third: Control**

- **Credit:** Improve the credit process by implementing the highest credit control standards in cooperation with the business departments.
- **Compliance:** Aim to have the best compliance department in Jordan and identify the necessary tools to achieve this goal.
- **Risk:** Identify, define, monitor and manage all (current and expected/quantitative and qualitative) risks and develop appropriate solutions to reduce those risks in line with best practices.
- **Debt collection:** Consolidate the follow-up and collection process starting from default to foreclosure.

- **Operational Objectives aligned with the 2020 Strategic Plan:**

  - Continue to apply the expansion plan to cover different regions of the Kingdom through opening, or preparation of feasibility studies for opening, a number of branches for the Bank, Tejari Express as well as ATMs; and continue to modernize and develop the existing branches, reflecting a modern banking vision, and study their locations to ensure their accessibility to the Bank's customers and their proximity to the economic and population activities;
  - Develop/launch competitive products and services in the market and continue to advertise existing products;
  - Continue to attract customers, segments and sectors that are consistent with the Bank's policies and strategic directions;
  - Improve the quality of the credit facilities portfolio by focusing on good lending and reducing non-performing loans; as well as raise the quality of the deposit portfolio by focusing on good and stable deposits;
  - Develop the technologies used and continue to automate a number of programs and systems, as well as develop the MIS and review its programs and components;
  - Follow up on the existing and updated requirements of the regulatory body and comply with them; and
  - Implement a number of projects aimed at developing the banking business and improving the quality of banking services after approving such projects in accordance with the established rules.

**(16): The auditor's fees including sales tax amounted to JD (166.848).**

## (17/A): Number of Securities Owned by Board Members, and Names and Shares of Companies Controlled by Them in Comparison with the previous year:

| SN | Name | Nationality | No. of Securities | | Companies Controlled by Them | No. of Securities | |
|---|---|---|---|---|---|---|---|
| | | | 31/12/2019 | 31/12/2018 | | 2019 | 2018 |
| 1 | Micheal Faiq Ibrahim Sayegh<br>Chairman | Jordanian | 12,838,796 | 12,844,687 | National Paints Factories Co. Ltd<br>National Paints Holding Company | 11,428<br>1,656,641 | 11,428<br>1,656,641 |
| 2 | Ayman Haza' Barakat Al-Majali<br>Vice Chairman | Jordanian | 1,144,546 | 1,144,546 | _ | _ | |
| | Social Security Corporation<br>Board Member<br>Two seats represented by: | Jordanian | 23,808,021 | 23,808,021 | _ | _ | |
| 3 | Munis Omar Salim Abdel-Aal<br>As of 10/11/2019 | Jordanian | _ | _ | | | |
| 4 | Areej Sulaiman Khalid Obaidat<br>As of 12/06/2019 | Jordanian | _ | _ | | | |
| | Shaden Ziad Nabih "Darwish Al-Hajji"<br>Till 10/11/2019 | Jordanian | _ | _ | | | |
| | Mazen Hamdi Mohammad Al-Sahsah<br>Till 12/06/2019 | Jordanian | _ | _ | | | |
| 5 | First Jordan Investment Co.<br>Board Member | Jordanian | 14,741,872 | 14,741,872 | _ | _ | |
| | Represented by Saleh Mohammad Saleh "Zeid Al Kilani" | Jordanian | 11,999 | 11,999 | | | |
| 6 | Shareef Tawfiq Hamd Al-Rawashdeh<br>Board Member | Jordanian | 1,073,754 | 1,073,754 | _ | _ | |
| 7 | National Paints Factories Co. Ltd<br>Board Member | UAE | 11,428 | 11,428 | _ | _ | |
| | Represented by Abdelnour Nayef Abdelnour | Jordanian | 615 | 615 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 8 | Iman Mahmoud Allan Al-Damen<br><br>Board Member | Jordanian | 11,999 | 11,999 | – | – |
| 9 | Yazeed Shamseddin "Mohammad Yousef" Al-Khalidi<br>Board Member | Jordanian | 11,999 | 11,999 | – | – |
| 10 | Osama Omar Ali Hamad<br><br>Board Member<br><br>As of 11/06/2019 | Jordanian | 10,000 | – | – | – |
| 11 | Muhannad Shehadeh Khalil Khalil<br><br>Board Member<br><br>As of 22/12/2019 | Jordanian | 10,000 | – | – | – |
| 12 | Al Saleh Investment Holding Limited Company<br><br>Board Member<br><br>Till 03/04/2019 | Saudi | 31,800,000 | 31,800,000 | – | – |
| 13 | Nabil Zaki George Mshahwar<br><br>Board Member<br><br>Till 30/10/2019 | Jordanian | 11,428 | 11,428 | – | – |

## (17/B): Number of Securities Owned by Relatives of Board Members, and Names and Shares of Companies Controlled by Them in Comparison with the previous year:

| SN | Name | Nationality | No. of Securities | |
|---|---|---|---|---|
| | | | 31/12/2019 | 31/12/2018 |
| 1 | Nazi Tawfiq Nakhleh Qebti<br>Chairman's Wife | Jordanian | 240,000 | 240,000 |

**(17/C): Number of Securities Owned by Members and Non-Members of the Senior Executive Management, and Names and Shares of Companies Controlled by Them in Comparison with the previous year:**

| SN | Name | Nationality | No. of Securities | |
|---|---|---|---|---|
| | | | 31/12/2019 | 31/12/2018 |
| 1 | **Rami "Mohammad Jawad" Fuad Hadid Deputy General Manager/Chief Banking Officer** | **Jordanian** | **23,557** | **—** |
| 2 | **Ghada Mohammad Farhan Halloush Board Secretary till 30/04/2019** | **Jordanian** | 18,978 | 18,978 |

There are no securities owned by Senior Executives and no companies controlled by any of them compared to the previous year, with the exception of Mr. Rami Hadid, Deputy CEO/Chief Business Officer, and Ms. Ghada Farhan, former Secretary of the Board of Directors.

**(17/D): Number of Securities Owned by Relatives of Senior Executive Management Members, and Names and Shares of Companies Controlled by Them:**

N/A.

### (18/A): Salaries, Remunerations and Benefits of the BoD Members (01/01/2019 - 31/12/2019):

| BoD Members | Transportation allowance for Board members | Transportation allowance for Board committee members | BoD Members' annual bonus | Travel, training and other expenses | Total |
|---|---|---|---|---|---|
| Micheal Sayegh | 32,000 | 3,000 | 5,000 | 600 | 40,600 |
| HE Ayman Al-Majali | 33,000 | 6,800 | 5,000 | - | 44,800 |
| Social Security Corporation (2 Seats) | 65,000 | 10,200 | 10,000 | - | 85,200 |
| First Jordan Investment Co. | 33,000 | 3,600 | 7,083 | - | 43,683 |
| Sharif Al-Rawashdeh | 32,000 | 8,200 | 5,000 | 600 | 45,800 |
| National Paints Factories Co. Ltd | 33,000 | 5,700 | 5,000 | - | 43,700 |
| Yazeed Al-Khalidi | 34,000 | 7,300 | 5,000 | 600 | 46,900 |
| Ms. Iman Al-Damen | 33,000 | 7,400 | 5,000 | 600 | 46,000 |
| Nabil Mshahwar | 24,000 | 1,200 | 5,000 | - | 30,200 |
| Al Saleh Investment Holding Limited Company | 6,000 | - | 1,667 | - | 7,667 |
| Osama Hamad | 18,267 | 1,500 | - | - | 19,767 |
| **Total** | **343,267** | **54,900** | **53,750** | **2,400** | **454,317** |

**(18/B): Salaries, Remunerations and Benefits of the Senior Executive Management Members (01/01/2019 - 31/12/2019):**

| Senior Executive Management | Salaries | Bonus | Transportation allowance for committees | Travel, training and other expenses | Total |
|---|---|---|---|---|---|
| Caesar Qulajen | 406,744 | 141,892 | - | 14,555 | 563,191 |
| Ghada Farhan (BOD secretery until 30/04/2019) | 37,633 | 31,920 | 300 | - | 69,853 |
| Walid Qhewi (BOD secretery as of 16/06/2019) | 71,215 | 8,611 | 700 | 928 | 81,454 |
| Mohammed Al-Quraan | 122,205 | 14,874 | 500 | - | 137,579 |
| Saleem Sawalha | 117,706 | 14,330 | - | 3,180 | 135,215 |
| Anas Ayesh | 78,992 | 9,600 | - | - | 88,592 |
| Rami Hadid | 150,531 | 9,149 | - | - | 159,680 |
| Waheed Haymour | 68,096 | 8,280 | 700 | - | 77,076 |
| Abdallah Kishik | 200,615 | 24,355 | - | 593 | 225,563 |
| Ala'a Qhof | 141,629 | 17,222 | - | - | 158,852 |
| Mahmoud Mahmoud | 42,108 | 2,564 | 700 | 900 | 46,272 |
| Ajoud AlRousan | 125,632 | 15,990 | - | - | 141,622 |
| Mazen Al-Khateeb (until 1/12/2019) | 78,516 | 34,496 | 300 | - | 113,312 |
| Wael Rabieh | 108,063 | 6,582 | - | - | 114,645 |
| Mounir Muhtasib | 108,400 | - | - | - | 108,400 |
| Zaher Muala (Regional Manager) | 131,200 | 14,667 | - | 930 | 146,797 |
| **Total** | **1,858,085** | **339,865** | **3,200** | **20,156** | **2,368,102** |

**(19): Bank's Donations and Support during 2019 (Jordan and Palestine Branches):**

| Domain | Value/JOD |
|---|---|
| Environment | **0** |
| Education | **20,087** |
| Charitable societies and social institutions | **206,370** |
| Sports | **6,500** |
| Health | **15,208** |
| Children, Women & Families | **5,150** |
| Poverty | **50,750** |
| Culture and Arts | **2,507** |
| Supporting National Institutions | **13,592** |
| People with Special Needs | **5,200** |
| **Total** | **325,364** |

**(20/A): No contracts, projects, or engagements concluded between Jordan Commercial Bank and its subsidiaries, sister companies, affiliates, the Chairman, Board Members, the General Manager, the Bank's employees or their relatives that have not been disclosed.**

**(20/B): Contracts, projects and engagements entered into between the Bank and the Chairman of the Board, members of the Board, the Director General or any employees of the Bank or their relatives:**

| | SN | Member's Name | Direct Facilities (Credit Limits) as at 31/12/2019 | Direct Facilities (Credit Balances) as at 31/12/2019 | Indirect Facilities (Credit Limits) as at 31/12/2019 | Indirect Facilities (Credit Balances) as at 31/12/2019 |
|---|---|---|---|---|---|---|
| As Associated Parties | 1 | Micheal Sayegh | 10,649,064 | 5,208,090 | 571,854 | 593,883 |
| | 2 | Sharif Al-Rawashdeh | 3,108,292 | 2,930,445 | 0 | 1,000 |
| | 3 | HE Ayman Al-Majali | 6,593,618 | 5,622,900 | 600,000 | 207,210 |
| | 4 | Abdelnour Nayef Abdelnour | 6,248,795 | 6,240,155 | 0 | 22,340 |
| | 5 | First Jordan Investment Co. | 4,560,118 | 4,268,112 | 0 | 155,000 |
| | 6 | Social Security Corporation | 0 | 168,884 | 0 | 0 |
| As Individuals | 1 | Osama Omar Ali Hamad | 0 | 390,462 | 0 | 0 |
| | 2 | Yazeed Shamseddin Al-Khalidi | 10,000 | 6,865 | 0 | 10,000 |
| | 3 | Iman Mahmoud Allan Al-Damen | 10,000 | 0 | 0 | 0 |

**(21/A): Bank's Contribution to Environmental Protection:**

None.

**(21/B): Bank's Contribution to Community Service**

**Corporate Social Responsibility:**

Corporate social responsibility activities are an integral part of the Bank's commitment to the local community. In 2019, the Bank provided cash and in-kind support to various activities in different fields such as education, sports, health, poverty alleviation and many others. The Bank made donations to disadvantaged groups nationwide including people with special needs, orphans and the elderly.

In 2019, the Bank also sponsored many conferences, seminars and economic, cultural, social and sports events in cooperation with many educational and social institutions. Throughout the year, the Bank supported and made donations to various charitable institutions and centers in Jordan.

**(22):** The Board of Directors of Jordan Commercial Bank declares that, to the best of its knowledge and belief, there are no material issues that may affect the Bank's business continuity during the **next fiscal year**. The Board of Directors also declares that they did not receive any payments or benefits in cash or in-kind other than those disclosed in the remuneration table.

**(23):** The Board of Directors acknowledges that it is responsible for the preparation of the financial statements, provision of an effective control system at the Bank, and **adequacy of the internal control systems**.

***(The following signatures of the members of the Board of Directors include the declarations in Items No. 22 and 23.)***

| | | | |
|---|---|---|---|
| **Chairman**<br>**Micheal Sayegh** | **Vice Chairman**<br>**Ayman Al-Majali** | **Board Member**<br>**Sharif Al-Rawashdeh** | **Board Member**<br>**First Jordan Investment Company**<br>**Represented by Saleh Al Kilani** |
| **Board Member**<br>**Iman Al-Damen** | **Board Member**<br>**Social Security Corporation**<br>**(1St Seat) represented by Areej Obeidat** | **Board Member**<br>**Yazeed Al-Khalidi** | **Board Member**<br>**Mohannad Shehadeh** |
| **Board Member**<br>**Osama Hamad** | **Board Member**<br>**Social Security Corporation**<br>**(2nd Seat) Represented by Mo'nes Abdel All** | **Board Member**<br>**National Paints Factories Co. Ltd.**<br>**Represented by Abdelnour Abdelnour** | |

**(24): We, the undersigned, acknowledge the validity, accuracy and completeness of the information and data contained in the Annual Report and the effectiveness of the Bank's internal control systems.**

| | | |
|---|---|---|
| **Chairman**<br>Micheal Sayegh | **General Manager**<br>Caesar Qulajen | **Finance Manager**<br>Abdallah Kishek |

# Third: Audited Annual Financial Statements

**JORDAN COMMERCIAL BANK**
**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2019**

| | Notes | 31 December 2019 | 31 December 2018 |
|---|---|---|---|
| | | JD | JD |
| **ASSETS** | | | |
| Cash and balances with central banks | 4 | 71,264,135 | 91,872,118 |
| Balances at banks and financial institutions | 5 | 36,642,539 | 61,995,613 |
| Direct credit facilities, net | 6 | 669,000,375 | 727,873,818 |
| Financial assets at fair value through statement of income | 7 | 1,876,382 | 1,792,801 |
| Financial assets at fair value through other comprehensive income | 8 | 11,105,937 | 11,915,302 |
| Financial assets at amortized cost, net | 9 | 276,734,126 | 303,031,611 |
| Property and equipment, net | 10 | 22,430,397 | 27,817,839 |
| Intangible assets, net | 11 | 1,855,317 | 2,313,919 |
| Right-of-use assets | 3-1 | 5,141,936 | - |
| Deferred tax assets | 17-d | 12,313,532 | 13,867,924 |
| Other assets | 12 | 134,455,262 | 111,088,591 |
| Assets held for sale, net | 45 | 143,773,084 | - |
| **Total Assets** | | 1,386,593,022 | 1,353,569,536 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| Banks' and financial institutions' deposits | 13 | 87,386,747 | 117,304,754 |
| Customers' deposits | 14 | 836,698,393 | 893,225,288 |
| Cash margin | 15 | 56,572,215 | 84,417,327 |
| Borrowed funds | 16 | 96,083,582 | 83,481,873 |
| Provision for income tax | 17-a | - | 745,548 |
| Sundry provisions | 18 | 1,370,624 | 1,924,266 |
| Deferred tax liabilities | 17-d | 50,388 | 14,107 |
| Lease liabilities | 3-1 | 4,538,267 | - |
| Other liabilities | 19 | 39,170,608 | 38,412,442 |
| Liabilities directly associated to assets held for sale | 45 | 125,523,424 | - |
| **Total Liabilities** | | 1,247,394,248 | 1,219,525,605 |
| **SHAREHOLDERS' EQUITY** | | | |
| Authorized and paid in capital | 20 | 120,000,000 | 120,000,000 |
| Statutory reserve | 21-a | 15,460,318 | 14,714,563 |
| General banking risk reserve | 21-b | 548,693 | - |
| Cyclical fluctuations reserve | 21-c | 3,538,675 | 2,597,047 |
| Fair value reserve, net | 22 | (2,211,406) | (2,053,183) |
| Retained earnings (accumulated losses) | 23 | 1,862,494 | (1,214,496) |
| **Total bank Shareholders' Equity** | | 139,198,774 | 134,043,931 |
| **Total Liabilities and Shareholders' Equity** | | 1,386,593,022 | 1,353,569,536 |

Chairman of Board of Directors

General Manager

**The accompanying notes from 1 to 48 form part of these financial statements and should be read with them**

**JORDAN COMMERCIAL BANK**
**STATEMENT OF INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | JD | JD |
| **Continued operations** | | | |
| Interest income | 24 | 74,972,391 | 73,885,228 |
| Less: interest expense | 25 | (43,857,666) | (44,272,757) |
| **Net interest income** | | 31,114,725 | 29,612,471 |
| Net commission income | 26 | 5,788,201 | 5,219,654 |
| **Net interest and commission** | | 36,902,926 | 34,832,125 |
| Foreign exchange income | 27 | 1,129,852 | 1,012,327 |
| Gain from financial assets at fair value through statement of income | 28 | 91,186 | 418,099 |
| Dividends from financial assets at fair value through other comprehensive income | 8 | 238,853 | 161,450 |
| Other income | 29 | 4,220,083 | 4,421,113 |
| **Gross income** | | 42,582,900 | 40,845,114 |
| Employees' expenses | 30 | 13,764,527 | 13,936,382 |
| Depreciation and amortization | 10, 11 | 2,562,688 | 2,671,352 |
| Provision for expected credit losses, net | 31 | 891,610 | 4,837,005 |
| Other provisions | 18 | 403,894 | 1,053,411 |
| Provisions for assets seized by the Bank against due debts | 12 | 119,127 | (1,612,216) |
| Other expenses | 32 | 12,060,823 | 12,724,875 |
| **Total expenses** | | 29,802,669 | 33,610,809 |
| **Profit for the year before income tax** | | 12,780,231 | 7,234,305 |
| Income tax for the year | 17-b | (2,170,473) | (1,094,678) |
| Profit from continued operations | | 10,609,758 | 6,139,627 |
| **Loss from discontinued operations** | 45 | (5,296,692) | (1,110,261) |
| **Profit for the year – statement (C) and (D)** | | 5,313,066 | 5,029,366 |
| **Earnings per share for the year attributable to the Bank's shareholders** | | Fils/JD | Fils/JD |
| Basic and diluted | 33 | 0.044 | 0.042 |
| **Earnings per share for the year attributable to the Bank's shareholders - continued operations** | | Fils/JD | Fils/JD |
| Basic and diluted | 33 | 0.088 | 0.051 |
| **(Loss) per share for the year attributable to the Bank's shareholders - discontinued operations** | | Fils/JD | Fils/JD |
| Basic and diluted | 33 | (0.044) | (0.009) |

Chairman of Board of Directors

General Manager

**The accompanying notes from 1 to 48 form part of these financial statements and should be read with them**

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| **Profit from continued operations – statement (B)** | 10,609,758 | 6,139,627 |
| Other comprehensive income items: | | |
| **Items that are not transferable subsequently to statement of income** | | |
| Net change in fair value reserve of financial assets through other comprehensive income, net | (100,812) | (427,745) |
| Loss from sale of financial assets at fair value through other comprehensive income | - | (1,848) |
| Total comprehensive income for the year from continued operations | **10,508,946** | **5,710,034** |
| **(Loss) for the year from discontinued operations – statement (B)** | (5,296,692) | (1,110,261) |
| Other comprehensive income items: | | |
| **Items that are not transferable subsequently to statement of income** | | |
| Net change in fair value reserve of financial assets through other comprehensive income, net | (57,411) | (124,359) |
| **Total (comprehensive loss) for the year from discontinued operations** | **(5,354,103)** | **(1,234,620)** |
| **Gross comprehensive income for the year – statement (D)** | **5,154,843** | **4,475,414** |

**The accompanying notes from 1 to 48 form part of these financial statements and should be read with them**

## JORDAN COMMERCIAL BANK
## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | | Reserves | | | | | |
|---|---|---|---|---|---|---|---|
| | Subscribed and paid in capital | Statutory | Cyclicality | General Banking Risks * | Fair Value Reserve, net | Retained earnings (accumulated loss) | Total Shareholders' Equity |
| | JD | JD | JD | JD | JD | JD | JD |
| **For the year ended 31 December 2019** | | | | | | | |
| Balance at the beginning of the year | 120,000,000 | 14,714,563 | 2,597,047 | - | (2,053,183) | (1,214,496) | 134,043,931 |
| Profit for the year – statement (B) | - | - | - | - | - | 5,313,066 | 5,313,066 |
| Net fair value reserve, net | - | - | - | - | (158,223) | - | (158,223) |
| Total comprehensive income for the year | - | - | - | - | (158,223) | 5,313,066 | 5,154,843 |
| Transferred to reserves | - | 745,755 | 941,628 | 548,693 | - | (2,236,076) | - |
| **Balance as of 31 December 2019** | 120,000,000 | 15,460,318 | 3,538,675 | 548,693 | (2,211,406) | 1,862,494 | 139,198,774 |
| **For the year ended 31 December 2018** | | | | | | | |
| Balance as of 1 January 2018 | 120,000,000 | 14,082,158 | 1,833,820 | 7,002,848 | (1,504,051) | 8,125,824 | 149,540,599 |
| Effect of implementation of IFRS (9) related to impairment | - | - | - | - | - | (30,065,991) | (30,065,991) |
| Deferred tax assets resulting from implementation of IFRS (9) related to impairment | - | - | - | - | - | 10,093,909 | 10,093,909 |
| Transferred from general banking risks reserve resulting from implementation of IFRS (9) | - | - | - | (7,002,848) | - | 7,002,848 | - |
| Adjusted beginning balance | 120,000,000 | 14,082,158 | 1,833,820 | - | (1,504,051) | (4,843,410) | 129,568,517 |
| Profit for the year | - | - | - | - | - | 5,029,366 | 5,029,366 |
| Net change in fair value reserve for financial assets at fair value through other comprehensive income, net | - | - | - | - | (552,104) | - | (552,104) |
| Fair value reserve released from sale of financial assets at fair value through other comprehensive income | - | - | - | - | 2,972 | (2,972) | - |
| Realized losses from sale of financial assets at fair value through other comprehensive income | - | - | - | - | - | (1,848) | (1,848) |
| Total comprehensive income for the year | - | - | - | - | (549,132) | 5,024,546 | 4,475,414 |
| Transferred to reserves | - | 632,405 | 763,227 | - | - | (1,395,632) | - |
| Balance as of 31 December 2018 | 120,000,000 | 14,714,563 | 2,597,047 | - | (2,053,183) | (1,214,496) | 134,043,931 |

* - The Central Bank of Jordan issued circular No. 10/1/7702 dated 6 June 2018 in which it requested the transfer of the general banking risk reserve balance to the retained earnings to offset the effect of IFRS 9 on the opening balance of the retained earnings account as of 1 January 2018.

- The accumulated losses balance includes JD 11,625,433 restricted against deferred tax assets as of 31 December 2019 according to the Central Bank of Jordan's instructions.
- The cyclicality reserve is restricted to use without prior approval of the Palestinian Monetary Authority.
- Use of retained earnings for an amount equal to the negative cumulative change in the fair value of financial assets and before any tax effect of as of 31 December 2019 is restricted (including JD 311,112 against the implementation of International Financial Reporting standard No (9)) according to the instructions of the Jordan Securities Commission an Central Bank of Jordan.

**The accompanying notes from 1 to 48 form part of these financial statements and should be read with them**

**JORDAN COMMERCIAL BANK**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | JD | JD |
| **Cash Flows from Operating Activities:** | | | (adjusted) |
| Profit for the year before income tax – Statement (B) | | 12,780,231 | 6,324,044 |
| Profit from discontinued operations before tax | | (6,252,803) | - |
| **Adjustments for:** | | | |
| Depreciation and amortization | 10,11, 45 | 3,075,439 | 3,036,229 |
| Provision for expected credit losses | 31, 45 | 1,265,110 | 5,406,363 |
| Provision for Lawsuits against the Bank | 18, 45 | 401,848 | 245,709 |
| Provision for End-of-Service Indemnity | 18, 45 | 255,115 | 45,364 |
| Other Provisions | 18 | - | 1,000,000 |
| (Gain) from Sale of Property and Equipment | | - | (86,109) |
| (Gain) Loss from valuation of financial assets at fair value through statement of income | 28 | (91,316) | 397,886 |
| Impairment on assets seized by the Bank against due debts | 32 | 1,415,538 | (126,014) |
| Provision for real estate owned more than four years | 12 | 119,127 | - |
| Provision for losses from sale of Palestine's Branches | 45 | 3,708,487 | - |
| Amortization of right-of-use assets | 3 | 1,007,613 | - |
| Finance costs paid for lease obligations | 3 | 124,337 | - |
| Effect of exchange rate fluctuations on cash and cash equivalents | | (439,036) | (290,739) |
| **Profit for the year before changes in assets and liabilities** | | 17,369,690 | 15,952,733 |
| **Changes in Assets and Liabilities -** | | | |
| (Increase) in direct credit facilities | | (10,222,209) | (42,690,000) |
| Decrease (Increase) in financial assets at fair value through statement of income | | 7,733 | (795,772) |
| (Increase) in other assets | | (27,769,590) | (4,485,290) |
| (Increase) decrease in banks' and financial institutions deposits for more than three months | | (6,442,270) | 3,499,947 |
| Increase (decrease) in customers' deposits | | 42,221,913 | (78,082,487) |
| (Decrease) in cash margins | | (23,234,371) | (7,353,303) |
| Increase in other liabilities | | 4,921,194 | 4,971,878 |
| **Net change in Assets and Liabilities** | | (20,517,600) | (124,935,027) |
| **Net cash flows (used in) operating activities before income tax and finance costs paid for lease obligations** | | (3,147,910) | (108,982,294) |
| Lawsuits provision paid | 18 | (176,906) | (9,730) |
| End-of-service indemnity paid | 18 | (173,193) | (247,964) |
| Lease contracts paid | 3 | (866,011) | - |
| Income tax paid | 17 | (518,012) | (3,070,525) |
| **Net cash flows (used in) operating activities** | | (4,882,032) | (112,310,513) |
| **Cash flows from investing activities:** | | | |
| Decrease in financial assets at amortized cost | | 24,455,879 | 28,292,531 |
| (Increase) in financial assets at fair value through other comprehensive income | | (1,358,221) | (630,595) |
| (Purchase) of property and equipment and advance payments for property and equipment | 10 | (2,783,510) | (3,363,878) |
| (Purchase) of intangible assets | 11 | (536,064) | (402,382) |
| Proceeds from sale of property and equipment | | 28,579 | 296,951 |
| **Net cash flows from investing activities** | | 19,806,663 | 24,192,627 |
| **Cash flows from financing activities:** | | | |
| Increase in borrowed funds | | 12,601,709 | 69,312,895 |
| **Net cash flows from financing activities** | | 12,601,709 | 69,312,895 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 439,036 | 290,739 |
| Net increase (decrease) in cash and cash equivalents | | 27,965,376 | (18,514,252) |
| Cash and cash equivalents at the beginning of the year from continued operations | | 103,062,924 | 121,577,176 |
| Cash and cash equivalents from discontinued operations | | (50,508,373) | - |
| **Cash and cash equivalents at the end of the year** | 34 | 80,519,927 | 103,062,924 |

Non-monetary transactions

| | | | |
|---|---|---|---|
| Increase in assets held for sale | 45 | 147,481,571 | - |
| Increase in liabilities related to assets held for sale | 45 | 125,523,424 | - |
| Acquisition of real estate and assets against debt | | 3,571,616 | 3,092,103 |

**The accompanying notes from 1 to 48 form part of these financial statements and should be read with them**

## (1) General

Jordan Commercial Bank was established as a Jordanian Public Limited Shareholding Company on May 3 1977 under No. (113) in accordance with the Jordanian Companies Law No. (12) for the year 1964 with a paid-up capital of JD 5 million divided into 5 million shares at a par value of one Jordanian Dinar per share. The Bank's Head Office address is Amman, Tel. +962 (6) 5203000, P.O. Box 9989, Amman 11191 - The Hashemite Kingdom of Jordan.

During 1993, Mashrek Bank (Jordan branches) was merged with Jordan and Gulf Bank. Consequently, Jordan and Gulf Bank replaced Mashrek Bank (Jordan branches) in terms of its rights and liabilities.

At the beginning of 2004, the Bank was restructured after completing the necessary procedures prescribed by the regulatory authorities, and on June 28, 2004, the procedures relating to changing the Bank's name from Gulf Bank to Jordan Commercial Bank were completed.

The Bank’s capital was increased gradually, and the last increase was during 2017. In its extraordinary meeting held on April 30, 2017, the Bank’s General Assembly resolved to approve the increase in the Bank’s capital by 7.125 million JD/share, so that authorized and paid-up capital would become 120 million JD/share through capitalizing part of the retained earnings and distributing the amount to shareholders as stock dividends. The procedures for the capital increase were completed on June 7, 2017.

Jordan Commercial Bank is a Public Limited Shareholding Company listed on Amman Stock Exchange.

The Bank is engaged in banking and related financial operations through its branches totalling (32) inside Jordan and (6) in Palestine.

The financial statements have been approved by the Bank’s Board of Directors in its meeting held on 31 May 2020 and are subject to the approval of the General Assembly of Shareholders.

## (2) Basis of Preparation of the Financial Statements

The accompanying financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their related interpretations issued by IASB committee as well as the Central Bank of Jordan regulations.

The main differences between the International Financial Reporting Standards that should be applied and what was approved by the Central Bank of Jordan is the following:

A. An allowance for expected credit losses is recorded in accordance with IFRS (9) and in accordance with the Central Bank of Jordan instructions, whichever is more conservative. The material differences are as follows:

- Debt instruments issued by the Government of Jordan guaranteed by it are excluded, in addition to any other credit exposures with the Government of Jordan or guaranteed by it so that any credit exposures with the Government of Jordan or guaranteed by it are addressed without any credit losses.
- When calculating the credit losses against credit exposures, the results of the calculation that are in accordance with the International Financial Reporting Standard No. (9) are compared with the instructions of the Central Bank of Jordan (No. 47/2009) dated 10 December 2019 for each stage, and whichever is more conservative is recorded.

B. Interest, fees and commission income are suspended on non-performing credit facilities granted to customers in accordance with the instructions of the Central Bank of Jordan.

C. Assets seized by the Bank against due debts are shown in the statement of financial position among other assets at the value as of the date it had been passed on to the Bank or its fair value, whichever is less. Their assets are revalued individually at the date of the financial statements and any impairment during the year are recorded in the statement of income. Gains are not recorded as income as these gains are recorded later in the statement of comprehensive income without exceeding the impairment value. As announced at the beginning of 2015, a provision is recorded for assets seized against Jordan debts that have been seized for more than 4 years in accordance with a circulation by the Central Bank of Jordan (No. 15/14076) dated 27 March 2017 and (No. 10/1/2510) dated 14 February 2017. The Central Bank of Jordan issued a circulation (No. 10/1/13967) dated 25 October 2018, approving an extension of circulation (No.10/16607) dated 17 December 2017 that confirmed the extension of an allowance to be recorded until the end of 2019. Furthermore, according to Central Bank's circulation (No. 10/1/16239) dated 21 November 2019, a provision for seized assets will commence in 2021 at a rate of 5% of the total book value of these assets until a provision of 50% of these assets' value is reached by the end of 2029.

D. The Central Bank has agreed in its letter dated 20 February 2020 to recant a 5-year provision for a specific customer under the condition of classifying the related credit facility as non-performing and suspending its interest and commission in accordance with the instructions of the Central Bank of Jordan.

- The financial statements are prepared on the historical cost basis except for financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income and financial derivatives which have been measured at fair value at the date of the financial statements. Moreover, financial assets and liabilities that have been hedged for changes in fair value are stated at fair value.

- The financial statements are presented in Jordanian Dinar (JD) being the functional currency of the Bank.

## (3-1) Changes in Accounting Policies

The accounting policies adopted in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2018, except for the adoption of the following new standards effective 1 January 2019:

### IFRS (16) Leases

IFRS 16 supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement Contains a Lease” SIC-15 “Operating Leases-Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases in a unified layout on the balance sheet.

Lessor accounting under IFRS 16 has not been changed substantially from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as those of IAS 17’s. Therefore, IFRS 16 did not have an impact on leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Bank elected to use the transition practical expedient and accordingly will not readjust the financial statements’ line items. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has lease contracts for various branches. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

***Leases previously accounted for as operating leases***
The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term lease exemptions on leases with a lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The impact of adopting the standard on the beginning balances of the right-of-use assets is JD 6,149,549 and JD 5,528,615 on the lease liabilities.

The tables below show the effect of implementing IFRS 16 on each financial item as of 31 December 2019:

Statement of financial position

| Item | Balance as in the financial statements | Effect of implementation | Balance if not implemented |
|---|---|---|---|
| | JD | JD | JD |
| Right-of-use assets | 5,141,936 | 5,141,936 | - |
| Other assets | 134,455,262 | (621,569) | 135,076,831 |
| Effect on total assets | | 4,520,367 | - |
| Lease liabilities | 4,538,267 | 4,538,267 | - |
| Total effect on liabilities | | 4,538,267 | - |

Statement of income

| Item | Balance as in the financial statements | Effect of implementation | Balance if not implemented |
|---|---|---|---|
| | JD | JD | JD |
| Interest income | (43,982,003) | (124,337) | (43,857,666) |
| Depreciation and amortization | (3,570,301) | (1,007,613) | (2,562,688) |
| Other expenses | (10,928,873) | 387,683 | (11,316,556) |
| Total impact on income statement | | (744,267) | - |

Statement of cash flows

| Item | Balance as in the financial statements | Effect of implementation | Balance if not implemented |
|---|---|---|---|
| | JD | JD | JD |
| Profit before tax | 7,272,976 | (744,267) | 8,017,243 |
| Depreciation and amortization | 3,570,301 | 1,007,613 | 2,562,688 |
| Other assets | (22,531,116) | 621,569 | (23,152,685) |
| Net cash flows from operating activities | | 884,915 | - |
| Lease liabilities paid | (866,011) | (866,011) | - |
| Net cash flows used in investing activities | (866,011) | (866,011) | - |

Lease contracts

Right-of-use assets

The Bank rents several assets such as lands and buildings with an average term of 5 years. Following is the movement on right-of-use assets during the year:

| | For the year ended 31 December 2019 |
|---|---|
| Balance at the beginning of the year | 6,149,549 |
| Add: additions during the year | - |
| Less: depreciation for the year | (1,007,613) |
| Terminated contracts | - |
| Balance as of 31 December 2019 | 5,141,936 |

Amounts that were recorded in the statement of income

| | For the year ended 31 December 2019 |
|---|---|
| Depreciation for the year | 1,007,613 |
| Interest for the year | 124,337 |
| Rent expense for the year | 1,131,950 |

Lease liabilities

| | For the year ended 31 December 2019 |
|---|---|
| Balance at the beginning of the year (adjusted) | 5,528,615 |
| Add: additions during the year | - |
| Interest for the year | (124,337) |
| Less: paid during the year | (866,011) |
| Balance as of 31 December 2019 | 4,538,267 |

Analysis of the maturity of the lease liabilities

| | As of 31 December 2019 |
|---|---|
| Less than one year | 714,739 |
| One to five years | 2,535,421 |
| More than five years | 1,288,107 |
| | 4,538,267 |

The value of the undiscounted lease liabilities as of 31 December 2019 is JD 6,690,267. Following is the maturity analysis:

| Maturity analysis of undiscounted lease liabilities | As of 31 December 2019 |
|---|---|
| Less than one year | 1,208,656 |
| One to five years | 3,641,027 |
| More than five years | 1,840,584 |
| | 6,690,267 |

**IFRIC Interpretation (23) Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS (12) and does not apply to taxes or levies outside the scope of IAS (12), nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

These amendments do not have any impact on the Bank's financial statements.

**Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Bank's financial statements.

**Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The International Accounting Standards Board had deferred the effective date of these amendments indefinitely, however, the entity that early adopts the amendment shall apply them prospectively.

These amendments do not have any impact on the Bank's financial statements.

**Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting treatment in the case where a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in statement of income.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in comprehensive income.

These amendments do not have any impact on the Bank's financial statements.

**Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term investments in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Bank's financial statements.

## (3-2) Significant Accounting Policies

### Segment Information

Business sectors represent a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business sectors which are measured in accordance with the reports sent to the operations management and decision makers in the Bank.

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

### Recognition of Interest Income

The Effective Interest Rate Method

According to IFRS (9), interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost or designated at FVTPL. Interest income on interest bearing financial assets is measured at FVOCI under IFRS 9. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by considering any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in the statement of comprehensive income.

### Interest and Similar Incomes and Expenses

For all financial instruments measured at amortized cost, financial instruments designated at FVOCI and FVTPL, interest income or expense is recorded using the EIR. The calculation considers all the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a Bank of similar financial assets has been reduced by an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**Fees and commission income**

Fees income can be divided into the following two categories:

1. Fees income earned from services that are provided over a certain period.

Fees earned for the provision of services over a period are accrued over that period. Such fees include "commission income and private wealth and asset management" fees, "custody and other management" fees.

2. Fee income forming an integral part of the corresponding financial instrument:

Fees that the Bank considers to be an integral part of the corresponding financial instruments include:

Loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees.

**Financial Instruments – Initial Recognition**

<u>Date of recognition</u>

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

<u>Initial measurement of financial instruments</u>

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 of profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Measurement categories of financial assets and liabilities

The Bank classifies its financial assets (Debt Instruments) based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- FVOCI
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

**Financial assets and liabilities**

Amounts due from banks, loans, advances to customers, and financial investments at amortized cost

Amounts due from banks, loans, advances to customers, and financial investments are recognized at amortized cost before 1 November 2019 including non-derived financial assets with fixed or determinable payments that have not been priced in an active market, except:

- If the objectives of the Bank to purchase are mainly for the purpose of selling in the near future.
- If the Bank, upon initial recognition, classifies it as financial assets at fair value through the income statement or available for sale.
- The Bank may not primarily recover all of its initial investment, unless it is due to credit deterioration, which are classified as available for sale assets.

The Bank only measures due from banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages its financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Derivatives recorded at fair value through statement of income

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures and cross-currency swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Debt instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost.

Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the income statement.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the income statement. Dividends are recognized in income statement as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets and financial liabilities at fair value through statement of income

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss except for movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, considering any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and unutilized facilities ceilings

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income as expected credit loss.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements, starting from 1 January 2019.

The premium received is recognized in the statement of income net of fees and commission income on a straight-line basis over the life of the guarantee.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

Derecognition of financial assets and liabilities

*Derecognition due to substantial modification of terms and conditions*

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

*Derecognition other than for substantial modification*

*A. Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a Bank of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*B. Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in statement of income.

**Impairment of financial assets**

*Overview of the ECL principles*

The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as “financial instruments”.

Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When financial assets are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Financial assets considered credit impaired. The Bank records an allowance for the LTECLs. For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

IFRS 9 application methodology is detailed in note (3) – use of estimate.

**Leasing contracts (Policy applicable before 1 January 2019)**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases:

1. The Bank as a lessor

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

2. The Bank as a lessee:

Assets held under finance leases are initially recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease payments. The finance lease obligation is recorded at the same value. Lease payments are apportioned between finance costs and reduction of the lease liabilities in order to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to the statement of income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

**Leases (Policy applicable after 1 January 2019)**

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**Right-of-use assets**

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

**Lease liabilities**

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

**Property and Equipment**

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value. Moreover, property and equipment (except for land) are depreciated according to the straight-line method over the estimated useful lives when ready for use of these assets using the following annual rates.

| | % |
|---|---|
| Buildings | 2 |
| Equipment, furniture and fixtures | 10-15 |
| Vehicles | 15 |
| Computer | 20 |

When the carrying amount of property and equipment exceeds their recoverable value, assets are written down and impairment loss is recorded in the statement of income.

The useful lives of property and equipment are reviewed at the end of each year, in case the expected useful life is different from what was determined before the change in estimate is recorded in the following years being a change in estimates.

Property and equipment are derecognized when disposed or when there is no expected future benefit from their use or disposal.

**Impairment of non-financial assets**

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

**Intangible Assets**

Intangible assets acquired through mergers are stated at fair value at the date of acquisition, while intangible assets (not acquired through mergers) are recorded at cost.

Intangible assets are to be classified based on either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the statement of income. Intangible assets with indefinite lives are reviewed in statement income for impairment as of the financial statements date, and impairment loss is recorded in the statement of income.

Intangible assets resulting from the Bank’s operations are not capitalized. They are rather recorded in the statement of income in the same period.

Any indications of impairment in the value of intangible assets as of the financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

Intangible assets with definite useful economic lives at cost net of accumulated amortization. Intangible assets are amortized over their useful lives using the straight-line method using a 20% rate.

**Non-current assets held for sale**

Non-current assets are classified as held for sale if the recovery of the amounts will be through sale not through continued operations. The asset must be ready for sale in its current conditions provided that the asset is normal and is similar for sale of those assets. It also must be highly possible to sell these assets. In addition, there should be a commitment to the sale plan by the management, so that the sale is eligible to be recognized as a completed sale within one year of the date of this classification.

When the Bank is committed to a sale plan that includes the loss of control of a subsidiary, it is required to classify all its assets and liabilities as held for sale, when all of the above conditions are met.

Non-current assets classified as held for sale are recorded at book value or fair value net of any sale costs, whichever is less. The results of a subsidiary are recorded in a separate line item on the statement of income as profit (loss) from discontinued operations.

**Provisions**

Provisions are recognized when the bank has an obligation as of the date of the financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

**Provision for employees' end-of-service indemnities**

Provision for end of service indemnity is established by the Bank to fare any legal or contractual obligations at the end of employees' services and is calculated based on the service terms as of the financial statements date.

**Income Taxes**

Income tax expenses represent current and deferred taxes.

Income tax expense is measured based on taxable income. Taxable income differs from income reported in the financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated based on the enacted tax rates according to the prevailing laws, regulations and instructions of countries where the Bank operates.

Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and their respective tax bases. Deferred taxes are calculated based on the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

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

**Capital Cost of Issuing or Buying the Bank's Shares**

Cost arising from the issuance or purchase of the bank's shares are charged to retained earnings (net of the tax effect of these costs if any). If the shares issuance or purchase process is incomplete these costs are recorded as expenses in the statement of income.

**Assets Under Management on Behalf of Customers**

These represent the accounts managed by the bank on behalf of its customers, but do not represent part of the Bank's assets. The fees and commissions on managing these accounts are taken to the statement of income. Moreover, a provision is taken for the decline in the value of capital-guaranteed portfolios managed on behalf of its customers.

**Offsetting**

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position only when there is a legal right to offset the recognized amounts, and the bank intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

**Seized Assets by the Bank Against Due Debts**

Such assets are those that have been the subject of foreclosure by the Bank and are initially recognized among "other assets" at the foreclosure value or fair value whichever is least.

At the date of the financial statements, seized assets are revalued individually (fair value less selling cost); any decline in fair value is recognized in the statement of income. Any subsequent increase in value is recognized only to the extent that it does not exceed the previously recognized impairment losses.

**Repurchase and Resale Agreements**

Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the financial statements as a result of the bank's continuous control over these assets and as the related risk and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.

Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the financial statements because the bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recoded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recoded as interest revenue amortized over the life of the contract using the effective interest rate method.

**Foreign Currencies**

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the date of the financial statements using the exchange rate prevailing at the date of the financial statement announced by the Central Bank of Jordan.

Non-monetary items measured at historical cost are translated according to the exchange at fair value rate prevailing at the transaction date, using the exchange rate prevailing at the date of evaluation.

Gains or losses resulting from foreign currency translation are recorded in the statement of income.

Differences resulting from the translation of non-monetary assets and liabilities at fair value denominated in foreign currency, such as equity shares, are recorded as part of the change in the fair value using the exchange rates prevailing at the date of evaluation.

The assets and liabilities in foreign operations are translated into the reporting currency in accordance with the average currency prices at the reporting date and issued prices by the central bank. Income and expense items are translated on an average price rate basis and the exchange differences arising on translation for are recognised in OCI. In case of selling any of these companies or branches, the amount of differences is included in the income statement

Profits and losses resulting from foreign currency exchange differences for debt instruments (interest - bearing) are recorded in financial assets at fair value through comprehensive income in the income statement. Foreign currency exchange differences for equity instruments are recorded in the fair value reserve in the shareholders' equity in the statement of financial position.

## Fair Value

The Bank measures financial instruments is at fair value at each financial statement date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment is calculated through the difference between the book value of financial assets at amortized cost and the present value of expected future cash flows discounted using the original effective interest rate.

