

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2021

**BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN**

NOTES OF THE CONSOLIDATION FINANCIAL STATEMENTS

TABLE OF CONTENTS

| | <u>Statement</u> |
|---|-------------------------|
| Independent Auditor's Report | |
| Consolidated Statement of Financial Position | A |
| Consolidated Statement of Profit or Loss | B |
| Consolidated Statement of Comprehensive Income | C |
| Consolidated Statement of Changes in Owners' Equity | D |
| Consolidated Statement of Cash Flows | E |
| | <u>Page</u> |
| Notes to the Consolidated Financial Statements | 1 -114 |



Independent Auditor's Report

To the Shareholders of
Bank of Jordan
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Bank of Jordan and its subsidiaries “The Bank”** which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in owner's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2021 and its consolidated financial position and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Central Bank of Jordan.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including international independence standards) together with the other ethical requirements that are relevant to our audit of the Bank's consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities.

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

Key Audit Matters

Key audit matters are those matters that in our professional judgment, were of most significance in our audit for current year consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

1. Adequacy of Expected Credit Loss Provision against Credit Facilities

| Key Audit Matter description | How our audit addressed the key audit matter |
|---|--|
| <p>Credit facilities are considered important assets of the Bank. The nature and characteristics of credit facilities granted to customers vary from sector to sector and from country to country due to the nature of the Bank's geographical spread. Therefore, the methodology for calculating the expected credit loss provision against direct credit facilities is different due to sectors differences and different risk assessment related to these countries and their legal and organizational requirements.</p> <p>The calculation and accuracy of expected credit losses requires the Bank's management to make assumptions and definitions, including "probability of default", "significant increase in credit risk"...etc. It also requires the use of estimates on the classification of direct credit facilities on different stages and the adequacy of the collaterals then the suspension of interest in the event of default in accordance with the instructions of the regulatory authorities, such matters makes expected credit loss provision against credit facilities a key audit matter.</p> <p>Net credit facilities granted by the Bank to customers amounted to JD 1,486 million, which represent 54% of the total assets as of December 31, 2021 (JD 1,467 million, which represent 54% of the total assets as of December 31, 2020). The expected credit loss provision against direct and indirect facilities amounted to JD 166 million as of December 31, 2021 (JD 151 million as of December 31, 2020).</p> | <p>The audit procedures performed included a review and understanding of the nature of credit facilities portfolio, evaluating the Bank's credit policy, internal control system adopted in granting and monitoring credit and evaluating the extent to which they comply with the requirements of IFRS and comparing the results with the instructions of the regulatory authorities.</p> <p>We completed our understanding of the Bank's methodology for calculating expected credit losses by using experts where appropriate and assessing the expected credit loss model, which includes the following:</p> <ul style="list-style-type: none"> - Review of the methodology used by the Bank to calculate the expected credit losses and its conformity with the requirements of IFRS (9) and Central Bank requirements in this regard. - Review of the expected credit loss methodology preparation at the model's level. - Credit exposures stages classification of and their reasonableness and determining the significant increase in credit risk - Review of the validity and accuracy of the model used in the calculation process and its components (Probability of Default (PD), Loss Given Default (LGD), Exposure to Default (EAD), effective interest rate and related accruals). - Review the assumptions used for the forward looking and macroeconomic factors - Review of the of expected credit loss calculations. - Review of the completeness of information used in the calculation of expected credit losses and review of the related maker-checker process and it's related supporting documentation. - We have compared the expected credit losses provision calculated according to the International Financial Reporting Standard No. (9) as adopted by Central Bank Jordan with the expected credit loss provision calculated in accordance with the instructions of Central Bank of Jordan No. (47/2009) and that the group has recorded whichever is more strict according to each stage. - Review of the governance procedures related to the expected credit loss calculations. <p>We also assessed the adequacy of the disclosures related to the credit facilities and the expected credit loss provision against credit facilities and related risks in the accompanying notes.</p> |



2. Foreign Currency Translation and the Bank's Investment in Foreign Subsidiary operating in Hyperinflationary Economy

| Key Audit Matter description | How our audit addressed the key audit matter |
|---|---|
| Due to the deployment of the Bank's foreign branches and subsidiary in several countries and the dealing in various foreign currencies, the Bank may be exposed to fluctuation of exchange rates risks arising from some of those countries' prevailing conditions. Therefore, translating the assets and liabilities of foreign branches and subsidiaries from the local currency (the functional currency) to Jordanian Dinar is significant to our audit, in order to determine whether these companies operate in Hyperinflationary Economies which requires presenting their financial statements in the current unit of measurement and the required determination of the related significant accounting estimates and judgments. | <p>The audit procedures included testing the system of internal control related to the Bank's evaluation of the economies, in which its foreign branches and subsidiaries operates, whether if it is a Hyperinflationary Economy, and the determination of foreign currency exchange rates adopted by management, in addition to review a sample of foreign currency exchange rates adopted by management and matching them with those set by the Central Bank of Jordan, re-calculating a sample of the differences arising from translating those currencies which is presented within other comprehensive income items.</p> <p>We also assessed the requirements of International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" over the countries in which the Bank has branches and a subsidiary company, and where applicable, we have reviewed the procedures and estimates used by the management to determine the current unit of measurement based on the general index of prices and currency exchange rates, in addition, we reviewed the Bank's procedures performed to restate the financial statement of the subsidiary company using the current unit of measurement and its re-calculation, through involving of experts, where appropriate.</p> <p>We also assessed the adequacy of the disclosures related to International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" in the accompanying notes.</p> |

Other Information

Management is responsible for the other information. This comprises the other information in the annual report excluding the consolidated financial statements and the independent auditor thereon, in which we expected to be made available to us after the date of our audit report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International financial Reporting statement as adopted by Central Bank of Jordan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 Bank's effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

Report on Other Legal and Regulatory Requirements

The Bank maintains proper accounting records duly organized and in line with the accompanying consolidated financial statements. We recommend that the General Assembly of Shareholders approve these consolidated financial statements.

The accompanying consolidated financial statements are a translation version of the statutory consolidated financial statements which are issued in the Arabic Language and to which reference should be made.

Kawasmy and Partners
KPMG

Hatem Kawasmy
License No. (656)

Amman – Jordan
February 10, 2022

STATEMENT (A)
**BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | NOTE | DECEMBER 31, | |
|--|-------------|----------------------|----------------------|
| | | 2021 | 2020 |
| | | JD | JD |
| <u>Assets</u> | | | |
| Cash and balances with central banks | 7 | 382,035,460 | 349,537,989 |
| Balances with banks and financial institutions | 8 | 136,002,180 | 190,722,330 |
| Deposits with banks and financial institutions | 9 | 89,249,477 | 89,525,567 |
| Financial assets at fair value through profit or loss | 10 | 15,234,423 | 15,157,042 |
| Financial assets at fair value through comprehensive income | 11 | 62,163,227 | 84,526,410 |
| Direct credit facilities at amortized cost | 12 | 1,486,114,693 | 1,466,739,098 |
| Financial assets at amortized cost | 13 | 383,830,120 | 348,454,969 |
| Property and equipment – Net | 14 | 59,663,986 | 53,993,594 |
| Intangible assets | 15 | 8,012,000 | 6,872,445 |
| Deferred tax assets | 21 | 24,556,699 | 21,808,399 |
| Other assets | 16 | 93,342,183 | 85,076,144 |
| Total Assets | | 2,740,204,448 | 2,712,413,987 |
| <u>Liabilities and Owners' Equity</u> | | | |
| <u>Liabilities:</u> | | | |
| Banks and financial institutions' deposits | 17 | 93,795,838 | 70,762,354 |
| Customers' deposits | 18 | 1,908,030,640 | 1,909,187,576 |
| Cash margins | 19 | 112,659,076 | 119,819,309 |
| Other provisions | 20 | 5,156,233 | 5,302,150 |
| Income tax provision | 21 | 20,055,494 | 19,881,866 |
| Deferred tax liabilities | 21 | 51,871 | 48,946 |
| Borrowed funds | 22 | 72,139,327 | 84,582,326 |
| Other liabilities | 23 | 42,250,993 | 40,422,412 |
| Total Liabilities | | 2,254,139,472 | 2,250,006,939 |
| <u>Owners' Equity:</u> | | | |
| <u>Equity Attributable to the Bank's Shareholders</u> | | | |
| Paid-up capital | 24 | 200,000,000 | 200,000,000 |
| Statutory reserve | 25 | 104,362,505 | 99,190,875 |
| Voluntary reserve | 25 | 49,406 | 46,537 |
| General banking risks reserve | 25 | 4,102,021 | 2,804,326 |
| Special reserve | 25 | 5,849,743 | 5,849,743 |
| Foreign currency translation differences | 26 | (13,009,685) | (12,855,521) |
| Fair value reserve | 27 | (3,979,324) | (6,092,218) |
| Retained earnings | 28 | 176,032,362 | 165,814,735 |
| Total Equity Attributable to the Bank's Shareholders | | 473,407,028 | 454,758,477 |
| Non-controlling interests | | 12,657,948 | 7,648,571 |
| Total Owners' Equity | | 486,064,976 | 462,407,048 |
| Total Liabilities and Owners' Equity | | 2,740,204,448 | 2,712,413,987 |

Board of Directors' ChairmanChief Executive Officer

The accompanying notes from (1) to (48) constitute an integral part of these consolidated financial statements and should be read with them.

STATEMENT (B)
BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Note | For the Year Ended December 31, | |
|---|-------|---------------------------------|--------------------|
| | | 2021 | 2020 |
| | | | JD |
| Interest income | 30 | 128,897,646 | 136,687,914 |
| Less: Interest expense | 31 | 20,671,112 | 28,779,524 |
| Net Interest Income | | 108,226,534 | 107,908,390 |
| Net – Commissions income | 32 | 20,992,547 | 19,847,212 |
| Net Interest and Commissions Income | | 129,219,081 | 127,755,602 |
| Foreign currencies income | 33 | 3,299,358 | 2,642,709 |
| Gain from financial assets at fair value through profit or loss | 34 | 90,269 | 15,056,222 |
| Cash dividends from financial assets at fair value through comprehensive income | 11 | 548,236 | 510,741 |
| Gain from recognition of financial assets | 11 | - | 3,652,011 |
| Gain from sale of financial assets – debt instruments | | 975,577 | - |
| Other income | 35 | 5,213,417 | 3,865,275 |
| Total Income | | 139,345,938 | 153,482,560 |
| Employees expenses | 36 | 30,256,003 | 30,980,308 |
| Depreciation and amortization | 14,15 | 10,500,387 | 9,254,938 |
| Other expenses | 37 | 30,424,012 | 28,881,388 |
| Financial assets expected credit loss expenses | 38 | 16,058,119 | 31,868,913 |
| (Recovered from) assets foreclosed by the Bank impairment provision | 16 | (269,856) | (357,796) |
| Other provisions | 20 | 483,284 | 781,231 |
| Total Expenses | | 87,451,949 | 101,408,982 |
| Profit Before Income Tax | | 51,893,989 | 52,073,578 |
| Less: Income tax expense | 21 | 15,586,756 | 16,606,516 |
| Profit for the Year Statements (C) and (D) | | 36,307,233 | 35,467,062 |
| Attributable to: | | | |
| Bank's Shareholders | | 36,008,748 | 35,794,598 |
| Non-controlling Interests | | 298,485 | (327,536) |
| Profit for the Year | | 36,307,233 | 35,467,062 |
| Earnings per share for the year attributable to the Banks' shareholders | | | |
| Basic/Diluted | 39 | 0.180 | 0.179 |

The accompanying notes from (1) to (48) constitute an integral part of these consolidated financial statements and should be read with them.

Board of Directors' Chairman

Chief Executive Officer

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the Year | |
|---|---------------------------|-------------------|
| | Ended December 31, | |
| | 2021 | 2020 |
| | JD | JD |
| Profit for the Year - Statement (B) | 36,307,233 | 35,467,062 |
| Other comprehensive income items: | | |
| Items that may be reclassified subsequently to consolidated statement of profit or loss: | | |
| Gain from sale of debt instruments classified as financial assets at fair value through comprehensive income | (618,992) | - |
| Change in fair value reserve of debt instruments classified as financial assets at fair value through comprehensive income | - | (397,243) |
| Foreign currencies translation differences | 1,432,201 | 4,167,292 |
| | 813,209 | 3,770,049 |
| Items that will not be reclassified subsequently to consolidated statement of profit or loss: | | |
| Gain from sale of equity instruments classified as financial assets at fair value through comprehensive income - net after tax | - | 2,337,257 |
| Change in fair value reserve of equity instruments classified as financial assets at fair value through comprehensive income - net of tax | 2,731,886 | 725,655 |
| | 2,731,886 | 3,062,912 |
| Total Consolidated Comprehensive Income-Statement (D) | 39,852,328 | 42,300,023 |
| Total Consolidated Comprehensive Income attributable to: | | |
| Bank's Shareholders | 38,823,806 | 40,502,256 |
| Non-controlling Interests | 1,028,522 | 1,797,767 |
| | 39,852,328 | 42,300,023 |

The accompanying notes from (1) to (48) constitute an integral part of these consolidated financial statements and should be read with them.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

| Description | Reserves | | | | | | Fair Value Reserve | Retained Earnings | Total Equity Attributable to the Banks' Shareholders Equity | Non-Controlling Interests | Total Owners' Equity |
|--|--------------------|--------------------|---------------|-----------------------|------------------|--|--------------------|--------------------|---|---------------------------|----------------------|
| | Paid-Up Capital | Statutory | Voluntary | General Banking Risks | Special | Foreign Currency Translation Differences | | | | | |
| For the Year Ended December 31, 2021 | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Beginning balance for the year before IAS (29) implementation | 200,000,000 | 99,190,875 | 46,537 | 2,804,326 | 5,849,743 | (12,855,521) | (6,092,218) | 165,814,735 | 454,758,477 | 7,648,571 | 462,407,048 |
| Impact of IAS (29) implementation- Note (2) | - | - | - | - | - | - | - | 3,824,745 | 3,824,745 | 3,980,855 | 7,805,600 |
| Adjusted beginning balance for the year after IAS (29) implementation | 200,000,000 | 99,190,875 | 46,537 | 2,804,326 | 5,849,743 | (12,855,521) | (6,092,218) | 169,639,480 | 458,583,222 | 11,629,426 | 470,212,648 |
| Foreign currency translation differences | - | (23,269) | (23,269) | - | - | (154,164) | - | 902,866 | 702,164 | 730,037 | 1,432,201 |
| Profit for the year – Statement (B) | - | - | - | - | - | - | - | 36,008,748 | 36,008,748 | 298,485 | 36,307,233 |
| Realized gain from sale of financial instruments classified as financial assets at fair value through comprehensive income - net of tax | - | - | - | - | - | - | (618,992) | - | (618,992) | - | (618,992) |
| Change in fair value reserve in equity instrument classified as financial assets at fair value through comprehensive income - Net of tax | - | - | - | - | - | - | 2,731,886 | - | 2,731,886 | - | 2,731,886 |
| Total Comprehensive Income – Statement (C) | - | (23,269) | (23,269) | - | - | (154,164) | 2,112,894 | 36,911,614 | 38,823,806 | 1,028,522 | 39,852,328 |
| Transferred to reserves | - | 5,194,899 | 26,138 | 1,297,695 | - | - | - | (6,518,732) | - | - | - |
| Dividend | - | - | - | - | - | - | - | (24,000,000) | (24,000,000) | - | (24,000,000) |
| Balance – End of the Year | 200,000,000 | 104,362,505 | 49,406 | 4,102,021 | 5,849,743 | (13,009,685) | (3,979,324) | 176,032,362 | 473,407,028 | 12,657,948 | 486,064,976 |
| For the Year Ended December 31, 2020 | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Beginning balance for the year | 200,000,000 | 94,065,645 | 134,165 | 2,196,491 | 5,849,743 | (12,268,120) | 24,954,157 | 99,400,640 | 414,332,721 | 5,774,304 | 420,107,025 |
| Foreign currency translation differences | - | (87,628) | (87,628) | (16,828) | - | (587,401) | - | 2,821,474 | 2,041,989 | 2,125,303 | 4,167,292 |
| Profit for the year – Statement (B) | - | - | - | - | - | - | - | 35,794,598 | 35,794,598 | (327,536) | 35,467,062 |
| Realized gain from sale of financial instruments classified as financial assets at fair value through comprehensive income - net of tax | - | - | - | - | - | - | (31,374,787) | 33,712,044 | 2,337,257 | - | 2,337,257 |
| Change in fair value reserve in debt instruments classified as financial assets at fair value through comprehensive income | - | - | - | - | - | - | (397,243) | - | (397,243) | - | (397,243) |
| Change in fair value reserve in equity instrument classified as financial assets at fair value through comprehensive income - Net of tax | - | - | - | - | - | - | 725,655 | - | 725,655 | - | 725,655 |
| Total Comprehensive Income – Statement (C) | - | (87,628) | (87,628) | (16,828) | - | (587,401) | (31,046,375) | 72,328,116 | 40,502,256 | 1,797,767 | 42,300,023 |
| Transferred to reserves | - | 5,212,858 | - | 624,663 | - | - | - | (5,914,021) | (76,500) | 76,500 | - |
| Balance – End of the Year | 200,000,000 | 99,190,875 | 46,537 | 2,804,326 | 5,849,743 | (12,855,521) | (6,092,218) | 165,814,735 | 454,758,477 | 7,648,571 | 462,407,048 |

*According to the resolution of the Bank's General Assembly in its ordinary meeting held on April 19,2021 it was approved to distribute 12% dividends of the Bank's capital in cash to shareholders which is equivalent to JD 24,000,000.

**** According to the instructions of the regulatory bodies:**

- The general banking risks reserve and special reserve cannot be utilized without prior approval from the Palestine Monetary Authority.
- Retained earnings include a restricted amount of JD 24,556,699 against deferred tax benefits as of December 31, 2021 (JD 21,808,399 as of December 31, 2020). This restricted amount cannot be utilized through capitalization or distribution unless actually realized based on the Central Bank of Jordan's instructions.
- Retained earnings include an amount of JD 439,810 as of December 31, 2021 (JD 439,810 as of December 31, 2020) which are restricted amounts and represents the effect of early adoption of IFRS (9). These restricted amounts cannot be utilized unless realized through actual sale.
- The fair value reserve cannot be utilized including capitalization, distribution, losses write-off or any other commercial acts unless realized through actual sale as instructed by the Central Bank of Jordan and Jordan Securities Commission, retained earnings balance also includes JD 813,437 as of December 31 2021 (JD 813,437 as of December 31, 2020) that cannot be utilized through distribution or any other purposes unless there is a prior approval from the Central Bank of Jordan resulting from implementation of Central Bank of Jordan Circular no.10/1/1359 dated January 25, 2018 and Central Bank of Jordan Circular No. 13/2018 dated June 6, 2018.

The accompanying notes from (1) to (48) constitute an integral part of these consolidated financial statements and should be read with them.

STATEMENT (E)

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | For the Year Ended December 31, | |
|---|-------|---------------------------------|---------------------|
| | | 2021 | 2020 |
| | | JD | JD |
| Cash Flows from Operating Activities: | | | |
| Profit before income tax – Statement (B) | | 51,893,989 | 52,073,578 |
| Adjustments for Non-Cash Items: | | | |
| Depreciation and amortization | 14,15 | 10,500,387 | 9,254,938 |
| Financial assets expected credit loss expenses | 38 | 16,058,119 | 31,868,913 |
| (Gain) from sale of property and equipment | 35 | (81,073) | (717,916) |
| Unrealized (Gain) from financial assets at fair value through profit or loss | 34 | (77,381) | (14,988,346) |
| Gain from recognition of financial assets | 11 | - | (3,652,011) |
| Effect of exchange rate fluctuations | 33 | (3,134,263) | (2,530,549) |
| Other provisions | 20 | 483,284 | 781,231 |
| (Recovered from) assets foreclosed by the bank impairment provision | 16 | (269,856) | (357,796) |
| Foreign currency exchange differences | | (344,212) | 3,808,660 |
| Profit before changes in assets and liabilities | | 75,028,994 | 75,540,702 |
| Changes in Assets and Liabilities: | | | |
| (Increase) decrease in restricted balances | | (2,779,920) | 10,617,369 |
| Decrease in deposits with banks and financial institutions (maturing over 3 months) | | 282,000 | 118,685,314 |
| Decrease in financial assets at fair value through profit or loss | | - | 460,020 |
| (Increase) in direct credit facilities at amortized cost | | (36,367,338) | (92,428,376) |
| (Increase) in other assets | | (7,996,183) | (3,026,481) |
| Increase (Decrease) in deposits at banks and financial institutions (maturing over 3 months) | | 282,000 | (80,000,000) |
| (Decrease) in customers' deposits | | (1,156,936) | (9,910,531) |
| (Decrease) in cash margins | | (7,160,233) | (774,612) |
| (Decrease) increase in borrowed funds | | (12,498,535) | 60,135,362 |
| Increase (Decrease) in other liabilities | | 739,930 | (3,013,214) |
| Net Change in Assets and Liabilities | | (66,655,215) | 744,851 |
| Net Cash Flows from Operating Activities before paid, Taxes end-of-Service Indemnity Provision, and Lawsuits Provision | | 8,373,779 | 76,285,553 |
| End-of-service indemnity and lawsuits provisions paid | 20 | (521,180) | (415,042) |
| Taxes paid | 21 | (18,161,428) | (22,692,105) |
| Net Cash Flows (Used in) from Operating Activities | | (10,308,829) | 53,178,406 |
| Cash Flows from Investing Activities: | | | |
| (Purchase) of financial assets at amortized cost | | (83,031,689) | (138,276,286) |
| Maturity of financial assets at amortized cost | | 47,879,329 | 61,855,877 |
| (Purchase) Financial assets at fair value through comprehensive income | | (270,626) | - |
| Proceeds from sale of financial assets at fair value through comprehensive income | | 24,937,771 | 2,900,734 |
| Financial derivatives | | (232,806) | 276,515 |
| (Purchase) of property and equipment and advance payments to acquire property and equipment | | (4,357,171) | (6,877,093) |
| Proceeds from sale of property and equipment | | 194,744 | 900,708 |
| (Purchase) of intangible assets | 15 | (2,623,664) | (2,124,672) |
| Net Cash Flows (Used in) Investing Activities | | (17,504,112) | (81,344,217) |
| Cash Flows from Financing Activities: | | | |
| Foreign currency translation differences | | 1,432,201 | 4,167,292 |
| Dividends paid to shareholders | | (24,479,143) | (56,800) |
| Net Cash Flows (Used in) from Financing Activities | | (23,046,942) | 4,110,492 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 33 | 3,134,263 | 2,530,549 |
| Net (decrease) in cash and cash equivalents | | (47,725,620) | (21,524,770) |
| Cash and cash equivalents - beginning of the year | 40 | 412,918,196 | 434,442,966 |
| Cash and Cash Equivalents - End of the Year | 40 | 365,192,576 | 412,918,196 |

The accompanying notes from (1) to (48) constitute an integral part of these consolidated financial statements and should be read with them.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

- Bank of Jordan was established in 1960 as a Public Shareholding Limited Company with headquarters in Amman – Jordan. The bank was registered on March 3, 1960 under number (1983) according to the Companies Law No. 33 for the year 1962 with an authorized capital of JD 350,000, represented by 70,000 shares at a par value of JD 5 per share. However, the Bank's authorized and paid-up capital was increased in several stages, the last of which took place in accordance to the general assembly's resolution at their extraordinary meeting held on April 9, 2016, for which, the Bank's capital was increased from JD 155-1 million to JD 200 million through the capitalization of JD 13,702,858 from voluntary reserve and JD 31,197,142 from retained earnings. The legal procedures related to the capital increase were completed on April 19, 2016.
- The Bank provides all financial and banking services within its scope of activities. Those services are offered at its (83) branches across Jordan, (17) branches across Palestine, Bahrain branch, and its subsidiaries in Jordan and Syria (Excel for Financial Investments Company, Jordan Leasing Company and Bank of Jordan – Syria).
- The Bank has obtained all necessary approvals from Central Bank of Jordan and the regulatory authorities in Iraq for the establishment of a branch in Iraq. The branch is still in establishment phase.
- The consolidated financial statements have been approved by the Board of Directors in its meeting No. (637) held on January 27, 2022, and still subject to the Central Bank of Jordan and the Bank's General Assembly approval.

2. Consolidated Financial Statements Basis of Preparation

The consolidated financial statements for the Bank and its subsidiaries were prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the interpretations issued by International Financial Reporting Interpretation Committee affiliated with the International Accounting Standards Board as adopted by the Central Bank of Jordan. The main differences between International Financial Reporting Standards that should be applied and what was adopted by the Central Bank of Jordan are as follows:

- Expected credit losses allowances are calculated in accordance with the Central Bank of Jordan (CBJ) instructions No. (13/2018) "International Financial Reporting Standard No. (9) Implementation" dated June 6, 2018 and in accordance with the regulatory authorities instructions in the countries where the Bank operates whichever is more strict, the main significant differences are as follows:
 - Debt instruments issued or guaranteed by the Jordanian government are excluded, so that credit exposures issued or guaranteed by the Jordanian government are treated with no credit losses.
 - When calculating credit losses against credit exposures, the calculation results in accordance to International Financial Reporting Standards (9) are compared with the instructions of the Central Bank of Jordan No. (47/2009) dated December 10, 2009 for each stage separately and the greater results are recorded.
- In accordance with the instructions of the Central Bank of Jordan and the instructions of the supervisory authorities in the countries in which the bank operates, interest and commissions are suspended on non-performing credit facilities.
- Assets foreclosed by Bank are presented at the consolidated statement of financial position within other assets at the value that has been acquired by the Bank or the fair value, whichever is lower, and are reassessed individually on each consolidated financial statements date, and any impairment in their value is recorded as a loss in the consolidated statement of profit or loss but the increase is not recorded, to the extent that it does not exceed the value of the previously recorded impairment. Starting from the year 2015, the bank has started to calculate gradual provision against the assets foreclosed by the bank in exchange of credit facilities that have been in possession for more than 4 years in accordance with the Central Bank of Jordan Circular No. 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. Subsequently, Central Bank of Jordan has issued different circulars regarding postponing the provision calculations, the latest of which was Circular No. 10/3/13246 dated September 12, 2021 which require the bank to complete recognizing the required provisions starting from the year 2022 at 5% annually from their book value, to reach the required percentage of 50% from the book value of these foreclosed assets by the end of year 2030.
- Additional provisions booked as part of the expected credit losses in the consolidated financial statements against part of the Bank's foreign investments in a near countries within expected credit losses.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The net outcome of the differences between the Central Bank of Jordan instructions and the International Financial Reporting Standards represented by having the Bank to book additional provisions to comply with these instructions.
- The consolidated financial statements were prepared on the historical cost basis except for the adjusted effects of inflation for the entities which operate in hyperinflationary economies and financial assets at fair value through profit or loss, financial assets at fair value through comprehensive income and financial derivatives measured at fair value at the date of the consolidated financial statements. Moreover, hedged financial assets and financial liabilities are stated at fair value.

The economy of the Syrian Arab Republic became hyperinflationary in 2021. Accordingly, the results, cash flows and financial position of the Group's subsidiary in the Syrian Arab Republic have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies for the purpose of the Bank's consolidated financial statements. The methods used to measure the fair value and adjustments made to the account of the subsidiary entity that operate in the hyperinflationary economy are discussed further in the accounting policies and in the respective notes.

In 2021, the Bank noted that the economy of the Syrian Arab Republic, where the Bank has Subsidiary (Bank of Jordan – Syria), is hyperinflationary starting from the beginning of 2021. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time in addition to other factors, for which inflation rates related to the year 2020 were disclosed in the year 2021. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment. In addition, the Bank noted that the report issued by the official Syrian agencies for the year 2020 at the end of year 2021 shows that the inflation average rate to be around 114% for the year 2020, and the expected inflation average rate for the year 2021 calculated according to the USD exchange rates to be around 69%, in addition to the fact that the Syrian Arab Republic has been declared as hyperinflationary in 2022, and thus, applying IAS 29 in 2021 is confirmed to be applied for the year 2021.

Based on management estimates, the group's subsidiary in the Syrian Arab Republic has been accounted for as an enterprise operating in a hyperinflationary economy that has been experiencing high rates of inflation since 2021. The general prices indicators used to adjust the results, cash flows and financial position of the subsidiary – Bank of Jordan Syria shown below are based on Syrian consumer price index published by the Syrian Statistics Office as follows:

| Year | Index | Coefficient factor |
|-------------|--------------|---------------------------|
| 2021 | 3,251 | 1 |
| 2020 | 1,920 | 1.69 |
| 2019 | 896 | 3.63 |
| 2018 | 790 | 4.11 |
| 2017 | 783 | 4.15 |
| 2016 | 663 | 4.90 |
| 2015 | 449 | 7.24 |
| 2014 | 324 | 10.03 |
| 2013 | 265 | 12.29 |
| 2012 | 205 | 15.89 |
| 2011 | 149 | 21.84 |
| 2010 | 142 | 22.88 |
| 2009 | 136 | 23.88 |
| 2008 | 132 | 24.55 |

Based on the above, the Bank determined the net cash profit in local currency equivalent to JD 7,805,600 as of January 1, 2021, which was recorded on the opening balance of retained earnings as year 2021 is the first year of IAS 29 implementation, and there was no significant impact over the consolidated statement of profit or loss for the year ended December 31, 2021.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Functional and Presentation Currency

These financial statements are presented in Jordanian Dinar, which is the Bank's functional currency.

4. Significant Accounting Judgments and Key Sources of Uncertainty Estimates

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

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

Management believes that its estimates in the consolidated financial statements are reasonable based on the following details:

Impairment of foreclosed assets

Impairment of foreclosed assets is recognised based on accredited and updated real-estate evaluations performed by certified appraisers for the purpose of asset impairment calculation, at which the impairment is reviewed periodically. Starting from the year 2015, the bank has started to calculate gradual provision against the assets foreclosed by the bank in exchange of credit facilities that have been in possession for more than 4 years in accordance with the Central Bank of Jordan Circular No. 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. Subsequently, Central Bank of Jordan has issued different circulars regarding postponing the provision calculations, the latest of which was Circular No. 10/3/13246 dated September 12, 2021 which require the bank to complete recognizing the required provisions starting from the year 2022 at 5% annually from their book value, to reach the required percentage of 50% from the book value of these foreclosed assets by the end of year 2030.

Tangible and intangible assets useful life

Management periodically reassesses the economic useful life of property, plant and equipment, intangible assets, based on the general condition of these assets and the expectation of their useful economic lives in the future. The impairment loss is recognized in the consolidated statement of profit or loss for the year.

Income tax

Management recognizes income tax expense deferred tax assets, deferred tax liabilities and required tax provision for the year based on management's estimate for taxable profit in accordance with the prevailing laws, regulations and IFRSs.

Litigation provision

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

Provision for end-of-service indemnity

Recalculation and formation of end of service benefits for each employee for current and prior periods which are discounted to their present value.

Assets and liabilities at cost

Management periodically reviews assets and liabilities to assess and evaluate impairment, and any loss incurred is recognised within the consolidated statement of profit or loss for the year.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Allowance for expected credit losses

Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit 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 (43).

Evaluation of business model

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

Significant increase in credit risk

The expected credit loss is measured as an allowance equivalent to the expected credit loss of 12 months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Bank takes into account reasonable and reliable quantitative and qualitative information. The estimates used by the Bank's management concerning the significant change in credit risk that result in a change in the classification within the three stages (1, 2 and 3) are shown in detail in note (43).

Establish groups of assets with similar credit risk characteristics

When expected credit losses are measured on a collective basis, financial instruments are grouped basing on credit risks shared qualities for example (instrument type, credit risk severity, guarantee type, initial recognition date, remaining period till due date, industry, geographical location for the lender, etc.). The bank continuously monitors the convenience of credit risks properties to assess whether it is still consistent. This is required to guarantee that in case there are any changes in credit risk properties the assets get redistributed accordingly. That may result in building up new portfolios of the transfer of existing assets to existing portfolios that better reflect credit risk properties for 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 (43). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

B. Fair value measurement

If the fair values of financial assets and financial liabilities included in the consolidated statement of financial position cannot be obtained from active markets, these fair values are determined using a range of valuation techniques involving the use of mathematical 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 the management's judgment may be required, where the counterparty's ability to repay the instrument in accordance with contractual terms is in doubt.
- 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, they also consider the need to adjust for a several factors, such as bid differences, credit status, portfolio service costs, and uncertainty about the model.
- Leases
Some leases of office premises have extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practical, the Group looks to include extension options in new leases to supply operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 consolidated financial statements are as follows:

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

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

Probability of Default

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

Loss Given Default

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

Fair Value Measurement and Valuation Procedures

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

Lease Payments Discount

Lease payments are discounted using the implicit lease interest rate or the incremental borrowing rate. Management have applied the judgments and estimates to determine additional borrowing rate on the start of the lease date.

Management believes that the estimates included in preparation of the consolidated financial statements are reasonable and identical with the estimates used in the consolidated financial statements preparation for the year ended on December 31, 2020.

Hyperinflation

The Bank exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiary is the currency of a hyperinflationary economy. The Bank also exercises some estimates in determining the inflation rates that are not published by official bodies using the USD currency exchange rates in accordance with the requirements of International Accounting Standard No. 29.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the financial statements of a Subsidiary entity becomes necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in the Accounting Policies

The Application of the New and Amended International Standards

A- Amendments that did not have a material impact on the banks consolidated financial statements:

The following new and revised International Financial Reporting Standards were adopted, effective starting from or after January 1, 2021, when preparing the consolidated financial statements for the Bank, which did not significantly affect the amounts and disclosures stated in the consolidated financial statements for the year and prior years, noting that they may have an impact on the accounting treatments of future transactions and arrangements:

| <u>New standard or amendments</u> | <u>Application date</u> |
|---|--------------------------------|
| Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) | 1 January 2021 |
| Prerogative lease contract that related to covid 19 after June 30, 2021- ammendment for IFRS 16 | 1 April 2021 |

The adoption of the above standards has not affected the amounts or disclosures in the consolidated financial statements.

B) New and revised IFRSs issued and not yet effective:

The Bank has not adopted the following new and amended IFRSs issued but not yet effective as of the date of the consolidated financial statements. The details are as follows:

| <u>New standard or amendments</u> | <u>Application Date</u> |
|---|---|
| Loss-making contracts (a contract in which the total cost required to fulfill the contract is higher than the economic benefit that can be obtained from it) - the cost of implementing the contract (amendments to IAS 37) | January 1, 2022 |
| Annual amendments to IFRS 2018-2020 | January 1, 2022 |
| Property and equipment: obtained prior to the required or intended use of property and equipment (amendments to IAS 16) | January 1, 2022 |
| The reference to the conceptual framework (amendments to IFRS 3) | January 1, 2022 |
| Amendment for IFRS 1 financial statement reporting and application for IFRS1 to prepare financial statement and its disclosure. | January 1, 2023 |
| Amendment for IFRS 8- accounting policies , changes in accounting estimation and judgment, definition for accounting estimation | 1,January,2023 |
| Amendment for IFRS 12 , tax, deferred tax asset and liabilities | January 1, 2023 |
| Classification of liabilities into current or non-current liabilities (Amendments to IAS 1) | January 1, 2023 |
| IFRS 17 “Insurance Contracts” and Amendments to IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Sale or grant of assets between an investor and an affiliate company or a joint venture (amendments to IFRS 10 and IAS 28) | Available for optional application / application date postponed |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank in these consolidated financial statements for the year ended December 31, 2021 are the same as those applied by the Bank in its consolidated financial statements for the year ended December 31, 2020, except for International Financial Reporting Standards amendments and improvements that became effective on and after January 1, 2021 disclosed in note (5-A).

