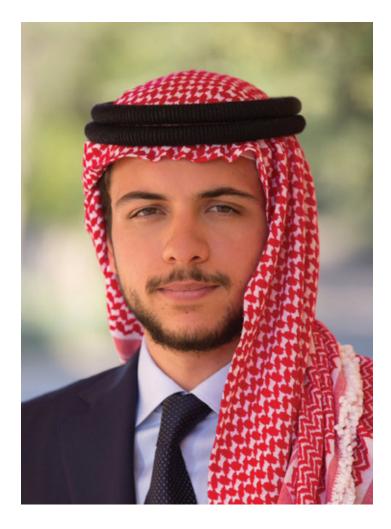




His Majesty King Abdullah II Bin Al Hussein



His Royal Highness Prince Hussein Bin Abdullah II Crown Prince

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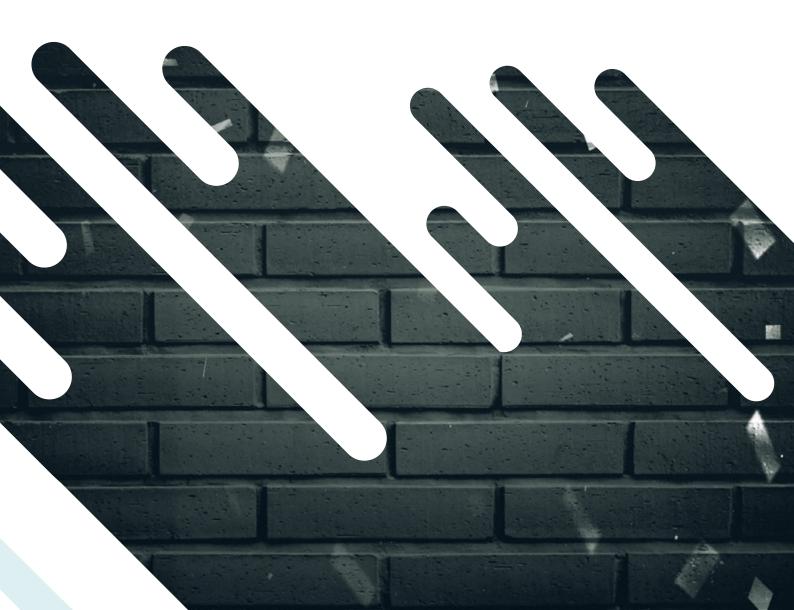
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## Safwa Islamic Bank

Fair, honest and trusted banking services



## In The Name of Allah Safwa Islamic Bank

Safwa Islamic Bank is a public shareholding limited company licensed by the Central Bank of Jordan to practice and provide Islamic business and banking services in accordance with the Banking Law and the Companies Law.

The Bank's General Assembly at its extraordinary meeting held on 17 May 2017, decided to change the name of the Bank from "Jordan Dubai Islamic Bank" to "Safwa Islamic Bank".

The Bank provide all financial banking and structured investment services on a non-Interest basis in accordance with Islamic shari'a through the Bank's head office and its thirty six branches and its subsidiary within the Kingdom, in accordance with the effective Banking Law.

#### **Our Vision**

Leading Islamic banking to serve all spectrums of the society.

#### **Our Mission**

To provide distinctive and innovative services emanating from the divine principles of Islam to build lasting and solid partnerships and to maximize benefits to all stakeholders.

#### **Our Values**

#### **Innovation:**

At Safwa Islamic Bank, we adhere to the principles of innovation and distinguish ourselves as a pioneering financial institution by combining traditional Islamic values with the latest technology and innovative products and services; thus delivering the best of modern Islamic banking.

#### Knowledge:

At Safwa Islamic Bank, our guiding principle of banking is inspired by the knowledge and doctrines embodied within the Islamic Shari'a Principles. Built from these strong foundations, we are proud to introduce the new standard of modern Islamic banking in Jordan.

#### Quality:

Structuring products and providing service is implemented with the same principle of delivering quality through perfection. At Safwa Islamic Bank our wide array of solution driven products and services are created in harmony with our customers' specific financial needs.

#### Value:

Defined by our modern Islamic banking approach and the success of our customers, our commitment is to deliver value and measurable returns by providing the finest banking service available. It is our valued belief at Safwa Islamic Bank that our customer's benefit is key to our success

#### **World Class Service At Safwa Islamic Bank:**

We are a customer-centred modern Islamic banking institution that bases each of its relationships on unparalleled personal service and understanding. We care, we listen and we constantly deliver world class services

#### Names of the Board of Directors Members

Dr. "Mohammed Nasser"

Chairman of the Board / Representative

**Abu Hammour** of Al-Etihad Islamic for Investment Co.

Hamdan Al-Fawair Deputy Chairman of the Board /Representative of

Orphans Fund Development Foundation

Basem Salfiti Representative of Al-Etihad Islamic for Investment Co.

**Deema Aqel** Representative of Al-Etihad Islamic for Investment Co.

**Khaled Al-Gonsel** Representative of Al-Etihad Islamic for Investment Co.

**Dr. Khaled Zentuti** Representative of Al-Etihad Islamic for Investment Co.

**Dr. Ahmed Menesi** Representative of Al-Etihad Islamic for Investment Co.

**Dr. Nofan Alaqil** Representative of Government Contributions

Management Company

Samir Abu Lughod

Dr. Ibrahim Saif

Salem Burgan

### Members of Shari'a Supervisory Board

His Eminence Dr. Hussein Hamed Chairman of the Shari'a Supervisory Board and

**Hassan** Executive Member

His Eminence Dr. Ali Muhieddin Al Qaradaghi

Deputy Chairman of the Shari'a Supervisory Board

His Eminence Sheikh Abdul Karim Al-Khasawneh

His Eminence Dr. Ahmad Salem Melhem

## Names of Executive Management

Samer Tamimi General Manager/ Chief Executive Officer

Rami khayyat Deputy CEO, Chief of Corporate Banking

Hani Al-Zrari Deputy CEO, Chief of Central Operations

**Ziad Kokash** Deputy CEO, Chief Credit Officer

Ibrahim Samha Deputy CEO, Chief of Finance and Corporate Strategies

Nasfat Taha Head of Retail Banking

Wael Al-Bitar Head of Treasury and Investment

Rami Al-Kilani Head of Information Technology

Ahmad Tarteer Head of Compliance and AML

Masoud "Sakf al-Hait" Chief of Legal Affairs and Board Secretariat

Muneer Faroneyah Head of Shari'a Supervision

Mohammad Hawari Head of Human Capital Management

Khalid Al-Issa Head of Internal Audit

Ahmad Jafar Acting/Head of Risk Management

#### Name of the external auditor

**Deloitte & Touche (M.E) - JORDAN** 

#### Chairman's Letter

#### Dear Brothers and Sisters Dear Shareholders, Peace, mercy and blessings of Allah



On behalf of the Board of Directors of Safwa Islamic Bank, I am pleased to present to you our 2019 annual report of the Bank.

Safwa Islamic Bank went on its ambitious career during the year 2019, achieving a growth in assets of 436 million dinars (39%), to reach 1,557 million dinars. as a result bank's investments grew across different business sectors and in line with the bank's directions to achieve the best results for all stakeholders' within a clear strategy, this was reflected in the results of the bank with a 20% growth in net income, while maintaining adequate provisions to meet any future challenges, as the year witnessed 32% growth in pre-tax income, up from 13.1 million dinars in 2018 to 17.2 million dinars in 2019.

"Safwa went on his ambitious career, achieving remarkable growth in a year that witnessed difficult economic conditions."

As the local community has shown an increasing interest in accepting the tolerant Islamic Shari'a-compliant services, Islamic banks has continued to raise its share in the banking market. Therefore, the share of Islamic banks has risen to nearly 20%, and Safwa Islamic Bank has had a major role in this growth, with its outstanding performance during 2019.

"Islamic banks continued to raise its share in the banking market in 2019, Safwa has made a significant contribution."

The bank strives to provide excellent banking services by understanding the needs of customers and providing flexible and fast solutions tailored for them. new offers have been developed to meet the needs of our customers and their ever-increasing expectations regarding products and services that are provided to them, whether through our branches network distributed in the Kingdom, our electronic channels, or the call center that started providing 24/7 service with excellent operational and marketing services.

Bank's operating revenues were boosted by a growth of 27% over what was achieved during the year 2018, hence leading all financial indicators to grow as well in the year 2019.

The bank provides a variety of products and services for all business sectors and we strive to raise the level of customer satisfaction through optimal service that is closely monitored via customer follow-up, through our several channels such as call center, complaints monitoring and measuring the quality of service for all branches and departments of the bank.

To keep up with the successive developments of digital transformation, the year witnessed the addition and improvement of many services provided through electronic channels that facilitate our customers and reduce their effort and time and take into account their needs within the strategic goals to improve the customer experience. The bank also developed it's website on a modern way, at the same time we developed the necessary safety and protection measures to face cyber-crimes and cyber intrusions.

During the past year, the bank reviewed its policies and procedures of granting financing by making it easier and faster. The bank also paid special attention to Corporate Customers by providing Cash Management Service, and under the supervision of specialized personnel in the branches to meet their needs, The bank also succeeded in establishing new relations with international and regional Financial Institutions, and expanded its network of Correspondent Banks, which positively reflected on the performance of the

To better serve the larger segment of our society and in line with our expansion plans, during the year 2019, we've opened 3 new branches, bringing our branches network to 36 branches by end 2019, which was positively reflected on the increasing number of bank's customers.

bank in the future.

As a result of the bank's outstanding performance during the year 2019, the Board of Directors recommends to the General Assembly to distribute cash dividends to shareholders in the amount of 5 million dinars, at a rate of 5% of the capital noting that bank's capital adequacy ratio will be around 19% which is still higher than the requirements of Basel and the Central Bank of Jordan.

We look to the year 2020 with an optimistic and positive outlook in line with the directions of His Majesty King Abdullah II by reducing the burdens on the citizen and improving the living conditions and directing the government towards revitalizing the economy after the failure of the tax burden policy, through the implementation of several incentive packages that include exemptions on important sectors such as the real estate and vehicles markets and to grant direct incentives to investors of the industrial and commercial sector, and it is expected that in 2020 the Kingdom will witness the largest public spending in its history by raising capital spending and raising salaries, which will be positively reflected on all economic sectors, including the banking sector.

The year 2020 will witness the 10th. Anniversary of the bank's transformation to an Islamic bank to embody a promising and ambitious bank success story that inspires one-team spirit. In 2020, we will continue to achieve more successes to achieve our strategic goals in light of continuous monitoring all external and banking trends that affect our work to ensure the Bank's continued excellence, the Bank will continue to study and improve its procedures and effectiveness to provide a service in which it seeks to be the best community bank in the Kingdom.

"Safwa added and improved many of the services provided through its electronic channels in order to improve customer experience."

"We look to 2020 with optimism and positivity, in line with the king's directions to ease the burdens on the citizen and stimulate the economy through incentive packages."

"The year 2020 will witness the 10th. anniversary of Safwa as an Islamic bank, and we will continue to achieve more successes to achieve our strategic goals"

On this occasion, I would like to thank the Executive Management of the Bank and all our employees for their efforts and dedication to serve the Bank and its customers. I would like also to extend my thanks and gratitude to all our customers and shareholders for their continuous trust, and for our board of directors for their support and guidance to make this true success story.

Last but not least, I would like to commend the role of the Sharia's Supervisory Board of the Bank in assisting the Bank's management by providing Shari'a approved competitive products and services and their supervisory and advisory role.

Finally, I would like to point out the important role of the Central Bank of Jordan, which supervises the banking sector as its guardian guard, and all other supervisory bodies that play an important role in the bank's safety and give confidence to investors and stimulate our national economy.

We ask God to grant us success to work in the interest of this institution and serve our beloved kingdom under the leadership of the country's leader, King Abdullah II Ibn Al-Hussein, may God protect him.

Dr. Mohammed abu Hammour Chairman

#### CEO's Letter

#### **Dear Shareholders**

I will start my letter by a message I have sent to my colleagues on 25th of March 2020 «Thank you all for working during this period of high uncertainty and stress. During this time, our attitude, traits, strength and what we stand for - become visible to all.

The work we are doing is of critical importance to our customers; who are enduring the greatest stress and uncertainty of all times.

We have done a lot in the last two years to change the way we do our business, from e-channels to call center, operations, mobile banking, online banking, website, product offerings, branch network.. etc, but evidently it's not enough.

This crisis is a stark reminder that if one does not change; then our fate will be similar to all others who ceased to exist.

We must remove all touch points with the outside world to survive (Social distancing will become part of the human fabric.)

We need to move faster to become "digital", "efficient" and "fully automated" as soon as possible. I count on you! This crisis will have long lasting effects, but I'm confident with your efforts Safwa will stand tall after it passes.

Your efforts are being noticed by all the stakeholders, CBJ, customers, vendors, etc. In the last few days I had the privilege to interact with our colleagues at CBJ closely. I was really touched by their empathy and support for the banking community and the community at large. They are working everyday till late hours; their attitude was really the catalyst to change my state of mind to the better.

I spoke to you at the end of last year about the most prominent pillars that we have followed to move forward with Safwa Islamic Bank and the most prominent initiatives that we have adopted that will bring Safwa Islamic Bank to the position it deserves.

Today, I review with you the most important achievements that we have achieved during the year 2019.

You will see later through this annual report that we have put Safwa Islamic Bank at the beginning of the right path, which will positively reflect on all stakeholders; the shareholders, customers and employees of the bank.

First of all, I extend my thanks to the bank's Board of Directors for their unlimited support to me personally and to my fellow members of the Executive Management, and to my colleagues, the bank's team who have proven over the past year that they possess the capabilities, passion and dedication to the bank, which will lead us to the goals we all strive for; you all have my appreciation and respect.

2019 is the year of comprehensive growth for our business by launching a series of major initiatives



Once again, I start my annual letter to shareholders with a sense of pride in regard to what we have accomplished in terms of financial performance and our steadfast dedication to help our customers to facilitate and simplify their dealings with Safwa Islamic Bank.

We will continue to make the experience of dealing with Safwa Islamic Bank an unforgettable one.

During the past two years, the bank launched major initiatives that have had a great impact on the bank's distinguished results.

We can consider 2019 as a year of comprehensive growth for our business, unification of similar activities, and enhancement of technical infrastructure and development.

Our strategy in re-engineering the bank's operations, defining our goals, adding homogeneity and harmony between banks' departments to increase performance efficiency and reduce operating expenses.

We also succeeded in proving once again that opportunities are still available in the Jordanian market and we were able to develop our business, manage our investments efficiently, and diversify our income sources, which resulted in a significant increase in the returns and profits achieved from various departments of the bank.

During the year 2019, we have achieved remarkable growth in our operations and operational results, we were able to achieve this growth while keeping our operating leverage ratio declining as it has reached (1.25) despite the fact that the bank is following its plans of geographical expansion and digital transformation in its operations where capital spending reached JD 3.2 million in 2019.

The following table shows some of key balances and changes between 2019/2018

We have achieved remarkable growth in operations and operational results.

Items JD Million	2019	2018	Change (amount)	Change (%)
Assets	1557	1121	436	%39
Deposits	1316	931	386	%41
Financing & Ijara	1025	777	248	%32
Income before TAX	17.2	13.1	4.1	%32
Net Income	10.0	8.4	1.7	%20
EPS Fils/share	100	84	16	%19

We worked during the year 2019 and the previous year to improve indicators of efficiency and effectiveness.

We have implemented many initiatives and programs that contributed to cost management and optimal use of time and effort.

We adopted a policy of selecting electronic services based on their contribution to achieving these goals.

As for the return on investment in the bank, the growth of operations and the high volumes of financing and investment contributed to achieving returns for depositors that were the highest in the Islamic banking sector.

The financial statements show that the bank has a strong capital base and a capital adequacy ratio of approximately 19%, which gives the bank sufficient flexibility and many options for future growth, which will enhance the value of investment in the capital of Safwa Islamic Bank.

Our geographic presence: We worked during the year 2019 to enhance our network by adding three new branches, one in Karak governorate and the other two in Amman; in Queen Rania Street (Hajj Fund Building) and Abu Alanda area, bringing the number of our operating branches to 36 branches and with the issuance of the bank's annual report we expect the readiness of another branch in Irbid governorate.

A specialized team is working to study other locations that will enhance our presence and contribute to the bank's reaching the largest segment of Jordanian society. We have also strengthened the network of ATMs by adding 8 machines to reach 76 ATMs.

Safwa Digital: During the year 2019, we continued to develop products, services and technology, we put the requirements of the customers at the top of our priorities and we have worked to improve their interaction with us to ensure that they exceed customers' expectations and we used digitization and innovation to do so.

Throughout the year 2019, we have launched many initiatives, projects and improvements to ensure the continuous of the level of digital services provided to Safwa Islamic Bank customers.

Our focus was on providing simple, easy to use and fast solutions, of which; developing banking services via cell phone and adding many of the services provided through the application.

We have developed the bank's website to reflect a distinguished image of the bank and it was built in a modern way, giving the visitor to the site the ease to browse our products, services and our network.

We have provided the site visitors the ability to submit their requests and manage their financial operations easily and conveniently.

We have witnessed a high increase in the number of users of our electronic channels and this indicates that we are in the right way in understanding the needs of our customers for digital services and we still have a lot to offer in the field of digital transformation.

We have also worked on developing the call center by providing its services 24/7 and its services have been enhanced with operational and marketing tasks in order to serve the bank customers and answer their inquiries at any time.

We have worked at Safwa Islamic Bank to build a professional culture that creates professional and creative employees with a passion for serving customers and finding solutions for them with a high focus on good We seek to develop our electronic services by providing simple and easy to use solutions. performance ,team work and responsiveness with our customers to reflect our values that we have adopted from Al Quran and the principle of our prophet (pbuh), so we dealt with the challenges that are facing our clients in despite their sectors, sizes and the volume of their operations in a serious and professional manner, and we will continue to work with our customer to enable them to reach their desired goals.

On the customer's appreciation day in October of each year, we set clear goals within our strategic priorities and immediately began to make tangible progress so we were able to inspire our employees and make our customers part of our extended family, which created great value for shareholders so thank you all "Thank you for being Safwa."

We are proud that we help our customers to make their decisions easier and help them to get a better life through the development of the bank's team, our electronic channels and our products and review them continuously to keep pace with the progressing requirements of our customers.

We are still working to enhance our branches' network, and I am enthusiastic about the progress we have made in 2019.

We all know that we are on a journey that will take time and requires passion and perseverance.

We are confident that we have the right plans, culture and passion to enable us to lead our transformation and progress successfully and achieve our goals by making Safwa Islamic Bank stronger, more competitive and successful in the long run.

At Safwa Islamic Bank, we make sure to introduce fair and responsible banking during all stages of our dealings with all stakeholders.

Our dealings are characterized by fairness, equality, transparency and safety, we strive to make this approach part of our operations' rules and give more attention and care for customers regardless of their income, education or age, and people with special needs without discrimination between the sexes.

We also strive to provide adequate information about our products and services and provide them to the bank's customers in the best, easiest and clear way.

We strive to provide the utmost clarity and transparency in our dealings.

We seek to maintain the progressive pace of bank growth and business development to reach the level we seek.

"Thanks for being Safwa"

Samer Tamimi CEO Thank you our shareholders, thank you our customers, "Thank you for being Safwa"

Fair and responsible banking.

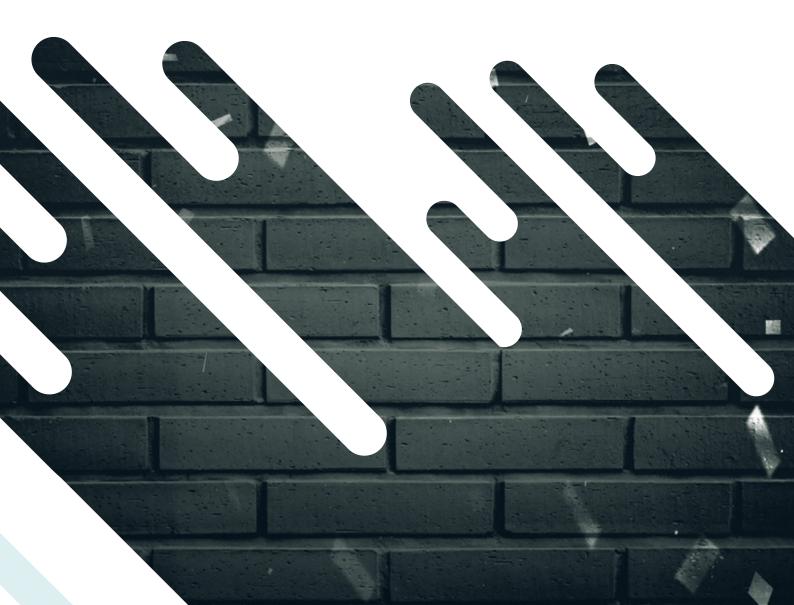
Our dealing are equal, transparent and honest without distinction





# The Shari'a Supervisory Board Annual Report

We closely monitor our transactions by adhering to Shari'a rules



## In the Name of Allah Annual Report of Shari'a Supervisory Board for Safwa Islamic Bank for the year 31/12/2019

Praise be to Allah and peace and blessings be upon our Prophet Mohammad and his family and companions,

#### To respected shareholders of Safwa Islamic Bank,

Peace and Allah's mercy and blessings be upon you,

Pursuant to the Jordanian Banking Law No. 28 of 2000 And the law amending the Banking Law No. 7 of 2019,regarding Islamic banks, the Bank's Articles of Association as well as the controls included in the accounting and auditing standards and the controls for Islamic financial institutions issued by the Audit and Accountancy Organization for Islamic Financial Institutions (AAOIFI);the Shari'a Supervisory Board presents the following report:

The Board has supervised the principles used and the contracts concerning transactions and applications offered by the Bank during the financial period ending on 31/12/2019. It has also carried out due surveillance to give its opinion whether the Bank has been compliant with regulations and principles of the Islamic Shari'a, and how far its observance of Fatwas (Shari'a decisions) was, as well as the defined resolutions and directions that we had issued, and to make sure of the Bank's observance thereof.

The Bank's management is responsible for the execution of the banks activities in accordance to the Islamic Shari'a and ensuring that all times. However, Our responsibility is limited to providing an independent opinion based on our supervision of the Bank's operations and preparing a report for you.

We performed supervision which included the inspection of the Bank's documentation and procedures based on testing each type of operations through Shari'a Supervisory Department.

We have planned and executed supervision to obtain all information and explanations deemed necessary to provide us with sufficient evidence to give reasonable confirmation that the Bank has did not intend to violate the regulations and principles of the Islamic Shari'a. The Board has also continued, through meetings and discussions of the agenda items proposed by the Shari'a Controller, to develop required provisions and instructions for emerging topics that arise during the practical application and indicate the Shari'a regulations for those topics.

#### In our opinion:

- A. The members of the Shari'a Supervisory Board reviewed the Bank's general budget and income statement as of 31/12/2019 and the explanations concerning them, considering that they provide a description of the Bank's activities; and the Board did not find any Shari'a violation in those it acknowledged thereon.
- B. The contracts, operations and transactions conducted by the Bank during the year ending 31/12/2019, that we reviewed have been conducted according to the regulations and principles of the Islamic Shari'a.
- C. The Bank's management enabled the Board to review all books and records it demanded, and has obtained the data it requested to enable it to perform its duty of audit on the Bank's executed transactions.

- D. The Board revised the structures of financing and its terms and conditions, and contracts by which transactions were executed during the current year as of 31/12/2019 which we reviewed according to regulations and principles of the Islamic Shari'a.
- E. Distribution of profits and burdening loss on investment accounts, agrees with the basis approved by us according to regulations and principles of Islamic Shari'a.
- F. Sums that came to the Bank from resources or by ways that are non-compliant with the regulations and principles of Islamic Shari'a were moved to the Account of benefits (Khairat) to be spent in charitable fields, and were not included in the Banks revenues.
- G. The Board replied to inquiries presented to it and issued the necessary Fatwas(Shari'a opinion); and the Banks management showed a remarkable positive reaction in applying those (Fatwas) opinions and observance of them.
- H. The Board has recently approved the following new Shari'a Compliant products; Electronic Murabaha, Electronic musawamah, shares Murabaha.
- I. Issuance of Zakat is the task of shareholders, and it is not Bank's task, as there is no authorization from shareholders to issue the zakat. Therefore, the shareholder has to issue (Zakat) of his shares when Shari'a conditions and controls of Zakat apply, taking the following into considerations:
  - If the intention on purchasing shares was to trade with them and circulation, the shareholders will issue (Zakat) of the share's market value and the dividends distributed at the end of the year by (2.5%) of this value in the Hijri year, and the calendar year (2.577%).
  - If the intention on purchasing shares was to obtain profits not trading, he will issue (Zakat) (2.5%) in the Hijri year or (2.577%) in the calendar year in the value of (Zakat) assets in addition to the dividends either distributed or not.

#### Praise be to Allah...

Date: 29/1/2020.