The book value of financial assets is reduced by the amortized cost by the impairment loss through the impairment reserve account. The change is recognized in the income statement.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances with central banks and balances with banks and financial institutions maturing within three months less balances due to banks and financial institutions maturing within three months and restricted funds.

**(3-3) Use of estimates**

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

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

Management believes that its estimates in the financial statements are reasonable. The details are as follows:

Impairment of property acquired

Impairment in value of properties acquired is recognized based on recent real estate valuations by qualified independent evaluators for calculating the asset impairment, which is reviewed periodically.

Productive lifespan of tangible assets and intangible assets

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

Income tax

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

Litigations provision

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

Provision for end-of-service indemnities

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

Assets and liabilities stated at cost

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

Provision of expected credit losses

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

Evaluation of business model

The classification and measurement of financial assets depend on the results of the principal and interest payments test on the principal outstanding and the business model test. The Bank defines a business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment that reflects all relevant evidence, including how to assess the performance of the assets and measure their performance, the risks that affect the performance of assets and how they are managed, and how asset managers are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income and derecognized before maturity to understand the reason for derecognition and whether the reasons are consistent with the objective of the business held. In this respect, control is part of the Group's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is inappropriate if there is a change in the business model, and therefore, a future change is made in the classification of those assets.

Significant increase in credit risk

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

Establish groups of assets with similar credit risk characteristics

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

Re-Division of Portfolios and Movements Between Portfolios

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

Models and Assumptions Used

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

a. Classification and Measurement of Financial Assets and Liabilities

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

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

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

b. Fair Value Measurement

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

c. Derivative Financial Instruments

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

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

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

**Key Sources of Uncertainty Estimates**

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

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

When measuring the expected credit loss, the Bank uses reasonable and supported future information based on the assumptions of the future movement of the various economic drivers and the manner in which they affect each other.

Probability of Default

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

Loss given default

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

Fair value measurement and valuation procedures

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

**Risk management**

In light of the importance of managing the various risks surrounding the Bank's business activities that it is exposed to or may be exposed to in the future, the Bank has continued its work by following a risk management strategy in line with the directives of the Board of Directors, executive management, legislation and laws issued by the Central Bank of Jordan, where best practices have been applied and the latest means and methods used in risk management.

The risk management process includes identifying, measuring, evaluating and monitoring financial and non-financial risks that can negatively affect the overall performance of the Bank, and the risk department evaluates and controls risks and recommends mitigating them and submitting the necessary reports to executive management and independently of other Bank departments that perform other banking activities.

The Risk Department is responsible for managing risks (credit, operational, market, liquidity and information security) within the framework of the Bank's organizational structure and is directly linked to the Risk Management and Compliance Committee of the Board of Directors and the Risk Department reports directly to this Committee as well as the General Manager with work to provide the relevant departments and committees within the Bank With the necessary risk reports a culture is also strengthened. The Bank has risks through internal and external educational courses and workshops for all employees.

The executive management is responsible for defining the main principles of risks and the level of risks that can be accepted, as well as an optimal distribution of them according to the various activities and segment of the bank where executive management exercises its role in ensuring that the Bank manages various risks and adopts policies and procedures governing risk management in the bank through (the Risk and Compliance Committee).

The Risk Department also performs the internal capital adequacy assessment process, ICAAP, which includes assessing the level of internal capital adequacy based on the Bank's business expansion strategy expected for future years.

The Bank's risk management provides independent oversight and support that aims to establish and spread the concept of risk management as a whole on all levels of management and helps proactively in realizing potential losses and sets out the plan and procedures to take to confront these risks in the event of their occurrence. The risk management is part of a general risk management policy that enables the Bank to define and set limits for it, and it is the general framework for managing the main risks expected by the Bank. In addition to a number of separate policies for each type of risk.

The Bank management also gives great importance to the requirements of Basel and best international practices for risk management, as it is considered as a framework to enhance the Bank's ability to improve the control environment and confront various types of risks.

**Acceptable risks level (risk appetite)**

The Bank's philosophy in determining the level of acceptable risks is the method by which the Bank has determined the levels of acceptable risks with, given that capital planning is the basis for determining the levels of acceptable risks.

The bottom up approach methodology was used to determine acceptable levels of risk through the concerned departments within the Bank from the bottom of the organizational structure and then raise it to the top organizational structure for each of the risks (credit, concentrations, liquidity, interest rates, reputation, strategy, operation, market, governance Institutionalism, compliance, capital structure).

**The objectives of risk appetite**

The Bank aims to determine the acceptable levels of risk to the following:

1- Knowing the acceptable level of risk for each type of risk to which the Bank is exposed.
2- Protecting the Bank from risks that it might face and negatively affect its business.
3- Achieving strategic goals.
4- Ensuring that acceptable proportions of capital adequacy are maintained.
5- Control risks and work to reduce them.
6- Determining the capital needed to face all kinds of risks (economic capital).
7- Developing measures to monitor the acceptable level of risks in addition to the capital, asset quality, liquidity and fluctuation in profits.

**Stress testing**

In accordance with the instructions issued by the Central Bank related to stress testing, the Bank has prepared a methodology for applying these stress tests and adopting a policy and work procedures by the Risk Committee from the Board of Directors where stress tests are an integral and essential part of the institutional governance and risk management system of the Bank as it has an impact on decision-making at the appropriate administrative level, including strategic decisions of the Board of Directors and Executive Management. To ensure this, the Board of Directors and Executive Management must have a key role in these tests, including setting test goals, defining scenarios, evaluating results, and defining measures to take based on the results of these. The tests at various levels are considered:

- A key tool to understand the Bank's risk matrix and its ability to withstand shocks and the high risks it may face.

- It is considered an important part of the capital planning process through the internal evaluation process of the capital adequacy (ICAPP) and improving the Bank’s management of its capital.

- It helps the bank in estimating the size of future capital that must be available in the coming years, in accordance with its strategy.

- An important part in the process of identifying, measuring and controlling liquidity risk, in order to assess the Bank's liquidity and the adequacy of liquidity shock mitigators and improve the Bank's liquidity.

**The mechanism by which stress situations are chosen**

Scenarios of stressful situations are chosen to cover all the risks which the Bank is exposed to in accordance with the instructions issued by the Central Bank of Jordan, and a different set of scenarios are applied that range from the least influential to the most influential but are possible to occur are selected and identified by the Bank according to the different risks which it is exposed is such as (size, type, repetition and importance) in coordination with the various department where these tests aim to assess the Bank's financial position and adequacy, where necessary reports are prepared and applied to stress tests and present them to the Risk Committee from the Board of Directors, which in turn approves assumptions and scenarios used and discuss the results of the tests and approve the measures to be taken based on these results. The impact of stress testing on different financial assets is measured, whether at the level of the facilities or investment portfolio, as follows:

Measuring the impact of stress testing on the Bank's credit portfolio in terms of the increase of non-performing loans as a result of several factors, including the concentration in credit granting, the decline of economic sectors as a result of financial crises, the quality of the credit portfolio, the decrease in the value of guarantees provided and other factors. The impact of these scenarios is assessed for these risks on the income statement and the capital adequacy.

Measuring the impact of stress testing on the Bank's investments in terms of low liquidity of the markets invested in and a decrease in the value of investments due to financial and economic crises. The impact of scenarios for these risks is assessed on the income statement and the capital adequacy.

Measuring the impact of stress testing on the Bank's assets and liabilities in the event of changing the Dinar exchange rates against foreign currencies.

Measuring the impact of stress testing on the Bank’s liquidity as a result of several factors, including the loss of our deposits with correspondent banks, the concentration of Bank customer deposits and bank deposits with us, extensive withdrawals of deposits, change of the Dinar exchange rates against foreign currencies and other factors. The impact of the scenarios of these risks is assessed based on statutory and liquidity ratios and based on a maturity scale.

Measuring the impact of stress testing on the operating risks of the Bank's operations. The impact of scenarios on these risks is assessed on the capital adequacy.

**Governance of stress testing**

- stress tests are an integral and essential part of corporate governance with the Bank by enhancing the Bank’s ability to identify and control its risks and its major role in providing both the Board and Executive Management with indicators on the amount of capital required to meet the resultant losses on shocks or changes that affect the Bank’s financial position and solvency.

**Board of Directors' responsibility:**

- Ensuring that there is an effective framework for stress testing to assess the Bank's ability to withstand shocks and face high risks, as the Board has the ultimate responsibility for the stress testing program, and the adoption of work policies in this regard.

- Ensure that the Risk Department conducts stress tests on a regular basis, and that the Board has a key role in approving the assumptions and scenarios used, analyzing the results of the tests, and adopting the procedures to be taken based on these results.

**Senior executive management responsibility:**

- Implementing and monitoring the stress testing program, and in accordance with the methodology approved by the Board of Directors, which was originally based on the specific stress tests according to the instructions of the Central Bank of Jordan.

- Ensure that a qualified personal is available in the Risk Management Department to conduct stress tests and that the department has the appropriate tools and means for that.

- Ensuring that an appropriate number of possible scenarios related to the Bank’s business are available, provided that these scenarios are understood and documented.

- Use the results of stress testing in setting and determining the degree of risk tolerance of the Bank and in the process of planning for capital and liquidity.

- Setting the appropriate remedial procedures based on the results of the tests carried out by the Executive Management and submitting them to the Risk and Compliance Committee and presenting them to the Board of Directors.

**Responsibility of the audit department:**

- The Internal Audit Department is responsible for reviewing and evaluating the framework of stress testing, at least annually, and for evaluating and reviewing results to be submitted to the Board of Directors.

**Risk Department responsibility:**

**1-** Designing a program of stress testing and using models and methodologies to test its impact on the Bank, so that it covers the following aspects and is not limited to them:

- Stress testing includes scenarios that range from least to most severe.
- Covering all complex financial products, if any.
- It considers potential changes in market conditions that may negatively affect the Bank's exposure to concentration risk.
- Including stress tests to some scenarios related to reputation risks, by reflecting the results of risks that affect the Bank's reputation, which may be reflected on the Bank's liquidity and liquid assets through customers withdrawing their deposits.
- The tests used are consistent with the degree of risk tolerance that the Bank has set for itself, so that the chosen scenarios are commensurate with the size, nature and complexity of the Bank’s business and the risks associated with it.
- The stress testing program includes quantitative and qualitative methods to improve the comprehensiveness of these tests and make them supportive and complementary to the models and methods of risk management used in the Bank.
- It includes different types of tests, such as the simple sensitivity analysis based on changes in one risk factor and between scenarios based on statistical methods that take into account the relationships between the causes of systemic risks in times of crisis, knowing that the part related to these scenarios is determined by the Central Bank of Jordan on an annual basis.

**2-** Organizing an appropriate line of communication between the various parties concerned to take their views on the shocks and potential stressful situations if they occur with the aim of identifying assumptions and scenarios that are appropriate to the internal and external risks that the Bank may be exposed to so that all the parties involved with the Bank participate in this line of communication when determining these tests annually.

**3-** Submitting the results of the tests to the Basel Committee, an internal evaluation of the capital adequacy, and then to the Risk and Compliance Committee from the Bank's Board of Directors annually.

**The Bank's application for defaulting and the defaulting mechanism**

The Bank follows and applies the instructions of the Central Bank of Jordan (the regulatory body) related to the International Financial Reporting Standard No. (9) to classify credit facilities in three stages.

1. The Bank's application to default:
The instructions of the Central Bank of Jordan regarding the classification of defaulting loans and the suspension of interest are applied according to the requirements of IFRS (9). As for provisioning, instructions No. (47/2009) and (13/2018) related to the International Financial Reporting Standard (9) are adopted. The most conservative and severe results are taken, except in special cases and with prior approval by the Central Bank of Jordan.

2. The defaulting mechanism:
The Bank follows up with a client before their default with the aim of not reaching the stage of classifying the facilities granted to them. In case the classification is made, a provision is recorded against this loan in accordance to the adopted standards, among the mechanisms used to treat default by the Bank as following:
1- Debt scheduling according to the scheduling principles as per the instructions of the Central Bank of Jordan.
2- Taking legal measures to collect what is owed to the Bank.

**The internal credit rating system of the Bank and its mechanism:**

The Bank has implemented a credit risk rating system based on Standard and Poor's (S&P) classification models to measure the credit risk of large companies, small and medium-sized companies which would positively reflect on the quality of the credit portfolio and help in making appropriate credit decisions as the following is extracting through the system:

Obligor risk rating (ORR) is divided into measuring the activity standards (qualitative) and the financial standards (quantitative) by:

**Specific criteria:**
1- Measuring the risks of the countries in which the client practices their activity
2- Measuring the risks of the economic sectors that represent the client's activities
3- Measuring the client's competitive position in detail

**Quantity standards:**
4- Measuring the client's financial risks by assessing cash flows, receivables, capital structure, and others.

Classification models include (modifier's) quality rates that enhance credit rating accuracy as follows:

1- The impact of the various activities of the client
2- The capital structure
3- Approved financing policy
4- Liquidity assessment
5- Management and governance

Clients are classified on the system to ten levels, where the classification grades are distributed from (1) high quality clients (few risks) to (10) high risk customers.

As a result of assessing the client's credit rating through the system, the probability of default (PD) is determined.

**The approved mechanism for calculating expected credit losses on financial instruments:**

**1- The basic components of calculating the credit loss of financial instruments:**
* Clients' staging
* Probability of default ratio Stage 1 (12-month projected credit losses) and stage 2 (expected credit losses over the life of the financial instrument).
* Loss given default (LGD).
* Exposure at default (EAD).

**2- Criteria for classifying client according to the stages:**

The criteria for classifying the stages is one of the important parameters used to determine the expected credit losses according to the International Financial Reporting Standard No. (9), where financial instruments were classified into three stages in addition to a statement of the credit limitations for the transfer of the financial instrument / exposures between the stages according to the instructions issued by the Central Bank of Jordan No. (13/2018).

**3- Probability of default – PD**

**Corporate portfolio:**
Based on the probability of default resulting from the analysis of all quantitative and qualitative data of the client through the credit rating system as this is done through the approved models of the company (S&P) and based on historical data, a future probability of default is calculated and linking it to the macroeconomic indicators, following the stress tests and their results.

**Individual portfolio**
Individual risk is measured at the level of each product separately (personal loans / housing loans / credit cards / car loans) through the evaluation of the product through customer behavior records and their commitment to pay on the agreed upon times for the last 5 years. The approach roll rate methodology is used in measuring risks of individual customers to link them to all variables of economic factors (gross domestic product, unemployment, inflation) to determine the future risks of individuals' portfolio.

**Debt portfolio and money market**

The default probability of debt instruments classified under the amortized cost portfolio (AC) and other comprehensive income statement (OCI) is calculated on an individual basis based on the probability of default according to external classification.

**Debt instruments issued by the Jordanian government, or guaranteed by it, and current accounts are excluded from calculating the expected credit losses.**

**4- Loss Given Default - LGD**

- For corporate clients, medium and small companies (stage 1 and 2):

The Bank implemented a system based on S&P models to calculate the loss assuming default.

- Individual customers (all stages) and corporates (stage 3)

The percentage of loss is measured on the assumption of default, based on the present value of the guarantees provided by the client based on historical ratios of financial recoveries and converting the guarantees into cash as a result of implementation of the guarantees due to default, taking into account the time dimension and credit dilution, which includes the part covered and not covered by the guarantees according to the requirements of the Central Bank of Jordan.

**5- Exposure at Default – EAD**

It is defined as the size of the indebtedness to which the Bank may be exposed to the possibility of non-payment if the customer defaults as follows:

- It is the current balance in relation to direct and indirect facilities.
- In the case of ceilings, the value of the amount exposed to default: it is the used balance in addition to a percentage of the unutilized ceiling (direct and indirect) based on a historical study of the extent of utilization of these ceilings.

**Governance of implementing the requirements of IFRS 9:**

The Bank is adherent to the instructions of institutional governance, including the instructions of the Central Bank of Jordan and the best international practices that were included in the Basel Committee in this regard in a manner that achieves the rule of implementation of the International Financial Reporting Standard. The following are the responsibilities of the Board of Directors, the Executive Management, the concerned committees and departments to ensure the appropriateness of applying the financial reporting standard:

**Board responsibilities:**

- Approving the policies, assumptions and models used for the application of the standard.

- Approving the expected credit losses in the Bank's financial statements.

- Ensuring proper application of the standard by defining the roles of committees, departments and work units in the Bank and ensuring complementarity of work among them and providing the appropriate infrastructure.

- Overseeing, through the committees of the Board, the Executive Management to develop the necessary systems to provide adequate information in an accurate and safe matter so that it provides the accurate capability of the Bank to record through the participation of all relevant business units in the Bank and under the supervision of the Bank’s Board of Directors and its related committees.

- Approving of amendments that could affect the business model, the Bank’s strategy, measurement and evaluation methodologies for the credit process, pricing and guarantees mechanism for credit products or assets that fall within the standard.

- Ensuring that the Bank manages its credit risk within the appropriate best practices, including effective control systems within the credit process that includes a clear determination of the amount of provisions required for all of its risks.

- Ensuring that the supervisory units in the Bank, specifically risk management, manage the internal audit of all necessary processes to verify the validity and integrity of the methodologies and systems used within the framework of the application of IFRS (9) and work to provide the necessary support for these control units.

**Executive management responsibilities:**

- Providing the appropriate infrastructure and providing recommendations regarding required changes or improvements that help to implement the standard in an accurate and comprehensive manner that includes qualified personnel and an adequate database in terms of accuracy and comprehensiveness.

- Reviewing the policies, work procedures, regulations and any other relevant standards and explaining their suitability for implementing the standard.

- Distributing tasks and responsibilities and ensuring the participation of all relevant business units in the proper application of the standard.

- Monitoring the periodic reports related to the results of calculating and applying the standard and determine the impact of the application of the standard on the financial position of the Bank.

- Applying corrective measures approved by the Board of Directors.

- Reflecting the impact of the application of the standard on the Bank's strategy and pricing policy.

- It is responsible for any exceptions of the results of the system outputs, the specific procedures and the documented forms of the calculation process.

- Reviewing the staging rules process and make the necessary recommendations.

- View the calculation of expected credit losses and recommend their approval.

- Recommend any exception or amendment to the results of calculating the expected credit losses required and in accordance with clear and documented justifications.

**Risks and Compliance Committee responsibilities:**

- Reviewing the framework and assumptions for calculating expected credit losses and recommend their approval.

- Supervising the efficiency and effectiveness of the process of calculating the expected credit losses.

**Responsibilities of the Audit Committee:**

- Ensuring that the Internal Audit Department has verified that the methodologies and systems used in the application of IFRS (9) have been applied.

- Monitoring the compliance with the framework for calculating expected credit losses in accordance with IFRS (9) and ensuring that the internal audit fulfills its duty in this regard.

- Reviewing the financial statements after implementing the standard, in particular verifying the implementation of the instructions of the Central Bank of Jordan regarding the adequacy of provisions and expressing an opinion on the Bank's non-operating loans before submitting them to the Board of Directors.

- Reviewing the observations in the Central Bank's reports and the external auditor's reports and following up on the measures taken in their regard.

- Reviewing the accounting issues that have a material impact on the Bank's financial statements and ensure the accuracy of the accounting and control procedures and its safety and adherence to them.

- Ensuring through the Internal Audit Department that all financial instruments/ credit exposures have been measured for expected credit losses.

**Compliance Department responsibilities:**

Ensuring compliance with applicable laws and instructions related to preparing the financial statements and applying the required standard and disclosures.

**Risk Department responsibilities**

- Calculating the expected credit losses

- Reviewing the models and assumptions used for calculating the provision and recommending any required adjustments

- Evaluating the credit rating systems, their parameters, and results.

- Preparing periodic, qualitative and detailed quantitative disclosures required by the Central Bank of Jordan for the purposes of complying with the requirements of the standard.

- Reviewing the transferring process between the different stages and comparing it with the policy of transferring requirements between stages and reviewing these limitations periodically.

**Finance Department responsibilities:**

- Participating with departments in developing and building the business model, including the classification of the Bank's financial assets in accordance with the principles of IFRS (9).

- Make the necessary accounting adjustments and restrictions after approving the results and verifying that all financial instruments have been accounted for.

- Reviewing the necessary disclosures in cooperation with the relevant departments of the Bank in accordance with the requirements of the standard and the instructions of the Central Bank.

**Determinants of significant change in credit risk:**

All credit exposures / financial instruments are subject to the measurement of expected credit losses to specific determinants as an indicator to be considered a significant increase in credit risk, so that the financial instrument / credit exposure is transferred between the three phases:

Stage (1): Includes financial assets on initial recognition which have not been exposed to a significant increase in credit risk since the initial recognition or with low credit risks at the date of preparing the financial statements. For these assets, the expected credit losses for the 12-month period that result from potential irregularities within the next 12 months are recognized.

Stage (2): Includes financial assets that have experienced a significant increase in credit risk since the initial recognition but there is no objective evidence of a decrease in their value. For these assets, expected credit losses are recognized for the entire life of the debt, which is the expected credit losses that result from all potential irregularities over the expected life of the financial instrument.

Stage (3): Includes financial assets for which there is objective evidence of a decrease in value at the date of the financial statements in accordance with the indicators specified in the instructions of the Central Bank of Jordan. For these assets, expected credit losses for the entire life are recognized and treated with the calculated interest on them.

**The following are the most prominent determinants used to measure the significant change in credit risk:**

- There is a decrease or a decline in the actual internal credit rating of the borrower according to the internal evaluation system applied by the Bank compared to the degree of the internal rating of the borrower at the time of granting.
- The presence of unpaid dues on a client or borrower account exceeding a certain period.
- Knowing that the borrower faces difficulties affecting the cash flow
- Violating debt covenants or conditions in a manner that affects the obligation to repay.
- The market value of collaterals declines significantly.
- The possibility of a borrower entering bankruptcy procedures.

**The main economic indicators that were used by the bank in calculating the expected credit losses**

When measuring the probability of default for different segments, historical information and current conditions are taken into consideration in addition to expected future events in accordance with substantial information that can be relied upon by the Bank.

Economic factors and their expectations have been used for the next five years in three scenarios for each of the ratios (GDP, unemployment, Amman Financial Market Index (local Index), energy index, other indicators (non- energy index), and historical PD ratios) by relying on data issued by the World Bank with regard to Jordan and based on historical data issued by the Amman Financial Market and the Bank's indicators for default.

**Extension and termination option in leases contracts**

The extension and termination options are included in several leasing contracts, these options are used to increase the operational flexibility in terms of contracts management, most of the extension and termination option are exercisable by both the bank and the lessor.

In determining the lease term, management considers all facts and circumstance that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension option (or periods after termination option) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The evaluation is reviewed in case of occurrence of an important event or significant change in the circumstances that affect this evaluation and that are under the control of the lessee.

**Discounting of lease payment**

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

## (4) Cash and Balances At Central Banks

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Cash in vaults | 17,438,433 | 20,803,988 |
| Balances at central banks: | | |
| Current and call accounts | 15,691,908 | 15,973,418 |
| Time and notice deposits and certificates of deposit | - | 10,635,000 |
| Mandatory cash reserve | 38,133,794 | 44,459,712 |
| Total balances at central banks | 53,825,702 | 71,068,130 |
| Total cash and balances at central banks | 71,264,135 | 91,872,118 |

- The statutory cash reserve held at central banks amounted to JD 38,133,794 as of 31 December 2019 (31 December 2018: JD 44,459,712).

- Except for the cash reserve with the Central Bank of Jordan, there are no restricted balances as of 31 December 2019 (the cash reserve and capital deposit with the Palestinian Monetary Authority amounted to JD 10,635,000 as of 31 December 2018).

- There are no balances matured in more than three months as of 31 December 2019 and 2018.

- There are no certificates of deposits as of 31 December 2019 and 31 December 2018.

The movement of balances with central banks is as follows:

| | Stage 1 (Individual) | Stage 2 (Individual) | Stage 3 | Total 31 December 2019 | Total 31 December 2018 |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | |
| Total balance at the beginning of the year | 71,068,130 | - | - | 71,068,130 | 101,587,784 |
| New balances during the year | 3,388,248 | - | - | 3,388,248 | 1,107,334 |
| Settled balances | (761,369) | - | - | (761,369) | (31,626,988) |
| Changes resulting from adjustments | 14,604,254 | - | - | 14,604,254 | - |
| Transferred to assets held for sale | (34,473,561) | - | - | (34,473,561) | - |
| Total balance at the end of the year | 53,825,702 | - | - | 53,825,702 | 71,068,130 |

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

## (5) Balances At Banks and Financial Institutions

| Item | Banks and Financial Institutions – Local 31 December 2019 | Local 31 December 2018 | Foreign 31 December 2019 | Foreign 31 December 2018 | Total 31 December 2019 | Total 31 December 2018 |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Current and call accounts | 29,671 | 29,671 | 7,292,860 | 9,848,986 | 7,322,531 | 9,878,657 |
| Deposits maturing within a period of 3 months or less | 29,143,000 | 23,051,000 | 255,680 | 29,236,061 | 29,398,680 | 52,287,061 |
| Total | 29,172,671 | 23,080,671 | 7,548,540 | 39,085,047 | 36,721,211 | 62,165,718 |
| Less: ECL charged for the year | (77,995) | (67,881) | (677) | (102,224) | (78,672) | (170,105) |
| | 29,094,676 | 23,012,790 | 7,547,863 | 38,982,823 | 36,642,539 | 61,995,613 |

- Total balances at banks and financial institutions that are not interest-bearing are JD 7,243,788 as of 31 December 2019 and (JD 13,654,043 as of 31 December 2018).

- There are no restricted balances as of 31 December 2019 and 31 December 2018.

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

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| Item | Stage 1 (Individual) | Stage 2 (Individual) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| 3.5 | - | - | - | - | 3,442,500 |
| 4 | - | - | - | - | 13,267,000 |
| 5.5 | 255,752 | - | - | 255,752 | 16,161,961 |
| 7.5 | 4,963,000 | - | - | 4,963,000 | - |
| Not rated | 31,502,459 | - | - | 31,502,459 | 29,294,257 |
| Total | 36,721,211 | - | - | 36,721,211 | 62,165,718 |

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

| | | | | Total | |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | 31 December 2019 | 31 December 2018 |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 62,165,718 | - | - | 62,165,718 | 51,866,315 |
| New balances during the year | 21,550,449 | - | - | 21,550,449 | 54,490,847 |
| Settled balances | (49,287,791) | - | - | (49,287,791) | (44,191,444) |
| Changes resulting from adjustments | 24,010,227 | - | - | 24,010,227 | - |
| Transferred to assets held for sale | (21,717,392) | - | - | (21,717,392) | - |
| Balance at the end of the year | 36,721,211 | - | - | 36,721,211 | 62,165,718 |

There were no transfers between the stages (stage 1 stage 2, and stage 3) or any written of balances for the year ended 31 December 2019.

The movement on the provision for expected credit losses for balances with banks and financial institutions is as follows:

| | 31 December 2019 | | | |
|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 170,105 | - | - | 170,105 |
| ECL for new balances during the year | 31,339 | - | - | 31,339 |
| Recoveries from ECL related to repaid balances | (93,252) | - | - | (93,252) |
| Changes resulting from adjustments | 4,236 | - | - | 4,236 |
| Transferred to assets held for sale | (33,756) | - | - | (33,756) |
| Balance at the end of the year | 78,672 | - | - | 78,672 |

## (6) Direct Credit Facilities

The details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| **Individuals (retail):** | | |
| Overdraft accounts | 364,664 | 388,050 |
| Loans and promissory notes * | 180,269,792 | 185,521,559 |
| **Credit Cards** | 4,274,929 | 4,008,733 |
| **Real Estate Loans** | 121,834,039 | 122,849,817 |
| **Companies:** | | |
| **A - Large:** | | |
| Overdraft accounts | 76,344,157 | 91,666,050 |
| Loans and promissory notes * | 276,490,443 | 294,635,547 |
| **B- SMEs:** | | |
| Overdraft accounts | 16,162,824 | 23,908,023 |
| Loans and promissory notes * | 34,570,961 | 47,577,557 |
| **Government and Public Sector** | 20,742,691 | 34,146,714 |
| **Total** | 731,054,500 | 804,702,050 |
| (Less): Provision for expected credit losses | (47,974,854) | (59,143,438) |
| Interest in suspense | (14,079,271) | (17,684,794) |
| Net direct credit facilities | 669,000,375 | 727,873,818 |

* Totals after deducting interest and commissions received in advance are JD 2,930,594 as of 31 December 2019 and JD 3,613,185 of 31 December 2018.

- Non-Performing Credit Facilities amounted to JD 84,627,492, make up 11.58% of total direct credit facilities as of 31 December 2019 while JD 95,751,625 representing 11.9% of total direct credit facilities as of 31 December 2018.

- Non-Performing Credit Facilities Net of Interest and Commissions in Suspense amounting to JD 70,617,431 make -up 9.85% of total direct credit facilities balance as of 31 December 2019 and JD 78,387,696 make up 9.96% of total credit facilities as of 31 December 2018.

- Direct Credit Facilities include facilities granted that are guaranteed by the Government of Jordan amounting to JD 2,500,000 as of 31 December 2019 and JD 7,500,000 as of 31 December 2018. Direct Credit Facilities also include facilities granted to the Palestinian National Authority amounting to JD 13,111,673 as of 31 December 2018.

The movement on direct credit facilities collectively as of 31 December 2019 is as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | (individual) | (individual) | | | |
| | JD | JD | JD | JD | |
| Balance at the beginning of the year | 653,756,856 | 55,193,569 | 95,751,625 | 804,702,050 | 762,012,050 |
| New credit facilities during the year | 94,533,762 | 7,889,957 | 543,091 | 102,966,810 | 91,119,561 |
| Settled credit facilities | (41,161,105) | (4,669,000) | (2,126,738) | (47,956,843) | (45,483,198) |
| Transferred to stage 1 | 25,933,017 | (23,348,970) | (2,584,047) | - | - |
| Transferred to stage 2 | (127,917,341) | 134,766,363 | (6,849,022) | - | - |
| Transferred to stage 3 | (21,550,766) | (4,324,487) | 25,875,253 | - | - |
| Changes resulting from adjustments | (47,966,974) | 4,966,521 | 4,071,365 | (38,929,088) | (2,014,303) |
| Written-off credit facilities | - | - | (266,036) | (266,036) | (683,805) |
| Listed in the regularly accounts off statement of financial position | - | - | (16,945,960) | (16,945,960) | (248,255) |
| Transferred to assets held for sale | (55,741,346) | (3,933,051) | (12,842,036) | (72,516,433) | - |
| Balance at the end of the year | 479,886,103 | 166,540,902 | 84,627,495 | 731,054,500 | 804,702,050 |

The movement on the provision for expected credit losses collectively and individually as of 31 December 2019 is as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage (1) (individual) | Stage (2) (individual) | Stage (3) (individual) | Total | Total |
| | JD | JD | JD | JD | |
| Balance at the beginning of the year | 7,193,440 | 1,612,270 | 50,337,728 | 59,143,438 | 30,663,170 |
| Transition adjustment on adoption of IFRS 9 | - | - | - | - | 19,382,825 |
| Total balance at the beginning of the year | 7,193,440 | 1,612,270 | 50,337,728 | 59,143,438 | 50,045,995 |
| New credit facilities during the year | 1,020,953 | 102,945 | 225,110 | 1,349,008 | 1,499,095 |
| Settled credit facilities | (740,676) | (128,751) | (748,004) | (1,617,431) | (405,904) |
| Transferred to stage 1 | 169,264 | (126,934) | (42,330) | - | - |
| Transferred to stage 2 | (1,776,246) | 2,803,041 | (1,026,795) | - | - |
| Transferred to stage 3 | (534,211) | (106,331) | 640,542 | - | - |
| Effect on provision resulting from reclassification among the three stages | - | (2,266,685) | 7,928,129 | 5,661,444 | 12,680,328 |
| Changes resulting from adjustments | (231,465) | (37,688) | (2,653,045) | (2,922,198) | (4,521,803) |
| Written-off credit facilities | - | - | (43,550) | (43,550) | (15,112) |
| Listed in the regularly accounts off statement of financial position | - | - | (9,006,547) | (9,006,547) | (139,161) |
| Transferred to assets held for sale | (252,839) | (77,387) | (4,259,084) | (4,589,310) | - |
| Balance at the end of the year | 4,848,220 | 1,774,480 | 41,352,154 | 47,974,854 | 59,143,438 |

The movement on the provision for expected credit losses during the year ended 31 December 2019 and 2018 is as follows:

| | Retail | Real Estate | Corporate | SME's | Governmental and Public | Total |
|---|---|---|---|---|---|---|
| For the year ended 31 December 2019 | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 14,177,909 | 1,754,880 | 39,451,016 | 3,552,067 | 207,566 | 59,143,438 |
| ECL for new facilities during the year | 796,606 | 115,646 | 266,316 | 90,046 | 80,395 | 1,349,009 |
| Recoveries from ECL related to settled facilities | (741,000) | (200,742) | (413,813) | (261,876) | - | (1,617,431) |
| Transferred to stage 1 | (17,659) | (64,584) | (2,027,635) | (31,314) | - | (2,141,192) |
| Transferred to stage 2 | (35,780) | 56,440 | 2,584,353 | (35,238) | - | 2,569,775 |
| Transferred to stage 3 | 53,438 | 8,144 | (556,718) | 66,552 | - | (428,584) |
| Effect on provision resulting from reclassification among the three stages | 256,672 | 213,266 | 2,506,895 | 2,684,611 | - | 5,661,444 |
| Changes resulting from adjustments | 344,430 | 43,649 | (3,072,419) | (138,519) | (99,330) | (2,922,189) |
| Written-off credit facilities | (43,559) | - | - | - | - | (43,559) |
| Expected credit losses provision transferred to off statement of financial position regulatory accounts | (2,539,265) | (566) | (5,746,750) | (719,966) | - | (9,006,547) |
| Transferred to assets held for sale | (1,488,048) | (148,707) | (1,738,365) | (1,120,177) | (94,013) | (4,589,310) |
| Balance at the end of the year | 10,763,744 | 1,777,426 | 31,252,880 | 4,086,186 | 94,618 | 47,974,854 |
| Re-allocation: | | | | | | |
| Provision on an individual basis | 10,763,744 | 1,777,426 | 31,252,880 | 4,086,186 | 94,618 | 47,974,854 |
| Provision on a collective basis | - | - | - | - | - | - |
| Total | 10,763,744 | 1,777,426 | 31,252,880 | 4,086,186 | 94,618 | 47,974,854 |

* During 2019, an amount of JD 43,559 was written-off from non-performing direct credit facilities according to the Board of Directors' decision (JD 15,112 for the year 2018).

** During 2019, non-performing credit facilities of JD 9,006,547 were transferred out from the statement of financial position (JD 139,160 for the year 2018).

*** Direct credit facilities JD 120,937,156, interest in suspense of (JD 72,034,422), and their related provision of JD 48,902,734 as of 31 December 2019, after excluding JD 2,455,967, and interest in suspense of (JD 1,457,465), and their related provision of JD 998,502 related to the branches of Palestine were listed in regulatory accounts off the statement of financial position according to the Board of Directors' decision as these accounts are completely covered as of the date of the financial statements.

- The provisions for debts calculated on the basis of the individual customer are disclosed above.

- The amount of provisions that are no longer required due to the settlements or repayments of debts transferred against other debts is JD 12,250,543 as of 31 December 2019 (JD 11,951,923 as of 31 December 2018).

| Item | Individual | Real estate | Corporate | SMEs | Governmental and public sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Balance as at 31 December 2018: | | | | | | |
| Balance at the beginning of the year | 8,349,001 | 687,546 | 18,591,384 | 3,035,239 | - | 30,663,170 |
| Transition adjustment on adoption of IFRS 9 | 1,548,468 | 1,168,465 | 16,072,124 | 276,709 | 317,059 | 19,382,825 |
| Adjusted balance at the beginning of the year | 9,897,469 | 1,856,011 | 34,663,508 | 3,311,948 | 317,059 | 50,045,995 |
| ECL for new facilities during the year | 1,016,918 | 266,540 | 150,755 | 64,882 | - | 1,499,095 |
| Recoveries from ECL related to settled facilities | (145,223) | (87,658) | (96,218) | (53,747) | (23,058) | (405,904) |
| Transferred to stage 1 | (124,278) | (80,644) | (720,326) | (67,967) | - | (993,215) |
| Transferred to stage 2 | (60,208) | 44,361 | 173,819 | 29,234 | - | 187,206 |
| Transferred to stage 3 | 184,486 | 36,283 | 546,507 | 38,733 | - | 806,009 |
| Effect on provision resulting from reclassification among the three stages | 3,011,593 | 695,996 | 7,866,523 | 1,106,215 | - | 12,680,327 |
| Changes resulting from adjustments | 444,718 | (976,009) | (3,127,422) | (776,655) | (86,435) | (4,521,803) |
| Written-off facilities | (15,112) | - | - | - | - | (15,112) |
| Expected credit losses provision transferred to off statement of financial position regulatory accounts | (53,976) | - | - | (85,184) | - | (139,160) |
| Balance at the end of the year | 14,156,387 | 1,754,880 | 39,457,146 | 3,567,459 | 207,566 | 59,143,438 |
| Re-allocation: | | | | | | |
| Individual | 14,156,387 | 1,754,880 | 39,457,146 | 3,567,459 | 207,566 | 59,143,438 |
| Collective | - | - | - | - | - | - |
| Total | 14,156,387 | 1,754,880 | 39,457,146 | 3,567,459 | 207,566 | 59,143,438 |

The classification of gross balances relating to corporate facilities according to the Bank's internal credit ratings is as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| Item | Stage 1 (Individual) | Stage 2 (Individual) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| 3 | - | - | - | - | 1,369,785 |
| 3.5 | 2,521,978 | - | - | 2,521,978 | 4,836,727 |
| 4 | - | - | - | - | 263,701 |
| 4.5 | 201,773 | - | - | 201,773 | 6,699,633 |
| 5 | 8,598,116 | 4,614,495 | - | 13,212,611 | 14,412,592 |
| 5.5 | 28,674,041 | 27,812,404 | 25,953,940 | 82,440,385 | 48,775,728 |
| 6 | 23,322,949 | 22,176,314 | - | 45,499,263 | 42,140,980 |
| 6.5 | 28,579,985 | 24,339,425 | - | 52,919,410 | 19,649,295 |
| 7 | 21,367,446 | 14,886,442 | - | 36,253,888 | 25,558,460 |
| 7.5 | 36,364,479 | 12,769,093 | - | 49,133,572 | 56,601,308 |
| 8 | 5,027,753 | 15,777,240 | 1,625,540 | 22,430,533 | 65,867,347 |
| 8.5 | 3,583,088 | 11,368,714 | - | 14,951,802 | 27,188,169 |
| 9 | - | 5,496,366 | - | 5,496,366 | 7,656,049 |
| 9.5 | - | - | 241,048 | 241,048 | 336,081 |
| 10 | - | - | - | - | 1,842,059 |
| Not rated | 2,471,412 | 371,800 | 24,834,159 | 27,677,371 | 63,204,259 |
| **Total** | 160,713,020 | 139,612,293 | 52,654,687 | 352,980,000 | 386,402,173 |

The movement on corporate facilities as of 31 December 2019 is as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | | |
| Balance at the beginning of the year | 294,485,398 | 28,706,237 | 63,210,538 | 386,402,173 | 356,472,803 |
| New facilities during the year | 27,491,353 | 5,533,372 | 78,717 | 33,103,442 | 23,362,329 |
| Settled facilities | (11,073,725) | (1,573,257) | - | (12,646,982) | (9,959,882) |
| Transferred to stage 1 | 11,583,715 | (11,583,715) | - | - | - |
| Transferred to stage 2 | (115,452,000) | 120,284,534 | (4,832,534) | - | - |
| Transferred to stage 3 | (10,759,248) | (999,075) | 11,758,323 | - | - |
| Changes resulting from adjustments | (22,332,487) | 1,585,680 | 1,221,852 | (19,524,955) | 17,152,749 |
| Written off facilities | - | - | - | - | (625,826) |
| Listed in the regularly accounts off statement of financial position | - | - | (12,253,899) | (12,253,899) | - |
| Transferred to assets held for sale | (13,229,986) | (2,341,483) | (6,528,310) | (22,099,779) | - |
| Balance at the end of the year | 160,713,020 | 139,612,293 | 52,654,687 | 352,980,000 | 386,402,173 |

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

| | 31 December 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | |
| Balance at the beginning of the year | 3,453,840 | 865,996 | 35,137,310 | 39,457,146 | 18,591,384 |
| Transition adjustment on adoption of IFRS 9 | - | - | - | - | 16,072,124 |
| Balance at the beginning of the year | 3,453,840 | 865,996 | 35,137,310 | 39,457,146 | 34,663,508 |
| ECL for new facilities during the year | 108,005 | 87,900 | 70,411 | 266,316 | 150,755 |
| Recoveries from ECL related to settled facilities | (374,078) | (39,735) | - | (413,813) | (96,218) |
| Transferred to stage 1 | 32,610 | (32,610) | - | - | - |
| Transferred to stage 2 | (1,610,142) | 2,626,182 | (1,016,040) | - | - |
| Transferred to stage 3 | (450,103) | (9,219) | 459,322 | - | - |
| Effect on provision resulting from reclassification among the three stages for the year | - | (1,819,458) | 4,326,353 | 2,506,895 | 7,866,523 |
| Changes resulting from adjustments | (211,483) | (18,823) | (2,848,243) | (3,078,549) | (3,127,422) |
| Written-off facilities | - | - | - | - | - |
| Listed in the regularly accounts off statement of financial position | - | - | (5,746,750) | (5,746,750) | - |
| Transferred to assets held for sale | (80,663) | (63,806) | (1,593,896) | (1,738,365) | - |
| Balance at the end of the year | 867,986 | 1,596,427 | 28,788,467 | 31,252,880 | 39,457,146 |

The classification of gross balances relating to SMEs Facilities according to the Bank's internal credit rating is as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| Item | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| 3 | - | - | - | - | 85,688 |
| 4 | - | - | - | - | 399,869 |
| 5 | 4,872,436 | 652,404 | 77,759 | 5,602,599 | 8,275,239 |
| 5.5 | 3,608,590 | 3,324,563 | 3,842,175 | 10,775,328 | 8,273,656 |
| 6 | 10,071,771 | 2,934,029 | 80,360 | 13,086,160 | 16,763,463 |
| 6.5 | 2,117,269 | 1,174,689 | - | 3,291,958 | 5,898,711 |
| 7 | 1,045,623 | 1,332,193 | - | 2,377,816 | 5,669,075 |
| 7.5 | 2,914,941 | 283,397 | 125,759 | 3,324,097 | 12,184,181 |
| 8 | 1,175,187 | 124,717 | 3,325 | 1,303,229 | 3,190,496 |
| 8.5 | 651,346 | 87,397 | 924,621 | 1,663,364 | 1,121,177 |
| 9 | - | 293,940 | - | 293,940 | 36,174 |
| 9.5 | - | 25,524 | - | 25,524 | 116,683 |
| 10 | - | - | 714,091 | 714,091 | 36,664 |
| Not rated | 4,641,844 | 86,876 | 4,179,579 | 8,908,299 | 10,058,616 |
| Total | 31,099,007 | 10,319,729 | 9,947,669 | 51,366,405 | 72,109,692 |

The movement on SMEs facilities at year end is as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | |
| Balance at the beginning of the year | 51,715,921 | 10,301,671 | 10,092,100 | 72,109,692 | 79,771,793 |
| New facilities during the year | 7,314,861 | 587,399 | 80,035 | 7,982,295 | 6,579,719 |
| Settled facilities | (7,304,038) | (1,168,611) | (721,614) | (9,194,263) | (11,055,589) |
| Transferred to stage 1 | 3,627,489 | (3,474,811) | (152,678) | - | - |
| Transferred to stage 2 | (4,655,270) | 4,852,144 | (196,874) | - | - |
| Transferred to stage 3 | (4,990,683) | (1,874,486) | 6,865,169 | - | - |
| Changes resulting from adjustments | (6,584,508) | 1,660,754 | (150,203) | (5,073,957) | (3,019,184) |
| Written-off facilities | - | - | (158,618) | (158,618) | (946) |
| Listed in the regularly accounts off statement of financial position | - | - | (1,279,640) | (1,279,640) | (166,101) |
| Transferred to assets held for sale | (8,024,765) | (564,331) | (4,430,008) | (13,019,104) | - |
| Balance at the end of the year | 31,099,007 | 10,319,729 | 9,947,669 | 51,366,405 | 72,109,692 |