Basis of Consolidation of Financial Statements

The Consolidated financial statements comprise of the financial statements of the Bank (and its subsidiaries which are subject to its control), the principle of control sets out the following three elements of control:

- Power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use power over the investee to affect the amount of the investor's returns.

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control at each reporting year.

If the voting rights for the Bank decreased below the majority voting rights at any of the subsidiaries, the Bank has control when its voting rights are sufficient to give the Bank the ability to direct the activities of the subsidiary facility from one side only.

And the Bank takes into consideration all facts and circumstances when estimating whether the Bank has sufficient voting rights that enable the Bank's control. Among those facts and circumstances are:

- The size of the voting rights that the Bank possesses and the distribution of other voting rights.
- Possible voting rights that the Bank possesses and any other parties that possess voting rights as such.
- Emerging rights from other contractual arrangements.
- Any other facts and circumstances that indicate that the Bank may or may not become liable when it's required to make decisions, including voting mechanism in previous general assembly meetings.

Subsidiaries are consolidated when the Bank controls the entity and consolidation pauses when the Bank loses control over the subsidiary. Specifically, the acquired or disowned subsidiaries during the year their results are included in the consolidated profit and loss statement from the control till the loss of control date.

Profits and losses and every item from the comprehensive income items gets distributed to the owners in the entity and non-controlling interests, the comprehensive income of subsidiaries is distributed to the owners at the entity and the non-controlling interests even if this distribution would lead to a deficit in the total balance of the non-controlling interests.

Adjustments on the subsidiaries financial statements are performed, on necessity to match the accounting policies of the Bank.

All assets, liabilities, owners' equity, income, intercompany transactions, and balances between the Bank and the subsidiaries are removed on consolidation.

NCIs in subsidiaries are determined separately from the Bank's equity in these subsidiaries. NCIs are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

When the Bank loses control over a subsidiary, resulting profit or loss from the disposal of the subsidiary is recognized in the profit and loss statement by calculating the difference between (A) total fair value of the received amount and the fair value of any remaining shares and (B) the current value of the assets (including good will) netted from it the liabilities of the subsidiaries and any non-controlling interests. All previously recognized amounts are stated in the statement of comprehensive income regarding that subsidiary as if the Bank had just disposed of the assets and liabilities relating to that subsidiary. The fair value of the investment held at the previous subsidiary at the loss of control date as a fair value on initial recognition of subsequent accounting according to the international financial reporting standard (9) “financial instruments” on application of the standard, or the initial recognition cost of the investment at an associate or in a joint project.

The Bank has the following subsidiary companies as of December 31, 2021:

| Name of Subsidiary | Paid-up Capital | Bank's Ownership Percentage | Subsidiary's Nature of Business | Place of Operation | Acquisition Date |
|---|----------------------------|------------------------------------|--|---------------------------|-------------------------|
| | | % | | | |
| Excel for Financial Investments Company | 3,5 Million Jordan Dinar | 100 | Financial brokerage | Amman | March 23, 2006 |
| Bank of Jordan – Syria* | 3,000 Million Syrian pound | 49 | Financial bank | Syria | May 17, 2008 |
| Jordan Leasing Company | 20 Million Jordan Dinar | 100 | Financing leases | Amman | October 24, 2011 |

The most important information of the subsidiaries for the years 2021 and 2020 is as follows:

| Name of Subsidiary | December 31, 2021 | | For the Year 2021 | |
|---|--------------------------|--------------------------|--------------------------|-----------------------|
| | Total Assets | Total Liabilities | Total Revenues | Total Expenses |
| | JD | JD | JD | JD |
| Excel for Financial Investments Company | 7,085,780 | 1,366,254 | 300,505 | 228,000 |
| Bank of Jordan – Syria* | 69,137,668 | 52,123,757 | 2,171,596 | 1,586,327 |
| Jordan Leasing Company | 30,335,963 | 4,351,323 | 1,635,761 | 542,714 |

| Name of Subsidiary | December 31, 2020 | | For the Year 2021 | |
|---|--------------------------|--------------------------|--------------------------|-----------------------|
| | Total Assets | Total Liabilities | Total Revenues | Total Expenses |
| | JD | JD | JD | JD |
| Excel for Financial Investments Company | 5,828,061 | 181,040 | 311,221 | 233,138 |
| Bank of Jordan – Syria* | 47,376,307 | 32,379,107 | 1,408,044 | 2,050,271 |
| Jordan Leasing Company | 29,359,260 | 4,467,660 | 1,877,867 | 464,067 |

* Since the bank has control over the financial and operational policies and the management of the bank in Syria, the accounts of the Bank of Jordan - Syria have been consolidated in the attached consolidated financial statements, noting that and for the purposes of the consolidated financial statements the total assets for the year 2021 have been adjusted at the consolidated financial statements level in the amount JD 7,805,600 according to the current unit of measurement at the end of the financial statements period following the adoption of International Accounting Standard No. (29).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segmental Information

- Business is a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business segments, to the effect that it is measured according to the reports used by the Executive Directors and the main decision maker at the Bank.
- Geographical sector relates to providing products or services in an economic environment subject to specific risks and returns different from those operating in other sectors of other economic environments.

Net Interest Income

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

The effective interest rate is the rate that discounts the estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated, taking into account all the contractual terms of the instrument.

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

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

Net Fees and Commission Income

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

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

A contract with a customer that results in a recognized financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Net Trading Income

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Dividend Income

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

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

- For equity instruments which are held for trading, dividend income is presented as trading income.
- For equity instruments classified at fair value through other comprehensive income, dividend income is presented in dividends from financial assets at fair value through other comprehensive income line within the statement of income.
- For equity instruments not classified at fair value through other comprehensive income and not held for trading, dividend income is presented as net income from other instruments at fair value through the statement of income.

Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognized in the Bank's consolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. Loans and customers overdrafts are recognized once booked on the customer's account.

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

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

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in the statement of income on initial recognition (i.e. day 1 the statement of income);
- In all other cases, the fair value will be adjusted to become in line with the transaction price (i.e. day 1 the statement of income will be deferred by including it in the initial carrying amount of the asset or liability).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Financial Assets

Initial Recognition

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

Subsequent Measurement

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

- Debt instruments held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost.
- Debt instruments held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are (SPPI), are subsequently measured at fair value through other comprehensive income.
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through profit or loss.
However, the Bank may irrevocably make the following selection / designation at initial recognition of a financial asset on an asset-by-asset basis.
- The Bank may irrevocably select to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income.
- The Bank may irrevocably designate a debt instrument that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through the statement of income, if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

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

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

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

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Assessment of Business Models

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

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

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

- The stated policies and objectives of the portfolio and application of those policies whether the management strategy focuses on obtaining contractual revenues, maintaining specific profit rate matching the profit of financial assets with the period of financial liabilities that finance those assets.
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.
- How the business managers are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

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

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

Financial Assets - Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as the profit margin.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows.
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans).

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are:

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

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

Reclassifications

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

Foreign Exchange Gains and Losses

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

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in the statement of income.
- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in the statement of income. Other exchange differences are recognized in other comprehensive income in the investment's revaluation reserve.
- For financial assets measured at fair value through profit or loss that are not part of a designated hedge accounting relationship, exchange differences are recognized in the statement of income either in 'net trading income', if the asset is held for trading, or in net income from other financial instruments at fair value through the statement of income, if otherwise held at fair value through the statement of income.
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in other comprehensive income in the investment's revaluation reserve.

Fair Value Option

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Impairment

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

- Balances and deposits at banks and financial institutions.
- Direct credit facilities (Loans and advances to customers).
- Financial assets at amortized cost (Debt investment securities).
- Financial assets at fair value through other comprehensive income.
- Off balance sheet exposures subject to credit risk (Financial guarantee contracts issued).

No impairment loss is recognized on equity investments.

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

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

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

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

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

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

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

- Expected credit losses allowances are calculated in accordance with the Central Bank of Jordan (CBJ) instructions No. (13/2018) "International financial reporting standard No. (9) Implementation" dated June 6, 2018 and in accordance with the regulatory authorities instructions in the countries where the Bank operates whichever is more strict.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The main significant differences are as follows:

- Debt instruments issued or guaranteed by the Jordanian government are excluded, so that credit exposures issued or guaranteed by the Jordanian government are treated without credit losses.
- When calculating credit losses against credit exposures, the calculation results are compared according to the International Financial Reporting Standard No. (9) with the instructions of the Central Bank of Jordan No. (47/2009) dated December 10, 2009 for each stage separately and the strictest results are taken in the recognition.

Credit-Impaired Financial Assets

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

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

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

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

Purchased or Originated Credit-Impaired (POCI) Financial Assets

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

Definition of Default

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Increase in Credit Risk

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

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

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

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

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

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

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

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

As a backstop when an asset becomes more than 30 days past due, the Bank considers that a significant increase in credit risk has occurred, and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime expected credit loss.

Modification and Derecognition of Financial Assets

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

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

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

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

In the case where the financial asset is derecognized, the loss allowance for expected credit loss is re-measured at the date of derecognition to determine the net carrying amount of the asset at that date.

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

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

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Write-off

Financial assets are written off when the Bank has no reasonable expectations of recovering the financial asset. Then we classify the amounts that subject to write off after using all available collection method. In case of write off for account receivable or any financing, the bank complete its pressure to recover these amounts which will be reported in consolidated financial statement in case we recover it .

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

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

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Liabilities and Equity

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

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

Loans and Advances

'Loans and advances' captions in the consolidated statement of financial position include:

- loans and advances measured at amortized cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.
- Loans and advances mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognized immediately in profit or loss.
- Lease receivables.
- Interests and commissions on non-operating credit facilities granted to customers are suspended in accordance with the Central Bank of Jordan instructions, the Regulatory authorities in Syria and the Palestinian Monetary Authority whichever is strict.
- Credit facilities and their related suspended interests are included in off-balance sheet provisions, and that is in accordance with the board of directors' decisions.
- Suspended interests for the accounts that have legal cases are included in off-balance sheet provisions, and that is in accordance with the board of directors' decisions.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset), at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognized in the Group's financial statements.

Equity Instruments

Paid up Capital

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

Treasury Shares

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

Compound Instruments

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

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Liabilities

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

Financial Liabilities at Fair Value Through the Statement of Profit or loss

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

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

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

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

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

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

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

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other Financial Liabilities

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

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

Derecognition of Financial Liabilities

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

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

Derivative Financial Instruments

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

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain/loss is recognized in the statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of income depends on the nature of the hedge relationship. The Bank designates certain derivatives as either hedges of the fair value of recognized assets, liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions, hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

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

Embedded Derivatives

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Guarantee Contracts

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

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

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

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

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

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

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

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

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

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

Derivatives

Derivatives for Trading

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

Hedge Accounting

The Bank designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations, as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Bank does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition, the Bank does not use the exemption to continue using IAS 39 hedge accounting rules, i.e. the Bank applies IFRS 9 hedge accounting rules in full.

At the inception of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges, and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of the hedged item.

The Bank rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Bank adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In some hedge relationships, the Bank designates only the intrinsic value of options. In this case, the fair value change of the time value component of the option contract is deferred in other comprehensive income, over the term of the hedge, to the extent that it relates to the hedged item and is reclassified from equity to the statement of income when the hedged item does not result in the recognition of a non-financial item. The Bank's risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Bank's risk exposures relate to financial items only.

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

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

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

Fair Value Hedges

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

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

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in the cash flow hedging reserve, a separate component of other comprehensive income, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to the consolidated statement of profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to the statement of income in the periods when the hedged item affects the statement of income, in the same line as the recognized hedged item. If the Bank no longer expects the transaction to occur, that amount is immediately reclassified to the consolidated statement of income or loss.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognized immediately in the consolidated statement of Profit or loss.

Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain/loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to the statement of income in the same way as exchange differences relating to the foreign operation as described above.

Offsetting

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

Accounts Managed 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, fees and commissions on such accounts are shown in the consolidated statement of profit or loss, a provision against the impairment in the capital-guaranteed portfolios managed on behalf of customers is taken.

Fair Value

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Provisions

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

Employees Benefits

Short term employee benefits

Employees short term benefits are recognized as expenses when delivering relevant services. Liability is recorded against the related commitment when the bank is legally obliged implicitly or explicitly to pay for past services rendered by the employee and the liability can be estimated reliably.

Other long-term employee benefits

The banks liabilities relating to employees' benefits are the future benefits amount that the employees received regardless of their prior and current service periods. These benefits are discounted to specify their current amount. Remeasurement is recognized in the consolidated statement for profit or loss in the period that they emerged.

Income Tax

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from declared income in the consolidated financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, tax acceptable accumulated losses, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates according to the prevailing laws, regulations, and instructions enforced in the countries where the Bank operates.
- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of assets and liabilities in the consolidated financial statements and the value of taxable amounts. Deferred tax is calculated on the basis of liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled, or deferred tax assets are recognized.
- Deferred tax assets and deferred tax liabilities are reviewed as of the date of the consolidated financial statements and reduced in case it is expected that no benefit or need will arise, partially or totally.

Foreclosed Assets

- Assets foreclosed by Bank are presented at the consolidated statement of financial position within other assets at the value that has been acquired by the Bank or the fair value, whichever is lower, and are reassessed individually on each consolidated financial statements date, and any impairment in their value is recorded as a loss in the consolidated statement of profit or loss but the increase is not recorded, to the extent that it does not exceed the value of the previously recorded impairment. Starting the year 2015, the Bank has started to calculate gradual provision against the assets foreclosed by the bank in exchange of credit facilities that have been in possession for more than 4 years in accordance with the Central Bank of Jordan Circular No. 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. Subsequently, Central Bank of Jordan has issued different circulars regarding postponing the provision calculations, the latest of which was Circular No.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10/3/13246 dated September 12, 2021, which require the bank to complete recognizing the required provisions starting from the year 2022 at 5% annually from their book value, to reach the required percentage of 50% from the book value of these foreclosed assets by the end of year 2030.

Mortgaged Financial Assets

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

Repurchase and Resale Agreements

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

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

Property and Equipment

- Property and equipment are stated at cost less accumulated depreciation and any impairment loss in its value. Moreover, depreciation is calculated (except for lands) when the assets are ready for use on the straight-line basis over the estimated useful lives of these assets as follows:

| | % |
|--------------------------------------|--------|
| Buildings | 2 – 15 |
| Equipment and Fixtures and Furniture | 15-9 |
| Vehicles | 15 |
| Computers | 15 |
| Improvements and Decorations | 15 |

- When the carrying amounts of Property and Equipment exceed their recoverable values, assets are written down, and impairment losses are recorded in the consolidated statement of profit or loss.
- 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.
- Property and Equipment are derecognized when disposed of or when there is no expected future benefit from their use.
- Assets in hyperinflationary economies are restated by applying the change in general price indexes from the date of purchase to the date of the current reporting period. The depreciation calculation for these assets is based on the restated amounts.

Intangible Assets

Goodwill

- Goodwill is initially measured at cost, being the excess of the cost of acquisition or purchase of investment in an associate or subsidiary company over the Bank's share in the net fair value of the identifiable assets at the date of acquisition. Goodwill arising from the investment in subsidiaries will be separately shown under intangible assets, while that arising from the investment in associates will be shown as part of investment in associates and subsequently adjusted for any impairment losses.
- Goodwill is allocated to each of the Bank's cash-generating units, or groups of cash-generating units for the purpose of impairment testing.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Goodwill is reviewed for impairment, at the date of the consolidated financial statements, if events or changes in circumstances indicate that the estimated recoverable amount of a cash-generating unit or group of cash-generating units is less than their carrying amount. Moreover, impairment losses are charged to the consolidated statement of Profit or loss.

Other Intangible Assets

- Intangible assets acquired through business combination are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.
- Intangible assets are classified based on the assessment of their useful life to definite and indefinite. Intangible assets with definite lives are amortized over their useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date, and impairment loss is charged to the consolidated statement of profit or loss.
- Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of profit or loss.
- Indications of impairment of intangible assets are reviewed, and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Computer Software's

Computer Software's are shown at cost at the time of purchase and amortized at an annual rate of 15% - 20%.

Impairment of Nonfinancial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets except for deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Foreign Currencies

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

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

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

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Leases

Bank Acting as a Lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

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

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives.
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When lease liabilities are measured using this method, the adjustments are made to related right of use asset or in the consolidated statement of profit or loss if the net book value for the related right of use asset was not fully depreciated.

The right-of-use of assets are presented within property and equipment caption and the related lease liabilities are presented in other liabilities (Borrowed funds) in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, the Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Bank as lessor

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

As a lessee

The group did not have any finance leases under IAS (17) leases.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

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

Earnings per Share

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Financial reporting in hyperinflationary economies

The financial statements of the subsidiary whose functional currency is the currency of hyperinflationary economy is adjusted in terms of the measuring unit current at the end of the reporting period. In the first period of application, the adjustments determined at the beginning of the period are recognized directly in equity as an adjustment to opening retained earnings. In subsequent periods, the prior period adjustments related to components of owners' equity and differences arising on translation of comparative amounts are accounted for in other comprehensive income. Items in the consolidated statement of financial position not already expressed in terms of the measuring unit current at the reporting period, such as non-monetary items carried at cost or cost less depreciation, are restated by applying a general price index. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognized in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount. At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Restated retained earnings are derived from all other amounts in the restated consolidated statement of financial position. At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. All items recognized in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred. Gains or losses on the net monetary position are recognized in profit or loss. All items in the consolidated statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Since the Bank has applied IAS No. (29) in the consolidated financial statements only, some items of equity in the subsidiary have not been re-presented as they are among the items to be eliminated when preparing the consolidated financial statements or they are items arising under the laws in force in the Syrian Arab Republic.

7. Cash and Balances with Central Banks

This item consists of the following:

| | December 31, | |
|--------------------------------------|---------------------|--------------------|
| | 2021 | 2020 |
| | JD | JD |
| Cash at vaults | 81,776,632 | 66,521,033 |
| Balances at Central Banks: | | |
| Current accounts and demand deposits | 108,725,417 | 78,251,193 |
| Term and notice deposits | 97,867,760 | 112,910,906 |
| Certificates of deposit | - | 282,000 |
| Statutory cash reserve | 93,783,314 | 91,663,345 |
| | 382,153,123 | 349,628,477 |
| <u>Less: Expected credit loss</u> | (117,663) | (90,488) |
| | 382,035,460 | 349,537,989 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Balances at central banks amounted to 300,376,491 as of December 31, 2021 (JD 283,107,444 as of December 31, 2020), these balances are distributed to credit stages as follows:

| Item | As of December 31, 2021 | | | | As of December 31, 2020 |
|--|-------------------------|--------------|----------------|--------------------|-------------------------------|
| | Stage One | Stage Two | Stage Three | Total | Total |
| Balance at the beginning of the year | 283,107,444 | - | - | 283,107,444 | 312,229,080 |
| New balances during the year | 66,767,233 | - | - | 66,767,233 | 50,576,970 |
| Paid balances | (43,311,962) | - | - | (43,311,962) | (79,698,606) |
| | 306,562,715 | - | - | 306,562,715 | 283,107,444 |
| Transferred to stage one | - | - | - | - | - |
| Transferred to stage two | - | - | - | - | - |
| Transferred to stage three | - | - | - | - | - |
| Changes due to the adjustments | 4,365,443 | - | - | 4,365,443 | - |
| Adjustments due to exchange rates fluctuations | (10,551,667) | - | - | (10,551,667) | - |
| Balance at the End of the Year | 300,376,491 | - | - | 300,376,491 | 283,107,444 |

Distribution of the total balances with central banks according to the banks internal credit rating categories was as follows:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|---------------------|---------------------|---------------------|----------------|--------------------|-------------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating based on the Bank's internal credit rating system: | | | | | | | |
| 1 | 210,313,853 | - | - | - | - | 210,313,853 | 220,427,349 |
| 2 | - | - | - | - | - | - | - |
| 3 | - | - | - | - | - | - | - |
| 4 | - | - | - | - | - | - | - |
| 5 | - | - | - | - | - | - | - |
| 6 | 90,062,638 | - | - | - | - | 90,062,638 | 62,680,095 |
| 7 | - | - | - | - | - | - | - |
| 8 | - | - | - | - | - | - | - |
| 9 | - | - | - | - | - | - | - |
| 10 | - | - | - | - | - | - | - |
| Total | 300,376,491 | - | - | - | - | 300,376,491 | 283,107,444 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The expected credit loss allowance movement summary was as follows:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------|------------|------------|----------------|----------------|-------------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | |
| | Individual | Collective | Individual | Collective | | | |
| | Level | Level | Level | Level | | | |
| Balance at the beginning of the year | 90,488 | - | - | - | - | 90,488 | 256,615 |
| Expected credit loss on new balances during the year | 28,856 | - | - | - | - | 28,856 | 21,966 |
| Expected credit loss reversal on Paid balances | - | - | - | - | - | - | (54,503) |
| | 119,344 | - | - | - | - | 119,344 | 224,078 |
| Transferred to stage one | - | - | - | - | - | - | - |
| Transferred to stage two | - | - | - | - | - | - | - |
| Transferred to stage three | - | - | - | - | - | - | - |
| Changes due to the adjustments | 6,539 | - | - | - | - | 6,539 | - |
| Adjustments due to exchange rates fluctuations | (8,220) | - | - | - | - | (8,220) | (133,590) |
| Balance at the End of the Year | 117,663 | - | - | - | - | 117,663 | 90,488 |

- Statutory cash reserve, amounted to JD 93,783,314 as of December 31, 2021 (JD 91,663,345 as of December 31, 2020).
- Restricted balances other than cash reserve amounted to JD 2,232,760 as of December 31, 2021 (JD 2,275,906 as of December 31, 2020).
- Term and notice Deposit balance includes JD 10,635,000 as December 31, 2021 (JD 10,635,000 maturing within a period exceeding three months as of December 31, 2020).
- Expected credit losses allowance was not calculated in accordance with the requirements of the International Financial Reporting Standard (9) on the Central Bank of Jordan balances as at December 31, 2021 and 2020 that is in accordance with the Central Bank of Jordan Instructions No.13/2018 dated June 6, 2018, regarding the application of International Financial Reporting Standard No. (9).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.Balances with Banks and Financial Institutions

This item consists of the following:

| | Local Banks and Financial Institutions | | Foreign Banks and Financial Institutions | | Total | |
|---|---|-------------------|---|--------------------|--------------------|--------------------|
| | | | As of December 31, | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | JD | JD | JD | JD | JD | JD |
| Current accounts and demand deposits | - | - | 132,426,724 | 172,137,756 | 132,426,724 | 172,137,756 |
| Deposits maturing within 3 months or less | - | 15,000,000 | 3,580,650 | 3,588,480 | 3,580,650 | 18,588,480 |
| | - | 15,000,000 | 136,007,374 | 175,726,236 | 136,007,374 | 190,726,236 |
| Less: Expected credit loss | - | (69) | (5,194) | (3,837) | (5,194) | (3,906) |
| | - | 14,999,931 | 136,002,180 | 175,722,399 | 136,002,180 | 190,723,330 |

Distribution of the total balances with banks and financial institutions according to the banks internal credit rating categories was as follows:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|------------------|------------------|----------------|--------------------|----------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating based on the Bank's internal credit rating system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | 76,760,495 | - | - | - | - | 76,760,495 | 121,274,657 |
| 3 | 29,184,586 | - | - | - | - | 29,184,586 | 60,366,896 |
| 4 | 24,736,477 | - | - | - | - | 24,736,477 | 5,464,250 |
| 5 | 97,219 | - | - | - | - | 97,219 | 69,967 |
| 6 | 5,128,417 | - | - | - | - | 5,128,417 | 3,448,318 |
| 7 | - | - | - | - | - | - | - |
| 8 | - | - | - | - | 99,315 | 99,315 | 101,097 |
| 9 | - | - | - | - | - | - | - |
| 10 | - | - | - | - | 865 | 865 | 1,051 |
| Total | 135,907,194 | - | - | - | 100,180 | 136,007,374 | 190,726,236 |

Balances at Banks' and financial institutions credit stages distribution was as follows:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|------------------|------------------|----------------|--------------------|----------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 190,624,088 | - | - | - | 102,148 | 190,726,236 | 188,326,285 |
| Impairment loss for new balances during the year | 43,932,398 | - | - | - | 339 | 43,932,737 | 70,375,920 |
| Paid balances | (95,963,027) | - | - | - | (1,781) | (95,964,808) | (64,324,977) |
| | 138,593,459 | - | - | - | 100,706 | 138,694,165 | 194,377,228 |
| Transferred to Stage One | - | - | - | - | - | - | - |
| Transferred to Stage Two | - | - | - | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| Impact on allowance - at year end due to adjustments among stages during the year | - | - | - | - | - | - | 625 |
| Changes due to the adjustments | (586,568) | - | - | - | - | (586,568) | (1,186,955) |
| Adjustment due to exchange rates fluctuations | (2,099,697) | - | - | - | (526) | (2,100,223) | (2,464,662) |
| Balance at the End of the Year | 135,907,194 | - | - | - | 100,180 | 136,007,374 | 190,726,236 |

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|------------------|------------------|--------------|--------------|----------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year after IFRS (9) implementation | 2,855 | - | - | - | 1,051 | 3,906 | 2,958 |
| Credit loss on new balances during the year | 2,625 | - | - | - | 339 | 2,964 | 702 |
| Expected credit loss reversal- Paid balances | (68) | - | - | - | - | (68) | (282) |
| | 5,412 | - | - | - | 1,390 | 6,802 | 3,378 |
| Transferred to Stage One | - | - | - | - | - | - | - |
| Transferred to Stage Two | - | - | - | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| Impact on allowance - at year end due to adjustments among stages during the year | - | - | - | - | - | - | 678 |
| Changes due to the adjustments | 299 | - | - | - | - | 299 | 1,589 |
| Adjustment due to exchange rates fluctuations | (1,381) | - | - | - | (526) | (1,907) | (1,739) |
| Balance at the End of the Year | 4,330 | - | - | - | 864 | 5,194 | 3,906 |

Non-interest bearing balances at banks and financial institutions amounted to JD 60,085,908 as of December 31, 2021 (JD 50,413,347 as of December 31, 2020).

Restricted balances at banks and financial institutions amounted to JD 3,740,876 as of December 31, 2021 (JD 3,037,779 as of December 31, 2020).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Deposits with Banks and Financial Institutions

This item consists of the following:

| | Local Banks and Financial Institutions | | Foreign Banks and Financial Institutions | | Total | |
|---|---|-------------------|---|----------------|--------------------|-------------------|
| | As of December 31, | | As of December 31, | | As of December 31, | |
| | 2021 JD | 2020 JD | 2021 JD | 2020 JD | 2021 JD | 2020 JD |
| Deposits maturing within 3 to 6 months | - | - | 282,000 | 564,000 | 282,000 | 564,000 |
| Deposits maturing within 6 to 9 months | - | - | - | - | - | - |
| Deposits maturing within 9 months to a year | 45,000,000 | - | - | - | 45,000,000 | - |
| Deposits maturing after 1 year | 44,000,000 | 89,000,000 | - | - | 44,000,000 | 89,000,000 |
| | 89,000,000 | 89,000,000 | 282,000 | 564,000 | 89,282,000 | 89,564,000 |
| Less: Expected credit loss | (32,507) | (38,428) | (16) | (5) | (32,523) | (38,433) |
| | 88,967,493 | 88,961,572 | 281,984 | 563,995 | 89,249,477 | 89,525,567 |

Distribution of the total deposits with banks and financial institutions according to the banks internal credit rating categories was as follows:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|------------------|------------------|-------------|-------------------|----------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit rating categories based on the Bank's rating system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | 282,000 | - | - | - | - | 282,000 | - |
| 3 | 74,000,000 | - | - | - | - | 74,000,000 | 74,000,000 |
| 4 | 15,000,000 | - | - | - | - | 15,000,000 | 15,000,000 |
| 5 | - | - | - | - | - | - | - |
| 6 | - | - | - | - | - | - | 564,000 |
| 7 | - | - | - | - | - | - | - |
| 8 | - | - | - | - | - | - | - |
| 9 | - | - | - | - | - | - | - |
| 10 | - | - | - | - | - | - | - |
| Total | 89,282,000 | - | - | - | - | 89,282,000 | 89,564,000 |

- Deposits with banks and financial institutions credit stages distribution was as follows:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|------------------|------------------|-------------|-------------------|----------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 89,564,000 | - | - | - | - | 89,564,000 | 208,249,314 |
| New balances during the year | - | - | - | - | - | - | 564,000 |
| Paid balances | - | - | - | - | - | - | (109,249,314) |
| | 89,564,000 | - | - | - | - | 89,564,000 | 99,564,000 |
| Transferred to Stage One | - | - | - | - | - | - | - |
| Transferred to Stage Two | - | - | - | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| Changes due to the adjustments | - | - | - | - | - | - | (10,000,000) |
| Written off- Balances | - | - | - | - | - | - | - |
| Adjustment due to exchange rates fluctuations | (282,000) | - | - | - | - | (282,000) | - |
| Balance at the End of the Year | 89,282,000 | - | - | - | - | 89,282,000 | 89,564,000 |

The movement on the expected credit loss provision was as follows:

| Item | Stage One | | Stage Two | | Stage Three | Total | Total |
|---|------------------|------------------|------------------|------------------|-------------|---------------|---------------|
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| | | | | | | | |
| Balance at the beginning of the year | 38,433 | - | - | - | - | 38,433 | 125,549 |
| Credit loss on new balances during the year | - | - | - | - | - | - | 6,103 |
| Expected credit loss reversal- Paid balances | (2,489) | - | - | - | - | (2,489) | (106,995) |
| | 35,944 | - | - | - | - | 35,944 | 24,657 |
| Transferred to Stage One | - | - | - | - | - | - | - |
| Transferred to Stage Two | - | - | - | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| Changes due to the adjustments | - | - | - | - | - | - | - |
| Written off- Balances | (3,419) | - | - | - | - | (3,419) | 13,776 |
| Adjustment due to exchange rates fluctuations | (2) | - | - | - | - | (2) | - |
| Balance at the End of the Year | 32,523 | - | - | - | - | 32,523 | 38,433 |

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

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Financial Assets at Fair Value through Profit or Loss

This item consists of the following:

| | As of December 31, | |
|---|---------------------------|-------------------|
| | 2021 | 2020 |
| | JD | JD |
| Shares listed in local active markets | 100,384 | 32,883 |
| <i>Shares unlisted in local active markets*</i> | 134,039 | 124,159 |
| Right to receive financial assets at fair value | 15,000,000 | 15,000,000 |
| | 15,234,423 | 15,157,042 |

* The fair value for unlisted investments had been calculated in accordance with the Bank's share of the net assets of these Investments based on the latest audited financial statements for the Company in which the Bank invested.

**This item represents financial assets at fair value through profit or loss represented by a contingent right to receive financial assets that have been recognized by the bank in accordance with the requirements of International Accounting Standard no. (32) and to comply with the agreement signed on December 23, 2018 which is considered an integral part of it and related to the sale of capital assets, these assets have been evaluated at it's fair value on the date of the consolidated financial statements, which resulted in valuation profits with the same amount for the year 2020.

11. Financial Assets at Fair Value Through Comprehensive Income

This item consists of the following:

| | As of December 31, | |
|--|---------------------------|-------------------|
| | 2021 | 2020 |
| | JD | JD |
| Shares listed in local active markets | 5,072,478 | 4,587,610 |
| Shares unlisted in local active markets* | 2,615,116 | 2,455,669 |
| Shares listed in foreign active markets | 7,697,826 | 5,411,781 |
| Shares unlisted in foreign active markets* | 46,777,807 | 46,726,887 |
| Total of equity instruments | 62,163,227 | 59,181,947 |
| Corporate bonds | - | 25,344,463 |
| Total of debt instruments | - | 25,344,463 |
| | 62,163,227 | 84,526,410 |

- Total cash dividends from financial assets at fair value through comprehensive income amounted to JD548,236 for the year ended December 31, 2021 (JD 510,741 for the year ended December 31, 2020).

* The fair value calculations related to the unlisted investments was based on the following methods:

- The bank's share from the net assets value for the Company in which the Bank invested based on the latest Company's audited financial statements,
- The multiples method which is considered one of level three methods according to the requirements of International Financial Reporting Standard No. (13),
- The observable market inputs.