**Chairman and Executive Member** 

Dr. Hussein Hamed Hassan

**Board Member** 

His Eminence Sheikh Abdul Karim Khasawneh **Board Member** 

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Dr. Ahmad Melhem

**Deputy Chairman** 

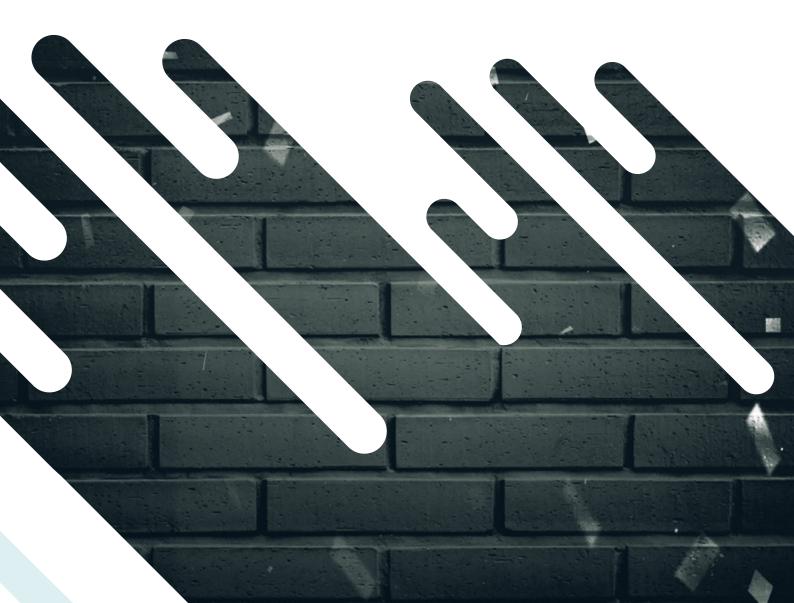
Dr. Ali Al Quradaghi







Consolidated Financial Statement For The Year Ended31 December 2019 And Notes About Them Togather With Independent Auditor's Report



Deloitte & Touche (ME) – Jordan Jabal Amman, 5<sup>th</sup> Circle 190Zahran Street Amman 11118, Jordan

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#### **INDEPENDENT AUDITOR'S REPORT**

AM/014589

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

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

#### Opinion

We have audited the accompanying consolidated financial statements of Safwa Islamic Bank and its subsidiary (referred to together as "The Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, cash flows, and changes in restricted Wakala investment accounts for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements are present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and the consolidated results of the operations, changes in shareholders' equity, its cash flows, and changes in restricted wakala investment accounts for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as were adopted by the Central Bank of Jordan.

#### **Basis for Opinion**

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, and we have fulfilled our other responsibilities in accordance with this requirements and other professional behavior requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Matters**

- 1- The Group has complied with Islamic Shari'ah Principles and Rules set forth by the Shari'ah Supervisory Board of the Group.
- 2- The accompanying consolidated financial statements are a translation of the original consolidation financial statements, which are in the Arabic language, to which reference should be made.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### 1- Expected credit losses in the financing portfolio (Deferred sales receivables and other receivables, and Ijara Muntahia Bittamleek assets), and the Investment Risk Fund

The disclosures related to the impairment loss in the financing portfolio (Deferred sales receivable and other receivables, and Ijara Muntahia Bittamleek assets) are detailed in Notes (8 and 13) to the consolidated financial statements, and the disclosures about the Investment Risk Fund are detailed in Note (24) to the consolidated financial statements.

#### **Key Audit Matter**

The Group's Management exercises significant judgment when using the self-assumptions and determining the timing and amount to be recorded regarding the expected credit losses in the value of the financing portfolio (Deferred sales receivables and other receivables, and Ijara Muntahia Bittamleek assets) and estimating the amount of the related expected credit loss provision against it.

financing portfolio (Deferred sales receivables and other receivables, and Ijara Muntahia Bittamleek assets) constitutes a major part of the Group's assets. Due to the importance of the judgments used in the classification of financing portfolio various stages set forth in International Financial Reporting Standard (9) "Financial Instruments" and the Application Instructions issued by the Central Bank of and provision Jordan the related been requirements, this matter has considered as a key audit risk.

#### How the key audit matter was addressed

The audit procedures included evaluating the internal control and monitoring system related to the procedures for granting, recording and monitoring the financing, as well as the procedures for recording the expected credit losses, taking into consideration the Central Bank of Jordan's requirements to verify their effectiveness and evaluate the efficiency of their design and implementation.

We have also read out the Group's expected credit losses provisioning relation to International Financial Reporting Standard (9) and the Instructions issued by the Central Bank of Jordan in this regard and the strictest between them.

Furthermore, we have understood the methodology used by the Group determining the provisions against exposures classified within Stages (1, 2 and 3). We have also evaluated the reasonableness of the underlying assumptions and adequacy of the data used by the Group. Meanwhile, we have verified the completeness of the credit facilities portfolio included in the calculation of the expected credit loss.

#### **Key Audit Matter**

The Bank's net financing portfolio (Deferred sales receivables and other receivables, and Ijara Muntahia Bittamleek assets) amounted to approximately JD 1.024 Billion as at December 31, 2019 after deducting it's related expected credit loss provision amounted to approximately JD 26.3 million, which includes a provision of approximately JD 8.8 million against the exposures of Stage (1) and Stage (2), and approximately to JD 17.5 million against the exposures included in Stage (3).

Moreover, the Bank deduct 10% of the joint investment net profit and transfers it to the Investments Risk Fund according to the instructions of the Central Bank of Jordan until the end of April 2019 in which an announcement was issued at 27 June 2019 requiring the derecognation of investment risk under the Banks law and ammendments, after allocating the fund balance and face it with expecte cridet loss and other joint facilities and investments provisions. The provisions expenses for expected credit losses and other Joint facilities and invesmtnets provisions are charged in joint invesmtnet pool in consoidation statement of income and comprehnisve income, starting from the first of may for the year 2019.

#### How the key audit matter was addressed

We have understand the approach used by the Group to determine the provisions booked against the exposures which are classified with the (first, second, and third) stages. Also, we assess the extent of the reasonability of the basic assumptions and the extent of the adequacy of the data used by the Group. We checked the completeness of the financing portfolio included the calculation of expected credit loss.

Also we have checked the relevance of the management regarding the in substantive increase in expected credit losses, and the results from classifying the exposures into different stages.

Moreover, we have examined a sample of the credit exposures to evaluate the appropriateness of the determination of exposure at default, the probability of default, and the loss given default used in the calculation of the expected credit loss.

We have examined a sample of the the financing portfolio exposures in which impairment in value has been identified on an individual basis, and which are classified in Stage (3). In addition, we have examined Management's estimate of the future cash flows and their reasonableness and verified the outcome of the calculations of the provisions.

We also used the experts, where appropriate, to verify the validity of that data.

Furthermore, we have recalculated the amounts transferred to the Investment Risk Fund until the first of May 2019 according to the Central Bank of Jordan's instructions.

## 2 - IT systems and controls related to the preparation of the financial statements

#### **Key Audit Matter**

#### We identified IT systems and controls over the Groupe's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Group and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls accurately designed not operating effectively. In particular, the incorporated relevant controls essential to limit the potential for fraud and error as a result of change to an application or underlying data.

#### How the key audit matter was addressed

Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over IT systems:

We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications.

We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data center and network operations.

We examined computer generated information used in financial reports from relevant applications and key controls over their report logics.

We performed testing on the key automated controls on significant IT systems relevant to business processes.

Other Information included in the Group's Annual Report for the Year 2019 Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditors report thereon. The Board of Directors is responsible for other information. We expect that the annual report will 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 when its available to us 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.

If, based on the work we have performed, we conclude that there is a material mistatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the management and those charged with governance for the Consolidated Financial Statements

These consolidated financial statements and the Group's undertaking to operate in accordance with the Islamic Shari'ah rules and Principles are the responsibility of the Group's Board of Directors.

The Group's Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as adopted by the Central Bank of Jordan and for such internal control as the Group's Board of Directors 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, the Group's Board of Directors 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 the Group Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible on overseeing the Group 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 the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) 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 AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

 Obtain sufficient and appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group "Bank and its subsidiary" express an opinion on the consolidated financial statements.
 We are responsible for the direction, supervision and implementation of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

The Group maintains proper books of accounts, which are in agreement with the consolidated financial statements. We recommend to approve it.

Amman – The Hashemite Kingdom of Jordan February 12, 2019

Deloitte & Touche (M.E) - Jordan

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

## Safwa Islamic Bank (A Public Shareholding Limited Company) Amman-The Hashemite Kingdom of Jordan Consolidated Statement of Financial Position

	Position	31 Dec	ember
	Note	2019	2018
		JD	JD
Assets			
Cash and balances with the Central Bank	4	278,816,552	118,767,358
Balances at banks and the financial institutions	5	6,513,543	13,264,923
International wakala investments-net	6	70,790,378	56,020,856
Financial assets at fair value through statement of income	7	3,536,138	688,489
Deferred sales receivables and other receivables-net	8	641,388,269	448,797,891
Financial assets at fair value through shareholders' equity -self financed	9	-	340,500
Financial assets at fair value through unrestricted investment accounts' holders equity-net	10	32,856,966	28,115,798
Financial assets at amortized cost -net	11	92,191,000	92,191,000
Investment in associate	12	354,022	376,618
Net investment in a subsidiary under liquidation		-	79,717
Ijara Muntahia Bittamleek assets-net	13	382,860,291	327,252,472
Qard Hasan		509,660	509,660
Property and equipment-net	14	23,886,014	24,251,426
Intangible assets - net	15	2,043,279	1,600,907
Right of use assets	48/A	9,702,044	-
Deferred tax assets	21/C	1,661,190	723,606
Other assets	16	9,811,237	8,492,294
Total Assets		1,556,920,583	1,121,473,515
Liabilities, Unrestricted Investment Accounts' Holders Equity and Shareholders' Equity			
Liabilities			
Banks and financial Institutions accounts	17	1,522,392	436,283
Customers' current accounts	18	181,361,486	143,608,583
Cash margin	19	35,875,353	12,470,264
Income tax provision	21/A	6,936,284	4,031,024
Other provisions	20	421,785	380,785
Lease liabilities-long term	48/B	9,368,215	-
Other liabilities	22	41,133,151	28,819,408
Total Liabilities		276,618,666	189,746,347
Unrestricted Investment Accounts Holders' Equity			
Unrestricted investment accounts	23	1,135,016,343	786,986,288
Fair value reserve	25/B	48,157	(552,665)
Total Unrestricted Investment Accounts Holders' Equity		1,135,064,500	786,433,623
Investment Risk Fund			
Investment risk fund	24/B	-	1,945,997
Income tax provision for investment risk fund	24/C	787,149	2,052,566
Shareholders' Equity			
Paid up capital	26	100,000,000	100,000,000
Statutory reserve	27	25,902,069	24,181,881
Fair value reserve - self financed	25/A	-	(24,510)
Retained earnings	28	18,548,199	17,137,611
Total Shareholders' Equity		144,450,268	141,294,982
Total Liabilities, Unrestricted Investment Accounts Holders' and Shareholders	' Equity	1,556,920,583	1,121,473,515
Wakala Investments accounts		7,815,807	9,030,710

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

#### Safwa Islamic Bank (A Public Shareholding Limited Company) Amman-The Hashemite Kingdom of Jordan

Consolidated Statement of Income and Comprehensive Income

		For the year end	ed 31 December
	Note	2019	2018
		JD	JD
Deferred sales revenue	29	40,992,345	30,934,645
Ijara Muntahia Bittamleek assets revenue	30	30,417,721	26,099,095
Gains from International wakala investments	31	1,960,584	1,091,469
Gains from financial assets at fair value through unrestricted investment accounts' holders equity	32	1,475,258	1,333,579
Gains from financial assets at fair value through statement of income	33	123,343	20,235
Gains from financial assets at amortized cost	34	4,126,385	2,107,731
Share of Joint Funds from (losses) Profits of associate company	12	(12,596)	8,356
Gains (losses) from Foreign currencies evaluation	35	6,267	(697)
Other revenue - jointly financed		758,409	577,070
Total revenue from unrestricted investment		79,847,716	62,171,483
Jordan Deposit Insurance Corporation fees - jointly financed		(847,340)	-
Share of unrestricted investment accounts holders'	36	(36,423,421)	(25,270,052)
Expected credit losses on jointly items	24/A	(5,070,718)	-
The share of the Investment Risk Facility Fund	24/A	(2,416,902)	(6,217,148)
Bank's share of revenue from unrestricted investments as a mudarib and rab - mal	37	35,089,335	30,684,283
Bank's self financed revenue	38	1,104,804	715,102
Banks share from the restricted investments revenue as agent (wakeel)	39	283,056	182,949
Gain from foreign currencies	40	1,075,782	510,533
Banking services revenue - Net	41	5,402,964	4,343,665
Other revenue	42	575,419	292,258
Jordan Deposit Insurance Corporation fees - self financed		(652,989)	-
Gross Income		42,878,371	36,728,790
Employees' expenses	43	(13,151,976)	(12,468,227)
Depreciation and amortization	14&15	(3,026,261)	(2,523,662)
Depreciation of Ijara muntahia bittamleek assets- self financed	30	(798,847)	(462,631)
(Provision) from expected credit loss on facilities - self financed	8	(51,850)	(165,085)
(Provision) recovered from expected credit losses on Off - balance sheet items-self financed	22	(129,288)	124,723
Amortisation of right of use assets	48/A	(1,333,344)	-
Finance costs (discount rate on lease liability)	48/A	(295,305)	-
Rent expenses		(234,266)	(1,526,349)
Other expenses	44	(6,655,358)	(6,636,907)
Total expenses		(25,676,495)	(23,658,138)
Profit for the Year before tax		17,201,876	13,070,652
Income tax expense	21/B	(7,185,657)	(4,719,991)
Profit for the Year		10,016,219	8,350,661
Non-transferable items for later income statement:			
Gain (losses) from sale of financial assets through Shareholders' equity Self-Financed		139,067	(4,748)
Net change in fair value reserve for financial assets		-	(23,934)
Total comprehensive Income for the Year		10,155,286	8,321,979
		Fils	/JD
Basic and diluted earnings per share for the Year	45	100/0	084/0

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

Safwa Islamic Bank (A Public Shareholding Limited Company) Amman-The Hashemite Kingdom of Jordan Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

			•			
	Paid up capital	Statutory reserve	General banking risks reserve	Fair value reserve – self financed	Retained Earnings	Total Shareholders' Equity
	۵۲	JD	O۲	J.	JD	۵۲
For the year ended 31 December 2019						
Balance as at the beginning of the year	100,000,000	24,181,881	ı	(24,510)	17,137,611	141,294,982
Profit for the year	1	•		-	10,016,219	10,016,219
Gain on sale of financial assets through self-shareholders' equity	1	1	1	24,510	114,557	139,067
Total comprehensive Income for the Year	ı	ı	ı	24,510	10,130,776	10,155,286
Distributed Dividends**	1	•	ı	-	(7,000,000)	(7,000,000)
Transfer to reserves	1	1,720,188		1	(1,720,188)	1
Balance as at 31 December 2019	100,000,000	25,902,069	•	24,510	18,548,199	144,450,268
For the year ended 31 December 2018						
Balance as at the beginning of the year	100,000,000	22,874,816	300,000	(576)	14,971,250	138,145,490
Following the instructions of applying the IFRS (9)	ı		1	1	(191,603)	(191,603)
Adjusted balance at the beginning of the year	100,000,000	22,874,816	300,000	(576)	14,779,647	137,953,887
Profit for the year	ı	•	ı	ı	8,350,661	8,350,661
Net change in the fair value reserve for financial assets	ı	ı	ı	(23,934)	ı	(23,934)
Losses on sale of financial assets through self-shareholders' equity	ı	ı	1	1	(4,748)	(4,748)
Total comprehensive Income for the Year	ı	•	ı	(23,934)	8,345,913	8,321,979
Transfer from bank risk reserve	ı	ı	(300,000)	1	300,000	ı
Effect of disposal of the subsidiary	ı		ı	ı	19,116	19,116
Distributed Dividends	ı	ı	1	ı	(5,000,000)	(5,000,000)
Transfer to reserves	ı	1,307,065	ı	ı	(1,307,065)	ı
Balance as at 31 December 2018	100,000,000	24,181,881	•	(24,510)	17,137,611	141,294,982

- Retained earnings balance as at 31 December 2019 includes an amount of JD 436,376 (723,606 JD as at 31 December 2018) which represents deferred tax assets

- self financed and it is restricted from use in accordance with the Central Bank of Jordan instructions.

Based on CBJ instructions no. (13/2018) that was issued on 6 June 2018 the general banking risks reserve was transferred to retained earnings, the surplus of general banking risks reserve amounted to JD 108,397 is restricted from use without prior approval of the Central Bank of Jordan. "The General Assembly approved to distribute cash dividends in an amount of JD 7 Millions to the shareholders for the year 2018, which represent 7% from the bank's capital in their meeting held on 27 April 2019. The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit

#### Safwa Islamic Bank (A Public Shareholding Limited Company) Amman-The Hashemite Kingdom of Jordan Consolidated Interim Statement of Cash Flows

		For the year end	ed 31 December
	Note	2019	2018
		JD	JD
Cash Flows from Operating Activities	<u>'</u>		
Profit for the year before tax		17,201,876	13,070,652
Adjustments for non monetary items:		, ,	,
Depreciation and amortization	14&15	3,026,261	2,523,662
Depreciation of Ijara Muntahia Bittamleek assets( self & jointly financed)	30	50,344,819	45,779,053
Amortization of right of use assets	48/A	1,333,344	-
Finance costs (discount lease liabilities)	48/A	295,305	-
Investment risk fund	24/A	2,416,902	6,217,148
Unrealized loss (gain) of financial assets at fair value through statement of income	33	71	(19,547)
Expected credit losses provision for jointly items	24/A	5,070,718	-
Expected credit losses provision for facilities - self financed	8	51,850	165,085
Expected credit losses (recovered from ECL) for Off - balance sheet items-self financed	22	129,288	(124,723)
Increase in other provisions		41,000	304,736
Provision for investment in a subsidiary		-	19,116
Share of joint funds from losses (profits) of associate company	12	12,596	(8,356)
(Gain) from disposal of property and equipment	42	(8,116)	(4,372)
(Gain) from sale of seized assets against debts	72	(69,467)	(217,791)
Cash Flows from Operating Activities before Changes in working capital		79,846,447	67,704,663
Changes in operating working capital:		10,010,111	01,104,000
(Increase) in deferred sales receivables and other receivables		(200,154,334)	(37,986,996)
(Increase) in Ijara Muntahia Bittamleek assets		(105,952,638)	(117,322,906)
(Increase) in other assets		(1,893,671)	, , , ,
Increase in customers' current accounts			(3,856,241)
		37,752,903	23,539,618
Increase (decrease ) in cash margin accounts Increase in other liabilities		23,405,089	(10,275,784)
		11,909,900	13,060,455
Net cash (used in) operating activities before income tax paid	21&24	(155,086,304)	<b>(65,137,191)</b> (5,095,119)
Income tax paid	21024	(7,813,004)	
Net cash flows from (used in) operating activities		(162,899,308)	(70,232,310)
Cash Flows from Investing Activities			
Net (purchase) maturity and sale of financial assets at fair value through unrestricted investment accounts holders		(4,555,113)	10,227,521
Net (purchase) of financial assets at fair value through statement of income		(2,847,720)	(668,942)
Net sale (purchase) of financial assets at fair value through shareholders' equity -self financed		479,567	(351,482)
Net (Purchase) of financial assets at amortized cost		-	(37,313,000)
Net disposal of investment (net investment) in a subsidary		79,717	(79,717)
Cash dividends from associate company	12	10,000	9,000
(Purchase) of intangibles assets	15	(1,161,619)	(703,296)
(Purchase) of property and equipment	14	(953,469)	(3,181,569)
(Increase) in payments on purchase of property, equipment and projects under construction	14	(1,053,549)	(1,750,444)
Proceeds from sale of property and equipment	17	73,532	13,041
Proceeds from sale of assets seized by the bank in settlement of outstanding debts		234,500	3,044,533
(Increase) in International Wakala Investments		(14,781,662)	(22,245,595)
Net cash (used in) investing activities		(24,475,816)	(52,999,950)
		(24,475,610)	(32,999,930)
Cash Flows from Financing Activities Increase in unrestricted investment 'holders quity		349 030 055	134 065 140
<u> </u>	40/D	348,030,055	134,065,149
Finance lease (payments)  (Dividends) distributed to shareholders	48/B	(1,590,092)	(4 065 447)
(Dividends) distributed to shareholders		(6,853,134)	(4,865,447)
Net cash generated by financing activities		339,586,829	129,199,702
Net increase in cash and cash equivalents		152,211,705	5,967,442
Cash and cash equivalents at beginning of the year	10	131,595,998	125,628,556
Cash and cash equivalents at end of the year	46	283,807,703	131,595,998
Non-cash transactions:			
Transfer to property and equipment from installments to purchase property, equipment and projects under implementation	14	1,348,104	417,076

The accompanying notes from (1) to (58) constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying audit report.

# Safwa Islamic Bank (A Public Shareholding Limited Company) Amman - The Hashemite Kingdom of Jordan Consolidated Statement of changes in Restricted Wakala Accounts

		dia 7 toocarito			
	Nota	Local Murabaha	Total		
	Note	JD	JD		
For the Year ended 31 December 2019					
Beginning balance of the year		9,030,710	9,030,710		
Add: Deposits		12,288,013	12,288,013		
Less: Withdrawals		(13,502,916)	(13,502,916)		
Add: Investments' gains	39	705,369	705,369		
Less: Banks share as agent (wakeel)	39	(283,056)	(283,056)		
Less: Muwakel's share	39	(422,313)	(422,313)		
Investments at the end of year		7,815,807	7,815,807		
Deferred revenue		383,211	383,211		
Suspended revenue		-	-		
Balance as at 31 December 2019		383,211	383,211		
		Local Murabaha	Total		
	Ninka	2004:	Total		
	Note	JD	JD		
For the Year ended 31 December 2018	Note				
For the Year ended 31 December 2018  Beginning balance of the year	Note				
	Note	JD	JD		
Beginning balance of the year	Note	JD 5,062,108	JD 5,062,108		
Beginning balance of the year  Add: Deposits	Note	JD 5,062,108 15,091,008	JD 5,062,108 15,091,008		
Beginning balance of the year  Add: Deposits  Less: Withdrawals		5,062,108 15,091,008 (11,122,406)	5,062,108 15,091,008 (11,122,406)		
Beginning balance of the year  Add: Deposits  Less: Withdrawals  Add: Investments' gains	39	5,062,108 15,091,008 (11,122,406) 287,351	5,062,108 15,091,008 (11,122,406) 287,351		
Beginning balance of the year  Add: Deposits  Less: Withdrawals  Add: Investments' gains  Less: Banks share as agent (wakeel)	39	5,062,108 15,091,008 (11,122,406) 287,351 (182,949)	5,062,108 15,091,008 (11,122,406) 287,351 (182,949)		
Beginning balance of the year  Add: Deposits  Less: Withdrawals  Add: Investments' gains  Less: Banks share as agent (wakeel)  Less: Muwakel's share	39	5,062,108 15,091,008 (11,122,406) 287,351 (182,949) (104,402)	5,062,108 15,091,008 (11,122,406) 287,351 (182,949) (104,402)		
Beginning balance of the year  Add: Deposits  Less: Withdrawals  Add: Investments' gains  Less: Banks share as agent (wakeel)  Less: Muwakel's share  Investments at the end of year	39	5,062,108 15,091,008 (11,122,406) 287,351 (182,949) (104,402) 9,030,710	5,062,108 15,091,008 (11,122,406) 287,351 (182,949) (104,402) 9,030,710		

Safwa Islamic Bank
(A Public Shareholding Limited Company)
Amman-The Hashemite Kingdom Of Jordan
Notes To The Consolidated Financial Statements

## (1) GENERAL

Safwa Islamic Bank is a public shareholding company licensed by the Central Bank of Jordan to practice and provide Islamic business and banking services in accordance with the Banking Law and the Companies Law. The Bank's General Assembly at its extraordinary meeting held on 17 May 2017, decided to change the name of the Bank from "Jordan Dubai Islamic Bank" to "Safwa Islamic Bank".

The Bank provide all financial banking and structured investment services on a non-Interest basis in accordance with Islamic shari'a through the Bank's head office and its thirty six branches within the Kingdom and its subsidiary, in accordance with the effective Banking Law.

Etihad Islamic Investment Company owns 62.37% of Safwa Islamic Bank.

The consolidated financial statements were approved by the Bank's Board of Directors in their meeting No. (1/2020) held on 30 January 2020 and still subject to the approval of the General Assembly of Shareholders.

The consolidated financial statements were read and reviewed by the Bank's Shari'a Supervisory Board, in their meeting No. (1/2020) held on 29 January 2020, and the board issued its shari'a report thereon.

## (2) SIGNIFICANT ACCOUNTING POLICIES

## Basis of preparation of the Consolidated Financial Statements

The consolidated financial statements of the Bank have been prepared according to the financial acconting standards issued by The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as adopted by the Central Bank of Jordan. The standards issued by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee are applied in the absence of standards issued by The Accounting and Auditing Organization for Islamic Financial Institutions and will be replaced later by Standards when the new standards are issued.

The main differences between (AAOIFI) as should be applied and what has been aproved by the Central Bank of Jordan consist of the following:

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

Sukuk issued or guaranteed by the Jordanian government are excluded so that credit exposures on the Jordanian government and guaranteed by it are addressed without credit losses.

When calculating credit losses against credit exposures, the 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 on December 10, 2009 for each stage separately and whichever result is more strict is selected.

Revenue and commissions are suspended on non-performing credit financing granted to clients in accordance with the Central Bank of Jordan instructions.

Assets seized by the bank against debts are disclosed in the consolidated financial position statement in the other asset, and recorded using the acquisition value or fair value, whichever is less, and they are reevaluated individually at the date of the consolidated financial statements. Any impairment in their value is recorded as a loss in the consilidated statement of income and other comperhansive income however, the increase in value is not recorded as revenue. Subsequent increase is recorded in the consolidated statement of income and comprehensive income to the extent that it does not exceed the value of the decrease that has been previously recorded. Also, from the beginning of the year 2015, a progressive provision was recorded for the real estate acquired against to the debts that have been in possession for more than 4 years, according to the Circular of the Central Bank of Jordan No. 15/1/4076 dated on 27 March 2014 and No. 10/1/2510 dated on 14 February 2017. Noting that the Central Bank of Jordan issued Circular No. 10/1/13967 on 25 October 2018, in which they approved the extension of circular No. 10/1/16607 dated on 17 December 2017, in which it confirmed deffering the calculation of the provision until the end of the year 2019. And according to the circular Central Bank No. 10/1/16239 date on 21 November 2019 recognizing of the required allocations against the properties acquired as (5%) of the total book values of these properties (regardless of the duration of violation) starting from the year 2021 so that acheive the required percentage amount (50%) of these properties with the end of the year 2029.