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

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | |
| Balance at the beginning of the year | 175,697 | 152,218 | 3,239,544 | 3,567,459 | 3,035,239 |
| Transition adjustment on adoption of IFRS 9 | - | - | - | - | 276,709 |
| Balance at the beginning of the year | 175,697 | 152,218 | 3,239,544 | 3,567,459 | 3,311,948 |
| ECL for new facilities during the year | 42,642 | 1,209 | 46,195 | 90,046 | 64,883 |
| Recoveries from ECL related to settled facilities | (23,975) | (9,769) | (228,132) | (261,876) | (53,747) |
| Transfer to stage 1 | 16,818 | (16,480) | (338) | - | - |
| Transfer to stage 2 | (22,600) | 26,734 | (4,134) | - | - |
| Transfer to stage 3 | (25,533) | (45,491) | 71,024 | - | - |
| Effect on provision resulting from reclassification among the three stages for the year | (1,011) | (63,948) | 2,734,178 | 2,669,219 | 1,106,215 |
| Changes resulting from adjustments | (30,107) | 2,169 | (110,581) | (138,519) | (776,655) |
| Listed in the regularly accounts off statement of financial position | - | - | (719,966) | (719,966) | (85,185) |
| Transferred to assets held for sale | (37,615) | (11,532) | (1,071,030) | (1,120,177) | - |
| Balance at the end of the year | 94,316 | 35,110 | 3,956,760 | 4,086,186 | 3,567,459 |

The distribution of total credit facilities according to the Bank's internal credit rating for retail was as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | JD | JD | JD | JD | |
| Credit cards | 2,940,917 | 178,626 | 377,366 | 3,496,909 | 3,284,045 |
| Overdraft account | 268,763 | 6,941 | 88,960 | 364,664 | 388,050 |
| Car loans | 14,326,787 | 526,075 | 1,523,649 | 16,376,511 | 18,602,104 |
| Personal loans | 152,925,898 | 2,639,939 | 8,327,444 | 163,893,281 | 166,919,455 |
| | 170,462,365 | 3,351,581 | 10,317,419 | 184,131,365 | 189,193,654 |

The movement on credit facilities for individuals during the year ended 31 December 2018 was as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total JD |
| | JD | JD | JD | JD | |
| Balance at the beginning of the year | 168,318,089 | 6,135,014 | 14,740,551 | 189,193,654 | 177,735,258 |
| New facilities during the year | 39,118,353 | 388,882 | 212,851 | 39,720,086 | 35,688,502 |
| Settled facilities | (19,605,237) | (932,247) | (1,038,778) | (21,576,262) | (14,734,295) |
| Transferred to stage 1 | 5,287,850 | (3,225,874) | (2,061,976) | - | - |
| Transferred to stage 2 | (2,460,953) | 2,720,415 | (259,462) | - | - |
| Transferred to stage 3 | (2,559,886) | (788,411) | 3,348,297 | - | - |
| Changes resulting from adjustments | (5,903,498) | (552,698) | 81,450 | (6,374,746) | (9,389,025) |
| Written–off credit facilities | - | - | (62,517) | (62,517) | (24,632) |
| Listed in the regularly accounts off statement of financial position | - | - | (3,345,125) | (3,345,125) | (82,154) |
| Transferred to assets held for sale | (11,732,353) | (393,500) | (1,297,872) | (13,423,725) | - |
| Balance at the end of the year | 170,462,365 | 3,351,581 | 10,317,419 | 184,131,365 | 189,193,654 |

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

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 2,825,968 | 331,355 | 10,999,064 | 14,156,387 | 8,349,001 |
| Transition adjustment on adoption of IFRS 9 | - | - | - | - | 1,548,468 |
| Balance at the beginning of the year | 2,825,968 | 331,355 | 10,999,064 | 14,156,387 | 9,897,469 |
| ECL for new facilities during the year | 708,513 | 5,757 | 82,335 | 796,605 | 1,016,918 |
| Recoveries from ECL related to settled facilities | (317,459) | (31,964) | (391,577) | (741,000) | (145,223) |
| Transferred to stage 1 | 99,453 | (59,652) | (39,801) | - | - |
| Transferred to stage 2 | (61,887) | 68,275 | (6,388) | - | - |
| Transferred to stage 3 | (55,224) | (44,403) | 99,627 | - | - |
| Effect on provision-resulting from reclassification among the three stages for the year | - | (160,797) | 417,469 | 256,672 | 3,011,593 |
| Changes resulting from adjustments | 261,393 | (30,854) | 135,413 | 365,952 | 444,718 |
| Written-off credit facilities | - | - | (43,559) | (43,559) | (15,112) |
| Listed in the regularly accounts off statement of financial position | - | - | (2,539,265) | (2,539,265) | (53,976) |
| Transferred to assets held for sale | (24,969) | (1,085) | (1,461,994) | (1,488,048) | - |
| Balance at the end of the year | 3,435,788 | 76,632 | 7,251,324 | 10,763,744 | 14,156,387 |

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| Item | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| 3.5 | 282,000 | - | - | 282,000 | - |
| 4 | 167,187 | - | - | 167,187 | 354,917 |
| 4.5 | 112,218 | - | - | 112,218 | 145,124 |
| 5 | 1,101,197 | 249,416 | - | 1,350,613 | 5,348,608 |
| 5.5 | 31,462,846 | 2,787,777 | 562,825 | 34,813,448 | 32,682,575 |
| 6 | 4,870,965 | 1,247,523 | - | 6,118,488 | 6,865,239 |
| 6.5 | 1,628,490 | - | - | 1,628,490 | 771,794 |
| 7 | 34,345 | 1,787,958 | 2,857,722 | 4,680,025 | 695,061 |
| 7.5 | 598,735 | 3,494,879 | - | 4,093,614 | 8,539,482 |
| 8 | 45,970 | 83,757 | - | 129,727 | 621,360 |
| 8.5 | - | 1,273,878 | - | 1,273,878 | 4,069,966 |
| 9 | - | - | - | - | 4,677,131 |
| **Not rated** | 56,565,068 | 2,332,109 | 8,287,174 | 67,184,351 | 58,078,560 |
| **Total** | 96,869,021 | 13,257,297 | 11,707,721 | 121,834,039 | 122,849,817 |

The movement on credit facilities for real estate during the year ended 31 December 2019 was as follows:

| | 31 December 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 105,090,735 | 10,050,646 | 7,708,436 | 122,849,817 | 107,673,346 |
| New facilities during the year | 15,728,380 | 1,380,304 | 171,489 | 17,280,173 | 25,176,511 |
| Settled facilities | (3,178,098) | (994,885) | (366,345) | (4,539,328) | (8,392,775) |
| Transferred to stage 1 | 5,433,963 | (5,064,570) | (369,393) | - | - |
| Transferred to stage 2 | (5,349,117) | 6,909,269 | (1,560,152) | - | - |
| Transferred to stage 3 | (3,240,948) | (662,515) | 3,903,463 | - | - |
| Changes resulting from adjustments | (9,221,231) | 2,272,785 | 2,918,266 | (4,030,180) | (1,574,864) |
| Written-off credit facilities | - | - | (44,901) | (44,901) | (32,401) |
| Listed in the regularly accounts off statement of financial position | - | - | (67,296) | (67,296) | - |
| Transferred to assets held for sale | (8,394,663) | (633,737) | (585,846) | (9,614,246) | - |
| Balance at the end of the year | 96,869,021 | 13,257,297 | 11,707,721 | 121,834,039 | 122,849,817 |

The movement on the provision for credit loss for real estate credit facilities during the year ended 31 December 2019 was as follows:

| | 31 December 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 Individual | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at beginning of the year | 530,369 | 262,701 | 961,810 | 1,754,880 | 687,546 |
| Transition adjustment on adoption of IFRS 9 | - | - | - | - | 1,168,465 |
| Balance at the beginning of the year | 530,369 | 262,701 | 961,810 | 1,754,880 | 1,856,011 |
| ECL for new facilities during the year | 81,397 | 8,080 | 26,169 | 115,646 | 266,540 |
| Recoveries from ECL related to settled facilities | (25,164) | (47,283) | (128,295) | (200,742) | (87,658) |
| Transferred to stage 1 | 20,383 | (18,192) | (2,191) | - | - |
| Transferred to stage 2 | (81,617) | 81,850 | (233) | - | - |
| Transferred to stage 3 | (3,350) | (7,218) | 10,568 | - | - |
| Effect on provision-resulting from reclassification among the three stages for the year | - | (222,803) | 436,069 | 213,266 | 695,996 |
| Changes resulting from adjustments | (150,927) | 10,141 | 184,435 | 43,649 | (976,009) |
| Listed in the regularly accounts off statement of financial position | - | - | (566) | (566) | - |
| Transferred to assets held for sale | (15,579) | (964) | (132,164) | (148,707) | - |
| Balance at the end of the year | 355,512 | 66,312 | 1,355,602 | 1,777,426 | 1,754,880 |

The distribution of total credit facilities according to the bank's internal credit rating for the government and public sector was:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| Item | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| 5.5 | 15,861,900 | - | - | 15,861,900 | 20,722,608 |
| 7 | - | - | - | - | 312,433 |
| 7.5 | 4,880,791 | - | - | 4,880,791 | 13,111,673 |
| **Total** | 20,742,691 | - | - | 20,742,691 | 34,146,714 |

The movement on credit facilities for the government and public sector during the year ended 31 December 2019 was as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at beginning of the year | 34,146,714 | - | - | 34,146,714 | 40,358,851 |
| New facilities during the year | 4,880,814 | - | - | 4,880,814 | 312,499 |
| Settled facilities | (7) | - | - | (7) | (1,340,657) |
| Changes resulting from adjustments | (3,925,251) | - | - | (3,925,251) | (5,183,979) |
| Transferred to assets held for sale | (14,359,579) | - | - | (14,359,579) | - |
| Total balance at the end of the year | 20,742,691 | - | - | 20,742,691 | 34,146,714 |

The movement on the provision for expected credit loss for the government credit facilities as of 31 December 2019 was as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 207,566 | - | - | 207,566 | - |
| Transition adjustment on adoption of IFRS 9 | - | - | - | - | 317,059 |
| Balance as of 1 January 2019 | 207,566 | - | - | 207,566 | 317,059 |
| ECL for new facilities during the year | 80,395 | - | - | 80,395 | - |
| Recoveries from ECL related to settled facilities | - | - | - | - | (23,058) |
| Changes resulting from adjustments | (99,330) | - | - | (99,330) | (86,435) |
| Transferred to assets held for sale | (94,013) | - | - | (94,013) | - |
| Total balance at the end of the year | 94,618 | - | - | 94,618 | 207,566 |

## Suspended Interests

The movement on suspended interests is as follows:

| | Individuals | Real estate loans | Corporates | Small and medium Companies | Government | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | | JD |
| **For the year ended in 31 December 2019** | | | | | | |
| Balance at the beginning of the year | 1,893,506 | 1,136,321 | 12,462,962 | 2,192,005 | - | 17,684,794 |
| Add: Interests in suspense for the year | 987,411 | 450,378 | 3,927,138 | 1,421,527 | - | 6,786,454 |
| Less: Interests transferred to revenues | (394,966) | (218,994) | (136,513) | (120,203) | - | (870,676) |
| Interests in suspense written-off | (18,958) | (44,901) | - | (158,618) | - | (222,477) |
| Interests in suspense transferred to regulatory accounts off the statement of financial position | (824,996) | (67,065) | (6,507,150) | (597,320) | - | (7,996,531) |
| Transferred to assets held for sale | (329,444) | - | - | (972,849) | - | (1,302,293) |
| **Balance at the end of the year** | 1,312,553 | 1,255,739 | 9,746,437 | 1,764,542 | - | 14,079,271 |

| | Individuals | Real estate loans | Corporates | Small and medium Companies | Government | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | | JD |
| **For the year ended in 31 December 2018** | | | | | | |
| Balance at the beginning of the year | 1,066,058 | 837,497 | 9,712,031 | 1,716,377 | - | 13,331,963 |
| Add: Interests in suspense for the year | 1,060,820 | 436,698 | 3,673,486 | 699,728 | - | 5,870,732 |
| Less: Interests transferred to revenues | (9,520) | (32,401) | (625,826) | (946) | - | (668,693) |
| Interests in suspense written-off | (195,674) | (105,473) | (296,729) | (142,238) | - | (740,114) |
| Interests in suspense transferred to regulatory accounts off the statement of financial position | (28,178) | - | - | (80,916) | - | (109,094) |
| **Balance at the end of the year** | 1,893,506 | 1,136,321 | 12,462,962 | 2,192,005 | - | 17,684,794 |

## (7) Financial Assets at fair Value Through Profit or Loss

The details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Quoted shares in active markets | 1,876,382 | 1,792,801 |
| Total | 1,876,382 | 1,792,801 |

## (8) Financial Assets at Fair Value Through other Comprehensive Income

The details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Quoted shares in active markets | 6,090,959 | 8,215,901 |
| Unquoted shares in active markets * | 5,014,978 | 3,699,401 |
| Total financial assets at fair value through other comprehensive income | 11,105,937 | 11,915,302 |

- Realized loss from the sale of shares at fair value through other comprehensive income amounted to zero for the year ended 31 December 2019. The loss was directly recorded in retained earnings within owners' equity (realized loss of JD 4,820 for the year ended 31 December 2018).

- Cash dividends for the above investments amounted to JD 238,853 for the year ended 31 December 2019 (JD 161,450 for the year ended 31 December 2018).

***** This item includes unquoted financial assets in active markets of local companies evaluated according to the equity method based on the latest available audited or reviewed financial statements.

## (9) Financial Assets at Amortized Cost, net

The details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Treasury bonds and bills – Central Bank of Jordan | 272,205,188 | 295,367,167 |
| Government guaranteed bonds and debentures | - | 2,000,000 |
| Companies' bonds and debentures | 5,036,000 | 5,747,900 |
| Total | 277,241,188 | 303,115,067 |
| Less: Provision for expected credit losses | (507,062) | (83,456) |
| Financial assets at amortized cost, net | 276,734,126 | 303,031,611 |
| Fixed Income | 276,734,126 | 303,031,611 |
| Total | 276,734,126 | 303,031,611 |

The distribution of the gross balance for financial assets at amortized cost according to the Bank's internal risk rating is as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| Item | Stage 1 (Individual) | Stage 2 (Individual) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| 5.5 | - | - | - | - | 303,115,067 |
| 7.5 | 275,641,188 | - | 1,600,000 | 277,241,188 | - |
| **Total** | 275,641,188 | - | 1,600,000 | 277,241,188 | 303,115,067 |

The movement of the financial assets at amortized cost as of 31 December 2019 is as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | Individual | Individual | Individual | | |
| | JD | JD | JD | JD | JD |
| Fair value at the beginning of the year | 303,115,067 | - | - | 303,115,067 | 331,324,142 |
| New investments during the year | 137,353,987 | - | - | 137,353,987 | 19,321,040 |
| Matured investments | (161,673,406) | - | - | (161,673,406) | (47,530,115) |
| Transferred to stage 3 | (2,000,000) | - | 2,000,000 | - | - |
| Changes resulting from adjustments | 263,540 | - | (400,000) | (136,460) | - |
| Transferred to assets held for sale | (1,418,000) | - | - | (1,418,000) | - |
| Total balance at the end of the year | 275,641,188 | - | 1,600,000 | 277,241,188 | 303,115,067 |

The movement on the impairment provision for financial assets at amortized cost:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage 1 (Individual) | Stage 2 (Individual) | Stage 3 (Individual) | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 83,456 | - | - | 83,456 | - |
| Impact of implementing IFRS (9) | - | - | - | - | 88,756 |
| Balance at the beginning of the year | 83,456 | - | - | 83,456 | 88,756 |
| ECL for new balances during the year | - | - | - | - | 7,011 |
| Recoveries from ECL related to matured investment | - | - | - | - | - |
| Transferred to stage 1 | - | - | - | - | - |
| Transferred to stage 2 | - | - | - | - | - |
| Transferred to stage 3 | (28,043) | - | 28,043 | - | - |
| Effect of the reclassification between stages | - | - | 425,145 | 425,145 | - |
| Changes resulting from adjustments | 24,383 | - | - | 24,383 | (12,311) |
| Transferred to assets held for sale | (25,922) | - | - | (25,922) | - |
| Total balance at the end of the year | 53,874 | - | 453,188 | 507,062 | 83,456 |

## (10) Property and Equipment, Net

| | Lands | Buildings | Machines and Office Equipment | Decorations | Vehicles | Computers | Payments for Property and Equipment | Total |
|---|---|---|---|---|---|---|---|---|
| 2019 | JD | JD | JD | JD | JD | JD | JD | JD |
| **Cost:** | | | | | | | | |
| Balance at the beginning of the year | 2,893,110 | 19,018,667 | 10,260,383 | 6,419,848 | 362,694 | 4,873,126 | 2,065,080 | 45,892,908 |
| Additions | - | - | 560,474 | 48,843 | 20,672 | 115,963 | 2,037,558 | 2,783,510 |
| Disposals | - | - | (180,909) | (54,986) | - | (152,217) | - | (388,112) |
| (Transfer) from payments for acquisition of property and equipment | - | - | 1,159,233 | 967,189 | - | 517,431 | (2,643,853) | - |
| Transferred to assets held for sale | - | (4,497,106) | (2,699,687) | (1,112,185) | (84,292) | (322,417) | - | (8,715,687) |
| Balance at the end of the year | 2,893,110 | 14,521,561 | 9,099,494 | 6,268,709 | 299,074 | 5,031,886 | 1,458,785 | 39,572,619 |
| Accumulated Depreciation: | | | | | | | | |
| Balance at the beginning of the year | - | 2,580,106 | 6,418,074 | 5,192,827 | 189,876 | 3,694,186 | - | 18,075,069 |
| Depreciation for the year | - | 653,219 | 904,932 | 443,065 | 49,918 | 471,656 | - | 2,522,790 |
| Disposals | - | - | (155,919) | (51,417) | - | (152,197) | - | (359,533) |
| Transferred to assets held for sale | - | (793,624) | (941,000) | (1,064,520) | (49,174) | (247,786) | - | (3,096,104) |
| Balance at the end of the year | - | 2,439,701 | 6,226,087 | 4,519,955 | 190,620 | 3,765,859 | - | 17,142,222 |
| Net book value of property and Equipment at the end of the year | 2,893,110 | 12,081,860 | 2,873,407 | 1,748,754 | 108,454 | 1,266,027 | 1,458,785 | 22,430,397 |
| Depreciation rate % | - | 2 | 10-15 | 15 | 15 | 20 | - | |
| 2018 | | | | | | | | |
| **Cost:** | | | | | | | | |
| Balance the beginning of the year | 2,828,298 | 19,018,667 | 9,608,346 | 5,975,046 | 563,705 | 4,620,633 | 762,810 | 43,377,505 |
| Additions | 199,039 | - | 523,004 | 71,611 | 51,000 | 362,129 | 2,157,095 | 3,363,878 |
| Disposals | (134,227) | - | (264,372) | (38,122) | (252,011) | (159,743) | - | (848,475) |
| (Transfer) from payments for acquisition of property and equipment | - | - | 393,405 | 411,313 | - | 50,107 | (854,825) | - |
| Balance at the end of the year | 2,893,110 | 19,018,667 | 10,260,383 | 6,419,848 | 362,694 | 4,873,126 | 2,065,080 | 45,892,908 |
| Accumulated Depreciation: | | | | | | | | |
| Balance at the beginning of the year | - | 2,209,937 | 5,620,250 | 4,748,762 | 305,950 | 3,330,927 | - | 16,215,826 |
| Depreciation for the year | - | 370,169 | 1,055,867 | 478,908 | 55,355 | 533,580 | - | 2,493,879 |
| Disposals | - | - | (258,043) | (34,843) | (171,429) | (170,321) | - | (634,636) |
| Balance at the end of the year | - | 2,580,106 | 6,418,074 | 5,192,827 | 189,876 | 3,694,186 | - | 18,075,069 |
| Net book value of property and Equipment at the end of the year | 2,893,110 | 16,438,561 | 3,842,309 | 1,227,021 | 172,818 | 1,178,940 | 2,065,080 | 27,817,839 |

- Fully depreciated property and equipment amounted to JD 9,239,939 as of 31 December 2019 (JD 8,205,282 as of 31 December 2018).

## (11) Intangible Assets, net

| | Computers and Software Programs | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Balance at the beginning of the year | 2,313,919 | 2,064,338 |
| Additions during the year | 343,871 | 402,382 |
| Payments for the acquisition of intangible assets | 192,193 | 389,549 |
| Amortization for the year | (552,649) | (542,350) |
| Transferred to assets held for sale | (442,017) | - |
| Balance at the end of the year | 1,855,317 | 2,313,919 |
| | | |
| Annual amortization percentage % | 20% | 20% |

## (12) Other Assets

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Accrued interest and revenue | 7,884,644 | 9,879,893 |
| Prepaid expenses | 1,079,518 | 1,958,727 |
| Assets seized by the Bank against due debts - net * | 83,253,775 | 84,736,553 |
| Assets seized by the Bank sold on installments - net | 3,860,517 | 1,625,766 |
| Refundable deposits | 1,120,991 | 462,906 |
| Clearing cheques | 30,216 | 1,396,495 |
| Purchase of time withdrawals and letters of credit - net | 34,858,358 | 9,289,702 |
| Other | 2,367,243 | 1,738,549 |
| Total | 134,455,262 | 111,088,591 |

Disclosure on the distribution of total time withdrawals and purchased letters of credit based on the bank's internal credit rating:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| Item | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| 5,5 | 24,586,945 | - | - | 24,586,945 | 1,769,664 |
| 6 | - | - | - | - | 677,936 |
| 7 | 6,968,473 | - | - | 6,968,473 | - |
| 8 | 3,548,509 | - | - | 3,548,509 | 3,315,984 |
| Not rated | - | - | - | - | 3,539,613 |
| Total | 35,103,927 | - | - | 35,103,927 | 9,303,197 |

- Movement on the balances of time withdrawals and letters of credit:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) Individual | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 9,303,197 | - | - | 9,303,197 | 7,322,174 |
| New balances during the year | 35,103,927 | - | - | 35,103,927 | 7,533,533 |
| Paid balances | (9,303,197) | - | - | (9,303,197) | (5,552,510) |
| Total | 35,103,927 | - | - | 35,103,927 | 9,303,197 |

- Movement on impairment provision of time withdrawals and purchased letters of credit:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 13,495 | - | - | 13,495 | - |
| Impact of the implementation of IFRS (9) | - | - | - | - | 10,660 |
| Balance at the beginning of the year | 13,495 | - | - | 13,495 | 10,660 |
| New balances during the year | 245,569 | - | - | 245,569 | 10,919 |
| Paid balances | (13,495) | - | - | (13,495) | (8,084) |
| Balance at the end of the year | 245,569 | - | - | 245,569 | 13,495 |

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

** The movement summary on assets seized by the Bank against due debts during the year is as follows:

| | 31 December 2019 | | | 31 December 2018 |
|---|---|---|---|---|
| | Seized Properties | Seized Assets Shares | Total | Total |
| | JD | JD | JD | JD |
| Balance at beginning of the year, net | 84,152,208 | 584,345 | 84,736,553 | 84,318,625 |
| Additions during the year | 3,571,616 | - | 3,571,616 | 3,092,102 |
| Disposals during the year | (524,143) | - | (524,143) | (2,399,674) |
| Transfers | (3,305,393) | - | (3,305,393) | 267,955 |
| Impairment effect for the year | (1,494,164) | 269,306 | (1,224,858) | (542,455) |
| Balance at the end of the year | 82,400,124 | 853,651 | 83,253,775 | 84,736,553 |

***Additional provisions were recorded during the year by about JD 459K.

- The movement on impairment loss on assets seized by the Bank against due debts during the year is as follows:

| | 31 December 2019 | | | 31 December 2018 |
|---|---|---|---|---|
| | Seized Properties | Seized Assets Shares | Total | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 4,685,051 | 247,826 | 4,932,877 | 4,840,504 |
| Booked provision during the year | 1,502,100 | 272,038 | 1,774,138 | (10,824) |
| Properties sold on installments during the year | - | - | - | (14,842) |
| Transfers | - | - | - | 118,039 |
| Utilized from provision during the year | (7,936) | - | (7,936) | - |
| Unrealized loss from seized assets shares | - | (541,344) | (541,344) | 450,082 |
| Balance at the end of the year | 6,179,215 | (21,480) | 6,157,735 | 5,382,959 |

* According to the Central Bank of Jordan's instructions, properties and shares seized by the Bank against past-due customer debts should be disposed of within two years from their acquisition date. For exceptional cases, the Central Bank of Jordan may extend this period for two additional years.

- There is an impairment loss of around JD 7.9 million against seized assets as of 31 December 2018. Pursuant to Letter No. 10/1/43 dated 31 December 2018, the Central Bank of Jordan approved to allocate the impairment amount over five years in equal amounts starting from the year 2019 as the value of deferred provisions as at 31 December 2019 amounted to JD 6.3 million.

## (13) Banks and Financial Institutions Deposits

| | 31 December 2019 | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | Inside Kingdom | Outside Kingdom | Total | Inside Kingdom | Outside Kingdom | Total |
| | JD | JD | JD | JD | JD | JD |
| Current and call accounts | - | 5,002,997 | 5,002,997 | - | 5,084,678 | 5,084,678 |
| Term deposits | 71,129,750 | 11,254,000 | 82,383,750 | 87,616,576 | 24,603,500 | 112,220,076 |
| Total | 71,129,750 | 16,256,997 | 87,386,747 | 87,616,576 | 29,688,178 | 117,304,754 |

Banks' deposits maturing within a period of more than three months amounted to JD 60,000,000 as of 31 December 2019 (JD 66,499,947 as of 31 December 2018).

## (14) Customers' Deposits

| | 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | | Companies | | | |
| | Retail | Corporate | Small and Medium | Government and Public Sector | Total |
| | JD | JD | JD | JD | JD |
| Current and call accounts | 35,804,556 | 25,077,496 | 34,349,564 | 6,261,469 | 101,493,085 |
| Savings deposits | 163,566,847 | 90,636 | 3,093,229 | 180,138 | 166,930,850 |
| Certificates of deposit | 33,911,016 | - | 12,000 | - | 33,923,016 |
| Term deposits subject to notice | 318,358,531 | 79,943,535 | 75,322,721 | 60,726,655 | 534,351,442 |
| Total | 551,640,950 | 105,111,667 | 112,777,514 | 67,168,262 | 836,698,393 |

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | | Companies | | | |
| | Retail | Corporate | Small and Medium | Government and Public Sector | Total |
| | JD | JD | JD | JD | JD |
| Current and call accounts | 46,196,233 | 19,613,434 | 40,483,360 | 14,980,392 | 121,273,419 |
| Savings deposits | 152,696,750 | 1,158,606 | 466,116 | 882,200 | 155,203,672 |
| Certificates of deposit | 34,418,009 | - | 16,000 | - | 34,434,009 |
| Term deposits subject to notice | 309,911,416 | 98,662,774 | 83,422,699 | 90,317,299 | 582,314,188 |
| Total | 543,222,408 | 119,434,814 | 124,388,175 | 106,179,891 | 893,225,288 |

- The Government of Jordan's and the public sector's deposits inside the Kingdom amounted to JD 67,168,262, equivalent to 8.03% of total deposits as of 31 December 2019 (JD 78,922,919 equivalent to 8.8% of total deposits as of 31 December 2018).

- Non-interest-bearing deposits amounted to JD 98,042,179, equivalent to 11.7% of total deposits as of 31 December 2019 (JD 120,620,900 equivalent to 13.5 % of total deposits as of 31 December 2018).

- Reserved deposits (restricted withdrawals) amounted to JD 8,642,400 equivalent to 1.03% of total deposits as of 31 December 2019 (JD 11,103,462 equivalent to 1.2% of total deposits as of 31 December 2018).

- Dormant deposits amounted to JD 6,134,468 as of 31 December 2019 (JD 10,361,366 as of 31 December 2018).

## (15) Cash Margins

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Cash margins on direct credit facilities | 37,675,432 | 66,781,807 |
| Cash margins on indirect credit facilities | 18,372,477 | 16,671,068 |
| Marginal cash deals | 524,306 | 964,452 |
| Total | 56,572,215 | 84,417,327 |

## (16) Borrowed Funds

The Borrows Funds' balance amounted to JD 15,402,088 as of 31 December 2019 and JD 12,039,664 as of 31 December 2018. The interest rates ranged between 3% and 10 % as of 31 December 2019 and similarly on 21 December 2018.

| 31 December 2019 | Amount | Utilized | Number of Installments | Guarantees | Interest Rate |
|---|---|---|---|---|---|
| | JD | JD | | | |
| Loan from the World Bank through the Central Bank of Jordan | 2,000,000 | 1,600,000 | 20 years, including a 5-year grace period; to be settled in semi-annual installments | - | 2.5% |
| Loan from the Arab Monetary Fund via Central Bank of Jordan | 2,100,000 | 1,365,000 | 10 years, including a 3 -year grace period; to be settled in semi-annual installments | - | 2.5% |
| Advances from the Central Bank of Jordan | 12,363,959 | 12,363,959 | 2 years; to be settled in semi-annual installments | - | 2.25% |
| Jordan Mortgage Refinance Company | 10,000,000 | 10,000,000 | Bullet payment dated 21/9/2021 | Transfer of property mortgage | 6.6% |
| Jordan Mortgage Refinance Company | 10,000,000 | 10,000,000 | Bullet payment dated 16/6/2021 | Transfer of property mortgage | 6.35% |
| Jordan Mortgage Refinance Company | 10,000,000 | 10,000,000 | Bullet payment dated 5/2/2024 | Transfer of property mortgage | 6.8% |
| International Fund for Agricultural Development through the Central Bank of Jordan | 750,000 | 754,623 | 18 years, including a 3-year grace period; to be settled in semi-annual installments | - | 2.35% |
| The Central Bank of Jordan against mortgaged bonds / repurchase agreement | - | 50,000,000 | Bullet payment dated 6/2/2019 | Bonds mortgage | 4.75% |
| Total | | 96,083,582 | | | |

| 31 December 2018 | Amount | Utilized | Number of Installments | Guarantees | Interest Rate |
|---|---|---|---|---|---|
| | JD | JD | | | |
| Loan from the World Bank through the Central Bank of Jordan | 2,000,000 | 1,800,000 | 20 years, including a 5-year grace period; to be settled in semi-annual installments | - | 2.5% |
| Loan from the Arab Monetary Fund through the Central Bank of Jordan | 2,100,000 | 1,659,000 | 10 years, including a 3 -year grace period; to be settled in semi-annual installments | - | 2.5% |
| Advances from the Central Bank of Jordan | 9,565,824 | 9,565,824 | 2 years; to be settled in semi-annual installments | - | 2.25% |
| Jordan Mortgage Refinance Company | 10,000,000 | 10,000,000 | One payment dated 21/9/2021 | Transfer of property mortgage | 6.6% |
| Jordan Mortgage Refinance Company | 10,000,000 | 10,000,000 | One payment dated 16/6/2021 | Transfer of property mortgage | 6.35% |
| International Fund for Agricultural Development through the Central Bank of Jordan | 750,000 | 457,049 | 18 years, including a 3-year grace period; to be settled in semi-annual installments | - | 2.35% |
| The Central Bank of Jordan against mortgaged bonds / repurchase agreement | - | 50,000,000 | One payment dated 6/2/2019 | Bonds mortgage | 4.5% |
| Total | | 83,481,873 | | | |

- The re-borrowed loans amounted to 15,402,088 as of 31 December 2019 (JD 12,039,664 as of 31 December 2018) with an interest rate ranging 3% up to 10% as of 31 December 2019 (an interest rate ranging 3% up to 10% as of 31 December 2018).

## (17) Income Tax

### a. Income tax provision

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

| | For the year ended 31 December | |
|---|---|---|
| | 2019 | 2018 |
| | JD | JD |
| Balance at the beginning of the year | 745,548 | 3,145,154 |
| Income tax incurred | 518,012 | 670,919 |
| Income tax paid - Palestine branches | - | (187,755) |
| Income tax paid - Jordan branches | (518,012) | (2,882,770) |
| Surplus in provision reversed to income – Palestine branches | (745,548) | - |
| Balance at the end of the year | - | 745,548 |

**b. Income tax expense**

Income tax expense shown in the statement of income represents the following:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Income tax incurred on current year profit - Jordan branches | 518,012 | 17,112 |
| Income tax incurred on prior years profit - Jordan branches | - | 453,807 |
| Impact of deferred tax assets | 1,616,180 | 609,652 |
| Impact of deferred tax liabilities | 36,281 | 14,107 |
| Total | 2,170,473 | 1,094,678 |

**c. Tax status**

The Bank has reached a final settlement with the Income and Sales Tax Department for Jordan branches until the end of the year 2016.

Regarding the year 2017, the income tax return was submitted within the legal period and it was reviewed by the Income and Sales Tax Department. A decision was made that required the Bank to pay a tax difference for the year 2017 by an amount of JD 1.9 million and the Bank has appealed the decision. Regarding the year 2018, the income tax return was submitted within the legal period, but it has not been reviewed yet.

In the opinion of the Bank's management and legal and tax advisors, no liabilities in excess of the provision booked and the advance payments made by the Bank will arise as of the date of the financial statements

## d. Deferred tax assets and liabilities

| | 2019 | | | | | 2018 |
|---|---|---|---|---|---|---|
| | Balance at the beginning of the year | Additions | Released | Balance at the end of the year | Deferred Tax | Deferred Tax |
| **a. Deferred Tax Assets** | JD | JD | JD | JD | JD | JD |
| Provision for doubtful debts before the year 2000 | 249,829 | - | 1,893 | 247,936 | 94,217 | 94,935 |
| Provision for impairment in seized properties | 1,998,547 | 1,956,882 | 33,584 | 3,921,845 | 1,490,301 | 759,448 |
| Provision for properties seized for more than four years | 3,031,904 | - | 152,911 | 2,878,993 | 1,094,017 | 1,152,124 |
| Provision for seized shares in violation | 247,827 | 272,038 | - | 519,865 | 197,549 | 94,174 |
| Impairment loss on shares seized against debts | 1,190,491 | - | 541,344 | 649,147 | 246,676 | 452,387 |
| Provision for lawsuits against the Bank | 141,178 | 401,848 | 174,458 | 368,568 | 140,056 | 53,648 |
| Provision for end-of-service indemnity | 15,628 | 2,046 | 15,618 | 2,056 | 781 | 5,939 |
| Provision for suspended legal fees and expense | 1,979,422 | 402,800 | 24,207 | 2,358,015 | 896,046 | 752,180 |
| Fair value reserve * | 2,646,272 | 162,600 | - | 2,808,872 | 1,067,371 | 1,005,583 |
| Provision for employees' bonuses | 600,350 | - | 600,350 | - | - | 228,133 |
| Other provisions | 1,375,065 | - | - | 1,375,065 | 522,525 | 522,525 |
| Expected credit loss on balances and deposits in local banks | 66,006 | 11,989 | - | 77,995 | 29,638 | 25,082 |
| Expected credit loss on balances and deposits in foreign banks | 49,647 | - | 48,970 | 677 | 257 | 18,866 |
| Expected credit loss on financial assets at amortized cost | 60,711 | 446,351 | - | 507,062 | 192,684 | 23,070 |
| Expected credit loss on direct credit facilities | 16,354,653 | - | 8,264,004 | 8,090,649 | 3,074,447 | 6,214,768 |
| Expected credit loss on indirect credit facilities | 5,348,597 | - | 1,374,812 | 3,973,785 | 1,510,038 | 2,032,467 |
| Expected credit loss on un-utilized limits of credit facilities / direct | 675,623 | - | 278,815 | 396,808 | 150,787 | 256,737 |
| Expected credit loss on un-utilized limits of credit facilities / indirect | 449,293 | - | 176,658 | 272,635 | 103,601 | 170,731 |
| Expected credit loss on purchase of time withdrawals and letters of credit | 13,495 | 232,074 | - | 245,569 | 93,316 | 5,127 |
| Provision for losses on sale of Palestine branches | - | 3,708,487 | - | 3,708,487 | 1,409,225 | - |
| Total | 36,494,538 | 7,597,115 | 11,687,624 | 32,404,029 | 12,313,532 | 13,867,924 |
| **b. Deferred tax liabilities** | | | | | | |
| Unrealized gains on the share's portfolio at fair value through profit or loss | 37,123 | 95,478 | - | 132,601 | 50,388 | 14,107 |
| | 37,123 | 95,478 | - | 132,601 | 50,388 | 14,107 |

- The deferred tax benefits mentioned above represent deferred tax benefits for Jordan branches only, as there are no deferred tax benefits for the Bank's branches in Palestine.

* Deferred tax assets resulting from valuation loss of financial assets at fair value through other comprehensive income appear within the valuation reserve for financial assets at fair value in the owners' equity statement.

The movement on deferred tax assets during the year was as follows:

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Assets | Assets | Liabilities | Liabilities |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 13,867,924 | 4,032,827 | 14,107 | - |
| Deferred tax assets impact due to IFRS (9) implementation | - | 10,093,909 | - | - |
| Adjusted balance at the beginning of the year | 13,867,924 | 14,126,736 | 14,107 | - |
| Additions during the year | 2,886,904 | 1,972,283 | 36,281 | 14,107 |
| Disposals during the year | (4,441,296) | (3,441,958) | - | - |
| Addition due to tax rate adjustment | - | 1,210,863 | - | - |
| Balance at the end of the year | 12,313,532 | 13,867,924 | 50,388 | 14,107 |

Deferred tax assets for Jordan branches have been calculated using a tax rate of 38% as of 31 December 2018 and 2018 in accordance to the income tax rate for banks as per the Income Tax Law No (38) for the year 2018, effective beginning on 1 January 2019.

e. Summary of reconciliation between declared income and taxable Income:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Declared income – statement (B) | 7,457,546 | 5,823,800 |
| Add: Non-deductible tax expenses | 8,784,996 | 15,897,673 |
| Less: Exempted tax income | (14,971,929) | (21,721,473) |
| Adjusted taxable income | 1,270,613 | - |
| | | |
| Income tax rates: | 38% | 35% |

## (18) Sundry Provisions

The details of this item are as follows:

| 2019 | Balance at the beginning of the year | Expense for the year | Paid during the year | Transferred to liabilities linked to assets held for sale | Balance at the end of the year |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Provision for lawsuits against the Bank | 146,472 | 401,848 | (176,906) | (2,846) | 368,568 |
| Provision for end-of-service indemnity | 777,794 | 255,115 | (173,193) | (857,660) | 2,056 |
| Other provisions | 1,000,000 | - | - | - | 1,000,000 |
| Total | 1,924,266 | 656,963 | (350,099) | (860,506) | 1,370,624 |

| 2018 | Balance at the beginning of the year | Expense for the year | Paid during the year | Balance at the end of the year |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Provision for lawsuits against the Bank | 110,838 | 45,364 | (9,730) | 146,472 |
| Provision for end-of-service indemnity | 780,049 | 245,709 | (247,964) | 777,794 |
| Other provisions | - | 1,000,000 | - | 1,000,000 |
| Total | 890,887 | 1,291,073 | (257,694) | 1,924,266 |

## (19) Other Liabilities

The details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Acceptable checks | 7,162,304 | 6,163,241 |
| Accrued interest | 8,479,402 | 8,739,300 |
| Refundable and various deposits | 2,781,827 | 2,998,540 |
| Safe deposits boxes | 88,429 | 101,485 |
| Shareholders' deposits | 15,759 | 15,759 |
| Income tax and social security deposits | 394,461 | 363,643 |
| Accrued expenses | 574,678 | 2,055,592 |
| Transactions in transit among branches | 1,124,725 | 491,172 |
| Board of Directors' remunerations | 56,250 | 55,000 |
| Received amounts on the sale of land and real estate* | 13,049,944 | 10,563,174 |
| Inward remittance | 203,704 | (125) |
| Expected credit loss on indirect facilities and un-utilized limits** | 4,643,231 | 6,570,764 |
| Other | 595,894 | 294,897 |
| Total | 39,170,608 | 38,412,442 |

* The movement on this item during the year was as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | 10,563,174 | 8,530,135 |
| Received amounts | 3,981,770 | 2,386,718 |
| Disposals | (1,495,000) | (353,679) |
| Balance at the end of the year | 13,049,944 | 10,563,174 |

** Below is the movement on indirect facilities (collectively) as of year-end:

| | Stage (1) | | Stage (2) | | | |
|---|---|---|---|---|---|---|
| | Collective | Individual | Collective | Individual | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | - | 303,535,118 | - | 22,553,969 | 6,985,922 | 333,075,009 |
| New exposures during the period | - | 49,413,463 | - | 17,750,069 | 80,888 | 67,244,420 |
| Matured exposures | - | (25,273,015) | - | (2,536,912) | (125,427) | (27,935,354) |
| Transferred to stage (1) | - | 7,651,046 | - | (7,349,601) | (301,445) | - |
| Transferred to stage (2) | - | (81,308,326) | - | 81,343,670 | (35,344) | - |
| Transferred to stage (3) | - | (4,056,572) | - | (234,050) | 4,290,622 | - |
| Changes resulting from adjustments | - | (10,455,446) | - | (3,000,088) | (1,540,040) | (14,995,574) |
| Liabilities associated with assets held for sale | - | (10,350,444) | - | - | - | (10,350,444) |
| Balance at the end of the year | - | 229,155,824 | - | 108,527,057 | 9,355,176 | 347,038,057 |

** Below is the movement on the expected credit loss for indirect facilities (collectively and individually) during the year:

| | Stage (1) | | Stage (2) | | | |
|---|---|---|---|---|---|---|
| | Collective | Individual | Collective | Individual | Stage (3) | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | - | 2,427,037 | - | 514,673 | 3,629,054 | 6,570,764 |
| Impairment loss on new exposures during the year | - | 135,863 | - | 38,201 | 44,485 | 218,549 |
| Reversed impairment loss on matured exposures | - | (236,649) | - | (156,336) | (29,635) | (422,620) |
| Transferred to stage (1) | - | 7,760 | - | (7,415) | (345) | - |
| Transferred to stage (2) | - | (1,010,988) | - | 1,011,001 | (13) | - |
| Transferred to stage (3) | - | (53,893) | - | (2,279) | 56,172 | - |
| Effect on provision as of the end of the year due to reclassification between the stages during the year | - | - | - | (216,629) | 976,932 | 760,303 |
| Changes resulting from adjustments | - | (379,838) | - | (147,706) | (1,858,326) | (2,385,870) |
| Liabilities associated with assets held for sale | - | (97,798) | - | (97) | - | (97,895) |
| Balance at the end of the year | - | 791,494 | - | 1,033,413 | 2,818,324 | 4,643,231 |

** Below is the disclosure of the total guarantees according to the Bank's credit rating categories:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| Internal Credit Rating | Stage (1) Collective | Stage (2) Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| 3.5 | - | - | - | - | 100,000 |
| 4 | - | - | - | - | 1,333,231 |
| 4.5 | 231,163 | - | - | 231,163 | 365,630 |
| 5 | 2,433,082 | 1,827,874 | 582,000 | 4,842,956 | 6,804,950 |
| 5.5 | 60,788,931 | 8,663,604 | 5,650,792 | 75,103,327 | 51,649,219 |
| 6 | 22,207,380 | 9,649,910 | 7,786 | 31,865,076 | 23,047,892 |
| 6.5 | 6,359,019 | 1,890,044 | - | 8,249,063 | 5,405,287 |
| 7 | 13,410,467 | 1,631,707 | - | 15,042,174 | 18,901,867 |
| 7.5 | 7,724,516 | 980,920 | - | 8,705,436 | 13,484,456 |
| 8 | 522,492 | 121,878 | 658,793 | 1,303,163 | 8,665,598 |
| 8.5 | 306,719 | 2,200,223 | 163,550 | 2,670,492 | 11,655,700 |
| 9 | - | 244,346 | 40,000 | 284,346 | 543,948 |
| 9.5 | - | 10,000 | - | 10,000 | 107,256 |
| Not rated | - | - | - | - | 7,899,821 |
| Total | 113,983,769 | 27,220,506 | 7,102,921 | 148,307,196 | 149,964,855 |

Below is the movement on guarantees as of the end of the year:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage (1) Collective | Stage (2) Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 133,628,904 | 9,350,029 | 6,985,922 | 149,964,855 | 156,578,864 |
| New exposures during the year | 13,561,754 | 121,849 | - | 13,683,603 | 7,554,789 |
| Matured exposures | (4,046,407) | (1,900,812) | (125,427) | (6,072,646) | (4,190,629) |
| Transferred to stage 1 | 2,489,259 | (2,187,814) | (301,445) | - | - |
| Transferred to stage 2 | (21,735,750) | 21,771,094 | (35,344) | - | - |
| Transferred to stage 3 | (1,885,205) | (234,050) | 2,119,255 | - | - |
| Changes resulting from adjustments | (3,915,031) | 300,210 | (1,540,040) | (5,154,861) | (9,978,169) |
| Liabilities associated with assets held for sale | (4,113,755) | - | - | (4,113,755) | - |
| Balance at the end of the year | 113,983,769 | 27,220,506 | 7,102,921 | 148,307,196 | 149,964,855 |