* During the year 2020, the Bank has invested in unlisted financial assets at foreign active markets which resulted in a gain from initial recognition with an amount of JD 3,652,011 in accordance with the requirements of International financial reporting standard No. (9).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Debt instruments included in the financial assets at fair value through comprehensive income distribution according to the bank's internal credit rating was as follows:

| Item | As of December 31, 2021 | | | | As of December 31, 2020 |
|--|----------------------------------|----------------------------------|----------------|----------|-------------------------------|
| | Stage One Individual Level | Stage Two Individual Level | Stage Three | Total | Total |
| Credit risk rating based on the Bank's internal credit rating system | | | | | |
| 1 | - | - | - | - | - |
| 2 | - | - | - | - | - |
| 3 | - | - | - | - | - |
| 4 | - | - | - | - | - |
| 5 | - | - | - | - | 18,129,573 |
| 6 | - | - | - | - | 7,214,890 |
| 7 | - | - | - | - | - |
| 8 | - | - | - | - | - |
| 9 | - | - | - | - | - |
| 10 | - | - | - | - | - |
| Total | - | - | - | - | 25,344,463 |

The movement of debt instruments included in the financial assets at fair value through comprehensive income during the year was as follows:

| Item | As of December 31, 2021 | | | | As of December 31, 2020 |
|---|-------------------------|--------------|----------------|--------------|-------------------------------|
| | Stage One | Stage Two | Stage Three | Total | Total |
| Fair value at the beginning of the year | 25,344,463 | - | - | 25,344,463 | 25,909,988 |
| New investments during the year | - | - | - | - | - |
| Matured investments during the year | (25,344,463) | - | - | (25,344,463) | - |
| | - | - | - | - | 25,909,988 |
| Transferred to stage one | - | - | - | - | - |
| Transferred to stage two | - | - | - | - | - |
| Transferred to stage three | - | - | - | - | - |
| Changes due to the adjustments | - | - | - | - | (565,525) |
| Balance at the End of the Year | - | - | - | - | 25,344,463 |

The expected credit loss allowance movement summary against debt instruments included in the financial assets at fair value through comprehensive income during the year was as follows:

| Item | As of December 31, 2021 | | | | As of December 31, 2020 |
|--|-------------------------|--------------|----------------|-----------|-------------------------------|
| | Stage One | Stage Two | Stage Three | Total | Total |
| Balance at the beginning of the Year | 212,204 | - | - | 212,204 | 77,271 |
| New investment during the year | - | - | - | - | - |
| Matured investments | (212,204) | - | - | (212,204) | - |
| | - | - | - | - | 77,271 |
| Transferred to stage one | - | - | - | - | - |
| Transferred to stage two | - | - | - | - | - |
| Transferred to stage three | - | - | - | - | - |
| Changes due to the adjustments | - | - | - | - | 134,933 |
| Adjustments due to exchange rates fluctuations | - | - | - | - | - |
| Balance at the End of the Year* | - | - | - | - | 212,204 |

*Expected credit loss allowance above was not presented in the consolidated statement of financial position due to the fact that the book value of investments in bonds at fair value through comprehensive income represents its fair value.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Direct Credit Facilities at amortized cost

This item consists of the following:

| | December 31, | |
|---|----------------------|----------------------|
| | 2021 | 2020 |
| | JD | JD |
| Individual (Retail Customers): | 596,242,926 | 557,702,675 |
| Overdraft accounts | 15,491,270 | 13,786,902 |
| Loans and discounted bills* | 551,973,514 | 518,981,439 |
| Credit cards | 28,778,142 | 24,934,334 |
| Real estate loans | 273,211,954 | 259,123,143 |
| Corporate: | 582,433,426 | 621,426,028 |
| Large corporate customers | 323,849,300 | 375,831,841 |
| Overdraft accounts | 36,336,526 | 65,042,272 |
| Loans and discounted bills* | 287,512,774 | 310,789,569 |
| SMEs | 258,584,126 | 245,594,187 |
| Overdraft accounts | 51,616,408 | 50,666,441 |
| Loans and discounted bills* | 206,967,718 | 194,927,746 |
| Government and public sector - | 206,297,647 | 181,364,510 |
| Total | 1,658,185,953 | 1,619,616,356 |
| <u>Less: expected credit loss provision</u> | <u>(158,630,986)</u> | <u>(141,725,555)</u> |
| <u>Less: Interest in suspense</u> | <u>(13,440,274)</u> | <u>(11,151,703)</u> |
| Net Direct Credit Facilities at amortized cost | 1,486,114,693 | 1,466,739,098 |

- * Net of interest and commission received in advance amounting to JD 14,591,914 as of December 31, 2021 (JD 16,427,772 as of December 31, 2020).
- Non-performing credit facilities amounted to JD 144,312,640 representing (8/7%) of the direct credit facilities balance for the year (JD 137,962,291 representing (8/5%) for prior year).
 - Non-performing credit facilities after deducting the suspended interest amounted to JD 130,872,366 representing (8/0%) of direct credit facilities after deducting the suspended interest for the year (JD 126,812,522 representing (7/8%) for prior year).
 - Credit facilities granted to and guaranteed by the Jordanian Government amounted to JD 2,528,026 representing (0/15%) of total direct credit facilities for the year (JD 12,813,252 representing (0/79%) for the prior year). Moreover, credit facilities granted to the public sector in Palestine amounted to JD 62,344,097 (JD 57,511,269 for the prior year). In addition to credit facilities granted to foreign governments amounted to 24,785,586 JD (JD 20,158,288 for the prior year).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Total direct credit facilities credit stages distribution was as follows:

| Item | As of December 31, 2021 | | | | | |
|---|-------------------------|--------------------|--------------------|-------------------|--------------------|----------------------|
| | Stage One | | Stage Two | | Stage Three | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | |
| Balance at the beginning of the year | 672,800,674 | 725,428,348 | 67,873,963 | 15,551,080 | 137,962,291 | 1,619,616,356 |
| New facilities during the year | 95,341,420 | 143,732,744 | 9,430,824 | 1,295,474 | 4,987,841 | 254,788,303 |
| Facilities paid | (121,818,018) | (63,597,600) | (4,040,451) | (1,871,645) | (10,264,194) | (201,591,908) |
| | 646,324,076 | 805,563,492 | 73,264,336 | 14,974,909 | 132,685,938 | 1,672,812,751 |
| Transferred to Stage One | 16,844,763 | 8,769,045 | (16,685,918) | (7,043,386) | (1,884,504) | - |
| Transferred to Stage Two | (82,030,638) | (24,632,687) | 82,039,367 | 25,589,198 | (965,240) | - |
| Transferred to Stage Three | (6,183,952) | (7,094,929) | (390,341) | (2,507,834) | 16,177,056 | - |
| Effect on the allowance at the end of the year as a result of classification changes between the three stages during the year | 3,520,201 | (917,496) | (14,018,397) | (816,590) | 304,349 | (11,927,933) |
| Changes due to the adjustments | 36,089,222 | (20,667,796) | (10,666,108) | (270,401) | (1,018,936) | 3,465,981 |
| Written-off Balances | - | - | - | - | (107,709) | (107,709) |
| Adjustment due to exchange rates fluctuations | (3,544,992) | (179,398) | (1,447,651) | (6,782) | (878,314) | (6,057,137) |
| Balance at the End of the Year | 611,018,680 | 760,840,231 | 112,095,288 | 29,919,114 | 144,312,640 | 1,658,185,953 |

- The combined movement the total expected credit loss allowance was as follows:

| Item | As of December 31, 2021 | | | | | |
|---|-------------------------|------------------|-------------------|------------------|--------------------|--------------------|
| | Stage One | | Stage Two | | Stage Three | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | |
| Balance at the beginning of the year | 1,804,197 | 3,718,047 | 10,368,829 | 5,452,368 | 120,382,114 | 141,725,555 |
| Credit loss on new balances during the year | 136,948 | 200,729 | 12,588,339 | 13,322 | 5,709,598 | 18,648,936 |
| Expected credit loss reversal of matured facilities | (249,684) | (306,114) | (251,787) | (2,213,907) | (9,428,982) | (12,450,474) |
| | 1,691,461 | 3,612,662 | 22,705,381 | 3,251,783 | 116,662,730 | 147,924,017 |
| Transferred to Stage One | 199,284 | 1,132,147 | (72,544) | (62,581) | (1,196,306) | - |
| Transferred to Stage Two | (289,167) | (128,354) | 290,116 | 683,557 | (556,152) | - |
| Transferred to Stage Three | (15,283) | (49,013) | (12,626) | (23,559) | 100,481 | - |
| Effect on the allowance at the end of the year as a result of classification changes between the three stages during the year | (185,956) | (1,120,994) | 5,990,318 | (509,293) | 11,717,126 | 15,891,201 |
| Changes due to the adjustments | (820,656) | (2,354,884) | (199,320) | (8,824) | (1,108,507) | (4,492,191) |
| Written off- Balances | - | - | - | - | (86,312) | (86,312) |
| Adjustment due to exchange rates fluctuations | (7,647) | (1,483) | (21,085) | (1,030) | (574,484) | (605,729) |
| Balance at the End of the Year | 572,036 | 1,090,081 | 28,680,240 | 3,330,053 | 124,958,576 | 158,630,986 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Total direct credit facilities credit stages distribution was as follows:

| Item | As of December 31, 2020 | | | | | |
|---|-------------------------|--------------------|-------------------|-------------------|--------------------|----------------------|
| | Stage One | | Stage Two | | Stage Three | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | |
| Balance at the beginning of the year | 663,999,644 | 619,153,135 | 100,655,921 | 33,100,561 | 114,630,680 | 1,531,539,941 |
| New facilities during the year | 77,492,024 | 133,583,810 | 900,782 | 1,312,784 | 2,851,410 | 216,140,810 |
| Facilities paid | (32,342,669) | (45,279,106) | (4,719,654) | (1,753,602) | (4,952,378) | (89,047,409) |
| | 709,148,999 | 707,457,839 | 96,837,049 | 32,659,743 | 112,529,712 | 1,658,633,342 |
| Transferred to Stage One | 61,429,998 | 21,017,814 | (61,429,998) | (19,765,834) | (1,251,980) | - |
| Transferred to Stage Two | (46,520,996) | (9,287,954) | 47,945,747 | 10,194,415 | (2,331,212) | - |
| Transferred to Stage Three | (14,702,520) | (3,161,359) | (9,622,678) | (6,464,342) | 33,950,899 | - |
| Effect on the allowance at the end of the year as a result of classification changes between the three stages during the year | (11,668,629) | (630,614) | (5,285,853) | (985,622) | (1,006,282) | (19,577,000) |
| Changes due to the adjustments | (16,673,567) | 10,134,796 | 3,296,048 | (38,184) | 1,817,435 | (1,463,472) |
| Written-off Balances | - | - | - | - | (595,203) | (595,203) |
| Adjustment due to exchange rates fluctuations | (8,212,611) | (102,174) | (3,866,352) | (49,096) | (5,151,078) | (17,381,311) |
| Balance at the End of the Year | 672,800,674 | 725,428,348 | 67,873,963 | 15,551,080 | 137,962,291 | 1,619,616,356 |

- The combined movement the total expected credit loss allowance was as follows:

| Item | As of December 31, 2020 | | | | | |
|---|-------------------------|------------------|-------------------|------------------|--------------------|--------------------|
| | Stage One | | Stage Two | | Stage Three | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | |
| Balance at the beginning of the year | 2,033,638 | 5,357,779 | 11,796,862 | 984,202 | 91,932,306 | 112,104,787 |
| Credit loss on new balances during the year | 302,216 | 660,668 | 214,720 | 5,331,446 | 6,378,560 | 12,887,610 |
| Expected credit loss reversal of matured facilities | (120,274) | (346,518) | (1,631,171) | (18,841) | (2,750,512) | (4,867,316) |
| | 2,215,580 | 5,671,929 | 10,380,411 | 6,296,807 | 95,560,354 | 120,125,081 |
| Transferred to Stage One | 556,325 | 829,225 | (556,325) | (182,354) | (646,871) | - |
| Transferred to Stage Two | (104,643) | (68,643) | 449,000 | 634,302 | (910,016) | - |
| Transferred to Stage Three | (11,888) | (36,702) | (86,163) | (66,243) | 200,996 | - |
| Effect on the allowance at the end of the year as a result of classification changes between the three stages during the year | (400,893) | (728,991) | 34,533 | (555,607) | 28,836,461 | 27,185,503 |
| Changes due to the adjustments | (448,439) | (1,943,611) | 186,924 | (653,827) | 386,866 | (2,472,087) |
| Written off- Balances | - | - | - | - | (564,671) | (564,671) |
| Adjustment due to exchange rates fluctuations | (1,845) | (5,160) | (39,551) | (20,710) | (2,481,005) | (2,548,271) |
| Balance at the End of the Year | 1,804,197 | 3,718,047 | 10,368,829 | 5,452,368 | 120,382,114 | 141,725,555 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expected credit loss allowance against credit facilities

The following is the movement on the expected credit loss allowance againsts direct credit facilities:

| | As of December 31, 2021 | | | | | |
|---|--|--------------------------|--------------------------------------|-------------------|---|--------------------|
| | Individual (Retail Customers) | Real Estate Loans | Corporates | | Government and Public sector | Total |
| | | | Large Corporate Customers | SMEs | | |
| | JD | JD | JD | JD | JD | JD |
| Balance – Beginning of the year | 44,619,633 | 10,087,652 | 53,891,144 | 32,789,039 | 338,087 | 141,725,555 |
| Impairment loss of new facilities during the year | 2,623,381 | 1,324,385 | 7,052,057 | 7,610,359 | 38,754 | 18,648,936 |
| Reversed from impairment loss of the (settled) balances | (4,516,000) | (2,116,416) | (1,511,840) | (4,232,206) | (74,012) | (12,450,474) |
| | 42,727,014 | 9,295,621 | 59,431,361 | 36,167,192 | 302,829 | 147,924,017 |
| Effect on the allowance at the end of the year as a result of classification changes between the three stages during the year | 3,522,570 | 176,107 | 9,101,545 | 3,090,979 | - | 15,891,201 |
| Changes due to the adjustments | (1,943,559) | (416,494) | (1,531,113) | (470,378) | (130,647) | (4,492,191) |
| Written-off facilities transferred to off balance sheet items | (84,036) | - | - | (2,276) | - | (86,312) |
| Adjustment due to exchange rates fluctuations | (15,686) | (17,256) | (555,432) | (17,355) | - | (605,729) |
| Balance at the End of the Year | 44,206,303 | 9,037,978 | 66,446,361 | 38,768,162 | 172,182 | 158,630,986 |
| Distributed as follow: | | | | | | |
| Allowance on individual level | 166,180 | 1,043,999 | 66,347,935 | 38,365,526 | 172,182 | 106,095,822 |
| Allowance on collective level | 44,040,123 | 7,993,979 | 98,426 | 402,636 | - | 52,535,164 |
| Balance at the End of the Year | 44,206,303 | 9,037,978 | 66,446,361 | 38,768,162 | 172,182 | 158,630,986 |

| | As of December 31, 2020 | | | | | |
|---|--|--------------------------|--------------------------------------|-------------------|---|--------------------|
| | Individual (Retail Customers) | Real Estate Loans | Corporates | | Government and Public sector | Total |
| | | | Large Corporate Customers | SMEs | | |
| | JD | JD | JD | JD | JD | JD |
| Balance – Beginning of the year | 36,194,481 | 7,134,274 | 42,395,693 | 26,037,867 | 342,472 | 112,104,787 |
| Impairment loss of new facilities during the year | 8,480,250 | 2,105,683 | 1,367,495 | 897,315 | 36,867 | 12,887,610 |
| Reversed from impairment loss of the (settled) balances | (1,724,671) | (680,587) | (2,325,393) | (136,665) | - | (4,867,316) |
| | 42,950,060 | 8,559,370 | 41,437,795 | 26,798,517 | 379,339 | 120,125,081 |
| Effect on the allowance at the end of the year as a result of classification changes between the three stages during the year | 4,213,373 | 1,860,072 | 14,492,439 | 6,619,619 | - | 27,185,503 |
| Changes due to the adjustments | (2,326,083) | (248,493) | 119,475 | 24,266 | (41,252) | (2,472,087) |
| Written-off facilities transferred to off balance sheet items | (82,971) | - | - | (481,700) | - | (564,671) |
| Adjustment due to exchange rates fluctuations | (134,746) | (83,297) | (2,158,565) | (171,663) | - | (2,548,271) |
| Balance at the End of the Year | 44,619,633 | 10,087,652 | 53,891,144 | 32,789,039 | 338,087 | 141,725,555 |
| Distributed as follow: | | | | | | |
| Allowance on individual level | 101,199 | 1,532,298 | 53,747,406 | 32,239,778 | 338,087 | 87,958,768 |
| Allowance on collective level | 44,518,434 | 8,555,354 | 143,738 | 549,261 | - | 53,766,787 |
| Balance at the End of the Year | 44,619,633 | 10,087,652 | 53,891,144 | 32,789,039 | 338,087 | 141,725,555 |

BANK OF JORDAN

(PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following are the details for each business segment as of December 31:

A) Individual Portfolio (Retail)

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|--------------------|------------------|-------------------|-------------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating based on the Bank's internal credit rating system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | - | - | - | - | - | - | - |
| 3 | - | - | - | - | - | - | - |
| 4 | - | - | - | - | - | - | - |
| 5 | 1,142,689 | - | - | - | - | 1,142,689 | 842,653 |
| 6 | 321,551 | - | 16,427 | - | - | 337,978 | 77,876 |
| 7 | - | - | - | - | - | - | - |
| 8 | - | - | - | - | - | - | 107,946 |
| 9 | - | - | - | - | 26,673 | 26,673 | - |
| 10 | - | - | - | - | 747,591 | 747,591 | 612,946 |
| Unclassified | - | 533,924,696 | - | 15,919,729 | 44,143,570 | 593,987,995 | 556,061,254 |
| Total | 1,464,240 | 533,924,696 | 16,427 | 15,919,729 | 44,917,834 | 596,242,926 | 557,702,675 |

Related Facilities Movement Disclosure:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|--------------------|------------------|-------------------|-------------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 920,529 | 508,080,383 | - | 8,411,144 | 40,290,619 | 557,702,675 | 488,438,680 |
| New facilities during the year | 301,960 | 100,306,699 | - | 1,240,936 | 1,724,831 | 103,574,426 | 96,849,868 |
| Facilities released | (51,484) | (49,879,286) | - | (1,174,227) | (2,348,012) | (53,453,009) | (41,326,719) |
| | 1,171,005 | 558,507,796 | - | 8,477,853 | 39,667,438 | 607,824,092 | 543,961,829 |
| Transferred to Stage One | - | 4,921,607 | - | (3,885,619) | (1,035,988) | - | - |
| Transferred to Stage Two | (16,861) | (12,983,259) | 16,861 | 13,499,287 | (516,028) | - | - |
| Transferred to Stage Three | - | (5,504,740) | - | (1,336,068) | 6,840,808 | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | - | (662,749) | (434) | (635,019) | 97,035 | (1,201,167) | (1,139,319) |
| Changes due to the adjustments | 310,096 | (10,310,881) | - | (200,705) | (284) | (10,201,774) | 15,241,237 |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | (105,433) | (105,433) | (90,472) |
| Adjustments due to changes in exchange rates | - | (43,078) | - | - | (29,714) | (72,792) | (270,600) |
| Total Balance at the End of the Year | 1,464,240 | 533,924,696 | 16,427 | 15,919,729 | 44,917,834 | 596,242,926 | 557,702,675 |

Expected credit loss allowance movement:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 1,006 | 3,074,089 | - | 5,411,108 | 36,133,430 | 44,619,633 | 36,194,481 |
| Impairment Loss of new balances during the year | 1,548 | 166,032 | - | 12,953 | 2,442,848 | 2,623,381 | 8,480,250 |
| Recoveries from impairment loss on facilities due | (175) | (261,190) | - | (2,208,161) | (2,046,474) | (4,516,000) | (1,724,671) |
| | 2,379 | 2,978,931 | - | 3,215,900 | 36,529,804 | 42,727,014 | 42,950,060 |
| Transferred to Stage One | - | 821,170 | - | (45,347) | (775,823) | - | - |
| Transferred to Stage Two | (90) | (93,095) | 90 | 509,365 | (416,270) | - | - |
| Transferred to Stage Three | - | (44,294) | - | (17,411) | 61,705 | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | - | (812,764) | (42) | (401,024) | 4,736,400 | 3,522,570 | 4,213,373 |
| Changes due to the adjustments | 189 | (1,934,145) | - | (9,454) | (149) | (1,943,559) | (2,326,083) |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | (84,036) | (84,036) | (82,971) |
| Adjustments due to changes in exchange rates | - | (404) | - | - | (15,282) | (15,686) | (134,746) |
| Total Balance at the End of the Year | 2,478 | 915,399 | 48 | 3,252,029 | 40,036,349 | 44,206,303 | 44,619,633 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

B) Real Estate Loan Portfolio

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|--------------------|------------------|-------------------|-------------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating categories based on the Bank's internal credit rating system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | 211,620 | - | - | - | - | 211,620 | 391,015 |
| 3 | 296,572 | - | - | - | - | 296,572 | 541,315 |
| 4 | 1,649,537 | - | 648,882 | - | - | 2,298,419 | 876,982 |
| 5 | 3,784,355 | - | 309,557 | - | - | 4,093,912 | 7,843,556 |
| 6 | 8,025,026 | - | 340,995 | - | - | 8,366,021 | 15,017,198 |
| 7 | - | - | 4,816,115 | - | - | 4,816,115 | 120,098 |
| 8 | - | - | - | - | - | - | 23,834 |
| 9 | - | - | - | - | 19,450 | 19,450 | - |
| 10 | - | - | - | - | 1,801,160 | 1,801,160 | 1,403,064 |
| Unclassified | - | 225,971,987 | - | 13,738,732 | 11,597,966 | 251,308,685 | 232,906,081 |
| Total | 13,967,110 | 225,971,987 | 6,115,549 | 13,738,732 | 13,418,576 | 273,211,954 | 259,123,143 |

Related facilities movement disclosure:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|--------------------|------------------|-------------------|-------------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 21,819,429 | 213,536,822 | 2,970,735 | 6,758,473 | 14,037,684 | 259,123,143 | 238,577,717 |
| New facilities during the year | 1,614,206 | 43,187,734 | 695,673 | 54,538 | 209,812 | 45,761,963 | 39,424,642 |
| Facilities Released | (1,357,881) | (10,896,362) | (120,098) | (379,312) | (2,527,728) | (15,281,381) | (11,649,388) |
| | 22,075,754 | 245,828,194 | 3,546,310 | 6,433,699 | 11,719,768 | 289,603,725 | 266,352,971 |
| Transferred to Stage One | 260,809 | 3,784,081 | (260,809) | (3,094,410) | (689,671) | - | - |
| Transferred to Stage Two | (2,946,557) | (11,347,593) | 2,946,557 | 11,788,076 | (440,483) | - | - |
| Transferred to Stage Three | - | (1,582,415) | - | (1,171,766) | 2,754,181 | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | (65,465) | (239,716) | 200,985 | (140,389) | 109,594 | (134,991) | (317,981) |
| Changes due to the adjustments | (5,030,197) | (10,334,244) | (317,494) | (69,696) | (1,356) | (15,752,987) | (6,642,366) |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | - | - | - |
| Adjustments due to changes in exchange rates | (327,234) | (136,320) | - | (6,782) | (33,457) | (503,793) | (269,481) |
| Total Balance at the End of the Year | 13,967,110 | 225,971,987 | 6,115,549 | 13,738,732 | 13,418,576 | 273,211,954 | 259,123,143 |

Expected credit loss allowance movement:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|------------------|------------------|------------------|------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 58,890 | 619,956 | 206,981 | 37,698 | 9,164,127 | 10,087,652 | 7,134,274 |
| Impairment Loss of new balances during the year | 1,601 | 34,294 | 1,903 | 369 | 1,286,218 | 1,324,385 | 2,105,683 |
| Recoveries from impairment loss on facilities due | (2,459) | (30,601) | (199,855) | (2,498) | (1,881,003) | (2,116,416) | (680,587) |
| | 58,032 | 623,649 | 9,029 | 35,569 | 8,569,342 | 9,295,621 | 8,559,370 |
| Transferred to Stage One | 330 | 310,663 | (330) | (16,920) | (293,743) | - | - |
| Transferred to Stage Two | (4,713) | (33,045) | 4,713 | 171,978 | (138,933) | - | - |
| Transferred to Stage Three | - | (4,709) | - | (6,148) | 10,857 | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | 211 | (307,955) | 46,089 | (107,660) | 545,422 | 176,107 | 1,860,072 |
| Changes due to the adjustments | (27,806) | (415,098) | 27,385 | 630 | (1,605) | (416,494) | (248,493) |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | - | - | - |
| Adjustments due to changes in exchange rates | (581) | (1,079) | - | (1,030) | (14,566) | (17,256) | (83,297) |
| Total Balance at the End of the Year | 25,473 | 172,426 | 86,886 | 76,419 | 8,676,774 | 9,037,978 | 10,087,652 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

C) Facilities granted to corporates

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|-------------------|------------------|-------------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating categories based on the Bank's internal credit rating system: | | | | | | | |
| 1 | - | - | - | - | - | - | 159 |
| 2 | 15,678,328 | - | - | - | - | 15,678,328 | 11,145,957 |
| 3 | 18,686,919 | - | 5,366,729 | - | - | 24,053,648 | 22,460,242 |
| 4 | 100,284,142 | - | 4,441 | - | - | 100,288,583 | 63,762,580 |
| 5 | 36,054,954 | - | 7,303,284 | - | - | 43,358,238 | 113,759,365 |
| 6 | 52,841,500 | - | 20,904,785 | - | - | 73,746,285 | 99,446,990 |
| 7 | - | - | 16,939,147 | - | - | 16,939,147 | 18,729,068 |
| 8 | - | - | - | - | 15,207,842 | 15,207,842 | 369,051 |
| 9 | - | - | - | - | 4,599,177 | 4,599,177 | 14,527,705 |
| 10 | - | - | - | - | 29,773,929 | 29,773,929 | 31,035,943 |
| Unclassified | - | 92,173 | - | - | 111,950 | 204,123 | 594,781 |
| Total | 223,545,843 | 92,173 | 50,518,386 | - | 49,692,898 | 323,849,300 | 375,831,841 |

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|-------------------|------------------|-------------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 295,006,967 | 263,608 | 34,297,394 | 177,510 | 46,086,362 | 375,831,841 | 438,140,685 |
| New facilities during the year | 53,278,765 | - | 5,493,318 | - | 2,017,353 | 60,789,436 | 17,052,206 |
| Facilities released | (70,813,672) | (127,767) | (1,644,291) | (177,510) | (1,352,642) | (74,115,882) | (23,844,529) |
| | 277,472,060 | 135,841 | 38,146,421 | - | 46,751,073 | 362,505,395 | 431,348,362 |
| Transferred to Stage One | 8,759,447 | - | (8,759,447) | - | - | - | - |
| Transferred to Stage Two | (40,720,696) | - | 40,720,696 | - | - | - | - |
| Transferred to Stage Three | (4,470,765) | - | (7,916) | - | 4,478,681 | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | 770,801 | - | (9,602,140) | - | 120,496 | (8,710,843) | (16,703,258) |
| Changes due to the adjustments | (15,348,592) | (43,668) | (8,724,202) | - | (1,020,395) | (25,136,857) | (24,617,117) |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | - | - | - |
| Adjustments due to changes in exchange rates | (2,916,412) | - | (1,255,026) | - | (636,957) | (4,808,395) | (14,196,146) |
| Total Balance at the End of the Year | 223,545,843 | 92,173 | 50,518,386 | - | 49,692,898 | 323,849,300 | 375,831,841 |

Expected credit loss allowance movement:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 845,976 | 1,920 | 9,580,819 | 2,085 | 43,460,344 | 53,891,144 | 42,395,693 |
| Impairment Loss of new balances during the year | 78,500 | - | 5,962,006 | - | 1,011,551 | 7,052,057 | 1,367,495 |
| Recoveries from impairment loss on facilities due | (133,127) | (867) | (47,667) | (2,085) | (1,328,094) | (1,511,840) | (2,325,393) |
| | 791,349 | 1,053 | 15,495,158 | - | 43,143,801 | 59,431,361 | 41,437,795 |
| Transferred to Stage One | 11,010 | - | (11,010) | - | - | - | - |
| Transferred to Stage Two | (191,231) | - | 191,231 | - | - | - | - |
| Transferred to Stage Three | (1,925) | - | (203) | - | 2,128 | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | (8,803) | - | 4,528,115 | - | 4,582,233 | 9,101,545 | 14,492,439 |
| Changes due to the adjustments | (367,218) | (881) | (56,256) | - | (1,106,758) | (1,531,113) | 119,475 |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | - | - | - |
| Adjustments due to changes in exchange rates | (6,526) | - | (20,109) | - | (528,797) | (555,432) | (2,158,565) |
| Total Balance at the End of the Year | 226,656 | 172 | 20,126,926 | - | 46,092,607 | 66,446,361 | 53,891,144 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

D) Facilities granted to SME's:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|-------------------|------------------|-------------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating categories based on the Bank's internal credit rating system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | 186,081 | - | - | - | - | 186,081 | 4,774,931 |
| 3 | 17,676,981 | - | 1,506,940 | - | - | 19,183,921 | 19,115,656 |
| 4 | 64,605,511 | - | 3,178,263 | - | - | 67,783,774 | 40,514,078 |
| 5 | 46,700,931 | - | 12,065,248 | - | - | 58,766,179 | 69,500,034 |
| 6 | 36,574,336 | - | 18,636,790 | - | - | 55,211,126 | 59,282,052 |
| 7 | - | - | 20,057,685 | - | - | 20,057,685 | 11,108,322 |
| 8 | - | - | - | - | 801,474 | 801,474 | 2,727,983 |
| 9 | - | - | - | - | 1,039,314 | 1,039,314 | 2,051,371 |
| 10 | - | - | - | - | 33,884,422 | 33,884,422 | 32,085,936 |
| Unclassified | - | 851,375 | - | 260,653 | 558,122 | 1,670,150 | 4,433,824 |
| Total | 165,743,840 | 851,375 | 55,444,926 | 260,653 | 36,283,332 | 258,584,126 | 245,594,187 |

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|-------------------|------------------|-------------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 173,689,239 | 3,547,535 | 30,605,834 | 203,953 | 37,547,626 | 245,594,187 | 243,691,603 |
| New facilities during the year | 15,360,903 | 238,311 | 3,241,833 | - | 1,035,845 | 19,876,892 | 12,655,806 |
| Facilities Released | (9,936,693) | (2,694,185) | (2,276,062) | (140,596) | (4,035,812) | (19,083,348) | (12,226,773) |
| | 179,113,449 | 1,091,661 | 31,571,605 | 63,357 | 34,547,659 | 246,387,731 | 244,120,636 |
| Transferred to Stage One | 7,824,507 | 63,357 | (7,665,662) | (63,357) | (158,845) | - | - |
| Transferred to Stage Two | (38,346,524) | (301,835) | 38,355,253 | 301,835 | (8,729) | - | - |
| Transferred to Stage Three | (1,713,187) | (7,774) | (382,425) | - | 2,103,386 | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | 2,814,865 | (15,031) | (4,616,808) | (41,182) | (22,776) | (1,880,932) | (1,416,442) |
| Changes due to the adjustments | 16,352,076 | 20,997 | (1,624,412) | - | 3,099 | 14,751,760 | 6,039,808 |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | (2,276) | (2,276) | (504,731) |
| Adjustments due to changes in exchange rates | (301,346) | - | (192,625) | - | (178,186) | (672,157) | (2,645,084) |
| Total Balance at the End of the Year | 165,743,840 | 851,375 | 55,444,926 | 260,653 | 36,283,332 | 258,584,126 | 245,594,187 |

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 560,236 | 22,082 | 581,029 | 1,477 | 31,624,215 | 32,789,039 | 26,037,867 |
| Impairment Loss of new balances during the year | 16,545 | 403 | 6,624,431 | - | 968,980 | 7,610,359 | 897,315 |
| Recoveries from impairment loss on facilities due | (39,911) | (13,456) | (4,265) | (1,163) | (4,173,411) | (4,232,206) | (136,665) |
| | 536,870 | 9,029 | 7,201,195 | 314 | 28,419,784 | 36,167,192 | 26,798,517 |
| Transferred to Stage One | 187,944 | 314 | (61,204) | (314) | (126,740) | - | - |
| Transferred to Stage Two | (93,133) | (2,214) | 94,082 | 2,214 | (949) | - | - |
| Transferred to Stage Three | (13,358) | (10) | (12,423) | - | 25,791 | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | (177,364) | (275) | 1,416,156 | (609) | 1,853,071 | 3,090,979 | 6,619,619 |
| Changes due to the adjustments | (295,174) | (4,760) | (170,449) | - | 5 | (470,378) | 24,266 |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | (2,276) | (2,276) | (481,700) |
| Adjustments due to changes in exchange rates | (538) | - | (977) | - | (15,840) | (17,355) | (171,663) |
| Total Balance at the End of the Year | 145,247 | 2,084 | 8,466,380 | 1,605 | 30,152,846 | 38,768,162 | 32,789,039 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

E) Facilities Granted to the Government and the Public Sector:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|------------------|------------------|-------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating categories based on the Bank's internal credit rating system: | | | | | | | |
| 1 | 119,167,964 | - | - | - | - | 119,167,964 | 93,694,953 |
| 2 | - | - | - | - | - | - | - |
| 3 | - | - | - | - | - | - | - |
| 4 | - | - | - | - | - | - | - |
| 5 | 24,785,586 | - | - | - | - | 24,785,586 | 13,068,288 |
| 6 | 62,344,097 | - | - | - | - | 62,344,097 | 74,601,269 |
| 7 | - | - | - | - | - | - | - |
| 8 | - | - | - | - | - | - | - |
| 9 | - | - | - | - | - | - | - |
| 10 | - | - | - | - | - | - | - |
| Unclassified | - | - | - | - | - | - | - |
| Total | 206,297,647 | - | - | - | - | 206,297,647 | 181,364,510 |

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|------------------|------------------|-------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 181,364,510 | - | - | - | - | 181,364,510 | 122,691,256 |
| New facilities during the year | 24,785,586 | - | - | - | - | 24,785,586 | 50,158,288 |
| Facilities Released | (39,658,288) | - | - | - | - | (39,658,288) | - |
| | 166,491,808 | - | - | - | - | 166,491,808 | 172,849,544 |
| Transferred to Stage One | - | - | - | - | - | - | - |
| Transferred to Stage Two | - | - | - | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | - | - | - | - | - | - | - |
| Changes due to the adjustments | 39,805,839 | - | - | - | - | 39,805,839 | 8,514,966 |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | - | - | - |
| Adjustments due to changes in exchange rates | - | - | - | - | - | - | - |
| Total Balance at the End of the Year | 206,297,647 | - | - | - | - | 206,297,647 | 181,364,510 |

Expected credit loss allowance movement:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|------------------|------------------|-------------|----------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 338,087 | - | - | - | - | 338,087 | 342,472 |
| Impairment Loss of new balances during the year | 38,754 | - | - | - | - | 38,754 | 36,867 |
| Recoveries from impairment loss on facilities due | (74,012) | - | - | - | - | (74,012) | - |
| | 302,829 | - | - | - | - | 302,829 | 379,339 |
| Transferred to Stage One | - | - | - | - | - | - | - |
| Transferred to Stage Two | - | - | - | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| The effect on the allowance as at the end of the year as a result of a change in classification between the three stages during the year | - | - | - | - | - | - | - |
| Changes due to the adjustments | (130,647) | - | - | - | - | (130,647) | (41,252) |
| Written-off facilities transferred to off balance sheet items | - | - | - | - | - | - | - |
| Adjustments due to changes in exchange rates | - | - | - | - | - | - | - |
| Total Balance at the End of the Year | 172,182 | - | - | - | - | 172,182 | 338,087 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Interest in Suspense:

The following is the movement on the interest in suspense:

| | As of December 31, 2021 | | | | |
|--|--------------------------------------|-------------------|---------------------------------|------------------|-------------------|
| | Individual Retail) (Customers) | Real Estate Loans | Corporates | | Total |
| | | | Large Corporate Customers | SMEs | |
| | JD | JD | JD | JD | JD |
| Balance at the Beginning of the Year | 2,148,647 | 1,683,760 | 2,763,131 | 4,556,165 | 11,151,703 |
| Add: Interest suspended during the year | 336,330 | 604,005 | 1,140,854 | 1,178,531 | 3,259,720 |
| Less: Interest in suspense reversed to revenues | (183,298) | (260,896) | (122,048) | (124,700) | (690,942) |
| Translation differences | 791 | (13,638) | (183,547) | (61,747) | (258,141) |
| Written off facilities transfered to off balance sheet items | (22,066) | - | - | - | (22,066) |
| Balance at the End of the Year | 2,280,404 | 2,013,231 | 3,598,390 | 5,548,249 | 13,440,274 |

| | As of December 31, 2020 | | | | |
|--|--------------------------------------|-------------------|---------------------------------|------------------|-------------------|
| | Individual Retail) (Customers) | Real Estate Loans | Corporates | | Total |
| | | | Large Corporate Customers | SMEs | |
| | JD | JD | JD | JD | JD |
| Balance at the Beginning of the Year | 1,977,386 | 1,251,133 | 2,700,185 | 3,981,013 | 9,909,717 |
| Add: Interest suspended during the year | 328,944 | 621,957 | 762,920 | 950,655 | 2,664,476 |
| Less: Interest in suspense reversed to revenues | (132,513) | (115,065) | (144,941) | (111,891) | (504,410) |
| Written off facilities transfered to off balance sheet items | (17,670) | (74,265) | (555,033) | (240,282) | (887,250) |
| Balance at the End of the Year | (7,500) | - | - | (23,330) | (30,830) |
| | 2,148,647 | 1,683,760 | 2,763,131 | 4,556,165 | 11,151,703 |

Direct credit facilities are distributed in accordance with geographical distribution and economic sectors as following:

| | Inside Kingdom | Outside Kingdom | Total | |
|--|----------------------|--------------------|----------------------|----------------------|
| | | | As of December 31, | |
| | | | 2021 | 2020 |
| | JD | JD | JD | JD |
| Financial | 6,831,621 | 7,062,496 | 13,894,117 | 7,633,963 |
| Industrial | 78,928,255 | 54,140,327 | 133,068,582 | 149,510,727 |
| Trading | 211,030,032 | 70,683,690 | 281,713,722 | 297,250,035 |
| Real estate | 245,407,798 | 27,804,156 | 273,211,954 | 259,123,143 |
| Constructions | 23,318,508 | 14,371,655 | 37,690,163 | 40,524,981 |
| Agriculture | 8,142,755 | 1,216,621 | 9,359,376 | 6,511,496 |
| Tourism, restaurants and public facilities | 43,502,489 | 51,385,354 | 94,887,843 | 98,093,741 |
| Shares | 12,873,371 | - | 12,873,371 | 11,556,787 |
| Individuals | 471,373,046 | 123,816,132 | 595,189,178 | 568,046,973 |
| Government and public sector | 119,167,964 | 87,129,683 | 206,297,647 | 181,364,510 |
| Total | 1,220,575,839 | 437,610,114 | 1,658,185,953 | 1,619,616,356 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Financial Assets at Amortized Cost