- The consolidated financial statements are prepared on historical cost basis except for the financial assets at fair value through statement of income, financial assets at fair value through unrestricted investment accounts' holders equity and financial assets at fair value through shareholders' equity that have been measured at fair value.
- The consolidated financial statements are presented in Jordanian Dinar (JD), which is the functional currency of the Bank.
- The seperation between what belongs to the Shareholders' equity and what belongs to the unrestricted investment accounts holders has been taken into consideration.
- Unrestricted investment accounts means joint investment accounts wherever it is mentioned.

#### Basis of Consolidation of the Financial Statements

The Consolidated financial statements comprise of the financial statements of the Bank and its subsidiary(which refer togather a group) which is financed by the Bank's Self Funds where the Bank has control to govern the operational and financial policies of the entity to obtain benefits from their activities. All intra-company balances, transactions, revenues, expenses and off – balance sheet items between the Bank and its subsidiary are eliminated.

The financial statements of the subsidiary are prepared for the same reporting period as the group, using same accounting policies used by the group. If the subsidiary use different accounting policies than those used by the group, the necessary adjustments are made to the financial statements of the subsidiary to comply to the accounting policies adopted by the group.

The subsidiary of the group as at 31 December 2019 is as follows:

Company name	Paid up Capital Source of Ownership		Company Main	Operation	Acquisition	
Company name	(JD)	Funding %		Activity	location	Date
Misc for brokerage company	2,000,000	Self	100%	Brokerage	Amman	2011

The results of the operations of the subsidiary are consolidated in the consolidated statement of income and comprehensive income from the date of its acquisition, which is the date on which the bank's control is effectively transferred to its subsidiary, and the results of the operations of the subsidiary that were disposed of are consolidated in the consolidated statement of income and comprehensive income until the date of disposal, which is the date in which the bank loses control of its subsidiary.

When preparing separate financial statements for the Bank as an independent entity, investments in subsidiaries are shown in cost or net proceeds value in case of liquidation.

Liquidation procedures have been completed for Alahjar Real Estate for construction Company (ownership 100% subsidiary to the bank) on 4 July 2019 at the Companies Controller.

Control is achieved when the Bank:

- · Has the ability to control the investee.
- Is subject to variable returns or has the right to variable returns arising from its association with the investe.
- · Has the ability to use its power to influence the returns of the investee.

The Bank re-assesses whether it controls the investee companies or whether the facts and circumstances indicate that there are changes to one or more control check points referred to above.

If the voting rights of the Bank are less than the majority of voting rights in any of the investee companies, it shall have the power to control when the voting rights suffice to grant the Bank the ability to direct the activities of the related subsidiary unilaterally. The Bank takes into consideration all the facts and circumstances when assessing whether the Bank has voting rights in the investee so as to grant it the ability to control or not. Among these facts and circumstances are the following:

- The volume of voting rights owned by the Bank in relation to the volume and distribution of other voting right.
- · Potential voting rights held by the Bank and any other voting rights holders or third parties.
- · Rights arising from other contractual arrangements.
- Any additional facts and circumstances indicating that the Bank has or does not have current responsibility for directing relevant activities at the time of making the required decisions, including how to vote at previous General Assembly meetings.

When the Bank loses control over any of its subsidiaries, the Bank:

- · Derecognizes the assets of the subsidiary (including goodwill) and liabilities.
- · Derecognizes the carrying amount of any uncontrolled interest.
- · Derecognizes the cumulative transfer differences recognized in equity .
- Derecognizes the fair value of the consideration received.
- · Derecognizes the fair value of any investment held.
- · Derecognizes the surplus or deficit in the statement of income .
- Reclassifies the equity of the previously restricted bank in other comprehensive income to the statement of income or retained earnings, as appropriate.

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

## Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial information for the year ended 31 December 2018, Except for the impact of the New and revised standards and the impact of the amendments on the banking law which related to the investment risk fund and as follows:

## AMENDMENTS THAT HAVE AN IMPACT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

#### FIRST-INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 16 "LEASES"

The Bank has adopted the International Financial Reporting Standard (IFRS) No. 16 "Leases", which replaced existing guidance on leases, including IAS No. 17 "Lease contracts", international interpretation (4) "Determining whether the lease contract requires an arrangement", Explanation of the Previous Interpretations Committee (15) "Operational Leases – Incentives" and Explanation of the Previous Interpretations Committee (27) " Evaluate the substance of the transactions that take the legal form of the lease".

IFRS 16 has been issued in January 2016 and is effective for financial periods beginning on or after 1 January 2019. IFRS 16 provides that all lease contracts and related contractual rights and obligations should be recognized generally in the financial position of the Bank unless the period is 12 months or less or a lease contract is of impaired assets. Accordingly, the classification required under IAS 17 "Leases" in operating or finance leases has been canceled for tenants. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Bank has adopted for the simplfied application permitted under IFRS 16 to apply for the first time to individual operating leases (for each lease separately). The right to use leased assets is generally measured at the amount of the lease liability using the discount rate at initial application.

The assets of the right to use are measured at an amount equal to the lease obligation after have been adjusted by any prepaid or payable lease payments relating to a lease contract recognized in the statement of financial position as at 31 December 2018. No amendments were made to retained earnings as of 1 January 2019. Under this method, there were no lower leases requiring an amendment to the assets of the right of use at the date of initial application.

The effect of applying the standard on the opening balances for the lease assets and lease liabilities is explained in Note (48).

## LEASING ACTIVITIES OF THE BANK AND ITS ACCOUNTING TREATMENT MECHANISM:

The Bank rents real estate and stores, Lease contracts are usually fixed from a year to 15 years, some may include extension options and lease terms are negotiated on an individual basis and contain a range of different terms and conditions. Leases do not include any commitments and may not be used as collateral for financing purposes.

Until the end of fiscal year 2018, leases of property have been classified either as an operating lease or a finance lease. Amounts paid in respect of operating leases are recorded in the consolidated statement of income and comprehensive income on a straight-line basis over the lease term.

As of January 1, 2019, leases are recognized as assets of the right of use and the related obligations on the date on which the asset is ready for use by the Bank. The value of each lease payment is divided between lease commitments and financing costs. Finance costs are recorded in the consolidated statement of income and comprehensive income during the lease term to achieve a constant periodic discount rate on the remaining balance of the liability for each period. Right to use assets are amortized over the useful life of the asset or lease term whichever is shorter based on the straight-line method.

The discount rate is not conditional and has no practical effect on the commitment of the contractors, and that this is an accounting application and the rental contracts did not mention the discount price and would not affect the contractual obligations between the two parties.

Assets and liabilities arising from leases are initially measured at their present value. Rental commitments include the net present value of the following lease payments:

- Fixed payments (including embedded fixed payments) less rent incentives receivable;
- · Variable rent payments based on index or rate;
- Amounts expected to be paid by the lessee under residual value guarantees;
- The exercise price of the purchase option if the lessee is reasonably sure of the exercise of this option.

The lease payments are discounted using the discount price of implicit lease contract or the rate of excess to finance to purchase an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- · Any lease payments made at or before the commencement date less any lease incentives received,
- Any initial direct costs, and
- · Restoration costs (renovation and restoration).

Payments associated with short term leases and leases of low value assets are recognized on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the IFRS:

- The use of a single discount rate to a lease portfolio with reasonably similar characteristics,
- · Reliance on previous assessments on whether leases are imputed;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short term leases.
- The exclusion of initial direct costs of measurement of the right-to-use assets at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Bank has also elected not to reassess whether a contract is contains or does not contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Bank relied on its assessment by applying IAS 17 "Lease contracts" and International Interpretation (4) "Determining whether an arrangement contains a lease".

#### SECOND - AMENDMENT TO THE PROVISIONS POLICY

Based on the circular issued by the Central Bank on 27 June 2019, that requires the cancellation of investment risk reserve and distribute the remainy. The expected credit losses for joint financing and joint investments, new expected credit losses and other provisions for financly and investments through consolidated statements of balance between income and comprehensive income statements the provisions expinse are charged to the joint investment pool.

## (B) AMENDMENTS THAT DID NOT HAVE AN IMPACT THE BANKS CONSOLIDATED FINANCIAL STATMENTS:

Islamic Accounting Standard No. (28) "Murabaha and deferred sales". The new standard aims to define accounting principles and appropriate reporting of recognition, measurement, and disclosure for their application in relation to deferred sales and other transactions of the seller and buyer's future sale, knowing that the mandatory application date for the standard is January 1, 2019, Note that there was no material impact on the consolidated financial statements.

### Segments information

A business is a group of assets and operations that jointly engage in the rendering of products or services subject to risks and rewards different from those of other business segments, and which are measured according to reports used by the chief executive officer and the main decision maker of the Bank.

A geographical segment is associated with the provision of products or services in a specific economic environment subject to risks and rewards that differ from those of segments operating in other economic environments .

## The basis for the distribution of joint investment profits between shareholders' equity and holders of joint investment accounts

The combined return on investment of equity holders and holders of joint investment accounts for the year 2019 was distributed as follows:

	Percentage
Share of joint investment account holders	57%
Share of shareholders equity	43%

The Joint Investment Accounts shall participate in the results of the investment profits, and shall be distributed to the depositors each according to their participation rate, taking into consideration the weights of the concerned joint investment accounts and the terms of the account signed between the Bank and the depositor .

The weights of the joint investment accounts are as follows:

- From 20% to 31% of the lowest balance of savings accounts in Jordanian Dinars.
- From 14% to 35% of the lowest balance of savings accounts in foreign currencies.
- From 48% to 90% of the average balance of term accounts in Jordanian Dinars.
- From 18% to 47% of the balance of foreign currency term accounts.
- 90% of the balance of the accounts of the investment certificates of deposit in Jordanian Dinars.
- From 80% to 85% of the avarage balance of the certificates of deposit in foreign currencies.

The Bank shall been all administrative expenses except for the advertising and marketing expenses of the products. The insurance expenses of the Ijarah Muntahia Bittamleek assets assets are incurred in the joint investment pool.

The Bank combine (mix) its funds and any other funds (which were not received by the Bank on the basis of Mudaraba contract) in the Joint Investment Accounts.

### Priority Investment / Equal Investment Opportunities and Profit Sharing:

The principle of equal investment opportunities is applied to the shareholders' funds and the funds of the investment account holders in the joint Mudaraba. The Bank's own investments are presented in separate accounts from investments through the rights of the Joint Investment Accounts holders equity.

Moreover, the joint investment accounts shall share in the results of the investment profits, which shall distributed to the holders of the joint investment accounts according to their participation rate, taking into account the weights of the respective investment accounts concerned and the terms of the account signed between the Bank and the depositor.

The weighting of the joint investment accounts proposed by the Bank's management is approved by the Bank's Shari'a Supervisory Board.

#### Zakat

Zakat is the responsibility of the shareholders and unrestricted investment accounts holders. In this regard, the Bank is not directly and explicitly authorized to expend it, nor is there a law for its collection. In addition, the Bank's Articles of Association do not prescribe it, nor the General Assembly's decisions do not specify it. There is no related authorization by the shareholders either. Therefore, the shareholders the unrestricted investment accounts holder shall pay zakat on their shares and funds if the Shari'a conditions and rules are fulfilled.

## Revenue, gains, expenses and losses in violation of Islamic Shari'a

The Bank records them in a special account in the consolidated statement of financial position within other credit balances, and they are not included in the Bank's revenue. Charitable allocations out of this account are made as decided by the Shari'a Supervisory Board.

#### Deferred sales receivable

#### Murabaha contracts:

Murabaha is the sale of an item at the same price at which the seller bought it plus an agreed profit margin based on a certain percentage of the price or a lump sum, which is one of the sales of the trust on which the purchase price or cost is based.

## Murabaha for the purchase order

It is the sale of an asset by the Bank to its client (the purchase order) with a specific increase in the asset's price or cost after determining the increase (Murabaha profit in the promise).

The Bank applies the principle of making the promise in Murabaha transactions to the buying manager in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

Deferred sales revenue is recognized when the transaction is executed (which paid in one installment after the current financial period or paid in installments over subsequent financial periods). Income framit is allocated to future financial periods for each period, irrespective of whether cash has been paid or not.

Deferred sales receivable are recognized when they occur at their nominal value and are measured at the end of the financial period on the basis of net realizable value.

At the end of the financial period, finance assets are carried at cost or at the expected recoverable cash value, whichever is lower.

Deferred sales revenue which was granted to non-performing customers is suspended in accordance with the instructions of the Central Bank of Jordan.

Deferred sales receivable and funds financed from the joint investment accounts are written off in case the measures taken to collect them are ineffective which will be written off against the joint provisions and suspended profits (if any) ,the proceeds from the joint provisions (if any) previously written off are trasferred to the common pool profits (presented in the Consolidated Statement of Income and Comprehensive Income). On the other hand, deferred sales receivable and financing from the Bank's self funds for which there is an impairment provsion are written off in case the measures for their collection are ineffective. In this respect, they are deducted from the self provsions and suspended profits (if any), and any provision surplus is transferred to the consolidated statement of income and comprehensive income / Prior funding is written off to income.

#### Financial instruments

## Initial recognition and measurement:

Financial assets and 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. Moreover, funds are recognized to customers since they are credited to the customer's accounts.

Financial assets and financial liabilities are measured initially at fair value, transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities, and are added to the fair value of the financial asset or financial liability or, where appropriate, deducted from the financial asset at initial recognition. Furthermore, transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the statement of income are recognized directly in the comprehinsive statement of income.

## Financial assets

### Initial recognition and measurement:

All financial assets are recognized on the trade date when the purchase or sale of a financial asset under a contract requires the delivery of the financial asset within a time frame determined by the relevant market and is initially measured at fair value plus transaction costs except for those financial assets designated at fair value through the Consolidated Statement of Income. Transaction costs directly attributable to the acquisition of financial assets designated at fair value through income are recognized in the Consolidated Statement of income.

#### Subsequent measurement:

The measurement of all recognized financial assets that fall within the scope of IFRS 9 is subsequently carried at amortized cost or fair value based on the entity's business model for managing financial assets and contractual cash flow characteristics of financial assets.

#### Specifically:

- Finance instruments held in a business model intended to collect contractual cash flows that have contractual cash flows and are subsequently measured at amortized cost; and
- All other financing instruments, such as:
  - o Financial assets managed on a fair value basis through the unrestricted investment account holders are measured at fair value through the rights of the joint investment holders equity.
  - o Financial assets at fair value through shareholders equity are subsequently measured at fair value through other statement of comprehensive income.
  - o Financial assets at fair value through the statement of income are subsequently measured at fair value through the statement of income.

#### Evaluation of the business model

An assessment of the business model for managing the financial assets is essential for their classification. 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. Moreover, the Bank's business model does not rely on management intentions in relation to an individual instrument, and therefore the business model is assessed at a group level and not on an instrument-by-instrument basis.

The Bank adopts a business model to manage its financial instruments that reflects how the Bank manages its financial assets in order to generate cash flows. In addition, the Bank's business model determines whether cash flows will result from the collection of contractual cash flows or the sale of financial assets or both.

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

- The stated policies and objectives of the portfolio and the application of those policies whether the
  management strategy focuses on obtaining contractual revenues, maintaining a specific profit rate,
  matching the period of financial assets with the period of financial liabilities that finance those assets.
  or achieving cash flows through the sale of assets;
- How to evaluate the performance of the business model and financial assets held in this business model and to report to key management personnel;
- Risks affecting the performance of the business model (and the financial assets of that model), in particular, the manner in which such risks are managed; and
- How to compensate business managers (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows received).

Upon initial recognition of a financial instrument, the Bank determines whether the newly recognized financial asset is part of its existing business model or whether it reflects the beginning of a new business model. In this respect, the Bank evaluates its business model for each reporting period to determine whether the business model needs to be changed from the prior period.

When the instruments measured at fair value through shareholders equity-self are derecognised, the cumulative gain / loss previously recognized in other comprehensive income in shareholders equity is reclassified to the consolidated statement of income. On the other hand, for equity investments measured at fair value through shareholders' equity, the cumulative gain / loss previously recognized in other comprehensive income is not subsequently reclassified to the consolidated statement of income but transferred directly to shareholders' equity.

In respect of Sukuk and equity instruments within joint investments, when these financial assets are derecognized which are measured at fair value through the unrestricted investment account holders, the cumulative gain / loss previously recognized in the fair value reserve - joint in the unrestrieted investment account holders equity is reclassified to the consolidated statement of income and comprehensive income.

Sukuk subsequently measured at amortized cost or at fair value are subjected to the impairment test.

### Reclassification

If the business model in which the Bank retains financial assets is reclassified, the financial assets that have been affected are reclassified. The classification and measurement requirements relating to the new class are effective from the first day of the first reporting period after the change in the business model resulting in the reclassification of the Bank's financial assets. Moreover, the changes in contractual cash flows are considered .

The accounting policy framework for the adjustment and disposal of financial assets is described below:

## Financial assets at fair value through the statement of income

Financial assets at fair value through the statement of income are:

- Assets with contractual cash flows that are not payments on assets and returns on the principal outstanding amount; and / or
- Assets held in a business model other than those held to collect contractual cash flows or held for collection and sale; or .

These assets are measured at fair value with any gain / loss arising on remeasurement recognized in the consolidated statement of income.

## Financial assets at fair value through shareholders' equity-self financed

These assets represent investments in equity instruments and sukuk instruments financed from the Bank's own funds for the purpose of maintaining them over the long term.

These assets are recognized at fair value, plus acquisition costs, and subsequently revalued at fair value. The change in fair value is included in the fair value reserve under shareholders' equity.

In case of sale of these assets or part thereof, the resulting gain or loss is recognized in retained earnings within shareholders' equity.

Gains and losses arising from foreign exchange differences on these assets, if any, are recognized in the fair value reserve in shareholders' equity.

## Financial assets at fair value through unrestricted investment account holders equity

These assets represent investments in equity and Sukuk instruments financed from the joint investment accounts for the purpose of maintaining them over the long term.

These assets are recognized at fair value, plus acquisition costs, and are subsequently revalued at fair value. The change in fair value under fair value reserve is shown in the unrestricted investment account holders equity.

The impairment loss previously recognized in the consolidated statement of income and comprehensive income can be reversed if it is objectively determined that the increase in fair value occurred in a subsequent period to record impairment losses through the fair value reserve that is reflected in the unrestricted investment accounts.

As the unrestricted investment accounts on a continuous joint Mudaraba basis are characterized by a discontinuity at the beginning and end of the deposits in the accounts, the profit of the deferred operations over subsequent periods is distributed over the entire term of maturity and proportionality with each period.

Gains and losses arising from the foreign currency translation differences of these assets, if any, are recognized in the fair value reserve within unrestricted investment accounts holders equity.

Financial assets for which fair value can not be reliably measured are stated at cost. Impairment test of these assets is carried out at the end of each financial period, and any impairment is recognized in the consolidated statement of income and comprehensive income. And the impairment loss can't be retrieved on subsequent periods.

#### Financial assets at amortized cost

These are the financial assets that the Bank's management, in accordance with its business model, intends to maintain to collect contractual cash flows that represent fixed or determinable payments to the capital and profits of such assets.

These assets are recognized at cost, plus acquisition costs, and are revalued at the end of the current period using the effective profit rate method. Moreover, any gain or loss arising from amortization is recognized in the consolidated statement of income and comprehensive income. Additionally, any expected credit losses regarding self-finaced instruments are recognized in the consolidated statement of income and comprehensive income. As for joint investments, the calculated expected credit losses are are recognized in the consolidated statement of income and comprehensive income (joint investment pool).

The amount of impairment in the value of these assets represents the difference between the carrying amount and the present value of the expected cash flows calculated on the basis of the original effective profit rate and any impairment provisions.

### Gain and loss on sale, purchase and valuation of foreign currencies

Transactions in foreign currencies are recorded during the year at the rates prevailing at the transaction date (Trading).

The balances of financial assets and financial liabilities are translated at the average foreign exchange rates prevailing at the consolidated statement of financial position date, as announced by the Central Bank of Jordan.

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 consolidated statement of financial position date. Income is also converted at the average exchange rates for the period, unless exchange rates change significantly during that period, in which case the exchange rates on the date of the transactions are used. The exchange differences arising therefrom, if any, are recognized in the consolidated statement of income and comprehensive income.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies at fair value are translated on the date when the fair value is determined.

Foreign exchange gains and losses are recognized in the consolidated statement of income and comprehensive income.

Translation differences on non-monetary assets and liabilities in foreign currencies (such as equity) are recorded in the fair value reserve self within the shareholders equity of the financial assets financed by the Bank's own funds and within the fair value reserve – joint within the unrestrieted investment account holders equity.

#### Lease contracts

## Accounting policy followed from 1 January 2019

The bank as a leasee whether the contract contains lease when starting the contract. The Bank recognizes the right of use assets and the lease liabilities in relation to all lease arrangements in which the bank is a leasee, except for short-term lease contracts (defined as 12-month or less lease contracts) and low value asset leases contract, and for these contracts, the bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another regular basis is more representative of the time pattern in which the economic benefits from the leased assets are taken advantage of.

The lease obligation is initially measured at the present value of the lease payments that were not paid on the start date of the lease, deducted using the additional financing rate.

The lease payments included in the rental obligation measurement include:

- Fixed rental payments (includes fixed pay mentsin the contract), minus receivable rental incentives;
- Variable rental payments that depend on an index or rate, initially measured using the indicator or the rate at the date the contract begins;
- The amount expected to be paid by the lessee under the residual value guarantees;
- The price of the exercise of purchase options, if the tenant is reasonably certain of the exercise of the options; and
- Paying the contract termination fines, if the lease reflects the exercise of the lease termination option. Lease obligations are presented as a separate line item in the consolidated statement of financial position.

Lease obligations are subsequently measured by increasing the carrying amount to reflect the

costs of the additional financing over the lease obligations (using the incremental cost of financing method) and by reducing the carrying amount to reflect the paid rental payments.

The lease obligations (and a similar adjustment to the related right-to-use assets) are re-measured whenever:

- The lease term has changed or there is an important event or change in the conditions that lead to a change in the exercise of the purchase option assessment, in which case the lease obligations are remeasured by deducting the adjusted lease payment using the adjusted discount rate.
- lease payments change due to changes in an index, rate, or change in expected payments under the guaranteed residual value. In these cases, the rental obligation is remeasured by deducting the modified rental payments using an unchanged discount rate.
- The lease contract is modified and the lease agreement is not accounted for as a separate lease, in
  which case the lease obligation is re-measured based on the duration of the modified lease contract by
  deducting the modified rental payments using the adjusted discount rate at the actual price at the date
  of the amendment.

The right of use assets are depreciated over the life of the lease or the useful life of the asset (whichever is shorter). If the lease transfers the ownership of the underlying asset or the cost of the right of use, which reflects that the bank expects to exercise the option to purchase, then the relevant value of the right to use is depreciated over the useful life of the asset. Depreciation begins from the start date of the lease.

Right of use assets are presented as a separate line item in the consolidated statement of financial position.

The Bank applies International Accounting Standard (36) to determine whether the value of the right to use has decreased its value and any impairment losses are calculated as described in the "property and equipment" policy.

Variable rents that are not dependent on an index or rate are not included in the measurement of lease obligations and right of use assets. The related payments are recognized as an expense in the period in which the event or condition that leads to these payments occurs and are included in "Other Expenses" in the statement of income.

#### The bank as a leasee

The bank enters into leases as a lessor in relation to some of its investment properties.

Lease contracts in which the bank is leased are classified as finance or operating leases. In the event that the terms of the lease contract transfer all risks and benefits of ownership to the lessee, the contract is classified as a finance lease and all other leases are classified as operating leases.

When the bank is an intermediary lease, it represents the main lease and sub-contract as two separate contracts. The sublease contract is classified as finance or operating lease by reference to the original right of use arising from the main lease.

lease income from operating leases is recognized on a straight-line basis over the period of the relevant lease. The initial direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and are recognized on a straight-line basis over the lease term.

The amounts due from the leasee under finance leases are recognized as receivables with the

amount of the company's net investment in the lease contracts. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the bank's existing net investment in relation to lease contracts.

When the contract includes lease components and components other than leasing, the bank applies IFRS 15 to distribute the amounts received or to be received under the contract for each component.

## Accounting policy followed until 31 December 2018

Lease contracts are classified as finance leases when the terms of the lease provide for the transfer of all risks and benefits related to the leasehold property in substance. As for all other lease contracts, they are classified as operating leases.

#### The bank as a lessor

The amounts due from the tenants under finance leases are recognized as receivables with the amount of the net investment in the lease contracts. Finance lease income is distributed to accounting periods to reflect a constant periodic rate of return on the net investment outstanding with respect to the lease contracts.

Income from operating leases is recognized using the straight-line method over the life of the lease. The initial direct costs incurred in discussing and arranging the operating contract are also added to the book value of the leased assets and are credited according to the straight-line method over the lease term.

#### The bank as a lessor

Assets acquired through finance leases are recorded at initial recognition at their fair value at the beginning of the lease or at the present value of the minimum lease payments, whichever is less. Finance lease liabilities are recorded at the same value, and these liabilities are presented in the statement of financial position as finance lease liabilities.

The lease payments are distributed between financing expenses and reduction of the finance lease liabilities in order to achieve a fixed rate of discount on the remaining balance of the finance lease liabilities, and the financing expenses are recognized directly in the consolidated statement of income.