- Below is the movement on the provision of the expected credit losses for guarantees as of year-end:

| | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total | 2018 Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 1,071,958 | 384,310 | 3,629,054 | 5,085,322 | - |
| Impact of implementing IFRS (9) | - | - | - | - | 8,936,655 |
| Adjusted balance at the beginning of the year | 1,071,958 | 384,310 | 3,629,054 | 5,085,322 | 8,936,655 |
| Impairment loss on new exposures during the year | 49,982 | 250 | - | 50,232 | 37,789 |
| Reversed impairment loss on matured exposures | (136,779) | (141,034) | (29,635) | (307,448) | (86,655) |
| Transferred to stage (1) | 2,170 | (1,824) | (346) | - | - |
| Transferred to stage (2) | (365,686) | 365,699 | (13) | - | - |
| Transferred to stage (3) | (35,167) | (2,279) | 37,446 | - | - |
| Effect on the provision due to reclassification between the stages during the year | - | (259,735) | 785,381 | 525,646 | 922,116 |
| Changes resulting from adjustments | (79,474) | (102,749) | (1,858,326) | (2,040,549) | (4,724,583) |
| Liabilities associated with assets held for sale | (60,453) | (97) | - | (60,550) | - |
| Balance at the end of the year | 446,551 | 242,541 | 2,563,561 | 3,252,653 | 5,085,322 |

- Below is the disclosure on the total distribution of letters of credit and acceptances according to the Bank's internal credit rating categories:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| Internal Credit Rating | Stage (1) Individual | Stage (2) Individual | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| 4 | - | - | - | - | 69,442 |
| 5 | 2,086,425 | - | - | 2,086,425 | 139,104 |
| 5.5 | 39,979,588 | 285,772 | - | 40,265,360 | 20,723,785 |
| 6 | 41,029 | 3,793,210 | - | 3,834,239 | 11,029,771 |
| 6.5 | 70,146 | 5,205,257 | - | 5,275,403 | 1,475,861 |
| 7 | - | 7,846,454 | - | 7,846,454 | 4,665,483 |
| 7.5 | 306,138 | - | - | 306,138 | 2,384,727 |
| 8 | - | 11,378,741 | - | 11,378,741 | 7,336,032 |
| 8.5 | - | 1,180,776 | - | 1,180,776 | - |
| 9 | - | - | - | - | 196,598 |
| 10 | - | - | 80,888 | 80,888 | - |
| Not rated | 626,058 | - | - | 626,058 | - |
| Total | 43,109,384 | 29,690,210 | 80,888 | 72,880,482 | 48,020,803 |

- The movement on letters of credit and acceptances as at the end of the year was as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage (1) Collective | Stage (2) Individual | Stage (3) - | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 48,020,803 | - | - | 48,020,803 | 58,360,880 |
| New exposures during the year | 29,304,272 | 945,327 | 80,888 | 30,330,487 | 14,709,033 |
| Paid credit facilities | (16,183,532) | - | - | (16,183,532) | (21,104,538) |
| Transfer to stage (1) | - | - | - | - | - |
| Transfer to stage (2) | (28,744,883) | 28,744,883 | - | - | - |
| Transfer to stage (3) | - | - | - | - | - |
| Changes resulting from adjustments | 11,349,064 | - | - | 11,349,064 | (3,944,572) |
| Liabilities associated with assets held for sale | (636,340) | - | - | (636,340) | - |
| Balance at the end of the year | 43,109,384 | 29,690,210 | 80,888 | 72,880,482 | 48,020,803 |

- The movement on the provision for expected credit loss for letters of credit and acceptances as at year-end was as follows:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage (1) Collective | Stage (2) Individual | Stage (3) - | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 326,200 | - | - | 326,200 | - |
| Impact of implementing IFRS (9) | - | - | - | - | 428,871 |
| Balance at the beginning of the year | 326,200 | - | - | 326,200 | 428,871 |
| Credit losses on new exposures during the year | 75,161 | 3,350 | 44,488 | 122,999 | 105,082 |
| Credit loss on paid exposures | (72,973) | - | - | (72,973) | (100,552) |
| Transferred to stage (1) | - | - | - | - | - |
| Transferred to stage (2) | (224,439) | 224,439 | - | - | - |
| Transferred to stage (3) | - | - | - | - | - |
| Effect on the provision resulting from the reclassification between the three stages | - | 340,385 | - | 340,385 | - |
| Changes resulting from adjustments | 5,516 | - | - | 5,516 | (107,201) |
| Liabilities associated with assets held for sale | (992) | - | - | (992) | - |
| Balance at the end of the year | 108,473 | 568,174 | 44,488 | 721,135 | 326,200 |

- Disclosure on the total distribution of unused facilities limits according to the Bank's internal credit rating categories:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage (1) | Stage (2) | Stage (3) | | |
| Internal Credit Rating | Collective | Individual | - | Total | Total |
| | JD | JD | JD | JD | JD |
| 3 | - | - | - | - | 85,992 |
| 3.5 | 603,715 | - | - | 603,715 | 1,601,169 |
| 4 | - | - | - | - | 2,271,689 |
| 4.5 | 74,745 | - | - | 74,745 | 71,870 |
| 5 | 6,279,888 | 1,583,667 | - | 7,863,555 | 7,463,774 |
| 5.5 | 8,937,717 | 8,249,950 | - | 17,187,667 | 37,669,460 |
| 6 | 24,413,784 | 30,265,821 | - | 54,679,605 | 35,103,254 |
| 6.5 | 5,298,437 | 3,280,674 | - | 8,579,111 | 4,889,272 |
| 7 | 5,320,132 | 1,601,858 | - | 6,921,990 | 6,423,481 |
| 7.5 | 4,342,637 | 2,540,829 | - | 6,883,466 | 13,343,963 |
| 8 | 6,429,815 | 3,028,192 | 885,330 | 10,343,337 | 6,521,087 |
| 8.5 | 1,367,455 | 1,061,248 | - | 2,428,703 | 19,434,664 |
| 9 | - | - | - | - | 209,561 |
| 9.5 | - | 4,101 | - | 4,101 | 115 |
| 10 | - | - | 1,286,037 | 1,286,037 | - |
| Not rated | 8,994,347 | - | - | 8,994,347 | - |
| **Total** | **72,062,672** | **51,616,340** | **2,171,367** | **125,850,379** | **135,089,351** |

- Below is the movement on un-utilized limit facilities:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage (1) | Stage (2) | Stage (3) | | |
| | Collective | Individual | - | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 121,885,411 | 13,203,940 | - | 135,089,351 | 143,352,343 |
| New exposures during the year | 6,547,437 | 16,682,892 | - | 23,230,329 | 25,344,344 |
| Matured exposures | (5,043,075) | (636,100) | - | (5,679,175) | (8,729,669) |
| Transferred to stage (1) | 5,161,787 | (5,161,787) | - | - | - |
| Transferred to stage (2) | (30,827,693) | 30,827,693 | - | - | - |
| Transferred to stage (3) | (2,171,367) | - | 2,171,367 | - | - |
| Changes resulting from adjustments | (17,889,479) | (3,300,298) | - | (21,189,777) | (24,877,667) |
| Liabilities associated with assets held for sale | (5,600,349) | - | - | (5,600,349) | - |
| **Balance at the end of the year** | **72,062,672** | **51,616,340** | **2,171,367** | **125,850,379** | **135,089,351** |

- Below is the movement on the provision of expected credit losses of un-utilized facilities:

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Stage (1) Individual | Stage (2) Individual | Stage (3) - | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 1,028,879 | 130,363 | - | 1,159,242 | - |
| Impact of implementing IFRS 9 | - | - | - | - | 973,042 |
| Balance at the beginning of the year | 1,028,879 | 130,363 | - | 1,159,242 | 973,042 |
| Impairment loss on new exposures during the year | 10,718 | 34,601 | - | 45,319 | 320,189 |
| Reversed impairment loss on matured exposures | (26,897) | (15,302) | - | (42,199) | (39,640) |
| Transferred to stage (1) | 5,591 | (5,591) | - | - | - |
| Transferred to stage (2) | (420,863) | 420,863 | - | - | - |
| Transferred to stage (3) | (18,726) | - | 18,726 | - | - |
| Effect on provision due to reclassification between the stages during the year | - | (297,279) | 191,550 | (105,729) | 48,311 |
| Changes resulting from adjustments | (305,880) | (44,957) | - | (350,837) | (142,660) |
| Liabilities associated with assets held for sale | (36,353) | - | - | (36,353) | - |
| Balance at the end of the year | 236,469 | 222,698 | 210,276 | 669,443 | 1,159,242 |

## (20) Authorized and Paid-up Capital

In its extraordinary meeting held on April 30, 2017, the Bank's General Assembly decided to approve the capital increase of JD/share 7,125,000. Accordingly, the Bank's authorized and paid-up capital would become JD/share 120,000,000 through capitalizing part of retained earnings and distributing the amount free of charge to the shareholders. The procedures for the increase in paid-up capital were completed at the Companies Control Department in Jordan on June 7, 2017, whereby authorized and paid-up capital has become JD/share 120,000,000 as of 31 December 2017.

## (21) Reserves

### a. Statutory Reserve

This account represents the accumulated amount of the appropriations from income before tax at 10% during the year and previous years according to the Banks Law and Jordanian Companies Law. This amount is not distributable to the shareholders.

### b. General Banking Risks Reserve

This reserve represents the general banking risks reserve in accordance with the regulations of the Central Bank of Jordan and the Palestinian Monetary Authority.

The following represents the general banking risks reserve according to the Banks' branches:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Jordan branches | - | - |
| Palestine branches* | 548,693 | - |
| Total | 548,693 | - |

* The Palestinian Monetary Authority's instructions require that if the required general risk reserve exceeds the expected credit losses for related to stage (1) and (2), then the excess amount remains in general risks reserve account in equity and is not to be used.

**C. Cyclicality Reserve**

This item represents the cyclicality fluctuations reserve calculated in accordance with the regulations of the Palestinian Monetary Authority at 0-2.5% of as determined by the Authority of risk weighted average assets for the Palestine branches to enhance the Bank's capital in Palestinian to reduce the risk of fluctuations in business cycles and credit granting. The cyclicality fluctuation reserve may not be used or reduced without obtaining the pre-approval of the Palestinian Monetary Authority.

Restricted reserves as of the financial statements date are as follows:

| Reserve Name | 31 December 2019 | 31 December 2018 | Restriction Nature |
|---|---|---|---|
| | JD | JD | |
| Statutory reserve | 15,460,318 | 14,714,563 | Restricted according to the banks law and companies' law |
| Cyclicality reserve | 3,538,675 | 2,597,047 | Palestinian Monetary authority's requirements |
| General banking risks reserve | 548,693 | - | Palestinian Monetary authority's requirements |

## (22) Fair Value Reserve - Net

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | (2,053,183) | (1,504,051) |
| Unrealized (losses) | (158,223) | (552,104) |
| Released from selling financial assets at fair value through other comprehensive income | - | 2,972 |
| Balance at the end of the year | (2,211,406) | (2,053,183) |

- Fair value reserve balance includes JD 311,112 as of 31 December 2019 and 2018 against implementation of International Financial Reporting Standard No. (9).

## (23) Retained Earnings (Accumulated Losses)

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | (1,214,496) | 8,125,824 |
| Impact of implementing IFRS 9 (impairment) | - | (30,065,991) |
| Deferred tax assets calculated due to the implementation of IFRS 9 relating to impairment | - | 10,093,909 |
| Transfer from the banking general risk reserve due to IFRS 9 implementation | - | 7,002,848 |
| Adjusted balance at the beginning of the year | (1,214,496) | (4,843,410) |
| Profit for the year – statement (B) | 5,313,066 | 5,029,366 |
| (Transferred) to reserves | (2,236,076) | (1,395,632) |
| Realized (losses) from selling financial assets at fair value through other comprehensive income | - | (4,820) |
| Balance at the end of the year | 1,862,494 | (1,214,496) |

Retained earnings balance includes JD 11,625,433 as of 31 December 2019 of restricted amounts against deferred tax assets according to the Central Bank of Jordan's instructions.

Use of retained earnings balances equal to the negative cumulative change in fair value of financial assets is restricted (including JD 311,112 against the implementation of International Financial Reporting Standard N0. (9)) according to the instructions of the Jordan Securities Commission and the Central Bank of Jordan.

## (24) Interest Income

Details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Direct credit facilities: | JD | JD |
| Individuals (retail) | | |
| Overdraft accounts | 425,969 | 149,068 |
| Loans and promissory notes | 17,638,187 | 14,408,309 |
| Credit cards | 703,205 | 632,841 |
| Real - estate loans | 8,924,156 | 6,806,396 |
| Companies | | |
| Large | | |
| Overdraft accounts | 6,103,812 | 5,987,563 |
| Loans and promissory notes | 19,670,154 | 21,539,643 |
| Small and medium | | |
| Overdraft accounts | 2,363,721 | 1,854,553 |
| Loans and promissory notes | 2,763,707 | 3,299,584 |
| Government and public sector | 1,764,749 | 1,502,159 |
| Balances at central banks | 888,665 | 591,318 |
| Balances and deposits at banks and financial institutions | 741,907 | 384,321 |
| Financial assets at amortized cost | 12,912,950 | 16,725,016 |
| Others | 71,209 | 4,457 |
| **Total** | 74,972,391 | 73,885,228 |

## (25) Interest Expense

Details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| **Deposits at banks and financial institutions** | 4,312,026 | 5,210,965 |
| **Customers' deposits** | | |
| Current and call accounts | 476,750 | 462,685 |
| Saving accounts | 1,464,536 | 1,825,530 |
| Certificates of deposit | 28,043,646 | 28,778,310 |
| Time and notice deposits | 1,757,858 | 1,851,043 |
| Cash margins | 2,287,948 | 2,867,037 |
| Borrowed funds | 4,328,321 | 1,446,997 |
| Deposit Insurance Corporation fees | 1,186,581 | 1,830,190 |
| Total | 43,857,666 | 44,272,757 |

## (26) Net Commission income

Details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Direct credit facilities commissions | 2,227,214 | 2,099,889 |
| Indirect credit facilities commissions | 3,560,987 | 3,119,765 |
| Total | 5,788,201 | 5,219,654 |

## (27) Foreign Exchange Income

Details of this item are as follows:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Resulted from trading/transactions | 659,984 | 549,126 |
| Resulted from valuation | 448,243 | 359,591 |
| Margin trading accounts | 21,625 | 103,610 |
| Total | 1,129,852 | 1,012,327 |

## (28) Gain (Loss) from Financial Assets at Fair Value through Profit or Loss

Details of this item are as follows:

| | Realized Losses | Unrealized Gains | Dividends | Total |
|---|---|---|---|---|
| 2019 | JD | JD | JD | JD |
| Companies' quoted shares in active markets | (420) | 91,316 | 290 | 91,186 |

| | Realized Gain | Unrealized Gains | Dividends | Total |
|---|---|---|---|---|
| 2018 | JD | JD | JD | JD |
| Companies' quoted shares in active markets | 20,213 | 397,886 | - | 418,099 |

## (29) Other Income

Details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Income from credit cards, net | 138,147 | 98,313 |
| Safe boxes rent | 68,181 | 59,386 |
| Transfers income | 378,758 | 331,980 |
| Cheques income | 506,048 | 629,868 |
| Telecommunication income | 66,542 | 75,392 |
| Recovery of debts previously written-off * | 1,438,188 | 1,648,760 |
| Gain from selling property and equipment | 295,026 | 86,109 |
| Gain from seized properties | 14,108 | 17,307 |
| Income from account services | 890,107 | 844,549 |
| Income from reversal of miscellaneous provisions | 150,000 | - |
| Insurance income | 84,147 | 126,849 |
| Others | 190,831 | 502,600 |
| Total | 4,220,083 | 4,421,113 |

This item represents amounts recovered from written - off debts and suspended interest taken during the previous years off-the statement of financial position but recovered during the year ended 31 December 2019 and 2018.

## (30) Employees Expenses

Details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Salaries, allowances and employees' benefits | 11,642,178 | 11,669,734 |
| Bank's contribution in social security | 1,385,637 | 1,357,548 |
| Bank's contribution in saving fund | 9,523 | 8,423 |
| Medical expenses | 421,950 | 450,534 |
| Staff training expenses | 138,378 | 229,075 |
| Per diems | 112,770 | 165,412 |
| Employees' life insurance expenses | 30,746 | 27,550 |
| Uniforms | 23,345 | 28,106 |
| Total | 13,764,527 | 13,936,382 |

## (31) Provision for Expected Credit Loss, net

Details of this item are as follows:

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2019 | | | | 2018 |
| | Stage (1) | Stage (2) | Stage (3) | Total | Total |
| | JD | JD | JD | JD | JD |
| Balances and deposits at banks and financial intuitions | (36,981) | - | - | (36,981) | (107,293) |
| Direct credit facilities | 373,272 | (1,293,916) | 3,001,093 | 2,080,449 | 8,677,706 |
| Debt instruments within a portfolio of financial assets at amortized cost | 21,206 | - | 425,145 | 446,351 | (5,300) |
| Financial guarantees | (166,794) | (503,365) | (1,102,579) | (1,772,738) | (3,830,506) |
| Unutilized ceilings | (327,501) | (319,523) | 191,551 | (455,473) | 187,643 |
| Letters of credit | 9,705 | 343,735 | 44,488 | 397,928 | (88,081) |
| Purchased credits and withdrawals | 232,074 | - | - | 232,074 | 2,836 |
| Total | 104,981 | (1,773,069) | 2,559,698 | 891,610 | 4,837,005 |

## (32) Other Expense

Details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Rent | 1,338,735 | 1,087,688 |
| Stationery and publications | 497,985 | 467,189 |
| Water, electricity and telecommunication expenses | 1,312,413 | 1,293,052 |
| Legal and lawyer fees | 451,760 | 403,165 |
| Maintenance, repair and car expenses | 598,131 | 794,044 |
| Insurance expenses | 467,822 | 431,150 |
| Programs and computers maintenance | 1,433,188 | 1,158,275 |
| Board of Directors' transportation and attendance of meeting fees | 404,467 | 866,737 |
| Fees, licenses and taxes | 566,507 | 656,719 |
| Advertisements | 991,815 | 1,309,198 |
| Subscriptions | 754,184 | 473,781 |
| Professional and consultancy fees | 516,771 | 432,209 |
| Collection incentives | 18,853 | 28 |
| Donations and social responsibility | 313,780 | 312,790 |
| Cleaning and security services | 618,152 | 496,265 |
| Hospitality | 110,400 | 100,742 |
| Board of Directors' remunerations | 55,000 | 55,000 |
| Impairment loss on seized properties | - | 50,311 |
| Impairment loss on shares seized against debts | 1,415,538 | 1,936,282 |
| Money shipping expenses | 71,425 | 66,825 |
| Others | 123,897 | 333,425 |
| Total | 12,060,823 | 12,724,875 |

This item represents the recovery amount of properties provision according to the Central Bank of Jordan's instructions, which has been utilized against decreasing the amount of the impairment in the seized properties.

## (33) Earnings Per Share for the Bank's Shareholders

The details of this item are as follows:

| **Income for the year attributable to the Banks' shareholders - continued operations** | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Profit for the year – statement (B) | 10,609,758 | 6,139,627 |
| | Share | Share |
| Weighted average number of shares | 120,000,000 | 120,000,000 |
| | JD / Share | JD / Share |
| Earnings per share for the Banks' shareholders – basic and diluted | 0.088 | 0.051 |

| **Income for the year attributable to the Banks' shareholders - discontinued operations** | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Loss for the year – statement (B) | (5,296,692) | (1,110,261) |
| | Share | Share |
| Weighted average number of shares | 120,000,000 | 120,000,000 |
| | JD / Share | JD / Share |
| Earnings per share for the Banks' shareholders – basic and diluted | (0.044) | (0.009) |

| **Income for the year attributable to the Banks' shareholders** | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Profit for the year – statement (B) | 5,313,066 | 5,029,366 |
| | Share | Share |
| Weighted average number of shares | 120,000,000 | 120,000,000 |
| | JD / Share | JD / Share |
| Earnings per share for the Banks' shareholders – basic and diluted | 0.044 | 0.042 |

## (34) Cash and Cash Equivalents

| The details of this item are as follows: | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Balances at central banks due within three months | 71,264,135 | 91,872,118 |
| Add: Balances at banks and financial institutions due within three months | 36,642,539 | 61,995,613 |
| Less: Banks' and financial institutions' deposits due within three months | (27,386,747) | (50,804,807) |
| Total | 80,519,927 | 103,062,924 |

## (35) Transactions with Related Parties

The Bank entered into transactions with the members of the Board of Directors and related parties and companies represented by the members of the Board of Directors and executive management within the normal banking practice and according to the normal interest rates and trading commissions. All of the credit facilities granted to related parties are considered as performing facilities, and no impairment provision has been taken as of the date of the financial statements.

Financial statements include transactions and balances with related parties as follows:

| | | | | | Total | |
|---|---|---|---|---|---|---|
| | | | | | 31 December | |
| | BOD Members | Companies Represented by the BOD | Executive Managers | Others | 2019 | 2018 |
| | JD | JD | JD | JD | JD | JD |
| On- Statement of Financial Position Items: | | | | | | |
| Deposits | 34,868,342 | 4,146,102 | 719,691 | 138,969 | 39,873,104 | 13,845,772 |
| Direct credit facilities | 955,134 | 15,495,114 | 1,391,934 | 3,827,994 | 21,670,176 | 19,502,163 |
| Cash margins | 1,151,000 | 33,164 | - | 5,035 | 1,189,199 | 7,328,678 |
| Off- Statement of Financial Position Items: | | | | | | |
| Letters of guarantee | 10,000 | 940,468 | - | 374,850 | 1,325,318 | 529,948 |

| | | | | | Total | |
|---|---|---|---|---|---|---|
| | | | | | 2019 | 2018 |
| Income statement items: | JD | JD | JD | JD | JD | JD |
| Interest and commission income * | 83,139 | 877,743 | 77,514 | 37,159 | 1,075,555 | 1,132,711 |
| Interest and commission expense ** | 2,164,280 | 423,499 | 17,047 | - | 2,604,826 | 2,053,295 |

*Credit interest rate ranges from 4% to 11.75%.
**Debit interest rate ranges from 1% to 4.5%.

Executive management remunerations

Executive management's salaries and remunerations for the bank amounted to JD 2,675,623 for the year 2019 (JD 3,171,739 for the year 2018)

## (36) Fair Value of Financial Assets and Financial Liabilities not Shown at Fair Value in the Financial Statements

There are no significant differences between the carrying value and fair value of financial assets and financial liabilities at the end of the year 2019 and 2018.

## (37) Risk Management

The Bank's risk management conducts its activities (identification, measurement, management, monitoring and controlling) through applying the best international practices in connection with risk management, administrative organization, and risk management's tools in accordance with the size of the bank, its activities and types of risk it is exposed to.

The organizational structure of the Bank is integrated by risk management control according to each level. Moreover, the corporate Governance Committee, at the Board of Directors' level, decides on the Bank's risk policy and strategy, and ensures the management of risk. This is to ensure setting up and controlling the policies and instructions at an appropriate level for the types of risks the Bank is exposed to until the achievement of the acceptance return for the shareholders without Impacting the Bank's financial strength. In this context, the work of the Risk Management Department is complemented by the work of the committees of executive management such as the Assets and Liabilities Committee and the Credit Facilities' Committee.

### a. Credit Risk

The Bank's operations involve the Bank's exposure to many risks such as credit risk relating to the default or inability of the other party to the financial instrument to settle its obligations towards the bank, which causes losses. An important duty of the bank and its management is to ensure that these risks do not go beyond the general framework predetermined in the Bank's credit policy and maintain their levels within a balances relationship among risk, return and liquidity.

Credit management at the bank is conducted by several committees from higher management and executive management. Moreover, credit facilities ceiling that can be granted to one client (individual or corporate) or related parties are specified in compliance with the ratios approved by the Central Bank of Jordan, while relying on the credit facilities distribution method to each credit manager and sector. This is performed by taking into consideration the geographic area in a manner that achieves confluence among risks, returns and the optimal utilization of the available resources and the enhancement of the Bank's ability to diversify lending and allocate it to customers and economic sectors.

The Bank monitors credit risk by periodically evaluating the credit standing of the customers in accordance with the customer's credit valuation system based on credit risk elements and probabilities of non-payment for financial, managerial, or competition reasons. In addition, the Bank obtains proper guarantees from customers for the cases requiring that according to each customer's risk level and extension of additional facilities.

Moreover, the Bank monitors credit risk and is continuously evaluating the credit standing of customers, in addition to obtaining proper guarantees from them.

The Bank's credit risk management policy includes the following:

1. Specifying credit ceilings and concentrations:

   The credit policy includes specific and clear ratios for the maximum credit that can be granted to a customer. Moreover, there are different credit ceiling for each administrative level.

2. Deterring the risk mitigation methods:

   The bank's risk management activity depends on several methods to mitigate risk as follows:

   - Collaterals and their convertibility to cash and coverage of the credit granted.
   - Pre-approval of the credit facilities committee on the credit granted.
   - Credit approval authority varies from one management level to another based on the customer's portfolio size, maturity, and customer's risk degree.

3. Mitigating the assets and liabilities' risk concentration:

   The Bank works efficiently to manage this risk as its annual plan includes the well-studied distribution of credit focusing on the most promising sectors. In addition, credit is distributed to several geographic areas inside and outside of the Kingdom.

4. Studying, monitoring, and following up on credit:

   The Bank developed the necessary policies and procedures to determine the study method of credit, maintaining the objectivity and integrity of decision making, ensuring that credit risk is accurately evaluated, properly approved, and continuously monitored.

   The general framework of the credit policy includes setting up credit approval authorities and clarifying credit limits and the method of determining the risk degree.

   The Bank's organizational structure involves segregating the work units responsible for granting credit from the work units responsible for monitoring credit as regards to the credit terms, sounded of the credit decision, implementation for all credit extension terms, adherence to the credit ceiling and determinants in the credit's policy, and other related matters.

   Moreover, there are specific procedures for following up on performing credit facilities to keep them performing and non-performing credit facilities to treat them.

   The Bank mitigates the assets and liabilities concentration risk through distributing its activities to various sectors and geographic areas inside and outside the kingdom. Moreover, the bank adopts a specific policy that shows the credit ceilings granted to banks and countries with high credit ratings and reviews them continuously though the assets and liabilities committee, to distribute the risk and utilize the credit evaluation. The investment policy specifies the Investment allocation ratios and their determinants in order to distribute them in a way that achieves a high return and lowers the risk.

Exposure to credit risk (net of ECL provision, interest in suspense, collaterals and other risk mitigations)

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| **On- Statement of Financial Position** | | |
| Balances at Central Bank of Jordan | 53,825,702 | 71,068,130 |
| Balances at banks and financial institutions | 36,642,539 | 61,995,613 |
| Deposits at banks and financial Institutions | | |
| **Credit Facilities:** | | |
| Individual | 172,055,068 | 173,846,927 |
| Real-estate loans | 118,800,874 | 119,958,616 |
| Corporates | 311,980,683 | 334,387,619 |
| Small and medium companies | 45,515,677 | 65,741,508 |
| Government & public sector | 20,648,073 | 33,939,148 |
| **Bonds and Treasury Bills:** | | |
| Financial assets measured at amortized cost | 276,734,126 | 303,031,611 |
| Other assets | 34,858,358 | 9,289,702 |
| Total | 1,071,061,100 | 1,173,258,874 |
| **Off- Statement of Financial Position Items** | | |
| Letters of guarantee | 145,054,543 | 144,879,533 |
| Letters of credit | 40,052,442 | 30,262,025 |
| Letters of acceptances | 32,106,905 | 17,432,578 |
| Un-utilized facilities | 125,180,936 | 133,930,109 |
| Total | 342,394,826 | 326,504,245 |

Distribution of fair value of collaterals obtained against total credit exposures in stage (1) & (2) as of 31 December 2019

| Items | Total Exposure Value | Collaterals' Fair Value | | | | | | | Net exposure after collateral | Expected Credit Loss (ELC) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash Margins | Traded Shares | Acceptable LGs | Real Estates | Cars and Mechanics | Others | Total Collateral Value | | |
| **Credit exposure related to on- statement of financial position** | | | | | | | | | | |
| Balances at Central Banks | 53,825,702 | - | - | - | - | - | - | - | 53,825,702 | - |
| Balances at Banks and Financial Institution | 36,721,211 | - | - | - | - | - | - | - | 36,721,211 | 78,672 |
| **Credit Facilities:** | | | | | | | | | | |
| Individuals | 173,813,946 | 9,930,833 | - | - | 7,395,142 | 13,411,767 | - | 30,737,742 | 143,076,204 | 3,512,420 |
| Real Estate Loans | 110,126,318 | 5,357,631 | 1,289,026 | - | 132,204,338 | 775,738 | - | 139,626,733 | (29,500,415) | 421,824 |
| Corporate | 300,325,313 | 10,775,774 | 16,102,053 | - | 87,240,606 | 1,317,025 | - | 115,435,458 | 184,889,856 | 2,464,413 |
| SMEs | 41,418,736 | 6,134,413 | 788,100 | - | 31,643,418 | 1,354,125 | - | 39,920,056 | 1,498,681 | 129,426 |
| Government and Public Sectors | 20,742,691 | - | - | - | - | - | 20,742,691 | 20,742,691 | - | 94,618 |
| Financial Assets at Amortized Cost | 275,641,188 | - | - | - | - | - | 272,205,188 | 272,205,188 | 3,436,000 | 53,874 |
| Other Assets | 35,103,927 | - | - | - | - | - | - | - | 35,103,927 | 245,569 |
| **Total exposure related to on-statement of financial position items** | 1,047,719,032 | 32,198,651 | 18,179,179 | - | 258,483,504 | 16,858,655 | 292,947,879 | 618,667,868 | 429,051,166 | 7,000,816 |
| Letters of guarantee | 141,204,275 | 6,240,000 | - | - | 25,025,754 | 524,235 | - | 31,789,989 | 109,414,286 | 689,092 |
| Letters of credit | 72,799,594 | - | - | - | 1,572,000 | - | - | 1,572,000 | 71,227,594 | 676,647 |
| Other liabilities | 123,679,012 | 3,705,897 | 7,090,956 | - | 15,704,761 | 217,625 | - | 26,719,239 | 96,959,773 | 459,167 |
| **Total exposure related to off-statement of financial position** | 337,682,881 | 9,945,897 | 7,090,956 | - | 42,302,515 | 741,860 | - | 60,081,228 | 277,601,653 | 1,824,906 |
| **Grand total** | **1,385,401,913** | **42,144,548** | **25,270,135** | **-** | **300,786,019** | **17,600,515** | **292,947,879** | **678,749,096** | **706,652,819** | **8,825,722** |

Fair value of collaterals obtained against total credit exposures stage (3) as of 31 December 2019:

| Items | Total Exposure Value | Collaterals' Fair Value | | | | | | | Net exposure after collateral | Expected Credit Loss (ELC) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash Margins | Traded Shares | Acceptable LGs | Real Estates | Cars and Mechanics | Others | Total Collateral Value | | |
| **Credit exposure related to on- statement of financial position** | | | | | | | | | | |
| Balances at Central Banks | - | - | - | - | - | - | - | - | - | - |
| Balances at Banks and Financial Institution | - | - | - | - | - | - | - | - | - | - |
| Deposits at Banks and Financial Institution | - | - | - | - | - | - | - | - | - | - |
| **Credit Facilities:** | | | | | | | | | | |
| Individuals | 10,317,419 | 27,825 | - | - | 323,653 | 1,279,915 | - | 1,631,393 | 8,686,023 | 7,251,324 |
| Real Estate Loans | 11,707,721 | 21,310 | - | - | 15,839,400 | 16,500 | - | 15,877,210 | (4,169,488) | 1,355,602 |
| Corporate | 52,654,687 | - | 235,131 | - | 16,889,020 | 758,370 | - | 17,882,521 | 34,772,166 | 28,788,467 |
| SMEs | 9,947,669 | 7,500 | | - | 6,259,022 | 332,750 | - | 6,599,272 | 3,348,396 | 3,956,760 |
| Government and Public Sectors | - | - | - | - | - | - | - | - | - | - |
| Financial Assets at Amortized Cost | 1,600,000 | - | - | - | - | - | - | - | 1,600,000 | 453,188 |
| Other Assets | - | - | - | - | - | - | - | - | - | - |
| Total exposure related to on-statement of financial position items | 86,227,496 | 56,635 | 235,131 | - | 39,311,095 | 2,387,535 | - | 41,990,396 | 44,237,097 | 41,805,341 |
| Letters of guarantee | 7,102,921 | 500 | - | - | 3,570,757 | 355,375 | - | 3,926,632 | 3,176,289 | 2,563,561 |
| Letters of credit | 80,888 | - | - | - | - | - | - | - | 80,888 | 44,488 |
| Other liabilities | 2,171,367 | - | - | - | - | - | - | - | 2,171,367 | 210,276 |
| Grand total | 95,582,672 | 57,135 | 235,131 | - | 42,881,852 | 2,742,910 | - | 45,917,028 | 49,665,641 | 44,623,666 |

Below is the distribution of the fair value of the collaterals obtained against direct credit facilities:

| | | | Companies | | | |
|---|---|---|---|---|---|---|
| | Individual | Real Estate Loans | Large Companies | Small and Medium Companies | Government and Public Sector | Total |
| | JD | JD | JD | JD | JD | JD |
| As of 31 December 2019 | | | | | | |
| Collaterals against: | | | | | | |
| Low Risk | 3,523,140 | 194,407 | 3,886,154 | 1,117,923 | 12,693,284 | 21,414,908 |
| acceptable risk | 17,595,396 | 121,712,590 | 76,783,381 | 25,691,073 | 8,049,386 | 249,831,826 |
| Watch list | 495,425 | 6,352,517 | 9,361,274 | 2,449,744 | - | 18,658,960 |
| Non- performing: | | | | | | |
| Substandard grade | 125,053 | 790,696 | 526,454 | 691,821 | - | 2,134,024 |
| Doubtful | 131,833 | 186,437 | 1,440,000 | 567,489 | - | 2,325,759 |
| Loss | 928,876 | 4,320,070 | 13,822,106 | 2,307,772 | 21 | 21,378,845 |
| **Total** | **22,799,723** | **133,556,717** | **105,819,369** | **32,825,822** | **20,742,691** | **315,744,322** |
| | | | | | | |
| Accepted bank guarantees | 6,883,636 | 4,312,190 | 10,744,521 | 6,036,152 | - | 27,976,499 |
| Real estate | 3,810,737 | 122,128,918 | 79,247,232 | 24,770,889 | - | 229,957,776 |
| Listed shares | | 6,113,206 | 13,849,943 | 420,908 | - | 20,384,057 |
| Vehicles and equipment | 12,105,350 | 1,002,403 | 1,977,673 | 1,597,873 | - | 16,683,299 |
| Others | - | - | - | - | 20,742,691 | 20,742,691 |
| **Total** | **22,799,723** | **133,556,717** | **105,819,369** | **32,825,822** | **20,742,691** | **315,744,322** |

| | Individual | Real Estate Loans | Companies: Large Companies | Companies: Small and Medium Companies | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of 31 December 2018 | | | | | | |
| **Collaterals against:** | | | | | | |
| Low Risk | 9,604,176 | 851,388 | 9,517,993 | 3,011,420 | 25,259,728 | 48,244,705 |
| Acceptable risk | 30,961,110 | 78,008,729 | 97,500,571 | 43,943,153 | 8,886,987 | 259,300,550 |
| Watch list | 2,322,352 | 2,661,264 | 19,005,737 | 5,707,716 | - | 29,697,069 |
| Non- performing: | | | | | | |
| Substandard grade | 732,175 | - | - | 1,161,937 | - | 1,894,112 |
| Doubtful | 1,093,281 | 1,892,325 | 3,305,207 | 734,659 | - | 7,025,472 |
| Loss | 1,805,963 | 1,118,964 | 10,007,077 | 2,870,968 | - | 15,802,972 |
| **Total** | 46,519,057 | 84,532,670 | 139,336,585 | 57,429,853 | 34,146,715 | 361,964,880 |
| | | | | | | |
| Accepted bank guarantees | 11,403,000 | 3,574,546 | 24,234,783 | 12,592,216 | - | 51,804,545 |
| Real estate | 20,312,572 | 79,940,395 | 98,563,401 | 36,554,349 | - | 235,370,717 |
| Listed shares | 48,615 | 924,145 | 13,053,118 | 5,387,633 | - | 19,413,511 |
| Vehicles and equipment | 14,754,870 | 93,584 | 3,485,283 | 2,895,655 | - | 21,229,392 |
| Others | - | - | - | - | 34,146,715 | 34,146,715 |
| **Total** | 46,519,057 | 84,532,670 | 139,336,585 | 57,429,853 | 34,146,715 | 361,964,880 |

The disclosures below is prepared in two phases (The first phase of the total credit exposure and the second of the expected credit loss) as of 31 December 2019

A. Total credit exposures re-classified

| | Stage 2 | | Stage 3 | | Total | Percentage of |
|---|---|---|---|---|---|---|
| Item | Total Exposure Value | Reclassified Exposures | Total Exposure Value | Reclassified Exposures | Reclassified Exposure | Reclassified Exposure |
| | JD | JD | JD | JD | JD | % |
| Balances at Central Bank | - | - | - | - | - | - |
| Balances at banks and financial institution | - | - | - | - | - | - |
| Direct Credit facilities | 166,540,902 | 134,766,363 | 84,627,495 | 25,875,253 | 160,641,616 | 21.97% |
| Financial assets at amortized cost | - | - | 1,600,000 | 1,600,000 | 1,600,000 | 0.60% |
| Other assets | - | - | - | - | - | - |
| Total balance sheet exposure | 166,540,902 | 134,766,363 | 86,227,495 | 27,475,253 | 162,241,616 | - |
| Letters of guarantee | 27,220,506 | 21,771,094 | 7,102,921 | 2,119,255 | 23,890,349 | 16.11% |
| Letters of credit | 29,690,210 | 28,744,883 | 80,888 | - | 28,744,883 | 39.44% |
| Other liabilities | 51,616,340 | 30,827,693 | 2,171,367 | 2,171,367 | 32,999,060 | 26.22% |
| Grand total | **275,067,958** | **216,110,033** | **95,582,671** | **31,765,875** | **247,875,908** | **-** |

B. Expected credit losses of reclassified exposures:

| | | Reclassified Exposures | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Exposures reclassified from Stage (2) | Total Exposures reclassified from Stage (3) | Total Reclassified Exposure | Stage (2) (Individual) | Stage (2) (collective) | Stage (3) (Individual) | Stage (3) (collective) | Total |
| Items | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at Central Bank | - | - | - | - | - | - | - | - |
| Balances at banks and financial institution | - | - | - | - | - | - | - | - |
| Credit facilities | 134,766,363 | 25,875,253 | 160,641,616 | 2,803,041 | - | 640,542 | - | 3,443,583 |
| Treasury bills and bonds are as follows: | | | | | | | | |
| Financial assets at amortized cost | - | 1,600,000 | 1,600,000 | 28,043 | - | - | - | 28,043 |
| Other assets | - | - | - | - | - | - | - | - |
| Total balance sheet exposure | 134,766,363 | 27,475,253 | 162,241,616 | 2,831,084 | - | 640,542 | - | 3,471,626 |
| Letters of guarantee | 21,771,094 | 2,119,255 | 23,890,349 | 365,699 | - | 37,446 | - | 403,145 |
| Letters of credit | 28,744,883 | - | 28,744,883 | 224,439 | - | - | - | 224,439 |
| Other liabilities | 30,827,693 | 2,171,367 | 32,999,060 | 420,863 | - | 18,726 | - | 439,589 |
| **Grand total** | **216,110,033** | **31,765,875** | **247,875,908** | **3,842,085** | **-** | **696,714** | **-** | **4,538,799** |

Collaterals against credit facilities are as the followings:

- Real estate mortgages
- Financial assets such as share
- Banks guarantees
- Government guarantees
- Cash margins

The Bank’s Management monitors the collaterals market value periodically in case the value drops the book requests additional collaterals in order to cover the deficit. Moreover, the Bank constantly revaluates collaterals held against nonperforming facilities.

The Bank management monitor the market value of those guarantees periodically. In case the value of the guarantee declines, the Bank request additional guarantees to cover the shortage. Moreover, the bank evaluates the guarantees against nonperforming credit facilities periodically.

**Rescheduled loans**

These represent loans classified previously as non-performing credit facilities but taken out therefrom according to proper scheduling and classified as watch list loans they amounted to JD 6,568,668 as of 31 December (as of 31 December 2018: JD 14,793,526).

**Restructured loans**

Restructuring means to rearrange facilities instalments or by increasing their duration postpone some instalments or increase the grace period…etc They are classified as a watch-list debt and it amounted to JD 11,502,671 as of 31 December 2019 (as of 31 December 2018: JD 4,990,290).

**Bills bonds and debentures**

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

| | As of 31 December, 2019 | | |
|---|---|---|---|
| Rating Grade | Rating Institution | Within financial assets measured at amortized cost | Total |
| | | JD | JD |
| Unclassified | - | 5,036,000 | 5,036,000 |
| Governmental | Governmental and government bonds | 272,205,188 | 272,205,188 |
| **Total** | | **277,241,188** | **277,241,188** |

| | As of 31 December, 2018 | | |
|---|---|---|---|
| Rating Grade | Rating Institution | Within financial assets measured at amortized cost | Total |
| | | JD | JD |
| Unclassified | - | 5,747,900 | 5,747,900 |
| Governmental | Governmental and government bonds | 297,367,167 | 297,367,167 |
| **Total** | | **303,115,067** | **303,115,067** |

**b. Market risks:**

Market risk is the optional loss that may arise from the changes in market prices, such as the change in interest rates, foreign currency exchange rates, equity instrument prices, and consequently, the change in the fair value of the cash flows for the financial instruments that are on-and off statement of financial position.

Within the bank's investment policy approved by the Board of Directors, acceptable risks are set and monitored monthly by the Assets and Liabilities Committee, which provides guidance and recommendations thereon. Moreover, the available systems calculate the effect of the fluctuations in interest rates, exchange rates and share prices.

**Interest rate risks**

Interest rate risk results from the potential change in interest rates, and consequently, the potential impact on the fair value of the financial instruments. The bank is exposed to the risk of interest rates due to a mismatch or a gap in the amounts of assets and liabilities according to the various time limits or review of interest rates in a certain period. Moreover, the bank manages these risks through reviewing the interest rates on assets and liabilities based on the risk management's strategy.

The Bank is exposed to interest rate risks as a result of the timing gaps of re-pricing assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee through reviewing the report to identify interest rate risk in the short and long terms and take the proper decisions to restrict these risks in light of the expectations of the interest rate's trend through using all or some of the following methods:

- Repricing deposits and /or loans.
- Changing the maturities and size of the assets and liabilities sensitive to interest rates.
- Buying or selling financial investments.
- Using financial derivatives for interest rate hedging purposes.

**Sensitivity analysis**

Interest rate risks:

**31 December 2019**

| Currency | Change (increase) in interest rate (%) | Sensitivity of interest revenue (profit and loss) | Sensitivity of shareholders' equity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 1 | 18,273 | - |
| Euro | 1 | (63) | - |
| British Pound | 1 | (631) | - |
| Others | 1 | 9,103 | - |

| Currency | Change (increase) in interest rate (%) | Sensitivity of interest revenue (profit and loss) | Sensitivity of shareholders' equity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 1 | (18,273) | - |
| Euro | 1 | 63 | - |
| British Pound | 1 | 631 | - |
| Others | 1 | (9,103) | - |

**31 December 2018**

| Currency | Change (increase) in interest rate (%) | Sensitivity of interest revenue (profit and loss) | Sensitivity of shareholders' equity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 1 | 21,690 | - |
| Euro | 1 | (1,067) | - |
| British Pound | 1 | (621) | - |
| Shekel | 1 | (340) | - |
| Others | 1 | 5,199 | - |

| Currency | Change (increase) in interest rate (%) | Sensitivity of interest revenue (profit and loss) | Sensitivity of shareholders' equity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 1 | (21,690) | - |
| Euro | 1 | 1,067 | - |
| British Pound | 1 | 621 | - |
| Shekel | 1 | 340 | - |
| Others | 1 | (5,199) | - |

**Currency risk:**

The table below shows the currencies to which the Bank is exposed to and the effect of a reasonable and possible change on its prices against the Jordanian Dinar on the income statement. The currency position is monitored on a daily basis to ensure that it remains within the specified ceilings and are submitted to the executive management.

**31 December 2019**

| Currency | Change in currency exchange rate (%) | Effect on profits and losses | Sensitivity of shareholders' equity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 5 | 91,367 | - |
| Euro | 5 | (317) | - |
| British Pound | 5 | (3,155) | - |
| Other currencies | 5 | 45,517 | - |

**31 December 2018**

| Currency | Change in currency exchange rate (%) | Effect on profits and losses | Sensitivity of shareholders' equity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 5 | 108,451 | - |
| Euro | 5 | (5,336) | - |
| British Pound | 5 | (3,105) | - |
| Shekel | 5 | (1,699) | - |
| Other currencies | 5 | 25,993 | - |

- Foreign currencies risk

Within its approved investment policy, the Bank's Board of Directors sets up limits for the positions of all currencies at the Bank. These positions are monitored daily through the Treasury and Investment Department and are submitted to the executive management to ensure that the currencies positions are within the approved limits.