This item consists of the following:

| | December 31, | |
|---|---------------------|--------------------|
| | 2021 | 2020 |
| | JD | JD |
| Financial assets quoted in the market: | | |
| Governmental bonds and bills guaranteed by the government | 255,888,018 | 219,643,092 |
| Corporate and banks bonds and debentures | 37,752,732 | 30,290,562 |
| Foreign governmental bonds | 28,977,281 | 31,852,447 |
| Total financial assets quoted in the market | 322,618,031 | 281,786,101 |
| Financial assets unquoted in the market: | | |
| Corporate bonds and debentures | 56,307,000 | 66,434,000 |
| Foreign treasury bill on guaranteed by the government | 5,382,169 | 934,739 |
| Total financial assets unquoted in the market | 61,689,169 | 67,368,739 |
| Total Financial Assets at Amortized Cost | 384,307,200 | 349,154,840 |
| <u>Less: Expected credit loss provision</u> | <u>(477,080)</u> | <u>(699,871)</u> |
| Net financial assets at amortized cost | 383,830,120 | 348,454,969 |

Analysis of bonds and bills:

| | December 31, | |
|--|---------------------|--------------------|
| | 2021 | 2020 |
| | JD | JD |
| Financial assets with fixed-interest rate | 379,307,200 | 340,607,045 |
| Financial assets with floating interest rate | 5,000,000 | 8,547,795 |
| | 384,307,200 | 349,154,840 |

- Distribution of financial assets at amortized cost according to the Bank's internal credit rating categories as of December 31, 2021 and 2020 was as follows:

| | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--------------|--------------------------------|-------------------------|-------------------------|-------------------------|--------------------|--------------------|--|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| Item | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| 1 | 230,889,380 | - | - | - | - | 230,889,380 | 219,643,092 |
| 2 | 720,417 | - | - | - | - | 720,417 | 724,151 |
| 3 | 719,417 | - | - | - | - | 719,417 | 5,688,967 |
| 4 | 4,988,203 | - | - | - | - | 4,988,203 | 5,007,406 |
| 5 | 80,525,496 | - | - | - | - | 80,525,496 | 80,320,242 |
| 6 | 66,464,287 | - | - | - | - | 66,464,287 | 37,770,982 |
| 7 | - | - | - | - | - | - | - |
| 8 | - | - | - | - | - | - | - |
| 9 | - | - | - | - | - | - | - |
| 10 | - | - | - | - | - | - | - |
| Total | 384,307,200 | - | - | - | - | 384,307,200 | 349,154,840 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Financial assets at amortized cost credit stages distribution was as follows:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--------------------------------|-------------------------|------------------|------------------|------------------|-------------|--------------------|-------------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Beginning balance | 349,154,840 | - | - | - | - | 349,154,840 | 272,734,431 |
| New investment during the year | 83,011,881 | - | - | - | - | 83,011,881 | 137,857,159 |
| Matured investments | (44,904,609) | - | - | - | - | (44,904,609) | (61,574,081) |
| | 387,262,112 | - | - | - | - | 387,262,112 | 349,017,509 |
| Transferred to stage one | - | - | - | - | - | - | - |
| Transferred to stage two | - | - | - | - | - | - | - |
| Transferred to stage three | - | - | - | - | - | - | - |
| Changes due to the adjustments | (2,954,912) | - | - | - | - | (2,954,912) | 137,331 |
| Ending balance | 384,307,200 | - | - | - | - | 384,307,200 | 349,154,840 |

- The movement on the expected credit loss provision was as follows:

| Item | As of December 31, 2021 | | | | As of December 31, 2020 |
|--|-------------------------|-----------|-------------|----------------|-------------------------------|
| | Stage One | Stage Two | Stage Three | Total | Total |
| Balance at the Beginning of the Year | 699,871 | - | - | 699,871 | 198,632 |
| Credit loss on new balances during the year | 115,499 | - | - | 115,499 | 403,806 |
| Expected credit loss reversal of matured investments | (17,034) | - | - | (17,034) | (17,407) |
| | 798,336 | - | - | 798,336 | 585,031 |
| Transferred to stage one | - | - | - | - | - |
| Transferred to stage two | - | - | - | - | - |
| Transferred to stage three | - | - | - | - | - |
| Effect on the provision at the end of the period– as a result of classification changes between the three stages during the year | - | - | - | - | - |
| Changes due to adjustments | (321,256) | - | - | (321,256) | 114,840 |
| Balance at the End of the Year | 477,080 | - | - | 477,080 | 699,871 |

The maturities of these financial assets at amortized cost are as follows:

| | Up to 1 Month | Over 1 Month and Up to 3 Months | Over 3 Months and Up to 6 Months | Over 6 Months and Up to 1 Year | Over 1 Year and Up to 3 Years | Over 3 Years | Total |
|-------------------|---------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|--------------|-------------|
| | JD | JD | JD | JD | JD | JD | |
| December 31, 2021 | 3,600,403 | 87,118,970 | 59,640,595 | 82,410,888 | 106,241,506 | 45,294,838 | 384,307,200 |
| December 31, 2020 | 6,000,640 | 18,070,528 | 20,610,042 | 15,598,000 | 247,403,862 | 41,471,768 | 349,154,840 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 - Property and Equipment – Net

The details of this item are as follows:

| | Lands | Buildings | Equipment Furniture and Fixtures | Vehicles | Computers | Decorations and Improvements | Total |
|---|------------------|-------------------|---|------------------|-------------------|---|-------------------|
| | JD | JD | JD | JD | JD | JD | JD |
| 2021 | | | | | | | |
| Cost: | | | | | | | |
| Beginning balance for the year before IAS (29) implementation | 4,051,991 | 14,057,738 | 25,880,246 | 1,069,218 | 15,451,903 | 22,256,500 | 82,767,596 |
| Impact of IAS (29) implementation- Note (2) | 641,744 | 5,710,871 | 1,602,811 | 100,314 | 599,901 | 1,714,870 | 10,370,511 |
| Adjusted beginning balance for the year after IAS (29) implementation | 4,693,735 | 19,768,609 | 27,483,057 | 1,169,532 | 16,051,804 | 23,971,370 | 93,138,107 |
| Additions | - | 341,679 | 2,276,246 | 947 | 952,899 | 5,688,934 | 9,260,705 |
| (Disposals) | - | (54,029) | (1,039,048) | (84,770) | (1,026,076) | (760,525) | (2,964,448) |
| Foreign currencies differences | (27,433) | (299,662) | (141,210) | (7,033) | (68,383) | (88,878) | (632,599) |
| End of year balance | 4,666,302 | 19,756,597 | 28,579,045 | 1,078,676 | 15,910,244 | 28,810,901 | 98,801,765 |
| Accumulated depreciation: | | | | | | | |
| Accumulated depreciation beginning balance before IAS (29) implementation | - | 6,717,314 | 17,178,523 | 691,071 | 9,779,435 | 17,622,863 | 51,989,206 |
| Impact of IAS (29) implementation- Note (2) | - | 494,444 | 763,507 | 59,063 | 313,889 | 934,008 | 2,564,911 |
| Accumulated depreciation beginning balance after IAS (29) implementation | - | 7,211,758 | 17,942,030 | 750,134 | 10,093,324 | 18,556,871 | 54,554,117 |
| Annual depreciation | - | 245,939 | 1,738,387 | 114,424 | 1,551,288 | 2,008,946 | 5,658,984 |
| (Disposals) | - | (42,719) | (1,030,984) | (74,492) | (971,192) | (731,390) | (2,850,777) |
| Foreign currencies differences | - | (62,293) | (95,663) | (5,084) | (35,680) | (84,413) | (283,133) |
| End of year balance | - | 7,352,685 | 18,553,770 | 784,982 | 10,637,740 | 19,750,014 | 57,079,191 |
| Net book value of property and equipment | 4,666,302 | 12,403,912 | 10,025,275 | 293,694 | 5,272,504 | 9,060,887 | 41,722,574 |
| Payments on acquisition of property and equipment* | - | 645,197 | 321,457 | - | 155,109 | 359,945 | 1,481,708 |
| Right of use of assets** | - | - | - | - | - | - | 16,459,704 |
| Net Property and Equipment at the End of the Year | 4,666,302 | 13,049,109 | 10,346,732 | 293,694 | 5,427,613 | 9,420,832 | 59,663,986 |
| 2020 | JD | JD | JD | JD | JD | JD | JD |
| Cost: | | | | | | | |
| Beginning of year balance | 4,159,152 | 14,427,159 | 26,170,961 | 1,093,021 | 13,281,679 | 21,870,623 | 81,002,595 |
| Additions | - | 764,088 | 985,558 | 1,043 | 3,230,589 | 1,238,969 | 6,220,247 |
| (Disposals) | (3,855) | (5,000) | (796,993) | (113) | (870,722) | (511,611) | (2,188,294) |
| Foreign currencies differences | (103,306) | (1,128,509) | (479,280) | (24,733) | (189,643) | (341,481) | (2,266,952) |
| End of year balance | 4,051,991 | 14,057,738 | 25,880,246 | 1,069,218 | 15,451,903 | 22,256,500 | 82,767,596 |
| Accumulated depreciation: | | | | | | | |
| Beginning of year balance | - | 6,656,806 | 16,541,978 | 587,078 | 9,308,093 | 17,037,422 | 50,131,377 |
| Annual depreciation | - | 253,447 | 1,657,414 | 121,933 | 1,390,855 | 1,385,473 | 4,809,122 |
| (Disposals) | - | - | (705,383) | (90) | (808,652) | (491,377) | (2,005,502) |
| Foreign currencies differences | - | (192,939) | (315,486) | (17,850) | (110,861) | (308,655) | (945,791) |
| End of year balance | - | 6,717,314 | 17,178,523 | 691,071 | 9,779,435 | 17,622,863 | 51,989,206 |
| Net book value of property and equipment | 4,051,991 | 7,340,424 | 8,701,723 | 378,147 | 5,672,468 | 4,633,637 | 30,778,390 |
| Payments on acquisition of property and equipment* | - | 829 | 809,982 | - | 740,285 | 4,834,146 | 6,385,242 |
| Right of use of assets** | - | - | - | - | - | - | 16,829,962 |
| Net Property and Equipment at the End of the Year | 4,051,991 | 7,341,253 | 9,511,705 | 378,147 | 6,412,753 | 9,467,783 | 53,993,594 |

* The financial obligations relating to the acquisition of property and equipment amounted to JD 440,636 for the year 2021, and will be settled in accordance with the contractual conditions on the purchase of these assets.

- Fully depreciated property and equipment cost amounted to JD 32,842,215 for the year 2021 (JD 32,061,238 for the year 2020).

** This item represents the effect of IFRS (16) implementation, movement summary as follows:

| | 2021 | 2020 |
|----------------------------------|-------------------|-------------------|
| | JD | JD |
| Beginning of year balance | 16,829,962 | 16,202,973 |
| Additions | 3,155,328 | 4,995,647 |
| (Disposals) | (148,965) | (1,069,422) |
| (Depreciation) | (3,370,516) | (3,243,015) |
| Foreign currencies differences | (6,105) | (56,221) |
| End of year balance | 16,459,704 | 16,829,962 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Intangible Assets

This item consists of computer software's which are amortized at an annual rate ranging from 15% to 20%, the details are as follows:

| | December 31, | |
|---------------------------------------|---------------------|------------------|
| | 2021 | 2020 |
| | JD | JD |
| Balance at the Beginning of the Year | 6,872,445 | 5,986,282 |
| Additions during the year | 2,623,664 | 2,124,672 |
| Amortization for the year | (1,470,887) | (1,202,801) |
| Foreign currencies differences | (13,222) | (35,708) |
| Balance at the End of the Year | 8,012,000 | 6,872,445 |

16. Other Assets

This item consists of the following:

| | December 31, | |
|---|---------------------|-------------------|
| | 2021 | 2020 |
| | JD | JD |
| Accrued interest and commission income | 11,262,031 | 10,391,109 |
| Prepaid expenses | 3,374,186 | 3,616,227 |
| Assets foreclosed by the Bank in repayment of non-performing debts* | 63,410,703 | 58,067,461 |
| Clearance cheques | 994,110 | 2,427,148 |
| Paid guarantees | 2,094,650 | 1,692,367 |
| Advanced payments on the acquisition of lands and real estates | 244,132 | 255,912 |
| Prepaid tax expenses | 6,463,301 | 3,807,864 |
| Accounts receivables and other debit balances | 5,499,070 | 4,818,056 |
| | 93,342,183 | 85,076,144 |

*The following is the movement on the assets foreclosed by the Bank in repayment of non-performing debts:

| | Foreclosed Assets | |
|---|--------------------------|-------------------|
| | 2021 | 2020 |
| | JD | JD |
| Balance at the Beginning of the Year | 68,067,305 | 64,202,177 |
| Additions | 7,641,983 | 7,516,737 |
| Disposals | (2,568,597) | (3,651,609) |
| End of the year balance | 73,140,691 | 68,067,305 |
| Impairment provision of assets foreclosed by the Bank** | (9,729,988) | (9,999,844) |
| Balance at the End of the Year | 63,410,703 | 58,067,461 |

According to the Jordanian Banks' Law, buildings and plots of lands foreclosed by the Bank in repayment of debts from clients should be sold within two years from the foreclosure date. However, the Central Bank of Jordan may extend this period for two more years in exceptional cases. Starting from the year 2015, the bank has started to calculate gradual provision against the assets foreclosed by the bank in exchange of credit facilities that have been in possession for more than 4 years in accordance with the Central Bank of Jordan Circular No. 15/1/4076 dated March 27, 2014 and Circular No. 10/1/2510 dated February 14, 2017. Subsequently, Central Bank of Jordan has issued different circulars regarding postponing the provision calculations, the latest of which was Circular No. 10/3/13246 dated September 12, 2021 which require the bank to complete recognizing the required provisions starting from the year 2022 at 5% annually from their book value, to reach the required percentage of 50% from the book value of these foreclosed assets by the end of year 2030.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

** The movement on the assets foreclosed by the Bank in repayment of non-performing debts provision loans was as follows:

| | 2021 | 2020 |
|---------------------------------------|------------------|------------------|
| | JD | JD |
| Balance at the Beginning of the Year | 9,999,844 | 10,357,640 |
| (Reversal on) Additions | (269,856) | (357,796) |
| Balance at the End of the Year | 9,729,988 | 9,999,844 |

17. Banks and Financial Institutions' Deposits

This item consists of the following:

| | December 31, 2021 | | | December 31, 2020 | | |
|--------------------------------------|-------------------------------------|--------------------------------------|-------------------|-------------------------------------|--------------------------------------|-------------------|
| | Inside the Kingdom of Jordan | Outside the Kingdom of Jordan | Total | Inside the Kingdom of Jordan | Outside the Kingdom of Jordan | Total |
| | JD | JD | JD | JD | JD | JD |
| Current accounts and demand deposits | - | 8,496,971 | 8,496,971 | - | 9,945,487 | 9,945,487 |
| Deposits maturing within 3 months | - | 34,079,000 | 34,079,000 | 1,418,000 | 8,461,000 | 9,879,000 |
| Deposits maturing within 3-6 months | - | 282,000 | 282,000 | - | - | - |
| Deposits maturing within 6-9 months | - | - | - | - | - | - |
| Deposits maturing within 9-12 months | - | - | - | - | - | - |
| Deposits maturity exceeds one year | - | 50,937,867 | 50,937,867 | - | 50,937,867 | 50,937,867 |
| | - | 93,795,838 | 93,795,838 | 1,418,000 | 69,344,354 | 70,762,354 |

18 - Customer Deposits

Details of this item are as follows:

| | December 31, 2021 | | | | |
|--------------------------|--------------------------|---------------------|--------------------|-------------------------------------|----------------------|
| | Individuals | Corporations | SME's | Government and Public sector | Total |
| Description | JD | JD | JD | JD | JD |
| Current accounts | 404,958,782 | 56,717,488 | 100,982,275 | 6,315,037 | 568,973,582 |
| Saving deposits | 914,524,455 | 776 | 1,893,438 | 13,023 | 916,431,692 |
| Term deposits | 328,349,107 | 19,921,209 | 36,568,898 | 14,347,823 | 399,187,037 |
| Certificates of deposits | 22,619,329 | 819,000 | - | - | 23,438,329 |
| Total | 1,670,451,673 | 77,458,473 | 139,444,611 | 20,675,883 | 1,908,030,640 |

| | December 31, 2020 | | | | |
|--------------------------|--------------------------|---------------------|--------------------|-------------------------------------|----------------------|
| | Individuals | Corporations | SME's | Government and Public sector | Total |
| Description | JD | JD | JD | JD | JD |
| Current accounts | 355,874,393 | 103,252,081 | 80,310,197 | 9,688,230 | 549,124,901 |
| Saving deposits | 844,505,660 | 1,201,243 | 9,625,103 | 10,377 | 855,342,383 |
| Term deposits | 345,536,736 | 73,476,256 | 31,129,822 | 20,195,128 | 470,337,942 |
| Certificates of deposits | 21,508,350 | 11,565,000 | 1,309,000 | - | 34,282,350 |
| Total | 1,567,425,139 | 189,494,580 | 122,374,122 | 29,893,735 | 1,909,187,576 |

* Government and Public Sector deposits in Jordan amounted to JD 20,675,883 equivalent to 1/08% of total deposits for the year (JD 22,738,668 equivalent to 1/19% of total deposits for the previous year).

* Non-interest-bearing deposits amounted to JD 767,162,072 equivalent to 40/21% of total deposits for the year (JD 702,448,649 equivalent to 36/79% of total deposits for the previous year).

* Restricted deposits amounted to JD 21,150,044 equivalent to 1/11 % of total deposits for the year (JD 16,822,597 equivalent to 0/88 % of total deposits for the previous year).

* Dormant deposits amounted to JD73,684,908 for the year (JD 58,881,480 for the previous year).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Cash Margins

The details of this item are as follows:

| | December 31, | |
|---|---------------------|--------------------|
| | 2021 | 2020 |
| | JD | JD |
| Cash margins against direct credit facilities | 92,734,104 | 95,468,703 |
| Cash margins against indirect credit facilities | 19,924,972 | 24,350,606 |
| | 112,659,076 | 119,819,309 |

20. Other Provisions

The details of this item are as follows:

| | Beginning Balance | Provision Created During the Year | Provision Used During the Year | Foreign Currencies Differences | Ending Balance |
|--|------------------------------|--|---|---|---------------------------|
| 2021 | JD | JD | JD | JD | JD |
| Provision for end-of-service indemnity | 4,253,672 | 385,350 | (256,042) | - | 4,382,980 |
| Provision for lawsuits raised against the Bank | 832,435 | 97,767 | (165,817) | - | 764,385 |
| Other provisions | 216,043 | 167 | (99,321) | (108,021) | 8,868 |
| | 5,302,150 | 483,284 | (521,180) | (108,021) | 5,156,233 |
| 2020 | | | | | |
| Provision for end-of-service indemnity | 4,032,642 | 466,137 | (245,107) | - | 4,253,672 |
| Provision for lawsuits raised against the Bank | 863,478 | 73,678 | (104,721) | - | 832,435 |
| Other provisions | 115,091 | 241,416 | (65,214) | (75,250) | 216,043 |
| | 5,011,211 | 781,231 | (415,042) | (75,250) | 5,302,150 |

21. Income Tax

A. Income tax provision:

The movement on the income tax provision is as follows:

| | 2021 | 2020 |
|---------------------------------------|-------------------|-------------------|
| | JD | JD |
| Balance at the Beginning of the Year | 19,881,866 | 23,803,895 |
| Income tax paid | (18,161,428) | (22,692,105) |
| Accrued Income tax | 18,335,056 | 18,770,076 |
| Balance at the end of the year | 20,055,494 | 19,881,866 |

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

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Income tax on current year's profit | 18,335,056 | 15,231,242 |
| Previous years income tax | - | 379,375 |
| Deferred tax assets for the year-addition | (4,797,947) | (1,567,870) |
| Amortization of deferred tax assets | 2,049,647 | 2,563,769 |
| | 15,586,756 | 16,606,516 |

- Income tax in the consolidated statement of comprehensive income represents the following:

| | 2021 | 2020 |
|---|-------------|------------------|
| Accrued income tax on profits from the sale of shares of financial assets through the statement of comprehensive income | - | 3,538,834 |
| | - | 3,538,834 |

BANK OF JORDAN

(PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Deferred Tax Assets

The details of this item are as follows:

| | As of December 31, 2021 | | | | As of December 31, 2020 |
|---|--------------------------------------|------------------|-------------------|--------------------------------|-------------------------|
| <u>Accounts Included</u> | Balance at the Beginning of the Year | Amounts Released | Amounts Added | Balance at the End of the Year | Deferred Tax |
| | JD | JD | JD | JD | JD |
| Deferred Tax Assets: | | | | | |
| Provisions for non-performing debts | 14,713,283 | - | 10,373,779 | 25,087,062 | 9,533,084 |
| Provision for non-performing debts previous periods | 13,581,618 | 4,196,045 | - | 9,385,573 | 3,346,964 |
| Provision for staff end-of-service indemnity | 4,202,986 | 256,041 | 351,668 | 4,298,613 | 1,246,830 |
| Interests in suspense | 730,306 | 1,634 | - | 728,672 | 176,780 |
| Provision for lawsuits raised against the Bank | 832,435 | 165,818 | 97,768 | 764,385 | 274,538 |
| Impairment of assets foreclosed by the Bank | 9,999,844 | 269,856 | - | 9,729,988 | 3,454,647 |
| Impairment of assets available for sale | 62,831 | - | - | 62,831 | 23,876 |
| Revaluation of assets foreclosed by Bank | 837,287 | - | - | 837,287 | 318,169 |
| Expected credit loss provision | 15,382,982 | 768,994 | 1,887,654 | 16,501,642 | 6,181,811 |
| | 60,343,572 | 5,658,388 | 12,710,869 | 67,396,053 | 24,556,699 |
| C. Deferred Tax Liabilities: | | | | | |
| Fair value reserve | 499,477 | 10,510 | 40,780 | 529,747 | 51,871 |
| | | | | | 48,946 |

The movement of deferred tax assets and liabilities as follows:

| | Deferred Tax Assets | | Deferred Tax Liabilities | |
|------------------------------------|---------------------|-------------------|--------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | JD | JD | JD | JD |
| Balance- beginning of the year | 21,808,399 | 22,804,298 | 48,946 | 3,081,065 |
| Additions during the year | 4,797,947 | 1,567,870 | 3,930 | 2,252 |
| Amortized during the year | (2,049,647) | (2,563,769) | (1,005) | (3,034,371) |
| Balance- ending of the year | 24,556,699 | 21,808,399 | 51,871 | 48,946 |

*The percentage of tax used in the calculation of deferred taxes is the applied rate in the countries where the bank is operating.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The legal income tax rate in Jordan is 38% for banks, knowing that the legal income tax rate in Palestine in which the bank has investments and branches is 15%, and in Syria (a subsidiary company) 25% and subsidiaries in Jordan 28%.
- A final settlement was reached with the Income and Sales Tax Department in Jordan up to the end of year 2018, and the Bank submitted its annual tax returns for the years 2019 and 2020, and paid the required amounts according to the law, however no final settlement was reached with the Income and Sales Tax Department for those years yet. In the opinion of management and its tax advisor the bank will not have any obligations in excess of the current booked provisions in the consolidated financial statements.
- A final settlement was reached with the Income tax and VAT departments on the results of the Bank's operations in Palestine until the end of the year 2018 and the bank submitted its annual tax returns for the year 2019 and 2020 and paid the related required payments according to the law. In the opinion of management and its tax advisor the bank the current booked provisions are sufficient to settle the tax liabilities.
- A final settlement was reached with the Income and Sales Tax Department in Jordan with regard to Excel for Financial Investments Company (Subsidiary) until the end of year 2019 for which the company submitted its tax return for the years 2020 and paid related taxes but still not reviewed by the Income and Sales Tax Department yet. In the opinion of management and its tax advisor the bank the current booked provisions in the consolidated financial statements are sufficient to settle the tax liabilities.
- A final settlement was reached with the Income and Sales Tax Department in Jordan with regard to Jordan Leasing Company (Subsidiary) until the end of year 2019 except for the year 2018. The company submitted its tax returns for the years 2018 and 2020 and paid related taxes but still not reviewed by the Income and Sales Tax Department yet. In the opinion of management and its tax advisor the bank the current booked provisions in the consolidated financial statements are sufficient to settle the tax liabilities.
- Taxes due over the Bank, its subsidiaries and external branches has been calculated for the year ended December 31, 2021, and in the opinion of the management and its tax advisor the current booked provisions are sufficient to pay the tax obligations as of that date.

C. The following is a summary of the reconciliation between accounting profit and taxable profit:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | JD | JD |
| Accounting profit | 51,893,989 | 52,073,578 |
| Tax-exempt profits | (23,147,881) | (39,854,042) |
| Undetectable tax expenses | 28,846,779 | 33,558,257 |
| Taxable profit | 57,592,887 | 45,777,793 |
| Income tax rate | 31,8% | %41 |
| Income tax payable on the profits for the year | 18,335,056 | 18,770,076 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Borrowed Funds

The details of this item are as follows:

| December 31, 2021 | Amount | Number of Installments | | Periodic Installments Maturity | Collaterals | Price of Borrowing Interest |
|--|-------------------|-------------------------------|----------------------|---------------------------------------|--|------------------------------------|
| | | In Total | The Remaining | | | |
| | JD | | | | | |
| Borrowing from Central Banks* | 41,560,368 | 24-108 | 3-66 | Monthly | Treasury Bonds and bills | Zero -1% |
| Borrowing from Jordan Mortgage Refinance Company** | 15,000,000 | 1 | 1 | One payment | Assigning real estate loans mortgage certificates in favour of the company | 4.15% |
| Lease obligations*** | 15,578,959 | 838 | 482 | Annual | None | Average 5,75% |
| Total | 72,139,327 | | | | | |

| December 31, 2020 | Amount | Number of Installments | | Periodic Installments Maturity | Collaterals | Price of Borrowing Interest |
|--|-------------------|-------------------------------|----------------------|---------------------------------------|--|------------------------------------|
| | | In Total | The Remaining | | | |
| | JD | | | | | |
| Borrowing from Central Banks* | 46,968,903 | 24 - 108 | 15 – 76 | Monthly | Treasury Bonds and bills | Zero - 1 % |
| Borrowing from Jordan Mortgage Refinance Company** | 15,000,000 | 1 | 1 | One payment | Assigning real estate loans mortgage certificates in favour of the company | 4,15% |
| Borrowing from foreign banks | 7,090,000 | 1 | 1 | One payment | None | Average |
| Lease obligations*** | 15,523,423 | 791 | 491 | Quarterly, semi-annual, annually | None | 5,75% |
| Total | 84,582,326 | | | | | |

* The above balances has been re-financed to the Bank's customers classified under small and medium entities and corporates with an interest rate ranging from 2% - 6.83%.

- This balance is borrowed at a fixed interest rate, and there is no borrowing at floating interest rates, zero interest borrowings related to loans issued by the Central Bank of Jordan amounted to JD 30,177,593 as of December 31, 2021.

** This item represents the amount borrowed from Jordan Mortgage Refinance Company which is due in one payment for three years.

*** **Lease obligations – Against right of use of assets – leased:**

| In Jordanian Dinar | December 31, 2021 | December 31, 2020 |
|--|--------------------------|--------------------------|
| Maturity analysis - undiscounted contractual cash flows | | |
| Less than one year | 3,424,483 | 3,131,027 |
| Year to five years | 10,700,014 | 10,518,639 |
| More than five years | 6,595,172 | 7,258,618 |
| Total undiscounted lease obligations | 20,719,669 | 20,908,284 |
| Discounted lease obligations included in the consolidated statement of financial position | 15,578,959 | 15,523,423 |
| Within one year | 2,615,263 | 2,081,138 |
| More than one year | 12,963,696 | 13,442,285 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Other Liabilities

The details of this item are as follows:

| | December 31, | |
|--|---------------------|-------------------|
| | 2021 | 2020 |
| | JD | JD |
| Accrued interest payable | 3,181,123 | 5,469,474 |
| Accepted deferred cheques | 9,781,208 | 7,521,812 |
| Temporary deposits | 7,756,932 | 6,844,610 |
| Dividends payable | 2,605,617 | 2,126,474 |
| Deposits on safe boxes | 174,455 | 174,168 |
| Margins against sold real estate | 65,000 | 26,700 |
| Financial derivatives Note (41) | 5,448 | 238,254 |
| Expected credit loss provision against indirect credit facilities ** | 7,694,926 | 8,845,153 |
| Other liabilities* | 10,986,284 | 9,175,767 |
| | 42,250,993 | 40,422,412 |

* The details of other liabilities are as follows:

| | December 31, | |
|--|---------------------|------------------|
| | 2021 | 2020 |
| | JD | JD |
| Social security deposits | 283,703 | 264,041 |
| Income tax deposits | 315,834 | 260,643 |
| Accrued expenses | 8,438,566 | 6,839,253 |
| Incoming transfers | 393,462 | 455,931 |
| Board of Directors' members remuneration | 55,000 | 55,000 |
| Other credit balances | 1,499,719 | 1,300,899 |
| | 10,986,284 | 9,175,767 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*Indirect credit facilities credit stages distribution was as follows:

| Item | Aa of December 31, 2021 | | | | | | As of December, 31, 2020 |
|--|-------------------------|-------------------|-------------------|----------------|-------------------|--------------------|-----------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual | Collective | Individual | Collective | | | |
| Balance at the Beginning of the Year | 362,976,823 | 65,621,764 | 27,917,115 | 462,355 | 11,566,466 | 468,544,523 | 661,375,908 |
| New exposures during the year | 69,660,469 | 9,541,348 | 1,569,417 | 103,170 | 96,997 | 80,971,401 | 49,324,648 |
| Accrued exposures | (45,653,756) | (1,916,939) | (3,997,145) | (22,573) | (713,228) | (52,303,641) | (174,321,589) |
| | 386,983,536 | 73,246,173 | 25,489,387 | 542,952 | 10,950,235 | 497,212,283 | 536,378,967 |
| Transferred to stage one | 2,934,695 | 201,908 | (2,932,695) | (201,908) | (2,000) | - | - |
| Transferred to stage two | (22,540,660) | (600,561) | 22,550,660 | 600,561 | (10,000) | - | - |
| Transferred to stage three | (219,442) | (274,355) | (68,372) | (46,231) | 616,743 | 8,343 | - |
| Effect as a result of classification changes between the three stages during the year | 2,002,292 | 125,870 | (1,147,833) | (131,478) | (573,765) | 275,086 | (14,809,135) |
| Changes due to the adjustments | (14,866,681) | (9,610,814) | (15,410,541) | (37,673) | - | (39,925,709) | (49,345,734) |
| Adjustments due to exchange rates fluctuations | (1,570,525) | - | (132,468) | - | (318) | (1,703,311) | (3,679,575) |
| Balance at the End of the Year | 352,723,215 | 63,088,221 | 28,348,138 | 726,223 | 10,980,895 | 455,866,692 | 468,544,523 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

** Total expected credit loss provision distribution against indirect credit facilities was as follows:

| Item | Aa of December 31, 2021 | | | | | | As of December, 31, 2020 |
|--|-------------------------|----------------|----------------|--------------|------------------|------------------|-----------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual | Collective | Individual | Collective | | | |
| Balance at the Beginning of the Year | 590,584 | 460,649 | 158,736 | 5,617 | 7,629,567 | 8,845,153 | 10,206,853 |
| Credit loss on new exposures during the period | 101,580 | 17,593 | 3,100 | 891 | 213,481 | 336,645 | 465,085 |
| Impairment loss over accrued exposures | (69,369) | (13,901) | (46,063) | (267) | (839,091) | (968,691) | (1,132,273) |
| | 622,795 | 464,341 | 115,773 | 6,241 | 7,003,957 | 8,213,107 | 9,539,665 |
| Transferred to stage one | 25,820 | 2,450 | (24,482) | (2,450) | (1,338) | - | - |
| Transferred to stage two | (55,323) | (4,207) | 62,196 | 4,207 | (6,873) | - | - |
| Transferred to stage three | (512) | (1,912) | (2,150) | (562) | 5,136 | - | - |
| Effect as a result of classification changes between the three stages during the year | (18,947) | (1,845) | 119,305 | (158) | 12,821 | 111,176 | (36,899) |
| Changes due to the adjustments | (238,658) | (342,482) | (34,026) | (1,004) | - | (616,170) | (679,916) |
| Adjustments due to exchange rates fluctuations | (12,876) | - | (303) | - | (8) | (13,187) | 22,303 |
| Balance at the End of the Year | 322,299 | 116,345 | 236,313 | 6,274 | 7,013,695 | 7,694,926 | 8,845,153 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Indirect credit facilities distribution was as follows:

A) Letter of credit

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|------------------|------------------|-------------|-------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating based on the Bank's internal credit rating system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | 175,113 | - | - | - | - | 175,113 | - |
| 3 | 10,008,311 | - | - | - | - | 10,008,311 | 2,039,917 |
| 4 | 11,220,325 | - | - | - | - | 11,220,325 | 14,623,826 |
| 5 | 4,171,891 | - | - | - | - | 4,171,891 | 34,544,393 |
| 6 | 932,147 | - | - | - | - | 932,147 | 1,100,314 |
| 7 | - | - | 79,672 | - | - | 79,672 | - |
| 8 | - | - | - | - | - | - | - |
| 9 | - | - | - | - | - | - | - |
| 10 | - | - | - | - | - | - | - |
| Total | 26,507,787 | - | 79,672 | - | - | 26,587,459 | 52,308,450 |

Indirect facilities movement disclosure:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|--|-------------------------|------------------|------------------|------------------|-------------|-------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 52,238,875 | - | 69,575 | - | - | 52,308,450 | 69,214,211 |
| New facilities during the year | 2,590,726 | - | - | - | - | 2,590,726 | 18,855,351 |
| Facilities paid | (2,254,195) | - | (5,752) | - | - | (2,259,947) | (27,315,317) |
| | 52,575,406 | - | 63,823 | - | - | 52,639,229 | 60,754,245 |
| Transferred to Stage One | - | - | - | - | - | - | - |
| Transferred to Stage Two | (41,950) | - | 41,950 | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| The effect on the provision at the end of the year as a result of changes in classification between the three stages during the year | - | - | (23,677) | - | - | (23,677) | (10,083,269) |
| Changes due to the adjustments | (26,025,669) | - | (2,424) | - | - | (26,028,093) | 1,637,474 |
| Adjustments due to changes in exchange rates | - | - | - | - | - | - | - |
| Total Balance at the End of the Year | 26,507,787 | - | 79,672 | - | - | 26,587,459 | 52,308,450 |

Impairment provision movement disclosure:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|------------------|------------------|-------------|---------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 92,753 | - | 139 | - | - | 92,892 | 168,490 |
| Impairment Loss of new balances during the year | 5,157 | - | - | - | - | 5,157 | 2,408 |
| Recoveries from impairment loss on investments due | (1,811) | - | (12) | - | - | (1,823) | (78,686) |
| | 96,099 | - | 127 | - | - | 96,226 | 92,212 |
| Transferred to Stage One | - | - | - | - | - | - | - |
| Transferred to Stage Two | (57) | - | 57 | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| The effect on the provision at the end of the year as a result of the reclassification between the three stages during the year | - | - | 2,493 | - | - | 2,493 | (55,357) |
| Changes due to the adjustments | (78,881) | - | 937 | - | - | (77,944) | 56,037 |
| Adjustments due to changes in exchange rates | - | - | - | - | - | - | - |
| Total Balance at the End of the Year | 17,161 | - | 3,614 | - | - | 20,775 | 92,892 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