Operating lease payments are recognized as an expense in accordance with the straight-line method over the life of the lease, except in cases where another regular basis is more representative of the time pattern in which economic benefits from the leased asset are used.

Contingent rents arising from operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating lease contracts, these incentives are recognized as a liability. The full benefits of incentives are recognized as a reduction in the lease expense on a straight-line basis, unless there is a systematic basis that is more representative of the time pattern in which economic benefits from the leased asset are taken advantage of.

#### Investment in an associate

An associate is a company in which the Bank exercises effective influence over its financial and operating policy decisions, and which is not held for trading. In this respect, the investments in the associate are accounted for using the equity method.

Investments in the associate are included in the consolidated statement of financial position at cost, in addition to the Bank's share of changes in the net assets of the associate. Goodwill arising on investment in an associate is recognized as part of the investment account of the associate and is not amortized. The Bank's share of the associate's income is recognized in the consolidated statement of income and comprehensive income. If there is a change in the equity of the associate, such a change is recognized in the statement of changes in shareholders' equity. Gains and losses arising from transactions between the Bank and the associate are eliminated to the extent of the Bank's interest in the associate company.

In the separate financial statements of the Bank as an independent entity, investments in the associate are stated at cost.

## Ijara and Ijara Muntahia Bittamleek

Ijara is ownership of the benefit of return and is divided into:

Operating Ijara: Ijara contracts that do not end with Ijara Muntahia Bittamleek.

**Ijarah Muntahia Bittamleek:** Ijarah which ends with the lessee owning the leased assets and taking several types as stated in the Ijara and Ijarah Muntahia Bittamleek standard No. (8) issued by the Accounting and Auditing Organization for Financial and Islamic Institutions.

Assets acquired for the purpose of leasing are measured at historical cost, including direct expenses, to make them usable. The leased assets are depreciated in accordance with the Bank's depreciation policy.

When the recoverable amount of any asset acquired for Ijara is less than its net carrying amount, the amount is reduced to the recoverable amount, and the impairment loss is recognized in the Consolidated Statement of Income and Comprehensive Income.

The income of Ijara shall be distributed in proportion to the financial periods covered by the lease contract.

Basic insurance and maintenance expenses of leased assets are recognized in the financial period in which they arise.

#### Transfer of assets

Any transfers of tangible and financial assets made between the assets financed from the joint investment accounts, shareholders' equity, restricted investment accounts, investment funds, conversion bases and accounting policies adopted for this purpose shall be disclosed. Disclosure shall also be made of the related financial effect, balances of any assets transferred to the beginning of the financial period, changes that occurred during the financial period, and the balance at the end of the period.

All transfers to related parties are disclosed, and description is made of the nature of the relationship, type of transactions carried out, and total value of the operations at the beginning and end of the financial period, indicating the financial implications.

The Bank's bases for asset valuation are disclosed when transfers are made.

Differences resulting from foreign currency transactions and financial implications are also disclosed.

The nature and terms of the transferred assets are disclosed as to whether they are separable, and any related provisions are disclosed as well.

The reasons and principles governing the transfer of assets between different investment accounts are disclosed.

Obligations and restrictions required by the contractual relationship between investment account holders and equity holders, if any, are disclosed.

#### Profit equalization reserve

This reserve is created / set up with a view to allocating appropriate and competitive rates of return to the Joint/Restricted Investment Account holders and to the shareholders in the event of exceptional circumstances and sharp fluctuations in the markets that actually make the actual profit rates less than what the holders of the Joint Investment Accounts expect. The same applies to the Bank's shareholders. This reserve is established based on the pre-approval of the Shari'a Supervisory Board and approval of the unrestricted investment accounts holders' equity.

This reserve shall be allocated to the share of the profits of the holders of the Joint Investment Accounts holders equity and the shareholders equity before the deduction of Mudarib's share. The balance available in the reserve account shall be invested in the aggregated joint money account. The profits from the investment shall be credited to the reserve account.

If the balance in the profit equalization reserve account is insufficient to meet the competition, the shareholders may give part of their share of profits to the holders of the joint investment accounts based on the Bank's Board of Directors' decision and approval of the Shari'a Supervisory Board.

The profit equalization reserve is transferred to the shareholders and unrestrected investment accounts holders equity each according to its share of the deduction.

#### Fair value of financial assets

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 it is estimated using another valuation technique. When estimating the fair value of an asset or liability, the Bank takes into consideration, upon determining the price of any asset or liability, whether market participants are required to take these factors into account at the measurement date. The fair value for the purposes of measurement and / or disclosure is determined for these financial statements on the same basis.

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 regarding the fair value measurements and the importance of inputs to the full fair value measurements. The details are as follows:

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

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

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

## Impairment of financial assets

The Bank applies the expected credit loss requirements and the amendments relating to the classification and measurement of financial instruments. The effect of the following instructions of the Central Bank of Jordan related to the application of IFRS 9 is recognized by recording the impact on the consolidated statement of income and comprehensive income in respect of assets and financing, in respect of assets and co-financing. The new expected credit losses and other provisions for finance and investments for the assets financed through unrestricted investment accounts holders' equity will be charged through statements of income and comprehensive income statements starting 1 May 2019, based on the circular issued by the Central Bank on June 27, 2019, as a result of Banking law no.28 for the year 2008 and its amendments.

The expected credit losses provisions are calculated on the following financial instruments:

- Balances at banks and financial institutions.
- · International wakala agencies
- · Direct credit financing (self and joint).
- (Sukuk) within financial assets at amortized cost.
- (Sukuk) within financial assets at fair value through shareholders equity self
- (Sukuk) within financial assets at fair value through investment account holders' equity joint
- · Off-balance sheet exposures subject to credit risk (self and joint).

No impairment loss is recognized in equity instruments.

The expected credit losses should be measured through an impairment provision equivelant of:

- The expected 12-month credit losses, ie, the expected life of the expected credit losses resulting from those default events on financial instruments that can be achieved within (12) months after the reporting date, referred to as stage 1, or
- Expected 12-month credit loss, ie, the expected life of expected credit losses arising from all possible default events over the life of the financial instrument referred to the stage 2 and stage 3.

A provision for the expected credit loss over the life of a financial instrument is required if the credit risk on that instrument increases substantially since initial recognition. For all other financial instruments, the expected credit loss is measured at an amount equivalent to the expected credit loss for a period of 12 months.

The expected credit losses are a possible weighted estimate of the present value of the credit loss. This value is 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 is expected to receive arising from the weighting of several future economic scenarios, discounted at the effective yield rate of the asset.

For unutilized limits, the expected credit losses are the difference between the present value of the difference between the contractual cash flows payable to the Bank, if the borrower withdraws the financing, and cash flows that the Bank expects to receive, if the financing is utilized; and

The Bank measures the expected credit losses on an individual basis or on a collective basis for funding that shares the characteristics of similar economic risks. The measurement of the provision for loss is based on the present value of the expected cash flows of the asset using the original effective rate of return of the asset, irrespective of whether it is measured on an individual or collective basis.

Provisions for expected credit losses are formed in accordance with the International Financial Reporting Standard (9) and according to the instructions of the Central Bank of Jordan, whichever is greater, that the essential differences are as follows:

- Sukuk issued or guaranteed by the Jordanian government are excluded, so that credit exposures on the Jordanian government are addressed by it without credit losses.
- When calculating credit losses against credit exposures, the calculation results are compared between
  to the International Financial Reporting Standard No. (9) with the instructions of the Central Bank of
  Jordan No. (47/2009) issued on 10 December 2009 for each stage separately and to select whichever
  is more strict.

### **Credit-impaired financial assets**

A financial asset is considered to be "credit-impaired" when one or more events have an adverse effect on the estimated future cash flows of the financial asset. Credit-impaired financial assets are referred to as third stage assets. Evidence of credit impairment includes observable data on the following events:

- Significant financial difficulties faced by the borrower or issuer.
- Breach of contract, e.g. deficit or delay in payment.
- The Bank gives the borrower, for economic or contractual reasons related to the borrower's financial difficulty, a concession .
- · The disappearance of an active market for this financial asset due to financial difficulties; or
- Buying a financial asset at a significant discount that reflects the credit losses incurred.

If a single event can not be identified, instead, the combined effect of several events may cause the financial assets to turn into assets with a credit-impaired value. The Bank assesses whether there has been a decline in credit of financial instruments measured at amortized cost or fair value through comprehensive income at each reporting date. To assess whether there is credit impairement to corporate debt instruments. Futhermore, a combination of factors such as sukuk proceeds, credit rating, and the borrower's ability to increase funding is considered.

Finance is considered to be impaired when the customer is granted a concession due to deterioration of his financial position, unless there is evidence that as a result of the concession, the risk of non-receipt of contractual cash flows has declined significantly, and there are no further indications of impairment. For financial assets where concessions are contemplated but not granted, the asset is considered to be impaired when there is clear evidence of credit impairment, including the definition of default. The definition of default includes indications of possible non-payment and discontinuation if the amounts are due for 90 days or more. However, cases where the asset's impairment is not recognized after 90 days of maturity are supported by reasonable information.

#### Default

The definition of default is very important in determining the expected credit loss. It is used to measure the expected credit loss and determine whether the less provision for loss is based on the expected 12-month or lifetime loss, as default is a component of the probability of default that affects both the measurement of expected credit losses and determine the significant increase in credit risk below.

The Bank considers the following as an event of default:

- Failure to pay for more than 90 days for any important credit commitment to the Bank;
- It is unlikely that the customer will pay his entire credit obligations to the Bank.

The definition of default is designed to reflect the different characteristics of different types of assets.

In assessing whether a customer is unlikely to pay his credit commitment, the Bank takes into account qualitative and quantitative indicators. The information is based on the type of asset, and the Bank uses various sources of information to assess defaults that are internally developed or obtained from external sources.

### Significant increase in credit risk

The Bank monitors all financial assets, financial liabilities, and financial guarantee contracts that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there is a significant increase in credit risk, the Bank will measure the allowance for loss on a life-long basis rather than the expected 12-month credit loss.

The Bank does not consider financial assets with "low" credit risk at the reporting date if they have not been exposed to a significant increase in credit risk. As a result, the Bank monitors all financial assets and liabilities of financing issued and financial guarantees contracts that are subject to impairment for the significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased substantially since initial recognition, the Bank compares the risk of default of the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default for the remaining maturity period at the date of the current report when the financial instrument is recognized for the first time. In making such an assessment, the Bank considers both quantitative and qualitative information that is reasonable and reliable, including historical experience and future information available at no cost or undue effort, based on the Bank's historical experience and the assessment of the credit expert, including future information.

Multiple economic scenarios represent the basis for determining the probability of default on initial recognition and subsequent reporting dates. Various economic scenarios will result in a different probability of default. The weighting of the different scenarios is the basis of the weighted average probability of default that is used to determine whether the credit risk has increased significantly.

The qualitative factors that indicate a marked increase in credit risk are reflected in the probability of default models at the appropriate time. However, the Bank is still looking separately at some qualitative factors to assess whether the credit risk has increased significantly. With regard to corporate finance, there is a particular focus on the assets included in the "watch list" where

exposure is included in the watch list when there are concerns about the deterioration of credit worthiness. With regard to individual financing, the Bank takes into account expectations of the non-payment periods and defaults, and signs of low credit.

Quantitative information is a key indicator of the significant increase in credit risk and is based on a change in the probability of default over a lifetime by comparing:

- · The probability of remaining life-long defaults at the reporting date; and
- The probability of life-long defaults remaining at this point from the time estimated on the basis of facts and circumstances at initial recognition of exposure.

The Bank uses the same methodologies and data used to measure expected credit loss provisions.

Since the significant increase in credit risk since the initial recognition is a relative measure, a specific change, in absolute terms, in the probability of non-payment will be more important to a financial instrument with a lower initial non-payment probability compared to a financial instrument with a higher non-payment probability.

As a safety valve when an asset's maturity exceeds more than (50) days, the bank considers that a significant increase in credit risk has occurred, and the asset is in the second stage of the impairment model, meaning that the loss provision is measured as a credit loss for life expectancy.

## Provision for credit loss is presented in the consolidated statement of financial position

The expected credit loss provisions are presented in the consolidated statement of financial position as follows:

For joint financial assets: as a deduction from the total value of the assets.

**Self direct and indirect financing:** The provision for credit losses is recognized as a deduction from the balance of self-financing, and off-balance sheet items are presented in other liabilities.

**Joint direct and indirect financing:** The provision for credit losses is recognized as a deduction from the balance of joint financing, and off balance sheet items are presented in other liabilities.

#### Write-off

Financial assets are derecognized when there is no reasonable expectation of recovery, such as a client failure to participate in a payment plan with the Bank. The Bank classifies funds or amounts due to be written off after all possible payment methods have been exhuasted. However, if the financing or receivables are written off, the Bank continues its enforcement activity to attempt to recover the receivable, which is recognized in the consolidated statement of income upon recovery.

## Property, plant & equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Property and equipment (excluding land) are depreciated when they are ready to be used on a straight-line basis over the estimated useful life using the following annual rates:

Buildings 2%
Furniture, deviceces and furniture 15%
Vehicles 15%
Computers 20%
Others 4% - 10%

Where the estimated recoverable amount of any property and equipment is less than its net carrying amount, the carrying amount of the asset and equipment is written down to its recoverable amount, and the amount of impairment is recognized in the consolidated statement of income and comprehensive income statement.

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

Property and equipment are derecognized upon disposal or when no future benefits are expected to arise from its use or disposal.

## Intangible assets

Intangible assets are classified on the basis of their estimated useful lives for a specified period or unspecified period. Intangible assets with a finite useful life are amortized over a period of up to four years, and the amortization is recognized in the consolidated statement of income and comprehensive income. Intangible assets with an indefinite useful life are reviewed for impairment at the consolidated statement of financial position date, and any impairment loss is recognized in the consolidated statement of income and comprehensive income.

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

Any indications of impairment of intangible assets are reviewed at the date of consolidated statement of financial position date. The life of the asset is reviewed, and any adjustments are made in the subsequent periods.

The amortization rate for the group intangible assets item is as follows:

Computers systems & Softwares 25%

### Seized assets by the Bank against debts

Assets seized by the bank against debts are disclosed in the consolidated financial position statement in the other asset, and recorded by the acquisition value or fair value, whichever is less, and they are reevaluated individually at the date of the consolidated financial statements. Any impairment in their value is recorded as a loss in the consilidated statement of income and other comperhansive income however, the increase in value is not recorded as revenue. Subsequent increase is recorded in the consolidated statement of income and comprehensive income to the extent that it does not exceed the value of the decrease that has been previously recorded. Also, from the beginning of the year 2015, a progressive provision was recorded for the real estate acquired against to the debts that have been in possession for more than 4 years, according to the Circular of the Central Bank of Jordan No. 15/1/4076 dated on 27 March 2014 and No. 10/1/2510 dated on 14 February 2017. Noting that the Central Bank of Jordan issued Circular No. 10/1/13967 on 25 October 2018, in which they approved the extension of circular No. 10/1/16607 dated on 17 December 2017, in which it confirmed deffering the calculation of the provision until the end of the year 2019. And according to the circular Central Bank No. 10/1/16239 date on 21 November 2019 recognizing of the required allocations against the properties acquired as (5%) of the total book values of these properties (regardless of the duration of violation) starting from the year 2021 so that acheive the required percentage amount (50%) of these properties with the end of the year 2029.

#### Impairment in non-financial assets:

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

If the carrying amount of the assets exceeds the recoverable amount from those assets, the impairment loss is recorded in those assets.

The recoverable amount is the fair value of the asset - less selling costs - or the value of its use, whichever is greater.

All impairment losses are recognized in the statement of profit or loss and other comprehensive income.

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

#### **Provisions**

Provisions are recognized when the Bank has obligations as of the date of the consolidated statement of financial position arising from past events, and the payment of the liability is probable and can be reliably measured.

#### Income tax

Tax expenses represent amounts of accrued taxes and deferred taxes.

Due taxes are calculated based on taxable profits, which differ from those declared in the financial statements. In this regard, declared profits include non-taxable income or expenses not deductible in the fiscal year but deductible in subsequent years, deductible accumulated tax losses, or items not subject to tax or tax deductible.

The Bank deducts taxes and establishes a provision for income tax in accordance with Income Tax Law No. (38) of 2018 and IAS (12), which recognizes deferred taxes arising from time differences in the fair value reserve.

Deferred taxes are the taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets or liabilities in the financial statements and the amount on which the taxable profit is calculated. Deferred taxes are calculated using the method that complies with the consolidated statement of financial position, and they are calculated according to the tax rates expected to be applied when the tax liability is settled or deferred tax assets are realized. A 38% rate has been used, effective from 1 January 2019, to calculate deferred taxes in accordance with the Income Tax Law No. 38 of 2018. As such deferred taxes should be calculated according to the prescribed rate or expected rates for future periods.

The balance of deferred tax assets is reviewed at the date of the consolidated financial statements, and is reduced in case that it is not probable that the tax asset will be fully or partially utilized.

## Deposit guarantee

On April 1, 2019, a law amending the Deposit Insurance Corporation Law was issued, which included Islamic banks in the umbrella of the Deposit Insurance Corporation, noting that Islamic banks were not previously covered by the law, and the amended law stipulated that deposit accounts that fall within the bank's trust (credit accounts or the like, The part that does not participate in the profits from the joint investment accounts) entails fees for guaranteeing deposits and the bank bears from its own funds. As for the joint investment accounts, the owners of the joint investment accounts bear the participation fees for these accounts.

## Offsetting

Financial assets are offset against financial liabilities, and the net amount is recognized in the consolidated statement of financial position only when the legally binding rights are available and settled on an offsetting basis, or the asset is realized and the liability settled simultaneously.

#### Wakala Investment accounts

The accounts managed by the Bank are represented by Wakala within a specific program with the Central Bank of Jordan. Funds invested in the Wakala are shown off-side the consolidated statement of financial position, and the Bank's share of the Wakala (gains) is included in the consolidated statement of income and comprehensive income.

### Realization of revenues and recognition of expenses

Revenues and expenses are recognized on the accrual basis except for non-performing deferred sales revenue and financing which are recognized in the suspended revenue account.

## Commission income and expenses

Commissions are recognized as income, when the related services are provided, in the consolidated statement of income and comprehensive income. Commissions are charged in respect of banking services and financing services when they are met.

## 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, including any related income, expenses and dividends.

#### Dividend income

Dividend income is recognized when the right to receive payment is established, which is the earlier date of the earnings per share, and is usually the date on which the shareholders approve the dividend for unquoted equity. Dividend distribution in the consolidated statement of income depends on the classification and measurement of equity investment, i.e.:

- With respect to equity instruments held for trading, dividend income is recognized in the consolidated statement of income and comprehensive income (loss) on financial assets at fair value through the statement of income;
- For equity instruments classified at fair value through shareholders' equity, equity is recognized in the consolidated statement of income and comprehensive income under the Bank's self financed revenue;
- For equity instruments that are not classified at fair value through share holders equity self and not held for trading, equity gains are recognized in the consolidated statement of income and consolidated comprehensive income under other income self; and
- With respect to equity instruments classified at fair value through the joint investment accounts holders'
  equity, the income from equity is included in the consolidated statement of income and comprehensive
  income under profit from financial assets at fair value through unrestricted investment account holders
  equity.

## Cash and cash equivalents

Cash and cash balances maturing within three months, including: cash and balances with the Central Bank, balances with banks and banking institutions, and deposits of banks and banking institutions with maturities of three months and restricted balances.

## (3) SIGNIFICANT ACCOUNTING ESTIMATED AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements and the application of accounting policies require management to make estimates and judgments that affect the amounts of financial assets and liabilities and to disclose potential liabilities. These estimates and judgments also affect income, comprehensive income, equity and equity holders of joint investment accounts. In particular, the Bank's management is required to issue significant judgments to estimate the amounts and timing of future cash flows. These estimates are necessarily based on assumptions and multiple factors that have varying degrees of estimation and uncertainty and that the actual results may differ from the estimates as a result of changes resulting from the circumstances and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. 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, and the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods In case the change affects the financial period and future financial periods.

We believe that our estimates in the consolidated financial statements are reasonable, and the estimates are summarized as follows:

The management of the bank have used the following estimates:

## Impairment provision for deferred sales and joint financing:

During the fiscal year ending on 31 December 2019, the bank deducted 10% until the first of May 2019 for the Investment Risk Fund (10% for the year ended 31 December 2018) the Central Bank Circular issued on 27 June 2019 requiring the cancellation of Investment risk fund for Islamic banks in light of the Banking Law No. (28) for the year 2008 and its amendments, and as of 1 May 2019 allocations are charged against the assets funded by unrestrected investment accounts holders' equity(including sales receivables and joint financing investment) on the profits of the joint investment pool.

Where provisions for credit losses have been established in accordance with the International Financial Reporting Standard No. (9) and in accordance with the instructions of the Central Bank of Jordan, whichever is strictest.

• Sukuk issued or guaranteed by the Jordanian government are excluded, so that credit exposures on the Jordanian government and guranteed by it are addressed 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) of 10 December 2009 for each stage separately which ever is more strict is selected.

### Decrease in the value of seized assets by the bank against debt:

Any impairment in their value is recorded as a loss in the consilidated statement of income and other comperhansive income however, the increase in value is not recorded as revenue. Subsequent increase is recorded in the consolidated statement of income and comprehensive income to the extent that it does not exceed the value of the decrease that has been previously recorded. Also, from the beginning of the year 2015, a progressive provision was recorded for the real estate acquired against to the debts that have been in possession for more than 4 years, according to the Circular of the Central Bank of Jordan No. 15/1/4076 dated on 27 March 2014 and No. 10/1/2510 dated on 14 February 2017. Noting that the Central Bank of Jordan issued Circular No. 10/1/13967 on 25 October 2018, in which they approved the extension of circular No. 10/1/16607 dated on 17 December 2017, in which it confirmed deffering the calculation of the provision until the end of the year 2019. And according to the circular Central Bank No. 10/1/16239 date on 21 November 2019 recognizing of the required allocations against the properties acquired as (5%) of the total book values of these properties (regardless of the duration of violation) starting from the year 2021 so that acheive the required percentage amount (50%) of these properties with the end of the year 2029.

## The productive lives of tangible assets and intangible assets:

The management periodically recalculates the useful lives of tangible assets and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and estimated future useful lives. Moreover, impairment losses are recognized in the consolidated statement of income and comprehensive income for the year.

## **Income tax provision:**

The income tax expense is charged to its financial year according to the accounting regulations, laws and standards. Deferred tax assets, liabilities, and required tax provison are recognized and calculated.

## **Legal Provisions:**

A provision is taken to meet any potential legal obligations based on the legal study prepared by the Bank's legal counsel and by the Bank's legal department, which identifies the risks that may arise in the future and reviews the study periodically.

## Extension and termination options in lease contracts:

Extension and termination options are included in the number of leases. These conditions are used to increase operational flexibility in contract management. Most extension and termination options are exercisable by both the bank and the lessor.

When determining the duration of a lease, management takes into consideration all facts and circumstances that create an economic incentive to exercise the option of extension or not to exercise the option of termination. Extension options (or periods following termination options) are only included in the term of the lease if the lease contract is reasonably confirmed to be extended (or not terminated). An assessment is reviewed if an important event or a significant change occurs in the circumstances affecting the valuation that are under the control of the lessee.

#### Assets that are stated at cost:

The management periodically reviews financial assets stated at cost to assess any impairment in their value, which is taken to the consolidated statement of income and comprehenisve income.

#### Provision for credit losses

Requires management to use significant judgments and estimates to estimate the amounts and timing of future cash flows and to estimate the risks of an increase in credit risk for financial assets after initial recognition and future measurement information for expected credit losses. The most important policies and estimates used by the Bank's management are detailed in Note (49).

#### Evaluation of business model

The classification and measurement of financial assets depends on the test results of the principal amount and profit payment 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 asset, measure its performance and the risks that affect the performance of the asset and how it is managed, and how the asset managers are compensated. The Bank monitors financial assets measured at amortized cost or fair value through income - equity or fair value through the rights of the holders of the joint investment that have been derecognised before maturity to understand the reasons for derecognition and whether the reasons are consistent with the objective of the business being retained. The control is part of the Group's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is inappropriate if there is a change in the business model and therefore a future change is made in the classification of those assets.

## Significant increase in credit risk

The expected credit loss is measured as an allowance equivalent to the expected credit loss of 12 months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Bank takes into account reasonable and reliable quantitative and qualitative information. The estimates and uses by the Bank's management of the significant change in credit risk that result in a change in classification within the three stages (1, 2 and 3) are explained in detail in Note (49).

## Establish groups of assets with similar credit risk characteristics

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

### Re-division of portfolios and movements between portfolios

The re-division of portfolios and movements between portfolios is more common when credit risk increases significantly (or when such a large increase is reflected), and therefore assets are transferred from expected credit losses of between 12 months to the end or vice versa. This may also occur in portfolios that continue to be measured on the same basis as expected credit losses for a period of 12 months or a lifetime, but the amount of 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 (49). The judgment is applied when determining the best models for each type of asset, as well as for the assumptions used in those models, which include assumptions regarding the main drivers of credit risk.

#### A- Classification and measurement of financial assets and liabilities

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

The Bank shall determine the classification at initial recognition, as well as the reassessment of such determination, if possible and appropriate, at each balance sheet date.

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

#### B- Fair value measurement

If active markets can not be obtained from the fair values of financial assets and financial liabilities included in the consolidated statement of financial position, these fair values are determined using a range of valuation techniques involving the use of accounting models. If possible, the data entered from those models will be obtained from market data. In the absence of such market data, fair values are determined by making judgments. The judgments include liquidity considerations and model data such as 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.

## 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 estimated weight of scenarios of 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 effects and how these affect each other.