**Risks of Changes in Shares Prices:**

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

31 December 2019

| Indicator | Change in equity prices (%) | Effect on profit and losses | Effect on shareholders |
|---|---|---|---|
| | % | JD | JD |
| Amman Stock Exchange and Palestine Securities Exchange | 5 | 93,819 | 304,548 |
| Amman Stock Exchange and Palestine Securities Exchange | (5) | (93,819) | (304,548) |

| Indicator | Change in equity prices (%) | Effect on profit and losses | Effect on shareholders |
|---|---|---|---|
| | % | JD | JD |
| Amman Stock Exchange and Palestine Securities Exchange | 5 | 89,640 | 410,795 |
| Amman Stock Exchange and Palestine Securities Exchange | (5) | (89,640) | (410,795) |

- Shares prices risks

The Board of Directors adopts a specific policy in diversifying investments of the shares based on geographic and sectional distribution at predetermined percentages that are monitored daily. According to this policy, it is recommended to invest in listed shares of well-reputed international markets that have a high liquidity rate to face any risks that might arise therefrom.

- Interest repricing gap

The Banks follows a policy to match the amounts of assets and liabilities and align the maturities and to decrease the gap through dividing the assets and liabilities to various periodic maturities or review the interest rates in order to decent the interest rates risk and study the gaps in the related interest rate or by using advanced hedging tools.

Classification is done according to interest re-pricing or maturity whichever is closer.

The Banks follows a policy to match the amounts of assets and liabilities and align the maturities and to decrease the gap through dividing the assets and liabilities to various periodic maturities or review the interest rates in order to decent the interest rates risk and study the gaps in the related interest rate or by using advanced hedging tools.

Classification is done according to interest re-pricing or maturity whichever is closer

## Interest rate sensitivity

| | Less than 1 month | From 1 to 3 months | From 3 to 6 months | From 6 months to 1 year | From1 to 3 years | Over 3 years | Non - interest bearing Items | Total |
|---|---|---|---|---|---|---|---|---|
| **31 December 2019** | JD | JD | JD | JD | JD | JD | JD | JD |
| **Assets** | | | | | | | | |
| Cash and balances at central Banks | - | - | - | - | - | - | 71,264,135 | 71,264,135 |
| Balances at banks and financial institutions | 29,287,735 | 111,016 | - | - | - | - | 7,243,788 | 36,642,539 |
| Direct credit facilities, net | 56,530,601 | 71,931,023 | 83,747,529 | 81,767,909 | 200,238,387 | 174,784,926 | - | 669,000,375 |
| Financial assets at fair value through the income statement | - | - | - | - | - | - | 1,876,382 | 1,876,382 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 11,105,937 | 11,105,937 |
| Financial assets at amortized costs | 22,003,585 | 30,590,592 | 62,943,304 | - | 49,210,278 | 111,986,367 | - | 276,734,126 |
| Assets held for sale-net | - | - | - | - | - | - | 143,773,084 | 143,773,084 |
| Property and equipment, net | - | - | - | - | - | - | 22,430,397 | 22,430,397 |
| Intangible assets, net | - | - | - | - | - | - | 1,855,317 | 1,855,317 |
| Right of use asset | 79,097 | 158,194 | 237,290 | 474,581 | 1,898,328 | 2,294,446 | - | 5,141,936 |
| Other assets | - | - | - | - | - | - | 134,455,262 | 134,455,262 |
| Deferred tax assets | - | - | - | - | - | - | 12,313,532 | 12,313,532 |
| **Total assets** | 107,901,018 | 102,790,825 | 146,928,123 | 82,242,490 | 251,346,993 | 289,065,739 | 406,317,834 | 1,386,593,022 |
| **Liabilities** | | | | | | | | |
| Banks and financial institution deposits | 27,386,747 | - | 2,000,000 | 3,000,000 | 55,000,000 | - | - | 87,386,747 |
| Customers' deposits | 439,517,937 | 141,163,589 | 104,613,461 | 71,721,108 | 79,682,298 | - | - | 836,698,393 |
| Cash margins | 38,889,481 | 9,130,793 | - | 6,426,897 | 1,672,000 | 16,000 | 437,044 | 56,572,215 |
| Borrowed funds | 4,259 | 50,000,000 | 34,557 | 7,096,767 | - | 38,947,999 | - | 96,083,582 |
| Income tax provision | - | - | - | - | - | - | - | - |
| Deferred Tax Liability | - | - | - | - | - | - | 50,388 | 50,388 |
| lease liabilities | 59,562 | 119,123 | 178,685 | 357,369 | 1,997,114 | 1,826,414 | - | 4,538,267 |
| Various provisions | - | - | - | - | - | - | 1,370,624 | 1,370,624 |
| Liabilities held for sale | - | - | - | - | - | - | 125,523,424 | 125,523,424 |
| Other liabilities | - | - | - | - | - | - | 39,170,608 | 39,170,608 |
| **Total Liabilities** | 505,857,986 | 200,413,505 | 106,826,703 | 88,602,141 | 138,351,412 | 40,790,413 | 166,552,088 | 1,247,394,248 |
| **Interest rate sensitivity gap** | (397,956,968) | (97,622,680) | 40,101,420 | (6,359,651) | 112,995,581 | 248,275,326 | 239,765,746 | 139,198,774 |
| **31 December 2018** | | | | | | | | |
| **Total Assets** | 175,113,929 | 84,627,720 | 114,407,697 | 146,648,894 | 411,442,316 | 159,000,980 | 262,328,000 | 1,353,569,536 |
| **Total Liabilities** | 543,087,478 | 210,202,963 | 121,158,101 | 90,987,927 | 157,981,005 | 33,441,788 | 62,666,343 | 1,219,525,605 |
| **Interest rate sensitivity gap** | (367,973,549) | (125,575,243) | (6,750,404) | 55,660,967 | 253,461,311 | 125,559,192 | 199,661,657 | 134,043,931 |

**Foreign Currency risk concentration:**

| | USD | Euro | Sterling Pounds | Japanese Yen | Others | Total |
|---|---|---|---|---|---|---|
| **31 December 2019** | JD | JD | JD | JD | JD | JD |
| Assets | | | | | | |
| Cash and balances at Central Banks | 15,522,743 | 801,621 | 210,588 | - | 124,877 | 16,659,829 |
| Balances at banks and financial institutions | 22,473,276 | 4,654,852 | 432,085 | - | 2,785,567 | 30,345,780 |
| Direct credit facilities | 48,613,425 | 14,413,680 | - | - | - | 63,027,105 |
| Financial assets at fair value through other comprehensive income | 1,415,404 | 49,189 | - | - | - | 1,464,593 |
| Financial assets measured at amortized cost | 34,554,836 | - | - | - | - | 34,554,836 |
| Other assets | 20,678,108 | 36,897 | - | - | 116,987 | 20,831,992 |
| Total Assets | 143,257,792 | 19,956,239 | 642,673 | - | 3,027,431 | 166,884,135 |
| Liabilities | | | | | | |
| Banks and financial institutions deposits | 23,651,975 | 446,343 | 23,836 | - | 241,403 | 24,363,557 |
| Customers' deposits | 111,109,089 | 20,237,307 | 1,023,138 | - | 1,405,320 | 133,774,854 |
| Cash margins | 6,477,361 | (732,853) | (356,991) | - | (58,722) | 5,328,795 |
| Other Liabilities | 225,026 | 7,103 | 15,780 | - | 529,087 | 776,996 |
| Owners’ equity | (32,995) | 4,687 | - | - | - | (28,308) |
| Total Liabilities | 141,430,456 | 19,962,587 | 705,763 | - | 2,117,088 | 164,215,894 |
| Net concentration on – statement of financial position | 1,827,336 | (6,348) | (63,090) | - | 910,343 | 2,668,241 |
| Contingent liabilities off - statement of financial position | 103,553,375 | 647,025 | 9,298 | - | 1,252,976 | 105,462,674 |
| **31 December 2018** | | | | | | |
| Total Assets | 146,145,648 | 23,292,343 | 889,633 | - | 39,924,948 | 210,252,572 |
| Total Liabilities | 143,976,629 | 23,399,061 | 951,737 | - | 39,439,063 | 207,766,490 |
| Net concentration on – statement of financial position | 2,169,019 | (106,718) | (62,104) | - | 485,885 | 2,486,082 |
| Contingent liabilities off - statement of financial position | 63,207,280 | 3,809,457 | 8,994 | - | 488,574 | 67,514,305 |

**c. Liquidity risk**

Liquidity risk is defined as the Bank's inability to make available the necessary funding to fulfil its obligations on their maturities. To protect the Bank against these risks, management diversifies funding sources, manages assets and liabilities, matches their maturities and maintains and adequate balance of cash, cash equivalents and marketable securities.

The Bank's liquidity management policy aims to enhance the pourability of liquidity at the lowest costs possible. Through managing liquidity, the Bank seeks to maintain reliable and stable funding sources at a reasonable cost rate.

Management, measurement, and control of liquidity are conducted based on normal and emergency conditions. This includes analysis of the maturity dated of assets and various financial ratios.

Fund sources:
The Bank diversifies its funding sources to achieve financial flexibility and to lower funding costs.

Moreover, the Bank has a large customer base comprising of individuals, establishments, and corporations, due to its financial strength, the bank has an ability to access cash markets, which represent an additional available funding source.

The existence of the Bank in most of the cities of the Hashemite Kingdom of Jordan in addition to its branches in Palestine enables the Bank to diversify its funding sources and not to rely on one geographic area as a source of funding.

The table below summarizes the distribution of liabilities (un-discounted) based on the remainder of the contractual maturity as of 31 December 2019:

| 31 December 2019 | Less than 1 Month | 1 to 3 Months | From 3 to 6 Months | From 6 Months to 1 year | From 1 To 3 Years | Over 3 Years | Without Maturity | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Liabilities | | | | | | | | |
| Banks' and financial institution's deposits | 27,386,747 | - | 2,000,000 | 3,000,000 | 55,000,000 | - | - | 87,386,747 |
| Customers' deposits | 439,517,937 | 141,163,589 | 104,613,461 | 71,721,108 | 79,682,298 | - | - | 836,698,393 |
| Cash margins | 2,828,611 | 5,657,221 | 8,485,832 | 11,314,443 | 28,286,108 | - | - | 56,572,215 |
| Borrowed funds | 4,259 | 50,000,000 | 34,557 | 7,096,767 | - | 38,947,999 | - | 96,083,582 |
| Various provisions | - | - | - | 370,624 | 1,000,000 | - | - | 1,370,624 |
| Income tax provision | - | - | - | - | - | - | - | - |
| Deferred Tax Liability | - | - | - | - | - | - | 50,388 | 50,388 |
| Lease liabilities | 74,443 | 129,035 | 164,784 | 495,158 | 1,997,114 | 1,677,733 | - | 4,538,267 |
| Other liabilities | - | - | - | - | - | - | 39,170,608 | 39,170,608 |
| Liabilities directly associated to assets held for sale | - | - | 125,523,424 | - | - | - | - | 125,523,424 |
| Total Liabilities | 469,811,997 | 196,949,845 | 240,822,058 | 93,998,100 | 165,965,520 | 40,625,732 | 39,220,996 | 1,247,394,248 |
| Total Assets (according to expected maturities) | 107,905,275 | 103,202,085 | 293,423,069 | 93,172,708 | 256,806,649 | 289,065,738 | 243,017,498 | 1,386,593,022 |

| 31 December 2018 | Less than 1 Month | 1 to 3 Months | From 3 to 6 Months | From 6 months to 1 Year | From 1 To 3 Years | Over 3 Years | Without Maturity | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Liabilities | | | | | | | | |
| Banks' and financial institution's deposits | 53,625,226 | - | - | 8,679,528 | 55,000,000 | - | - | 117,304,754 |
| Customers' deposits | 423,163,133 | 143,535,815 | 121,158,101 | 70,364,416 | 96,675,005 | - | 38,328,818 | 893,225,288 |
| Cash margins | 52,360,700 | 16,667,148 | - | 9,083,479 | 6,306,000 | - | - | 84,417,327 |
| Borrowed funds | - | 50,000,000 | - | 40,085 | - | 33,441,788 | - | 83,481,873 |
| Income tax provision | - | - | - | - | - | - | 745,548 | 745,548 |
| Deferred Tax Liability | - | - | - | - | - | 14,107 | - | 14,107 |
| Various provisions | - | - | - | 156,806 | 1,000,000 | - | 767,460 | 1,924,266 |
| Other liabilities | - | - | - | - | - | - | 38,412,442 | 38,412,442 |
| Total Liabilities | 529,149,059 | 210,202,963 | 121,158,101 | 88,324,314 | 158,981,005 | 33,455,895 | 78,254,268 | 1,219,525,605 |
| Total Assets (according to expected maturities) | 175,113,929 | 84,627,720 | 114,407,697 | 146,648,894 | 411,442,316 | 159,000,980 | 262,328,000 | 1,353,569,536 |

In order to comply with the instructions of the regulatory authorities, the bank maintains part of its customers' deposits at the central banks as a restricted cash reserve that cannot be utilized expect under specified regulations. In addition, the liquidity ratios are reserved at levels higher than the minimum imposed by the central banks in the countries in which the Bank operates.

The contractual maturity dated of the assets and liabilities in the schedule have been determined based on the remaining period from the date of the statement of financial position until the contractual maturity date regardless of the actual maturities reflected by historical events relating to maintaining deposits and the availability of liquidity.

**Off- statement of financial position items:**

| **31 December, 2019** | Up to 1 Year | from 1-5 Years | Total |
|---|---|---|---|
| | JD | JD | JD |
| Letters of guarantee | 148,307,196 | - | 148,307,196 |
| Letters of credit and acceptances | 72,880,482 | - | 72,880,482 |
| Lease liabilities | 1,045,080 | - | 1,045,080 |
| Un-utilized facilities | 63,583,115 | - | 63,583,115 |
| Total | 285,815,873 | - | 285,815,873 |
| **31 December, 2018** | | | |
| Letters of guarantee | 149,964,855 | - | 149,964,855 |
| Letters of credit and acceptances | 48,020,803 | - | 48,020,803 |
| Lease liabilities | 1,321,704 | - | 1,321,704 |
| Un-utilized facilities | 75,767,165 | - | 75,767,165 |
| Total | 275,074,527 | - | 275,074,527 |

## (38) Bank's Segment Information

### a. Information on the key business segments

The Bank is organized for managerial purposes, into four major sectors, which are measured according to reports used by the General Manager and key decision makers at the Bank, through the following major sectors:

- Individual accounts: includes following up on individual customers deposits, and granting them credit, credit cards and
- Corporate accounts: includes following up on deposits, credit facilities, and banking services related to corporate
- Treasury: This segment includes providing dealing services and managing the Banks' funds.
- Others: This segment includes the activities which do not meet the definition of the Banks' business segments.

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

| | Individuals | Corporate | Institutional Financing and Treasury | Others | Total – For the year ended 31 December – 31 December 2019 | Total – For the year ended 31 December – 31 December 2018 |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Gross income for the year – statement (B) | 17,898,330 | 22,032,000 | 1,954,239 | 698,331 | 42,582,900 | 40,845,114 |
| Less: Expected credit losses allowance | (984,500) | 502,260 | (409,370) | - | (891,610) | (4,837,005) |
| Segment results | 16,913,830 | 22,534,260 | 1,544,869 | 698,331 | 41,691,290 | 36,008,109 |
| Less: distributed segment expenses | (11,337,010) | (13,955,323) | (968,530) | (2,650,196) | (28,911,059) | (28,773,804) |
| Income before tax | 5,576,820 | 8,578,937 | 576,339 | (1,951,865) | 12,780,231 | 7,234,305 |
| Less: Income tax | - | - | - | (2,170,473) | (2,170,473) | (1,094,678) |
| Profit for the year from continued operations | 5,576,820 | 8,578,937 | 576,339 | (4,122,338) | 10,609,758 | 6,139,627 |
| Loss for the year from discontinued operations | - | - | - | (5,296,692) | (5,296,692) | (1,110,261) |
| Income for the year – statement (B) | 5,576,820 | 8,578,937 | 576,339 | (9,419,030) | 5,313,066 | 5,029,366 |
| | | | | | | |
| Capital expenditures | - | - | - | 3,319,574 | 3,319,574 | 3,766,260 |
| Depreciation and amortization | - | - | - | 3,075,439 | 3,075,439 | 2,671,352 |
| | | | | | | |
| Total Assets | 227,021,743 | 466,899,384 | 451,305,198 | 241,366,697 | 1,386,593,022 | 1,353,569,536 |
| Total Liabilities | 562,633,351 | 271,554,125 | 250,133,258 | 163,073,514 | 1,247,394,248 | 1,219,525,605 |

b. Geographical distribution information

This sector represents the geographical distribution of the Banks operation. The Bank operates mainly in the Kingdom, which represents the local business. The Bank also carries out international activities through its branches in Palestine.

The following table shows the distribution of the Bank's income, assets, and capital expenditures by geographical area:

| | Inside Jordan | | Outside Jordan | | Total | |
|---|---|---|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| | JD | JD | JD | JD | JD | JD |
| Gross income – statement (B) | 44,601,826 | 43,509,391 | (2,018,926) | (2,664,277) | 42,582,900 | 40,845,114 |
| Capital expenditures | 2,569,854 | 2,935,407 | 749,720 | 1,220,402 | 3,319,574 | 3,766,260 |

| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Bank's Assets | 1,213,052,825 | 1,167,255,511 | 173,540,197 | 186,314,025 | 1,386,593,022 | 1,353,569,536 |

## 1- Credit Exposures Distribution

| Internal Credit ratings | Category classification according to (47/2009) | Total exposure | ECL | PD | EAD | LGD |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | % |
| **Operating loans** | | | | | | |
| 3.5 | Operating | 3,407,693 | 1,539 | 0.18% | 3,032,693 | 29.39 |
| 4 | Operating | 167,187 | - | 0.24% | 167,187 | - |
| 4.5 | Operating | 619,897 | 415 | 0.33% | 581,539 | 17.74 |
| 5 | Operating | 34,881,000 | 308,216 | 0.44% | 36,419,993 | 15.87 |
| 5.5 | Operating | 301,290,031 | 4,122,245 | 0.65% | 314,176,931 | 21.18 |
| 6 | Operating | 155,002,472 | 314,903 | 0.88% | 143,535,663 | 16.78 |
| 6.5 | Operating | 79,943,434 | 276,543 | 1.37% | 111,301,216 | 16.17 |
| 7 | Operating | 80,090,821 | 1,149,661 | 2.15% | 101,703,929 | 18.9 |
| 7.5 | Operating | 350,532,762 | 1,461,334 | 3.83% | 355,223,288 | 26.51 |
| 8 | Operating | 50,437,240 | 1,432,389 | 6.56% | 60,204,591 | 18.78 |
| 8.5 | Operating | 23,381,684 | 731,293 | 11.29% | 28,710,472 | 16.52 |
| 9 | Operating | 6,074,652 | 197,457 | 18.93% | 24,741,552 | 15.55 |
| 9.5 | Operating | 280,673 | 1,417 | 31.73% | 259,515 | 5.5 |
| 10 | Operating | 2,081,016 | 242,465 | 1.00% | 1,381,016 | 27.51 |
| Not rated | Operating | 314,202,154 | 4,103,206 | 4.75% | 329,358,794 | 39.17 |
| **Total operating loans** | | **1,402,392,716** | **14,343,083** | **-** | **1,510,798,379** | |
| **Non-operating loans** | | | | | | |
| 5 | Non-operating | 77,759 | 50,101 | 100% | 77,079 | 22 |
| 6 | Non-operating | 80,360 | - | 100% | 66,532 | - |
| 8.5 | Non-operating | 787,328 | 547,397 | 100% | 739,419 | 18 |
| Not rated | Non-operating | 72,302,124 | 38,508,809 | 100% | 58,456,122 | 21 |
| **Total non-operating loans** | | **73,247,571** | **39,106,307** | | **59,339,152** | |

a. Credit risk exposures categorized by economical distribution:

| | Financial | Industrial | Trading | Real estate | Services and public facilities | Agricultural | Shares | Individual | Governmental and public sector | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances with central bank | 53,825,702 | - | - | - | - | - | - | - | - | - | 53,825,702 |
| Balances at banks and financial institutions | 36,642,539 | - | - | - | - | - | - | - | - | - | 36,642,539 |
| Direct credit facilities | 57,272,324 | 76,294,211 | 116,600,654 | 118,800,875 | 24,325,837 | 5,534,697 | 4,979,794 | 172,055,064 | 20,648,056 | 72,488,863 | 669,000,375 |
| Financial assets at amortized cost | 3,938,346 | - | 590,592 | - | - | - | - | - | 272,205,188 | - | 276,734,126 |
| Other assets | - | - | 34,858,358 | - | - | - | - | - | - | - | 34,858,358 |
| Total current year | 151,678,911 | 76,294,211 | 152,049,604 | 118,800,875 | 24,325,837 | 5,534,697 | 4,979,794 | 172,055,064 | 292,853,244 | 72,488,863 | 1,071,061,100 |
| LGs | 38,373,733 | 3,751,061 | 44,369,644 | 629,682 | 43,366,415 | 23,025 | 78,708 | - | - | 14,462,275 | 145,054,543 |
| LCs | 8,649,461 | 6,630,583 | 54,196,334 | - | 2,671,294 | - | - | - | - | 11,675 | 72,159,347 |
| Other obligations | 9,464,130 | 14,088,482 | 51,411,959 | 2,627,632 | 26,610,203 | 59,315 | 586,246 | - | - | 20,332,969 | 125,180,936 |
| Total | 208,166,235 | 100,764,337 | 302,027,541 | 122,058,189 | 96,973,749 | 5,617,037 | 5,644,748 | 172,055,064 | 292,853,244 | 107,295,782 | 1,413,455,926 |

b. Credit risk exposures categorized by economic sector and stages according to IFRS 9 as of 31 December 2019:

| | Stage 1 Individual | Stage 2 Individual | Stage 3 | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Financial | 191,836,929 | 13,902,951 | 2,426,355 | 208,166,235 |
| Industrial | 52,471,605 | 44,874,462 | 3,418,270 | 100,764,337 |
| Trading | 177,194,075 | 118,772,590 | 6,060,876 | 302,027,541 |
| Real estates | 98,777,428 | 14,145,662 | 9,135,099 | 122,058,189 |
| Agricultural | 53,839,079 | 37,531,677 | 5,602,993 | 96,973,749 |
| Services and public facilities | 2,524,267 | 3,058,608 | 34,162 | 5,617,037 |
| Shares | 2,401,174 | 2,959,610 | 283,964 | 5,644,748 |
| Individual | 166,999,859 | 3,265,861 | 1,789,344 | 172,055,064 |
| Governmental and Public sector | 292,853,244 | - | - | 292,853,244 |
| Other | 65,385,854 | 33,712,050 | 8,197,878 | 107,295,782 |
| Total | 1,104,283,514 | 272,223,471 | 36,948,941 | 1,413,455,926 |

c. Credit risk exposures categorized by geographical distribution:

| | Inside Jordan | Middle East | Europe | Asia | Africa | America | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances with central bank | 53,825,702 | - | - | - | - | - | - | 53,825,702 |
| Balances at banks and financial institutions | 29,094,675 | 2,148,421 | 3,534,046 | 19,372 | 254,989 | 1,337,087 | 253,949 | 36,642,539 |
| Direct credit facilities | 654,741,931 | - | 14,258,444 | - | - | - | - | 669,000,375 |
| Financial assets at amortized cost | 276,734,126 | - | - | - | - | - | - | 276,734,126 |
| Other assets | 34,858,358 | - | - | - | - | - | - | 34,858,358 |
| Total current year | 1,049,254,792 | 2,148,421 | 17,792,490 | 19,372 | 254,989 | 1,337,087 | 253,949 | 1,071,061,100 |
| LGs | 145,054,543 | - | - | - | - | - | - | 145,054,543 |
| LCs | 2,226,732 | 21,403,892 | 26,545,988 | 6,057,584 | 4,902,150 | 11,675 | 11,011,326 | 72,159,347 |
| Other obligations | 125,180,936 | - | - | - | - | - | - | 125,180,936 |
| Total | 1,321,717,003 | 23,552,313 | 44,338,478 | 6,076,956 | 5,157,139 | 1,348,762 | 11,265,275 | 1,413,455,926 |

d. Credit exposure categorized by geographical distribution and stages in accordance to IFRS 9 as of 31 December 2019:

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| | Individual | Individual | Individual | Total |
| Item | JD | JD | JD | JD |
| Inside Jordan | 1,041,641,533 | 243,126,529 | 36,948,941 | 1,321,717,003 |
| Middle east | 23,279,176 | 273,136 | - | 23,552,312 |
| Europe | 30,760,294 | 13,578,184 | - | 44,338,478 |
| Asia * | 1,854,334 | 4,222,622 | - | 6,076,956 |
| AFRICA | 5,157,139 | - | - | 5,157,139 |
| America | 1,337,087 | 11,675 | - | 1,348,762 |
| *Others* | 253,951 | 11,011,325 | - | 11,265,276 |
| Total | 1,104,283,514 | 272,223,471 | 36,948,941 | 1,413,455,926 |

## (39) Capital Management

a. Description of Capital

Capital is categorized into various categories, such as paid-up capital, economic capital, and regulatory capital. Moreover, regulatory capital is defined, according to the Banks Law, as the total value of the items determined by the Central Bank for control purposes to meet the requirements of the capital adequacy ratio prescribed in the Central Bank of Jordan instructions.

- Furthermore, regulatory capital consists of two parts: (1) Primary Capital (Tier 1) made up of paid-up capital, declared reserves (including statutory reserve, voluntary reserve, share premium, and treasury share premium), and retained earnings after excluding restricted amounts and non-controlling interests net of loss for the period (if any), costs of the acquisition of treasury shares, deferred provisions approved by the Central Bank, restructuring balance and goodwill Support capital; and
- (2), additional paid-in capital (Tier 2) which consists of foreign currencies translation differences, general banking risks reserve, instruments with debt-equity shared characteristics, support debts and 45% of the financial assets' valuation reserve, if positive, and is deducted in full, if negative.
- A third part of capital (Tier 3) might be formed in case the capital adequacy ratio goes below 12% due to factoring capital adequacy ratio into market risks.

- Investments in the capitals of banks, insurance and other financial institutions are deducted.

b. The requirements of the regulatory parties concerning capital and the manner in which they are met.

Instructions of the Central Bank require that paid-up capital not to be less than JD 100 million and shareholders' equity-to-assets ratio not to be less than 6%. Moreover, the Central Bank instructions require that the ratio of regulatory capital to assets weighted by risks and market risks (capital adequacy ratio) be not less than 12% which the Bank considers meeting. Furthermore, the Bank increased its issued and paid-up capital during the year 2016 to become JD/share 120,000,000 as of 31 December 2017, whereby the capital increase procedures were completed on June 7, 2017.

The Bank complies with Article (62) of the Banks Law, which requires the Bank to appropriate 10% of its annual net profits in the Kingdom and continue to do so until the reserve equals the Bank's paid-up capital. This meets the requirements of the statutory reserve prescribed by the Companies Law.

The Bank complies with Article (41) of the Banks Law, which requires adherence to the limits set by the Central Bank of Jordan relating to:

1. The percentage of risks relating to its assets and assets weighted by risks, elements of capital, reserves, and contra accounts.
2. The ratio of total loans to permitted regulatory capital granted by the Bank to one person, its allies, or to related stakeholders.
3. Ratio of total loans granted to the major ten customers of the Bank to total loans extended by the Bank.

c. Method of Achieving Capital Management Goals.

The Bank considers the compatibility of the size of its capital with the size, nature, and complexity of the risk the Bank is exposed to in a manner that does not contradict the prevailing regulations and instructions. This is reflected in its strategic plans and annual budgets.

When entering investments, the impact on capital adequacy ratio is considered. Moreover, capital and its adequacy are monitored periodically as capital adequacy ratio is monitored at the Group level and the individual Bank every quarter. Furthermore, capital adequacy is reviewed by internal audit, and capital ratios are monitored monthly. Such ratios are financial leverage, shareholders' equity to assets, shareholders' equity to customers' deposits, internal growth of capital, provisions, and free capital. This should achieve the appropriate financial leverage, and consequently, the targeted return on shareholders' equity not less than 10% as prescribed by the Bank's strategy.

No dividends are paid to shareholders out of the regulatory capital if such payment leads to non-adherence to the minimum capital requirement.

The Bank concentrates on the internal growth of capital and can resort to public subscriptions to meet expansionary needs and future plans, or the requirements of the regulatory bodies according to specified studies.

Capital Adequacy

Capital adequacy ratio is calculated according to the Central Bank of Jordan instructions based on Basel Committee resolutions. The following is the percentage of capital adequacy for the year 2018 in accordance with Basel III:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| **Core capital items:** | | |
| Subscribed and Paid-up capital | 120,000,000 | 120,000,000 |
| Retained earnings | 1,862,494 | (1,214,496) |
| **Other comprehensive income items** | | |
| Fair value reserve - net | (2,211,406) | (2,053,183) |
| Statutory reserve | 15,460,318 | 14,714,563 |
| Cyclicality reserve | 3,538,675 | 2,597,047 |
| **Total core capital before regulatory amendments** | **138,650,081** | **134,043,931** |
| **Less:** | | |
| Intangible assets - net | (1,855,317) | (2,313,919) |
| Deferred tax assets | (12,313,532) | (13,867,924) |
| Deferred provisions with the approval of the Central Bank | (6,372,212) | (7,870,096) |
| **Total regulatory amendments** | **(20,541,061)** | **(24,051,939)** |
| **Net core capital** | **118,109,020** | **109,991,992** |
| **Supplementary capital items:** | | |
| General banking risks reserve | 548,693 | - |
| Provision required against credit facilities in stage 1 | 6,017,826 | 9,887,533 |
| **Total supplementary capital** | **124,675,539** | **119,879,525** |

| | | |
|---|---|---|
| **Assets weighted by risks-continuous operations** | | |
| Credit risk | 917,922,978 | 943,441,362 |
| Market risk | 6,490,446 | 6,410,146 |
| Operation risk | 76,524,519 | 88,975,817 |
| **Total assets weighted by risks-continued operations** | 1,000,937,943 | 1,038,827,325 |
| Credit risk | 105,419,438 | - |
| Market risk | 300,567 | - |
| Operation risk | 10,071,329 | - |
| **Total assets weighted by risks-discontinued operations** | 115,791,334 | - |
| **Total assets weighted by risks** | 1,116,729,277 | 1,038,827,325 |
| Ratio of regulatory capital | 11.16% | 11.54% |
| Core capital ratio | 10.58% | 10.59% |

## (40) Accounts managed by the bank on behalf of its customers

There is no investment portfolio managed by the Bank on behalf of its clients.

## (41) Assets and liabilities Maturity Analysis:

The following table illustrates the analysis of assets and liabilities according to the expected period of their recoverability or settlement:

| 31 December 2019 | Up to One Year | More than One Year | Total |
|---|---|---|---|
| **Assets:** | JD | JD | JD |
| Cash and balances at central banks | 71,264,135 | - | 71,264,135 |
| Balances at banks and financial institutions | 36,642,539 | - | 36,642,539 |
| Direct credit facilities – net | 293,977,062 | 375,023,313 | 669,000,375 |
| Financial Assets fair valued through profit or loss | 1,876,382 | - | 1,876,382 |
| Financial assets at fair value through other comprehensive income | 6,782,168 | 4,323,769 | 11,105,937 |
| Financial assets measured at amortized cost | 115,537,481 | 161,196,645 | 276,734,126 |
| Properties, equipment and projects under construction - net | - | 22,430,397 | 22,430,397 |
| Intangible assets - net | - | 1,855,317 | 1,855,317 |
| Right-of-use assets | - | 5,141,936 | 5,141,936 |
| Other assets | - | 134,455,262 | 134,455,262 |
| Assets held for sale, net | 143,773,084 | - | 143,773,084 |
| Deferred tax assets | - | 12,313,532 | 12,313,532 |
| **Total Assets** | 669,852,851 | 716,740,171 | 1,386,593,022 |
| **Liabilities:** | | | |
| Banks and financial institutions deposits | 32,386,747 | 55,000,000 | 87,386,747 |
| Customers deposits | 757,016,095 | 79,682,298 | 836,698,393 |
| Cash margins | 28,286,107 | 28,286,108 | 56,572,215 |
| Borrowed funds | 57,135,583 | 38,947,999 | 96,083,582 |
| Provision for income tax | - | - | - |
| Various provisions | 370,624 | 1,000,000 | 1,370,624 |
| Deferred tax liabilities | - | 50,388 | 50,388 |
| lease liabilities | 863,420 | 3,674,847 | 4,538,267 |
| Other liabilities | - | 39,170,608 | 39,170,608 |
| Liabilities directly associated with assets held for sale | 125,523,424 | - | 125,523,424 |
| **Total Liabilities** | 1,001,582,000 | 245,812,248 | 1,247,394,248 |
| **Net Assets** | (331,729,149) | 470,927,923 | 139,198,774 |

| 31 December 2018 | Up to One Year | More than One Year | Total |
|---|---|---|---|
| **Assets:** | JD | JD | JD |
| Cash and balances at central banks | 91,872,118 | - | 91,872,118 |
| Balances at banks and financial institutions | 61,995,613 | - | 61,995,613 |
| Direct credit facilities - net | 305,147,151 | 422,726,667 | 727,873,818 |
| Financial Assets fair valued through profit or loss | 1,792,801 | - | 1,792,801 |
| Financial assets at fair value through other comprehensive income | 9,135,342 | 2,779,960 | 11,915,302 |
| Financial assets measured at amortized cost | 165,949,982 | 137,081,629 | 303,031,611 |
| Properties, equipment and projects under construction - net | - | 27,817,839 | 27,817,839 |
| Intangible assets - net | - | 2,313,919 | 2,313,919 |
| Deferred tax assets | 13,635,106 | 232,818 | 13,867,924 |
| Other assets | 111,088,591 | - | 111,088,591 |
| **Total assets** | 760,616,704 | 592,952,832 | 1,353,569,536 |
| | | | |
| **Liabilities:** | | | |
| Banks and financial institutions deposits | 62,304,754 | 55,000,000 | 117,304,754 |
| Customers deposits | 775,874,638 | 117,350,650 | 893,225,288 |
| Cash margins | 43,790,227 | 40,627,100 | 84,417,327 |
| Borrowed funds | 50,040,085 | 33,441,788 | 83,481,873 |
| Provision for income tax | - | 745,548 | 745,548 |
| Various provisions | 156,806 | 1,767,460 | 1,924,266 |
| Deferred tax liabilities | 14,107 | - | 14,107 |
| Other liabilities | 36,239,387 | 2,173,055 | 38,412,442 |
| **Total liabilities** | 968,420,004 | 251,105,601 | 1,219,525,605 |
| **Net assets** | (207,803,300) | 341,847,231 | 134,043,931 |

## (42) Fair Value Measurement

### A. Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the financial assets and financials liabilities are measured at fair value at the end of each reporting period, the following table gives information about how the fair value of these financial asset and financial liability are determined (valuation techniques & key inputs):

| Financial assets / Financial liabilities | Fair value 31 December 2019 | Fair value 31 December 2018 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs of fair value |
|---|---|---|---|---|---|---|
| | JD | JD | | | | |
| Financial assets at fair value through the income statement | | | | | | |
| Companies stocks | 1,876,382 | 1,792,801 | Level 1 | Announced prices in financial markets | Not applicable | Not applicable |
| Total | 1,876,382 | 1,792,801 | | | | |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Quoted shares | 6,090,959 | 8,215,901 | Level 1 | Announced prices in financial markets | Not applicable | Not applicable |
| Unquoted shares | 5,014,978 | 3,699,401 | Level 2 | Through comparison of fair value of similar financial instrument | Not applicable | Not applicable |
| | 11,105,937 | 11,915,302 | | | | |

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

## B. Fair value of financial assets and financial liabilities that are *not* measured at fair value on a recurring basis:

Except for what is detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the Bank's financial statement approximate their fair values:

| | 31 December 2019 | | 31 December 2018 | | |
|---|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value | Fair value Hierarchy |
| | JD | JD | JD | JD | |
| **Financial assets with no specified fair value** | | | | | |
| Deposits at Central Banks | 53,825,702 | 53,825,702 | 71,068,130 | 71,069,004 | Level 2 |
| Balances and deposits at banks and financial institutions | 36,642,539 | 36,659,857 | 61,995,613 | 62,745,712 | Level 2 |
| Loans and advances | 669,000,375 | 673,443,153 | 727,873,818 | 731,538,244 | Level 2 |
| Financial assets at amortized cost | 276,734,126 | 279,857,387 | 303,031,611 | 308,492,216 | Level 1 |
| **Total financial assets with no specified fair value** | **1,036,202,742** | **1,043,786,099** | **1,163,969,172** | **1,173,845,176** | |
| **Financial liabilities with no specified fair value** | | | | | |
| Banks and financial institutions deposits | 87,386,747 | 90,951,231 | 117,304,754 | 120,673,733 | Level 2 |
| Customer deposits | 836,698,393 | 841,176,294 | 893,225,288 | 897,603,230 | Level 2 |
| Cash margin | 56,572,215 | 56,980,987 | 84,417,327 | 85,339,328 | Level 2 |
| Borrowed funds | 96,083,582 | 96,111,737 | 83,481,873 | 83,522,255 | Level 2 |
| **Total financial liabilities with no specified fair value** | **1,076,740,937** | **1,085,220,249** | **1,178,429,242** | **1,187,138,546** | |

For the items listed above, the fair value of the financial assets and liabilities classified as level two has been determined in accordance with generally accepted pricing models that reflect the credit risk of counterparties.

## (43) Commitments and Contingent liabilities (off-Statement of Financial Position)

a. The details of this item are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | JD | JD |
| Letter of credit | 40,484,523 | 30,416,262 |
| Acceptances | 32,395,959 | 17,604,541 |
| Letter of guarantees: | | |
| -Payment | 28,608,707 | 22,488,576 |
| -Performance bonds | 64,340,267 | 58,827,263 |
| -Others | 55,358,222 | 68,649,016 |
| Unutilized direct credit facilities ceilings | 63,583,115 | 75,767,165 |
| Total | 284,770,793 | 273,752,823 |

b. Operating leases amounted to JD 1,045,080 as of 31 December 2019 (JD 1,321,704 as of 31 December 2018)

## (44) Litigation

- Lawsuits raised against the Bank amounted to JD 20,897,947 as at 31 December 2019 (31 December 2018: JD 10,033,504). In the opinion of the Bank's management and the legal advisor, no further liabilities exceeding the provision of JD 368,568 is required as at 31 December 2019 (31 December 2018: JD 146,472).

## (45) Assets Held for Sale and Discounted Operations

On 28 November 2018, an agreement was signed between the Jordan Commercial Bank and the National Bank of Palestine whereby the National Bank of Palestine acquires most of the Jordan Commercial Bank's branch in Palestine at their book value as of 31 December 2019 in exchange for a 15% of the National Bank's capital for the Jordan Commercial Bank as a strategic partner. The Bank's management expects to complete this agreement during the second half of 2020. This is in accordance with the requirements of the International Financial Reporting Standard No. (5). The comparative figures have been reclassified in the statement of income to show the results of the Bank's branches in Palestine in the line item (loss) gain from discontinued operations as well as transferring all sold assets to assets held for sale and the sold liabilities to liabilities directly associated with assets held for sale. Comparative figures in the statement of financial position have not been reclassified.

The results of performing discounted operations that are included in income for the year are as follow:

| | 2019 | 2018 |
|---|---|---|
| | JD | JD |
| Credit facilities | 5,215,733 | 5,145,689 |
| Less: debit facilities | (3,703,989) | (2,463,607) |
| **Net interest income** | 1,511,744 | 2,682,082 |
| Net commission income | 151,202 | 261,862 |
| **Net interest and commission income** | 1,662,946 | 2,943,944 |
| Foreign currency earnings | 111,793 | 61,963 |
| Returns on dividends on financial assets at fair value through the statement of comprehensive income | 191,368 | 191,368 |
| Other income | 538,143 | 524,078 |
| **Gross income** | 2,504,250 | 3,721,353 |
| Total employees' costs | 2,013,715 | 1,799,246 |
| Depreciation and amortization | 512,751 | 364,877 |
| Provision for expected credit losses - net | 373,500 | 569,358 |
| Other Provisions | 253,069 | 237,662 |
| Provision for losses on the sale of Palestine branches | 3,708,487 | - |
| Other expenses | 1,895,531 | 1,660,471 |
| **Total expenses** | 8,757,053 | 4,631,614 |
| **(Loss) before tax** | (6,252,803) | (910,261) |
| Income tax | 956,109 | (200,000) |
| **(Loss) for the year from discontinued operations** | (5,296,692) | (1,110,261) |

The details of assets held for sale and the liabilities associated with assets held for sale are as follows:

| | Notes | Balance before loss as of 31 December 2019 | Loss on sale | Net balance as of 31 December 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | 4 | 45,640,351 | - | 45,640,351 |
| Balances at banks and financial institutions | 5 | 23,838,000 | - | 23,838,000 |
| Direct credit facilities, net | 6 | 66,624,830 | - | 66,624,830 |
| Financial assets at fair value through other comprehensive income | | 2,009,364 | - | 2,009,364 |
| Financial assets at amortized cost, net | 9 | 1,392,078 | - | 1,392,078 |
| Property and equipment, net | 10 | 5,619,583 | (3,266,470) | 2,353,113 |
| Intangible assets, net | 11 | 442,017 | (442,017) | - |
| Other assets | | 1,915,348 | - | 1,915,348 |
| **Total assets held for sale** | | 147,481,571 | (3,708,487) | 143,773,084 |
| | | | | |
| **Liabilities** | | | | |
| Bank deposits and banking institutions | | 18,969,978 | - | 18,969,978 |
| Customer deposits | | 98,748,808 | - | 98,748,808 |
| Cash margins | | 4,610,741 | - | 4,610,741 |
| Sundry provisions | 18 | 860,506 | - | 860,506 |
| Other liabilities | | 2,333,391 | - | 2,333,391 |
| **Total liabilities associated with assets held for sale** | | 125,523,424 | - | 125,523,424 |

## (46) New International Financial Reporting Standards and its explanations and issued amendments and not implemented yet

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

**IFRS 17 Insurance Contracts**

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Bank does not expect to be affected by this standard.

**Amendments to IFRS 3: Definition of a Business**

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

**Amendments to IAS 1 and IAS 8: Definition of "Material"**

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Bank's financial statements.

**Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7**

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an “RFR”). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB’s project. The bank has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

## (47) Comparative Figures

Some of the comparative figures in the financial statements for the year 2018 have been reclassified to be consistent with the year 2019 presentation, with no effect on profit and equity for the year 2018.

## (48) Events after reporting period

At the beginning of 2020, the presence of the new Coronavirus (19-COVID) was confirmed and had spread worldwide and caused disruption to economic and commercial activities. Management believes that this matter is not considered an event that requires the amendment of the financial statements and accordingly financial statements were not amended.

As this situation is rapidly changing and evolving, the management does not believe that it is feasible in practical terms to estimate the potential financial impact of this epidemic on the financial statements of the Bank. However, the management will continue to monitor the situation closely and will assess the impact on the expected credit losses and the assessment in investments in addition to its impact on the Banks’ continuity of the financial statements in subsequent periods.

# Fourth: Auditor's Report on the Bank's Annual Financial Statements

Building a better
working world

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Jordan Commercial Bank**

**Amman – Jordan**

## Report on the Audit of the Financial Statements

### Qualified Opinion

We have audited the financial statements of Jordan Commercial Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of income and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### Basis for Qualified Opinion

Other assets, which are carried in the statement of financial position include assets seized by the Bank against due debts of JD 87.1 million (2018: JD 86.3 million). Management has not stated these properties at their recoverable amounts, which constitutes a departure from IFRSs. The Bank's records indicate that, had management stated these properties at their recoverable amounts, an amount of JD 6.3 million (2018: JD 7.9 million) would have been required to write down these properties to their recoverable amount. Accordingly, deferred taxation assets would have been increased by JD 2.4 million (2018: JD 3 million), income for the year would have been increased by JD 1.6 million (2018: JD .100 million), and shareholder's equity would have been reduced by JD 3.9 million (2018: JD 4.9 million). Our opinion in the prior year was also modified in respect of this matter.

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 Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Other Matters**

1. The financial statements for the year ended December 31, 2018 were audited by Deloitte & Touche (Middle East) – Jordan the Bank's sole auditor for 2018, and a modified opinion was issued on March 25, 2019. Ernst & Young - Jordan and Deloitte & Touche (Middle East) – Jordan were appointed as joint auditors for the Bank for the year 2019 in accordance with Central Bank of Jordan regulations for corporate governance.
2. The accompanying financial statements are a translation of the statutory financial statements in the Arabic language to which reference should be made.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section of our report we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Key audit matter:

1. **Adequate provision for credit losses for credit facilities:**

This is considered as a key audit matter as the bank exercises significant judgement to determine when and how much to record as impairment.

The provision for credit facilities is determined in accordance with the bank's impairment and provisioning policy, which is aligned to the requirements of IFRS 9 as adopted by the Central Bank of Jordan.

Credit facilities form a major portion of the Bank's assets, there is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 as adopted by the Central Bank of Jordan and determining related provision requirements, this audit area is considered a key audit risk.

As at 31 December 2019, the Bank's gross credit facilities amounted to JD 731 million and the related impairment provisions amounted to JD 48 million.