B) Acceptances

| Item | As of December 31, 2021 | | | | | As of December 31, 2020 | |
|---|-------------------------|------------------|------------------|------------------|-------------|-------------------------|-------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating based on the Bank's internal credit rating system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | - | - | - | - | - | - | - |
| 3 | 1,119,185 | - | - | - | - | 1,119,185 | 1,385,571 |
| 4 | 6,513,789 | - | - | - | - | 6,513,789 | 10,828,403 |
| 5 | 3,970,116 | - | 404,981 | - | - | 4,375,097 | 2,320,947 |
| 6 | 1,933,933 | - | - | - | - | 1,933,933 | 4,092,529 |
| 7 | - | - | - | - | - | - | - |
| 8 | - | - | - | - | - | - | - |
| 9 | - | - | - | - | - | - | - |
| 10 | - | - | - | - | - | - | - |
| Total | 13,537,023 | - | 404,981 | - | - | 13,942,004 | 18,627,450 |

| Item | As of December 31, 2021 | | | | | As of December 31, 2020 | |
|---|-------------------------|------------------|------------------|------------------|-------------|-------------------------|-------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the Beginning of the year | 17,654,645 | - | 972,805 | - | - | 18,627,450 | 19,349,139 |
| New facilities during the year | 7,771,148 | - | - | - | - | 7,771,148 | 12,612,284 |
| Facilities paid | (12,831,463) | - | (530,571) | - | - | (13,362,034) | (13,932,315) |
| | 12,594,330 | - | 442,234 | - | - | 13,036,564 | 18,029,108 |
| Transferred to Stage One | 442,234 | - | (442,234) | - | - | - | - |
| Transferred to Stage Two | (340,745) | - | 340,745 | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| The effect on the provision at the end of the year as a result of reclassification between the three stages during the year | (189,539) | - | 64,236 | - | - | (125,303) | (971,154) |
| Changes due to the adjustments | 1,030,743 | - | - | - | - | 1,030,743 | 1,569,496 |
| Written off facilities | - | - | - | - | - | - | - |
| Adjustments due to changes in exchange rates | - | - | - | - | - | - | - |
| Total Balance at the End of the Year | 13,537,023 | - | 404,981 | - | - | 13,942,004 | 18,627,450 |

| Item | As of December 31, 2021 | | | | | As of December 31, 2020 | |
|---|-------------------------|------------------|------------------|------------------|-------------|-------------------------|---------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the Beginning of the year | 33,581 | - | 4,281 | - | - | 37,862 | 75,674 |
| Impairment Loss of new balances during the year | 11,552 | - | - | - | - | 11,552 | 12,208 |
| Recoveries from impairment loss on facilities due | (18,183) | - | (2,643) | - | - | (20,826) | (51,397) |
| | 26,950 | - | 1,638 | - | - | 28,588 | 36,485 |
| Transferred to Stage One | 1,638 | - | (1,638) | - | - | - | - |
| Transferred to Stage Two | (110) | - | 110 | - | - | - | - |
| Transferred to Stage Three | - | - | - | - | - | - | - |
| The effect on the provision at the end of the year as a result of reclassification between the three stages during the year | (1,506) | - | 1,006 | - | - | (500) | (6,764) |
| Changes due to the adjustments | (11,878) | - | - | - | - | (11,878) | 8,141 |
| Adjustments due to changes in exchange rates | - | - | - | - | - | - | - |
| Total Balance at the End of the Year | 15,094 | - | 1,116 | - | - | 16,210 | 37,862 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

C) Letters of guarantee

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating based on the Bank's internal credit rating system: | | | | | | | |
| 1 | - | - | - | - | - | - | - |
| 2 | 2,809,550 | - | - | - | - | 2,809,550 | 199,390 |
| 3 | 4,114,691 | - | 615,950 | - | - | 4,730,641 | 9,739,704 |
| 4 | 20,856,990 | - | 741,335 | - | - | 21,598,325 | 30,206,536 |
| 5 | 30,258,677 | - | 4,105,006 | - | - | 34,363,683 | 37,037,374 |
| 6 | 14,842,216 | - | 3,581,859 | - | - | 18,424,075 | 22,432,818 |
| 7 | - | - | 2,446,562 | - | - | 2,446,562 | 860,622 |
| 8 | - | - | - | - | 25,000 | 25,000 | 77,030 |
| 9 | - | - | - | - | 21,978 | 21,978 | 79,684 |
| 10 | - | - | - | - | 10,933,917 | 10,933,917 | 11,409,752 |
| Total | 72,882,124 | - | 11,490,712 | - | 10,980,895 | 95,353,731 | 112,042,910 |

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|-------------------|------------------|-------------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 96,900,814 | - | 3,575,630 | - | 11,566,466 | 112,042,910 | 114,413,012 |
| New facilities during the Year | 4,019,976 | - | 1,138,030 | - | 96,997 | 5,255,003 | 2,704,853 |
| Facilities paid | (3,106,562) | - | (442,121) | - | (713,228) | (4,261,911) | (5,354,268) |
| | 97,814,228 | - | 4,271,539 | - | 10,950,235 | 113,036,002 | 111,763,597 |
| Transferred to Stage One | 852,092 | - | (850,092) | - | (2,000) | - | - |
| Transferred to Stage Two | (8,535,460) | - | 8,545,460 | - | (10,000) | - | - |
| Transferred to Stage Three | (75,878) | - | (23,257) | - | 107,478 | 8,343 | - |
| The effect on the provision at the end of the year as a result of reclassification between the three stages during the year | 41,614 | - | (483,737) | - | (64,500) | (506,623) | (189,071) |
| Changes due to the adjustments | (16,019,867) | - | 48,412 | - | - | (15,971,455) | 2,210,888 |
| Adjustments due to changes in exchange rates | (1,194,605) | - | (17,613) | - | (318) | (1,212,536) | (1,742,504) |
| Total balance at the end of the year | 72,882,124 | - | 11,490,712 | - | 10,980,895 | 95,353,731 | 112,042,910 |

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|------------------|------------------|------------------|------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the beginning of the year | 273,591 | - | 50,199 | - | 7,629,567 | 7,953,357 | 8,467,806 |
| Impairment Loss of new balances during the year | 4,654 | - | 2,389 | - | 213,481 | 220,524 | 403,006 |
| Recoveries from impairment loss on facilities due | (18,373) | - | (2,111) | - | (839,091) | (859,575) | (704,409) |
| | 259,872 | - | 50,477 | - | 7,003,957 | 7,314,306 | 8,166,403 |
| Transferred to Stage One | 23,203 | - | (21,865) | - | (1,338) | - | - |
| Transferred to Stage Two | (40,293) | - | 47,166 | - | (6,873) | - | - |
| Transferred to Stage Three | (60) | - | (442) | - | 502 | - | - |
| The effect on the provision at the end of the year as a result of reclassification between the three stages during the year | (18,820) | - | 59,678 | - | 17,455 | 58,313 | 46,046 |
| Changes due to the adjustments | (99,685) | - | (11,049) | - | - | (110,734) | (283,791) |
| Adjustments due to changes in exchange rates | (12,742) | - | (22) | - | (8) | (12,772) | 24,699 |
| Total balance at the end of the year | 111,475 | - | 123,943 | - | 7,013,695 | 7,249,113 | 7,953,357 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

D) Unutilized facilities limits

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|-------------------|-------------------|------------------|-------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Credit risk rating based on the Bank's internal credit rating system: | | | | | | | |
| 1 | 5,138 | - | - | - | - | 5,138 | 105,676 |
| 2 | 9,383,550 | - | - | - | - | 9,383,550 | 31,700,188 |
| 3 | 39,732,162 | - | 67,437 | - | - | 39,799,599 | 70,817,728 |
| 4 | 78,610,853 | - | 551,741 | - | - | 79,162,594 | 60,077,010 |
| 5 | 79,891,440 | - | 4,120,480 | - | - | 84,011,920 | 51,492,388 |
| 6 | 32,173,138 | - | 8,430,868 | - | - | 40,604,006 | 1,642,193 |
| 7 | - | - | 3,202,247 | - | - | 3,202,247 | 3,646,411 |
| 8 | - | - | - | - | - | - | - |
| 9 | - | - | - | - | - | - | - |
| 10 | - | - | - | - | - | - | - |
| Unclassified | - | 63,088,221 | - | 726,223 | - | 63,814,444 | 66,084,119 |
| Total | 239,796,281 | 63,088,221 | 16,372,773 | 726,223 | - | 319,983,498 | 285,565,713 |

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|-------------------|-------------------|------------------|-------------|--------------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the Beginning of the year | 196,182,489 | 65,621,764 | 23,299,105 | 462,355 | - | 285,565,713 | 458,399,546 |
| New facilities during the year | 55,278,619 | 9,541,348 | 431,387 | 103,170 | - | 65,354,524 | 15,152,160 |
| Facilities paid | (27,461,536) | (1,916,939) | (3,018,701) | (22,573) | - | (32,419,749) | (127,719,689) |
| | 223,999,572 | 73,246,173 | 20,711,791 | 542,952 | - | 318,500,488 | 345,832,017 |
| Transferred to Stage One | 1,640,369 | 201,908 | (1,640,369) | (201,908) | - | - | - |
| Transferred to Stage Two | (13,622,505) | (600,561) | 13,622,505 | 600,561 | - | - | - |
| Transferred to Stage Three | (143,564) | (274,355) | (45,115) | (46,231) | 509,265 | - | - |
| The effect on the provision at the end of the year as a result of reclassification between the three stages during the year | 2,150,217 | 125,870 | (704,655) | (131,478) | (509,265) | 930,689 | (3,565,641) |
| Changes due to the adjustments | 26,148,112 | (9,610,814) | (15,456,529) | (37,673) | - | 1,043,096 | (54,763,592) |
| Written off facilities | - | - | - | - | - | - | - |
| Adjustments due to changes in exchange rates | (375,920) | - | (114,855) | - | - | (490,775) | (1,937,071) |
| Total Balance at the End of the Year | 239,796,281 | 63,088,221 | 16,372,773 | 726,223 | - | 319,983,498 | 285,565,713 |

Impairment provision movement disclosure:

| Item | As of December 31, 2021 | | | | | | As of December 31, 2020 |
|---|-------------------------|------------------|------------------|------------------|-------------|----------------|-------------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Balance at the Beginning of the year | 190,659 | 460,649 | 104,117 | 5,617 | - | 761,042 | 1,494,883 |
| Impairment Loss of new balances during the year | 80,217 | 17,593 | 711 | 891 | - | 99,412 | 47,463 |
| Recoveries from impairment loss on investments due | (31,002) | (13,901) | (41,297) | (267) | - | (86,467) | (297,781) |
| | 239,874 | 464,341 | 63,531 | 6,241 | - | 773,987 | 1,244,565 |
| Transferred to Stage One | 979 | 2,450 | (979) | (2,450) | - | - | - |
| Transferred to Stage Two | (14,863) | (4,207) | 14,863 | 4,207 | - | - | - |
| Transferred to Stage Three | (452) | (1,912) | (1,708) | (562) | 4,634 | - | - |
| The effect on the provision at the end of the year as a result of reclassification between the three stages during the year | 1,379 | (1,845) | 56,128 | (158) | (4,634) | 50,870 | (20,824) |
| Changes due to the adjustments | (48,214) | (342,482) | (23,914) | (1,004) | - | (415,614) | (460,303) |
| Written off facilities | - | - | - | - | - | - | - |
| Adjustments due to changes in exchange rates | (134) | - | (281) | - | - | (415) | (2,396) |
| Total Balance at the End of the Year | 178,569 | 116,345 | 107,640 | 6,274 | - | 408,828 | 761,042 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Paid-Up Capital

- The authorized capital of the Bank is JD 200 million as of December 31, 2021 and 2020.
- The authorized capital of the Bank is JD 200 million by year end, divided into 200 million shares at a par value of JD 1 each.

25. Reserves

- **Statutory Reserve**
The amount accumulated in this account is transferred at 10% from the annual net income before tax during the year and previous years according to the Banks Law and Companies Law. This reserve cannot be distributed to shareholders.
- **Voluntary Reserve**
The amounts accumulated in this account are transferred at 10% from the annual net income before taxes during the previous years. This reserve will be used for the purposes approved by the Board of Directors. Moreover, the General Assembly of Shareholders has the right to capitalize or distribute the whole reserve or part thereof as dividends.
- **General Banking Risks Reserve**
This item represents the general banking risks reserve in line with the instructions of the Central Bank of Jordan. The balance of the general bank risk reserve has been transferred to retained earnings as of January 1ST 2018 based on Central Bank of Jordan Circular No. 1359/1/10 dated January 25, 2018 and Central Bank Instructions No. 13/2018 dated June 6, 2018 and other regulatory authorities.
- **Special Reserve**
This reserve represents the periodic fluctuation reserve calculated according to the instructions of the Palestinian Monetary Authority concerning the Bank's branches operating in Palestine.

The restricted reserves are as follows:

| Reserve | Amount | Nature of Restriction |
|-------------------------------|---------------|------------------------------|
| | JD | |
| Legal reserve | 104,362,505 | Banking and corporate law |
| General banking risks reserve | 4,102,021 | Regulatory authorities |
| Special reserve | 5,849,743 | Regulatory authorities |

26. Foreign Currency Translation Differences

This item represents the differences resulting from the translation of net investment in foreign subsidiary (Bank of Jordan – Syria) upon consolidating the financial statements.

The movement on this item during the year is as follows:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| | JD | JD |
| Balance at the Beginning of the Year | (12,855,521) | (12,268,120) |
| Changes in the translation of net investment in the subsidiary Company during the year* | (154,164) | (587,401) |
| Balance at the End of the Year | (13,009,685) | (12,855,521) |

- * This item includes the Bank's net share of the structural position related to the investment in the capital of Bank of Jordan – Syria for the years 2021 and 2020.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Fair Value Reserve

The details of the fair value reserve are as follows:

| | 2021 | 2020 |
|--|--------------------|--------------------|
| | JD | JD |
| Balance at the Beginnings of the Year | (6,092,218) | 24,954,157 |
| Unrealized gains – Equity instruments | 2,734,811 | 722,343 |
| Unrealized (losses) – debt instruments | - | (532,176) |
| Expected credit loss provision – debt instruments | (212,204) | 134,933 |
| Debt instruments at fair value through comprehensive income transferred to profit or loss due sale | (406,788) | - |
| Equity instruments at fair value through comprehensive income transferred to retained earnings as a result of the sale | - | (34,403,592) |
| Deferred Tax Liabilities | (2,925) | 3,032,119 |
| Balance at the End of the Year* | (3,979,324) | (6,092,218) |

* Net after deferred tax amounted to JD 51,871.

28. Retained Earnings

The details of this item are as follows:

| | 2021 | 2020 |
|--|--------------------|--------------------|
| | JD | JD |
| Balance at the Beginning of the Year | 165,814,735 | 99,400,640 |
| Impact of IAS (29) implementation- Note (2) | 3,824,745 | - |
| Adjusted beginning balance | 169,639,480 | 99,400,640 |
| Dividends distributed to shareholders | (24,000,000) | - |
| Profit for the year | 36,008,748 | 35,794,598 |
| Transferred (to) reserves | (6,518,732) | (5,914,021) |
| Profit transferred as a result of sale of financial assets through comprehensive income* | - | 33,712,044 |
| Foreign currency translation differences | 902,866 | 2,821,474 |
| Balance at the End of the Year | 176,032,362 | 165,814,735 |

- Retained earnings include an amount of JD 24,556,699 restricted against deferred tax assets as of December 31, 2021 (JD 21,808,399 as of December 31, 2020).
- Retained earnings include an amount of JD 439,810 as of December 31, 2021, which represents the effect of early adoption of IFRS (9). These restricted amounts cannot be utilized unless realized as instructed by Jordan Securities Exchange Commission. Also retained earnings include an amount of JD 813,437 as of December 31, 2021 that cannot be utilized by distribution or any purpose unless there is a formal approval from Central Bank of Jordan resulting from the application of Central Bank of Jordan circular No. 10/1/1359 dated January 25, 2018.

* Presented net of Income tax.

29. Declared Dividends

The Bank's Board of Directors recommended in its meeting held during the year 2022 to distribute 18% of the Bank's capital as cash dividends to the shareholders, which is still subject to the General Assembly approval.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Interest Income

The details of this item are as follows:

| | 2021 | 2020 |
|---|--------------------|--------------------|
| | JD | JD |
| Direct Credit Facilities at amortized cost: | | |
| Individual (retail customers): | 46,406,205 | 45,729,532 |
| Overdraft accounts | 1,405,377 | 1,335,160 |
| Loans and discounted bills | 40,559,790 | 39,983,762 |
| Credit cards | 4,441,038 | 4,410,610 |
| Real estate loans | 16,742,079 | 16,662,155 |
| Corporate Entities: | 36,722,111 | 44,053,951 |
| Large corporate customers: | 21,823,354 | 27,426,194 |
| Overdraft accounts | 4,495,271 | 5,091,169 |
| Loans and discounted bills | 17,328,083 | 22,335,025 |
| SMEs: | 14,898,757 | 16,627,757 |
| Overdraft accounts | 3,492,182 | 3,688,834 |
| Loans and discounted bills | 11,406,575 | 12,938,923 |
| Government and Public Sector | 8,548,868 | 7,667,306 |
| Other items: | | |
| Balances with central banks | 1,661,143 | 2,446,563 |
| Balances and deposits with banks and financial institutions | 3,919,776 | 6,591,623 |
| Financial assets at amortized cost | 14,772,769 | 12,282,740 |
| Financial assets at fair value through comprehensive income | 124,695 | 1,254,044 |
| Total | 128,897,646 | 136,687,914 |

31. Interest Expense

The details of this item are as follows:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | JD | JD |
| Banks and financial institution deposits | 1,589,453 | 2,606,147 |
| Customers' deposits | | |
| Current and demand deposits | 2,876 | 11,452 |
| Saving accounts | 2,391,408 | 2,188,283 |
| Time and notice deposits | 9,999,152 | 15,390,904 |
| Certificates of deposit | 971,771 | 3,166,341 |
| Borrowed funds | 751,527 | 247,236 |
| Cash margins | 1,687,643 | 1,728,108 |
| Deposits insurance fees | 2,351,034 | 2,597,671 |
| Lease obligations interest | 926,248 | 843,382 |
| | 20,671,112 | 28,779,524 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Net – Commissions Income

The details of this item are as follows:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | JD | JD |
| Commission's Income: | | |
| Direct credit facilities commissions | 4,137,983 | 4,263,344 |
| Indirect credit facilities commissions | 2,503,111 | 2,810,037 |
| Other commissions | 15,546,421 | 13,888,986 |
| Total | 22,187,515 | 20,962,367 |
| <u>Less: Commissions Expense</u> | <u>1,194,968</u> | <u>1,115,155</u> |
| Net Commissions Income | 20,992,547 | 19,847,212 |

33. Foreign Currencies Income

The details of this item are as follows:

| | 2021 | 2020 |
|------------------------|------------------|------------------|
| | JD | JD |
| From trading / dealing | 165,095 | 112,160 |
| From revaluation | 3,134,263 | 2,530,549 |
| | 3,299,358 | 2,642,709 |

34. Gain from Financial Assets at Fair Value Through Profit or Loss

The details of this item are as follows:

| Year 2021 | Realized Gain | Unrealized Gain | Shares Dividends | Total |
|--|--------------------------|----------------------------|-----------------------------|-------------------|
| | JD | JD | JD | JD |
| Local shares | - | 77,381 | 12,888 | 90,269 |
| | <u>-</u> | <u>77,381</u> | <u>12,888</u> | <u>90,269</u> |
| Year 2020 | Realized Gain | Unrealized Gain | Shares Dividends | Total |
| | JD | JD | JD | JD |
| Local shares | 63,580 | (11,654) | 4,296 | 56,222 |
| Right to receive financial assets at fair value (Note 10) | - | 15,000,000 | - | 15,000,000 |
| | <u>63,580</u> | <u>14,988,346</u> | <u>4,296</u> | <u>15,056,222</u> |

35. Other Income

The details of this item are as follows:

| | 2021 | 2020 |
|---|------------------|------------------|
| | JD | JD |
| Revenues recovered from prior years | 1,603,670 | 626,233 |
| Gain from the sale of assets foreclosed by the Bank | 550,211 | 338,603 |
| Revenue from telephone, post, and swift | 466,990 | 572,822 |
| Rent income received from the Bank's real estate | 184,717 | 181,851 |
| Gain from the sale of property and equipment | 81,073 | 717,916 |
| Interest in suspense reversed to income | 690,942 | 504,410 |
| Other revenues | 1,635,814 | 923,440 |
| | 5,213,417 | 3,865,275 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. Employees Expenses

The details of this item are as follows:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | JD | JD |
| Salaries, bonuses, and employees' benefits | 24,378,296 | 25,436,637 |
| Bank's contribution to social security | 2,227,512 | 2,089,018 |
| Bank's contribution to provident fund | 1,642,728 | 1,661,669 |
| Medical expenses | 1,088,465 | 1,117,072 |
| Staff training expenses | 365,151 | 246,455 |
| Transportation and travel expenses | 461,237 | 359,825 |
| Life insurance | 92,614 | 69,632 |
| | 30,256,003 | 30,980,308 |

37. Other Expenses

The details of this item are as follows:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | JD | JD |
| Rent | 1,049,498 | 949,703 |
| Printing and stationery | 811,651 | 803,214 |
| Telephone, post and swift | 2,190,439 | 2,136,325 |
| Maintenance, repairs, and cleaning | 6,448,015 | 5,762,135 |
| Fees, taxes, and licenses | 3,958,710 | 3,569,617 |
| Advertisements and subscriptions | 6,909,743 | 6,584,749 |
| Insurance expenses | 4,717,389 | 3,402,643 |
| Electricity and heating | 561,935 | 608,593 |
| Donations | 509,254 | 1,602,697 |
| Hospitality | 213,561 | 198,647 |
| Professional, consultancy and legal fees | 1,857,303 | 1,918,133 |
| Board of Directors members remunerations | 55,000 | 55,000 |
| Miscellaneous | 1,141,514 | 1,289,932 |
| | 30,424,012 | 28,881,388 |

38. Financial Assets Expected Credit Losses Expenses

The details on this item are as follows:

| | For the year ended December 31, | |
|---|--|-------------------|
| | 2021 | 2020 |
| | JD | JD |
| Central banks balances | 35,395 | (32,537) |
| Balances with banks and financial institutions | 3,195 | 2,687 |
| Deposits with banks and financial institutions | (5,908) | (87,116) |
| Financial assets at fair value through comprehensive income – debt securities | (212,204) | 134,933 |
| Direct credit facilities at amortized cost | 17,597,472 | 32,733,710 |
| Financial assets at amortized cost | (222,791) | 501,239 |
| Off balance sheet items | (1,137,040) | (1,384,003) |
| | 16,058,119 | 31,868,913 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Earnings Per Share from Profit for the Year

The details of this item are as follows:

| | 2021 | 2020 |
|---|-------------|-------------|
| | JD | JD |
| Profit for the year (Bank's shareholders) | 36,008,748 | 35,794,598 |
| Weighted average number of shares | 200,000,000 | 200,000,000 |
| Net income for the year/share (Bank's shareholders) | | |
| Basic | 0,180 | 0,179 |
| Diluted | 0,180 | 0,179 |

40. Cash and Cash Equivalents

The details of this item are as follows:

| | December 31, | |
|---|---------------------|--------------------|
| | 2021 | 2020 |
| | JD | JD |
| Cash and balances with Central Banks maturing within 3 months | 371,518,123 | 338,993,477 |
| <u>Add:</u> Balances with banks and other financial institutions maturing within 3 months | 136,007,374 | 190,726,236 |
| <u>Less:</u> Banks and financial institutions' deposits maturing within 3 months | (42,575,971) | (19,824,487) |
| Restricted balances | (99,756,950) | (96,977,030) |
| | 365,192,576 | 412,918,196 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Financial Derivatives

The details of financial derivatives at year-end are as follows:

| | | | | Nominal Value Maturities | | |
|---|---------------|-----------------|-------------------|--------------------------|------------------|-------------------|
| | Positive | Negative | Total | Within | From 3 To | Total |
| | Fair Value | Fair Value | Nominal | 3 Months | 12 Months | |
| <u>2021</u> | JD | JD | JD | JD | JD | JD |
| Foreign currencies forward contracts (purchase) | 79,538 | (84,986) | 41,788,998 | 37,276,712 | 4,512,286 | 41,788,998 |
| Total | 79,538 | (84,986) | 41,788,998 | 37,276,712 | 4,512,286 | 41,788,998 |

| | | | | Nominal Value Maturities | | |
|---|---------------|------------------|-------------------|--------------------------|------------------|-------------------|
| | Positive | Negative | Total | Within | From 3 To | Total |
| | Fair Value | Fair Value | Nominal | 3 Months | 12 Months | |
| <u>2020</u> | JD | JD | JD | JD | JD | JD |
| Foreign currencies forward contracts (purchase) | 58,931 | (297,185) | 16,057,213 | 15,056,023 | 1,001,190 | 16,057,213 |
| Total | 58,931 | (297,185) | 16,057,213 | 15,056,023 | 1,001,190 | 16,057,213 |

- Nominal value indicates the value of transactions at year-end and does not relate to market risk or credit risk.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. Related parties Transactions

Within its normal activities, the Bank entered into transactions with its major shareholders, members of the Board of Directors, executive management and the associate Company at the commercial rates of interest and commission. Moreover, all loans and advances with related parties are performing, and no provision for probable credit losses has been taken thereon.

The following are summaries of balances and transactions with related parties:

| | Related party | | | | | Total | |
|--|---------------|----------------------------|-----------------------|----------------------|---------------|--|-------------|
| | | | | | | December 31, | |
| | Subsidiaries* | Board of Directors Members | Executives Management | Staff Provident Fund | Other Parties | 2021 | 2020 |
| <u>Consolidated Statement of Financial Position Items:</u> | JD | JD | JD | JD | JD | JD | JD |
| <u>Assets:</u> | | | | | | | |
| Investments | 45,415,294 | - | - | - | - | 45,415,294 | 45,415,294 |
| Credit Facilities | - | 2,323,724 | 1,388,855 | - | 1,891,970 | 5,604,549 | 4,730,412 |
| Current accounts and Deposits | 217,180 | - | - | - | - | 217,180 | 576,234 |
| Cash Margins | 3,982,000 | - | - | - | - | 3,982,000 | 3,982,000 |
| <u>Liabilities:</u> | | | | | | | |
| Customer Deposits and Margins | 19,129,912 | 520,770 | 3,246,190 | 150,003 | 14,557,619 | 37,604,494 | 55,317,831 |
| Bank Deposits | 7,753,511 | - | - | - | - | 7,753,511 | 8,659,272 |
| Borrowed funds | 3,434,659 | - | - | - | - | 3,434,659 | 3,561,616 |
| <u>Off-consolidated balance sheet items</u> | | | | | | | |
| Letters of guarantee | 770,546 | 10,000 | 50,000 | - | 103,390 | 933,936 | 5,820,436 |
| Acceptances and credits | - | - | - | - | 472,543 | 472,543 | 2,302,281 |
| | | | | | | Total | |
| | | | | | | for the year ended December 31, | |
| | | | | | | 2021 | 2020 |
| | | | | | | JD | JD |
| <u>Consolidated Statement of Profit or Loss Items:</u> | | | | | | | |
| Credit interest and commission | 6,839 | 111,325 | 77,116 | 365 | 139,108 | 334,753 | 450,371 |
| Debit interest and commission | 772,826 | 20,377 | 99,888 | 33,766 | 128,853 | 1,055,710 | 3,349,129 |

Interest rates:

- Credit interest rates against facilities in JOD range from 1.5% (minimum price represent interest rate against cash margin amounted to 100%) to 10%.
- Foreign Credit interest amounted to 13.5%
- Debit interest rates for JOD range from 0.0025% to 3.227 %.
- Debit interest rates for foreign currency range from 0.17% to 0.20%.

* Balances and transactions with subsidiary companies are excluded from the consolidated financial statements, but presented for clarification purposes only.

- Investment in subsidiary - Syria is shown at cost, noting that the bank has hedged against the impairment of this investment in its records.

- Related parties number that have been granted facilities is 39 customers as of Dec 31, 2021.

Bank's Executive Management Salaries and Remunerations Summary is as follows:

| | 2021 | 2020 |
|---|------------------|------------------|
| | JD | JD |
| Salaries and executive benefits | 2,182,594 | 2,587,570 |
| Transportation and board secretary | 36,033 | 36,032 |
| Board of directors membership, transportation and bonuses | 658,982 | 595,031 |
| Total | 2,877,609 | 3,218,633 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. Risk Management

First: Qualitative Disclosures:

The Bank manages banking risks through identifying the risks that it might be exposed to and methods of challenging and mitigating them. This is achieved through implementing a group of restructuring projects using best standards and banking acts that aim at separating risk management activities from those related to development of business and operations (execution).

- * In this context, the Bank has formed a Risk Management Committee, derived from the Board of Directors to ensure the presence of an effective internal monitoring function in accordance with the policies and scope of work set for it by the Board of Directors.
- * Risk management assumes the responsibility of managing the various types of risks through:
 - Preparing policies and getting them approved by the Board of Directors.
 - Analysing the risk types (credit, market, liquidity, operations information security).
 - Developing measurement and control methodologies for each risk type.
 - Providing the Board of Directors and executive management with reports and information about quantitative and qualitative measurements of the Bank risks.
- * The Bank has established several systems to control and measure risks like capital adequacy, liquidity risk and ratios (LCR, NSFR) operating risks and events and market risk.

• **Credit Risks**

Credit risks arise from the probable inability and/or lack of desire of the borrower or third party to fulfil its obligations in a timely manner. These risks include on-consolidated financial statements items such as loans and bonds, and off-consolidated financial statements items such as guarantees and/or documentary credits causing financial losses to the Bank.

In this regard, the Bank reinforces institutional frameworks that govern the management of credit through the following:

1. Setting up independent specialized departments for the credit management as follows:
 - Companies Credit Risk Department (for the management of companies' credit risks).
 - Small and Medium Size Enterprises (SMEs) Risk Management Department (for management of SMEs credit risks).
 - Individuals Credit Risk Department (for management of individual's credit portfolios risks).
 - Credit Portfolios Risk Management Department: the department focuses on maintaining the quality of credit granted to the Bank's clients (Corporate, SME & Individual). Studying the Key Risk Indicators (KRI) and Key Performance Indicators (KPI) through preparing studies and reports covering the performance of economic sectors and industries and comparing it with the performance of the Bank's credit portfolios and associated provisions. Utilizing the aforementioned reports to establish proper recommendations which in turn provide guidance for the business development units to target promising economic sectors/industries or to avert expansion in the deteriorating ones.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- In addition to the above, the department of Credit Portfolios Risk Management conducts periodical studies and reports to shed light on the below aspects:
 - The concentration of credit portfolio across economic activity levels.
 - The concentration of credit portfolio across product levels.
 - Reports covering the Bank's default ratios and coverage ratios compared to the banking sector.
 - Credit portfolios performance reports, conducted on segment basis (Corporate, SME, Government and Individuals) compared to the banking sector in terms of growth and profitability rates.
 - The preparation for the implementation of IFRS (9) through conducting scenarios and reports required to comply with the IFRS (9) implementation by the beginning of 2018.
 - Applying a risk rating system through which the clients will be classified under ten stages (ratings) and according to the below factors:
 - Obligor Risk Rating (economic sector, management, financial standing, experience, etc).
 - Facility Risk Rating (risk weight will be assigned according to the type and nature of the facility).
 - Collateral Rating: (risk weight will be assigned according to the type and nature of the collateral), which will directly impact the Recovery Ratio, thus the calculation of Loss Given Default LGD.
- 2. Separating the Business Development Department from Credit Risk Departments.
- 3. Implementing a set of approved policies and procedures that outline principles for defining, measuring, and managing the type of risk.
- 4. Determining credit concentrations at the credit type level, economic sector, geographical distribution, and credit portfolios, etc. Credit risks are managed by departments according to their specialization.
- 5. Implementing an authorization and relationship management system:
Bank of Jordan adopts an authorization system that includes authority granting, delegation, monitoring and relationship management of the various credit activities.
- 6. Determining credit risk mitigation methods:
Bank of Jordan adopts various methods to mitigate credit risks such as the following:
 - Providing the proper credit structure that matches its purpose and repayment period.
 - Ensuring the completion of all control aspects relating to the utilization of credit and the sources of its payment.
 - Obtaining proper guarantees to hedge against any risks in this regard.
 - Analysing and evaluating credit transactions by credit risk departments.
 - Periodically evaluating guarantees according to the nature, type, and degree of risks to reinforce guarantees and ensure their adequacy constantly.
 - Setting up specialized committees for approving credit.
- 7. Controlling credit execution by the credit control department in addition to a unit concerned with documentation, completion of legal audit, and execution.
- 8. Applying credit management mechanisms (CREMS and E-loan).
- 9. Setting up a specialized department to follow up on the collection of dues and non-performing debts.
- 10. Setting up a committee for risk management at the Board of Directors level to review policies, credit strategies, investments and risks.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Determining the duties of the various credit risk departments concerning the mechanism and periodicity of controls and issuance/submission of reports to the Board of Directors and Executive Management.
12. Analysing economic fluctuations and changes in the structure and quality of credit portfolios.
13. Preparation and implementation of Stress Testing procedures.
14. Control Reports:
The credit risks departments, each according to its specialization, control and evaluate all credit operations through a set of control procedures:
Daily control: Monitoring credit violations, un-renewed due credit ceilings, due accounts, and others.
 - Controlling the quality and distribution of the credit portfolio.
 - Rating credit risks, economic sector, credit type, guarantees, concentration, credit asset quality trends, and others.
 - Monitoring credit exposure at the customer level (Total Exposure), geographic area, credit type, economic sector, maturity date, guarantee type, and others.

These reports are submitted monthly to the risk management committee at the Board of Directors level. Timely reports on daily operations are submitted to the General Manager.

• **Operational Risk**

Operational risks arise from the inefficiency or failure of internal operations, employees, or systems or may stem from external events including legal risks. The Operational Risk Unit was established in 2003 under the Risk Management Department to manage the Operational Risks in the bank where qualified staff were appointed and automated systems were supplied since that date to empower the unit to perform its duties effectively.