## The probability of default

The probability of default is a key input in measuring the expected credit loss. It 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 on the assumption of default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the financer expects to collect, taking into account cash flows from collateral and integrated credit adjustments.

## 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.

## Discount of rent payments

Lease payments are discounted using the bank's average finance cost, where the administration has applied judgments and estimates to determine the average financing costs when the lease contract begins.

## (4) CASH AND BALANCES AT THE CENTRAL BANK

#### The details of this item are as follows:

	31 December		
	2019 2018		
	JD	JD	
Cash on hand	17,944,949	15,994,902	
Balances at the Central Bank of Jordan:			
Current accounts	175,027,268	40,430,074	
Statutory cash reserve	85,844,335	62,342,382	
Total	278,816,552	118,767,358	

- Except for the statutory cash reserve, there are no other restricted cash accounts as at 31 December 2019 and 31 December 2018.
- All balances at the Central Bank are classified as stage (1) in accordance with the IFRS (9). There are no transfers between the (first, second and third) stages or written-off balances during the year ended 31 December 2019. There is no need to record a provision for the expected credit losses for balances at the Central Bank of Jordan.

#### The movement on balances at the Central Bank of Jordan is as follows:

	Stage 1 (individual)
	for the year ended 31 December 2019
	JD
Balance at the beginning of the year	102,772,456
New balances during the year	173,104,301
Repaid balances	(15,005,154)
Balance at the end of the year	260,871,603

## (5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

#### The details of this item are as follows:

	Local banks and financial institutions		Foreign banks and financial institutions		Total	Total
	31 December	31 December	31 December	31 December	31 December	31 December
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Current and on - Demand accounts	390,348	6,888,614	6,123,195	6,376,309	6,513,543	13,264,923
Total	390,348	6,888,614	6,123,195	6,376,309	6,513,543	13,264,923

- There are no restricted balances as at 31 December 2019 and 31 December 2018.
- There are no balances at banks and financial institutions on which the bank receives returns as at 31 December 2019 and 31 December 2018.
- All balances at banks and banking institutions are classified as stage(1) in accordance with the IFRS (9). There are also no transfers between the( first, second and third) stages or written -off balances during the year ended 31 December 2019. Moreover, there is no need to record a-provision for expected credit losses for balances at banks and banking institutions.

#### The movement on balances at banks and banking institutions is as follows:

	Stage 1 (individual)
	for the Year ended 31 December 2019
	JD
Balance at the beginning of the year	13,264,923
New balances during the year	2,569,890
Repaid balances	(9,321,270)
Balance at the end of the year	6,513,543

## (6) INTERNATIONAL WAKALA INVESTMENTS - NET

#### The details of this item are as follows:

	Jointly 1	Jointly financed			
Matures:	31 Dec	31 December			
	2019	2018			
	JD	JD			
Within a month	67,355,000	52,076,050			
From a month to three months	3,533,829	2,771,656			
From three to six months	-	1,259,461			
Total International Wakala Investments	70,888,829	56,107,167			
Less: Expected credit losses for international wakala investment	98,451	86,311			
Net International Wakala Investments	70,790,378	56,020,856			

#### The movement on the gross International Wakala Investments was as follows:

	For the year ended 31 December 2019					
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total		
	JD	JD	JD	JD		
Balance at the beginning of the year	56,107,167	-	_	56,107,167		
New balances and deposits during the year	70,888,829	-	-	70,888,829		
Repaid balances and deposits	(56,107,167)	-	-	(56,107,167)		
Total balance at the end of the year	70,888,829	-	-	70,888,829		

<sup>-</sup> There are no transfers between the stages (First, second and third) or written off balances

## The movement on the Expected Credit Losses provisions for the international Wakala investments was as follows:

	For the year ended 31 December 2019				
Item	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3	Total	
	JD	JD	JD	JD	
Balance at the beginning of the year	86,311	-	-	86,311	
Impairment loss of new balances during the year	98,451	-	-	98,451	
Recoverable from impairment loss on repaid balance and deposits	(86,311)	-	-	(86,311)	
Total balance at the end of the year	98,451	-	-	98,451	

## (7) FINACIAL ASSETS AT FAIR VALUE THROUGH THE STATEMENT OF INCOME

#### - The details of this item are as follows:

	Jointly financed		
	31 December  2019 2018  JD JD		
Quated Islamic sukuk	3,536,138	688,489	
Total	3,536,138 688,489		

## (8) DEFERRED SALES RECEIVABLES AND OTHER RECEIVABLES - NET

#### - The details of this item are as follows:

	Jointly financed 31 December		Self financed		Total	
			31 December		31 December	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Individuals (retail)						
Murabaha to the purchase orderer	213,917,125	156,188,787	1,646,011	1,529,463	215,563,136	157,718,250
Ijara Muntahia Bittamleek - receivables	1,210,619	797,483	-	-	1,210,619	797,483
Other receivables	1,812,928	-	552,010	313,748	2,364,938	313,748
Real estate financing	25,086,645	25,225,628	-	-	25,086,645	25,225,628
Corporate						
International Murabaha	57,398,162	14,526,427	-	-	57,398,162	14,526,427
Murabaha to the purchase orderer	355,026,771	206,386,137	-	-	355,026,771	206,386,137
Ijara Muntahia Bittamleek - receivables	2,172,973	1,996,093	-	-	2,172,973	1,996,093
Other receivables	-	-	213,687	344,425	213,687	344,425
Small and medium enterprises						
Murabaha to the purchase orderer	23,325,983	14,362,941	-	-	23,325,983	14,362,941
Ijara Muntahia Bittamleek - receivables	25,149	27,560	-	-	25,149	27,560
Other receivables	-	-	99,088	16,889	99,088	16,889
Government and the public sector	61,966,203	95,355,159	-	-	61,966,203	95,355,159
Total	741,942,558	514,866,215	2,510,796	2,204,525	744,453,354	517,070,740
Less: Deferred revenue	75,153,663	48,249,840	243,610	233,379	75,397,273	48,483,219
Suspended revenue	1,369,034	1,054,808	7,112	7,112	1,376,146	1,061,920
Expected credit losses	26,018,123	18,506,017	273,543	221,693	26,291,666	18,727,710
Net deferred sales receivable and other receivables	639,401,738	447,055,550	1,986,531	1,742,341	641,388,269	448,797,891

- The non- performing deferred sales receivables, other receivables, facilities and Ijara Muntahia bittamleek receivables amounted to JD 21,310,579 as at 31 December 2019, representing 2.68% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables (JD 17,724,246 as at 31 December 2018, representing 3.17% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables).
- The non- performing deferred sales receivables, other receivables, facilities and Ijara Muntahia bittamleek receivables amounted to JD 19,934,433 as at 31 December 2019, representing 2.51% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables (JD 16,662,328 as at 31 December 2018, representing 2.98% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables).
- The provision for impairment of the jointly financed facilities portfolio, which is calculated based on the Central Bank of Jordan's Instructions No.(47/2009) and based on (watch list) amounted to JD 565,302 Moreover, the provision calculated based on the "individual customer" (non-performing) amounted to JD 17,280,505 as at 31 December 2019 (JD 665,405 and JD 14,223,542 respectively as at 31 December 2018).
- The deferred sales receivables and other receivables and facilities granted to and guaranteed by the Government of the Hashemite Kingdom of Jordan amounted to JD 61,966,203 as at 31 December 2019, representing 8.32% of the balance of deferred sales receivables, other receivables and facilities (JD 95,355,159 as at 31 December 2018, representing 18.44% of the balance of deferred sales receivables, other receivables and facilities).

### 1) Impairment loss on Credit financing - corporates

### (A) Self (Deferred sales receivables and other receivables and Qard Hassan)

		31 December 2019					
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total		
	JD	JD	JD	JD	JD		
Acceptable risk	9	-	-	9	-		
Watch list	-	33	-	33	-		
Doubtful collection	-	-	320	320	-		
Loss	-	-	85,217	85,217	-		
Not rated	-	110,172	10,824	120,996	87,987		
Total	9	110,205	96,361	206,575	87,987		

	F	or the year ended	31 December 20	19
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year*	6,099	153,629	177,585	337,313
New facilities during the year	9	110,189	1,783	111,981
settled facilities	(6,099)	(153,613)	(83,007)	(242,719)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes resulting from modifications	-	-	-	-
Total balance at the end of the year	9	110,205	96,361	206,575

### - The movement of impairment provision:

		For the year ended 31 December 2019						
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total				
	JD	JD	JD	JD				
Balance at the beginning of the year	126	2,477	177,585	180,188				
Loss on new financing during the year	-	2,472	380	2,852				
Recoverable from the loss of impairment on reimbursements	(125)	(2,478)	-	(2,603)				
Transfer to Stage 1	-	-	-	-				
Transfer to Stage 2	-	-	-	-				
Transfer to Stage 3	-	-	-	-				
Changes resulting from modifications	(1)	2	(87,612)	(87,611)				
Total balance at the end of the year	-	2,473	90,353	92,826				

### (B) Jointly financed

- The distribution of total finances according to the Bank's internal credit rating categories (After deducting deferred and outstanding revenue):

		31 December 2018			
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Insignificant	-	-	-	-	-
Almost risk free	2,670,293	-	-	2,670,293	2,003,042
Low risk	11,310,381	-	-	11,310,381	13,297,855
Normal risk	159,221,399	-	-	159,221,399	64,519,158
Acceptable risk	126,035,360	155,021	-	126,190,381	81,007,424
Acceptable with due care	5,320,776	5,833,495	-	11,154,271	8,995,686
Watch list	-	8,868,365	-	8,868,365	18,193,834
Substandard	-	-	-	-	2,816,318
Doubtful	-	-	1,002,601	1,002,601	-
Loss	-	-	11,687,291	11,687,291	8,715,819
Unrated	56,574,488	-	-	56,574,488	14,885,937
Total	361,132,697	14,856,881	12,689,892	388,679,470	214,435,073

### - The movement on financing:

		For the year ended	31 December 2019	)
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year *	171,161,747	31,268,743	12,004,583	214,435,073
New financing during the year	247,696,902	9,874,271	1,483,619	259,054,792
Recoverable from the loss of impairment on reimbursements	(74,121,046)	(9,229,258)	(1,460,091)	(84,810,395)
Transfer to Stage 1	16,844,047	(16,844,047)	-	-
Transfer to Stage 2	(448,953)	448,953	-	-
Transfer to Stage 3	-	(661,781)	661,781	-
Changes resulting from modifications	-	-	-	-
Total balance at the end of the year	361,132,697	14,856,881	12,689,892	388,679,470

### - The movement on impairment provision:

		For the year ended	31 December 2019		
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	
	JD	JD	JD	JD	
Balance at the beginning of the year	1,169,195	613,036	11,612,406	13,394,637	
Loss on new financing during the year	672,369	3,886,696	39,896	4,598,961	
Recoverable from the loss of impairment on reimbursements	(78,263)	(257,260)	(16,931)	(352,454)	
Transfer to Stage 1	282,099	(282,099)	-	-	
Transfer to Stage 2	(384)	384	-	-	
Transfer to Stage 3	-	(39,706)	39,706	-	
Changes resulting from modifications	(427,672)	(24,079)	1,498,385	1,046,634	
Total balance at the end of the year	1,617,344	3,896,972	13,173,462	18,687,778	

<sup>\*</sup> The beginning balance for the year does not include ijarah muntahia biltamlek balance.

### 2) Impairment Loss on Credit Financing - Small and Medium Enterprises:

### **A-Self financed**

	31 December 2019								
Item	Sta	ge 1	Stage 2		Ota va O Tatal		Total		
	individual	Collective	individual	Collective	Stage 3	Stage 3 Total			
	JD	JD	JD	JD	JD	JD	JD		
Not rated	-	85,212	-	4,993	8,883	99,088	16,889		
Total	-	85,212	-	4,993	8,883	99,088	16,889		

		For th	ne year ended	31 December	2019	
No. or	Sta	ge 1	Stage 2		Ctorro 0	Total
Item	individual	Collective	individual	Collective	Stage 3	Iotai
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year*	-	10,068	-	3,095	3,726	16,889
New facilities during the year	-	85,212	-	4,993	8,653	98,858
settled facilities	-	(9,748)	-	(3,095)	(3,816)	(16,659)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	(320)	-	-	320	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	-	85,212	-	4,993	8,883	99,088

### - The movement on impairment provision:

	For the year ended 31 December 2019						
No. or	Sta	ge 1	Stage 2		010	Takal	
Item	individual	Collective	individual	Collective	Stage 3	Total	
	JD	JD	JD	JD	JD	JD	
Balance at the beginning of the year	-	32	-	57	3,012	3,101	
Loss on new financing during the year	-	445	-	141	8,653	9,239	
Recoverable from the loss of impairment on reimbursements	-	(32)	-	(57)	(3,012)	(3,101)	
Transfer to Stage 1	-	-	-	-	-	-	
Transfer to Stage 2	-	-	-	-	-	-	
Transfer to Stage 3	-	(1)	-	-	1	-	
Changes resulting from modifications	-	1	-	-	229	230	
Total balance at the end of the year	-	445	-	141	8,883	9,469	

### **B-Jointly financed**

	31 December 2019						
Item	Sta	Stage 1		ge 2	Stone 2	Stage 3 Total	Total
	individual	Collective	individual	Collective	Stage 3	างเลเ	iolai
	JD	JD	JD	JD	JD	JD	JD
unrated	-	14,397,989	-	5,569,034	1,147,534	21,114,557	13,130,470
Total	-	14,397,989	-	5,569,034	1,147,534	21,114,557	13,130,470

	For the year ended 31 December 2019							
lk	Sta	ge 1	Stage 2		C+ 0	Total		
Item	individual	Collective	individual	Collective	Stage 3	Total		
	JD	JD	JD	JD	JD	JD		
Balance at the beginning of the year*	-	12,267,031	-	372,111	491,328	13,130,470		
New facilities during the year	-	11,063,949	-	4,663,549	178,336	15,905,834		
settled facilities	-	(6,964,272)	-	(670,607)	(286,868)	(7,921,747)		
Transfer to Stage 1	-	-	-	-	-	-		
Transfer to Stage 2	-	(1,250,259)	-	1,287,179	(36,920)	-		
Transfer to Stage 3	-	(718,460)	-	(83,198)	801,658	-		
Changes resulting from modifications	-	-	-	-	-	-		
Total balance at the end of the year	-	14,397,989	_	5,569,034	1,147,534	21,114,557		

### - The movement on impairment provision:

	For the year ended 31 December 2019						
No. or	Sta	ge 1	Stage 2		010	Total	
ltem	individual	Collective	individual	Collective	Stage 3	Total	
	JD	JD	JD	JD	JD	JD	
Balance of beginning of the year	-	61,837	-	17,607	106,768	186,212	
Loss on new financing during the year	-	13,582	-	23,415	57,366	94,363	
Recoverable from the loss of impairment on reimbursements	-	(23,565)	-	(4,145)	(37,910)	(65,620)	
Transfer to Stage 1	-	-	-	-	-	-	
Transfer to Stage 2	-	(12,467)	-	13,317	(850)	-	
Transfer to Stage 3	-	(9,334)	-	(3,595)	12,929	-	
Changes resulting from modifications	-	(3,004)	-	(14,434)	163,349	145,911	
Total balance at the end of the year	-	27,049	-	32,165	301,652	360,866	

<sup>\*</sup> The beginning balance for the year does not include ijara muntahia biltamlek balance.

### 3) Impairment loss on credit facilities - Individual portfolio (retail):

### A-Self financed

		31 December 2018			
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Unrated	1,761,175	11,616	181,620	1,954,411	1,609,832
Total	1,761,175	1,609,832			

		For the year ended	31 December 2019	
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year*	1,550,842	26,509	32,481	1,609,832
New facilities during the year	843,027	7,884	146,849	997,760
settled facilities	(612,101)	(26,509)	(14,571)	(653,181)
Transfer to Stage 1	8,582	-	(8,582)	-
Transfer to Stage 2	(3,652)	3,772	(120)	-
Transfer to Stage 3	(25,523)	(40)	25,563	-
Changes resulting from modifications	-	-	-	-
Total balance at the end of the year	1,761,175	11,616	181,620	1,954,411

### - The movement on impairment provision:

		For the year ended	31 December 2019	
ltem	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	5,684	362	32,358	38,404
Loss on new financing during the year	2,894	202	153,727	156,823
Recoverable from the loss of impairment on reimbursements	(1,894)	(360)	(21,785)	(24,039)
Transfer to Stage 1	522	-	(522)	-
Transfer to Stage 2	(86)	88	(2)	-
Transfer to Stage 3	(520)	(1)	521	-
Changes resulting from modifications	58	(71)	73	60
Total balance at the end of the year	6,658	220	164,370	171,248

### **B-Jointly financed**

		31 December 2018					
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total	Total		
	JD	JD	JD	JD	JD		
Unrated	164,572,343	6,877,565	3,945,085	175,394,993	128,533,341		
Total	164,572,343						

	F	For the year ended 31 December 2019							
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total					
	JD	JD	JD	JD					
Balance at the beginning of the year*	123,984,494	2,334,651	2,214,196	128,533,341					
New facilities during the year	89,129,593	1,242,929	554,418	90,926,940					
settled facilities	(42,034,487)	(1,673,522)	(357,279)	(44,065,288)					
Transfer to Stage 1	163,431	(161,720)	(1,711)	-					
Transfer to Stage 2	(5,257,796)	5,679,955	(422,159)	-					
Transfer to Stage 3	(1,412,892)	(544,728)	1,957,620	-					
Changes resulting from modifications	-	-	-	-					
Total balance at the end of the year	164,572,343	6,877,565	3,945,085	175,394,993					

### - The movement on impairment provision:

		For the year ended	31 December 2019	
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	211,075	115,460	1,679,343	2,005,878
Loss on new financing during the year	138,091	75,519	124,223	337,833
Recoverable from the loss of impairment on reimbursements	(17,917)	(1,288)	(21,365)	(40,570)
Transfer to Stage 1	12,788	(10,348)	(2,440)	-
Transfer to Stage 2	(22,459)	244,386	(221,927)	-
Transfer to Stage 3	(9,476)	(28,903)	38,379	-
Changes resulting from modifications	(57,960)	(116,030)	1,757,331	1,583,341
Total balance at the end of the year	254,142	278,796	3,353,544	3,886,482

<sup>\*</sup> The beginning balance for the year does not include ijara muntahia biltamlek balance.

### 4) Impairment loss on credit facilities - Real estate financing:

### **A-Self financed**

			31 December 2018					
Item	Sta	ge 1	Stage 2		Ctoro 0	Total	Tabel	
	individual	Collective	individual	Collective	Stage 3	Total	Total	
	JD	JD	JD	JD	JD	JD	JD	
Total	-	-	-	-	-	-	-	

		For the year ended 31 December 2019								
Itam	Stage 1		Stage 2		Ctoro 2	Total				
Item	individual	Collective	individual	Collective	Stage 3	เอเลเ				
	JD	JD	JD	JD	JD	JD				
Total balance at the beginning of the year	-	-	-	-	-	-				
Total balance at the end of the year	-	-	-	-	-	-				

### - The movement on impairment provision:

		For the year ended 31 December 2019							
ltem	Sta	ge 1	Stage 2		Ctono 2	Takal			
	individual	Collective	individual	Collective	Stage 3	Total			
	JD	JD	JD	JD	JD	JD			
Total balance at the end of the year	-	-	-	-	-	-			

### **B-Jointly financed**

	31 December 2019								
Item	Sta	ge 1	Sta	ge 2	040	Takal	Total		
	individual	Collective	individual	Collective	Stage 3	Total	Total		
	JD	JD	JD	JD	JD	JD	JD		
Almost free risk	1,601,312	-	-	-	-	1,601,312	2,198,023		
Low risk	25,238	-	88,502	-	-	113,740	64,860		
Normal Risk	68,145	-	-	-	-	68,145	116,811		
Acceptable risk	3,280,319	-	1,803,476	-	-	5,083,795	3,575,825		
Acceptable with due care	52,751	-	23,821	-	-	76,572	49,638		
Watch list	-	-	7,752,304	-	-	7,752,304	8,109,919		
Doubtful	-	-	-	-	62,670	62,670	-		
Loss	-	-	-	-	352,537	352,537	329,531		
Unrated	101,505	5,339,678	-	457,930	173,472	6,072,585	5,976,111		
Total	5,129,270	5,339,678	9,668,103	457,930	588,679	21,183,660	20,420,718		

		For th	ne year ended	31 December	2019	
lkana	Stage 1		Stage 2		Ctore 0	Total
Item	individual	Collective	individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year *	4,208,203	5,802,598	9,942,888	134,308	332,721	20,420,718
New facilities during the year	1,845,449	1,376,878	56,982	-	260,988	3,540,297
Settled facilities	(771,543)	(1,230,964)	(659,091)	(106,982)	(8,775)	(2,777,355)
Transfer to Stage 1	34,227	-	(34,227)	-	-	-
Transfer to Stage 2	(187,066)	(561,722)	377,023	564,912	(193,147)	-
Transfer to Stage 3	-	(47,112)	(15,472)	(134,308)	196,892	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	5,129,270	5,339,678	9,668,103	457,930	588,679	21,183,660

### - The movement on impairment provision:

	For the year ended 31 December 2019							
	Sta	ge 1	Stage 2		0. 0	Tatal		
Item	individual	Collective	individual	Collective	Stage 3	Total		
	JD	JD	JD	JD	JD	JD		
Balance at the beginning of the year	6,380	2,012	2,085,848	25	825,025	2,919,290		
Loss on new financing during the year	1,709	9	-	-	-	1,718		
Recoverable from the loss of impairment on reimbursements	(328)	(8)	(1,205)	-	-	(1,541)		
Transfer to Stage 1	5,339	-	(5,339)	-	-	-		
Transfer to Stage 2	(1,201)	(358)	537,490	358	(536,289)	-		
Transfer to Stage 3	-	(5)	(4,346)	(25)	4,376	-		
Changes resulting from modifications	(6,796)	(1,622)	13,479	(266)	158,735	163,530		
Total balance at the end of the year	5,103	28	2,625,927	92	451,847	3,082,997		

<sup>\*</sup> The beginning balance for the year does not include ijarah muntahia biltamlek balance.

### 5) Impairment loss on credit facilities - Government and public sector:

### A- Self financed

- The distribution of total finances according to the Bank's internal credit rating categories (After deducting deferred and suspended revenue):

		31 December 2019					
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total		
	JD	JD	JD	JD	JD		
Insignificant	509,660	-	-	509,660	509,660		
Total	509,660	-	-	509,660	509,660		

### - The movement on financing:

		For the year ended	31 December 2019		
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	
	JD	JD	JD	JD	
Total balance at the beginning of the year *	509,660	-	-	509,660	
Total balance at the end of the year	509,660	-	-	509,660	

### - The movement on impairment provision:

		For the year ended	31 December 2019	
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	-	-	-	-
Total balance at the end of the year	-	-	-	-

### **B-Jointly financed**

		31 December 2018			
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Low risk	59,047,181	-	-	59,047,181	89,041,965
Total	59,047,181	-	-	59,047,181	89,041,965

		For the year ended	31 December 2019	)
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Total balance at the beginning of the year *	89,041,965	-	-	89,041,965
New facilities during the year	575,922	-	-	575,922
settled facilities	(30,570,706)	-	-	(30,570,706)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes resulting from modifications	-	-	-	-
Total balance at the end of the year	59,047,181	-	-	59,047,181

### - The movement on impairment provision:

		For the year ended 31 December 2019						
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total				
	JD	JD	JD	JD				
Balance at the beginning of the year	-	-	-	-				
Total balance at the end of the year	-	-	-	-				

<sup>\*</sup> The beginning balance for the year does not include ijarah muntahia biltamlek balance.

### - The movement on credit financing (after deducting suspended and deferred revenue):

### A- Self-financed

		For the	e year ended a	at 31 Decembe	er 2019	
No. or	Sta	ge 1	Sta	ge 2	040	Takal
Item	individual	Collective	individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year*	515,759	1,560,910	153,629	29,604	213,792	2,473,694
New facilities during the year	9	928,239	110,189	12,877	157,285	1,208,599
Repaid facilities	(6,099)	(621,849)	(153,613)	(29,604)	(101,394)	(912,559)
Transfer to Stage 1	-	8,582	-	-	(8,582)	-
Transfer to Stage 2	-	(3,652)	-	3,772	(120)	-
Transfer to Stage 3	-	(25,843)	-	(40)	25,883	-
Changes resulting from modifications	-	-	-	-	-	-
Defaulted facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	509,669	1,846,387	110,205	16,609	286,864	2,769,734

### - The movement of the expected credit losses provision / self financed:

		For th	e year ended a	at 31 Decembe	er 2019	
ltem	Corporate	Small and medium enterprises	Retail (individual)	Real estate financing	Government and the public sector	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	180,188	3,101	38,404	-	-	221,693
Impairment loss on new facilities during the year	2,852	9,239	156,823	-	-	168,914
Recovered from impairment loss on repaid facilities	(2,603)	(3,101)	(24,039)	-	-	(29,743)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(87,611)	230	60	-	-	(87,321)
Defaulted facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	92,826	9,469	171,248	-	-	273,543
Redistribution:						
Provisions on an individual basis	92,826	8,883	164,370	-	-	266,079
Provisions on a collective basis	-	586	6,878	-	-	7,464

<sup>\*</sup> The beginning balance for the year does not include ijara muntahia biltamlek balance.