**How the key audit matter was addressed in the audit:**

- We gained an understanding of the Bank's key credit processes comprising granting, booking, monitoring and provisioning and tested the operating effectiveness of key controls over granting and booking processes.
- We read the Bank's impairment provisioning policy and compared it with the requirements of IFRS 9 as adopted by the Central Bank of Jordan as well as relevant regulatory guidelines and pronouncements after excluding credit exposures with/guaranteed by the Jordanian government, or any other special arrangements with the Central Bank of Jordan.

Stage 1 and Stage 2 provision:

- For provision against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Bank's provisioning methodology, the underlying assumptions and the sufficiency of the data used by management.
- We obtained an understanding of the Bank's internal rating model for credit facilities.
- For exposures moved between stages we have checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality.
- For a sample of exposures, we checked the appropriateness of the Bank's staging.

EY
Building a better working world

Deloitte.

**How the key audit matter was addressed in the audit:**

- For forward looking assumptions used by the Bank in its Expected Credit Loss ("ECL") calculations, we held discussions with management and corroborated the assumptions using publicly available information.

- For a sample of exposures, we checked the appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations.

- We checked that the Loss Given Defaults used by the Bank's management in the ECL calculations were appropriate.

- We assessed theoretical soundness and mathematical integrity of the ECL Model.

- We assessed the financial statements, disclosures to ensure compliance with IFRS 9.

- The accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and credit risk management in notes 3 and 6 respectively to the financial statements.

**Stage 3 (Specific) provisions:**
For exposures determined to be individually impaired, we obtained an understanding of the latest developments in the counterparty's situation, examined management's estimate of future cash flows, and checked the resultant provision calculations. For each exposure selected, we performed the provision calculation by considering alternative scenarios.

### Key audit matter:

**2. Non-current Assets Held for Sale**

Assets held for sale are measured at the lower of carrying value or fair value less costs to sell and are presented separately in the statement of financial position. Specific disclosures are also required for discontinued operations and disposals of non-current assets.

The application of IFRS 5 'Non-Current Asset Held for Sale and Discontinued operations' is a key audit matter, because the assessment of the classification is complex, the transaction and its accounting is non-routine and involves significant management judgements. These include, amongst others, the date of classification of the non-current assets as held for sale, the identification of the disposal group and the presentation of its results as discontinued operations. As a result of these judgements, there are requirements around the valuation of the assets of the disposal group and presentation in the financial statements and related disclosures, the identification of income and expenses allocated to Palestine branches, assumptions and estimates made with regard to the allocations, and adjustments to be recorded. Consequently, this was considered a key audit matter.

Refer to note 45 for more details on this matter.

**How the key audit matter was addressed in the audit**

Our audit procedures included, but were not limited to, the following:

- We held discussions with the Bank's management on the memorandum of understanding signed with the buyer.
- We evaluated the design and implementation of controls relating the determination of the assets classified as held for sale, the liabilities associated with the assets held for sale and the identification of the amounts to be presented as discontinued operations in the statement of profit or loss and other comprehensive income.
- We reviewed the sales agreement for the assets of Palestine branches and assessing whether the classification conforms to the requirements of IFRSs.
- We evaluated the bank's conclusion regarding the classification of the assets and related liabilities of the Palestine branches as held for sale and the results of the branches of Palestine as discontinued operations.
- We agreed the amounts presented as assets classified as held for sale, liabilities associated with assets held for sale and discontinued operations to the accounting records of the Palestinian branches.
- We checked the fair value of the net assets to be sold through evaluating the assets to be received against those assets by using our specialists, we assessed whether there was a need to record any impairment.
- We assessed the disclosure in the financial statements relating to this matter against the requirements of IFRSs.

**Key audit matter:**

**3. IT systems and controls over financial reporting**

We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.

**How the key audit matter was addressed in the audit:**

Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over IT systems:

We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications.

We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data center and network operations.

We examined computer generated information used in financial reports from relevant applications and key controls over their report logics.

We performed testing on the key automated controls on significant IT systems relevant to business processes.

**Other information included in the Bank's 2019 annual report.**

Other information consists of the information included in the Bank's Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

EY
Building a better working world

Deloitte.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the bank 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

The Bank maintains proper books of accounts which are in agreement with the financial statements, taking into consideration the matter described in the "Basis for Qualified Opinion" section.

Ernst & Young - Jordan

Deloitte & Touche (M.E) - Jordan

Amman - Jordan

**June 17, 2020**

Ernst + Young

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

# Fifth: Corporate Governance Manual, Control Objectives for Information and Related Technologies (COBIT) Manual & Governance Report

# Corporate Governance Manual

## Introduction

Based on its keenness to safeguard its position and as an expression of its profound respect for the integrity of the overall Jordanian banking system to which the Bank belongs, as well as its compliance with the international standards of sound banking practices, Jordan Commercial Bank (JCB) recognizes the necessity of compliance with the best standards of corporate governance, requiring the adoption of corporate governance, compliance with the laws and legislation issued by regulatory bodies, and implementation of the policies, instructions and procedures established by the Board of Directors and Executive Management.

Corporate Governance is based on a number of fundamental principles, the most important of which is the separation of the responsibilities assigned to the Board of Directors and those assumed by the General Manager (Chief Executive Officer). Another principle is that the Chairman of the Board must be a non-Executive Member thereof. This is in addition to the necessity of the existence of organizational and administrative structures, in which responsibilities and authorities are distributed with complete clarity and distinction, and the existence of clearly and distinctly defined effective control frameworks. This also entails treating all stakeholders with fairness, transparency and disclosure, enabling them to assess the Bank's position and financial performance. In this respect, members of the Bank's Board of Directors and Senior Executive Management should possess an appropriate level of educational and professional qualifications, honesty and good reputation.

Sound corporate governance contributes to strengthening the relationship between the shareholders, Board of Directors, Executive Management and related entities (other banks, depositors and regulatory authorities). It also holds the Executive Management accountable to the Board of Directors on the one hand and holding the Board of Directors accountable to the Owners and related entities, on the other.

This Manual and its associated policies on corporate governance were compiled to highlight the JCB's unique identity and confirm the independence of the Board Members, the absence of any conflict of interests among them and their efficacy in selecting an executive management that is capable of administering the Bank's affairs, in line with the best local and international corporate governance standards and practices.

The provisions of this Manual, as well as the Corporate Governance Policy, shall apply to JCB branches in both Jordan and Palestine.

# Part I: Definitions, Aspects and Importance of Corporate Governance

**First: Definitions:**

| | |
|---|---|
| Non-Executive Board Member: | A member who is not a full-time managing officer or employee at the Bank and does not receive a salary from it. |
| Authorized Person: | A person who is authorized to access internal information by virtue of his position or function at the Bank, including the Chairman and Members of the Board of Directors, Financial Director, Internal Auditor, External Auditor, representatives of legal entities, Board Secretary and relatives of the aforementioned parties. |
| Cumulative Voting: | A system of voting for electing members of the Bank's Board of Directors, which allows shareholders to vote proportionately to the number of shares they hold. Each shareholder is entitled to only one vote per share. This allows a shareholder to cast all of their votes for a single candidate or divide them among several candidates. |
| Governance Report: | A report outlining the Bank's corporate governance applications and practices, and it is incorporated into the Annual Report of the Bank and is signed by the Chairman of the Board. |
| Relatives: | Father, mother, brother, sister, spouse and offspring. |

**Second: Corporate Governance:**

It is the set of relationships existing between the Bank's Board of Directors, Executive Management, shareholders and other stakeholders of the Bank. It indicates a mechanism that clarifies the institution's objectives and the means to achieve and monitor the fulfillment of these objectives. Therefore, sound corporate governance provides the Board and Executive Management with appropriate incentives for achieving the objectives that are in the best interest of the institution and facilitates an effective control process, and thus helps the institution to utilize its resources efficiently.

In addition, corporate governance is the system demonstrating the manner through which authorities are exercised, decisions are made, banking operations are run safely, and the interests of depositors are safeguarded. It also ensures accountability to shareholders and other stakeholders, as well as the Bank's compliance with applicable legislation and internal policies of the Bank.

**Third: Aspects of Corporate Governance:**

1. Internal Factors

These involve the efficient dealing and interaction between shareholders, the Board of Directors, the Executive Management and other stakeholders. In this regard, sound corporate governance enables the Bank to identify and achieve its objectives. To that end, the Board seeks to identify the Bank's goals and objectives and approves the strategies developed by the Bank's Executive Management to fulfill the desired objectives.

2. External Factors

External factors include the following:

- Compliance with laws, legislation and instructions safeguarding the rights of shareholders and other stakeholders, such as other depositors and creditors of the Bank;
- Existence of a suitable regulatory environment secured by the regulatory authorities;
- Availability of capital market infrastructure, which enhances shareholders' ability to hold the Bank's Management accountable;
- Adherence to accounting standards relating to the timely and accurate presentation of financial statements, while adopting the applicable disclosure measures;
- Presence of a third party regulating the Bank's performance, such as the financial market, Central Bank, international rating institutions, professional and commercial associations, etc.; and

- Existence of an appropriate legal, legislative and regulatory environment clarifying the rights of the Bank's stakeholders.

Corporate Governance requires the availability of both internal and external environments, bearing in mind that the presence of either one does not necessarily mean the presence of the other. In both cases, the following components are considered guidelines for achieving sound corporate governance:

- Equity

Small shareholders and stakeholders are treated with equity and their interests are taken into account.

- Transparency

The Bank discloses financial and regulatory information and Executive Management's remunerations to the stakeholders, in a manner that enables shareholders and depositors to assess the Bank's performance in compliance with the instructions of the Central Bank of Jordan (CBJ), as issued by virtue of the Banking Law. The Bank must remain up to date with any changes in international financial reporting practices and the scope of transparency required from financial institutions. The Bank is also committed to providing quality information about all its activities to the regulatory authorities, shareholders, depositors, other banks and the general public through various types of reporting and communication tools.

- Accountability

The Executive Management undertakes to respond to any inquiry made by the Board regarding the implementation of plans and policies laid out by it, with a view to safeguarding the Bank's assets and the integrity of its financial position. The Board undertakes to show willingness to respond to any inquiries by the shareholders and other authorized parties.

- Responsibility

The Bank's organizational structure approved by the Board shall specify the communication channels and limits of responsibility. Moreover, the authority matrices approved by the Board shall also indicate the limits of responsibility.

The Board shall monitor the Executive Management, while the latter shall be responsible for the Bank's day-to-day operations. The Board shall set clear limits of responsibility and accountability, ensuring that all administrative levels in the Bank adhere to the same. It shall also ensure that the organizational structure clearly reflects the lines of authority and responsibility and includes multiple regulatory tiers. In addition, the Board shall ensure that the Senior Executive Management undertakes its responsibilities pertaining to the management of the Bank's day-to-day operations, contributes to implementing corporate governance and delegates authorities to personnel, creates an effective administrative environment promoting accountability, and performs tasks in various business areas and activities in line with the policies and procedures approved by the Board. The Board shall adopt appropriate regulatory guidelines that enable it to hold the Senior Executive Management accountable.

**Fourth: Importance of Corporate Governance to the Bank**

1) The Jordanian banking sector, of which JCB is a member, is one of the most important components of Jordan’s economy. This sector is globally subject to regulation and auditing, and it uses the government’s financial security networks and thus it is important to have a robust corporate governance system at the Bank.
2) The most important source of the Bank's incoming funds is the funds of other persons, particularly depositors. In light of the fierce competition in the Jordanian capital market, the existence of sound corporate governance at the Bank shall maximize its market share.
3) To maintain the integrity and resilience of the Bank’s financial position, Members of the Board of Directors play an effective and important role in the Bank’s corporate governance through their supervisory role. This is in addition to the adoption of a good risk management system allowing the alignment of revenues and risks, within the limits permitted by the Bank’s position and strategy and through compliance with applicable laws and instructions on all administrative levels.
4) Corporate governance enhances the Bank’s performance by providing a mechanism that links the interests of shareholders and other stakeholders and those of the Bank.

# Part II: Standards Pertaining to the Board of Directors

**First: Composition of the Board of Directors and Board Meetings:**

- The Bank's Board members shall not be less than eleven (11) members and no more than thirteen (13) members with practical and professional expertise and specialized skills. No Board member may be an Executive Member, and there shall be no Executive Members(*) at the Bank.
- Independent members shall not be less than four (4) members.
- Members shall be elected, using cumulative voting, by the General Assembly of the Bank through secret ballot.
- JCB shall ensure diversity in the expertise of the Board members, requiring them to be residing on a permanent basis in the Hashemite Kingdom of Jordan.
- The Board shall form several committees to follow up on and monitor workflow at the Bank and prepare reports thereon to the Board. The Board shall identify the roles, responsibilities and authorities of these committees upon formation thereof and via a separate charter for each committee.
- The positions of the Chairman of the Board and General Manager shall not be combined. In addition, there shall be no relationship, up to the fourth degree, between the General Manager of the Bank and the Board Chairman, any of the Board members, or major shareholders. The General Manager shall assume the following duties:
    - Develop the strategic direction of the Bank;
    - Implement the strategies and policies of the Bank;
    - Implement the decisions of the Board;
    - Guide the implementation of short- and long-term action plans;
    - Communicate the vision, mission and strategy of the Bank to employees;
    - Inform the Board on all significant aspects of the Bank's operations; and
    - Manage the day-to-day operations of the Bank.
- The Board shall convene at the written invitation of its Chairman, or Deputy Chairman in case of the Chairman's absence, or at the written request submitted to the Chairman by no less than one quarter of the members thereof, and with the presence of the absolute majority of members. The Members shall devote sufficient time to assume their designated tasks and responsibilities as Members of the Board, including prior preparation for Board meetings, which shall not be less than six (6) meetings per year. The Bank shall make sure that the Board convenes within a period not exceeding two months.

---

(*) Executive Member: A Board Member who participates in managing the Bank's daily activities for a consideration.

- Should it not be possible to attend in person, committee members may vote on resolutions by videoconference or telephone and sign the minutes of the meetings after obtaining the Board's approval in this regard. The Secretariat shall inform the respective committee's rapporteurs to approve attendance by video or telephone, ensuring the adoption of the following procedures:

  - Duly documenting the process and keeping voice records until signatures are obtained;
  - Ensuring that the number of members present in person is not less than two thirds of the members of the committee; and
  - Ensuring that the respective member's personal attendance is not less than 50% of the committee's meetings during the year.

- The Chairman of the Board shall deliberate with the other members and the General Manager upon preparing a specific meeting agenda of the topics to be presented to the Board. The said agenda, accompanied by the relevant documents, shall be sent to the members well in advance of the meeting. Meetings of the Board and Board Committees shall be recorded in official minutes outlining the actions taken and decisions made by the Board and respective Board Committees. These minutes shall be construed as legal evidence of the procedures undertaken by the Board or the Committees thereof and shall serve as a record of the events taking place during meetings to avoid any confusion. The minutes shall be accurately drafted, recording any voting process that may have taken place during the meetings; attaching any documents and referring to any documents quoted during the meetings; and recording any reservations that may have been expressed by any Board Member. The Bank shall properly keep all these minutes. The Palestine Monetary Authority shall be furnished with the results of meetings' minutes for topics pertaining to Palestine within one month from the date of the meeting.

The members shall serve for a renewable term of four (4) years, with no maximum limit for the number of terms a member may serve in the Board, bearing in mind that re-appointment shall be subject to the fact that the member is still able to perform the necessary duties assigned to him and maintains a sufficient degree of objectiveness in performing them.

**<u>Second: The BoD's Roles and Responsibilities</u>**

Pursuant to the Bank's statute, relevant laws and legislation, and the CBJ's instructions, the Board of Directors shall assume its roles and responsibilities, including the following:

1- The Board shall set the Bank's strategic objectives and direct the Executive Management to lay out a strategy to achieve those objectives. It shall also approve the said strategy, which the Executive Management shall work accordingly, as well as its accompanying work plans.
2- The Board shall select an executive management that can administer the Bank's affairs in a competent and efficient manner.
3- The Board shall supervise the Senior Executive Management and monitor its performance and ensure good financial position and solvency of the Bank. It shall

adopt appropriate policies, plans and procedures to oversee and monitor the performance of the Bank.

4- The Board shall adopt a policy for monitoring and reviewing the Executive Management's performance through the development of key performance indicators (KPIs) to identify, measure and monitor performance and progress towards the achievement of corporate goals.
5- The Board shall ensure that the Bank's credit policy measures the quality of corporate governance for corporate customers, so that customer risks are evaluated for strengths and weaknesses based on their corporate governance practices. It shall also identify credit terms and conditions and investment principles.
6- The Board shall ensure the development, circulation at all management levels and regular revision of policies, plans and procedures covering all activities of the Bank and that they are in line with the relevant laws and regulations. Moreover, it shall monitor policy implementation and verify the validity of adopted procedures in this regard.
7- The Board shall identify the corporate values of the Bank and draw clear lines of responsibility and accountability for all the Bank's activities. In addition, it shall promote a culture of high ethical standards, integrity and professional conduct for the Bank's executives, and adopt an organizational structure that outlines the hierarchical organization including Board committees and the Executive Management.
8- The Board shall ensure that no member of the Board or Executive Management or any of the Bank's employee obtains a personal gain at the expense of the Bank's best interests.
9- The Board shall verify, through the Board Audit Committee, the accuracy of the information provided to the regulatory authorities.
10- The Board shall assume responsibility for the integrity of all Bank operations, including its financial position, and for the fulfillment of the requirements of the CBJ and other supervisory and regulatory bodies in relation to its business. It shall take care of the interests of stakeholders and ensure that the Bank is managed in accordance with its internal regulations and that the Bank's activities, including outsourced activities, are continuously monitored. Moreover, the Board shall ensure compliance with the legislative regulations issued by governmental and regulatory authorities and that all the Bank's personnel, at all administrative levels, comply with the same.
11- The Board shall approve the internal regulations and instructions of the Bank, and identify the authorities, duties and means of communication among all management levels, which guarantee administrative and financial control over the Bank's activities.
12- The Board shall approve and annually review the internal control systems of the Bank and ensure that the internal and external auditors review the structure of these systems at least once a year.
13- The Board shall ensure that a policy and code of ethics is available, circulating the same among all Bank employees.
14- The Board shall always ensure the independence of the external auditor.
15- The Board shall specify and approve the roles and responsibilities of the Compliance Department.
16- The Board shall approve and oversee the implementation of a risk management strategy that articulates the acceptable risk appetite levels and ensures that the Bank is not exposed to high risks. It shall be familiar with the Bank's operational work environment and its associated risks, ensuring that there are risk

management tools and infrastructure in place at the Bank to identify, measure, control and monitor all types of risks faced by the Bank.

17- The Board shall approve the Bank's Risk Appetite document.

18- The Board shall ensure that there are adequate and reliable management information systems (MIS) in place covering all the Bank's activities.

19- The Board shall develop CSR policy and programs at the Bank for the benefit of local community and environment, ensuring that the Bank adopts appropriate social responsibility initiatives in the areas of environment conservation, health and education. It shall also ensure that the Bank provides financing to SMEs at appropriate interest rates and maturity dates and in line with a clear approach safeguarding transparency and fairness.

20- The Board shall take adequate measures to ensure a clear separation of powers between influential shareholders and the Executive Management to strengthen good corporate governance while developing adequate mechanisms to limit any influences by influential shareholders, ensuring that they do not assume any position in the Senior Executive Management. In this regard, the Senior Executive Management shall derive its authority solely from the Board of Directors and shall operate within the framework of the delegation granted to it by the Board.

21- The Board shall determine the banking operations that require its approval. However, in doing so, it shall seek to limit the scope of such operations so as to maintain its supervisory role. The Board shall not grant executive powers, including the power to extend credit, to a single member of the Board, including the Chairman.

22- The Board shall specify the roles of its Secretary, which include the following:
    - Attending all Board meetings and recording all deliberations, suggestions, objections, reservations and voting on draft resolutions of the Board;
    - Setting the dates of Board meetings in coordination with the Chairman;
    - Ensuring that Board members sign meeting minutes and resolutions;
    - Following up on the implementation of Board resolutions and the discussion of topics postponed at previous meetings;
    - Keeping records and documents of Board meetings;
    - Taking the necessary measures to ensure that all resolutions to be issued by the Board are in line with the laws and regulations;
    - Preparing for the General Assembly meetings and working in cooperation with Board Committees; and
    - Providing the CBJ with a copy of the declaration of suitability signed by each Board member.

23- Members of the Board and its committees shall communicate with the Executive Management and the Board's Secretary to facilitate the performance of the tasks assigned to them, including the outsourcing of certain tasks, as needed, at the expense of the Bank and in coordination with the Chairman. No Board member may influence the decisions of the Executive Management in any way except through deliberations that take place in the meetings of the Board or Board Committees.

24- The Board shall approve and review, at least once a year, the succession plans of the Executive Management, which set out the necessary qualifications and requirements of these positions.

25- The Board shall approve the organizational structure of the Bank, ensuring that it clearly reflects the lines of responsibility and authority, including at least the following supervisory levels:
    - Board of Directors and Board Committees

- Executive Management Committees
- Separate departments for risk, compliance and audit that do not carry out day-to-day executive functions
- Units/employees not involved in the day-to-day operations of the Bank (such as credit review officers and the middle office)

26- The Board shall ensure that the Senior Executive Management undertakes its responsibilities in relation to the management of the Bank’s day-to-day operations and that it contributes to the application of corporate governance within the Bank. It shall also ensure that the Senior Executive Management delegates powers to employees, creates an effective management environment that promotes accountability, and performs tasks in the various areas and activities in a manner consistent with the policies and procedures approved by the Board. Moreover, the Board shall adopt suitable regulatory controls that enable it to call the Executive Management to account.

27- The Board shall approve an internal audit charter, outlining the tasks, authorities and responsibilities of the Audit Department and circulate it within the Bank.

28- The Board shall appoint, dismiss and accept the resignations of the General Manager, Audit Manager, Risk Management Manager and Compliance Manager upon obtaining a No Objection Certificate from the CBJ regarding their resignation or termination of service. The CBJ may summon any Bank executive to inquire about the reasons for resignation or termination of service, based on the recommendations of the competent regulatory committee for the aforementioned designations (e.g. the Audit Committee for the Audit Manager, the Risk Committee for the Risk Manager, and the Compliance Committee for the Compliance Manager).

29- The Board shall approve the appointment of the Executive Management members, accept their resignations or terminate their service, as well as ensure that they possess the required expertise and skills and issue recommendations in this regard to the Nominations and Remuneration Committee.

30- The Board shall also undertake the roles and responsibilities pertaining to the management of information and related technologies, as set forth in the attached IT Governance Manual.

31- The Board shall ensure that the Compliance Department is independent and that it is always provided with an adequate number of trained staff.

32- The Board shall approve a policy ensuring the Bank’s compliance with all relevant legislation, revise said policy regularly and ensure the implementation thereof.

33- The Board shall lay out the necessary procedures ensuring that all shareholders, including non-Jordanians, exercise their rights and that they are treated in a fair and equal manner without discrimination.

34- The Board shall regulate the Bank’s financial, accounting and administrative affairs in accordance with the relevant internal regulations.

35- The Board shall appoint a liaison officer to follow up on the implementation of corporate governance with the Jordan Securities Commission.

36- The Board shall approve the Bank’s disclosure and transparency policy and follow up on the implementation thereof in accordance with the requirements of the regulatory authorities and applicable legislation.

37- The Board shall approve the succession policy as well as the HR and training policies at the Bank.

38- The Board shall establish a mechanism allowing shareholders holding no less than 5% of the Bank's subscribed shares to add items to the agenda of the ordinary General Assembly meeting, prior to sending it, in its final form, to the shareholders. It shall also furnish the JSC with said mechanism.

39-The Board shall approve the risk management policy to handle the risks to which the Bank may be exposed.

40-The Board may solicit the assistance of an external advisor, at the Bank's expense, provided that the majority of Board Members agree to the same and that no conflict of interest may arise.

41-The Board shall approve the governance report and incorporate it into the Bank's annual report.

42-The Board shall inform the CBJ of any significant information that may adversely affect the suitability of members of the Senior Executive Management.

43-Each Board Member shall, at minimum:

- Have knowledge of the legislation and principles pertaining to the banking activities and the Bank's operational environment, and keep pace with all developments therein as well as external developments related to its business, including requirements for appointment in Senior Executive Management positions;
- Attend the meetings of the Board and Board Committees, as required, as well as the General Assembly meetings;
- Not disclose the Bank's confidential information or use such information for their own benefit or for the benefit of others;
- Put the Bank's interest first in all dealings with any other company in which they have a personal interest; avoid exploiting the Bank's commercial business opportunities for their own benefit; avoid conflict of interest and disclose to the Board, in detail, any potential conflict of interest that may arise; and not attend, or participate in the decisions made at, a meeting discussing subjects that may involve a suspected conflict of interest. Such disclosure shall be recorded in the minutes of the Board meeting; and
- Devote enough time to perform their duties as a Board member.

**Third: Role of the Chairman of the Board**

The Chairman of the Board shall undertake the following, at minimum:

1. Build a constructive relationship between the Board and the Executive Management;
2. Create, during Board meetings, a culture that fosters constructive criticism, open discussions and voting on issues where there is a divergence of views among members;
3. Ensure that Board members and shareholders receive sufficient information in a timely manner;
4. Ensure that the Bank upholds high corporate governance standards;
5. Make sure that all Board members receive and sign minutes of previous meetings and receive detailed meeting agendas and sufficient information about the topics to be discussed during the Board meetings sufficiently in advance through the Board's secretary;
6. Ensure that there is a charter that describes and organizes the work of the Board;
7. Discuss key strategic issues in detail during Board meetings;
8. Ensure that each Board member is provided, upon election, with the relevant banking laws, the CBJ instructions related to the Board's functions, and the corporate governance instructions for banks in addition to a booklet describing

the rights, responsibilities and duties of Board members as well as the tasks and duties of the Board's secretary;

9. Ensure that each Board member is provided with sufficient information about the Bank's business upon appointment or at request;
10. With the assistance of the Bank's Legal Counsel, inform new Board members of the duties and responsibilities of the Board, particularly the legal and regulatory requirements to clarify the tasks, authorities and other matters relating to the Board membership. These include the membership term, meeting schedules, responsibilities of the Board Committees, remuneration, and the possibility of obtaining independent and specialized technical advice when necessary;
11. Ensure that the CBJ is informed of any significant information that may adversely affect the suitability of Board members; and
12. Make sure that Board members receive ongoing training and development, and that new Board members are provided with an orientation program that takes into account their banking knowledge; enroll them in training sessions on the principles and applications of corporate governance; furnish them with the Bank's organizational structure, corporate governance policy, code of conduct, corporate objectives, the Bank's strategic plan and approved policies, including the Board member suitability policy, as well as the Bank's financial status, risk structure, risk management framework, and the charters of Board committees.

**Fourth: Shareholders and Their Role in Corporate Governance**

Legal sovereignty and supreme authority are vested in the shareholders who convene through the General Assembly to review and deliberate on the Bank's matters. It should be noted that the interest of shareholders is not limited to just monitoring the prices of shares and receiving dividends, but it goes beyond that to monitoring the Bank's performance through financial statements and continuously communicate with the Bank's Management to stay abreast of the latest developments. Shareholders also attend General Assembly meetings, participate in voting on decisions, and discuss all aspects of the Bank's business and outcomes with Board members. Moreover, shareholders play a key supervisory role in monitoring the performance of Board members and in obtaining the information that enables them to exercise their rights to the fullest.

**Fifth: Stakeholder Rights**

- The Board shall develop a specific mechanism to guarantee communication with stakeholders by disclosing and providing relevant information to stakeholders about the Bank's activities through:
    1. General Assembly meetings
    2. Annual Report
    3. Quarterly reports containing financial information in addition to the Board's report on the Bank's stock trading and financial position during the year
    4. The Bank's website
    5. Shareholder Relations Division
- The Bank shall ensure that a part of the Bank's website is designated to clarify shareholders' rights and encourage shareholders to attend and vote at the General Assembly meetings. Also, information on General Assembly meetings, including the full text of the invitation and meeting minutes shall be published on

the website in a manner that does not conflict with the law or regulations of banking confidentiality.

## Part III: Suitability, Qualifications and Evaluation of Board Members

**First: Suitability**

The Board and Nominations and Remuneration Committee shall be responsible for ensuring that the members of the Board and Senior Executive Management exhibit the highest level of credibility, integrity, competence and expertise and that they can devote sufficient time and commitment to serving the Bank effectively in line with the JCB's Suitability Policy.

The Senior Executive Management includes the Bank's General Manager, Regional Manager, Deputy General Manager, Deputy Regional Manager, Assistant General Managers, Assistant Regional Managers, Chief Financial Officer/Finance Manager, Operations Manager, Risk Manager, Internal Audit Manager, Treasury Manager and Compliance Manager. It also includes any Bank employee possessing an executive authority corresponding to the authorities of any of the aforementioned persons and directly reporting to the General Manager. A No Objection Certificate shall be obtained from the CBJ before appointing any member in the Senior Executive Management. The members of Senior Executive Management are designated in the relevant suitability policy.

**Second: Qualifications of Board Members**

The Chairman and every member of the Board must meet the certain requirements in terms of professional experience, personal traits and solvency. In addition, the following expertise, qualifications and competencies be possessed by Board Members:

A. **Experience and Qualifications:**

- Independent judgment and ability to participate in taking sound decisions;
- Knowledge of financial statements and acceptable understanding of financial percentages used in measuring performance;
- Reasonable expertise or skills in the areas of accounting, finance, banking or any other banking expertise;
- Commitment to learning the Bank's operations, fulfilling contribution requirements and dedicating sufficient time and effort to serving the Bank;
- Readiness to resign from the Board of Directors in case of any change in professional responsibilities;
- Understanding and knowledge of the best international practices in the area of management and their applications to the rapidly evolving business environments;
- Short- and long-term crisis management abilities;
- Knowledge of global markets;

- Leader personality capable of delegating authorities and motivating employees; and
- Ability to provide strategic direction and demonstrate clear futuristic vision.

### B. Board Membership Requirements

The Chairman and every member of the Board must meet the following requirements:

- Is not less than 25 years of age.
- Is not a Board Member, General Manager, Regional Manager or employee of another bank inside Jordan unless it is a subsidiary of the Bank.
- Is not a lawyer, legal counsel or auditor of the Bank.
- Has a minimum of a first university degree in economics, finance, accounting, business administration or other relevant fields. The Nominations and Remuneration Committee may consider adding other specializations if combined with relevant banking experience.
- Is not an employee of the government or any public institution unless he/she is a representative thereof.
- Is not a member of the board of directors of more than five public shareholding companies inside Jordan in his/her personal capacity in some and as a representative of a legal person in others; and is not a member or representing a member in the board of another similar or competitor company.
- Has at least five years of experience in banking, finance or similar fields.

### C. Diligence and Loyalty

Members of the Bank's Board of Directors shall undertake their responsibilities in a diligent and loyal manner, as follows:

1. Honesty

The Board member's relationship with the Bank shall be one based on honesty, whereby that member, like any other Bank employee, shall communicate any relevant information prior to conducting any deal or commercial transaction with the Bank.

2. Loyalty

In the case of a conflict of interest between a Board member dealing with the Bank and the Bank itself, the Board member shall be required to fulfill the same requirements that he/she would have been required to fulfill if he/she had no relationship with the Bank. To that end, the Board member shall undertake his/her role honestly, be mindful of the Bank's interests, avoid conflict of interest, and refrain from abusing his/her position or using any information accessible to him/her as a Board member for personal gain. The Board member shall advise the Board of any potential conflict of interest and refrain from voting on any resolutions related to this subject.

3. Diligence

Board members shall perform all the duties stipulated in the applicable laws and regulations and seek to obtain all necessary information to ensure that all decisions taken are in the interest of the Bank.

To fulfill the desired level of diligence, Board members must be knowledgeable of and familiar with the Bank's activities as well as the markets and sectors it serves. They shall attend Board meetings and properly prepare for them beforehand, especially in relation to the decisions to be taken, as well as honestly undertake assigned duties. Moreover, they shall look for any warning indicators, follow up on important matters with the Bank's Management, obtain objective advice when necessary, and comply with the provisions of various laws pertaining to the Bank.

**D. <u>Independence:</u>**

1. The Board shall practice effective leadership that is independent of the Bank's Management, owing to the absence of executives in the Board. The number of independent Board members shall not be less than four (4).
   The most significant relationships that may affect a member's independence in the Bank is the existence of conflict between memberships in different boards of directors, an advisory relationship with entities related to the Bank, a direct or indirect business relationship between the member and the Bank, or the forging of any new relationship with the Bank that has been created and developed as a result of that person's membership in the Board.

2. To guarantee a Board member's independence, he/she shall regularly disclose in writing any personal interest that may exist in any transaction or contract with the Bank for himself/herself, his/her spouse or relative up to the third degree if any of the aforementioned persons has an influential stake in a company to which such transaction or contract is related. No Board member may participate in any meeting where said transaction or contract is discussed. The impact of other activities on that person's independence as a member of the Bank's Board shall be assessed.

An independent member is defined as a Board member who is not subject to any influences compromising his/her ability to take objective decisions in favor of the Bank, and who fulfills the following requirements:

1. The Board member has not been an executive Board member in the past three years preceding his/her election.
2. The Board member has not been an employee of the Bank or any subsidiary thereof in the past three years preceding his/her election.
3. The Board member is not related, up to the second degree, to any other Board member or a member of the board of directors of any subsidiary of the Bank, or to any major shareholder of the Bank.

4. The Board member is not related, up to the second degree, to any member of the Bank's Executive Management or the executive management of any of its subsidiaries.
5. The Board member is not and has not been a partner, employee or relative of the Bank's external auditor for the past three years preceding his/her election as a Board member, and is not related, up to the first degree, to the Bank's audit partner.
6. The Board member is not a major shareholder, or a representative or an affiliate of a major shareholder, of the Bank, or otherwise holding in concert with affiliates a major shareholding; is not a major shareholder of a subsidiary of the Bank; and is not a major shareholder in the Bank's group of owners.
7. The Board member has not occupied the position of Board member of the Bank or any of its subsidiaries or the position of management board member therein for more than eight consecutive years.
8. The Board member, or any company in which he/she is a board member, owner or major shareholder, has not been granted a credit by the Bank exceeding 5% of the Bank's subscribed capital nor has been a guarantor of a credit exceeding the same threshold.
9. The Board member, or any of his/her relatives, must not have a direct or indirect interest in the contracts, projects and engagements made with the Bank, or any sister or affiliate company thereof, and whose value equals or exceeds JD 50,000 (fifty thousand Jordanian Dinars).
10. The Board member must not own 5% or more of the Bank's subscribed shares, or of any sister or affiliate company thereof.
11. The Board member must not be a relative of any of the Bank's shareholders who own 5% or more of the Bank's subscribed shares.
12. The Board member possesses extensive experience and qualifications in finance or banking.

**E. <u>Knowledge</u>**

Board members shall be knowledgeable of banking operations, risks to which the Bank may be exposed, and financial statements reflecting the Bank's financial position. In addition, they shall be familiar with the laws, legislation and instructions with which the Bank must comply, stay abreast of new developments in the financial services sector, attend meetings of the Board and Board committees, and review the reports and recommendations presented by the Bank's Executive Management, internal auditor, external auditor and regulatory authorities.

**F. <u>Code of Business Conduct:</u>**

The Board has approved and issued a Code of Business Conduct, which the Executive Management circulates at all administrative levels and ensures that the Bank's personnel adhere to the contents thereof. This includes, for example but not limited to, a prohibition of the use of inside information by executive officers for personal gains; rules and procedures regulating transactions with relevant related parties; and situations that may give rise to a conflict of interest.

**Third: Evaluation of Executive Officers' Performance:**

1. The Board has devised a system to evaluate its performance and the performance of its members. This system includes the following:
    - Setting specific objectives and defining the role of the Board in achieving these objectives in a measurable way;
    - Setting KPIs that may be derived from strategic plans and objectives and using them to measure the performance of the Board;
    - Ensuring regular communication between the Board and shareholders;
    - Holding regular meetings between the Board and the Senior Executive Management; and
    - Reviewing the role of a Board member in Board meetings and comparing his/her performance to other members. Feedback shall be obtained from the concerned Board member to improve the evaluation process.
2. The Board shall approve a system for measuring the performance of the Bank's Executive Management. This system shall include the following:
    - Giving appropriate weighted measures of performance in abiding by the risk management framework and implementation of internal controls and regulatory requirements;
    - Ensuring that total income or profit should not be the only basis for measuring the performance of executive officers; rather, other elements must be taken into account, such as the risks associated with the main operations, customer satisfaction, and others where applicable; and
    - Avoiding influence peddling and conflict of interest.

**Fourth: Remuneration and Compensation for Board Members**

The Bank's regulations shall determine the way by which Board members are remunerated. Such remuneration and compensation shall be in the form of meeting attendance allowance, transportation allowance, in-kind benefits, and specific percentage of profits, and as set forth in the Board Member Suitability Policy approved by the Bank.

# Part IV: Control Systems

**First: Selection of Management Members and Their Oversight Role:**

1. Selection of Management

The Board of Directors shall approve the appointment of a General Manager for the Bank or any of the members of the Bank's Senior Executive Management, provided that the following requirements are fulfilled (bearing in mind that the CBJ shall be entitled to object to such appointment):

- Must be of good conduct and reputation.
- Must not be a member of the board of directors of any other bank unless it is a subsidiary of the Bank.
- Must be full-time dedicated to managing the Bank's activities.
- Must exhibit the banking expertise and competency required to carry out the Bank's activities.
- Has a minimum of a first university degree in economics, finance, accounting, business administration or relevant fields.
- Has at least five years of experience in banking or similar fields. The General Manager and Regional Manager must possess at least 10 years of banking experience.

Other requirements stipulated in the Executive Management Suitability Policy shall be observed.

2. Management's Oversight Role

The Bank's Executive Management, through different departments and divisions of the Bank, shall furnish the Board of Directors with periodical reports, information and data, as needed, to ensure that the Board performs its oversight role on the Bank's operations and evaluates current and potential risks so as to manage them in an efficient and effective manner.

3. External Communications

The Board shall provide related parties with accurate and timely information to enable them to monitor the Board and Executive Management and hold them accountable for the way of managing the Bank's assets. This shall be done through the reports requested by the CBJ and the periodic financial reports issued to shareholders and through the disclosure of the following in accordance with the applicable Disclosure Policy:

1- Names of the members of the Board of Directors and Executive Management
2- Organizational Structure and Corporate Governance Manual
3- Incentives and remuneration of members of the Board and Executive Management
4- Nature and size of operations with affiliate companies and related entities

5- Key risks facing the Bank and its Risk Management Policy

4. Planning

The Board of Directors is assigned important duties, particularly the mapping of the Bank's general strategies and approval of work policies. This is done through participation in and approval of long-term strategic plans, annual work plan, and estimated budgets. Accordingly, the Board shall undertake the following:

- Provide a planning mechanism and appropriate work plans and ensure that these are properly implemented and monitor their outcomes.
- Measure the achievement of the Bank's goals and objectives by developing its systems.
- Identify the Bank's strengths, weaknesses and opportunities as well as the threats facing it.
- Ensure the availability of a competent management team.
- Verify the Management's compliance with capital adequacy ratios, liquidity ratios and availability of sources of funds, including capital, in a manner that ensures the achievement of the Bank's planned goals and objectives.

5. Policies

Since the Board of Directors is the primary body responsible for managing the risks to which the Bank may be exposed, the Bank maintains the policies mentioned below, which cover all the Bank's activities. The Executive Management ensures that these policies are in place, reviews them periodically and works on issuing unavailable policies:

(a) Credit Policy
(b) Investment Policy

(c) Fund Sources Management/Asset and Liabilities Management Policy

(d) Code of Business Conduct adopted by the Jordan Commercial Bank

(e) Personnel Affairs Policy

(f) Other policies:

- Risk Management Policy
- Compliance Control Policy
- Anti-Money Laundering and Terrorism Financing Policy
- Policy on Compliance with the requirements of the Foreign Account Tax Compliance Act (FATCA)
- Policy on Fair and Transparent Dealing with Customers
- And other approved policies.

**Second: Internal Control Systems**

The Board shall monitor the work of Senior Executive Management with the aim of verifying the effectiveness and efficiency of operations, credibility of financial reports and compliance with applicable laws, legislation and instructions. The Senior Management shall implement the following fundamental principles of internal control systems:

- Providing a regulatory environment reflected by the existence of an organizational structure that clearly outlines communication and responsibility channels.
- Establishing an independent department for risk management, supported by a risk management policy for identifying and assessing the risks to which the Bank may be exposed and determining the economic capital required to address such risks.
- Providing controls and a mechanism for the separation of responsibilities, including the separation of the responsibilities of "risk-takers" and "risk controllers".
- Observing the principle of dual control when developing regulatory controls.
- Setting work procedures allowing decision makers to have timely access to information so as to expedite activation of the contingency plan, where necessary.
- Revisiting the internal control system approved by the Board of Directors periodically by both the internal auditor and external auditor to assess its efficiency and ensure that it is in accord with applicable laws, regulations and directives.
- Observing the independence of Risks, Internal Audit and Compliance departments and divisions.
- Providing financial and accounting systems that can demonstrate the actual financial position of the Bank and provide the information necessary for sound decision-making in a manner enabling the preparation of periodic and annual financial statements and in accord with International Financial Reporting Standards (IFRS).
- Ensuring the efficiency and integrity in relation to the IT management by devising effective internal controls.
- Providing the necessary security, safety and protection requirements for the Bank.

The following are the key themes of administrative control:

1. Internal Audit

Internal audit is an important source of information and assists the Bank's Management in identifying and efficiently managing risks.

A. The Audit Department undertakes, at minimum, the following responsibilities:
   - Verifying the availability of, and compliance with, adequate internal control systems at the level of the Bank and its subsidiaries;
   - Verifying compliance with the Bank's internal policies, international standards and relevant legislation;

- Auditing financial and administrative matters to ensure accurate, reliable and timely financial and administrative information;
- Reviewing compliance with the Corporate Governance Manual;
- Reviewing the soundness and comprehensiveness of the stress testing scenarios in line with the methodologies adopted by the Board; and
- Verifying the accuracy of the procedures adopted for the internal capital adequacy assessment process (ICAAP).

B. The Board shall ensure and promote the independence of internal auditors and that internal auditors are well-positioned in the Bank's organizational structure and that they are qualified to carry out their tasks. The Board shall also ensure that internal auditors have the right to access all records and information and contact any employee of the Bank in order to properly carry out their tasks and prepare their reports without external interference.
C. The Board shall take the necessary measures to enhance the effectiveness of the internal audit by recognizing the importance of the audit process and following up on the correction of audit notes.
D. The Internal Audit Department shall be subject to direct supervision by the Audit Committee where:
   - It shall report directly to the Board's Audit Committee, which shall be responsible for assessing its performance.
   - The internal auditor and Audit Committee shall review the reports prepared by the external auditor and the CBJ and follow up on the measures taken in relation thereto.
   - Both the internal auditor and external auditor shall cooperate and deliberate to enhance the efficiency of internal controls.
E. The Bank shall not assign any executive tasks or responsibilities to internal auditing personnel.
F. Internal audit duties are risk-focused duties.
G. It shall be responsible for reviewing the Bank's financial reporting, ensuring that significant financial, administrative and operating information is accurate, reliable and timely.
H. It shall ensure the commitment to the implementation of all the Bank's internal policies, directives and procedures issued by the regulatory authorities, as well as the relevant international standards, procedures and laws.

2. <u>External Audit</u>

- The General Assembly shall elect an external auditor that is licensed to perform external audits in accordance with approved international audit standards, professional standards and principles, and applicable legislation.
- The external auditor shall furnish the Internal Audit Committee with a copy of its report and shall meet with said Committee at least once a year, without the presence of the Executive Management.
- The external auditor shall attend the Bank's General Assembly meetings.
- The external auditor shall audit the Bank's accounts as per international standards and recognized professional rules, and examine the Bank's administrative, financial, and internal control systems to ensure efficiency of the same as well as the credibility and fairness of financial statements issued by the Bank's accounting and information systems. The external auditor shall also report any breaches of the law or any financial or administrative matters that may negatively impact the Bank's position to the competent authorities.