The Bank manages operational risks through the following process:

1. Setting the operational risks policy, approving it by the Board of Directors, and implementing it across the bank and its affiliates. This includes the standards for defining and measuring risks in addition to the Risk Appetite accepted for these risks.
2. Implementing an operational risk management system (CAREWeb).
3. Creating risk profiles for all Bank entities which include all operational risks that may affect the entity, the related controls to mitigate them and the frequency of their testing to ensure effective and continuous implementation. Reports on risk profiles are submitted to the Risk Committee on the Board level for approval.
4. Internal Audit Department evaluates the validity of monthly self-assessment tests for the Bank's various units, classifies these units according to the approved classification standards and incorporates them into the internal audit reports it submits to the Audit Committee on a timely basis. The Operational Risk Unit incorporates self-assessment results in comparison with internal audit results for all of the Bank's entities and submits them to the Audit Committee on a quarterly basis.
5. Continuous evaluation of the Risk Profiles:
In this regard, a self-assessment tool (Control & Risk Self-Assessment) has been applied to manage operational risks through continuous evaluation of risks to identify new risks, ensure the efficiency of control procedures to mitigate these risks, and update the risk profiles on a timely basis to reflect the actual internal control environment.
6. Setting up a database for operational incidents, analysing them and submitting reports on the concentration and type of these incidents to the Risk Committee/Board of Directors.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Applying rating standards and evaluating the Bank's entities according to international classification standards for internal control environment.
8. Setting up and determining key risk indicators (KRIs) at the Bank's level and provides the related departments within the Bank with the results of these indicators to be monitored as well as applying rating standards and the correction procedures to avoid the risk before its occurrence.
9. Preparation and implementation of Stress Testing procedures specialized for operation risks.
10. Providing the Risk committee on the Board of Directors level with periodic reports (monthly, quarterly) that reflect the actual internal control environment for the various units in the Bank.
11. Evaluating the policies and procedures in the Bank to identify any control gaps in these processes and arrange with concerned entities to rectify these gaps.
12. Conducting trainings and awareness sessions for the Bank's employees on Operational Risk Management to enhance the internal control environment at the Bank.
13. The entity's risk profile is updated in coordination with the Internal Audit Department to identify the risks to which the entity may be exposed and adversely affect the achievement of the objectives and strategy of the entity and its profits. Any amendments to the entity's risk profile shall be presented to the Risk Management Committee to be approved. The Internal Audit Department annually evaluates the entity's control procedures and presents the results of the examinations to the Risk Management Committee.
14. The Operational Risk profile is updated at the entity level for AML Risk in coordination with the compliance department at the bank level for identifying AML and CTF risks and controls that mitigate them. Any amendments to the entity's AML risk profile shall be presented to the risk management committee to be approved by them. The Internal Audit Department annually evaluates the entity's control procedures and presents the results of the examinations to the and the Risk Management Committee.

Liquidity and Market Risk

▪ **Liquidity Risk**

Liquidity risk represents the Bank's inability to make the necessary funding available to meet its obligations on their maturity dates or to finance its activities without incurring high costs or losses. Moreover, liquidity risks are divided into two types:

- **Funding Liquidity Risk**
This risk represents the Bank's inability to change assets into cash - such as the collection of receivables - or to obtain funding to meet its obligations.
- **Market Liquidity Risk**
This risk represents the Bank's inability to sell the asset in the market or selling the asset at a huge financial loss due to weak liquidity or demand in the market.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Market Risk

- Market risks: are the risks of exposure of the positions on and off the Bank's Consolidated Statement of Financial Position to losses as a result of price fluctuations in the market. This includes the risks arising from the volatility of interest rates and stock prices of investment portfolios, both for the purpose of trading or exchange and include the following:

- Interest rate risks.
- Currency exchange rate risks (dealing with foreign currency).
- Fluctuation in shares prices risks.
- Goods risks.

Market risks arise from:

- 1- Changes that may occur in the political and economic conditions in markets.
- 2- Fluctuations in interest rates.
- 3- Fluctuations in the prices of financial instruments held for future buying and selling.
- 4- Gaps in maturities of assets and liabilities and interest rate re-pricing.
- 5- Holding of uncovered positions.

- The substantial tools used to measure and manage markets risks are as follows:

- 1- Basis Point Value
- 2- Value at Risk
- 3- Stress Testing

The Bank manages the market and liquidity risk through:

- A set of policies and procedures approved by the Board of Directors that define the principles for defining, measuring, monitoring, and managing market risks and liquidity risks.
- Asset and liability management system to adjust and measure liquidity risk and interest rates.
- Setting up a liquidity crisis management plan that includes the following:
 - Specialized procedures for the management of liquidity risk.
 - Specialized committee to manage liquidity risk.
 - A liquidity contingency plan.
- Developing measurement, management, and monitoring liquidity and market risk tools through:
 - Preparing liquidity risk reports according to the maturity scale.
 - Monitoring ceilings and quality of the investment portfolio.
 - Identifying sources of funds and classifying/analysing them according to their nature.
 - Monitor the application of liquidity coverage ratio (LCR) and compliance with the minimum ratio.
 - Controlling legal liquidity and daily cash liquidity. This means keeping an adequate amount of liquid assets (cash and cash equivalents) to meet obligations.
 - Matching maturities of assets and liabilities, taking into consideration all internal and external cash flows.
 - Performing stress testing.
 - The preparation of a periodic analysis about the developments in local and international markets.
 - Monitoring investment tools and analyzing the range of conformity with the issued investment limits in the investment policy and the allowed losses limits.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Analysing ceilings and limitations of the investments and providing a recommendation to adjust it according to improvements and circumstances of international and local markets, and diversifying investment with what achieves best returns and less risks.
- Analysing the investment concentrations on the level of each tool.
- Reviewing and assessing the portfolio's assets and liabilities.
- Analysing credit rating for international and local banks according to the financial situation and how much it is affected by the economic crises and the spread of its range globally.
- Monitor interest trends on the volume of deposits, maturity date and its suspended range.
- The preparation of reports about the exceeding limit in investments tools.
- Monitoring the changes on interest prices in international and local markets.
- Monitoring the sensitivity of investment tools for changes in interest prices on each investment tool.
- Monitoring the pricing process for borrowing and lending/investments ceiling.
- Monitoring the concentration on markets/tool and geographical distribution.
- Submitting periodic reports to the Investment Committee and Risk Management Committee/Board of Directors.

- **Information Security Risk**

Defined as any potential threat that may lead to a failure in confidentiality, availability, and integration of the Bank's information. Information security unit has been established to protect the Bank's information, users and assets by applying high level policies and procedures through specific definitions of mandatory baseline controls.

Bank of Jordan adopts the following principles to manage information security risks:

1. Review Information Security Policies and update the policies to be in line with international standards.
2. Comply with PCI-DSS Requirements.
3. Monitor all systems, servers, and network components on a regular basis by using special tools to counter any threat.
4. Review privileges based on job classification and function and restricted to least privileges necessary to perform job responsibilities.
5. Identify threats and vulnerabilities and identify appropriate controls to mitigate any new risks.
6. Review and update Business Contingency Plan periodically and periodically perform the necessary tests to check the effectiveness of the plan as well as the Disaster Recovery Plan.
7. Review and evaluate the physical security controls on a regular basis.
8. Coordinate or conduct security orientation and security awareness programs.
9. Reporting information security/Communication Progress and related cases to upper management.
10. Complying with SWIFT _ CSR requirements.
11. Preparation of IT management governance guide and related technology and to be published on the Bank's website.
12. Applying IT management governance and related technology COBIT 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

• **Compliance Risks**

Compliance risks are the risks arising from the possibility of the Bank's non-compliance with the laws, regulations and instructions in force and the banking professional and ethical laws and regulations issued by the local and international regulatory authorities, including the Bank's internal policies.

The Bank of Jordan believes that complying to the official regulations and instructions are the most important aspects of the success of financial institutions, due to it protecting the institution of both being sanctioned as well as protecting the reputation of the institution , therefore protecting the interests of both the shareholders and the stakeholders. Furthermore, the Bank of Jordan considers compliance as a corporate culture and an all-inclusive responsibility starting from being a managerial responsibility and ending as being every employee`s responsibility based on the tasks of which the employee fulfils.

In this context, the Compliance Department was established as an independent Department affiliated to the Compliance board Committee. The Department is manned with qualified and trained staff and equipped with specialized operating systems. Also noting that designated compliance officers are placed in all of the bank`s subsidiaries and external branches and are supervised by the bank`s headquarters` compliance department.

The Compliance Risks are managed according to the following principles:

Risks of non-compliance with the laws, regulations:

These risks are managed by the Compliance Unit as an independent unit affiliated to the Compliance Department. It manages the compliance risks at the Bank level according to the following basis:

- Setting up and developing the compliance policy at the Group level to be approved by the Bank`s Board of Directors (BOD) and to be circulated to all the Bank's employees and revised on a periodic basis.
- Applying a Risk Based Approach system to manage compliance risks.
- Working as advisory and consultant to both the BOD and executive departments on ways to successfully implement the regulations and instructions (Including internal policies and regulations).
- Developing compliance monitoring programs to provide the BOD with a reasonable confirmation that the main compliance risks are effectively managed by the concerned parties.
- Timely delivering any amendments related to the updated instructions, to achieve the mutual objectives with the business sector.
- Enhancing the compliance culture through giving advice, guidance, explaining the laws.
- The compliance department is the point of contact between regulatory authorities and the organization; therefore, it is responsible of managing the organization`s managements` relationship with the regulatory authorities.
- Providing updated on-going training programs to educate employee`s at all levels with the requirements of compliance.
- Coordinating with other regulatory functions such as the Internal Audit Department and Risks Management Department and coordinating the work of these functions.

Risks of money laundering and terrorism financing:

These risks are managed by the Anti-money Laundering and Terrorism Financing unit as an independent unit within the Compliance Department. The unit's tasks include the following:

- Developing the policy of combating money laundering and terrorism financing at the Bank Group level, approving it by the Bank's BOD, circulating it to all Bank employees and review it on a periodic basis.
- Appointing a Money Laundering Reporting Officer (MLRO) and a Deputy Money Laundering Reporting Officer (DMLRO) to independently notify the Financial Investigation Unit (FIU) of any suspicious activities of money laundering, terrorism financing or tax evasion.
- Rating of customer risks in accordance with their risk grade (Risks-based approach (RBA)).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Applying Know Your Customer (KYC) program in line with the requirements of all regulatory parties. In addition to conducting the Customer Due Diligence in accordance with the RBA where the Enhanced Customer Due Diligence is carried out to natural or legal persons classified as high-risk rating according to the Bank's approved methodology of money laundering and terrorism financing risks. Such measures include prohibiting dealing with any international, black-listed parties, of the most important the UN resolutions. The measures also include not opening anonymous or digital accounts or dealing with fake banks.
- Adopting measures to help the Bank know the beneficial owner and ultimate beneficial owner (UBO`s) upon relationship establishment and/or creation of any financial transaction for the benefit of any customer through the Bank.
- Applying operating systems for on-going follow up and control of the customers' financial transactions and activities carried out through the Bank's different channels according to the Risk Based Approach (RBA) to detect and immediately report any suspicious activity of money laundering, terrorism financing or tax evasion in accordance with the laws and regulations in force applicable to the Bank, according to the jurisdiction where the Bank operates.
- Providing the Bank employees with reporting channels to enable them to confidentially report any suspicions of money laundering, terrorism financing or tax evasion, and encouraging them to report while protecting them in accordance with the Bank's whistle-blowing policy.
- Conducting periodic Self-Risk assessment of money laundering and financing terrorism risks which the Bank may face at the Bank Group level, whereby the customer risks, product risks, service channel risks, external branches risks and national risk assessment should be taken into consideration.
- Identifying and evaluating the risks of money laundering and terrorism financing that may occur in connection with the development of new products, or those that may arise from the use of new technologies within new business lines and taking appropriate measures to manage and reduce those risks.
- Developing measures to deal with foreign Banks, including Due Diligence measures according to their risk level, evaluating their compliance programs and money laundering and terrorism financing programs and obtaining the Chief Executive Officer's approval before establishing any relations with them while continuously following up the Bank's dealings with these banks.
- Preparing and continuously developing constant training programs for all Bank's employees of all administrative levels, including the Bank's BOD.
- Documenting and archiving records in accordance with the instructions of the regulatory authorities in the jurisdictions where the Bank operates and in line with the Bank's measures and mechanisms.
- Launching educational and awareness campaigns to all Bank's employees about the anti-money laundering and combating terrorism financing.

Risks of non-compliance with FATCA

After Jordan entered into an agreement with the USA regarding the cooperation to facilitate the application of the (foreign Account tax Compliance Act) (FATCA) and Jordan ratification of the FFI agreement approach, and as part of Bank of Jordan`s compliance program, the members of Bank of Jordan Group completed the registration procedures with the Internal Revenue Service (IRS)- US Department of the Treasury as a Participating Foreign Financial Institution (PFFI) within the framework of efforts to comply with the FATCA policies and requirements, enacted in 2010.

The Financial Crimes Unit / FATCA section takes all necessary measures to meet FATCA requirements for all members of Bank of Jordan Group level in accordance with the methodology and agreement signed with the internal revenue service (IRS)(FFI agreement approach), as Bank of Jordan/ Jordan is considered the Group leader, so it is responsible for the disclosure of the whole Group, except for "Bank of Jordan/ Bahrain" which is subject to **IGA model 1**.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Proceeding from FATCA Compliance Policy, approved by the BOD and reviewed periodically, therefore a compliance program was designed, including the following:

- √ Due Diligence and documentation.
- √ Reporting.
- √ Certificate.
- √ Withholding in line with the Agreement's requirements.

Fraud and Corruption Risks:

As part of the Bank's BOD's commitment to enhance the principles of probity, integrity and teamwork, a special Division within the Compliance Department was established to manage the fraud and corruption risks with highly qualified and skillful employees. The Division is entrusted with the following tasks:

- Approving unified policies, approved by the Bank`s BOD at Bank of Jordan`s Group level in order to combat fraud and corruption.
- Providing continuously updated automated systems and authorities to the compliance department to manage fraud and corruption risks.
- Implementing KYE (Know your employee) policies that include studying and monitoring candidate`s integrity and behavioral manners, as well as monitoring existing employees` in the same aspects.
- Approving monitoring policies for suppliers before and after the contracting process.
- Approving a policy for managing conflicts of interests and continuously monitoring the compliance to the policy.
- Approving a code of conduct and circulating it to all employees to raise their awareness of the code`s most important principles.
- Providing a whistle-blowing channel to report any violations or suspicions to all stakeholders (employees/ customers/ shareholders/ suppliers) to be available around the clock on the Bank's official website.
- escalate any violations made by employees depending on the case`s variables (to be escalated to either of : The compliance department / The Human resources department / The internal audit department / The BOD`s audit committee) .
- Approving early warning policies (Whistleblowing) that provide protection and anonymity to the reporters while enabling them to report any violations or breaches made.
- Transparently reporting any violations or breaches dealt with to the Central Bank of Jordan and any relevant authority

The customer complaints management and handling:

The Bank of Jordan attaches a special importance to handling the customer complaints in a transparent and equitable manner. This is clearly reflected in the Bank's daily operations, starting from approving, launching, and pricing the products and formulating contracts and forms. In addition to the advertisements and promotional campaigns. Therefore, the Customer Complaints Handling unit was established to handle customer`s complaints in line with Instructions No. (56/2012) issued by the Central Bank of Jordan (CBJ) on 31/10/2012. The Unit is administratively affiliated to the Compliance Department as a control department indicating the high attention paid by the Bank as regards to its dealings with the customers fairly and transparently .As the Bank believes that customers complaints could be a very important tool to monitor any violations to the Bank's general policies and procedures, and is considered as a tool for development by receiving and analyzing the complaints, specifying their causes, and addressing any deficiency that caused the customer to raise a complaint, without neglecting the role of the customers complaints in improving the quality of service provided to the customers through the coordination between the Customers Complaints Unit and the Service Quality Unit.

The Division is entrusted with the following tasks:

- Setting up and developing the customer complaints management policy to be approved by the BOD and circulated to all of the bank`s employees, as well as periodically revising the policy.
- Setting up and implementing a transparent and fair customer handling policy to be approved by the BOD and circulated to all of the bank`s employees, as well as periodically revising the policy.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Providing around the clock available channels to successfully receive any customer complaints.
- Approving and applying a customer complaints work mechanism to be implemented.
- Managing customer complaints through provided automated functions using the CX automated system.
- Studying and processing the causes of any customer complaints concerning the Bank of Jordan or any subsidiaries or external branches , while handling the cause of the complaint and making sure it doesn't cause any future complains within the certified time frame of handling customer complains due to the banking operational service level agreements ()
- Keeping records of any customer complaints through recorded calls for as long as the regulations state.
- Providing the BOD with periodic reports of the customer complaints and the actions taken to handle the complaint's causes.
- Providing the Central Bank of Jordan with quarterly reports and studies of the quarters` customers complaints.

Risks of non-compliance with the international sanctions (Sanction compliance):

Proceeding from the Bank's faith in its role within the local and the international economic system, the Bank is keen to comply with the UN Security Council Resolutions ratified by the Hashemite Kingdom of Jordan regarding the sanction lists related to counterterrorism and the banning of weapons of mass destruction. Furthermore, the Bank complies with any resolutions issued by international bodies ratified by the Hashemite Kingdom of Jordan and the countries where the Bank operates .As well as the sanctions and restrictions imposed by countries in which the Bank of Jordan has dealings with correspondent Banks in the jurisdictions where they operate, within the working limits of dealing with the correspondent Bank.

The Bank of Jordan established an independent function within the organizational chart of the Compliance Department to monitor the application of the Bank's compliance program with the international sanctions, following up and reflecting any international updates within the international sanctions' compliance program.

Bank of Jordan applies the international sanctions compliance program at the Bank Group level, including the following:

- Implementing a Sanction Compliance Group Policy, approved by the BOD and circulated to all Bank's employees of all functional positions and levels, Noting the Bank of Jordan has adopted a Zero tolerance approach policy to deal with any non-compliance to international sanctions.
- Due to Bank of Jordan adopting the Zero tolerance approach policy, the bank of Jordan complies with the following:
 - The Bank refuses to make any financial dealing with any sanctioned / listed individuals or entities
 - The Bank freezes any available assets owned by any governments, entities or individuals that are listed or sanctioned by the security council.
 - The Bank does not allow any incoming or outgoing commercial or financial dealings with sanctioned countries and governments.
 - The Bank does not allow any incoming or outgoing commercial or financial dealings listed as prohibited with sanctioned countries and governments, due to the bank's responsibility in the matter.
 - The Bank of Jordan complies with the sanctions listed by the OFAC.
 - The Bank of Jordan complies with the sanctions listed by the EU.
- Implementing automated systems that provide an up-to-date database that includes all the international lists of individuals and entities listed on embargo lists.
- Ensuring that none of the entities and individuals in the Bank's Customer on-boarding list is subject to sanctions by automatically integrating the costumers` name and the UBO`s name to international embargo lists as a process of the new account opening process before establishing the relationship.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Continuously verifying that non pre-existing clients have been listed through implementing periodical screening processes pursuant to the RBA approach.
- The implemented automated systems automatically gives alerts incase the names of any preexisting or costumer on-boarding listed clients , UBO`s or entities are matched with the names of any sanctioned entities or individuals to be further investigated by the compliance department.
- Clear Work procedures clarify the actions to be taken in case of any clients becoming listed on embargo lists, including the escalating and reporting process.
- Verifying the parties involved in any financial operations before the execution process.
- Implementing the Online Safe-Watch system, which is an automated system that is fully integrated with the SWIFT transactions system. The Online Safe-Watch automatically scans all the swift message brackets for any listed individuals or entities, which ensures no financial transactions are made with sanctioned entities.
- Periodical lists are provided to the employees at the group level with a list of all high risk rated countries (based on the listings of the security council and international sanction programs) in-order to notify employees to take enhanced due diligence measures before conducting any dealings with the listed countries.
- Continuously checking the employee`s compliance to the international sanctions through the periodical investigations conducted by the compliance department.
- Internal audit investigations are taken to ensure that the compliance department are taking enough suitable measures to comply with the international sanctions.
- Continuous updated training programs are conducted to educate the employees of all administrative levels (as well as the BOD) about international sanctions.

Further noting that all of the work activities of the Compliance department are investigated by the internal audit department as an independent body, and the internal audit department escalates its reports to the BOD`s audit committee to be reviewed .

IFRS (9) implementation related disclosures

First: Qualitative Disclosures

On July 24th, 2014, the International Accounting Standards Board issued the final version of IFRS 9 related to Financial Instruments and Provisions, which will replace IAS 39 and will be mandatory effective from 1 January 2018. The standard includes the below:

- Classification and measurement of financial instruments.
- Determination of expected credit loss allowance.
- Hedge accounting.

The standard came in response to the lessons learned from the global financial crisis, since one of the reasons for the crisis was the delay in recognition of debt losses whereas Losses are recognized when realized. The new standard requires establishing provisions for credit facilities based on the expectations of borrower default or inability to meet financial commitments.

This standard introduced radical amendments to the methods used to calculate bank provisions as the current concept of assigning provisions is based on losses resulted from non-performing loans while the new standard works in proactive basis by assigning provision against current performing credit facilities assuming the occurrence of future default for such credit facilities. Based on the expectations of the future of the working debt Proactive as expected credit loss provision.

Bank of Jordan carried out IFRS 9 implementation works in cooperation with Moody's where the historical data of Bank of Jordan Groups were used to measure the expected credit losses weighted by the impact of economic scenarios.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Central Bank of Jordan instructions as well as the Bank's business Model, risk departments (risk framework) and supervisory departments were all taken into consideration when forming Bank of Jordan IFRS (9) methodology. The Bank's management ensured that the methodology emulate the Bank's business model and apply the best practices, quantitative methods and statistical models to produce the components of the expected credit loss formula in:

Expected Credit Loss = Probability of Default x Exposure at Default x Loss Given Default

IFRS (9) Scope of Implementation:

Bank of Jordan IFRS (9) methodology catered for applying the standard on group level (foreign branches) and its subsidiaries and in line with the host country laws and regulations. The model of Expected Credit Loss calculation covers the following:

- Loans and credit facilities (direct and indirect).
- Debt instruments carried at amortized cost.
- Financial guarantees (as per the standards requirements).
- Credit claims on banks and financial institutions (excluding current accounts used to cover the bank operations such as remittances, Letters of Guarantee and Letters of Credit) which falls within a short period of time (days).

The following are the main information and definitions used by the Bank to implement this standard:

- Definition of Default:

The occurrence of 90 days or more past due where such event indicates the obligor inability to meet the contractual obligations in full with the Bank.

- Definition of Probability of Default PD:

Probability of Default represent the risk of the customer's inability to meet its obligations toward the bank.

- Determination of PD for Corporate and SME Portfolios: through mapping the obligors ratings generated by the internal risk rating system with it's equivalent Probability of Default at this level of risk, taking into account that each risk rate reflects a certain level of risk and weighted by the portfolios historical default events (Corporates and SMEs).
- Determination of PD for Retail Portfolio: these PDs were established based on the historical product default data (collective level) for each product, where the Observed Default Rate is calculated by applying a statistical model (Autoregressive Model) for evaluating the default rate for each product.

- Definition of Exposure at Default EAD: represent the borrower outstanding indebtedness toward the bank when default takes place.

The calculation of exposure at default were carried out in line with the historical utilization for the credit facilities and according to its nature (direct, indirect, revolving and/or amortizing) thus the basis for calculating the exposure at default was set based on the facility nature and age.

- Loss Given Default LGD: represent the bank loss resulted from non-performing credit loss impairment, in other terms (1- Recovery Ratio).
- At the level of corporate and SME portfolios: The Bank determine LGDs for credit instruments under Corporate and SME portfolios through using Moody's RiskCalc the LGD model, the model depends on the availability of several input such as obligor PD, business sector in addition to credit facility nature (revolving/amortizing) and takes into consideration the availability of tangible collaterals (secured or unsecured) and the collateral type and value. In addition to the above, the risk calculation LGD model avails LGD results according to credit maturity and its stage (12 months LGDs and the lifetime LGDs) accompanied with recovery ratios for each credit instrument.
- At the level of the collective portfolio: the rate of loss was determined at the product level based on industry- standards and observed magnitudes in the region, in addition to business input from the Bank of Jordan.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Zero LGDs was assigned for 100% cash collateralized facilities (dominated in the same currency) and for facilities availed for the Government of Jordan and/or backed by the Government of Jordan (regardless of credit facilities currency).
- **Calculating the Expected Credit Loss ECL for Time Deposits Held with Other Banks:**
 - Using the Banks Risk Calculation model, the probability of default and default due to default has been reached. Through Banks Risk Calculation, the called Expected Default Frequency EDF is produced, which is equivalent to the probability of default for the banks with which deposits are held. The risk of default in the inputs of the Risk Calculation LGD model Loss due to default and then the balance is calculated at default on the assumption of the entire deposit value without any modification to the possibility of default as the deposits can be subject to the calculation of the possibility of default for a period of time adjustment.
- **Calculating the Expected Credit Loss ECL for Bonds:**
 - The largest share of the bond portfolio is bonds guaranteed by the Government of Jordan and are not subject to the expected credit loss.
 - The PDs calculated by using Banks Risk Calculation model to cater for banks bonds while PDs for corporate bonds generated by mapping the Internal Risk Rate for the subject companies with the equivalent PDs. LGDs determination by using the Risk Calculation LGD model (same as other assets subject to ECL). Bond value at reporting date represent EAD. Once the ECL formula components defined, the Bank executes the calculations to define the ECL for bonds.
- **Internal Credit Risk Rating:**
 - Bank of Jordan applies an internal risk rating system to classify the risks of corporate and small and medium-sized companies (SMEs) on a scale of 1-10, so each degree reflects the risk of default, thus identifying the possibility of the customer's failure through its risk rating.
 - The customer risk rating process includes the study and analysis of the customer's quantitative data so that the financial performance of the client is evaluated, the financial performance of the client, the business activity and its relationship with the Bank as well as industry risks.

The risk rating table consists of 10 grades, each of which internally reflects the degree of risk associated with the customer. The higher the level of the customer's risk, the greater the risk of default. Consequently, more control is imposed on the client's account and more stringent procedures are followed. The grades from 1 to 6 generally reflect relatively acceptable risks (hence credit is included in the first stage), Grade 7 reflects a significant increase in the degree of risk to the client (therefore included in the second stage/watchlist), finally grades 8-10 reflects the customer's entry in the default case, accordingly to be classified within stage as a non-performing classification.

The table below shows the internal credit risk rating against customer risks and the probability of default corresponding to each rating:

| <u>Internal credit Risk Rating</u> | <u>Credit Stage</u> | <u>Propability of Default</u> |
|------------------------------------|------------------------------|-------------------------------|
| 1-6 | Stage One – performing | From %0,008 to %4,2 |
| 7 | Stage Two - watchlist | From %6,5 to %15 |
| 8-10 | Stage Three – Non performing | %100 |

Calculating Obligors Risk Rating and the Expected Credit Loss on Collective Basis:

- Retail portfolio: Based on the historical product default data (collective level) for each product, where the Observed Default Rate calculated by applying a statistical model (Autoregressive Model) for evaluating the default rate for each product. Retail products categorized in 4 groups: housing loans, personal loans, auto loans and revolving loans including credit cards knowing that these products share the same characteristics in terms of: credit risk, collateral type, interest rate and maturity.

Calculating Obligors Risk Rating and the Expected Credit Loss on Individual Basis:

- At the level of the portfolio of corporates and SMEs: By determining the classification of the client by the business segment (Business Segment), whether companies or small and medium enterprises and then study the historical default rate of the portfolio Historical Default Data (for the previous five years) and therefore give the customer degree of risk commensurate The Segment Level Risk Rating is the historical default rate of the portfolio.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- After determining the probability of default for the client at the portfolio level, the expected credit loss for the customer is calculated on an individual basis, depending on the nature of the facilities granted to the customer/age of credit and guarantees (as applicable to all SME customers).

IFRS (9) Implementation Governance:

- Bank of Jordan IFRS (9) methodology covers the Governance procedures followed in applying the IFRS (9) which summarize the roles and responsibilities for all parties involved in implementation works in addition to data checking mechanisms applied in checking the data used in IFRS (9) implementation.
- Governance procedures covers audit role and the validation of expected credit loss adequacy allocated by the Bank. In addition to the above Audit is also responsible for conducting periodic review to ensure data accuracy used in applying the IFRS9 in order to meet the regulator requirements. Furthermore, Audit are in charge of monitoring involved units and evaluate the IFRS 9 implementation by generating periodic reports to the board who in turn approve the results and role responsible for applying effective monitoring through defining committees and unit roles in the Bank to unit roles in the Bank to provide the proper infrastructure and ensure work integration between these units ensure work integration between these units.

Changes in Credit Risk and Determinants Followed by the Bank's in Calculation of Expected Credit Loss:

Adopting the Internal Credit Rating System adopted by the Bank of Jordan in addition to the decisions of the Credit Committee. For the purpose of determining a significant change in the classification of a customer's risk rating, the rating of the customer five years ago is compared with their current rating or (due appearance) for 30 days or more, which requires the transfer of the customer from Stage 1 to Stage 2 while a decline in customer rating (two notches) indicates a substantial change in the credit type.

For the purpose of transfer of credit claims between the stages, the following controls have been set:

- 1- Adoption of a standard (30-day due period) since the inception of the application as an indication of an increase in credit risk.
- 2- If there is a maturity of more than 30 days and up to 59 days at the account level, all the facilities granted to the customer are classified as Stage 2.
- 3- Client classified under watch list, all it's products granted shall remain within Stage 2 until the customer is obliged to pay (3) monthly instalments, two quarterly instalments or one semi-annual premium. In the case of a customer's commitment and the transfer of its classification to a regular transaction, the customer is treated according to the base number of days due only.
- 4- If the classified client is not performing all the products granted to him remain within Stage 3. If the account is settled, the client is transferred to Stage 2, the classification of the customer will be under watch list transferred from non performing and the client will stay under this classification until point 3 is met.

Applying Macroeconomic Scenarios on the Expected Credit Loss (ECL) Results:

The ECL result is a weighted average of 3 scenarios (40% of baseline scenario + 30% of downside scenario + 30% of upside scenario) on the final result of the expected credit loss at the facility/instrument level and the expected credit loss is the result of the maturity of each facility and the stage at which the customer is classified (Stage 1, Stage2 & Stage3).

Several factors were used to predict the expected future events and to use more than one scenario (basic, negative and positive). These factors were summarized in the adoption of the impact of change in GNP, the performance of the financial market (for the corporate portfolio and SMEs) and the change in the consumer price index and the performance of the financial market (For the collective portfolio).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Employing the impact of economic scenarios in calculating the expected credit loss:

| | |
|---------------------------------------|---|
| Corporates and SMEs Portfolio | The most statistically relevant model is one that includes the performance of the financial market Equity and GDP as independent variables having an impact on credit quality (dependent variable). Whenever one of these variables changes, it will affect the quality of credit (negatively or positively). Based on the results of the statistical test (t-statistics), the economic variables (the performance of the financial market and the GDP) were adopted as they were considered the most appropriate to determine the change in the credit quality of the customer. |
| Collective Portfolio | The economic indicators adopted in the calculation of the credit loss are the Consumer Price Index (CPI) and the Stock Prices Proxies Index (SPI) as an indicator that reflects the position of the labor market. These indicators were selected after studying the extent of their correlation with default rates according to historical data. |
| Bonds | The probability of default PD and the loss given default: financial data were entered for the Banks bonds purchased as this process produces Expected Default Frequency which is equivalent to the probability of default. Then LGD is generated after that exposure at default EAD is calculated assuming the full bond value. The expected ECL loss is calculated using the Moody's Impairment calculation model. |
| Jordan Leasing Company | - EAD for Leasing Loan is calculated based on (Net Investment + unutilized portion of limit for stage1 and 2. -LGD (loss given default) for Wholesale is calculated using RiskCalc system taking into consideration the value of collateral/real estate for Wholesale Portfolio. -LGD for Retail was applied on Product level. -Linking customers probability of default (PD) with point in time probability of default (PIT PD) to be subject to economic scenarios. Accordingly, the expected credit loss results have been produced at customer's level by classifying them within the Wholesale or individual portfolios. |
| Excel for Financial investmnet | EAD is calculated on the gross limits although the utilization is tied to the deposit of shares (it is not possible to utilize without a contribution from the customer) which represents the most conservative balance. Calculation of the LGD based on the percentage of the customer's contribution (1-percentage of the customer's contribution). Linking the customer's portfolio probability of default with the point in time probability of default PIT PD to be subject to the economic scenarios and will therefore produce the expected credit loss at the client and portfolio levels. |
| Bank's Deposits | Calculating the probability of default and the loss given default LGD for the production of Expected Default Frequency EDF, which is equivalent to the probability of default for the banks whose deposits are held. The LGD is then generated and then EAD is calculated assuming the full deposit value then ECL is calculated using the Moody's ImpairmentCalc model. |

❖ **As a result of the COVID 19 pandemic and the developments resulting from it, the Bank has taken a set of measures since the start of the pandemic and during the year 2020, and the Bank has resumed work on measuring the impact of the pandemic also during the current year 2021, as follows:**

- Restructuring and postponing the credit facilities instalments in accordance with the Central Bank of Jordan instructions for taking appropriate measures to face the pandemic.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Measuring the expected risks of the economic sectors for all customers at the level of Bank of Jordan Group, as this was done through the Central Bank of Jordan issued instructions measuring the impact of the COVID 19 pandemic on the bank's portfolios to assess the expected impact of the pandemic by classifying the degrees of customers / sectors affected into three degrees as follows:
- 1- Highly impacted: customers/ sectors expected to be classified under non-performing debts (stage 3) after 2-3 months.
- 2- Medium impact: customers/ sectors expected to be classified under non-performing debts (stage 3) after 6 months.
- 3- Low impact: customers/ sectors expected to be classified under non-performing debts (stage 3) after 9 Months.

In light of above, business units have studied their corporate, commercial / individual portfolios in terms of a set of indicators as shown below:

1) Corporate and Commercial Portfolio:

The business units of both Corporate and commercial clients have studied a set of indicators, including cash flows, the client's financial position and related economic activity to provide the degrees of client's impact degrees. The Credit Risk Department included this category of clients in the third stage, and raised its risk rating to (8) and its probability of default to (100%), leading to the calculation of expected credit losses for each sector / customer.

2) Retail Portfolio:

The Retail Banking Services Department studied the affected customers and sectors, and the Credit Risk Department included this category of customers within the third phase, and raised the probability of its default to (100%), leading to the calculation of the expected credit losses for each customer.