### - The movement on credit facilities (after deducting deferred revenue and suspended revenue):

### **B- Jointly financed**

		For th	ne year ended a	t 31 December	2019	
lka wa	Stage 1		Staç	је 2	Ctomo 2	Tatal
Item	individual	Collective	individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year *	264,411,915	142,054,123	41,211,631	2,841,070	15,042,828	465,561,567
New facilities during the year	250,118,273	101,570,420	9,931,253	5,906,478	2,477,361	370,003,785
Repaid facilities	(105,463,295)	(50,229,723)	(9,888,349)	(2,451,111)	(2,113,013)	(170,145,491)
Transfer to Stage 1	16,878,274	163,431	(16,878,274)	(161,720)	(1,711)	-
Transfer to Stage 2	(636,019)	(7,069,777)	825,976	7,532,046	(652,226)	-
Transfer to Stage 3	-	(2,178,464)	(677,253)	(762,234)	3,617,951	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	425,309,148	184,310,010	24,524,984	12,904,529	18,371,190	665,419,861

### - The movement on expected credit loss / jointly financed:

		For th	e year ended a	at 31 December	r 2019	
Item	Corporate <sub>'</sub> s	Small and medium enterprises	Retail (individual)	Real estate financing	Government and the public sector	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	13,394,637	186,212	2,005,878	2,919,290	-	18,506,017
Loss on new facilities during the year	4,598,961	94,363	337,833	1,718	-	5,032,875
Recovered from impairment loss on repaid facilities	(352,454)	(65,620)	(40,570)	(1,541)	-	(460,185)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	1,046,634	145,911	1,583,341	163,530	-	2,939,416
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	18,687,778	360,866	3,886,482	3,082,997	-	26,018,123

<sup>\*</sup>The beginning balance for the year does not include ijarah muntahia biltamlek balance.

		For t	he year ended a	at 31 December	2019	
Item	Corporate <sub>'</sub> s	Small and medium enterprises	Retail (individual)	Real estate financing	Government and the public sector	Total
	JD	JD	JD	JD	JD	JD
Redistribution:						
Provisions on an individual basis	18,687,778	301,652	-	3,082,877	-	22,072,307
Provisions at a collective basis	-	59,214	3,886,482	120	-	3,945,816

### Suspended revenue:

The movement on suspended revenue is as follows:

		Jointly financed										
	For the	e year ended	31 December	2019	For the	e year ended	31 Decembe	r 2018				
	Retail (individual)	Corporate	Small and medium enterprises	Total	Retail (individual)	Corporate	Small and medium enterprises	Total				
	JD	JD	JD	JD	JD	JD	JD	JD				
Balance at the beginning of the year	229,935	828,440	3,545	1,061,920	203,447	693,320	493	897,260				
Add: suspended revenue during the year	329,077	181,324	16,581	526,982	152,655	201,815	3,496	357,966				
Less: suspended revenue transferred to revenue	103,139	113,138	3,591	219,868	126,167	66,695	444	193,306				
Balance at the end of the year	455,873	896,626	16,535	1,369,034	229,935	828,440	3,545	1,061,920				

# The following are credit exposures in accordance with IFRS (9) as at 31 December 2019

### A- Self-financed

		Stage 7	ge 1			Stage 2	e 2			Stage 3	3			Total	al	
	Total	ECL	Suspended Deferred revenue	Deferred	Total	ECL	Suspended Deferred revenue	Deferred revenue	Total	ECL	Suspended Deferred revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	<b>a</b>	<b>a</b>	9	<b>a</b>	۵۶	9	9	g,	9	9	<b>9</b>	9	G,	号	٩	JD Of
Corporates	6	1	1	1	110,205	2,473	-	ı	103,473	90,353	7,112	1	213,687	92,826	7,112	ı
Small and medium enterprises	85,212	445	1	ı	4,993	141	ı	1	8,883	8,883	ı	ı	880'66	9,469	1	ı
Retail (Individual)	2,004,785	6,658	1	243,610	11,616	220	-	ı	181,620	164,370	1	-	2,198,021	171,248	-	243,610
Real estate financing	ı	1	1	1	ı	1	1	ı	1	1	1	1	ı	1	1	ı
Government and public sector	509,660	ı	1	ı	I	ı	1	ı	ı	ı	ı	ı	509,660	-	ı	ı
Total	2,599,666	7,103	•	243,610	126,814	2,834	•	•	293,976	263,606	7,112		3,020,456	273,543	7,112	243,610

<sup>-</sup> The financing amount in accordance with IFRS 9 instructions does not include the amount of JD (4,193,746), representing Ijara Muntahia Bittamleek.

## B - Jointly financed

		Stage 1	ge 1			Stage 2	e 2			Stage 3	3			Total	<u>a</u>	
	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended Deferred revenue	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	۵۲	<u>ح</u>	۵۲	G,	JD	JD	۵۲	ЭD	O.	۵۲	JD	ar	JD	П	۵۲	O.
Corporates	382,883,999 1,617,344	1,617,344	ı	21,751,302	21,751,302 17,334,727 3,896,972	3,896,972	ı	2,477,846	2,477,846 13,503,815 13,173,462	13,173,462	804,971	8,952	413,722,541 18,687,778	18,687,778	804,971	804,971 24,238,100
Small and medium enterprises	15,762,742	27,049	ı	1,364,753	6,368,134	32,165	ı	799,100	1,185,640	301,652	16,535	21,571	23,316,516	360,866	16,535	2,185,424
Retail (Individual)	204,060,207 254,142	254,142	1	39,487,864 8,076,524	8,076,524	278,796	ı	1,198,959	1,198,959 4,803,154	3,353,544	446,368		411,701 216,939,885	3,886,482	446,368	41,098,524
Real estate financing	12,632,560	5,131	ı	2,163,612	2,163,612 12,636,323	2,626,019	ı	2,510,290	728,530	451,847	101,160	38,691	25,997,413	3,082,997	101,160	4,712,593
Government and public sector	61,966,203	ı	ı	2,919,022	ı	ı	ı	ı	ī	1	ı	ı	61,966,203	ı	ı	2,919,022
Total	677,305,711 1,903,666	1,903,666	1	67,686,553 44,415,708	44,415,708	6,833,952	1	6,986,195	20,221,139	17,280,505	1,369,034	480,915	6,986,195 20,221,139 17,280,505 1,369,034 480,915 741,942,558 26,018,123 1,369,034 75,153,663	26,018,123	1,369,034	75,153,663

<sup>-</sup> The financing amount in accordance with IFRS 9 instructions does not include the amount of JD (378,666,545), representing Ijara Muntahia Bittamleek.

# The following are credit exposures in accordance with IFRS (9) as at 31 December 2018

### A- Self-financed

		Stage 1	ge 1			Stag	Stage 2			Stage 3	је 3			Total	a	
	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue
	<u>ح</u>	O.	ЭD	ar T	Or	a,	<u>م</u>	O.	ar Or	ar Or	a,	ЭD	ar Or	O.	<u>ح</u>	O.
Corporates	6,099	126	1	1	153,629	2,477	ı	ı	184,697	177,585	7,112	ı	344,425	180,188	7,112	ı
Small and medium enterprises	10,068	32	ı	ı	3,095	22	ı	ı	3,726	3,012	ı	ı	16,889	3,101	ı	ı
Retail (Individual)	1,784,221	5,684	1	233,379	26,509	362	1	1	32,481	32,358	ı	ı	1,843,211	38,404	1	233,379
Real estate financing	1	1	ı	ı	1	1	ı	ı		1	ı	ı	1	1	1	ı
Government and public sector	509,660	ı	1	ı	ı	1	ı	ı	ı	ı	1	1	509,660	1	1	ı
Total	2,310,048	5,842		233,379	183,233	2,896	,	ı	220,904	212,955	7,112	•	2,714,185	221,693	7,112	233,379

<sup>-</sup> The financing amount in accordance with IFRS 9 instructions does not include the amount of JD (4,214,264), representing Ijara Muntahia Bittamleek.

## B - Jointly financed

	5															
		Stage 1	je 1			Stage 2	e 2			Stage 3	e 3			Total	ھا	
	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue	Total	EG.	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue
	ЭP	9	9	9	g,	a G	a,	<u>д</u>	9	<u>ح</u>	9	9	9	9	a,	JD Of
Corporates	177,509,768 1,169,195	1,169,195	ı	6,348,021	6,348,021 31,953,001	613,036	ı	684,258	684,258 12,712,547 11,612,406 692,916	11,612,406	692,916	15,048	222,175,316 13,394,637	13,394,637	692,916	7,047,327
Small and medium enterprises	13,494,278 61,837	61,837	ı	1,227,247	379,339	17,607	1	7,228	505,825	106,768	3,545	10,952	14,379,442	186,212	3,545	1,245,427
Retail (Individual)	151,522,296 211,075	211,075	1	27,537,802 2,643,614	2,643,614	115,460	1	308,963	2,712,484	2,712,484 1,679,343	229,935	268,353	156,878,394 2,005,878	2,005,878	229,935	28,115,118
Real estate financing	12,443,274	8,392	ı	2,432,473	2,432,473 13,173,497	2,085,873	ı	3,096,301	461,133	825,025	128,412	1	26,077,904	2,919,290	128,412	5,528,774
Government and public sector	95,355,159	1	ı	6,313,194	ı	ı	ı	ı	ı	ı	ı	ı	95,355,159	1	ı	6,313,194
Total	450,324,775 1,450,499	1,450,499	ı	43,858,737 48,149,451	48,149,451	2,831,976	ı	4,096,750	4,096,750 16,391,989 14,223,542 1,054,808	14,223,542	1,054,808	294,353	514,866,215 18,506,017 1,054,808	18,506,017	1,054,808	48,249,840

<sup>-</sup> The financing amount in accordance with IFRS 9 instructions does not include the amount of JD (323,038,208), representing Ijara Muntahia Bittamleek.

### (9) FINANCIAL ASSETS AT FAIR VALUE THROUGHT SHAREHOLDERS' EQUITY -SELF FINANCED

### The details of this item are as follows:

	31 Dec	cember
	2019	2018
	JD	JD
Quoted Financial Assets :		
Corporates share	-	340,500
Total quoted Financial Assets	-	340,500
Total Financial Assets at fair value through shareholders' equity -self-financed	-	340,500

### (10) FINANCIAL ASSETS AT FAIR VALUE THROUGH UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS' EQUITY - NET

### The details of this item are as follows:

	Jointly f	inanced
	31 Dec	cember
	2019	2018
	JD	JD
Quoted Financial Assets :		
Corporate Shares	276,524	210,477
Islamic Sukuk	27,022,906	20,786,749
Total quoted Financial Assets	27,299,430	20,997,226
Unquoted Financial Assets		
Corporate Shares	1,671,840	1,063,725
Islamic Sukuk	4,128,400	6,192,600
Total unquoted financial assets	5,800,240	7,256,325
Total Financial Assets At Fair Value through Unrestricted Investment Accounts Holders, Equity-Net	33,099,670	28,253,551
Less: Expected Credit Losses provision of financial assets at fair value through unrestricted investment accounts holders> equity-net	242,704	137,753
Net Financial Assets At Fair Value through Unrestricted Investment Accounts Holders' Equity	32,856,966	28,115,798

- Unquoted financial assets shown at cost or in accordance with latest financial statements.

- The movement of the total financial assets at fair value through unrestricted investment accounts holders equity for the year ended 31 December 2019:

Item	Stage1 (Individual)	Stage2 (Individual)	Stage3	Total
	JD	JD	JD	JD
Fair value as at the beginning of the year	28,253,551	-	-	28,253,551
New investments during the year	22,628,624	-	-	22,628,624
Matured and sold investments	(17,782,505)	-	-	(17,782,505)
Total balance at the end of year	33,099,670	-	-	33,099,670

- Movement on the Expected Credit Losses provision for the financial assets at fair value through unrestricted investment accounts holders equity for the year ended 31 December 2019:

Item	Stage 1 (Individual)	Stage 2 (Individual)	Stage3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	137,753	-	-	137,753
Impairment loss on new investments during the year	130,622	-	-	130,622
Recovered from loss of Matured and sold investments	(25,671)	-	-	(25,671)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Effect on the provision - as at the end of the year - as a result of the change in classification between the three stages during the year	-	-	-	-
Changes resulting from modifications	-	-	-	-
Bad investments	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-
Total balance at the end of year	242,704	-	-	242,704

### (11) FINANCIAL ASSETS AT AMORTIZED COST

### The details of this item are as follows:

	Jointl	y financed
	31 D	ecember
	2019	2018
	JD	JD
Unquoted Financial Assets:		
Islamic Sukuk	92,191,000	92,191,000
Total unquoted Financial Assets	92,191,000	92,191,000
Total Financial Assets at Amortized Cost- Net	92,191,000	92,191,000

- The assets mentioned above mature during the years 2021, 2022 and 2023.
- No need to record expected credit losses provision against financial assets at amortized cost since these sukuk are guaranteed by The Jordanian Government.

### (12) INVESTMENT IN ASSOCIATE

### Investment in associated company (jointly financed)

				31 Dec	ember
	Percentage of ownership	Country	Principal activity	2019	2018
	Ownerenp		dotivity	JD	JD
Jordan Blending and Packing of Fertilizers Company	25%	Jordan	Manufacturing	354,022	376,618

Cash dividend for the bank from the associate amounted to JD 10,000 during the year 2019 (9,000 during the year 2018).

### The movement on the investment in associate was as follows:

	Jointly f	inanced
	31 Dec	ember
	2019	2018
	JD	JD
Beginning balance	376,618	377,262
Share of profit	14,517	14,071
Share of Taxes	(2,113)	(5,715)
The share of joint funds from the loss of decline in the affiliate's investment	(25,000)	-
Dividends received	(10,000)	(9,000)
Ending balance for the year*	354,022	376,618

<sup>\*</sup> The latest audited and approved financial statements of the associate have been approved for the purpose of valuation.

## (13) IJARA MUNTAHIA BITTAMLEEK ASSETS - NET

		Jointly financed			Self financed			Total	
31 December 2019	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	<b>a</b>	9	G,	9	OP.	9	9	9	OC.
ljara Muntahia Bittamleek assets-Real Estate	403,436,655	403,436,655 (75,113,613)	328,323,042	5,812,053	(1,618,307)	4,193,746	409,248,708	409,248,708 (76,731,920)	332,516,788
ljara Muntahia Bittamleek assets-Machines	60,449,756	(10,106,253)	50,343,503	ı	1	ı	60,449,756	60,449,756 (10,106,253)	50,343,503
Total	463,886,411	(85,219,866)	378,666,545	5,812,053	(1,618,307)	4,193,746	469,698,464	(86,838,173)	382,860,291

		Jointly financed			Self financed			Total	
31 December 2018	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	O۲	Ωſ	9	۵۲	a O	JD	a۲	a,	ЭL
ljara Muntahia Bittamleek assets-Real Estate	343,062,891	343,062,891 (65,245,240)	277,817,651	5,646,183	(1,431,919)	4,214,264	348,709,074	348,709,074 (66,677,159) 282,031,915	282,031,915
ljara Muntahia Bittamleek assets-Machines	49,952,588	(4,732,031)	45,220,557	1	ı	I	49,952,588	(4,732,031)	45,220,557
Total	393,015,479	393,015,479 (69,977,271)	323,038,208	5,646,183	(1,431,919)	4,214,264	398,661,662	398,661,662 (71,409,190) 327,252,472	327,252,472

The accrued Ijara installments amounted to JD 3,408,741 as at 31 December 2019 (JD 2,821,136 as at 31 December 2018). Moreover the due Ijara installments were presented under deferred sales receivables and other receivables-Net (Note 8).

The non-performing Ijara Muntahia Bittamleek amounted to JD 6,532,498 as at 31 December 2019, representing 1.71% of the balance of Ijara Muntahia Bittamleek assets (JD 4,447,134 as at 31 December 2018, representing 1.36% of the balance of Ijara Muntahia Bittamleek assets).

## (14) PROPERTY AND EQUIPMENT - NET

For the year ended at 31 December 2019	Lands	Buildings	Equipment, Devices and furniture	Vehicles	Computers	Others	Total
	JD	۵۲	۵۲	OL	O۲	JD	OL
Cost:							
Beginning balance for the year	2,747,021	12,882,553	14,559,290	260,401	4,047,588	1,139,949	35,636,802
Additions	ı	ı	1,652,594	76,500	572,479	-	2,301,573
Disposals	ı	ı	363,397	57,371	27,023	I	447,791
Ending balance for the year	2,747,021	12,882,553	15,848,487	279,530	4,593,044	1,139,949	37,490,584
Accumulated depreciation:							
Beginning balance for the year	ı	1,413,872	8,989,827	159,638	2,502,962	102,272	13,168,571
Depreciation for the year	ı	257,649	1,421,615	25,785	535,200	66,765	2,307,014
Disposals	ı	ľ	300,434	57,370	24,571	-	382,375
Ending balance for the year	ı	1,671,521	10,111,008	128,053	3,013,591	169,037	15,093,210
Net book value for property and equipment	2,747,021	11,211,032	5,737,479	151,477	1,579,453	970,912	22,397,374
Advance payments on purchasing property and equipment	ı	•	199,010	1	484,288	1	683,298
Projects under construction	ı	ı	771,384	ı	33,958	I	805,342
Net property and equipment at the end of year	2,747,021	11,211,032	6,707,873	151,477	2,097,699	970,912	23,886,014

For the year ended at 31 December 2018	Lands	Buildings	Equipment, Devices and furniture	Vehicles	Computers	Others	Total
	۵۲	а	JD	Q.	ЭY	۵۲	д
Cost:							
Beginning balance for the year	2,747,021	12,882,553	11,603,947	151,701	3,561,030	1,137,449	32,083,701
Additions	ı	ı	2,985,456	108,700	501,989	2,500	3,598,645
Disposals	1	ı	30,113	ı	15,431	ı	45,544
Ending balance for the year	2,747,021	12,882,553	14,559,290	260,401	4,047,588	1,139,949	35,636,802
Accumulated depreciation:							
Beginning balance for the year	1	1,156,223	7,888,420	140,195	2,013,326	35,592	11,233,756
Depreciation for the year	1	257,649	1,131,518	19,443	496,400	66,680	1,971,690
Disposals	1	ı	30,111	-	6,764	ı	36,875
Ending balance for the year	ı	1,413,872	8,989,827	159,638	2,502,962	102,272	13,168,571
Net book value for property and equipment	2,747,021	11,468,681	5,569,463	100,763	1,544,626	1,037,677	22,468,231
Advance payments on purchasing property and equipment	ı	ı	133,055	ı	1,323,666	ı	1,456,721
Projects under construction	ı	1	326,474	ı	ı	ı	326,474
Net property and equipment at the end of year	2,747,021	11,468,681	6,028,992	100,763	2,868,292	1,037,677	24,251,426
Annual depreciation rate	ı	%5	%15	%15	%50	%10-%4	

- Fully depreciated property and equipment amounted to JD 7,569,961 as at 31 December 2019 (as at 31 December 2018: JD7,228,347).

- The total estimated cost to complete projects under construction amounted to JD 644,106 as at 31 December 2019.

### (15) INTANGIBLE ASSETS-NET

### The details of this item are as follows:

	Computer Syste	ems & Softwares
	31 Dec	cember
	2019	2018
	JD	JD
Beginning balance for the year	1,600,907	1,449,583
Additions	1,161,619	703,296
Amortization for the year	(719,247)	(551,972)
Ending balance for the year	2,043,279	1,600,907
Annual amortization rate	25%	25%

### (16) OTHER ASSETS

### The details of this item are as follows:

	31 Dec	cember
	2019	2018
	JD	JD
Seized assets by the Bank against debts-Net*	5,997,165	4,917,783
Prepaid expenses	820,054	1,431,923
Accrued revenue	1,463,656	731,690
Stationery and printing inventory	242,765	145,898
withholding income tax	123,643	119,578
Petty cash	68,716	74,425
Other account receivables	653,405	444,068
Others	441,833	626,929
Total	9,811,237	8,492,294

### The movement of the seized assets by the Bank against debts was as follows:

	For the ye	ear ended 31 Decer	nber 2019	For the year ended 31 December 2018
	Seized real estates -self financed	Seized real estates- jointly financed	Total	Total
	JD	JD	JD	JD
Net balance at the beginning of the year	682,443	4,643,162	5,325,605	4,321,389
Additions	-	1,719,192	1,719,192	3,830,958
Amortization	(38,244)	(564,256)	(602,500)	(2,826,742)
Total	644,199	5,798,098	6,442,297	5,325,605
Provision for depreciated real estate - Jordan Central Bank instructions	(343,441)	(101,691)	(445,132)	(407,822)
Net balance at the end of the year	300,758	5,696,407	5,997,165	4,917,783

- The Central Bank of Jordan's regulations require disposal of seized assets during a maximum period of 2 years from the date of repossession, and in some cases the Central Bank of Jordan can extend the period for additional 2 years.
- The recorded provision for seized assets against debts that violate Article (48) of the Banking Law No.(28) for the year 2000 and its amendments. Moreover, the provision for seized real estates/self-financed amounted to JD 213,424 as at 31 December 2019 (229,397 as at 31 December 2018)

### (17) BANKS AND FINANCIAL INSTITUTIONS ACCOUNTS

### The details of this item are as follows:

		31 December 2019		31 December 2018
	Inside the Kingdom	Outside the Kingdom	Total	Total
	JD	JD	JD	JD
Current accounts	-	1,522,392	1,522,392	436,283
Total	-	1,522,392	1,522,392	436,283

### (18) CUSTOMERS' CURRENT ACCOUNTS

### The details of this item are as follows:

		3	31 December 2019	9	
	Retail	Corporate	Small and medium companies	Governmental and Public sector	Total
	JD	JD	JD	JD	JD
Current accounts	127,750,976	29,181,355	23,548,338	880,817	181,361,486
Total	127,750,976	29,181,355	23,548,338	880,817	181,361,486

		(	31 December 2018	8	
	Retail	Corporate	Small and medium companies	Governmental and Public sector	Total
	JD	JD	JD	JD	JD
Current accounts	102,452,974	21,091,378	19,668,052	396,179	143,608,583
Total	102,452,974	21,091,378	19,668,052	396,179	143,608,583

- Public sector deposits inside the Kingdom as at 31 December 2019 amounted to JD 880,817 representing 0.49 % of the total customers' current accounts (As at 31 December 2018 amounted to JD 396,179 representing 0.28% of the total customers' current accounts).
- The restricted accounts as at 31 December 2019 amounted to JD 2,091,906 representing 1.15% of the total customers' current accounts (As at 31 December 2018 amounted to JD 865,965 representing 0.60% of the total customers' current accounts).
- The dormant accounts as at 31 December 2019 amounted to JD 11,782,922 (As at 31 December 2018 amounted to JD 12,373,346).

### (19) CASH MARGIN ACCOUNTS

### The details of this item are as follows:

	31 Dec	cember
	2019	2018
	JD	JD
Margins against direct facilities	11,588,170	10,495,841
Margins against indirect facilities	23,773,830	1,661,516
Other margins	513,353	312,907
Total	35,875,353	12,470,264

### (20) OTHER PROVISIONS

### The details of this item are as follows:

		3	1 December 2019	9	
	Beginning balance	Provided during the year	Used during the year	Reversed to income	Ending balance
	JD	JD	JD	JD	JD
Provision of lawsuits against the bank	60,785	-	-	-	60,785
Provision for contingent liabilities	320,000	361,000	-	320,000	361,000
Total	380,785	361,000	-	320,000	421,785

		3	1 December 2018	3	
	Beginning balance	Provided during the year	Used during the year	Reversed to income	Ending balance
	JD	JD	JD	JD	JD
End of service indemnity	23,818	-	8,554	15,264	-
Provision of lawsuits against the bank	60,785	-	-	-	60,785
Provision for contingent liabilities	-	320,000	-	-	320,000
Total	84,603	320,000	8,554	15,264	380,785

### (21) INCOME TAX PROVISION

### A- Income tax provision

### The movement of the income tax provision is as follows:

	For the year end	led 31 December
	2019	2018
	JD	JD
Beginning balance for the year	4,031,024	2,603,048
Income tax expense	8,123,241	4,488,873
Previous years settelement	(288,834)	354,909
Less : income tax paid for previous years	(3,602,326)	(2,532,960)
Less: Income tax paid for the year	(1,326,821)	(882,846)
Ending balance for the year	6,936,284	4,031,024

### B- The income tax expense presented in the Consolidated Statement of Income and Comprehensive Income consists of the following:

	For the year end	ded 31 December
	2019	2018
	JD	JD
Income tax expense for the year	(8,123,241)	(4,488,873)
Edit deferred tax assets	(570,000)	(8,336)
Previous years income tax	-	(354,909)
Deferred tax assets / self financed	282,770	-
Deferred tax assets / jointly financed	1,224,814	-
Effect of implementation the new tax regulation *	-	132,127
Total	(7,185,657)	(4,719,991)

<sup>\* 35%</sup> was used to calculate the income tax provision for the year 2019, according to the Income and Sales Tax Law No. 38 of 2018, which was implemented from January 1, 2019, in addition to the percentage of 3% as national contributions.

### The Bank:

During the first quarter of 2019 a settlement was made with the Income and Sales Tax Department regarding tax cases for the years 2014 and 2015, and a final clearance was obtained from the Income and Sales Tax Department until the end of 2015, and 2018 was also accepted within the system of samples issued by the Tax Department Income and sales, but it was recommended to reopen the file for the purposes of auditing the disclosure for this year.

Tax statements were submitted for the years 2016 and 2017 and were not audited by the Income and Sales Tax Department until the date of the preparation of the consolidated financial statements.

### The Subsidiary:

Misk Financial Brokerage Company: The annual income statement for the years 2015 to 2018 was accepted within the sampling system issued by the Income and Sales Tax Department, and a tax clearance was obtained for the year 2014, and tax statements were submitted for the years from 2011 to 2013 as they were audited by The Income and Sales Tax Department was pending before the court to demand the recycling of losses without any financial impact. The court's decision was issued in the interest of the company.

In the opinion of the Bank's management, and the bank's tax consultant all provisions taken in the consolidated financial statements are sufficient for all tax liabilities.