- The Bank shall regularly rotate the external auditor amongst audit firms and their subsidiaries, affiliates or associate firms in any way every seven years, at most, as of the date of election thereof (Head Office, Jordan). The seven-year period shall start on the date of implementation (as of 2010). In the first year after rotation, the successor auditor shall work jointly with the predecessor auditor. The predecessor auditor may not be re-elected before the lapse of two years from the date of its last election not including the joint audit assignment. A five-year period shall be considered for the Regional Office of Palestine.
- The Audit Committee shall verify the independence of the external auditor on an annual basis.
- The Board shall take appropriate measures to address weaknesses in the internal control systems and any other issues reported by the external auditor.
- The external auditor shall furnish the Central Bank of Jordan, during the first quarter of every year, with an annual internal audit report and another external audit report, including the Executive Management’s response and Board's recommendations thereon.
- The Board shall recommend to the General Assembly an external auditor (to be assigned with auditing the activities of Palestine branches) for approval, after obtaining the consent of the Palestine Monetary Authority.
- Upon the appointment of the external auditor, the Bank shall make sure that it is not a founder, shareholder, member of the Board of Directors, or a partner of, or an employee working for, any Board member.
- Upon the appointment of the external auditor, the Bank shall make sure that the former is registered with the Jordan Securities Commission.
- The Bank shall ensure that the external auditor does not conduct any additional tasks for the Bank, such as the provision of administrative and technical advice, except after obtaining the approval of the Board based on the recommendation of the Bank’s Audit Committee.
- Upon the appointment of the external auditor, the Bank shall make sure that the former acts independently as per international audit standards.
- The Bank shall ensure that the assigned auditor performs its duties in an impartial manner without any intervention by the Board or the Senior Executive Management.
- The Bank shall not appoint any employee of the external auditor’s firm at the Bank’s Senior Executive Management, until after one year at least has elapsed from the date of ceasing to conduct any audit works for the Bank.
- The external auditor shall perform the tasks assigned thereto in an independent and impartial manner.
- The external auditor shall monitor the Bank’s business activities.
- The external auditor shall examine the Bank’s administrative and financial systems as well as internal control systems, expressing an opinion on their efficiency and verifying that they are suitable for safeguarding the Bank's funds and ensure seamless operations.
- The external auditor shall verify the Bank’s ownership of assets and the legality of the Bank’s obligations.
- The external auditor shall attend the Bank’s General Assembly meetings.
- The external auditor shall respond to shareholders’ questions and queries in respect of financial statements and final accounts during the General Assembly meetings.
- The external auditor shall express an opinion regarding the fairness of the Bank’s financial statements and request amendment thereof should their fairness be compromised.

- The external auditor shall report any breaches of the applicable legislation or any financial or administrative matters that may negatively impact the Bank's position to the competent authorities.

3. <u>Risk Management</u>

The Risk Management Department shall undertake the following roles and responsibilities:

1. It shall submit its reports to the Risk and Compliance Committee, and a copy thereof to the General Manager. As for daily operations, the Department shall report directly to the General Manager.
2. It shall review and analyze all types of risks that the Bank may face including credit, market, liquidity and operational risks.
3. It shall develop measurement and control methodologies for each type of risks.
4. It shall set the risk appetite in coordination with the Bank's relevant entities as approved by the Board, submit reports and document exceptions to such risk appetite to the Board, and follow up on the rectification of negative deviations.
5. It shall provide the Board and Senior Executive Management with information about risk measurement and the Bank's risk profile and follow up on the correction of deviations.
6. It shall provide the necessary information on the Bank's risks for use in the Bank's disclosures and publications.
7. Some committees of the Executive Management, such as Credit Committee, Assets and Liabilities Management Committee, Treasury Committee and Investment Committee, shall assist the Risk Management Department in performing its duties as per the authorities designated to said Committees.
8. The Department shall monitor the compliance by various Executive Departments with the approved levels of risk appetite.
9. The Board shall ensure that excesses over acceptable risk appetite levels are addressed, including, for example, questioning the Senior Executive Management about such excesses.
10. The Risk Management Department shall conduct periodic stress tests to gauge the Bank's ability to absorb shocks and deal with high risks. The Board shall have a fundamental role in approving the assumptions and scenarios used, discussing the stress tests' results and approving the measures to be taken based on these results through the Risk and Compliance Committee.
11. The Bank shall adopt a methodology for internal assessment of capital adequacy. The said methodology shall be comprehensive, efficient and able to identify all risks that the Bank may face. It shall take into consideration the Bank's strategic plan and capital plan. The Board shall revise the methodology regularly and ensure that it is duly implemented and that the Bank has adequate capital to face any risks.
12. Before approving any expansion of the Bank's activities, the Board shall consider the risks resulting from such expansion as well as the competencies and qualifications of Risk Management Department's employees.

13. The Board shall ensure the independence of the Risk Management Department by having it report to the Risk Management Committee and that it is granted the necessary powers to access information from the various departments at the Bank and cooperate with other committees to perform its tasks.
14. The Department shall review the risk management framework before being approved by the Board.
15. The Department shall implement the risk management strategy and develop policies and work procedures to manage all types of risks.
16. The Department shall verify the compatibility of the risk measurement mechanisms with the management information systems used.
17. Recommendations are presented to the Risk Management Committee on risk exposures and any exceptions to the risk management policy.
18. The Risk Management Department shall be directly responsible for ensuring the "prudent management of IT risks" and the "risk management" processes.

## 4. Compliance

The Compliance and AML Department has been established at the Bank. It reports directly to the Board and Board Committees and maintains direct contact with the General Manager. The Department has been provided with trained personnel. It shall devise an effective methodology to ensure the Bank’s compliance with all applicable laws and regulations and any relevant instructions and manuals, as well as the tasks, authorities and responsibilities of the Compliance Department. The said methodology shall be circulated within the Bank to all personnel and the Bank shall undertake the following:

- Approve the Anti-Money Laundering and Terrorism Financing Policy, in accordance with the governing laws and legislation, in addition to any other policies issued by the Compliance Department concerning internal control and governance of relevant decisions.
- The Compliance Department shall report to the Board through the Committees thereof and send a copy of its reports to the General Manager.

# Part V: Board Committees

First: Corporate Governance Committee

The Committee is comprised of three members, two of whom are independent, with one being Committee Chairman. The Committee shall include the Chairman of the Board of Directors. It shall convene regularly provided that it shall hold no less than two meetings per year, with the meeting minutes duly recorded. Duties of the Committee can be summarized as follows:

1. Ensuring the implementation of the Corporate Governance Manual;
2. Reviewing and updating the Corporate Governance Manual whenever required;
3. Inviting any person in the Bank, at all administrative levels, to seek their opinion or ask them about any matter;
4. Submitting a report to the Bank's Board of Directors at least once a year, including its opinion regarding the extent of compliance with the provisions of the Corporate Governance Manual;
5. Compiling the corporate governance report and submitting the same to the Board of Directors; and
6. Examining the observations put forth by the Jordan Securities Commission with regard to the implementation of governance principles and following up on the actions taken thereon.

Second: Audit Committee

The majority of Audit Committee members shall be independent members of the Board, including the Committee Chairman who shall not be the Chairman of the Board or the Chairman of any other Board Committee. The Committee shall be re-formed to include four members, of whom three shall be independent, possessing practical and professional expertise, qualifications, adequate knowledge and understanding of the international accounting standards and principles required, as well as financial and other competencies relevant to the Bank's business. Members shall also be fully knowledgeable of the instructions of the Central Bank of Jordan and the regulatory authorities. The Committee shall continue to perform its duties throughout the tenure of the Board of Directors. The Bank shall ensure that no activities of any other committee are combined with those of the Audit Committee. The Bank's Audit Committee shall assume the following duties and authorities:

- The Committee shall recommend the nomination of auditors for appointment or termination of their service and verify that they meet the requirements set forth in the instructions of the Securities Commission.
- The Committee shall review the fees of auditors and recommend the fair value of the same in light of the required audit scope.

- The Committee shall recommend the appointment or termination of senior officers of the Internal Audit Department. It shall, in general, evaluate internal and external audits; review the scope, outcomes and adequacy of accounting matters impacting the Bank's financial statements; review and develop internal control systems; and provide the necessary support to the main internal audit staff to establish their independence and pay due attention to their employment conditions.
- The Committee shall approve the annual internal audit plan of the Bank after consulting with auditors on the nature and scope of audit required, so as to ensure necessary coordination between the work of internal audit and that of the external auditor for a wider audit coverage of the Bank's activities, departments and branches with minimal duplication.
- The Committee's approval shall be required in respect of any deviation from the annual internal audit plan or any amendment or postponement thereof.
- The Committee shall examine and follow up on the reports of the Internal Audit Department, the Bank's auditors and the CBJ's inspectors, and other audit reports to which the Bank is subject from time to time. It shall also study the outcomes, notes and recommendations of the same and review the Management's response to each report, taking the necessary actions in respect thereof.
- The Committee has the authority to obtain any information from the Executive Management and is entitled to invite any employee to attend any of its meetings in accordance with the provisions of the Committee's Charter.
- The Committee shall review and monitor the procedures enabling any employee to confidentially report any error in the financial reports or any other matters. It shall also ensure that there are arrangements for independent investigation in place and follow up on the results of such investigation and objectively handle the same.
- The Committee shall follow up on the implementation of any important audit notes, whatever their source, in an efficient and prompt manner, ensuring that appropriate corrective measures are taken without delay.
- The Committee shall examine auditors' notes on internal control systems and others and review the Bank's responses to the same. This includes reviewing the correspondence exchanged between the Bank and auditors to assess the contents thereof and make relevant notes and recommendations thereon.
- The Committee shall review the Bank's interim and annual financial statements before presenting the same to the Board of Directors, giving special care to any differences that may arise between the Management and auditors during the preparation of financial statements or their results. It shall also ensure the implementation of the Central Bank's instructions on the adequacy of bad debt reserves and security portfolio provisions and express an opinion on the Bank's non-performing debts or those proposed to be considered bad debts.
- The Committee shall review any material amendments or other important issues relating to auditing processes or accounting principles applied by the Bank when preparing the annual financial statements. It shall also make sure that said financial statements conform to the instructions of the CBJ and the Securities Commission, and other legal requirements and applicable accounting standards.
- The Committee shall consult with auditors, where necessary, on the suitability and accuracy of the Bank's internal control systems, and the extent of complying therewith, especially the adequacy of such systems for disclosing the Bank's annual financial statements in a correct and honest manner that is in line with applicable accounting rules.

- The Committee shall regularly meet with the internal and external auditors and the Compliance and AML Manager, at least once per year without the attendance of any member of the Senior Executive Management.
- The Committee shall ensure full compliance with the laws, regulations and instructions governing the Bank's business.
- The Committee shall express an opinion on other matters presented thereto by the Board of Directors from time to time.
- The Committee shall receive detailed quarterly statements of defaulted debts of various classifications, as approved in the Credit Facilities Regulation. Such statements shall include the debts to be rescheduled or settled.
- The Committee shall receive detailed quarterly statements on in-kind and cash collections of defaulted debts and their impact on the profit and loss account.
- The Committee Chairman shall attend the annual meeting of the Bank's General Assembly.
- The Committee shall ensure the availability of adequate resources, including a sufficient number of trained and qualified employees, to carry out internal audit tasks.
- The Audit Committee shall ensure the rotation of the audit of the Bank's various activities among internal audit employees every three years at most.
- The Committee shall make sure that no executive tasks are assigned to internal auditing personnel.
- The Committee shall ensure that all of the Bank's activities, including outsourced activities, are audited.
- The Board shall approve an internal audit charter, outlining the tasks, authorities and responsibilities of the Audit Department and circulate it within the Bank.
- The Audit Committee shall evaluate the performance of the Internal Audit Department's employees and determine their remuneration.
- The Audit Committee shall verify the independence of the external auditor on an annual basis.
- The Committee shall review the external auditor's report and make sure that it covers all the Bank's activities. It shall also review the CBJ's reports and follow up on the actions taken in respect of them.
- The Committee shall detail the roles and responsibilities in relation to the management of information and related technologies, as set forth in the attached IT Governance Manual.
- The Committee shall work under the supervision of the Board and shall submit its reports and recommendations on the results of its operations to the Board.
- The Committee shall examine all works carried out by the external auditor, including notes, suggestions and reservations, follow up on the Bank Management's response to the same, and submit recommendations in this regard to the Board.
- The Committee shall review the Bank's correspondence with the external auditor, assess the contents of the same and make notes and recommendations on them to the Board.
- The Committee shall review the external auditor's assessment of the internal audit and control procedures.
- The Committee shall review the internal audit and control reports, especially those pertaining to any violations revealed by the internal auditor.
- The Committee shall present recommendations to the Board regarding any matters related to internal audit and control procedures and the internal auditor's work.

- The Committee shall ensure that no conflict of interest may arise as a result of the Bank’s execution of deals, contracts or projects with related parties.
- The Committee shall review the dealings of related parties with the Bank and present recommendations to the Board prior to concluding the same.
- The Audit Committee shall convene at the invitation of its Chairman, provided that the meetings held shall not be less than four (4) meetings per year, or whenever necessary, or based on a decision by the Bank’s Board, or upon the request of two other members. The meeting of the Committee shall be deemed legally valid if attended by at least two (2) members. The meeting minutes shall be duly recorded, and recommendations thereof shall be made by majority vote.
- The Internal Audit Manager/Auditor-General at the Bank shall be invited to attend the Committee’s meetings. The Committee may invite any person to express an opinion regarding any given matter.

Third: Nominations and Remuneration Committee

The Nominations and Remuneration Committee is comprised of a minimum of three (3) members, the majority of whom are independent including the Committee Chairman. It shall convene regularly if it shall hold no less than two (2) meetings per year, or whenever necessary, with the meeting minutes duly recorded. The Committee shall assume the following duties and authorities:

1. The Committee shall identify individuals who are qualified to become Board members, taking into consideration candidates’ competences and qualifications, and in the case of re-election their effective performance and attendance of Board meetings.
2. The Committee shall work on a clear methodology to ensure that all Board members devote sufficient time to carrying out their Board duties, including, for example, the member's affiliation with other boards of directors, committees, forums, etc.
3. The Committee shall identify the strengths and weaknesses of the Board of Directors and propose the necessary steps to address them in alignment with the Bank’s interests. To achieve that, it shall adopt specific, approved and objective criteria for evaluating the Board’s performance, including comparisons to other banks and similar financial institutions. The Committee shall also adopt standards to ensure the integrity and correctness of the Bank’s financial statements and determine the degree of adherence to regulatory requirements.
4. The Committee shall ensure that Board members attend workshops or seminars on banking-related topics, particularly risk management, corporate governance and the latest banking developments.
5. The Committee shall provide Board members with important background information and briefs on the Bank at their request and ensure they are always updated on the latest banking developments.
6. The Committee shall ensure that there is a succession plan in place for the Senior Executive Management.
7. The Committee shall annually review the required skills for Board membership and prepare a description of the required competencies, including the time that must be devoted by the member for Board duties.

8. The Committee shall annually verify the independence of independent Board members and that there is no conflict of interest in case the member serves on the board of directors of another company.
9. The Committee shall ensure that there are clear policies in place for remunerating Board members and senior executives and use performance-related criteria to determine said remuneration. It shall also verify that salaries are sufficient for attracting and retaining qualified talents at the Bank. The policy shall aim to observe the following:
   - The policy should be structured to recruit and retain qualified and experienced executives and to motivate them and promote their performance. It may not be used in a way that affects the Bank's financial position and reputation.
   - The policy shall take into consideration the risks, liquidity and profits and their timing, and reflect the goals, values and strategy of the Bank.
   - Remunerations shall not be based on the performance of the current year only but shall also take into consideration the medium- and long-term performance (three to five years).
   - The policy shall define the form of remunerations, such as fees, salaries, allowances, bonuses, share options or any other form of benefits.
   - It shall offer the possibility of postponing payment of a reasonable proportion of remunerations. The amount of such proportion and the postponement period shall depend on the activities and nature of the work performed by the concerned executive and the risks associated therewith.
   - Executives of supervisory departments (e.g. Risk Management, Audit, Compliance, etc.) shall not be given remunerations based on the performance of their respective departments but rather based on their own performance and accomplishments.
10. The Committee shall approve the remuneration scheme, specifying the remunerations of the Executive Management, including the General Manager's salary and benefits. It shall also approve the staff remuneration schedule and the annual salary increase policy based on the recommendations made by the General Manager.
11. The Committee shall present its reports/recommendations, and report the outcome of its activities, to the Bank's Board of Directors.
12. The Committee shall annually assess the overall performance of the Board and Board Committees, and members thereof, advising the CBJ of the results of said assessment.
13. The Committee shall annually evaluate the General Manager's performance using an evaluation system developed by it, which includes a number of KPIs. The General Manager's performance evaluation criteria shall include financial and managerial performance and achievement of the Bank's medium- and long-term plans and strategies. It shall inform the CBJ of the evaluation results.
14. The Committee shall lay out and annually review a policy for remuneration, benefits, incentives and salaries at the Bank. Upon approving the policy, the Board shall provide the CBJ with a copy of it within a maximum period of seven (7) business days from the date of approval thereof.
15. The Committee shall identify the Bank's needs of staff as well as qualified members to join the Senior Executive Management and specify the criteria for the selection thereof.

Fourth: Risk and Compliance Committee

The Risk and Compliance Committee has been formed by a decision of the Bank's Board of Directors and is comprised of four (4) members, two of whom are independent, bearing in mind that members of the Senior Executive Management may join the Committee as members as per its charter. The Committee shall continue to operate throughout the tenure of Board membership and shall assume the following roles and authorities:

A. Aspects Relating to Risk Management:

- Approve the organizational structure of the Risk Management Department;
- Approve the risk management policies, instructions, procedures and reporting system, and review the same on a regular basis and determine their efficiency;
- Approve and supervise the acceptable risk appetite levels at the Bank and review the same on a regular basis;
- Identify the risks to which the Bank may be exposed and monitor the efficiency of controls thereof, as well as identify and develop the means and tools to assess, measure and mitigate such risks;
- Assess the efficiency of the Bank's control systems to ensure that they are fully implemented by all departments;
- Review all reports issued by the Risk Department, taking all actions to minimize the risks to which the Bank may be exposed and presenting recommendations in this regard to the Bank's Board;
- Strive to raise the awareness of employees of all types of risks to which the Bank may be exposed;
- Undertake any other duties pertaining to risk management and review the Bank's risk management framework;
- Review the Bank's risk management strategy before having it approved by the Board of Directors;
- Keep abreast of developments affecting the Bank's risk management and submit periodic reports regarding the same to the Board;
- Make sure there is no discrepancy between the actual risks that the Bank takes and the risk appetite approved by the Board;
- Create the suitable environment to ensure identification of risks that have a material impact on the Bank and any activities that may expose the Bank to risks greater than the approved risk appetite, reporting the same to the Board and following up the handling thereof; and
- Monitor and assess the various risks to which the Bank may be exposed.

B. Aspects Pertaining to Compliance:

- Review the notes contained in the reports of the Compliance Department, the CBJ and the external auditor on compliance at the Bank, and follow up on the actions taken thereon in a manner that does not conflict with the authorities of the Audit Committee;
- Recommend to the Board the approval of the compliance policy, AML policy, know your customer policy and any amendments made thereto; as well as any other policies regulating the Bank's compliance activities;
- Review the periodic (quarterly, bi-annual and annual) audit reports issued by the Compliance Department with respect to the compliance of all the Bank's policies, procedures and work plans with the relevant laws and official instructions;
- Review the Compliance Department's annual plan and work program and ensure adherence thereto;
- Receive reports on suspicious transactions of which the Anti-Money Laundering and Terrorism Financing Unit is notified;
- Review the corrective and/or disciplinary procedures and measures taken by Executive Management upon discovering any violations arising from non-compliance, especially for violations that may subject the Bank to legal penalization or financial loss or jeopardize its reputation;
- Undertake any other duties pertaining to compliance; and
- Operate under the supervision of the Board, reporting and presenting its recommendations to the same with respect to the outcomes of its activities. The Compliance Committee shall convene regularly at the invitation of its Chairman at least twice a year or whenever the need arises, or at the decision of the Board or at the request of one of its other members. The Committee's meeting minutes shall be duly recorded, and its meetings shall be considered legally valid if attended by at least two (2) members. Committee recommendations shall be made by majority vote.

Fifth: Credit Facilities Committee

The Committee has been formed by a decision of the Board of Directors. The number of its members may not be less than five (5) and any one of the mays be an independent member, provided that he is not a member of the Audit Committee. Members of the Senior Executive Management may participate in the Committee's meetings to present their recommendations and examine credit facilities surpassing the authority of the highest Executive Management Committee. The legal quorum for Committee meetings shall be the attendance of at least four (4) members. Committee decisions are taken by a majority vote regardless of the number of members in attendance. Committee members shall personally attend and vote on their own decisions. In the event of inability to attend personally, members may express their opinion by video or phone. They may vote and sign the meeting minutes provided that this is duly documented. This procedure is considered an exception specifically for this Committee. The Committee shall be concerned with matters pertaining to granting credit facilities and strategic investments, and its authorities in respect of credit and investment shall be determined in accordance with the authority matrix approved by the Board. The Committee's roles and authorities can be summarized as follows:

- The Credit Facilities Committee shall take the right decision with regard to the facilities recommended for approval by the Executive Management Committee.
- The upper limits of the powers vested in this Committee regarding the granting, modification, renewal or restructuring of credit facilities shall be determined and the Board's powers in this regard shall be clarified.
- The Committee shall periodically submit to the Board details of the facilities approved by it.

- The Committee shall take decisions on exceptional cases within the limits of the authority matrix and in accordance with the applicable terms and principles, and the administrative hierarchy.
- The Board may delegate some or all of the powers of the Credit Facilities Committee regarding the amendment of conditions or the restructuring of facilities to the Senior Executive Management Committee. The Credit Facilities Committee should be informed of the decisions taken within these powers.
- The Committee shall approve credit transactions in accordance with the Bank's authority matrix and the Committee's charter approved by the Board of Directors.

Sixth: Strategic Planning Committee

The Committee has been formed by a decision of the Board of Directors and shall be comprised of four (4) members of the Board, one of whom shall act as the Committee's Chairman. Committee members must be knowledgeable of administrative and financial matters and possess experience in banking and markets. A rapporteur shall be appointed to the Committee by the Board of Directors. The Committee shall convene regularly or whenever the need arises and shall take decisions and issue recommendations by majority of three of its members, of whom one shall be the Committee's Chairman. It shall submit its reports and recommendations, once they are issued, to the Board. The Committee shall hold no less than two (2) meetings per year. The duties undertaken by the Committee can be summarized as follows:

- The Committee shall recommend to the Board its suggestions regarding the Bank's appropriate strategic direction in light of the economic conditions, investment climate, and competition in the banking sector and developments therein.
- The General Manager shall be informed of the Board's strategic directions, plans and decisions, so that he can set the plans and executive procedures for the various business units at the Bank. Such strategic directions shall be adopted in the preparation of the annual work plans and budgets.
- The Committee shall review the General Manager's suggestions regarding work strategies to discuss them and prepare the necessary relevant recommendations for presentation to the Board.

- The Committee shall discuss the Bank's estimated annual budgets and decide thereon ahead of presentation to the Board.
- The Committee shall review the progress of annual work plans and estimated budgets, by comparing the actual accomplishments against the set targets and assess the causes of any deviation from set targets.
- The General Manager shall be invited to attend the meetings held by the Committee, in addition to any other person it deems appropriate. Dates of said meetings shall be set in coordination with the Committee's Chairman or whenever requested, provided that the General Manager is advised of the same by the Committee's rapporteur.
- The Committee's rapporteur shall be responsible for preparing the invitations for its meetings, agendas and minutes of meetings, and follow up on the implementation of its recommendations thereof as approved by the Board.
- The Committee shall undertake any other duties assigned thereto by the Board.

Seventh: Debt and Property Settlement Committee

The Debt and Property Settlement Committee consists of four (4) Board members and the Board appoints the Committee Chairman from among these four members. The Committee shall convene on a regular basis, provided that the meetings held shall not be less than two (2) meetings per year. It shall take decisions and issue recommendations by majority of at least two of its members, one of whom shall be the Committee Chairman, and submit its reports and recommendations, once they are issued or whenever the need arises, to the Board. The roles undertaken by the Committee can be summarized as follows:

- The Committee shall lay out the policy and executive plans pertaining to the disposal of property expropriated by the Bank, with the aim of reducing the property portfolio to a minimum to achieve capital profits on the one hand, and increasing capital adequacy and preserving liquidity on the other.
- The Committee shall set, in coordination with the Executive Management, auction ceilings for property mortgaged to the Bank upon the Bank's participation in such auctions to assess any determinants imposed by certain considerations related to the size of the mortgage loan, its provisions and outstanding interest.
- The Committee shall monitor the estimated values of all Bank-owned properties, ensuring these are updated at least every two years and considering the requirements of the CBJ and auditors in this regard.
- The Committee shall study the recommendations of the Property Sub-Committee with respect to the selling or substitution of properties and take appropriate decisions regarding purchase offers of any property, considering market estimates and the Bank's considerations.
- The Committee shall study the recommendations presented by Executive Management through its practical experience and take the necessary decisions thereon.

- The Committee shall review the monthly statement of new properties mortgaged to the Bank and their estimated values, as well as the auction participation statement.
- The Committee shall undertake any other relevant duties assigned to it by the Board of Directors.

Eighth: IT Governance Committee

The IT Governance Committee shall be comprised of four (4) Board members. It shall convene at least on a quarterly basis, presenting its reports regularly to the Board. It shall undertake the duties assigned to it under the attached IT Corporate Governance Manual.

Decisions by the Board of Directors and Board Committees shall be issued by majority vote. In case of equal votes, the Chairman shall have a casting vote. The Committees shall have the following authorities:

- Request any data or information from the Bank's personnel who shall, in turn, be cooperative and provide such information in a complete and accurate manner;
- Request legal, financial, administrative or technical advice from any external advisor; and
- Request the presence of any employee in the Bank to get the necessary clarifications.

# Part VI: Conflict of Interest, Disclosure and Transparency

**First: Conflict of Interest within the Board**

The Bank shall ensure that no Board member has any direct or indirect interest in the business and contracts concluded by the Bank. However, if this is necessary, the matter shall be subject to the approval of the General Assembly, which is to be renewed annually. Any business carried out via public tenders shall be exempt from such requirement if that Board member has offered the best proposal and in a manner that does not conflict with the Companies Law. Moreover, the Board member shall notify the Board if he/she has a personal interest in the business and contracts made for the Bank, with such notification being documented in the meeting's minutes, provided that said member may not participate in voting on the decision to be issued in this regard. The General Manager shall inform the General Assembly, upon convening, of the business and contracts in which a Board member maintains a personal interest. Such notification shall be accompanied by a special report from the chartered accountant. The Board member may not participate in any activity which may be in competition with the Bank. In this regard, the Bank shall be keen to avoid conflict of interest through the following:

- The Bank shall adopt policies and procedures for rectifying any conflict of interest.
- The Bank shall adopt policies and procedures for governing transactions with related parties, ensuring that they include a definition of those parties, taking into consideration the applicable laws and regulations, transaction terms, approval procedures and mechanism for monitoring such transactions.
- The supervisory departments in the Bank shall ensure that any transaction involving related parties has been carried out in accordance with the approved policy and procedures. The Audit Committee shall review and monitor all related-party transactions and update the Board on the same.
- The Board shall ensure that the Senior Executive Management implements the adopted policies and procedures.
- The Board shall adopt controls to manage the transfer of information within various departments to prevent exploiting such information for personal gains.

- The Board shall ensure that the Executive Management exhibits the highest level of integrity in performing its duties and avoids conflict of interest.

**Second: Disclosure and Transparency**

- The Board shall ensure that financial and non-financial information that is of interest to stakeholders is published.
- The Bank's annual report shall also include a statement to the effect that the Board is liable for the accuracy and completeness of the Bank’s financial statements and other information contained in the report, as well as for the adequacy of the internal control systems.
- The Board shall ensure that the Bank’s financial disclosures are consistent with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), CBJ’s instructions, and other relevant legislation. It shall also ensure that the Executive Management is always up to date with IFRS changes.
- The Bank shall provide the CBJ with the number of shares pledged by shareholders who hold 1% or more of the Bank’s capital and the party for which the shares are pledged.
- The Board shall ensure that the Bank’s annual and quarterly reports include disclosures that allow current and potential shareholders to know the financial position and operating outcomes of the Bank.
- Prior to the appointment of Senior Executive Management members, the Bank must obtain the candidate’s CV accompanied by academic certificates, experience certificates, certificates of good conduct and other necessary supporting documents, and a signed copy of the declaration attached to the governance instructions. The Bank shall furnish the CBJ with a copy of the said declaration and the CV.
- The Board shall ensure that the annual report includes, at minimum, the following:
  - Summary of the Bank's organizational structure.
  - Summary of the roles and responsibilities of Board committees and the authorities delegated to each committee.
  - Useful information of interest to stakeholders as identified in the Corporate Governance Manual and the extent of the Bank’s compliance with the Manual.
  - Information on each Board member, including qualifications and experience, amount of shareholding in the Bank, whether an independent or non-independent Board member, membership in Board Committees, date of appointment to the Board, other memberships in the boards of directors of other companies, remunerations of all forms for the previous year in addition to loans from the Bank and any other transactions between the Bank and the Board member or parties related thereto.
  - Information about the Risk Management Department, including its structure and nature of its operations, and changes therein.
  - Number of meetings of the Board and Board committees and the number of meetings attended by each member.
  - Names of independent Board members and senior executives during the year.

- Summary of the remuneration policy and full disclosure of all forms of remuneration to each individual member of the Board and Senior Executive Management for the previous year.
- List of shareholders that own 1% or more of the Bank's capital, identifying the ultimate beneficial owners of such shareholdings or any part thereof, in addition to a clarification as to whether the shareholdings are wholly or partially pledged.
- Declarations from all Board members confirming disclosure of all benefits, in cash and in kind, received by them, or any persons related to them, in association with their work at the Bank in the past year.
- The CBJ may object to the nomination of any person for Board membership, if it is found that he/she does not fulfill the requirements set forth in the CBJ's instructions. The Bank shall observe the following:

- The Chairman and each member of the Board must sign the relevant declaration, with a copy thereof kept with the Bank and another sent to the CBJ along with the member's CV.
- The CBJ shall be invited to attend the General Assembly meetings, at least fifteen (15) days prior to the set date, so that it may designate a representative thereof.
- The Bank shall inform the CBJ at least thirty (30) days prior to the General Assembly meeting of its intention to nominate the external auditor for election (or re-election) by the General Assembly.
- The Bank shall provide the CBJ with information about members of the Board and Board committees as well as the Senior Executive Management, as per the forms designed for this purpose, on a semi-annual basis and in the event of any change.
- The Bank shall provide the CBJ with information about members of the boards of directors, management boards and senior executive managements of the Bank's subsidiaries inside and outside Jordan, as per the forms attached to the Corporate Governance Guide, on a semi-annual basis and in the event of any change.
- The Bank shall provide the CBJ with the General Assembly meetings within a period not exceeding five (5) days from the date of endorsement thereof by the Companies General Controller or the representative thereof.
- The CBJ may summon any nominee for the Senior Executive Management for an interview prior to appointment. In addition, the CBJ may, in the cases it deems necessary, summon any nominee for the Board of Directors for an interview.
- The CBJ may appoint an external entity to assess the governance of any bank, at the expense of the latter.
- The CBJ may, at any time, invite members of the Audit Committee, Internal Audit Manager or Compliance Manager to examine any matter falling within the scope of their duties.
- The CBJ may set a larger number of independent members in the Board's structure, if deemed necessary.
- The CBJ may consider any member as being non-independent as per certain data, in spite of that member fulfilling all requirements stipulated in Article 6/d of the Corporate Governance Instructions No. 63/2016 dated 25/9/2016, as set forth in Part Three "Suitability, Qualifications and Evaluation of Board Members" of the Corporate Governance Manual.
- The instructions issued by the Palestine Monetary Authority and the regulatory authorities in Palestine concerning corporate governance shall be observed.

Should there be any conflict therewith, the prior approval of the CBJ shall be obtained to address such conflict.

- The Companies Law and any other relevant laws, legislation and instructions issued by the regulatory authorities shall be observed in a manner that does not conflict with the provisions of the Corporate Governance instructions.
- The duties of Board Committees' rapporteurs shall be set to include: attending all committee meetings; recording all deliberations, suggestions, objections and reservations; coordinating meetings with the respective Committee's Chairman and members; ensuring that Committee members sign the meeting minutes and resolutions; keeping the Committee's meeting records and documents; and making preparations for meetings. Committee rapporteurs do not have the right to vote.
- No Board member may be appointed as chairman of more than one of the committees mentioned in the Corporate Governance Instructions (e.g. Corporate Governance Committee, Audit Committee, Nominations and Remuneration Committee, Risk and Compliance Committee). Moreover, the Board member may not serve as chairman of more than two Board committees.

## Part VII: General Regulations

The Bank shall compile the Governance Report and incorporate it into the Annual Report. The Governance Report shall be signed by the Chairman of the Board and shall primarily include the following:

- Information and details pertaining to the implementation of these instructions and corporate governance regulations at the Bank.
- Names of current and resigning members of the Board of Directors for the year, indicating whether they are executive or non-executive, independent or non-independent members.
- Names of representatives of corporate members of the Board, indicating whether they are executive or non-executive, independent or non-independent representatives.
- Names and titles of the Executive Management's members.
- All board memberships held by any Board member in public shareholding companies, if any.
- Names of Board Committees.
- Names of the Chairman and members of the Audit Committee along with a profile of their qualifications and expertise in relation to financial or accounting matters.
- Names of the Chairman and members of the Nominations and Remuneration Committee, Governance Committee, and Risk and Compliance Committee.
- Number of meetings held by all Committees during the year along with the names of attending members.
- Number of the meetings held by the Audit Committee with the external auditor during the year.
- Number of the meetings held by the Board during the year along with the names of attending members.

# Control Objectives for Information and Related Technologies (COBIT) Manual

## Introduction

Jordan Commercial Bank (JCB) recognizes the importance of observing the best standards in the area of information and related technologies. This comes in line with the Bank's keenness to safeguard its position and adopt the best international practices in managing IT resources, projects and services in a manner enabling it to conduct its activities and fulfill its strategic objectives effectively and efficiently, which will, in turn, reflect positively on the quality of the Bank's products and services on the one hand, and on decision-making and risk management mechanisms on the other. This also stems from the Bank's profound respect for the integrity of the overall banking system and compliance with the sound international banking practices.

The Board of Directors and Executive Management have acknowledged the need for adopting successful products that trigger the implementation of information technology efficiently and effectively in parallel with the Bank's various business practices and procedures. This requires the application of a framework for the governance and management of IT and related technologies. It is also important to separate the Board's governance-related processes, roles and responsibilities from those lying within the scope of Executive Management regarding information and related technologies, while observing sound principles and standards in managing IT resources, in line with the best international practices, primarily the Control Objectives for Information and Related Technologies (COBIT) Framework. This contributes to controlling risks and fulfilling stakeholder expectations by implementing sound governance rules, while avoiding engagement in unproductive investments and unjustified expenditure, ultimately translating into significant losses that may, at times, undermine the Bank's reputation and performance.

In asserting the unique identity of JCB, this Manual was compiled and attached to the Corporate Governance Manual. This Manual expresses the Bank's stance on the governance and management of information and related technologies in terms of their concept, importance and basic principles and in a manner that conforms to the applicable legislation and best international practices and confirms the Bank's compliance with all laws and legislation issued in this regard.

The provisions of this Manual shall be applicable to the branches of JCB in both Jordan and Palestine. The Bank will publish the IT Governance Manual on its website and disclose said Manual in its annual report, indicating the extent to which the Manual's provisions have been implemented.

## Part I: Information Technology Governance, Scope and Objectives

### First: Governance

The management of information and related technologies is a set of continuous activities that fall within the scope of the Executive Management’s responsibilities. These activities include planning with the intent of fulfilling strategic objectives involving alignment and organization; building and development involving procurement and implementation; operation, service delivery and support; and monitoring activities such as measurement and evaluation. This is to be done in a manner that secures continuous achievement of the Bank’s strategic objectives and directions. In light of this, the governance of information and related technologies is defined as the process of distributing roles and responsibilities and characterizing relationships between parties, various entities and stakeholders with the aim of maximizing the Bank’s added value. In so doing, an ideal approach is adopted for maintaining a balance between risks and anticipated revenues by implementing the regulations, principles and mechanisms required to ensure sound decision-making and determine the Bank’s strategic direction and objectives as well as the mechanisms for controlling and monitoring compliance with the same to guarantee continuous progress and development. This is to be achieved through the governance of operations, a process related to an array of practices and activities established pursuant to the Bank’s policies and which are necessary for achieving the objectives of information and related technologies. These objectives, arising from corporate objectives, can be divided into primary and secondary objectives and are required for meeting stakeholder needs.

In this respect, the term “stakeholders” refers to any person with an interest in the Bank, such as shareholders, employees, creditors, customers, external suppliers or regulatory authorities concerned with the activities of the Bank.

### Second: Scope of IT Governance and Relevant Parties

The scope of implementing the IT governance requirements encompasses all the Bank's IT-based operations in various branches and departments. All stakeholders are deemed to be concerned with the implementation of such requirements. The Bank has already launched a project for creating and providing the required environment and fulfilling the requirements of IT governance in accordance with the COBIT framework, while designating roles to each of the following:

- Chairman, Board members and external experts for the purposes of providing direction, approving roles and responsibilities, providing support and approving the necessary funding for the project.
- The General Manager and his deputies and assistants, and operations managers to nominate suitable persons with experience in the Bank's operations to represent them in the project and describe their duties and responsibilities.
- IT Manager and Steering Committees, and project managers to provide overall direction, submit the required reports to the Board's IT Governance Committee, monitor the role of project managers, and ensure the provision of sufficient resources and sound acknowledgement of the corporate objectives pertaining to IT governance.
- Internal Audit shall be assigned with providing advice and practicing independent control, as an independent consultant and controller, to ensure successful performance of executive matters. This is aimed to facilitate the successful completion of the corporate governance framework, by examining the IT audit reports, taking the appropriate actions to rectify any irregularities, monitoring the quality of the technical and technological services and striving to enhance and improve them on a continuous basis, in light of the proposed recommendations and suggestions. Both the Board Audit Committee and the External Auditor shall furnish the CBJ, during the first quarter of the year, with an annual internal audit report and an external audit report respectively, outlining the response of the Executive Management and the recommendations made by the Board of Directors thereon.
- The Risk, Information Security, Compliance and Legal Departments shall engage in the aforementioned project, each in its own domain, implement its framework, monitor requirements, commit to its objectives and policies, and ensure the existence of an appropriate regulatory environment.
- The Bank shall rely on experts and holders of technical and professional certificates related to the COBIT Standard (e.g. COBIT Foundation, COBIT Assessor, COBIT Implementation and CGEIT), from within and outside the Bank, to assume the role of guide and assessor during the phases of implementation, as well as to communicate knowledge of the Standard and facilitate compliance therewith.
- Upon concluding outsourcing agreements with external parties to provide IT-related human resources, services, software and infrastructure with the aim of ensuring seamless operations, the Bank shall make sure that such external parties implement the IT governance instructions, whether in part or in whole, commensurate with the importance and nature of the Bank's operations, services, software and infrastructure provided before and after the contract duration. The Board of Directors and Senior Executive Management shall not be relieved from the ultimate responsibility for fulfilling the requirements of all instructions, including the audit requirements set forth in this Manual.

**Third: IT Governance and Management Objectives**

The main objective of IT governance is "to create added value" for the Bank by ensuring the optimal use of IT, preserving and increasing the value provided through investments in them, and disposing of IT initiatives and assets that fall short of creating sufficient added value for the Bank. This involves the optimization of resources and controlling of risks, and addressing of business risks associated with IT use, ownership, operation and adoption in the Bank, as well as ensuring the availability of the appropriate capabilities necessary for implementing the strategic plan, and the sufficient, suitable and effective resources. This is in addition to ensuring a sound decision-making process that accommodates the stakeholders' interest in added value on the one hand and compares risks to revenues through the optimal utilization of resources on the other.

Accordingly, the objectives sought by the Bank through the adoption of an IT governance framework are as follows:

1. Meeting stakeholder needs by achieving the objectives of information and related technologies, in a manner ensuring:
    - Provision of high-quality information to be used as a foundation for supporting the Bank's decision-making mechanisms;
    - Prudent management of IT resources and projects, maximizing the benefits from these resources and reducing wastage thereof;
    - Provision of exceptional and supportive technology infrastructure enabling the Bank to fulfill its objectives;
    - Upgrading of the Bank's various operations via the deployment of an efficient and reliable technology system;
    - Prudent management of IT risks ensuring the necessary protection for the Bank's assets;
    - Realization of compliance with the requirements of various laws, legislation and instructions, as well as compliance with internal business strategies, policies and procedures by strengthening the Bank's internal control and monitoring systems;
    - Improvement of the Bank's internal control and monitoring systems;
    - Maximization of the level of user satisfaction with IT by fulfilling business needs in an efficient and effective manner; and
    - Management of the services of outsourced parties assigned with executing various processes, tasks, services and products.
2. Achieving comprehensive IT governance and management, by availing the required enablers;
3. Adopting regulation and organization practices and procedures that are in line with the best international standards as a foundation for launching the governance and management of IT processes, projects and resources;
4. Separating the Board's governance processes, roles and responsibilities from those falling within the jurisdiction of the Executive Management in respect of information and related technologies; and
5. Enhancing the mechanisms of self-monitoring and independent monitoring and examining compliance in the fields of IT governance and management, so as to contribute to continuous improvement and development.

The governance and management objectives and the other six enablers related to cybersecurity, risk management, data privacy and protection, compliance, control, audit, and strategic alignment are considered focus areas of high importance and priority.

## Part II: The Bank's COBIT Framework and Enablers

**First: IT Governance Principles**

The key principles of IT governance enable the Bank to forge an effective governance and management framework, which optimizes the utilization of information and investment in technology. Below are the key principles for the governance and management of information and related technologies in accordance with COBIT Framework:

1. **Meeting Stakeholder Needs**
   The main objective of the Bank is to create value for stakeholders and thus realize benefits through resource optimization.

2. **Covering the Enterprise End-to-End**
   The framework aims to integrate IT governance with corporate governance, in a manner covering all functions and operations within the Bank.

3. **Applying Single Integrated Framework**
   The framework aligns with the latest relevant standards and frameworks, enabling it to become a comprehensive framework that safeguards corporate IT and all that is related to the management thereof.

4. **Enabling a Holistic Approach**
   A holistic and comprehensive approach for corporate governance and IT governance shall be adopted.

5. **Separating Governance from Management**
   The BoD shall be concerned with implementing sound corporate governance at the Bank and separating between the role of the Board and that of the Executive Management. The responsibilities assumed by the Executive Management involve the tasks and duties required from the General Manager and other Executive Management bodies, such as planning, building and operating, as well as following up on various activities to make sure that they are in alignment with the directions set by the Board in order to realize the Bank’s strategic objectives.

**Second: Enablers**

This involves achieving comprehensive governance and management of information and related technologies, by availing not only the technology per se, but also the following 7 Enablers to accompany and complement the IT services:

1. Principles, Policies and Frameworks: These are means to translate the desired behaviors into practical instructions for day-to-day management.
2. Processes: These involve an organized set of practices and activities aimed at realizing specific objectives.
3. Organizational Structures.
4. Culture, Ethics and Behavior: These are molded via the Bank’s value, ethics and behavior system.
5. Information: It includes all information produced and used by the Bank and which is necessary for properly operating and governing the Bank.
6. Services, Infrastructure and Applications: These are designed to provide the means for processing IT and facilitate the provision of services.
7. People, Skills and Competencies: These are necessary to successfully complete all activities and take sound decisions and actions.

In order for the Bank to ensure a successful IT governance framework, it undertakes to activate the aforementioned Seven Enablers.

Upon proceeding with the implementation of the Seven Enablers and secondary processes and objectives, the Bank shall tailor the same in line with the Bank's terms to serve the objectives and requirements of IT governance and COBIT. The Bank shall also work on making the change needed to provide and foster the necessary implementation environment, by adopting the 'Gap Analysis' method, comparing between the current situation and the requirements of the IT governance and COBIT Framework for the purpose of committing to implementation. The Bank shall submit to the Central Bank of Jordan a biannual progress report on the implementation of the COBIT requirements.

**Third: IT Governance Processes**

The process reference model divides the IT governance processes into two domains:

1. The Board's (Governance) Domain: This can be divided into five processes, with each process defining the Evaluate, Direct and Monitor practices (known as EDM5). They aim to set and maintain the IT governance framework, ensure value optimization, ensure risk optimization, ensure resource optimization and ensure stakeholder transparency.

2. Executive Management's (Management) Domain: This domain is further divided into four sub-domains of processes that are in line with the responsibility areas of Plan, Build, Run and Monitor (PBRM). These sub-domains provide end-to-end coverage of IT governance and their names have been selected in accord with their respective significance:
    - Align, Plan and Organize (APO): It relates to the formulation of the IT policy and IT strategy, establishment of the Bank's organizational structures, management of financial affairs and management of investment portfolios.
    - Build, Acquire and Implement (BAI): It relates to business analysis, project management, utilization scenario evaluation, requirements definition and management, programming, system engineering, system decommissioning and capacity management.
    - Deliver, Service and Support (DSS): It relates to the management of continuity, problems, service and incidents office, security services, IT processes, and database.
    - Monitor, Evaluate and Assess (MEA): It relates to compliance (alignment) review, efficiency monitoring and controls auditing.

The Bank shall optimally implement the aforesaid domains and processes to ensure the successful application of sound IT governance.