- At the same time, the impact of the COVID 19 pandemic on clients has reassessed by Bank of Jordan team for the whole year of 2021 on quarterly basis, the current results were compared with the results of the end of last year 2020 and the results of the beginning of the pandemic, accordingly the size of the expected credit losses impact were reflected on the financial statements.
- Expected credit losses were estimated based on a set of expected economic conditions as at that date and in view of the rapid development of the current situation, the bank took into consideration the impact of high volatility on future macroeconomic factors when determining the severity and likelihood of economic scenarios to determine expected credit losses. This volatility was reflected through the modification in the scenarios building methods, and determining the future factors used from the statistical distribution of the factors of the credit cycle index, which can be derived from a number of observable historical factors such as risk returns, credit growth, margins or credit assumptions, as well as the forward looking.
- The bank has updated the macroeconomic factors used in calculating the probability of default to reflect the development resulting from the COVID 19 pandemic in coordination with Moody's, which were determined from the statistical distributions of the credit cycle index factors. The bank conducts the study and periodic review of these factors and scenarios on an ongoing basis.
- In addition to that, Bank of Jordan management has paid special attention to the impact of COVID 19 pandemic on qualitative and quantitative factors when determining the large increase in credit risk and assessing indicators of impairment risk in the sectors likely to be affected. This led to a downgrade of some credit exposures and recognition of expected credit losses and impairment provisions, as set out in the notes to the consolidated financial statements.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Second: Quantitative Disclosures:

(43/A) Credit Risk

Exposure to credit risk (after expected credit losses provisions and interest in suspense and before collateral held or other mitigation factors):

| | 2021 | 2020 |
|--|----------------------|----------------------|
| | JD | JD |
| Consolidated Statement of Financial Position items | | |
| Balances with central banks | 300,258,828 | 283,016,956 |
| Balances with banks and financial institutions | 136,002,180 | 190,722,330 |
| Deposits with banks and financial institutions | 89,249,477 | 89,525,567 |
| Financial assets through comprehensive income – debt instruments at fair value | - | 25,344,463 |
| Credit facilities: | 1,486,114,693 | 1,466,739,098 |
| Individuals (retail customers) | 549,756,219 | 510,934,395 |
| Real estate loans | 262,160,745 | 247,351,731 |
| Corporates | 468,072,264 | 527,426,549 |
| Large corporate customers | 253,804,549 | 319,177,566 |
| SMEs | 214,267,715 | 208,248,983 |
| Government and public sector | 206,125,465 | 181,026,423 |
| Financial assets at amortized cost (Bonds & Treasury Bills) | 383,830,120 | 348,454,969 |
| | 2,395,455,298 | 2,403,803,383 |
| Off-Balance Sheet | | |
| Letters of guarantee | 88,104,618 | 104,089,553 |
| Letters of credit | 26,566,684 | 52,145,558 |
| Acceptances | 13,925,794 | 18,589,588 |
| Un-utilized direct and indirect facilities limits | 319,574,670 | 284,804,671 |
| Total | 2,843,627,064 | 2,863,502,753 |

The guarantees and mitigating credit risk factors against credit exposure mentioned above include the following:

- Obtaining suitable guarantees and recording them correctly against any potential risks. These guarantees represent cash guarantees, and non-cash guarantees such as real estate, vehicles, equipment and stock mortgages in addition to guarantees and credit derivatives binding to all parties involved and legally exercisable at all competent courts.
- Having a credit rating system for the Bank's customers and relying on the credit ratings issued by international credit agencies for banks and companies.
- Performing periodic evaluations of guarantees according to the nature, type and degree of risk to regularly ensure their adequacy against the credit granted.
- Conducting a legal audit of all contracts and documents their applicability according to the Bank's system, laws and regulations.
- Having financial derivatives that mitigate market risks.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Table below illustrates credit exposures distribution according to the risk grades:

| December 31, 2021 | | | | | | | |
|--|--|-----------------------|-------------------------------------|------------------------------------|--|--|--|
| Credit risk Rating Based on the Bank's internal risk Rating System: | Category Classification according to Instructions (47/2009) | Total Exposure | Expected Credit Losses (ECL) | Probability of Default (PD) | Classifications by External Classification Institutions | Exposure at Default (EAD) in Million Dinars | Average Loss given Default (LGD)% |
| 1 | Performing | 560,376,335 | - | 0.010% | Aaa | 560,464,555 | 0.000% |
| 2 | Performing | 106,207,154 | 10,069 | 0.010% - 0.028% | Aa1 - Aa3 | 104,411,637 | 32.25% |
| 3 | Performing | 203,095,880 | 29,578 | 0.02% - .1% | A1 - A3 | 184,653,285 | 39.66% |
| 4 | Performing | 333,590,489 | 102,953 | 0.90% - 0.150% | Baa1 - Baa3 | 330,737,384 | 37.42% |
| 5 | Performing | 339,691,910 | 623,186 | 0.310% - 1.300% | Ba1 - Ba3 | 332,464,684 | 45.30% |
| 6 | Performing | 423,555,010 | 1,021,119 | 0.880% - 4.200% | B1 - B3 | 418,120,497 | 42.11% |
| 7 | Performing | 47,541,428 | 28,655,601 | 2.790% - 35.270% | Caa1 - Caa3 | 46,831,193 | 47.85% |
| Unclassified | Performing | 854,573,789 | 4,542,753 | 4.84% | - | 824,739,493 | 65.22% |
| Non - Performing exposure | | | | | | | |
| 8 | Non-performing | 921,010 | 738,833 | 100% | Default | 920,810 | 59.78% |
| Unclassified | Non-performing | 3,082,927 | 1,004,903 | 100% | Default | 3,082,916 | 62.92% |
| 9 | Non-performing | 19,915,675 | 19,836,046 | 100% | Default | 20,735,119 | 63.15% |
| Unclassified | Non-performing | 4,220,746 | 2,706,739 | 100% | Default | 4,247,379 | 62.26% |
| 10 | Non-performing | 67,937,736 | 63,283,226 | 100% | Default | 67,941,492 | 71.24% |
| Unclassified | Non-performing | 45,875,347 | 44,403,366 | 100% | Default | 45,960,246 | 63.93% |
| Total | | 3,010,585,436 | 166,958,372 | | | 2,945,310,690 | |
| December 31, 2020 | | | | | | | |
| Credit risk Rating Based on the Bank's internal risk Rating System: | Category Classification according to Instructions (47/2009) | Total Exposure | Expected Credit Losses (ECL) | Probability of Default (PD) | Classifications by External Classification Institutions | Exposure at Default (EAD) in Million Dinars | Average Loss given Default (LGD)% |
| 1 | Performing | 533,765,553 | - | 0.015% | Aaa | 525,929,770 | 0.000% |
| 2 | Performing | 138,603,545 | 9,251 | 0.010% - 0.028% | Aa1 - Aa3 | 139,221,673 | 24.27% |
| 3 | Performing | 226,346,688 | 59,384 | 0.03% - .150% | A1 - A3 | 214,469,335 | 37.96% |
| 4 | Performing | 288,116,609 | 190,167 | 0.150% - 1.00% | Baa1 - Baa3 | 296,655,807 | 32.16% |
| 5 | Performing | 431,973,868 | 875,921 | 0.50% - 2.5% | Ba1 - Ba3 | 417,211,164 | 27.55% |
| 6 | Performing | 433,022,067 | 2,571,402 | 1.90% - 12% | B1 - B3 | 465,375,729 | 20.51% |
| 7 | Performing | 17,311,294 | 10,062,047 | 6.50% - 33% | Caa1 - Caa3 | 17,928,950 | 23.19% |
| Unclassified | Performing | 807,285,399 | 9,834,704 | 2.65% | - | 776,489,125 | 31.32% |
| Non - Performing exposure | | | | | | | |
| 8 | Non-performing | 3,221,118 | 2,460,301 | 100% | Default | 3,218,653 | 75.47% |
| Unclassified | Non-performing | 2,386,907 | 1,322,020 | 100% | Default | 2,573,549 | 33.02% |
| 9 | Non-performing | 16,395,506 | 16,297,187 | 100% | Default | 16,627,868 | 55.60% |
| Unclassified | Non-performing | 2,311,056 | 1,865,358 | 100% | Default | 2,312,113 | 21.51% |
| 10 | Non-performing | 69,367,115 | 64,661,270 | 100% | Default | 69,368,191 | 60.38% |
| Unclassified | Non-performing | 44,799,434 | 41,406,598 | 100% | Default | 44,763,396 | 56.46% |
| Total | | 3,014,906,159 | 151,615,610 | | | 2,992,145,323 | |

- Exposure includes direct credit facilities, balances and deposit with banks and financial institutions, Treasury bonds and any assets with credit exposures.

BANK OF JORDAN

(PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Distribution of collaterals fair value against total credit exposures:

| Item | December 31, 2021 | | | | | | | | | |
|--|----------------------|-------------------|-------------------|----------------------|---------------------------|--------------------|----------|----------------------------|--------------------------------|----------------------------|
| | Total Exposure Value | Cash Collaterals | Quoted Stocks | Letter of Guaranteed | Fair value of collaterals | | | Total Value of Collaterals | Net Exposure after Collaterals | Expected Credit Loss (ECL) |
| | | | | | Real Estate | Cars and Mechanics | Others | | | |
| Balances with central banks | 300,376,491 | - | - | - | - | - | - | - | 300,376,491 | 117,663 |
| Balances with banks and financial institutions | 136,007,374 | - | - | - | - | - | - | - | 136,007,374 | 5,194 |
| Deposits with banks and financial institutions | 89,282,000 | - | - | - | - | - | - | - | 89,282,000 | 32,523 |
| Credit facilities at amortized cost: | | | | | | | | | | |
| Individuals | 593,962,522 | 18,180,857 | 16 | - | 39,505,118 | 42,048,679 | - | 99,734,670 | 494,227,852 | 44,206,303 |
| Real estate loans | 271,198,723 | 340,775 | - | - | 210,315,534 | 11,252,213 | - | 221,908,522 | 49,290,201 | 9,037,978 |
| Corporate: | | | | | | | | | | |
| Large corporate customers | 320,250,910 | 15,220,666 | 10,433,606 | 66,420 | 35,861,431 | 1,871,172 | - | 63,453,295 | 256,797,615 | 66,446,361 |
| SMEs | 253,035,877 | 11,209,495 | 427,379 | 2,194 | 75,785,733 | 6,540,765 | - | 93,965,566 | 159,070,311 | 38,768,162 |
| Government and Public Sector | 206,297,647 | - | - | - | - | - | - | - | 206,297,647 | 172,182 |
| Bonds and Treasury Bills: | | | | | - | | | | | |
| Within financial assets at amortized cost | 384,307,200 | - | - | - | - | - | - | - | 384,307,200 | 477,080 |
| Total | 2,554,718,744 | 44,951,793 | 10,861,001 | 68,614 | 361,467,816 | 61,712,829 | - | 479,062,053 | 2,075,656,691 | 159,263,446 |
| Financial Guarantees | 95,353,731 | 4,100,450 | 18,464 | - | 5,620,874 | 35,886 | - | 9,775,674 | 85,578,057 | 7,249,113 |
| Letters of Credit and acceptances | 40,529,463 | 334,011 | - | - | 80,659 | - | - | 414,670 | 40,114,793 | 36,985 |
| Other Liabilities | 319,983,498 | - | - | - | - | - | - | - | 319,983,498 | 408,828 |
| Gross total | 3,010,585,436 | 49,386,254 | 10,879,465 | 68,614 | 367,169,349 | 61,748,715 | - | 489,252,397 | 2,521,333,039 | 166,958,372 |

BANK OF JORDAN

(PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Distribution of collaterals fair value against total credit exposures:

| Item | December 31, 2020 | | | | | | | | | |
|---|---------------------------|---------------------|-------------------|-------------------------------------|--------------------|-----------------------|------------------|-------------------------------|-----------------------------------|----------------------------------|
| | Fair value of collaterals | | | | | | | | Net Exposure after Collaterals | Expected Credit Loss (ECL) |
| | Total Exposure Value | Cash Collaterals | Quoted Stocks | Accepted Letter of Guaranteed | Real Estate | Cars and Mechanics | Others | Total Value of Collaterals | | |
| Balances with central banks | 283,107,444 | - | - | - | - | - | - | - | 283,107,444 | 90,488 |
| Balances with banks and financial institutions | 190,726,236 | - | - | - | - | - | - | - | 190,726,236 | 3,906 |
| Deposits with banks and financial institutions | 89,564,000 | - | - | - | - | - | - | - | 89,564,000 | 38,433 |
| Financial assets at fair value through comprehensive income - debt instruments | 25,344,463 | - | - | - | - | - | - | - | 25,344,463 | 212,204 |
| Credit facilities at amortized cost: | | | | | | | | | - | |
| Individuals | 555,554,028 | 16,580,898 | 3,210,091 | - | 28,430,088 | 46,347,333 | - | 94,568,410 | 460,985,618 | 44,619,633 |
| Real estate loans | 257,439,383 | 650,309 | - | - | 218,732,552 | 14,339,686 | - | 233,722,547 | 23,716,836 | 10,087,652 |
| Corporate: | | | | | | | | | | |
| Large corporate customers | 373,068,710 | 15,980,636 | 10,477,275 | 66,420 | 46,154,072 | 2,403,061 | - | 75,081,464 | 297,987,246 | 53,891,144 |
| SMEs | 241,038,022 | 10,034,324 | 703,497 | 2,194 | 95,385,725 | 9,694,254 | 9,500,000 | 125,319,994 | 115,718,028 | 32,789,039 |
| Government and Public Sector | 181,364,510 | 266,315 | - | - | - | - | - | 266,315 | 181,098,195 | 338,087 |
| Bonds and Treasury Bills: | | | | | | | | | - | |
| Within financial assets at amortized cost | 349,154,840 | - | - | - | - | - | - | - | 349,154,840 | 699,871 |
| Total | 2,546,361,636 | 43,512,482 | 14,390,863 | 68,614 | 388,702,437 | 72,784,334 | 9,500,000 | 528,958,730 | 2,017,402,906 | 142,770,457 |
| Financial Guarantees | 112,042,910 | 4,393,313 | 8,500 | - | 6,723,285 | 84,162 | - | 11,209,260 | 100,833,650 | 7,953,357 |
| Letters of Credit and acceptances | 70,935,900 | 933,201 | - | - | 174,913 | - | - | 1,108,114 | 69,827,786 | 130,754 |
| Other Liabilities | 285,565,713 | 9,139 | - | - | 1,073,643 | - | - | 1,082,782 | 284,482,931 | 761,042 |
| Gross total | 3,014,906,159 | 48,848,135 | 14,399,363 | 68,614 | 396,674,278 | 72,868,496 | 9,500,000 | 542,358,886 | 2,472,547,273 | 151,615,610 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Exposure under stage 3:

| Item | December 31, 2021 | | | | | | | | | |
|--|----------------------------|---------------------|------------------|-------------------------------------|-------------------|-----------------------|----------|-------------------------------|--------------------------------------|----------------------------------|
| | Fair value of collaterals | | | | | | | | Net Exposure after Collaterals | Expected Credit Loss (ECL) |
| | Total Exposure Value | Cash Collaterals | Quoted Stocks | Accepted Letter of Guarantees | Real Estate | Cars and Mechanics | Others | Total Value of Collaterals | | |
| Direct credit facilities at amortized cost: | | | | | | | | | | |
| Individual (retail customers) | 42,637,430 | 73,078 | - | - | 5,843,117 | 78,114 | - | 5,994,309 | 36,643,121 | 40,036,349 |
| Real estate Loans | 11,405,345 | - | - | - | 721,308 | - | - | 721,308 | 10,684,037 | 8,676,774 |
| Corporate: | | | | | | | | | | |
| Large corporate customers | 46,094,508 | - | - | 66,420 | 3,669,374 | 42,505 | - | 3,778,299 | 42,316,209 | 46,092,607 |
| SMEs | 30,735,083 | 366,314 | - | 2,194 | 9,484,702 | 744,659 | - | 10,597,869 | 20,137,214 | 30,152,846 |
| Government and Public Sector | - | - | - | - | - | - | - | - | - | - |
| Total | 130,872,366 | 439,392 | - | 68,614 | 19,718,501 | 865,278 | - | 21,091,785 | 109,780,581 | 124,958,576 |
| Financial Guarantees | 10,980,895 | - | - | - | 156,685 | 11,309 | - | 167,994 | 10,812,901 | 7,013,695 |
| Gross total | 141,853,261 | 439,392 | - | 68,614 | 19,875,186 | 876,587 | - | 21,259,779 | 120,593,482 | 131,972,271 |

Exposure under stage 3:

| Item | December 31, 2020 | | | | | | | | | |
|---|---------------------------|---------------------|------------------|-------------------------------------|-------------------|-----------------------|----------|-------------------------------|--------------------------------------|----------------------------------|
| | Fair value of collaterals | | | | | | | | Net Exposure after Collaterals | Expected Credit Loss (ECL) |
| | Total Exposure Value | Cash Collaterals | Quoted Stocks | Accepted Letter of Guarantees | Real Estate | Cars and Mechanics | Others | Total Value of Collaterals | | |
| Credit facilities at amortized cost: | | | | | | | | | | |
| Individual (retail customers) | 38,141,972 | 60,626 | - | - | 6,396,094 | 74,165 | - | 6,530,885 | 31,611,087 | 36,133,430 |
| Real estate Loans | 12,353,924 | - | - | - | 238,220 | - | - | 238,220 | 12,115,704 | 9,164,127 |
| Corporate: | | | | | | | | | | |
| Large corporate customers | 43,323,231 | - | - | 66,420 | 4,389,320 | 41,245 | - | 4,496,985 | 38,826,246 | 43,460,344 |
| SMEs | 32,993,395 | 448,691 | 3,026 | 2,194 | 17,519,434 | 1,180,787 | - | 19,154,132 | 13,839,263 | 31,624,215 |
| Government and Public Sector | - | - | - | - | - | - | - | - | - | - |
| Total | 126,812,522 | 509,317 | 3,026 | 68,614 | 28,543,068 | 1,296,197 | - | 30,420,222 | 96,392,300 | 120,382,116 |
| Financial Guarantees | 11,566,466 | - | - | - | 620 | - | - | 620 | 11,565,846 | 7,629,567 |
| Gross total | 138,378,988 | 509,317 | 3,026 | 68,614 | 28,543,688 | 1,296,197 | - | 30,420,842 | 107,958,146 | 128,011,683 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Rescheduled Loans

These represent loans classified previously as non-performing, removed from non-performing credit facilities according to proper scheduling, and Total rescheduled loans amounted to JD 5,258,263 as of December 31, 2021 (JD 8,069,952) as of December 31, 2020).

This balance represents the rescheduled loans either classified as watch list or returned to performing loans.

2. Restructured Loans

Restructuring means to rearrange facilities installments by increasing their duration, postponing some installments or increasing their grace period, and watch list. Total restructured loans amounted to JD 126,192,464 as of December 31, 2021 (JD 74,075,951 as of December 31, 2020).

3. Bonds, Debentures and Treasury Bills

The schedule below shows the distribution of bonds, debentures and bills according to the international agencies' classification:

| Rating Grade | Rating Agency | Classification | Included within financial assets at fair value through OCI | Within Financial Assets at Amortized Cost | Total |
|----------------------------|---------------|----------------|---|---|--------------------|
| | | | JD | JD | JD |
| Foreign Bank Bonds | Moody's | A3 | - | 7,834,967 | 7,834,967 |
| Foreign Bank Bonds | Moody's | Aa3 | - | 720,417 | 720,417 |
| Foreign Corporate Bonds | Moody's | Ba3 | - | 22,091,150 | 22,091,150 |
| Jordanian Government Bonds | Moody's | B1 | - | 235,228,007 | 235,228,007 |
| Jordanian Government Bills | Moody's | B1 | - | 20,660,011 | 20,660,011 |
| Foreign Bank Bonds | Moody's | B2 | - | 7,106,199 | 7,106,199 |
| Foreign Government Bonds | Moody's | B2 | - | 28,977,281 | 28,977,281 |
| Unrated Bonds | Moody's | NR | - | 61,689,168 | 61,689,168 |
| Total | | | - | 384,307,200 | 384,307,200 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Concentration in credit exposure according to geographical distribution was as follows:

A. Gross Distribution Exposures Based on Geographic Areas:

| Item | December 31, 2021 | | | | | | | December 31, 2020 |
|---|----------------------|-----------------------------|-------------------|------------------|------------------|-------------------|-----------------|----------------------|
| | Inside Jordan | Other Middle East Countries | Europe | Asia | Africa | America | Other Countries | Total |
| Balances with central banks | 169,196,761 | 131,062,067 | - | - | - | - | - | 300,258,828 |
| Balances with banks and financial institutions | - | 16,354,608 | 43,003,682 | 2,362,260 | - | 74,281,630 | - | 136,002,180 |
| Deposits with banks and financial institutions | 88,967,493 | 281,984 | - | - | - | - | - | 89,249,477 |
| Credit facilities | 1,076,724,382 | 384,401,882 | 17,967,611 | - | 7,020,818 | - | - | 1,486,114,693 |
| Bonds and Treasury Bills: | | | | | | | | |
| Within financial assets at amortized cost | 295,811,648 | 88,018,472 | - | - | - | - | - | 383,830,120 |
| Within financial assets at fair value through comprehensive income - fair value | - | - | - | - | - | - | - | 25,344,463 |
| Total/Current year | 1,630,700,284 | 620,119,013 | 60,971,293 | 2,362,260 | 7,020,818 | 74,281,630 | - | 2,395,455,298 |
| Financial Guarantees | 61,208,575 | 14,253,062 | 6,010,673 | 6,452,787 | 73,183 | 106,338 | - | 88,104,618 |
| Letters of Credit | 17,156,167 | 9,333,865 | - | - | 76,652 | - | - | 26,566,684 |
| Acceptances | 13,924,355 | 1,439 | - | - | - | - | - | 13,925,794 |
| Un-utilized balances | 241,682,070 | 63,131,990 | 14,760,610 | - | - | - | - | 319,574,670 |
| Total | 1,964,671,451 | 706,839,369 | 81,742,576 | 8,815,047 | 7,170,653 | 74,387,968 | - | 2,843,627,064 |

B. Exposure Distribution According to Stages Classification as Per IFRS (9):

| Item | December 31, 2021 | | | | | December 31, 2020 | |
|-----------------------------|----------------------|--------------------|--------------------|-------------------|------------------|----------------------|----------------------|
| | Stage One | | Stage two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Inside Jordan | 1,153,920,700 | 671,392,620 | 104,052,489 | 26,155,810 | 9,149,832 | 1,964,671,451 | 2,057,763,117 |
| Other middle east countries | 546,051,905 | 151,329,406 | 7,474,384 | 1,153,200 | 830,474 | 706,839,369 | 644,106,652 |
| Europe | 81,742,576 | - | - | - | - | 81,742,576 | 17,537,415 |
| Asia | 8,815,047 | - | - | - | - | 8,815,047 | 12,872,544 |
| Africa | 7,170,653 | - | - | - | - | 7,170,653 | 73,584 |
| America | 74,387,968 | - | - | - | - | 74,387,968 | 131,149,441 |
| Other Countries | - | - | - | - | - | - | - |
| Total | 1,872,088,849 | 822,722,026 | 111,526,873 | 27,309,010 | 9,980,306 | 2,843,627,064 | 2,863,502,753 |

5. Concentration in credit exposure according to the economic sector as follows:

A. Gross distribution exposures based on financial instruments:

| Item | December 31, 2021 | | | | | | | | | | As of December 2020 |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|--|-------------------|--------------------|------------------------------------|----------------------|----------------------|
| | Financial | Industrial | Trading | Real Estate | Agriculture | Touristic Hotels Restaurants Public Facilities | Stock | Individuals | Government and Public Sector | Total | Total |
| Balances with central banks | 300,258,828 | - | - | - | - | - | - | - | - | 300,258,828 | 283,016,956 |
| Balances with banks and financial institutions | 136,002,180 | - | - | - | - | - | - | - | - | 136,002,180 | 190,722,330 |
| Deposits with banks and financial institutions | 89,249,477 | - | - | - | - | - | - | - | - | 89,249,477 | 89,525,567 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | - | 25,344,463 |
| Credit facilities | 13,736,755 | 124,011,104 | 205,109,803 | 284,830,757 | 8,198,309 | 82,557,403 | 12,868,126 | 548,676,971 | 206,125,465 | 1,486,114,693 | 1,466,739,098 |
| Bonds and Treasury Bills: | | | | | | | | | | | |
| Within financial assets at amortized cost | 77,437,985 | 13,409,230 | 2,833,826 | - | - | 24,998,637 | - | - | 265,150,442 | 383,830,120 | 348,454,969 |
| Total current year | 616,685,225 | 137,420,334 | 207,943,629 | 284,830,757 | 8,198,309 | 107,556,040 | 12,868,126 | 548,676,971 | 471,275,907 | 2,395,455,298 | 2,403,803,383 |
| Financial Guarantees | 18,308,662 | 7,606,643 | 29,998,316 | 16,329,019 | 153,263 | 12,376,095 | 46,988 | 3,285,632 | - | 88,104,618 | 104,089,553 |
| Letters of Credit | 2,738,198 | 16,844,752 | 4,504,685 | 11,289 | - | 2,467,760 | - | - | - | 26,566,684 | 52,215,558 |
| Acceptances | 1,439 | 2,197,327 | 7,400,539 | 51,195 | 4,275,294 | - | - | - | - | 13,925,794 | 18,589,588 |
| Un-utilized balances | 50,723,726 | 51,110,187 | 113,806,340 | 10,701,120 | 864,873 | 25,687,244 | 857,391 | 65,818,651 | 5,138 | 319,574,670 | 284,804,671 |
| Gross Total | 688,457,250 | 215,179,243 | 363,653,509 | 311,923,380 | 13,491,739 | 148,087,139 | 13,772,505 | 617,781,254 | 471,281,045 | 2,843,627,064 | 2,863,502,753 |

B. Exposure distribution according to stages classification as per IFRS (9)

| Item | As of December 2021 | | | | | | As of December 2020 |
|--|----------------------|--------------------|--------------------|-------------------|------------------|----------------------|----------------------|
| | Stage One | | Stage Two | | Stage Three | Total | Total |
| | Individual Level | Collective Level | Individual Level | Collective Level | | | |
| Financial | 687,172,609 | - | 1,135,090 | - | 149,551 | 688,457,250 | 681,505,427 |
| Industrial | 188,528,751 | 351,001 | 26,065,760 | - | 233,731 | 215,179,243 | 248,654,365 |
| Trade | 313,551,095 | 359,855 | 46,657,573 | 245,790 | 2,839,196 | 363,653,509 | 433,832,925 |
| Real estates | 49,587,066 | 225,965,752 | 19,179,477 | 13,664,777 | 3,526,308 | 311,923,380 | 313,905,034 |
| Agriculture | 10,351,537 | 68,595 | 3,045,608 | 10,790 | 15,209 | 13,491,739 | 10,496,278 |
| Tourism, restaurants and public facilities | 132,366,400 | 21,065 | 15,202,701 | - | 496,973 | 148,087,139 | 144,583,758 |
| Stocks | 13,772,505 | - | - | - | - | 13,772,505 | 12,641,058 |
| Individuals | 5,477,841 | 595,955,758 | 240,664 | 13,387,653 | 2,719,338 | 617,781,254 | 590,935,187 |
| Government and Public Sector | 471,281,045 | - | - | - | - | 471,281,045 | 426,948,721 |
| Total | 1,872,088,849 | 822,722,026 | 111,526,873 | 27,309,010 | 9,980,306 | 2,843,627,064 | 2,863,502,753 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Re-classified credit exposures

A. Total re-classified credit exposure:

| Item | December 31, 2021 | | | | | |
|--|----------------------|------------------------|----------------------|------------------------|------------------------------|--------------------------------------|
| | Stage Two | | Stage Three | | Total reclassified exposures | Percentage of Reclassified Exposures |
| | Total Exposure Value | Reclassified exposures | Total Exposure Value | Reclassified exposures | | |
| Cash and balances with central banks | - | - | - | - | - | 0.00% |
| Balances with banks and financial institutions | - | - | - | - | - | 0.00% |
| Deposits with banks and financial institutions | - | - | - | - | - | 0.00% |
| Financial assets through comprehensive income - debt instruments | - | - | - | - | - | 0.00% |
| Direct credit facilities at amortized cost | 142,014,402 | 66,166,099 | 144,312,640 | 13,631,661 | 79,797,760 | 27.87% |
| Bonds and Treasury Bills within financial assets at amortized cost | - | - | - | - | - | 0.00% |
| Total | 142,014,402 | 66,166,099 | 144,312,640 | 13,631,661 | 79,797,760 | 27.87% |
| Letters of guarantees | 11,490,712 | 7,188,374 | 10,980,895 | 30,978 | 7,219,352 | 32.13% |
| Letters of credit | 79,672 | 18,273 | - | - | 18,273 | 22.94% |
| Acceptances | 404,981 | (37,253) | - | - | (37,253) | -9.20% |
| Un-utilized balances | 17,098,996 | 11,453,310 | - | - | 11,453,310 | 66.98% |
| Gross total | 171,088,763 | 84,788,803 | 155,293,535 | 13,662,639 | 98,451,442 | 30.16% |

B. Expected credit loss against reclassified exposures:

| Item | December 31, 2021 | | | | | | | |
|--|--|--|-----------------------------|---|------------------|--------------------|------------------|--------------------|
| | Reclassified exposures | | | Expected credit loss for reclassified exposures | | | | |
| | Gross Reclassified Exposure from Stage Two | Gross Reclassified Exposure from Stage Three | Gross Reclassified Exposure | Stage Two | | Stage Three | | Total |
| | | | | Individual Level | Collective Level | Individual Level | Collective Level | |
| Cash and balances with central banks | - | - | - | - | - | - | - | - |
| Balances with banks and financial institutions | - | - | - | - | - | - | - | - |
| Deposits with banks and financial institutions | - | - | - | - | - | - | - | - |
| Financial assets through comprehensive income - debt instruments | - | - | - | - | - | - | - | - |
| Direct credit facilities at amortized cost | 6,283,388 | 10,065,149 | 16,348,537 | 28,680,240 | 3,330,053 | 124,958,576 | - | 156,968,869 |
| Bonds and Treasury Bills within financial assets at amortized cost | - | - | - | - | - | - | - | - |
| Total | 6,283,388 | 10,065,149 | 16,348,537 | 28,680,240 | 3,330,053 | 124,958,576 | - | 156,968,869 |
| Letters of guarantees | 84,537 | 9,746 | 94,283 | 123,943 | - | 7,013,695 | - | 7,137,638 |
| Letters of credit | 2,550 | - | 2,550 | 3,614 | - | - | - | 3,614 |
| Acceptances | (522) | - | (522) | 1,116 | - | - | - | 1,116 |
| Un-utilized balances | 69,341 | - | 69,341 | 107,640 | 6,274 | - | - | 113,914 |
| Gross total | 6,439,294 | 10,074,895 | 16,514,189 | 28,916,553 | 3,336,327 | 131,972,271 | - | 164,225,151 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Re-classified credit exposures

A. Total re-classified credit exposure:

| Item | December 31, 2020 | | | | | |
|--|----------------------|------------------------|----------------------|------------------------|------------------------------|--------------------------------------|
| | Stage Two | | Stage Three | | Total reclassified exposures | Percentage of Reclassified Exposures |
| | Total Exposure Value | Reclassified exposures | Total Exposure Value | Reclassified exposures | | |
| Cash and balances with central banks | - | - | - | - | - | 0.00% |
| Balances with banks and financial institutions | - | (101,581) | 102,148 | 102,851 | 1,270 | 1.24% |
| Deposits with banks and financial institutions | - | - | - | - | - | 0.00% |
| Financial assets through comprehensive income - debt instruments | - | - | - | - | - | 0.00% |
| Direct credit facilities at amortized cost | 83,425,043 | (45,414,165) | 137,962,291 | 29,361,425 | (16,052,740) | -7.25% |
| Bonds and Treasury Bills within financial assets at amortized cost | - | - | - | - | - | 0.00% |
| Total | 83,425,043 | (45,515,746) | 138,064,439 | 29,464,276 | (16,051,470) | -7.25% |
| Letters of guarantees | 3,575,630 | (3,644,115) | 11,566,466 | 208,863 | (3,435,252) | -22.69% |
| Letters of credit | 69,575 | (3,446,433) | - | - | (3,446,433) | - 4953.55% |
| Acceptances | 972,805 | (804,014) | - | - | (804,014) | -82.65% |
| Un-utilized balances | 23,761,460 | 2,546,809 | - | - | 2,546,809 | 10.72% |
| Gross total | 111,804,513 | (50,863,499) | 149,630,905 | 29,673,139 | (21,190,360) | -8.11% |

B. Expected credit loss against reclassified exposures:

| Item | December 31, 2020 | | | | | | |
|--|--|--|-----------------------------|---|------------------|--------------------|------------------|
| | Reclassified exposures | | | Expected credit loss for reclassified exposures | | | |
| | Gross Reclassified Exposure from Stage Two | Gross Reclassified Exposure from Stage Three | Gross Reclassified Exposure | Stage Two | | Stage Three | |
| | | | | Individual Level | Collective Level | Individual Level | Collective Level |
| Cash and balances with central banks | - | - | - | - | - | - | - |
| Balances with banks and financial institutions | (431) | 1,754 | 1,323 | - | - | 1,051 | - |
| Deposits with banks and financial institutions | - | - | - | - | - | - | - |
| Financial assets through comprehensive income - debt instruments | - | - | - | - | - | - | - |
| Direct credit facilities at amortized cost | (328,857) | 27,480,570 | 27,151,713 | 10,368,829 | 5,452,368 | 120,382,114 | - |
| Bonds and Treasury Bills within financial assets at amortized cost | - | - | - | - | - | - | - |
| Total | (329,288) | 27,482,324 | 27,153,036 | 10,368,829 | 5,452,368 | 120,383,165 | - |
| Letters of guarantees | (64,033) | 123997 | 59,964 | 50,199 | - | 7,629,567 | - |
| Letters of credit | (40,390) | - | (40,390) | 139 | - | - | - |
| Acceptances | (5,735) | - | (5,735) | 4,232 | - | - | - |
| Un-utilized balances | (866) | - | -866 | 104,166 | 5,617 | - | - |
| Gross total | (440,312) | 27,606,321 | 27,166,009 | 10,527,565 | 5,457,985 | 128,012,732 | - |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43/B Market Risks:

Qualitative Disclosure:

These risks arise from the fluctuations in the fair values or the future cash flows of financial instruments due to the changes in market prices such as (interest rate, currency exchange rate, and shares prices). Moreover, market risks arise from the existence of open positions in interest rates, currency exchange rates, and investments in shares. These risks are monitored according to specific policies and procedures through special committees and associated work centres and include the following:

- Interest rate risks.
- Currency exchange rate risks.
- Fluctuation in share prices risks.
- Market risks: are the risks of exposure of the positions on and off the Bank's Consolidated Statement of Financial Position to losses as a result of price fluctuations in the market. This includes the risks arising from the volatility of interest rates and stock prices of investment portfolios, both for the purpose of trading or exchange.

Market risks arise from:

- Changes that may occur in the political and economic conditions in markets.
- Fluctuations in interest rates.
- Fluctuations in the prices of financial instruments held for future buying and selling.
- Foreign currency fluctuations.
- Gaps in maturities of assets and liabilities and interest rate re-pricing.
- Creation of uncovered positions.

Interest Rate Risks

Interest rate risks arise from the probable impact of changes in interest rates on the value of other financial assets. 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 strategy undertaken by the Asset and Liability Management Committee. The Bank follows a policy of hedging all financial assets and financial liabilities whenever the need arises. Hedging is against anticipated future risks.

The Bank has developed analysis scenarios to measure the sensitivity of interest rate risk in addition to providing a system for controlling the difference in the history of re-pricing. This ensures control, reduces risk, and takes into account acceptable risk and balancing maturities of assets with liabilities, as well as the gaps and benefits of hedging their prices.

Foreign Currency Risks

Foreign currency risks are the risks arising from changes in the values of financial instruments as a result of fluctuations in the prices of foreign currencies.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Bank's investment policy includes a set of controls that limit this type of risk monitored by a market risk unit such as follows:

- Exceeding limits is not allowed, and any currency excess is settled immediately.
- Any dealer should close the position immediately when the loss reaches the allowed maximum limit.
- The Treasury and Investment Department analyses and controls open positions daily. It closes the positions in case of excesses of ceiling, loss limits or heightened risks due to market fluctuations.

The following is the net foreign currency positions at the Bank:

| <u>Currency Type</u> | December 31, | |
|----------------------|---------------------|---------------------|
| | 2021 | 2020 |
| | JD | JD |
| USD | (28,738,450) | 9,602,601 |
| GBP | 16,758,864 | (463,644) |
| Euro | 968,048 | 953,644 |
| JPY | 1,250 | 4,417 |
| Other currencies | (16,305,115) | (36,530,118) |
| | (27,315,403) | (26,433,100) |

Share Prices Risks

Share prices risks result from the changes in the fair values of investments in shares. The Bank manages these risks through diversifying investments across various geographical areas and economic sectors. Most of the shares investments held by the Bank are listed in Amman Stock Exchange.