### C- Deferred tax assets

### The details of this item are as follows:

		Fo	r the year end	ed 31 Decemb	per	
			2019			2018
	Beginning Balance for the year	Released Amounts	Additional Amounts	Ending Balance for the year	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
Deferred tax assets						
Deferred tax assets - self financed						
Provision of lawsuits against the bank	60,785	-	-	60,785	23,098	23,098
Provision for impairment of assets owned by the bank in settlement of outstanding debts	343,441	-	-	343,441	130,508	130,508
Provision for credit losses for the first and second stages - self	-	-	130,486	130,486	49,585	-
Difference in the application of Standard 16 - Lease	-	-	252,645	252,645	96,005	-
Provision for potential liabilities	-	-	361,000	361,000	137,180	-
Legal expenses	1,500,000	1,500,000	-	-	-	570,000
Total	1,904,226	1,500,000	744,131	1,148,357	436,376	723,606
Deferred tax assets - jointly financed						
Provision for credit losses for the first and second stages - jointly financed	-	-	3,223,195	3,223,195	1,224,814	-
Total	-	-	3,223,195	3,223,195	1,224,814	-

### - The movement on self-financed deferred tax assets is as follows:

	For the year ended 31 December			
	2019	2018		
	JD	JD		
Balance at the beginning of the year	723,606	599,815		
Effect of implementation the new tax regulation	-	132,127		
Additions during the year	282,770	-		
Amortized during the year	(570,000)	(8,336)		
Balance at the End of the year	436,376	723,606		

### - The movement on Jointly-financed deferred tax assets is as follows:

	For the year ended 31 December			
	2019	2018		
	JD	JD		
Balance at the beginning of the year	-	-		
Additions during the year	1,224,814	-		
Balance at the End of the year	1,224,814	-		

### D - Reconciliation between tax income and accounting income were as follow:

	For the year end	led 31 December
	2019	2018
	JD	JD
Accounting profit for the Bank	17,201,876	13,070,652
Less: Non-taxable income	(424,950)	(971,077)
Add: Non-deductible expenses	4,269,888	780,964
Less: Accumulated losses/ previous year	-	(5,925)
Tax income for the Bank	21,046,814	12,874,614
Attributable to:		
Tax income for the Bank (separated)	20,582,668	12,722,949
Subsidiaries tax gain	464,146	151,665
Statutory tax rate- bank	38%	35%
Statutory tax rate- subsidiaries	28%	24%
Effective tax rate	38.5%	34.3%

### (22) OTHER LIABILITIES

### - The details of this item are as follows:

	31 Dec	cember
	2019	2018
	JD	JD
Accrued expenses and not paid	338,578	377,339
Certified cheques	2,608,186	3,171,553
Expected credit losses on Off - balance sheet items-self financed(Note 54)*	194,295	65,007
Expected credit losses on off balance sheet items - Jointly financed(Note 54)**	347,075	219,386
Shareholders and customers deposits	6,404,845	4,228,408
Customers' share of profits from unrestricted investment	14,733,505	9,637,646
Temporary deposits	15,189,860	9,798,244
Visa Claims	998,183	714,920
Others	318,624	606,905
Total	41,133,151	28,819,408

### • Expected credit losses

### \* Expected credit loss of indirect facilities

### A- Self financial

- Movement on indirect facilities for the year ended 31 December 2019:

ltem	Stag	ge 1	Stage 2		01 0	<b>-</b>
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year	44,760,986	-	1,826,159	-	50,000	46,637,145
New exposures during the year	51,563,063	-	4,368,172	-	-	55,931,235
Accrued exposures	(21,432,179)	-	(538,950)	-	-	(21,971,129)
Transfer to Stage 1	1,248,709	-	(1,248,709)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	76,140,579	-	4,406,672	-	50,000	80,597,251

### - Movement on the provision for expected credit losses (indirect facilities /self financed) for the year ended 31 December 2019:

	Stage 1		Stage 2		Chara O	Takal
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	55,646	-	9,361	-	-	65,007
Loss on new exposures during the year	112,853	-	52,631	-	-	165,484
Loss of matured / derecognized exposures	(22,611)	-	(4,979)	-	-	(27,590)
Transfer to Stage 1	4,382	-	(4,382)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the Year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(8,606)	-	-	-	-	(8,606)
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	141,664	-	52,631	-	-	194,295

### \* Expected credit loss of indirect facilities / guarantees

Distribution of total indirect facilities / guarantees

31 December 2019						31 December 2018	
Item	Sta	ge 1	Sta	ge 2	Ct0		Total
	Individual	Collective	Individual	Collective	Stage 3	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Insignificant	-	-	-	-	-	-	-
Almost free risk	16,897,504	-	-	-	-	16,897,504	-
Low risk	155,250	-	-	-	-	155,250	10,396
Normal Risk	1,560,913	-	-	-	-	1,560,913	-
Acceptable risk	5,435,447	-	-	-	-	5,435,447	300
Acceptable with due care	6,177,654	-	-	-	-	6,177,654	-
Watch list	-	-	1,698,796	-	-	1,698,796	-
Loss	-	-	-	-	50,000	50,000	-
Not rated	1,309,007	-	2,243,711	-	-	3,552,718	20,499,476
Total	31,535,775	-	3,942,507	-	50,000	35,528,282	20,510,172

### - Movement on indirect facilities / guarantees for the year ended 31 December 2019:

Item	Stage 1		Stage 2		040	Total
	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	19,661,709	-	798,463	-	50,000	20,510,172
New exposures during the year	14,003,727	-	3,904,007	-	-	17,907,734
Matured exposures	(2,350,674)	-	(538,950)	-	-	(2,889,624)
Transfer to Stage 1	221,013	-	(221,013)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	31,535,775	-	3,942,507	-	50,000	35,528,282

### - Movement on the provision for expected credit loss(indirect facilities / guarantees) for the year ended 31 December 2019:

	Stage 1		Stage 2		040	Takal
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	25,851	-	5,217	-	-	31,068
Loss on new exposures during the year	60,433	-	49,438	-	-	109,871
Loss of matured / derecognized exposures	(4,720)	-	(4,979)	_	_	(9,699)
Transfer to Stage 1	238	-	(238)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the Year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(1,339)	-	-	-	-	(1,339)
Total balance at the end of the year	80,463	-	49,438	-	-	129,901

### \* Expected credit loss of indirect facilities / Credits and acceptance

Distribution of total on indirect facilities / credits and acceptance

	31 December 2019							
Item	Stage 1		Stage 2			Takal	Total	
	Individual	Collective	Individual	Collective	Stage 3 JD	Total	Total	
	JD	JD	JD	JD		JD	JD	
Insignificant	-	-	-	-	-	-	-	
Low risk	260,904	-	-	-	-	260,904	-	
Normal risk	8,462,889	-	-	-	-	8,462,889	-	
Acceptable risk	15,448,577	-	-	-	-	15,448,577	-	
Watch list	-	-	464,165	-	-	464,165	-	
Not rated	20,432,434	-	-	-	-	20,432,434	26,126,973	
Total	44,604,804	-	464,165	-	-	45,068,969	26,126,973	

### - Movement on the provision for expected credit loss( indirect facilities / credits and acceptance) for the year ended 31 December 2019:

	Stage 1		Stage 2		Ctoro 2	Total
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	25,099,277	-	1,027,696	-	-	26,126,973
New exposures during the year	37,559,336	-	464,165	-	-	38,023,501
repaid exposures	(19,081,505)	-	-	-	-	(19,081,505)
Transfer to Stage 1	1,027,696	-	(1,027,696)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	44,604,804	-	464,165	-	-	45,068,969

### - Movement on the provision for expected credit loss( indirect facilities / credits and acceptance) for the year ended 31 December 2019:

	Stage 1		Stage 2		Ctoro 2	Tatal
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	29,795	-	4,144	-	-	33,939
Loss on new exposures during the year	52,420	-	3,193	-	-	55,613
Loss of matured / derecognized exposures	(17,891)	-	-	-	-	(17,891)
Transfer to Stage 1	4,144	-	(4,144)	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the Year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	(7,267)	-	-	-	-	(7,267)
Total balance at the end of the year	61,201	-	3,193	-	-	64,394

<sup>\*\*</sup> Expected credit loss of indirect facilities

### **B-** jointly financed

- Movement on indirect facilities for the year ended 31 December 2019:

	Stage 1		Stage 2		Stage 2	Takal
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	58,755,384	-	5,101,239	-	-	63,856,623
New exposures during the year	70,386,008	-	2,220,260	-	-	72,606,268
Accrued exposures	(39,982,711)	-	(2,436,304)	-	-	(42,419,015)
Transfer to Stage 1	3,220,414	-	(3,220,414)	-	-	-
Transfer to Stage 2	(599,780)	-	599,780	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	91,779,315	-	2,264,561	-	-	94,043,876

### - Movement on the provision for expected credit losses (indirect facilities /jointly financed) for the year ended 31 December 2019:

	Sta	ge 1	Stage 2		Ctore 0	Total
Item	Individual	Collective	Individual	Collective	Stage 3	iotai
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	171,286	-	48,100	-	-	219,386
Loss on new exposures during the year	94,297	-	52,410	-	-	146,707
Loss of matured / derecognized exposures	(45,714)	-	(23,791)	-	-	(69,505)
Transfer to Stage 1	24,309	-	(24,309)	-	-	-
Transfer to Stage 2	(1,045)	-	1,045	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the Year - as a result of the change in classification between the three stages during the year	-	-	-	-	-	-
Changes resulting from modifications	50,477	-	10	-	-	50,487
Bad facilities	-	-	-	-	-	-
Adjustments due to change in exchange rates	-	-	-	-	-	-
Total balance at the end of the year	293,610	-	53,465	-	-	347,075

### \*\* Expected credit loss of indirect facilities / unutilized credit limits

Distribution of total on indirect facilities / unutilized credit limits

	31 December 2019						
Item	Sta	ge 1	Stage 2			<b>T.</b> .	Total
	Individual	Collective	Individual	Collective	Stage 3 Total		
	JD	JD	JD	JD	JD	JD	JD
Little risk	1,887,565	-	-	-	-	1,887,565	-
Semi empty risk	2,259,982	-	-	-	-	2,259,982	-
Low risk	7,981,041	-	-	-	-	7,981,041	-
Normal risk	45,890,811	-	-	-	-	45,890,811	991,996
Acceptable risk	23,653,607	-	-	-	-	23,653,607	1,473,616
Acceptable with due care	1,213,825	-	-	-	-	1,213,825	-
Watch list	-	-	2,225,386	-	-	2,225,386	870,771
Not rated	8,892,484	-	39,175	-	-	8,931,659	60,520,240
Total	91,779,315	-	2,264,561	-	-	94,043,876	63,856,623

### - Movement on the unutilized credit limits for the year ended 31 December 2019:

	Stage 1		Stage 2		Stone 2	Total
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	58,755,384	-	5,101,239	-	-	63,856,623
New exposures during the year	70,386,008	-	2,220,260	-	-	72,606,268
repaid exposures	(39,982,711)	-	(2,436,304)	-	-	(42,419,015)
Transfer to Stage 1	3,220,414	-	(3,220,414)	-	-	-
Transfer to Stage 2	(599,780)	-	599,780	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	-	-	-	-	-	-
Total balance at the end of the year	91,779,315	-	2,264,561	-	-	94,043,876

### - Movement on the provision for expected credit loss (indirect facilities) /unutilized credit limits for the year ended 31 December 2019:

	Stage 1		Stage 2		Ctono 2	Total
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	171,286	-	48,100	-	-	219,386
Loss on new exposures during the year	94,297	-	52,410	-	-	146,707
Loss of matured / derecognized exposures	(45,714)	-	(23,791)	-	-	(69,505)
Transfer to Stage 1	24,309	-	(24,309)	-	-	-
Transfer to Stage 2	(1,045)	-	1,045	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Changes resulting from modifications	50,477	-	10	-	-	50,487
Total balance at the end of the year	293,610	-	53,465	-	-	347,075

# (23) UNRESTRICTED INVESTMENT ACCOUNTS

	31 December 2019					
	Retail	Corporate	Small and medium enterprises	Governmental and Public sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	90,241,581	12,514,914	6,868,544	2,024,827	11,865,679	123,515,545
Term accounts/ Investing deposits	584,246,881	133,560,457	72,142,964	49,897,079	21,767,298	861,614,679
Certificates of investing deposit	66,269,266	7,031,340	6,869,161	13,547,675	19,745,256	113,462,698
Total	740,757,728	153,106,711	85,880,669	65,469,581	53,378,233	1,098,592,922
Depositors' share from investments' revenue	24,671,221	5,241,956	2,961,115	2,381,700	1,167,429	36,423,421
Total unrestricted investment accounts	765,428,949	158,348,667	88,841,784	67,851,281	54,545,662	1,135,016,343

	31 December 2018					
	Retail	Corporate	Small and medium enterprises	Governmental and Public sector	Banks and Financial Institutions	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	67,321,480	11,995,514	1,641,543	673,954	266,520	81,899,011
Term accounts/ Investing deposits	425,635,661	90,179,907	64,270,710	36,750,026	986,353	617,822,657
Certificates of investing deposit	35,266,956	1,365,094	3,321,280	12,514,968	9,526,270	61,994,568
Total	528,224,097	103,540,515	69,233,533	49,938,948	10,779,143	761,716,236
Depositors' share from investments' revenue	17,167,511	3,381,306	2,428,326	1,805,532	487,377	25,270,052
Total unrestricted investment accounts	545,391,608	106,921,821	71,661,859	51,744,480	11,266,520	786,986,288

- Unrestricted investment accounts share of profit is calculated as follows:
- 20% to 31% of the minimum balance of saving accounts in Jordanian Dinar.
- 14% to 35% of the minimum balance of saving accounts in foreign currencies.
- 48% to 90% of the average term accounts in Jordanian Dinar.
- 18% to 47% of the average term accounts in foreign currencies.
- 90% of the average balances of investing certificates of deposit in Jordanian Dinar.
- 80% to 85% of average balances of certificates of investing deposit in foreign currencies .
- The percentage of the profit on the Jordanian Dinar for the Year ended 31 December 2019 is 4.09% (for the Year ended 31 December 2018 was 3.79%).
- The percentage of the profit on USD for the Year ended 31 December 2019 is 2.31% (for the Year ended 31 December 2018 was 1.70%).
- The unrestricted investment accounts for the Government and Public sector amounted to JD 67,851,281 as at 31 December 2019, which represents 5.98% of the total unrestricted investment accounts (As at 31 December 2018 amounted to JD 51,744,480 which represents 6.58% of the total unrestricted investment accounts).
- The restricted accounts amounted to JD 632,148 as at 31 December 2019, which represents 0.06% of the total unrestricted investment (As at 31 December 2018 amounted to JD 53,249 which represent 0.01% f the total unrestricted investment).
- The dormant accounts as at 31 December 2019 amounted to JD 11,028,352 (As at 31 December 2018 amounted to JD 10,250,490).

#### (24) INVESTMENT RISK FUND

#### A- The movement of the investment risk fund was as follows:

	For the year ended at 31 December		
	2019	2018	
	JD	JD	
Balance at the beginning of the year	20,959,845	17,441,008	
Additions: transferred from unrestricted investment revenue during the year**	2,416,902	6,217,148	
Less : written-off debts	-	(3,970)	
Less: losses from sale financial assets at fair value through unrestricted investment accounts holders equity related to previous years * (Note 25/B)	(309,816)	(394,371)	
Less : previous years tax - jointly revenue*	(688,599)	(263,388)	
Less: accrued income tax	(641,007)	(2,036,582)	
Less: Distrubted to joint items as at May 1, 2019 **	(21,737,325)	-	
Balance at the end of the year	-	20,959,845	

#### B- Investment risks fund balance is distributed as follows:

		For the year end	ed 31 December
	Note	2019	2018
		JD	JD
Balance at the end of the year		-	20,959,845
Against ECL for Financial assets at fair value through unrestricted investment accounts' holders equity	10	-	137,753
Against ECL for International Wakala investments	6	-	86,311
Against ECL for Ijara Muntahia Bittamleek receivable	8	-	3,061,871
Against ECL for deferred sales receivables	8	-	15,444,146
Against ECL for unutilized credit limits/ Jointly financed	22	-	219,386
Against impairment of seized assets by the Bank	16	-	64,381
Remaining balance		-	1,945,997

- \* Concerning losses of previous years (shares and sukuk) sold within the portfolio of financial assets at fair value through the rights of joint investment owners and a tax paid for previous years related to joint revenue in accordance with Article 12.4 and Article 15 of the policy governing the relationship between the bank (the speculator) and account holders Investment (owners of funds) approved, which states that if joint investment operations started and continued from previous years, and the result and in a specific year shows that those investment operations were in terms of the result of losing operations, their loss is covered by the Fund to face investment risks, given that they were implemented in Year or years earlier.
- \*\* In light of the amendment of the Banking Law No. (28) of 2000 and its amendments and the cancellation of the Investment Risk Fund for Islamic banks, the bank during the year ending on 31 December 2019 deducted 10% until the first of May 2019 (10% for the year Ended 31 December 2018) as per the Central Bank Circular which was issued on 27 June 2019 requiring the cancellation of the investment risks fund for Islamic banks, and the balance of the Fund to deal with investment risks was distributed through allocations against deferred sales receivables, lease receivables, other receivables and non-performing financing and any liabilities are funded by the unrestricted investment accounts holders equity as at 30 April 2019, and it was decided to charge the allocations against the assets funded by the unrestricted investment accounts holders equity on the profits of the joint investment vessel (Note 2), where the expected joint credit losses charged to the joint pool as of the effective date New instructions 5.070.718 until the end of December 31, 2019.

#### C- Income tax provision for investment risk fund:

	For the year end	ar ended 31 December	
	2019	2018	
	JD	JD	
Balance at the beginning of the year	2,052,566	1,695,297	
Income tax on transferred revenue from investment accounts	641,007	2,036,582	
Less: Income tax paid	(1,906,424)	(1,679,313)	
Balance at the end of the year	787,149	2,052,566	

- During the first quarter of 2019 a settlement was made with the Income and Sales Tax Department regarding tax cases for the years 2014 and 2015, and a final clearance was obtained from the Income and Sales Tax Department until the end of 2015, and 2018 was also accepted within the system of samples issued by the Tax Department Income and sales, but it was recommended to reopen the file for the purposes of auditing the disclosure for this year.
- The Bank submitted its tax declarations for the years ended 2016 and 2017, which have not been audited yet up to the date the preparation of the consolidated financial statements.

# (25) FAIR VALUE RESERVE

#### The details of this item are as follows:

#### A- self financed

	For the year ended 31 December		
Financial assets at fair value through shareholders' equity - self finance	2019	2018	
	JD	JD	
Beginning balance	(24,510)	(576)	
Unrealized losses stocks	-	(24,510)	
Gains (losses) on sale of financial assets	139,067	(4,172)	
(Gains) losses of equity instrument at fair value trough stockholder rights - self financed are transferred to the retained earnings as a result of sale	(114,557)	4,748	
Ending balance	-	(24,510)	

#### **B** - jointly financed

	For the year ended 31 December		
Financial assets at fair value through unrestricted investment accounts reserves - jointly financed	2019	2018	
jointy interioca	JD	JD	
Beginning balance	(552,665)	(820,121)	
Unrealized gains (losses) on debt instruments	492,470	(70,210)	
Losses on equity instruments at fair value through the rights of the joint ventures transferred to the fund against the investment risk as a result of the sale	309,816	394,371	
Unrealized (losses) on shares	(201,464)	(49,082)	
Gains on sale of financial assets	-	(7,623)	
Ending balance	48,157	(552,665)	

# (26) PAID IN CAPITAL

The authorized and paid-in capital amounted to JD 100,000,000, consisting of 100,000,000 shares, at a par value of JD 1 per share as at 31 December 2019 and 31 December 2018.

# (27) RESERVES

#### **Statutory reserve:**

The accumulated amounts in this account represent the transferred 10% of annual profits before taxes during the years, according to the Banks and Companies Laws. This reserve is not available for distribution to shareholders.

#### - The following reserves are restricted

	31 Dec	cember	
Reserve name	2019	2018	Note
	JD	JD	
Statutory reserve	25,902,069	24,181,881	Law's requirement (Banking and companies)

# (28) RETAINED EARNINGS

	31 Dec	ember
	2019	2018
	JD	JD
Beginning balance of the year	17,137,611	14,971,250
Effect of implementing IFRS (9)	-	(191,603)
The amended beginning balance	17,137,611	14,779,647
Transferred from general banking risk reserve	-	300,000
(Transferred) to statutory reserves	(1,720,188)	(1,307,065)
Dividends distributed	(7,000,000)	(5,000,000)
Disposal of a subsidiary company	-	19,116
Gain (loss) on sale of financial assets through equity - self financed	114,557	(4,748)
Profit for the year	10,016,219	8,350,661
Ending Balance for the year	18,548,199	17,137,611

<sup>-</sup> The retained earnings balance as at 31 December 2019 includes an amount to JD436,376 (2018 amounted to JD 723,606) which represent deferred tax assets-self financed and it is restricted from use in accordance with the Central Bank of Jordan regulations.

#### Proposed dividend to shareholders

- The Board of Director proposed, in their 30 Jan 2020 meeting, to distribute cash dividends of JD 5,000,000 to shareholders for the year 2019, representing 5% of paid-up and authorized capital from distributable retained earnings. This proposed percentage is subject to the approval of the General Assembly of Shareholders.

# (29) DEFERRED SALES REVENUE

#### - The details of this item are as follows:

	For the year ended 31 December				
	20	19	20	18	
	Jointly financed	Jointly financed Self financed		Self financed	
	JD	JD	JD	JD	
Individuals(Retail)					
Murabaha to the purchase orderer	15,409,369	97,941	11,848,624	92,176	
Real estate facilities	1,935,540	-	1,608,660	-	
Corporate					
International Murabaha	654,705	-	352,531	-	
Murabaha to the purchase orderer	21,362,356	-	16,303,472	-	
Small and medium enterprises					
Murabaha to the purchase orderer	1,630,375	-	821,358	-	
Total	40,992,345	97,941	30,934,645	92,176	

# (30) IJARA MUNTAHIA BELTAMLEEK REVENUE

	For the year ended 31 December				
	20	19	2018		
	Jointly financed Self financed		Jointly financed	Self financed	
	JD	JD	JD	JD	
Ijara Muntahia Beltamleek – real state	77,391,048	969,363	67,927,915	622,426	
Ijara Muntahia Beltamleek – machines	2,572,645	-	3,487,602	-	
Depreciation for Ijara Muntahia Beltamleek assets	(49,545,972)	(798,847)	(45,316,422)	(462,631)	
Total	30,417,721	170,516	26,099,095	159,795	

## (31) GAINS FROM INTERNATIONAL WAKALA INVESTMENT PROFITS

#### - The details of this item are as follows:

	Jointly financed  For the year ended 31 December  2019  2018		
	JD JD		
Gains from International Wakala investment	1,960,584	1,091,469	
Total	1,960,584 1,091,469		

# (32) GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH UNRESTRICTED INVESTMENT ACCOUNTS' HOLDERS EQUITY

#### - The details of this item are as follows:

	Jointly financed  For the year ended 31 December	
	2019	2018
	JD JD	
Shares dividends	3,967	46,633
Gains on sale of financial assets	124,140	35,885
Islamic Sukuk profits	1,347,151	1,251,061
Total	1,475,258 1,333,579	

# (33) GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	Jointly financed							
		For the year ended 31 December						
		20	19			20	18	
	Realized gains	Unrealized (losses)	Dividends	Total	Realized gains	Unrealized gains	Dividends	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Sukuk	123,414	(71)	-	123,343	688	19,547	-	20,235
Total	123,414	(71)	-	123,343	688 19,547 - 20,235			20,235

# (34) GAINS FROM FINANCIAL ASSETS AT AMORTIZED COST

#### - The details of this item are as follows:

Jointly f	inanced	
For the year end	ed 31 December	
2019	2018	
JD	JD	
4,126,385	2,107,731	
4,126,385	2,107,731	

# (35) GAINS (LOSSES) FROM FOREIGN CURRENCIES VALUATION

#### - The details of this item are as follows:

	Jointly financed		
	For the year ended 31 December		
	2019	2018	
	JD JD		
Gains (losses) foreign currencies valuation	6,267	(697)	
Total	6,267 (697)		

# (36) SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS'

	Jointly financed		
	For the year ended 31 December		
	2019	2018	
	JD	JD	
Customers			
Revenue on saving accounts	919,319	690,450	
Revenue on term accounts	30,515,119	22,058,756	
Revenue on certificates of deposit	3,821,554	2,033,469	
Total Customers Revenue	35,255,992	24,782,675	
Banks			
Banks and financial Institutions accounts	1,167,429	487,377	
Total Banks revenue	1,167,429	487,377	
Total	36,423,421	25,270,052	

# (37) GAINS FROM FINANCIAL ASSETS AT AMORTIZED COST

#### - The details of this item are as follows:

	Jointly financed  For the year ended 31 December	
	2019	2018
	JD	JD
Bank's share as Mudarib	27,565,683	19,632,921
Bank's share as Rab Mal	7,523,652	11,051,362
Total	35,089,335	30,684,283

# (38) BANK'S SELF FINANCED REVENUE

#### - The details of this item are as follows:

		Self financed		
		For the year ended 31 December		
	Note	2019	2018	
		JD	JD	
Ijara Muntahia Bittamleek revenue	30	969,363	622,426	
Deferred sales revenue	29	97,941	92,176	
Cash dividends - financial assets at fair value through shareholders' equity- self financed		37,500	500	
Total		1,104,804	715,102	

# (39) BANKS SHARE FROM THE RESTRICTED INVESTMENT REVENUE AS AGENT (WAKEEL)

	For the year ended 31 December 2019 2018		
	JD	JD	
Deferred sales revenue	705,369	287,351	
Less: Muwakel's share	(422,313)	(104,402)	
Banks share as an agent (wakeel)	283,056 182,949		

<sup>-</sup> This item represents revenue from Murabaha to purchase order within the Restricted Wakala Investment agreement signed with the Central Bank of Jordan.