**Fourth: Process Capability Levels**

The capability levels are used for the purpose of improving processes, assessing the maturity of processes, identifying targeted levels and detecting deviations. There are six levels for classifying processes as follows:

- Level 0: Incomplete process— The complete absence of any clear processes and thus the Bank has not detected any issue to be addressed.
- Level 1: Performed process— There are indications that the Bank has detected issues to be addressed, yet there are no standard procedures. Instead, there are only approaches related to a specific purpose, and they are implemented on an individual or case basis. Therefore, the Bank's management approach is unsystematic.
- Level 2: Managed process— Processes develop to a stage where similar procedures are followed by different individuals performing the same task. However, there are no official training or standard procedures to be adopted. Accordingly, each individual

shall be solely responsible for the procedure to be taken and there is substantial reliance on individual knowledge, and thus there exists a potential for errors to occur.

- Level 3: Established process— Processes have been documented and identified to serve as standard processes to be deployed throughout the Bank via training. Documentation stipulates the necessity of following these processes; however, it is unlikely to detect deviations.
- Level 4: Predictable process— The Management shall monitor and measure the level of compliance with the set policies, take measures in cases where operations are not working efficiently. The said processes are subject to continuous improvement and present a mature experience for others. In this stage, automation and tools are used in a limited or fragmented manner.
- Level 5: Optimizing process— At this level, processes have been refined to reach the level of sound practice, based on the outcomes of continuous improvement and preparation of maturity models through participation with other institutions. Here, information technologies are utilized in an integrated manner for automating workflow, providing the tools for enhancing quality and efficiency and enabling the Bank to adapt swiftly.

The capability level of the activities related to the IT governance objectives and the remaining six enablers or components associated with them is directly proportional to the degree of importance and priority based on the results of the quantitative and qualitative study. The Bank is keen that the capability level of the priority activities should not go below Level 3 (Fully Achieved) according to the capability scale in the COBIT Framework* and it strives to achieve higher capability levels.

* No more than 26% of the governance and management objectives (a maximum of 9 out of 35 objectives) may be considered of low importance and priority or negligible.

# Part III: BoD's Role in Managing Information and Related Technologies

The roles, activities and relationships constitute the elements defining the entities concerned with governance and how they can be engaged in the implementation process. One of the most important principles upon which IT governance is based is the separation of the roles of the Board from those of the Executive Government. Such separation can be achieved by identifying the method of communication between stakeholders and the Executive Management. The roles and responsibilities of said entities are as follows:

1. **The BoD's Roles and Responsibilities:**

- The Board shall monitor the activities of Senior Executive Management with the aim of verifying the effectiveness and efficiency of operations, the credibility of financial reports and compliance with applicable laws, legislation and instructions. The Senior Management shall implement the fundamental principles of internal control systems, while the Board of Directors shall be directly responsible for the evaluation, direction and control processes as well as for the processes of "ensuring prudent management of IT risks" and "risk management".
- The Board shall allocate adequate budgets and designate the necessary tools and resources, including qualified personnel, through dedicated IT audit divisions. It shall also ensure that the Bank's Internal Audit Department and the external auditor are capable of conducting specialized IT audit and review of the processes pertaining to the utilization and management of IT resources and projects and the Bank's IT-based operations. This shall be done at the hands of qualified and internationally certified professionals in the field, holding valid professional certifications, such as CISA, from internationally acclaimed institutions, as per the standards set by certification organizations (ISO/IEC 17024) or other equivalent standards.
- The Board shall, through the IT Governance Committee, approve the principles, policies and frameworks required for fulfilling the overarching framework pertaining to the management and control of IT resources and projects in a manner that ensures meeting the requirements of the IT governance objectives and processes. The Board shall also approve the same regarding the management of IT Risks, IT security and human resources in a manner that ensures meeting the requirements of the IT governance processes and policies needed for managing IT governance processes and resources. The said policies shall be applied in integration with the Bank's other policies regulating its work, ensuring alignment between objectives and mechanisms. Each policy shall determine the owners, scope of implementation, review and update frequency, access and distribution authorities, objectives, responsibilities, relevant work procedures, penalties in case of non-compliance, and compliance investigation mechanisms. In devising the said policies, all internal and external partners shall be invited to contribute to the same, while adopting the best international practices and any updates thereof.
- The Board shall approve the (hierarchical and committee) organizational structures relating to the management of IT resources, processes and projects, IT risks, information security and human resources, to fulfill the requirements of IT governance processes and achieve the Bank's objectives efficiently and effectively.

In this context, it is important to ensure the separation of roles and meet bilateral control requirements, at minimum, as well as update and ensure the adequacy of job descriptions upon approving and modifying the Bank's organizational structures.

- The Board shall develop the necessary infrastructure and information systems to provide information and reports for the users thereof, as a foundation upon which the Bank's decision-making processes are based. Accordingly, information quality criteria must be met, including integrity, completeness, accuracy, validity and currency, together with confidentiality as per the data classification policy, availability requirements and compliance with such information and reports, in addition to other requirements stipulated by COBIT 5 Enabling Information.
- The Board shall, through the IT Governance Committee, approve the information and reporting system, considering it a minimum requirement, while identifying the owners of said information and reports. Authorities pertaining to the access and use shall be determined through said owners, in accordance with work needs and concerned partners, and shall be continuously reviewed and developed to keep up with the developments in the Bank's objectives and processes. This shall be done in line with the best acceptable international practices in this regard.
- The Board shall, through the IT Governance Committee, approve the system of IT services, programs and infrastructure that support the fulfillment of IT governance processes, and consequently the objectives of information and related technologies, and ultimately the overarching corporate objectives. This system shall be considered a minimum requirement and shall be continuously developed to remain up to speed with the Bank's objectives and processes and in line with the best acceptable international practices.
- The Board shall, through the IT Governance Committee and Nominations and Remuneration Committee, approve the HR Competencies Matrix and the HR management policies required for fulfilling the requirements of IT governance processes based on merit. The Board and the Senior Executive Management shall employ various mechanisms for driving desirable behaviors and dissuading undesirable ones by adopting, for example, a rewards and penalties system.
- The Board shall, through the IT Governance Committee and the Audit Committee, approve a corporate and professional ethics system that reflects internationally accepted professional conduct regulations pertaining to the handling of information and related technologies. The said system should clearly define both desirable and undesirable behaviors and the implications thereof.

2. **IT Governance Committee**

For the purpose of fulfilling the above-mentioned tasks required from the Board of Directors, the IT Governance Committee was formed by a decision from the Board. The Committee comprises four Board members, exhibiting strategic expertise and knowledge in the IT industry. A chairman for the said Committee was appointed from among the four Board members. The Committee shall convene at least quarterly and shall keep documented minutes of meetings. Regular reports shall be submitted to the Board of Directors. The roles undertaken by the Committee can be summarized as follows:

- The Committee shall approve the IT strategic objectives and appropriate organizational structures, including the Steering Committee at the level of Senior

Executive Management. This is to be done in a manner that guarantees the realization and fulfillment of the Bank’s strategic objectives and achievement of the best added value from the projects and investments in IT resources, ensuring the utilization of the necessary tools and standards to monitor and confirm the achievement of the same.

- The Committee shall approve the general framework for the management and control of IT resources and projects, which simulates the best international standards in this regard, specifically COBIT.
- The Committee shall approve the corporate objectives matrix and the related alignment objectives, while detailing the secondary objectives required for the fulfillment thereof.
- The Committee shall approve the responsibilities matrix (RACI Chart) regarding the main processes of IT governance and sub-processes thereof.
- The Committee shall ensure the existence of a general framework for IT risk management, which integrates and is in line with the Bank’s overarching risk management framework.
- The Committee shall approve the budget of IT resources and projects in accordance with the Bank’s strategic objectives.
- The Committee shall oversee and observe IT workflow, resources and projects to ensure their adequacy and efficient contribution to fulfilling the Bank’s needs and business activities.
- The Committee shall review IT audit reports and act as necessary to rectify any deviations.
- The Committee shall recommend to the Board the adoption of the necessary actions for rectifying any deviations.
  The Committee shall have the right to invite the Bank’s executive officers to attend its meetings for their opinion on various matters. The Compliance and AML Manager shall be the Committee’s Rapporteur.
- The Committee shall determine the importance and priority of governance and management objectives and how they relate to the corporate objectives and their associated alignment objectives, in addition to their association with the other six enablers or components. It shall do so by relying on a qualitative and/or quantitative study prepared for this purpose at least annually. The said study shall take into account the Design Factors mentioned in Design Guide - COBIT 2019.
- The Committee may approve the reports of the internal and external auditors, provided that the Board shall be informed of the same.
- The Committee shall review the cybersecurity policy and program, and the Board shall approve, and confirm compliance with, the same.
- The Committee shall ensure alignment between the Bank's general strategic plan and the IT Department's strategic plan in a manner that ensures the achievement of the Bank's strategic goals.
- The Committee shall ensure the application of IT services to reduce risks.

- The Committee shall monitor performance indicators, the implementation of the Bank's overall strategy, project progress, resource utilization, service delivery quality indicators, and balanced objective cards that reflect the achievement of strategic objectives.
- The Committee shall ensure the optimal investment of available resources, whether they are sensitive systems, information, IT infrastructure, or employees.
- The Committee shall ensure the establishment of a system and mechanism to manage the services provided by third parties with the aim of supporting the Bank's provision of services.
- The IT Governance Committee shall ensure the independence of the Information Security Unit and that it reports directly to the Risk Department. The Steering Committee shall review the semi-annual reports submitted by the Information Security Unit and submit them to the IT Governance Committee focusing on cyber security in the Bank, deviations in the implementation of cyber security policy and procedures, assessment results of cyber risks, assessment results of the adequacy and efficiency of the cybersecurity program and policy, and recommendations, procedures and requirements to be implemented, along with a summary that reviews the most important events of cyber security threats and breaches during the reporting period.

3. **Audit Committee:**

- The Audit Committee shall include the responsibilities, authorities and scope of work of IT auditing within the Audit Charter as well as within the procedures agreed on with the external auditor, in accordance with the requirements of the regulatory bodies.
- The Audit Committee shall confirm to the Board that both the Bank's internal and external auditors observe the following in the course of implementing the designated auditing of information and related technologies:

1. IT audit standards as per the latest update of ISACA-ITAF, including the following:

    - Implementing audit tasks as part of an approved plan designated for the same, which takes into consideration the relative importance of operations, risk level and impact on the Bank's objectives and interests;
    - Delivering and adhering to continuous ad hoc training and education schemes provided by dedicated staff;
    - Observing professional and organizational independency standards and ensuring no conflict of interest in the present or future; and
    - Adhering to the standards of objectivity, exerting due professional care, maintaining proficiency in the knowledge and skills required, and maintaining thorough awareness of the Bank's IT-based mechanisms and processes, as well as other (financial, operational and legal) audit reports. This is in addition to exhibiting the ability to present relevant evidence and demonstrate common sense in detecting unacceptable practices that violate the provisions of applicable laws, regulations and instructions.

2. Examination, assessment and review of operations pertaining to the utilization and management of IT resources and the Bank's operations based on the same, while providing reasonable overall audit assurance as to the composite risk level to which information and related technologies are exposed. This is to be done within an audit scheme including at least the required themes, taking into account that risk rating scores are divided into five levels (i.e. composite risk rating) in the following descending order: Strong Performance, Rate 1; Satisfactory Performance, Rate 2;

Fair Performance, Rate 3; Marginal Performance, Rate 4; and Unsatisfactory Performance, Rate 5.

All themes or part thereof shall be audited at least once every year should the risks be rated as either 4 or 5 on the composite risk rating scale, once every two years should the risks be rated 3, and once every three years should the risks be rated 1 or 2. The constant change in the level of risks and the fundamental changes occurring to the information and related technologies during the mentioned audit periods should be taken into account. The Central Bank shall be furnished with the audit reports, including assessments of the mentioned themes, the Bank's strategic planning and policy mapping mechanisms, written and approved principles and business procedures, mechanisms adopted for the utilization of various resources including IT and human resources, and monitoring, control, improvement and development mechanisms and tools. The results and outcomes of audits shall be duly documented and evaluated, based on the significance of weaknesses and shortcomings (observations) and activated controls, in addition to assessing the level of remaining risks pertaining to each of them using a systematic standard for measuring and analyzing risks. This shall include the agreed corrective measures intended for implementation by the Bank's Management, indicating, in a specific table, the dates set for correction along with the title of the person responsible at the Bank to whom the respective observation belongs. Moreover, the Audit Committee shall furnish the Central Bank, during the first quarter of the year, with an annual internal audit report and another external audit report, respectively, including the Executive Management's response and the Board's recommendations thereon, in accordance with the audit report template (risks-controls) for information and related technologies.

3. Adoption of regular procedures for following up audit outcomes to ensure that the observations and shortcomings mentioned in the auditor's reports have been rectified on time. This should be accompanied with efforts to gradually upgrade the level of importance and risks in the case of no response, and the Board should be notified of the same whenever the need arises.
4. Inclusion of objective measuring standards in the annual performance evaluation mechanisms utilized by IT auditors, provided that the evaluation process is conducted by the Board through its Audit Committee and in accordance with the organizational hierarchy of audit divisions.
5. The internal and external auditors shall comply with the scheme of professional conduct and ethics set forth in the ISACA-ITAF and updates thereof.

The Bank may outsource the internal IT audit services to a dedicated external entity that is completely independent of the approved external auditor, provided that all the requirements of the IT governance instructions and any other relevant instructions are met. The Board and its Audit Committee shall maintain their roles in ensuring compliance and fulfillment of the said requirements, as a minimum.

# Part IV: The Executive Management's Role in Managing Information and Related Technologies

## 1. Responsibilities and Roles of the Senior Executive Management:

The Senior Executive Management shall:

- Employ qualified and trained professionals with expertise in the management of IT resources, risks, information security and IT audit, based on valid academic, professional and practical experience certifications obtained from internationally acclaimed institutions, as per the standards set by international certification organizations (ISO/IEC 17024) and/or other equivalent standards, each according to his/her competence and in accordance with the Bank's policies. It shall also make sure to enroll its personnel in continuous education and training programs for maintaining a high level of knowledge and skills in a manner that fulfills and realizes IT governance processes;
- Approve the system of IT services, programs and infrastructure that support the fulfillment of IT governance processes, and consequently the objectives of information and related technologies, and ultimately the overarching corporate objectives. This system shall be continuously developed to remain up to speed with the Bank's objectives and processes and in line with the best acceptable international practices;
- Include objective measuring standards in the annual performance evaluation mechanisms, which take into consideration contributions to achieving the Bank's objectives through employment positions;
- Develop the necessary infrastructure and information systems to provide information and reports for the users thereof, as a foundation upon which the Bank's decision-making processes are based. Accordingly, information quality criteria must be met, including integrity, completeness, accuracy, validity and currency, together with confidentiality as per the data classification policy, availability requirements and compliance with such information and reports, in addition to other requirements stipulated by COBIT 5 – Enabling Information; and
- Employ various mechanisms for driving desirable behaviors and dissuading undesirable ones by adopting, for example, a rewards and penalties system.

## 2. IT Steering Committee

An IT Steering Committee has been formed to ensure strategic alignment of IT to sustainably fulfill the Bank's strategic objectives. The Committee shall be chaired by the General Manager and include in its membership members of the Senior Executive Management, including the CTO, Risk Management Director and Information Security Director. One of the Board members has been elected to act as a controller in this Committee, in addition to the General Auditor in the capacity of a controller. The Committee may invite others to attend its meetings and shall duly and legally document the minutes of its meetings. The Committee shall convene at least once every three months. The roles undertaken by the Committee can be summarized as follows:

1. Drawing up annual plans aimed at realizing the strategic objectives set by the Board, supervising implementation of the same and continuously monitoring the internal and external factors impacting such plans.
2. Linking the corporate objectives matrix to the alignment objectives matrix related thereto; approving and continuously reviewing the same in a manner that ensures the fulfillment of the Bank’s strategic objectives and the objectives pertaining to the governance and management of information and related technologies; and defining, reviewing and continuously monitoring measurement standards by relevant officers from the Executive Management, keeping the Committee notified of the same.
3. Recommending the allocation of necessary financial and non-financial resources for achieving the objectives and processes of IT governance; utilizing qualified and suitable human resources through organizational structures that cover all the processes necessary for supporting objectives and pay regard to the separation between roles, preventing conflict of interest; adapting IT and other related infrastructure to serve the desired objectives; and supervising the implementation of IT governance projects and processes.
4. Prioritizing IT projects and programs.
5. Monitoring the quality of technical and technological services and striving to constantly enhance their efficiency.
6. Presenting the necessary recommendations to the IT Governance Committee in relation to the following:

- Allocation of the necessary resources and mechanisms capable of achieving the objectives of the IT Governance Committee.
- Any deviations that may negatively impact the fulfillment of strategic objectives.
- Any unacceptable risks pertaining to IT security and protection.
- Reports relating to performance and compliance with the requirements of the general framework for managing, controlling and monitoring IT resources and projects.

7. Providing the IT Governance Committee with the minutes of its meetings as soon as they are drafted and ensuring that they are duly reviewed.

The Operations Engineering Department Manager shall act as the Committee's Rapporteur.

**References:**


1. Corporate Governance Instructions No. 63/2016 dated 25/9/2016 issued by the Central Bank of Jordan.
2. The CBJ’s Regulation No. 65/2016 dated 25/10/2016 and the amendments thereto dated 21/01/2019.
3. COBIT Framework issued by ISACA, the USA.

# Governance Report

The Jordan Commercial Bank is committed to implementing the provisions of the Companies Law and the Securities Commission Law as well as the provisions of the Corporate Governance Instructions issued by the relevant regulatory authorities. As such, the Bank is fully and optimally compliant with the implementation of corporate governance regulations.

The current members of the Board of Directors were elected on 10/04/2016 for four years. The Bank has a Corporate Governance Manual and COBIT Manual in place. They were prepared and approved in accordance with the provisions of the Corporate Governance Instructions issued by the Central Bank of Jordan and the Corporate Governance Regulations for Listed Shareholding Companies issued by Jordan Securities Commission. Moreover, they are updated according to the instructions issued by the relevant regulatory bodies. The Bank also has a Charter for the Board of Directors and rules of procedure that outline in detail the functions, powers and responsibilities of the Board of Directors, as well as charters for all Board committees, which are consistent with the relevant regulations. The meetings of the Board of Directors and Board committees are held in accordance with the regulations in force.

In compliance with the Corporate Governance Regulations of 2017 issued by the Securities Commission, the Corporate Governance Report highlighting the Bank's corporate governance practices and applications was approved. The said report covers the following data:

- Names of present and resigned Board members during the year and names of the representatives of corporate members of the Board, with confirmation that all Board members of the Bank are nonexecutives:
  1. Mr. Micheal Faiq Ibrahim Sayegh, Chairman (Non-Independent)
  2. HE Mr. Ayman Haza' Barakat Al-Majali, Vice Chairman (Non-Independent)
  3. Mr. Shareef Tawfiq Hamd Al-Rawashdeh, Board Member (Independent)
  4. Ms. Iman Mahmoud Allan Al-Damen, Board Member (Independent)
  5. Mr. Yazeed Shamseddin "Mohammad Yousef" Al-Khalidi, Board Member (Independent)
  6. Mr. Nabil Zaki George Mshahwar, Board Member (till 30/09/2019) (Independent)
  7. HE Mr. Muhannad Shehadeh Khalil Khalil, Board Member (as of 22/12/2019) (Independent)
  8. Al Saleh Holding Investment Co. Ltd., Board Member, represented by:
     Ms. Reem Nasser Mohammad Al-Saleh (from 04/09/2018 to 03/04/2019) (Non-Independent)
  9. Mr. Osama Omar Ali Hamad, Board Member (as of 11/06/2019) (Independent)
  10. Social Security Corporation (1st Seat), Board Member, represented by:
      Mr. Mazen Hamdi Mohammad Al-Sahsah (till 12/06/2019) (Non-Independent)
      Ms. Areej Sulaiman Khalid Obaidat (as of 12/06/2019) (Non-Independent)

  11. Social Second (2nd Seat), Board Member, represented by:
      Ms. Shaden Ziad Nabih "Darwish Al-Hajji" (till 10/11/2019) (Non-Independent)
      Mr. Munis Omar Salim Abdel-Aal (as of 10/11/2019) (Non-Independent)

  12. First Jordan Investment Company, Board Member, represented by:
      Mr. Saleh Mohammed Saleh "Zaid Al Kilani" (Non-Independent)

  13. National Paints Factories Co. Ltd., Board Member, represented by:
      Mr. Abdelnour Nayef Abdelnour Abdelnour (Non-Independent)

## Names and Titles of the Executive Management's Members:

| | Name | Title |
|---|---|---|
| | **Members of the Senior Executive Management** | |
| | **Name** | **Title** |
| 1 | Caesar Hani Aziz Qulajen | CEO |
| 2 | Alaa "Muhammad Salim" Abdulghani Qahef | Deputy CEO - Chief Operating Officer |
| 3 | Rami "Mohammad Jawad" Fuad Hadid | Deputy CEO - Chief Business Officer |
| 4 | Mohammad Ali Mohammad Al-Quraan | AGM Credit |
| 5 | Saleem Nayef Saleem Sawalha | AGM, Retail Banking and Branches |
| 6 | Abdallah Mahfouz Theodore Kishek | AGM Finance |
| 7 | Wael "Mohammad Yousef" Aref Rabieh | AGM, Corporate Banking |
| 8 | Anas Maher Radhi Ayesh | Executive Manager, Treasury, Investment and Financial Institutions |
| 9 | Mounir "Muhammad Gomaa" Ahmad Muhtasib* | Executive Manager, IT Department |
| 10 | Zaher "Mohamed Farouk" Dheeb Muala | Regional Manager of Palestine Branches |
| 11 | Waheed Darwish Muhareb Haymour* | Manager, Remedial & Collection Department |
| 12 | Ghada Mohammad Farhan Halloush* | BOD Secretary (till 30/04/2019) |
| 13 | Walid Khaled DeifAllah Al Qhewi* | Manager, Legal Department / BOD Secretary (as of 16/6/2019) |
| | **Heads of Control Departments** | |
| 13 | Mahmoud Ibrahim Mahmoud Mahmoud | Manager, Compliance & AML Department |
| 14 | Mazen Abdel-Salam Mahmoud Al-Khateeb | Manager, Risk Department (till 20/11/2019) |
| 15 | Ajoud Sharaf Al-Din Ali AlRousan | General Auditor |

*Non-Senior Executive Management members

- **Memberships held by any Board member in public shareholding companies:**

**Mr. Micheal Faiq Ibrahim Sayegh, Chairman**
Date of Membership: 16/02/2004

- Board Member, First Jordan Investment Co.
- Chairman, Dimensions Jordan & Emirates Commercial Investments Corp.

**HE Mr. Ayman Haza' Barakat Al-Majali, Vice Chairman**
Date of Membership: 16/02/2004

- Chairman, First Jordan Investment Co.
- Chairman, Jordan Press Foundation (Al Rai Newspaper)
- Chairman, Al Quds Ready Mix Concrete Company
- Vice Chairman, Solidarity - First Insurance Company

**Mr. Shareef Tawfiq Hamd Al-Rawashdeh, Board Member**
Date of Membership: 28/06/2012

- Chairman, Al Bilad Securities & Investment Co. since 2006 to date
- Chairman, National Chlorine Industries Company Ltd. (from 04/2016 to date)
- Board Member, Arab Aluminum Industry Co. LTD (ARAL) (from 04/2017 to date)

**Ms. Iman Mahmoud Allan Al-Damen, Board Member**
Date of Membership: 25/10/2015

N/A.
**Mr. Yazeed Shamseddin "Mohammad Yousef" Al-Khalidi, Board Member**
Date of Membership: 25/10/2015

- Board Member, Solidarity - First Insurance Company

**Mr. Nabil Zaki George Mshahwar, Board Member**
Date of Membership: 10/04/2016

N/A.

**Mr. Saleh Mohammed Saleh "Zaid Al Kilani", Board Member**
Date of Membership: 28/06/2012 to 29/07/2018
N/A.

**Mr. Osama Omar Ali Hamad, Board Member**

Date of Membership: 11/06/2019

N/A.

**HE Mr. Muhannad Shehadeh Khalil Khalil, Board Member**

Date of Membership: 22/12/2019.

N/A.

- **The Bank’s Governance Liaison Officer:**
  Mr. Mahmoud Ibrahim Mahmoud Mahmoud, Compliance & AML Manager. His duties involve following up on the implementation of corporate governance with the Jordan Securities Commission.

- **Names of Board Committees, Number of Board Committee Meetings during the Year, and Each Member's Times of Attendance till 31/12/2019:**

| | Name of Committee | Number of Meetings | Members | Attendance | Excused Absence |
|---|---|---|---|---|---|
| 1 | Credit Facilities Committee | 5 meetings | Micheal Sayegh<br>Committee Chairman | Attended all meetings | -- |
| | | | First Jordan Investment Co.<br>Represented by:<br>Saleh Al Kilani<br>Member | Attended all meetings | -- |
| | | | Nabil Mshahwar<br>Member till 28/07/2019 | Attended 1 meeting | 1 meeting |
| | | | Mr. Osama Hamad<br>Member as of 28/07/2019 | Attended 3 meetings | -- |
| | | | Representative of National Paints Factories Co. Ltd<br>Represented by: Abdelnour Abdelnour<br>Member | Attended all meetings | -- |
| | | | Social Security Corporation<br>Represented by:<br>Mr. Mazen Al-Sahsah<br>Member till 12/06/2019<br>Ms. Areej Obaidat<br>Member as of 12/06/2019 | Attended 1 meeting<br><br>Attended 3 meetings | 1 meeting<br><br>-- |

| | Name of Committee | Number of Meetings | Members | Attendance | Excused Absence |
|---|---|---|---|---|---|
| 2 | Risk & Compliance Committee | 4 meetings | Iman Al-Damen<br>Committee Chairperson | Attended all meetings | -- |
| | | | First Jordan Investment Co.<br>Represented by:<br>Saleh Al Kilani<br>Member | Attended 2 meetings | 2 meetings |
| | | | Social Security Corporation (1st Seat) Member, represented by:<br>Mr. Mazen Al-Sahsah (till 12/06/2019)<br>Ms. Areej Obaidat (as of 28/07/2019) | Attended 1 meeting<br>--------------<br>Attended 3 meetings | --<br><br>-- |
| | | | Social Security Corporation (2nd Seat) Member, represented by:<br>Ms. Shaden Al-Hajji (till 10/11/2019)<br>Mr. Munis Abdel-Aal (as of 10/11/2019) | Attended 3 meetings<br>-----------<br>Attended 1 meeting | -- |

| | Name of Committee | Number of Meetings | Members | Attendance | Excused Absence |
|---|---|---|---|---|---|
| 3 | Debt and Property Settlement Committee | 7 meetings | Ayman Al-Majali<br>Committee Chairman | Attended all meetings | - - |
| | | | Sharif Al-Rawashdeh<br>Member | Attended 6 meetings | 1 meeting |
| | | | National Paints Factories Co. Ltd. represented by Mr. Abdelnour Abdelnour<br>Member | Attended 6 meetings | 1 meeting |
| | | | Social Security Corporation (2nd Seat) - Member<br>Represented by: Ms. Shaden Al-Hajji<br>Member till 10/11/2019<br><br>Mr. Munis Abdel-Aal<br>Member as of 10/11/2019 | Attended 6 meetings<br>---------------<br><br>Attended 1 meeting | --<br>--------------------<br><br>-- |

| | Name of Committee | Number of Meetings | Members | Attendance | Excused Absence |
|---|---|---|---|---|---|
| 4 | Strategic Planning Committee | 2 meetings | National Paints Factories Co. Ltd<br>Represented by: Abdelnour Abdelnour<br>Committee Chairman | Attended 2 meetings | -- |
| | | | Saleh Al Kilani<br>Member as of 28/07/2019<br>--------------------<br>Nabil Mshahwar<br>Member till 30/10/2019 | Attended 2 meetings<br><br>--------------<br>-- | --<br><br>------------------<br>-- |
| | | | Yazeed Al-Khalidi<br>Member | Attended 2 meetings | -- |
| | | | Social Security Corporation (1st Seat)<br>Mazen Al-Sahsah<br>Member till 12/06/2019<br><br>Areej Obaidat<br>Member as of 12/06/2019 | --<br>--------------<br><br>Attended 2 meetings | --<br>-----------------------<br><br>-- |

| | Name of Committee | Number of Meetings | Members | Attendance | Excused Absence |
|---|---|---|---|---|---|
| 5 | Audit Committee | 9 meetings | Sharif Al-Rawashdeh<br>Committee Chairman | Attended all meetings | -- |
| | | | Ayman Al-Majali<br>Member | Attended all meetings | -- |
| | | | Iman Al-Damen<br>Member | Attended 10 meetings | 1 meeting |
| | | | Yazeed Al-Khalidi<br>Member | Attended all meetings | -- |
| | | | Social Security Corporation ($2^{nd}$ Seat) -<br>Member, represented by:<br>Ms. Shaden Al-Hajji (till 11/12/2019)<br>Mr. Munis Abdel-Aal (as of 11/12/2019) | Attended 9 meetings<br>----------<br>Attended 2 meetings | --<br>--------------<br>-- |

| | Name of Committee | Number of Meetings | Members | Attendance | Excused Absence |
|---|---|---|---|---|---|
| 6 | Corporate Governance Committee | 2 meetings | Nabil Mshahwar<br>Committee Chairman till 30/10/2019<br>-----------<br>Osama Hamad<br>Committee Chairman as of 28/07/2019 | --<br>------------<br>Attended 2 meetings | --<br>---------<br>-- |
| | | | Yazeed Al-Khalidi<br>Member | Attended 2 meetings | - |
| | | | Micheal Sayegh<br>Member | Attended 2 meetings | - |
| | | | Iman Al-Damen<br>Member | Attended 2 meetings | - |

| | Name of Committee | Number of Meetings | Members | Attendance | Excused Absence |
|---|---|---|---|---|---|
| 7 | Nominations and Remuneration Committee | 4 meetings | Yazeed Al-Khalidi<br>Committee Chairman | Attended all meetings | - |
| | | | Sharif Al-Rawashdeh<br>Member | Attended all meetings | -- |
| | | | Micheal Sayegh<br>Member | Attended all meetings | -- |
| | | | First Jordan Investment Co.<br>Represented by:<br>Saleh Al Kilani<br>Member | Attended all meetings | -- |
| | | | Nabil Mshahwar<br>Member till 28/07/2019<br>----------------------------<br>Osama Hamad<br>Member as of 28/07/2019 | --<br>------------------------<br>Attended 1 meeting | 3 meetings<br>----------<br>-- |

| | Name of Committee | Number of Meetings | Members | Attendance | Excused Absence |
|---|---|---|---|---|---|
| 8 | IT Governance Committee | 4 meetings | Nabil Mshahwar<br>Committee Chairman till 30/10/2019<br>--------------------<br>National Paints Factories Co. Ltd<br>Represented by: Abdelnour Abdelnour<br>Committee Chairman as of 30/10/2019 | Attended 1 meeting<br>----------<br>Attended all meetings | -<br>--------<br>-- |
| | | | Sharif Al-Rawashdeh<br>Member | Attended all meetings | -- |
| | | | Iman Al-Damen<br>Member | Attended all meetings | - |

**Names of the Chairman and members of the Audit Committee along with a profile of their qualifications and expertise in relation to financial or accounting matters:**

**Mr. Shareef Tawfiq Hamd Al-Rawashdeh, Chairman of the Audit Committee**

Academic Qualifications:
- BA in Economics from Yarmouk University in 1986

Work Experience:
- Internal Auditor at Jordan Kuwait Bank (1981-1987)
- Loans Manager at Al Mashreq Bank, UAE (1987-1988)
- Head of Retail Banking Services and Private Services and Manager of the head office of the Saudi Investment Bank, Riyadh, Saudi Arabia (1988-2010)
- Former member of the 16th Jordanian Parliament and member of Health and Environment Committee and Energy Committee (2010-2011)
- Certified Board Member from IFC/JIOD

**HE Mr. Ayman Haza' Barakat Al-Majali, Member of the Audit Committee**

Academic Qualifications:

- BA in History (1972)

Work Experience:

- He started his career working in the Ministry of Foreign Affairs of Jordan.
- In 1993, he was appointed as Chief of Royal Protocol at the Royal Court.
- In 1999, he was appointed as Deputy Prime Minister as well as Minister Sport and Minister of Information.
- In 2002, he became a board member at the Jordan Gulf Bank and was re-elected in 2004 as Vice Chairman of the Board of the Jordan Commercial Bank.

**Ms. Iman Mahmoud Allan Al-Damen, Member of the Audit Committee**

Academic Qualifications:
- MBA in Finance from the University of Jordan in 1992
- Diploma in Business Administration from University of Manchester, UK, in 1990
- BA in Business Administration from Kuwait University in 1979
- Certified Board Member from IFC/JIOD

Work Experience:
Ms. Al-Damen has a banking experience spanning over 18 years focused on credit (Corporate, SME and Retail).

Ms. Al-Damen also held several positions in the banking sector:

- Head of Risk and Credit Department, Capital Bank (12/2007 to 12/2011)
- Assistant General Manager for Facilities, Cairo Amman Bank (2003 to 12/2007)
- Facilities Manager, Jordan Gulf Bank (1998-2003)
- Manager, Facilities Department, Bank of Jordan (1993-1998)

**Mr. Yazeed Shamseddin "Mohammad Yousef" Al-Khalidi, Member of the Audit Committee**

Academic Qualifications:

- MBA/Finance from New York Institute of Technology (2004)
- BA in Economics and Statistical Analysis/Business Administration from the University of Jordan (1988)
- Certified Board Member from IFC/JIOD

Work Experience:

Mr. Yazeed Al-Khalidi worked in several fields, including accounting audit, business advisory, financial management and fund management in several regional and local companies.

- Chief Financial Officer at Pharmacy One Group
- Chief Operating Officer at EuroMena Management UK Ltd. based in Cairo and specialized in Fund Management
- Chief Financial Officer for the regional real estate developer, Empire Holding
- VP Finance at international reinsurer, IGI
- Accounting Manager, EDGO Group operating in the energy and contracting and oilfield services sectors
- Mr.Al-Khalidi started his professional career in the field of audit and business consultancy at Arthur Andersen offices in Amman in 1991.

**Ms. Shaden Ziad Nabih "Darwish Al-Hajji" (till 10/11/2019)**
**Representing: Social Security Corporation (2nd Seat)**
Date of Birth: 19/09/1981

Academic Qualifications:

- Bachelor of Financial and Banking Sciences from the University of Jordan (2003)
- Chartered Financial Analyst (CFA) Certificate from CFA Institute, Virginia, USA (2010)

- Certified Board Member from IFC/JIOD

Work Experience:
- Held several positions in the Social Security Investment Fund since 2003 to date.
- Financial analyst at the Pubic Equity Department (2003-2007)
- Senior financial analyst (2007-2010)
- Currently the Head of Portfolio Management at the Pubic Equity Department (2010 to date)

Ms. Shaden also delivers lectures on the CFA certificate at one of the accredited training centers in Jordan.
- Member of the CFA Society, Jordan
- Member of a number of committees established at the Social Security Investment Fund

**Mr. Munis Omar Salim Abdel-Aal, Member of the Audit Committee as of 10/11/2019**
**Representing: Social Security Corporation (2nd Seat)**

Academic Qualifications:

- BA in Accounting from from Yarmouk University (2004)
- CMA Certificate from the Institute of Management Accountants (IMA) (2014).
- Certificate from the American Institute of Certified Public Accountant (AICPA) (2018)
- Diploma in International Financial Reporting (DipIFR) from the Association of Chartered Certified Accountants (ACCA) (2019)

Work Experience:

- Former board member of Bank al Etihad (11/2017-11/2019)
- Former board member of the Jordan Press and Publishing Company/Al-Dustour (04/2017-11/2017)
- Head of the Settlement Division and Deputy Financial Director of the Social Security Investment Fund (SSIF) (06/2006-12/2018)
- Head of the Investment Risk Division of the SSIF (01/2019 to date)
- Part-time lecturer at Morgan International, Amman.

## Names of Chairpersons and Members of Board Committees:

| | | Micheal Sayegh | Ayman Al-Majali | Sharif Al-Rawashdeh | First Jordan Investment Co. represented by Mr. Saleh Al-Kilani | Social Security Corporation (1st Seat) represented by Ms. Areej Obaidat | Iman Al-Damen | Yazeed Al-Khalidi | National Paints Factories Co. Ltd. represented by Mr. Abdelnour Abdelnour | Social Security Corporation (2nd Seat) represented by Mr. Munis Abdel-Aal | Osama Hamad |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Credit Facilities Committee as of 27/11/2016, formerly known as Higher Committee of the Board of Directors | Committee Chairman | | | Member | Member | | | Member | | Member |
| 2 | Risk & Compliance Committee | | | | Member | Member | Committee Chairman | | | Member | |
| 3 | Debt and Property Settlement Committee | | Committee Chairman | Member | | | | | Member | Member | |
| 4 | Strategic Planning Committee | | | | Member | Member | | Member | Committee Chairman | | |
| 5 | Audit Committee | | Member | Committee Chairman | | | Member | Member | | Member | |
| 6 | Corporate Governance Committee | Member | | | | | Member | Member | | | Committee Chairman |
| 7 | Nominations and Remuneration Committee | Member | | Member | Member | | | Committee Chairman | | | Member |
| 8 | IT Governance Committee as of 27/11/2016 | | | Member | | | Member | | Member | | |

- **HE Mr. Muhannad Shehadeh Khalil Khalil is a Board member as of 22/12/2019. He has not joined any Board committee yet.**

- **Number of the meetings held by the Audit Committee with the External Auditor during the year: 4 meetings**
- **Number of Board Meetings during the year, and each member's times of attendance:**

**The JCB Board of Directors held ten (10) meetings during 2019.**

| | Name | Attendance | Excused Absence |
|---|---|---|---|
| 1 | Mr. Micheal Sayegh<br>Chairman of the Board | 9 meetings | 1 meeting |
| 2 | HE Ayman Al-Majali<br>Vice Chairman | 10 meetings | - |
| 3 | First Jordan Investment Co.<br>Board Member, represented by:<br>Mr. Saleh Al Kilani | 10 meetings | - |
| 4 | Al Saleh Investment Holding Limited Company<br>Board Member, represented by:<br>Ms. Reem Nasser Mohammad Al-Saleh<br>Till 03/04/2019<br>Mr. Osama Omar Ali Hamad (as of 11/06/2019) | -<br>6 meetings | 2 meetings<br>1 meeting |
| 5 | Social Security Corporation (1st Seat)<br>Board Member, represented by:<br>Mr. Mazen Al-Sahsah (till 12/06/2019)<br>------------------ | 3 meetings<br>----------<br>6 meetings | -<br>-------------------- |

| | | | |
|---|---|---|---|
| | Ms. Areej Sulaiman Khalid Obaidat (as of 12/06/2019) | | 1 meeting |
| 6 | Social Security Corporation<br>(2nd Seat)<br>Board Member, represented by:<br>Ms. Shaden Al-Hajji (till 10/11/2019)<br>----------------------<br>Mr. Munis Omar Abdel-Aal (as of 10/11/2019) | 8 meetings<br>---------------<br>2 meetings | -<br>-----------------------------<br>- |
| 7 | Mr. Sharif Al-Rawashdeh<br>Board Member | 9 meetings | 1 meeting |
| 8 | Ms. Iman Al-Damen<br>Board Member | 10 meetings | - |
| 9 | Mr. Yazeed Al-Khalidi<br>Board Member | 10 meetings | - |
| 10 | Mr. Abdelnour Abdelnour<br>Representative of National Paints Factories Co. Ltd.<br>Board Member | 10 meetings | - |
| 11 | Mr. Nabil Mshahwar<br>Board Member until 30/10/2019<br>-------------------<br>HE Mr. Muhannad Shehadeh Khalil Khalil, as of 22/12/2019 | 4 meetings<br>---------------------<br>- | 4 meetings<br>-----------------------------<br>- |

**Chairman of the Board**

**Micheal Sayegh**

# Contact Information of Jordan & Palestine Branches

| Jordan Branches | | | | |
|---|---|---|---|---|
| SN | Branch Name | Address | Telephone No. | Fax No. |
| 1 | Head Office | Al Bayader - King Abdullah II St. | 06-5203000 | 06-5664110 |
| 2 | Main Branch | Al Bayader - King Abdullah II St. | 06-5209000 | 06-5203086 |
| 3 | Shmeisani II | Thaqafa St. – CSC Complex, Amman | 06-5209000 | 06-5621878 |
| 4 | Jabal Amman | Jabal Amman – Prince Muhammad St. | 06-5209000 | 06-5621968 |
| 5 | Commercial Complex | Housing Bank Complex, Queen Nour St. | 06-5209000 | 06-5683657 |
| 6 | Jabal Al Hussein | Jabal Al Hussein – Khaled Bin Al Waleed St. | 06-5209000 | 06-5639519 |
| 7 | Abdali | Abdali – King Hussein St. | 06-5209000 | 06-5661484 |
| 8 | Mecca St. | Um Al Sumaq – Mecca St. | 06-5209000 | 06-5821811 |
| 9 | Amman | Downtown – King Hussein St. | 06-5209000 | 06-4638154 |
| 10 | Al Yarmouk | Amman - Al Yarmouk St. | 06-5209000 | 06-4778685 |
| 11 | Al Quwaysimah | Amman – Madaba St. | 06-5209000 | 06-4784692 |
| 12 | Marka | Marka – King Abdullah I St. | 06-5209000 | 06-4883665 |
| 13 | Abu Nseir | Abu Nseir - Main St. | 06-5209000 | 06-5233379 |
| 14 | Sweileh | Sweileh – Yajouz St. | 06-5209000 | 06-5356890 |
| 15 | Fuhais | Fuhais - Al Hejaz St. | 06-5209000 | 06-4720520 |
| 16 | Wasfi Al Tal | Amman - Wasfi Al Tal St. | 06-5209000 | 06-5525676 |
| 17 | Suwaifeya | Amman - Galleria Mall – Abdulraheem Hajj Muhammad St. | 06-5209000 | 06-4017608 |
| 18 | Al-Hashmi Al-Shamali | Amman - Al Bathaa St. | 06-5209000 | 06-5203177 |
| 19 | Zarqa | Zarqa – Al Saadeh St. | 06-5209000 | 05-3993290 |
| 20 | Madaba | Madaba – King Abdullah II St. | 06-5209000 | 05-3246931 |
| 21 | Karak | Karak – Amman Main St., Al Thinyah | 06-5209000 | 03-2386967 |
| 22 | Aqaba | Eastern Wehdat – Bin Rushd St. | 06-5209000 | 03-2014166 |
| 23 | Al Salt | Al Salt – Maidan St. | 06-5209000 | 05-3551561 |
| 24 | Muadi | Al Ghour - Der Ala – Main St. | 06-5209000 | 05-3571761 |
| 25 | Irbid | Ibrid – Baghdad St. Al Qairawan Circle | 06-5209000 | 02-7259407 |
| 26 | Al Husn St. | Irbid – Al Husn St. | 06-5209000 | 02-7100477 |
| 27 | Irbid Office | Irbid – Cinema St. | 06-5209000 | 02-7247087 |
| 28 | Ramtha | Ramtha – Municipality Building, Al-Wihda Al-Arabiyya St. | 06-5209000 | 02-7381857 |
| 29 | Mafraq | Mafraq – East Mafraq, Dr. Khaled Abu Smaqah St. | 06-5209000 | 02-6236679 |
| 30 | Yajouz | Zarqa - Northern Mountain - King Abdullah II St. | 06-5209000 | 05-3751677 |
| 31 | Dahiyat al Yasmeen | Amman - Dahiyat al Yasmeen, Prince Hashim bin Al Hussein St. | 06-5209000 | 05-4393956 |
| 32 | Dahiyat Al Nakheel | Amman - Dahiyat Al Nakheel, Ali Salem Al Haiwat St. | 06-5209000 | 05-5712596 |
| 33 | Sports City | Amman - Sports City, Al-Shaheed St. | 06-5209000 | 05-5154170 |
| 34 | Um Uthaina | Amman - Mecca St., Al Thawabet Building | 06-5209000 | 05-5527439 |

| Palestine Branches | | | | |
|---|---|---|---|---|
| SN | Branch Name | Address | Telephone No. | Fax No. |
| 1 | Regional Management | Ramallah - Berlin St. | 00970-2-2989230 | 97022987682 |
| 2 | Ramallah | Ramallah - Regional Management- Berlin St. | 00970-2-2989230 | 97022987682 |
| 3 | Ramallah Office | Ramallah - Al Manara Square, City Center Building | 00970-2-2987680 | 97022963723 |
| 4 | Bethlehem | Bethlehem - Al Mahd St. | 00970-2-2767233 | 97022767237 |
| 5 | Nablus | Nablus - The Circle, Nablus Municipality Complex | 00970-9-2382191 | 97092381953 |
| 6 | Tulkarm | Tulkarm - Samara and Ala'araj Building | 00970-9-2676583 | 97092676591 |
| 7 | Jenin | Jenin - Nazareth  Street - Saad Eddin Khalaf Building | 00970-4-2502088 | 97042502087 |
| 8 | Al Ram | Al Quads Street near Faisal Al Husseini Stadium | 00970-2-2340225 | 97022340226 |