Market Risk Management

The Bank follows financial and investment policies for risk management within a specified strategy. Moreover, the Bank has an Asset and Liability Management Committee that supervises, and controls risks and performs the optimal strategic distribution of assets and liabilities both on and off the Consolidated Statement of Financial Position. Moreover, a market risk unit was established, staffed with qualified human resources, and equipped with electronic systems. These risk management procedures include the following:

- Preparation and implementation of an investment policy approved by the Board of Directors and the Central Bank of Jordan.
- Preparation and application of a market risk management policy approved by the Board of Directors including the criteria for the definition, measurement, and monitoring of this type of risk.
- Implementation of (Reuters) Application to monitor continuity risk in the global capital market, cash markets and currency exchange.
- Preparation of a mechanism for management of ceilings of local and foreign investments.
- Development of market risk measurement, management, and monitoring tools through:
 - Value at risk (VAR).
 - Basis point analysis.
 - Stress testing.
 - Defining stop loss limit.
 - Preparation of investment concentration reports (geographical distribution, economic sector, currency, tool, etc.).
 - Controlling investment ceilings.
 - Controlling investment operations (based on financial positions, local and international stocks and bonds).
- Preparation of periodic reports, to be presented to the Investment Committee and Risk Management Committee /Board of Directors.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Quantitative Disclosures:

1. Interest Rate Risks

| December 31, 2021 | | | |
|--------------------------|--------------------------------------|--|---------------------------------------|
| Currency | Increase in Interest Rate (%) | Sensitivity of Interest Revenue Analysis (Profits and Losses) | Sensitivity of Equity |
| | | JD | JD |
| USD | 2% | (574,769) | - |
| GBP | 2% | 335,177 | - |
| Euro | 2% | 19,361 | - |
| JPY | 2% | 25 | - |
| Other Currencies | 2% | (326,102) | - |
| Currency | Decrease in Interest Rate (%) | Sensitivity of Interest Revenue Analysis (Profits and Losses) | Sensitivity of Equity Analysis |
| | | JD | JD |
| USD | 2% | 574,769 | - |
| GBP | 2% | (335,177) | - |
| Euro | 2% | (19,361) | - |
| JPY | 2% | (25) | - |
| Other Currencies | 2% | 326,102 | - |
| December 31, 2020 | | | |
| Currency | Increase in Interest Rate (%) | Sensitivity of Interest Revenue Analysis (Profits and Losses) | Sensitivity of Equity |
| | | JD | JD |
| USD | 2% | 192,052 | - |
| GBP | 2% | (9,273) | - |
| Euro | 2% | 19,073 | - |
| JPY | 2% | 88 | - |
| Other Currencies | 2% | (730,602) | - |
| Currency | Decrease in Interest Rate (%) | Sensitivity of Interest Revenue Analysis (Profits and Losses) | Sensitivity of Equity Analysis |
| | | JD | JD |
| USD | 2% | (192,052) | - |
| GBP | 2% | 9,273 | - |
| Euro | 2% | (19,073) | - |
| JPY | 2% | (88) | - |
| Other Currencies | 2% | 730,602 | - |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Foreign Currency Risks

| December 31, 2021 | | | |
|--------------------------|---|--|-------------------------|
| Currency | Increase in Currency Exchange Rate (%) | Effect on Profits or Losses | Effect on Equity |
| | | JD | JD |
| USD | 5% | (1,436,923) | - |
| GBP | 5% | 837,943 | - |
| Euro | 5% | 48,402 | - |
| JPY | 5% | 63 | - |
| Other Currencies | 5% | (815,256) | - |

| December 31, 2020 | | | |
|--------------------------|---|--|-------------------------|
| Currency | Increase in Currency Exchange Rate (%) | Effect on Profits or Losses | Effect on Equity |
| | | JD | JD |
| USD | 5% | 480,130 | - |
| GBP | 5% | (23,182) | - |
| Euro | 5% | 47,682 | - |
| JPY | 5% | 221 | - |
| Other Currencies | 5% | (1,826,506) | - |

3. Fluctuation in Share Prices Risks

| December 31, 2021 | | | |
|--------------------------|------------------------------|--|-------------------------|
| Indicator | Increase in Index | Effect on Profits or Losses | Effect on Equity |
| | | JD | JD |
| Amman Stock Exchange | 5% | 5,019 | 253,624 |
| Palestine Stock Exchange | 5% | - | 384,891 |

| December 31, 2020 | | | |
|--------------------------|------------------------------|--|-------------------------|
| Indicator | Increase in Index | Effect on Profits or Losses | Effect on Equity |
| | | JD | JD |
| Amman Stock Exchange | 5% | 1,644 | 229,381 |
| Palestine Stock Exchange | 5% | - | 270,589 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Concentration of Foreign Currency Risk

| | Currency | December 31, 2021 | | | | | Total |
|--|----------|---------------------|-------------------|-------------------|---------------|---------------------|---------------------|
| | | USD | GBP | Euro | JPY | Other | |
| Item | | JD | JD | JD | JD | JD | JD |
| <u>Assets:</u> | | | | | | | |
| Cash and balances with Central Banks | | 117,431,884 | 966,916 | 5,193,313 | - | 57,030,702 | 180,622,815 |
| Balances with banks and financial institutions | | 83,554,338 | 26,050,349 | 17,062,030 | 29,896 | 9,586,869 | 136,283,482 |
| Financial assets through comprehensive income | | 2,764,461 | - | - | - | 60,162 | 2,824,623 |
| Direct credit facilities at amortized cost | | 256,369,937 | 1,051,304 | 43,534 | - | 175,493,408 | 432,958,183 |
| Financial assets (at amortized cost and at fair value and associates) | | 128,488,315 | - | 3,726,664 | - | 4,905,080 | 137,120,059 |
| Other assets | | 6,971,553 | 4,054 | 151,192 | 40 | 9,367,511 | 16,494,350 |
| Total assets | | 595,580,488 | 28,072,623 | 26,176,733 | 29,936 | 256,443,732 | 906,303,512 |
| <u>Liabilities:</u> | | | | | | | |
| Banks and financial institutions' deposits | | 27,482,124 | 3,466 | 1,935,525 | - | 3,071,384 | 32,492,499 |
| Customers' deposits | | 433,956,241 | 11,023,659 | 20,814,868 | 28,012 | 215,429,502 | 681,252,282 |
| Cash margins | | 20,449,353 | 264,551 | 2,480,077 | 674 | 6,701,060 | 29,895,715 |
| Other liabilities | | 142,431,220 | 22,083 | (21,785) | - | 47,546,901 | 189,978,419 |
| Total Liabilities | | 624,318,938 | 11,313,759 | 25,208,685 | 28,686 | 272,748,847 | 933,618,915 |
| Net concentration in the consolidated statement of financial position for the year 2021 | | (28,738,450) | 16,758,864 | 968,048 | 1,250 | (16,305,115) | (27,315,403) |
| Commitments and contingent liabilities off balance sheet for the year 2021 | | 46,952,386 | - | 9,716,128 | 13,484 | 5,248,466 | 61,930,464 |

| | Currency | December 31, 2020 | | | | | Total |
|---|----------|-------------------|------------|------------|---------|--------------|--------------|
| | | USD | GBP | Euro | JPY | Other | |
| Item | | JD | JD | JD | JD | JD | JD |
| Total Assets | | 577,067,363 | 10,954,577 | 48,516,300 | 35,822 | 236,419,094 | 872,993,156 |
| Total Liabilities | | 567,464,762 | 11,418,221 | 47,562,656 | 31,405 | 272,949,212 | 899,426,256 |
| Net concentration in the consolidated statement of financial position for the year 2020 | | 9,602,601 | (463,644) | 953,644 | 4,417 | (36,530,118) | (26,433,100) |
| Commitments and contingent liabilities off Balance Sheet for the year 2020 | | 75,607,462 | - | 8,335,657 | 420,719 | 5,746,200 | 90,110,038 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest Re-pricing Gap

Classification is based on periods of interest re-pricing or maturity

| <u>Year 2021</u> | Less Than 1 Month | From 1 to 3 Months | From 3 to 6 Months | From 6 Months to 1 Year | From 1 to 3 Years | More Than 3 Years | Items Without Interests | Total |
|--|------------------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------|------------------------------|------------------------------------|----------------------|
| Assets | JD | JD | JD | JD | JD | JD | JD | JD |
| Cash and balances with Central Banks | 85,000,000 | - | - | - | - | 10,635,000 | 286,400,460 | 382,035,460 |
| Balances and deposit with banks and financial institutions | 75,639,325 | 281,984 | 281,984 | 44,991,844 | 43,975,649 | - | 60,080,871 | 225,251,657 |
| Financial assets at fair value | - | - | - | - | - | - | 77,397,650 | 77,397,650 |
| Direct credit facilities at amortized cost | 305,007,696 | 545,010,312 | 127,140,035 | 240,636,794 | 129,331,686 | 138,988,170 | - | 1,486,114,693 |
| Financial assets at amortized cost | 3,599,020 | 87,116,130 | 59,632,009 | 82,375,884 | 105,963,670 | 45,143,407 | - | 383,830,120 |
| Property and equipment – Net | - | - | - | - | - | - | 59,663,986 | 59,663,986 |
| Intangible assets | - | - | - | - | - | - | 8,012,000 | 8,012,000 |
| Deferred tax assets | - | - | - | - | - | - | 24,556,699 | 24,556,699 |
| Other assets | - | - | - | - | - | - | 93,342,183 | 93,342,183 |
| Total Assets | 469,246,041 | 632,408,426 | 187,054,028 | 368,004,522 | 279,271,005 | 194,766,577 | 609,453,849 | 2,740,204,448 |
| <u>Liabilities</u> | | | | | | | | |
| Banks and financial institutions' deposits | 30,197,000 | 3,882,000 | 282,000 | - | 50,937,867 | - | 8,496,971 | 93,795,838 |
| Customers' deposits | 710,409,166 | 94,077,844 | 77,069,113 | 146,113,100 | 68,772,770 | 44,426,575 | 767,162,072 | 1,908,030,640 |
| Cash margins | 59,331,680 | 1,904,563 | 350,093 | 2,115,009 | 7,245 | 1,258,420 | 47,692,066 | 112,659,076 |
| Sundry provisions | - | - | - | - | - | - | 5,156,233 | 5,156,233 |
| Income tax provision | - | - | - | - | - | - | 20,055,494 | 20,055,494 |
| Borrowed funds | 385,109 | 1,638,882 | 1,690,410 | 3,202,649 | 26,161,237 | 8,883,447 | 30,177,593 | 72,139,327 |
| Deferred tax liabilities | - | - | - | - | - | - | 51,871 | 51,871 |
| Other liabilities | - | - | - | - | - | - | 42,250,993 | 42,250,993 |
| Total liabilities | 800,322,955 | 101,503,289 | 79,391,616 | 151,430,758 | 145,879,119 | 54,568,442 | 921,043,293 | 2,254,139,472 |
| Interest Re-pricing Gap | (331,076,914) | 530,905,137 | 107,662,412 | 216,573,764 | 133,391,886 | 140,198,135 | (311,589,444) | 486,064,976 |
| <u>Year 2020</u> | | | | | | | | |
| Total Assets | 669,198,304 | 535,558,118 | 158,678,119 | 220,731,251 | 409,248,500 | 187,859,346 | 531,140,349 | 2,712,413,987 |
| Total Liabilities | 371,861,860 | 51,009,093 | 114,200,655 | 204,786,535 | 316,130,306 | 333,522,664 | 858,495,826 | 2,250,006,939 |
| Interest Re-Pricing Gap | 297,336,444 | 484,549,025 | 44,477,464 | 15,944,716 | 93,118,194 | (145,663,318) | (327,355,477) | 462,407,048 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Liquidity Risk

First: this table summarizes the (undiscounted) liabilities on the remaining period for contractual maturities at the date of consolidated financial statements:

| <u>December 31, 2021</u> | <u>Within 1 Month</u> | <u>From 1 to 3 Months</u> | <u>From 3 to 6 Months</u> | <u>From 6 Months to 1 Year</u> | <u>From 1 to 3 Years</u> | <u>Over 3 Years</u> | <u>Without Maturity</u> | <u>Total</u> |
|--|------------------------------|----------------------------------|----------------------------------|---------------------------------------|---------------------------------|----------------------------|--------------------------------|----------------------|
| | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> |
| <u>Liabilities</u> | | | | | | | | |
| Banks and financial institutions' deposits | 30,197,000 | 3,882,000 | 282,000 | - | 50,937,867 | - | 8,496,971 | 93,795,838 |
| Customers' deposits | 475,348,513 | 210,237,417 | 187,933,365 | 261,398,815 | 353,072,412 | 420,040,118 | - | 1,908,030,640 |
| Cash margins | 107,023,746 | 1,904,563 | 350,093 | 2,115,009 | 7,245 | 1,258,420 | - | 112,659,076 |
| Borrowed funds | 1,937,085 | 4,427,749 | 5,910,379 | 11,300,419 | 38,745,895 | 9,817,800 | - | 72,139,327 |
| Sundry provisions | - | - | - | - | - | - | 5,156,233 | 5,156,233 |
| Income tax provision | 6,515,900 | - | 9,056,449 | 858,114 | - | - | 3,625,031 | 20,055,494 |
| Deferred tax liabilities | - | - | - | - | - | - | 51,871 | 51,871 |
| Other liabilities | 5,171,681 | 1,163,263 | 2,781,848 | 2,238,884 | 145,670 | - | 30,749,647 | 42,250,993 |
| Total liabilities | 626,193,925 | 221,614,992 | 206,314,134 | 277,911,241 | 442,909,089 | 431,116,338 | 48,079,753 | 2,254,139,472 |
| Total Assets (According to expected maturity) | 650,186,792 | 239,159,042 | 209,990,088 | 283,097,802 | 512,042,446 | 657,035,824 | 188,692,454 | 2,740,204,448 |

| <u>December 31, 2020</u> | <u>Within 1 Month</u> | <u>From 1 to 3 Months</u> | <u>From 3 to 6 Months</u> | <u>From 6 Months to 1 Year</u> | <u>From 1 to 3 Years</u> | <u>Over 3 Years</u> | <u>Without Maturity</u> | <u>Total</u> |
|--|------------------------------|----------------------------------|----------------------------------|---------------------------------------|---------------------------------|----------------------------|--------------------------------|----------------------|
| | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> |
| <u>Liabilities</u> | | | | | | | | |
| Banks and financial institutions' deposits | 6,918,000 | 2,961,000 | - | - | 50,937,867 | - | 9,945,487 | 70,762,354 |
| Customers' deposits | 334,696,745 | 197,249,930 | 136,346,351 | 304,065,201 | 244,690,809 | 642,583,156 | 49,555,384 | 1,909,187,576 |
| Cash margins | 108,968,324 | 255,647 | 514,331 | 8,381,339 | 1,677,147 | 22,521 | - | 119,819,309 |
| Borrowed funds | 231,458 | 10,222,954 | 4,263,560 | 11,991,390 | 54,152,423 | 3,720,541 | - | 84,582,326 |
| Sundry provisions | - | - | - | - | - | - | 5,302,150 | 5,302,150 |
| Income tax provision | 3,531,792 | 1,470,000 | 11,970,796 | 1,155,637 | - | - | 1,753,641 | 19,881,866 |
| Deferred tax liabilities | - | - | - | - | - | - | 48,946 | 48,946 |
| Other liabilities | 3,412,002 | 2,294,150 | 2,117,974 | 2,896,248 | 707,820 | 1,858,807 | 27,135,411 | 40,422,412 |
| Total liabilities | 457,758,321 | 214,453,681 | 155,213,012 | 328,489,815 | 352,166,066 | 648,185,025 | 93,741,019 | 2,250,006,939 |
| Total Assets (According to expected maturity) | 807,298,966 | 166,114,399 | 188,319,570 | 146,722,910 | 669,046,986 | 552,553,266 | 182,357,890 | 2,712,413,987 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Second: this table summarizes the financial derivatives maturities on the remaining period of contractual maturity from the date of the consolidated financial statements.

Financial derivatives/liabilities which have been totally reconciled include:

| | December 31, 2021 | | | December 31, 2020 | | |
|------------------------------|-------------------|---------------------------|----------------|-------------------|---------------------------|------------------|
| | Up to 3 Months | from 3 Months to One Year | Total | Up to 3 Months | from 3 Months to One Year | Total |
| Trading Derivatives | JD | JD | JD | JD | JD | JD |
| Currency Derivatives: | | | | | | |
| Outflow | (37,276,712) | (4,512,286) | (41,788,998) | (15,056,025) | (1,001,190) | (16,057,213) |
| Inflow | 37,225,011 | 4,558,539 | 41,783,550 | 14,809,032 | 1,009,927 | 15,818,959 |
| Total | (51,701) | 46,253 | (5,448) | (246,993) | 8,737 | (238,254) |

Third: liquidity ratio

The average liquidity coverage ratio is 196.7% as of December 31,2021, and the liquidity coverage ratio was 195.1% as of December 31, 2021 (196.8% as of December 31,2020)

Off-consolidated statement of financial position Items:

| | As of December 2021 | | | |
|-----------------------------------|---------------------|-------------------|------------------|--------------------|
| | Up to 1 Year | 1 to 5 Years | Over 5 Years | Total |
| | JD | JD | JD | JD |
| Letters of credit and acceptances | 40,529,463 | - | - | 40,529,463 |
| Un-utilized balances | 319,983,498 | - | - | 319,983,498 |
| Letters of guarantee | 85,761,415 | 9,592,316 | - | 95,353,731 |
| Operational lease contracts | 2,615,263 | 7,863,567 | 5,100,129 | 15,578,959 |
| Capital commitments | 440,636 | - | - | 440,636 |
| Total | 449,330,275 | 17,455,883 | 5,100,129 | 471,886,287 |

| | As of December 2020 | | | |
|-----------------------------------|---------------------|------------------|------------------|--------------------|
| | Up to 1 Year | 1 to 5 Years | Over 5 Years | Total |
| | JD | JD | JD | JD |
| Letters of credit and acceptances | 70,935,900 | - | - | 70,935,900 |
| Un-utilized balances | 285,565,713 | - | - | 285,565,713 |
| Letters of guarantee | 111,150,378 | 892,532 | - | 112,042,910 |
| Operational lease contracts | 2,081,138 | 7,652,316 | 5,789,969 | 15,523,423 |
| Capital commitments | 1,125,912 | - | - | 1,125,912 |
| Total | 470,859,041 | 8,544,848 | 5,789,969 | 485,193,858 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. Bank's Business Segments

1. Information about the Bank's business segments:

The Bank is organized for management purposes in a manner that allows measurement of its segments according to reports used by its Chief Executive Officer and main decision-makers through the following main segments:

- Retail Banking (individual): includes following up on individual customers' accounts, granting them loans, credit, credit cards, and other services.
- Corporate Banking: includes following up on deposits, credit facilities, and other banking services pertinent to corporate customers.
- Treasury: includes providing dealing and treasury services and management of the Bank's funds.
- Financial Brokerage Services: includes providing purchase services and sale of customers' portfolios on their behalf, custody of investments, financial consultations, custody service, and management of initial public offerings.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Following is the information about Bank business segments distributed according to the activities:

| | Individual (Retail Customers) | Corporation | Treasury | Financial Brokerage | Other | Total | |
|------------------------------------|----------------------------------|--------------------|----------------------|------------------------|--------------------|----------------------|----------------------|
| | | | | | | 2021 | 2020 |
| | JD | JD | JD | JD | JD | JD | JD |
| Total Revenues | 61,625,680 | 51,372,133 | 24,146,600 | 281,176 | 1,920,349 | 139,345,938 | 153,482,560 |
| Expected credit loss allowance | (964,235) | (15,113,032) | 19,793 | (645) | - | (16,058,119) | (31,868,913) |
| Segments operations results | 60,661,445 | 36,259,101 | 24,166,393 | 280,531 | 1,920,349 | 123,287,819 | 121,613,647 |
| Other expenses | (42,666,498) | (17,517,296) | (2,216,006) | (214,435) | (8,779,595) | (71,393,830) | (69,540,069) |
| Profit before tax | 17,994,947 | 18,741,805 | 21,950,387 | 66,096 | (6,859,246) | 51,893,989 | 52,073,578 |
| Income tax | (5,790,119) | (4,509,482) | (5,907,862) | (27,820) | 648,527 | (15,586,756) | (16,606,516) |
| Net profit for the Year | 12,204,828 | 14,232,323 | 16,042,525 | 38,276 | (6,210,719) | 36,307,233 | 35,467,062 |
| Other information | | | | | | | |
| Capital Expenditures | 2,541,050 | 271,997 | - | - | 1,544,124 | 4,357,171 | 6,877,093 |
| Depreciation and amortization | 6,110,994 | 234,422 | 18,493 | 17,391 | 4,119,087 | 10,500,387 | 9,254,938 |
| Total Assets | 802,793,367 | 705,218,660 | 1,069,761,737 | 1,271,476 | 161,159,208 | 2,740,204,448 | 2,712,413,987 |
| Total Liabilities | 1,721,803,313 | 342,640,396 | 135,669,937 | 1,283,927 | 52,741,899 | 2,254,139,472 | 2,250,006,939 |

2 - Information about geographical distribution

This disclosure represents the geographical distribution for Bank's business. The Bank performs its main business activities in Jordan which represents the local business and also performs international business through its branches in Palestine and its subsidiary companies.

Following is the distribution of Revenues, Assets and Capital Expenditure according to the geographical sector:

| | In the country | | Overseas | | Total | |
|----------------------|----------------|---------------|-------------|-------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | JD | JD | JD | JD | JD | JD |
| Total Revenues | 128,242,715 | 149,665,584 | 32,969,303 | 33,711,656 | 161,212,018 | 183,377,240 |
| Total Assets | 1,854,549,551 | 1,874,618,417 | 885,654,897 | 837,795,570 | 2,740,204,448 | 2,712,413,987 |
| Capital expenditures | 2,979,154 | 5,779,323 | 1,378,017 | 1,097,770 | 4,357,171 | 6,877,093 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. Analysis of Assets and Liabilities Maturities:

The following table provides analysis of assets and liabilities according to the expected period of its recovery or settlement:

| | December 31, 2021 | | |
|---|--------------------------|----------------------|----------------------|
| | Up to 1 Year | Over 1 Year | Total |
| | JD | JD | JD |
| Assets | | | |
| Cash and balances with Central Banks | 371,400,460 | 10,635,000 | 382,035,460 |
| Balances with banks and financial institutions | 136,002,180 | - | 136,002,180 |
| Deposits with banks and financial institutions | 45,273,828 | 43,975,649 | 89,249,477 |
| Financial assets at fair value through profit or loss | 15,234,423 | - | 15,234,423 |
| Financial assets at fair value through comprehensive income | - | 62,163,227 | 62,163,227 |
| Direct credit facilities at amortized cost | 590,858,127 | 895,256,566 | 1,486,114,693 |
| Financial assets at amortized cost | 232,723,043 | 151,107,077 | 383,830,120 |
| Property and equipment – Net | - | 59,663,986 | 59,663,986 |
| Intangible assets | - | 8,012,000 | 8,012,000 |
| Deferred tax assets | - | 24,556,699 | 24,556,699 |
| Other Assets | 25,238,206 | 68,103,977 | 93,342,183 |
| Total Assets | 1,416,730,267 | 1,323,474,181 | 2,740,204,448 |
| Liabilities | | | |
| Banks and financial institutions' deposits | 42,857,971 | 50,937,867 | 93,795,838 |
| Customers' deposits | 1,134,918,110 | 773,112,530 | 1,908,030,640 |
| Cash margins | 111,393,412 | 1,265,664 | 112,659,076 |
| Other provisions | - | 5,156,233 | 5,156,233 |
| Income tax provision | 16,430,463 | 3,625,031 | 20,055,494 |
| Borrowed funds | 23,575,632 | 48,563,695 | 72,139,327 |
| Deferred tax liabilities | - | 51,871 | 51,871 |
| Other liabilities | 11,355,676 | 30,895,317 | 42,250,993 |
| Total Liabilities | 1,340,531,264 | 913,608,208 | 2,254,139,472 |
| Net | 76,199,003 | 409,865,973 | 486,064,976 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Analysis of Assets and Liabilities Maturities:

The following table provides analysis of assets and liabilities according to the expected period of its recovery or settlement:

| | December 31, 2020 | | |
|---|--------------------------|----------------------|----------------------|
| | Up to 1 Year | Over 1 Year | Total |
| | JD | JD | JD |
| Assets | | | |
| Cash and balances with Central Banks | 338,902,989 | 10,635,000 | 349,537,989 |
| Balances with banks and financial institutions | 190,722,330 | - | 190,722,330 |
| Deposits with banks and financial institutions | 563,995 | 88,961,572 | 89,525,567 |
| Financial assets at fair value through profit or loss | 15,157,042 | - | 15,157,042 |
| Financial assets at fair value through comprehensive income | - | 84,526,410 | 84,526,410 |
| Direct credit facilities at amortized cost | 706,401,800 | 760,337,298 | 1,466,739,098 |
| Financial assets at amortized cost | 60,235,360 | 288,219,609 | 348,454,969 |
| Property and equipment – Net | - | 53,993,594 | 53,993,594 |
| Intangible assets | - | 6,872,445 | 6,872,445 |
| Deferred tax assets | - | 21,808,399 | 21,808,399 |
| Other Assets | 11,629,371 | 73,446,773 | 85,076,144 |
| Total Assets | 1,323,612,887 | 1,388,801,100 | 2,712,413,987 |
| Liabilities | | | |
| Banks and financial institutions' deposits | 9,879,000 | 60,883,354 | 70,762,354 |
| Customers' deposits | 972,358,227 | 936,829,349 | 1,909,187,576 |
| Cash margins | 118,119,641 | 1,699,668 | 119,819,309 |
| Other provisions | - | 5,302,150 | 5,302,150 |
| Income tax provision | 18,128,225 | 1,753,641 | 19,881,866 |
| Borrowed funds | 26,709,362 | 57,872,964 | 84,582,326 |
| Deferred tax liabilities | - | 48,946 | 48,946 |
| Other liabilities | 10,720,374 | 29,702,038 | 40,422,412 |
| Total Liabilities | 1,155,914,829 | 1,094,092,110 | 2,250,006,939 |
| Net | 167,698,058 | 294,708,990 | 462,407,048 |

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. Fair Value Hierarchy

A. The Fair Value of Financial Assets and Financial Liabilities of the Bank Specified at Fair Value on an Ongoing Basis:

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

| | Fair Value | | | | | |
|---|-------------------|-------------------|-------------------------|--|-----------------------------|--|
| Financial Assets/Financial Liabilities | December 31, 2021 | December 31, 2020 | The Level of Fair Value | Evaluation Method and Inputs Used | Important Intangible Inputs | Fair Value and the Important Intangible Inputs |
| | JD | JD | | | | |
| Financial Assets at Fair Value | | | | | | |
| Financial Assets at Fair Value Through Income Statement | | | | | | |
| Shares that have an available market price | 100,384 | 32,883 | Level One | Stated Rates in financial markets | Not applicable | Not applicable |
| Shares that do not have an available market price | 134,039 | 124,159 | Level Two | Financial Statements issued by companies | | |
| Right to receive financial assets at fair value | 15,000,000 | 15,000,000 | Level One | Determined price | Not applicable | Not applicable |
| Total | 15,234,423 | 15,157,042 | | | | |
| Financial Assets at Fair Value through Comprehensive Income | | | | | | |
| Shares that have available market price | 12,770,304 | 9,999,391 | Level One | Stated Rates in financial markets | Applicable | Not applicable |
| Shares that do not have available market price | 3,740,266 | 49,182,556 | Level Two | Financial Statements issued by companies or observable market input | Applicable | Not applicable |
| Shares that do not have available market price | 45,652,657 | - | Level Three | Evaluation methods using inputs that are not dependent on available market information | Applicable | Applicable |
| Total | 62,163,227 | 59,181,947 | | | | |
| Bonds that have available market price | - | 25,344,463 | Level One | Stated Rates in financial markets | Not applicable | Not applicable |
| Total | - | 25,344,463 | | | | |
| Forward contracts foreign currency | - | - | Level One | Stated Rates in financial markets | Not applicable | Not applicable |
| Total Financial Assets at Fair Value | 77,397,650 | 99,683,452 | | | | |
| Financial Liabilities at Fair Value: | | | | | | |
| Forward contracts foreign currency | 5,448 | 238,254 | Level One | Stated Rates in financial markets | Not applicable | Not applicable |
| Total | 5,448 | 238,254 | | | | |

There were no transfers between level 1 and level 2 during the year of 2021.

The multipliers method was used to evaluate the bank's investment in foreign shares that do not have available market price classified within level three, by comparing them with the results of similar companies operating in the same field as the investee company.

B . The Fair Value of Financial Assets and Financial Liabilities of the Bank (Non-Specific Fair Value on an Ongoing Basis):

Except as detailed in the table below, we believe that the carrying amount of financial assets and liabilities shown in the consolidated financial statements of the Bank approximate their fair value, because the Bank management believes that the carrying value of the items is equivalent to the fair value, and this is due to either its short-term maturity or having interest rates that have been repriced during the year.

| | December 31, 2021 | | December 31, 2020 | | The Level of Fair Value |
|---|-------------------|---------------|-------------------|---------------|-------------------------|
| | Book Value | Fair Value | Book Value | Fair Value | |
| | JD | JD | JD | JD | |
| Financial Assets of Non-Specified Fair Value | | | | | |
| Balances at central banks | 300,376,491 | 300,394,025 | 283,107,444 | 283,121,142 | Level Two |
| Balances at banks and financial institutions | 136,007,374 | 136,023,062 | 190,726,236 | 190,748,749 | Level Two |
| Deposits at banks and financial institutions | 89,282,000 | 91,248,723 | 89,564,000 | 90,818,151 | Level Two |
| Loans, bills and other | 1,525,963,607 | 1,530,179,712 | 1,465,186,407 | 1,469,103,909 | Level Two |
| Financial assets at amortized cost | 384,307,200 | 389,041,218 | 349,154,840 | 353,782,663 | Level Two |
| Total Financial Assets of non-specified Fair Value | 2,435,936,672 | 2,446,886,740 | 2,377,738,927 | 2,387,574,614 | |
| Financial Liabilities of Non-Specified Fair Value | | | | | |
| Deposits at banks and financial institutions | 93,795,838 | 93,936,470 | 70,762,354 | 70,906,640 | Level Two |
| Customers' deposits | 1,908,030,640 | 1,911,068,332 | 1,909,187,576 | 1,914,526,143 | Level Two |
| Cash insurance | 112,659,076 | 112,656,644 | 119,819,309 | 119,821,325 | Level Two |
| Total Financial Liabilities of Non-Specified Fair Value | 2,114,485,554 | 2,117,661,446 | 2,099,769,239 | 2,105,254,108 | |

The fair value for the financial assets and liabilities that are in level 2 and level 3 were determined in accordance to agreed pricing models, which reflect the credit risk of the parties dealing with it.

(C) Non-Financial Assets and Liabilities not Measured at Fair Value but its in fair Value disclosed in the Consolidated Financial Statements:

| | December 31, 2021 | | December 31, 2020 | | The Level of Fair Value |
|--------------|-------------------|--------------------|-------------------|--------------------|-------------------------|
| | Book Value | Fair Value | Book Value | Fair Value | |
| | JD | JD | JD | JD | |
| Other assets | 73,140,691 | 117,944,684 | 68,067,305 | 114,485,914 | Level Two |
| | 73,140,691 | 117,944,684 | 68,067,305 | 114,485,914 | |

The above items set out the fair value of non-financial assets that are determined on the basis of prices of similar instruments in an inactive market.

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. Capital Management and liquidity

Capital Components:

- **Paid-Up Capital:**

The paid-up capital of Bank of Jordan consists of (200/1) million ordinary shares at a nominal value of JD 1 per share. The Bank maintains capital, statutory reserves, and retained earnings to meet the growth in its operations and the requirements of local and regional expansion.

- **Regulatory Capital:**

Regulatory capital is considered a control tool according to the requirements of regulatory authorities and Basel (III) for the purposes of achieving control over the adequacy of capital and the ratio of regulatory capital to risky and weighted assets and market risk. Regulatory capital according to Basel (III) consists of:

- Ordinary shares, retained earnings, accumulated comprehensive income items, declared reserves, minority interest and profit after tax and expected distributions and regulatory adjustments.

- **Regulatory Authorities' Requirements:**

The regulatory authorities' instructions entail that the minimum capital shall be JD 100 million. Moreover, banks have been requested to increase their capital adequacy ratio to not be less than 14 % according to the Central Bank of Jordan instructions, and the ratio of owners' equity to total assets financial leverage ratios must not be less than 4%.

- **Achieving the Objectives of Capital Management:**

The Bank's management aims at achieving the capital management objectives through developing (enhancing) the Bank's activities, achieving a surplus in operating profits and revenues, and optimally investing available funds. All of this is geared towards reaching the targeted growth in owners' equity, reflected in the increase in the legal reserves by (10)% and retained earning by (20%).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The regulatory capital adequacy ratios according to the standard approach are as follows:

| <u>Primary Capital Items for Ordinary Shareholders (CET 1):</u> | <u>In Thousands of JD 2021</u> | <u>In Thousands of JD 2020</u> |
|---|---|---|
| | <u>JD</u> | <u>JD</u> |
| Paid-up capital | 200,000 | 200,000 |
| Statutory reserve | 104,363 | 99,191 |
| Voluntary reserve | 49 | 47 |
| Other reserves | 5,850 | 5,850 |
| Fair value reserve | (3,979) | (6,092) |
| Retained earnings | 138,779 | 140,561 |
| Non-controlling interest in the capital of subsidiaries | 4,491 | 3,236 |
| <u>Less: Regulatory capital adjustments</u> | <u>(45,579)</u> | <u>(41,536)</u> |
| Total Primary Capital Ordinary Shareholder (CET 1) | <u>403,974</u> | <u>401,257</u> |
| <u>Additional Capital Items</u> | | |
| Stage one provision balance against debt instruments not exceeding 1.25 % of the total risk weighted assets | 2,441 | 7,405 |
| General banking risk reserve | 4,102 | 2,804 |
| Total additional capital | <u>6,543</u> | <u>10,209</u> |
| Total regulatory capital | <u>410,517</u> | <u>411,466</u> |
| Total risk weighted assets | <u>2,137,711</u> | <u>2,156,718</u> |
| Capital adequacy ratio (%) | <u>19.20%</u> | <u>19.08%</u> |
| Primary capital for ordinary shareholders (CET 1) % | <u>18.90%</u> | <u>18.60%</u> |
| Capital adequacy Tier 1 (%) | <u>18.90%</u> | <u>18.60%</u> |

48. Commitments and Contingent Liabilities

a. Contingent Liabilities:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------------|---------------------------|
| | <u>JD</u> | <u>JD</u> |
| Letters of credit include | 26,587,459 | 52,308,450 |
| Acceptances | 13,942,004 | 18,627,450 |
| Letters of guarantee: | | |
| Payment | 31,586,467 | 35,257,524 |
| Performance | 39,616,438 | 46,805,604 |
| Other | 24,150,826 | 29,979,782 |
| Un-utilized direct and indirect credit facilities limits | 319,983,498 | 285,565,713 |
| Total | <u>455,866,692</u> | <u>468,544,523</u> |

Expected credit loss provision based on IFRS (9) requirements on the off – balance sheet items (unfunded) amounted to JD 7,694,926 for the year ended December 31, 2021 (JD 8,845,153 for the year ended December 31, 2020).

BANK OF JORDAN
(PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Contractual Obligations:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| | <u>JD</u> | <u>JD</u> |
| Contracts for purchasing of property and equipment* | 440,636 | 1,125,912 |
| Contracts for operating and financing lease** | 15,578,959 | 15,523,423 |
| Total | <u>16,019,595</u> | <u>16,649,335</u> |

* These commitments mature in less than 1 year.

** These commitments mature between 1 year to 10 years.

C. Lawsuits against the Bank

The Bank is a defendant in lawsuits demanding cancellation of the Bank's claims against others, lifting of real estate mortgages, compensation for damages, and non-cashing of cheques. These lawsuits amounted to JD 8,993,404 as of December 31, 2021 (JD 7,910,297 for prior year). In the opinion of the management and legal counsel, no material financial liability is likely to be incurred as a result of these lawsuits in excess of provision recorded which amounted to JD 764,385 as of December 31, 2021 (JD 832,435 prior year). However, amounts that will probably be paid by the Bank as a result of dismissal or amicable settlement of these lawsuits will be taken to the consolidated Statement of Profit or Loss or against the recorded provision when paid.