# (40) GAIN FROM FOREIGN CURRENCIES

#### - The details of this item are as follows:

	For the year ended 31 December	
	2019 2018	
	JD	JD
As a result of trading and Dealing foreign currencies	1,075,782	510,533
Total	1,075,782	510,533

## (41) BANKING SERVICES REVENUE - NET

#### - The details of this item are as follows:

	For the year ended 31 December	
	2019 2018	
	JD	JD
Indirect facilities commissions	1,203,961	981,323
Direct facilities commissions	2,119,295	1,877,206
Other commissions	3,092,804	2,125,744
Less : debit commission	(1,013,096)	(640,608)
Total	5,402,964	4,343,665

#### (42) OTHER REVENUE

	For the year ended 31 December		
	2019	2018	
	JD	JD	
Gain from sale of fixed assets	8,116	4,372	
Gain from sale of seized assets*	4,974	217,791	
Revenue from liquidation of invested companies	-	15,288	
Compensation for the acquisition of the Ministry of Works from land owned by the Bank	73,305	14,770	
Membership in the Board of Directors of Jordan Fertilizer Processing Company	4,160	10,146	
Edited from other provisions	-	15,264	
Revenue from settling accounts	459,951	-	
Other revenue	24,913	14,627	
Total	575,419	292,258	

<sup>\*</sup> Relates to self-revenue only, as there are sales profits for the joint part amounted to JD 64,492 for the year ended 31 December 2019 (zero for the year ended 31 December 2018).

# (43) EMPLOYEES' EXPENSES

#### - The details of this item are as follows:

	For the year ended 31 December		
	2019	2018	
	JD	JD	
Salaries, benefits, allowances and bonuses for employees	10,636,203	10,161,062	
Bank's contribution for social security	1,111,033	1,126,297	
Medical expenses	528,982	564,789	
Training	143,356	189,025	
Insurance expenses	36,238	38,769	
Other employees 'expenses	696,164	388,285	
Total	13,151,976	12,468,227	

# (44) OTHER EXPENSES

	For the year end	ed 31 December
	2019	2018
	JD	JD
Stationery and printing materials	295,881	302,945
Telecommunications	597,500	496,272
Utilities	457,984	449,450
Travel and transportation	132,804	181,106
Marketing and advertising	863,228	792,165
Subscription and fees	381,365	398,168
Maintenance and Cleaning expenses	465,658	531,896
Licences and governmental fees	369,025	474,195
Board of Directors' meetings expenses	541,056	474,761
Information technology expenses	1,093,671	928,314
Security and insurance expenses	360,742	310,385
Donations	142,542	96,842
Management and consulting fees	141,851	178,721
Professional fees	126,288	92,269
Board of Directors' remunerations	55,000	53,438
Hospitality expenses	83,503	98,053
Money transportation expenses	117,700	91,272
Legal expenses - Self financed	140,717	116,079
Contingent liabilities expense	41,000	320,000
Others	247,843	250,576
Total	6,655,358	6,636,907

# (45) EARNINGS PER SHARE

#### - The details of this item are as follows:

	For the year ended 31 December		
	2019	2018	
	JD	JD	
Profit for the year	10,016,219	8,350,661	
Weighted average number of shares	100,000,000	100,000,000	
	Fils/JD	Fils/JD	
Basic and diluted earnings per share for the year	100/0	084/0	

# (46) CASH AND CASH EQUIVALENTS

	For the year ended 31 December 2019 2018		
	JD	JD	
Cash balances with CBJ maturing within three months	278,816,552	118,767,358	
Add: cash at banks and banking institutions maturing within three months	6,513,543	13,264,923	
Less: banks and financial banking accounts maturing within three months	(1,522,392)	(436,283)	
Total	283,807,703	131,595,998	

# (47) RELATED PARTY TRANSACTIONS

The Bank entered into transactions with shareholders, board members, and senior management within its normal operations using normal rates of Murabaha and trade commissions. All deferred sales receivables and facilities granted to related parties are performing, and no provisions were taken for these balances. The related parties' transactions are as follows:

	Main	Senior	Board of	Al-Etihad								Shari'a	Total	
	shareholders	management	Directors members	Islamic company for	Supervisory Board	31 Dec	ember							
				investment*	members	2019	2018							
	JD	JD	JD	JD	JD	JD	JD							
Consolidated st	Consolidated statements of financial position items													
Balances at banks and banking institutions	-	-	-	239,076	-	239,076	6,094,619							
Unrestricted investments accounts and current accounts	15,038	868,771	19,186,027	19,241,480	30,730	39,342,046	33,923,436							
Deferred sales receivables and facilities	-	466,673	46,788	-	-	513,461	472,222							
Ijara Muntahia Bittamleek assets	-	1,163,443	690,647	-	-	1,854,090	747,121							
Off-statement o	f consolidated	financial positi	on items											
Letter of guarantees	-	-	-	-	-	-	-							

#### Consolidated statement of Income and Comprehensive Income items

						For the yea Dece	ır ended 31 mber
						2019	2018
Dividends	112	13,093	576,893	573,815	58	1,163,971	1,104,877
Salaries and bonuses	-	2,334,491	55,000	-	52,400	2,441,891	2,199,739
Transportation	-	-	520,100	-	26,400	546,500	459,753

- Al Etihad Islamic For Investment Company which owns 62,37% of Safwa Islamic Bank\*
- The lowest and highest received Murabaha rate were 3.36% and 6.55% respectively
- The lowest and highest rate of Ijara Muntahia Bittamleek received by the Bank were 3.81% and 8% respectively.
- The lowest and highest distributed profit rate were 1.00% and 5.13% respectively.
- Executive management salaries and benefits for the year ended 31 December 2019 amounted to JD 2,334,491 (JD 2,093,830 as at 31 December 2018).
- All facilities granted to related parties are performing and no provisions were recorded for it.

# (48) RIGHT OF USE ASSETS/LEASE LIABILITIES LONG -TERM

#### The details of this item are as follows:

#### A- Right of use assets

The bank rents real estate and stores for periods ranging from one to 15 years, the average lease term is 7 years, the following is the movement on the right of use assets during the year:

	For the year ended 31 December 2019
	JD
Balance at the beginning of the year	-
The impact of the application of international standard No. (16)	8,728,457
Balance at the beginning of the year (adjusted)	8,728,457
Added: Additions during the year	2,306,931
Deduct : depreciation for the year	(1,333,344)
Balance on 31 December 2019	9,702,044

#### The amounts recorded in the consolidated statement of income and comprehensive income:

	•
	For the year ended 31 December 2019
	JD
Depreciation of the right of use assets for the year	(1,333,344)
Finance costs (deduction of rental obligations) during the year	(295,305)
Rental expense during the year	(234,266)

#### B- lease liabilities long-term

	For the year ended 31 December 2019
	JD
Balance at the beginning of the year	-
The impact of the application of international standard No. (16)	8,356,071
Balance at the beginning of the year (adjusted)	8,356,071
Added: Additions during the year	2,306,931
Finance costs (deduction of rental obligations) during the year	295,305
Deduct : paid during the year	(1,590,092)
Balance on 31 December 2019	9,368,215

#### Analysis of lease tenancy contract liability maturity:

	31 December 2019
	JD
In less than a year	121,036
From 1 to 5 years	2,309,093
More than 5 years	6,938,086
Total	9,368,215

The value of undiscounted rental contract obligations amounted to JD 10,746,124, as at 31 December 2019, and the following is the benefit analysis:

#### Eligibility for undivided lease obligations:

	31 December 2019
	JD
In less than a year	122,080
From 1 to 5 years	2,473,963
More than 5 years	8,150,081
Total	10,746,124

### (49) RISK MANAGEMENT

Safwa Islamic Bank implements a risk management methodology that adopts an effective comprehensive risk management concept that streamlines and organizes the Bank's risk management regarding all of its operations in accordance with the concept of organized management that adopts prevention before treatment. The Bank adopts the concept of a documented enterprise risk management framework that is approved by the Board of Directors. This framework is the base for other risk policies related to the acceptable level of risks and the policies concerning the management of all types of risks that the Bank might be exposed to. It is also a key reference for the preparation of the ICAAP and Stress Testing.

Risk management is one of the Board of Directors' responsibilities, and risks are managed through the Risk Management Committee, which adopts the general framework for risk management at the Bank. In addition, the Risk Management Department is the department responsible for risk management through implementing the general framework approved by the Board of Directors. In this respect, the Risk Management Department prepares the policies to manage, analyze, and measure all types of risks, as well as develop the appropriate measurement techniques to hedge against risks that affect the profitability and capital adequacy of the Bank in line with the approved general framework. Moreover, the Risk Management Department provides the Board with periodic reports through the Risk Management Committee to inform them about the latest developments related to risk management at the Bank for their evaluation and recommendations in this regard.

Furthermore, the Internal Audit Department sends reports to the Board's Audit Committee to verify that all departments adhere to the policies and procedures of risk management, audits the results of the Risk Management Department, and sends the related reports to the competent authorities.

The Bank applies the Central Bank's instructions for risk management, whereby the Risk Department prepares a plan for the Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis, in addition to conducting stress testing yearly.

Currently, the Bank uses advanced technological programs to improve the quality of risk management for all major potential types of risks in proportion to the nature and size of the Bank's activities. In this regard, IFRS 9 implementation instructions have been applied by the Risk Management Department in coordination with the Financial Department and all related Bank units according to the best practical practices through applying an integrated and automated system to calculate the expected credit losses for all different bank portfolios interconnected with the basic banking system. Meanwhile, this system automatically extracts all reports required by regulators. The Bank also accords extreme care to human resources through developing the skills of personnel and enlisting them in training courses related to the proper application of Basel 2 and Basel 3.

Moreover, Risk Management adopts an integrated methodology for managing the risks to which the Bank is exposed. Through this methodology, all risks the Bank is exposed to are identified, and then each type of risk is managed within an integrated cycle that includes the following:

- a. Identifying each type of risk.
- b. Identifying the strategic objectives for managing this type of risk.
- c. Determining the acceptable risk level.
- d. Assessing and measuring these risks.
- e. Managing the assumed risk.
- f. Monitoring and reporting

#### Risks the Bank might be exposed to include the following:

#### 1. Credit Risk

Credit risks are generally defined as the risks arising from the borrower's inability and/or unwillingness to fulfill his liabilities (principal amount and/or profits) according to the agreed conditions and based on the terms and maturity dates – a matter which causes financial losses to the Bank.

The Risk Management Department manages credit risk according to the credit manual which regulates and governs the credit process related to corporate department clients, the credit policy for each of the retail banking and small businesses department clients, and the policy on determining credit limits for financial institutions in line with the policies and regulations issued by the Central Bank of Jordan and Basel 2 and Basel 3 standards.

- Credit risks in the Bank arising from financing and investing operations carried out by the Bank, including:
  - Risks related to the client and nature of his activity.
  - Risks relating to granting and implementing of facility.
  - Concentration risks.
  - Islamic financial instruments risks

#### In this area, the Bank monitors and controls credit risk through:

- Managing and controlling the credit portfolio risk through a number of committees, particularly the Board Risk Management Committee.
- Reviewing and approving applications for banking facilities through the credit committees in accordance with specific, documented, and terms of reference approved by the Board of Directors. The individual terms of references restricted into small amounts.
- Applying credit rating methodologies according to the best practical practices.
- Monitoring credit limits, permitted credit facilities limits, and issuing the necessary reports to ensure that no override of limits occurs and to control credit quality.
- Diversifying financing and investing activities to avoid credit concentration risks for individuals, groups, or clients in specific geographic areas or related to a certain economic activity; or in financial instruments or products; or in the financing period.
- Managing non-performing loans, and thereby reducing the expected credit losses.
- Separating the tasks between marketing tasks -entrusted with the business segments- and credit decision.
- Segregating the duties related to the granting of facilities and monitoring of credit.

#### · Credit Risk Measurement

The Bank applies the standardized method to measure credit risk through measuring credit risk-weighted assets included in the statement of financial position according to the degree of risk. Currently, the Bank is preparing to move on to another method of assessment which is the Foundation Internal Risk Based Approach (FIRB). According to this approach, a special system for credit risk rating for corporate clients is applied to determine the credit quality for each client at the time of granting and monitoring this quality throughout the financing period on a periodic basis. This is performed to identify any drop that may occur in the quality of granted facilities and evaluate the quality of the credit facilities portfolio on a periodic basis, and that is reflected on the basis of credit granting and pricing. The Bank has started to evaluate individual clients and small institutions according to the (Scoring System), which is relied on as a basic tool for making credit decisions, evaluating clients, and choosing a suitable price. Moreover, the individuals' evaluation project is within the integrated automated financing individuals' requests through the (Work Flow System), including all the stages related to the submission of applications and obtaining approvals from the different departments.

#### Credit Risk Mitigation

The Bank uses a variety of Credit Risk Mitigation (CRM) techniques such as (real estate and financial collaterals, etc.) in accordance with the approved CRM policy, which is intended to hedge and reduce credit risks through determining the size and value of required collaterals based on the CRM policy standards.

#### **Governance of IFRS 9 Implementation Instructions**

The Bank adopts an integrated system of corporate governance regarding the implementation of IFRS 9. Accordingly, the Bank's Board of Directors is responsible for ensuring compliance with IFRS 9 through adopting the standard implementation methodology and policies, including determining the roles of committees and departments, adopting the IFRS 9 system, and providing the necessary infrastructure to ensure implementation of the standard.

The Board of Directors is also responsible for approving the periodic results of the calculation of the expected credit loss in accordance with IFRS 9 requirements.

#### Definition of the Bank's Implementation of Default and Default Handling Mechanism

The Instructions of the Central Bank of Jordan regarding the concept of default are applied. Accordingly, a credit facility is considered (non-performing) if its maturity or the maturity of one of its installments is equal to or more than 90 days, or there are clear indications that the facility may be non-performing. The probability of default also includes non-payment of the financial Sukuk, International Murabaha, and International Wakala at banks and banking institutions.

Payment of due installments is monitored through the specialized departments within the general framework and policies approved for this purpose.

#### The Bank's Internal Credit Rating System and Working Mechanism

The credit rating system is considered a tool for evaluating creditworthiness and improving the quality of the decision making. This system is also considered a springboard to improving the risk management system in accordance with Basel requirements and IFRS9 implementation instructions.

Safwa Islamic Bank applies an Internal Credit Rating System for the Corporate Banking Services Department clients, which is a standard process for classifying clients in terms of the degree of credit risk to which the Bank is exposed on a periodic and regular basis. In this respect, the classification process is based on qualitative and quantitative credit criteria, and the related approach is approved by the Bank's Board of Directors.

The credit rating includes two ratings one of them at the client level (Obligor Risk Rating ("ORR") and the other at the facilities level (Facility Risk Rating "FRR"). The credit rating system is the base for calculating the probability of default (PD) as well as the losses at default within the concept of loss given default (LGD).

The Credit Rating System (ORR) is defined into ten grades as follows:

- From level 1 to level 6 for performing facilities where the first grade is the best.
- Level 7 for watch-list credit facilities.
- From level 8 to level 10 for non-performing credit facilities.

The client is rated at least once a year if no credit event occurs during the year.

The Bank continuously seeks to review and develop the credit rating system in accordance with international best practices and to meet international and local legislative requirements.

The Bank has started to evaluate individual clients and small institutions according to the (Scoring System), which is relied on as a basic tool for making credit decisions, evaluating clients, and choosing the suitable price. Moreover, the individuals' evaluation project is within the integrated automated financing individuals' requests through the (Work Flow System), including all the stages related to the submission of applications and obtaining approvals from the different departments.

#### **Mechanism of Calculating the Expected Credit Losses (ECL)**

The mathematical model for calculating the expected credit loss in accordance with IFRS 9 implementation instructions:

Expected Credit Loss = Probability of Default \* Exposure at Default \* Loss Given Default

The calculation of expected credit loss (ECL) depends on the calculation of the following variables:

#### A. Probability of Default (PD)

#### Definition and mechanism of calculating and monitoring the Probability of Default (PD):

The probability of default is the probability of irregularity in repayment whereby it is measured for the purpose of calculating the expected credit loss for each stage of IFRS 9 implementation instructions based on historical data that reflect the historical default rates as well as stress testing associated with macroeconomic factors. In this regard, the probability of default is calculated for a 12-month period for stage (1) credit facilities and for lifetime for stage (2) & (3) credit facilities. The Bank has set a PD ratio for corporate and investment portfolio on an individual basis, while it has set a general PD ratio for each product of the retail portfolio on a collective basis.

#### B. Exposure at Default (EAD)

#### Definition and mechanism of calculating and monitoring the Exposure at Default (EAD):

The exposure at default is the amount of potential exposure- uncovered guarantee balances- at risks within IFRS 9 implementation instructions through a future outlook based on the period during which the default is likely to occur. EAD is measured for the purpose of calculating the expected credit loss for each stage of IFRS 9 implementation instructions. Meanwhile, the exposure at default (EAD Haircut) factor is used for on-balance sheet exposures. For off-balance sheet exposures, (financial letters of guarantee, letters of credit and acceptances, and unutilized credit Limits), exposure at default (EAD) is calculated by the total facilities for the first and second stage and net facilities for the third stage.

#### C. Loss Given Default (LGD)

#### Definition and mechanism of calculating and controlling the Loss Given Default (LGD):

The loss given default is the amount of loss that arises as a result of default calculated based on the statistical model that analyzes the historical collections of debt for each portfolio. As such, LGD is measured for expected credit losses for each stage of IFRS 9 implementing instructions through calculating the recoverable amount of the different collaterals (cars, real estate, cash margins, land, machinery, equipment, and vehicles) provided to the Bank against the facilities granted and legally documented into credit contracts through a conversion factor for each type of collateral, taking into account the timing of access to the collateral and its conversion into cash (expected cash flow and timing).

The Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) are periodically reviewed through preparing reports for the Risk Management Committee and the Board of Directors' Risk Management Committee and making recommendations needed, if necessary.

# The Bank's policy for determining the elements on which credit risk and expected credit loss are calculated on a collective basis

The expected credit loss (ECL) methodology has been constructed by classifying it on an individual or collective basis whereby the collective basis has been adopted for the retail portfolio. In this regard, a general PD ratio has been adopted for each product, and the expected credit loss has been calculated for each retail portfolio product. Meanwhile, the individual basis has been adopted for the corporate portfolio and for each investment in the Bank's investment portfolios subject to the requirements of the IFRS 9 implementation instructions through adopting a PD ratio for each corporate and investment portfolio and then calculating the expected credit loss for the corporate and investment portfolio.

# <u>Determinants of the significant change in credit risk that the bank relied on in calculating expected credit losses</u>

The bank relies within its automated system used to calculate the value of expected credit losses according to the instructions for implementing the International Financial Reporting Standard No. (9) on the distribution of its credit exposures into three phases, depending on a set of variables represented by: the internal credit rating of corporate customers, the external classification of financial instruments, due installments Structures and schedules, high rates of return for the customer, negative changes in the performance and behavior of the customer, high credit risk, putting the customer under control and managing his account accurately, adjusting credit terms, changing the value of collateral negatively, changing Negative response in the customer's economic sector, the bank's legal follow-up with the customer, in addition to the classification criteria mentioned in the Central Bank's instructions number (47/2009) dated 12/12/2009.

# The main economic indicators that were used by the bank in calculating the expected credit loss (PD)

We have taken into account the linking of the main economic indicators (macroeconomic indicators) within the automated system for the instructions of the Central Bank of Jordan, as the probability of default (PD) depends on its calculation of conducting stress tests of the macroeconomic indicators of the Kingdom as the rate of growth of the GDP, where three different scenarios have been conducted Sharpness (normal scenario, medium scenario, severe scenario) and determining the effect of these scenarios on the probability of default, and thus on calculating the expected credit losses.

#### 2. Market Risks

The Bank defines market risk as the risk that the Bank might be exposed to as a result of changes in the prices of returns, and fluctuations in exchange rates and prices of securities.

The Bank adopts a conservative policy to reduce the Bank's exposure to risk factors and keep them to minimum by achieving alignment and symmetry between assets and liabilities and by maintaining the minimum of financial positions in currencies and securities.

#### 3. Operational Risks

Operational risk is defined as the risks of loss arising from the inadequacy or failure of the Bank's internal operations, personnel, or systems, or from external events.

Operational Risk factors are managed in accordance with the general framework adopted by the Board. This framework includes policies and procedures that illustrate the mechanism for identifying, assessing, and evaluating the risk factors and the existing controls to determine the adequacy of these controls to mitigate risk and reduce the probability of its occurrence.

The Bank has adopted the Risk and Control Self-assessment Methodology (RCSA) and implemented it through workshops in order to identify, assess and manage the risk factors related to the Bank's processes/ activities, products, and services, and assess the efficiency of the existing controls in addressing these risks, and to develop practical plans to treat the related control gaps that might appear. Such methodology will enhance the accountability principles of the different business unit and working areas in managing the risk factors related to their areas. Furthermore, this methodology will enhance the continuous monitoring and reporting of the risk factors. Meanwhile, risk profiles have been developed for all units, which currently test controls periodically and provide the Risk Management Department with the test results.

Moreover, the Risk Management Department reviews the internal audit report of the Bank's business units and includes the notes concerning operational risks in the risk profile of each unit, together with the Internal Audit Department's notes during its field visit to the departments and units.

The Bank adopts and implements the operational loss data collection methodolgy for operational events . The related policy has been approved by the Board of Directors. Currently, the data on such events is collected, analyzed, and linked with risk factors, and the related reports are prepared in this regard.

With regard to the risk awareness and risk culture, the Risk Management Department conducts training courses and dispatches awareness emails periodically to all of the Bank's employees.

For the purposes of capital adequacy, Operational Risk is measured using the (Basic Indicator Approach) in accordance with the Central Bank of Jordan's regulations.

#### **Information Security & Cyber Security**

In order to maintain the confidentiality and availability of customer information and the highest level of safety and security within our banking services and products, integrated strategies, standards and policies have been developed based on the best international standards for information security in order to reach a secure working environment and achieve our goals for protecting information assets and continuously reinforcing its confidentiality, integrity, and availability.

Several projects related to Information Security have been initiated and implemented in order to adopt the best solutions to protect and monitor the Bank's information systems, as well as to ensure the Bank's commitment to global standards and practices (Information Security Management System ISO 27001 Standard, and the Payment Card Industry Data Security Standard (PCI DSS).)

Also, the Bank's information technology risks are managed through maintaining and updating the risk profile system related to information technology and information security and adopting the risk and control self-assessment methodology. This is achieved by testing the current controls and following up on the treatment of current control gaps within our environment.

Moreover, the Bank endeavors to achieve the principles of conhinuous control over security events of the systems and networks through developing a Security Operations Management Unit.

The Bank also complies with the instructions of the Central Bank of Jordan related to cybersecurity risks through starting an integrated project with the participation of the related departments.

In the field of security assessment, a number of assessments have been made of the networks and systems. A specialized examination has been conducted for online banking and mobile banking, and the related results are being handled.

#### **Business Continuity**

In order to deal with external events as mentioned within the definition of Operational Risk in the Bank, the Business Continuity Plan (BCP) has been updated to enhance the Bank's ability to provide services/ products during the emergency period.

The plan includes the identification of resources, action plans and alternative procedures, as well as recovery procedures to return to the normal working conditions.

A Business Continuity Steering Committee and specialized teams have been constituted to handle this issue.

The plan is subject to regular testing and updating to ensure the completeness and applicability of the plan as a tool to enhance the Bank's readiness to handle external risk factors. The Bank has been subjected to audit and review, as regards its business continuity plan, by an external auditor, and the outcome of the audit and review has been positive. Meanwhile, yearly training session are held for the Bank's employees to spread awareness about information security and business continuity.

#### 4. Reputation Risks

Reputation risks are viewed by the Bank as negative effects on the Bank's reputation arising from non-compliance with the Islamic rules and regulations and/or failure to fulfill its duties toward all cash providers, and/or manage its affairs in an efficient and effective manner, and/or manage all other risks faced by the Bank. This will lead to several negative impacts, including loss of confidence and accordingly decrease in the customers' base, an increase in expenses, and a decrease in profits.

#### 5. Non-Compliance Risks

Non-compliance risks are the risks related to regulatory, legal, financial, and reputational matters which the Bank might face as a result of non-compliance with the laws, regulations, standards, and proper financial practices.

Non-compliance leads to warnings by the Central Bank, fines, legal proceedings, financial losses, or harm to the Bank's reputation as a result of its failure to comply with the laws, instructions, rules, circulars, and code of ethics related to its business (collectively, referred to as "non-compliance risks").

Accordingly, the Bank's compliance with the regulatory bodies requirements is deemed as one of the most important factors of success and development of the Bank's operations and quality of services offered to customers. The Bank has established the Compliance Control Department, which is concerned with reviewing the requirements of regulatory bodies and ensuring their application on internal procedures and policies. This protects the Bank from risks arising from non-compliance with these requirements.

This Department also plays an effective role in protecting the Bank's products and services from money laundering and terrorism financing, in addition to familiarizing the Bank with customers and verifying the legality of their activities and recourses of funds to ensure dealing with good customers only. The department reviews the policies and procedures for the products to ensure compliance with anti-money laundry regulations.

#### 6. Legal Risk Related to Operations

Legal risks are those risks that may arise directly or indirectly from one or more events stated in the Operational Risks Definition (human resources, internal operations, systems, and external events), or from the Bank's non-compliance with the laws and regulations, which may cause the Bank to incur fines or financial liabilities. Moreover, legal risks may arise from judicial procedures raised by third parties against the Bank. Insufficient documents, absence of legal capacity, and invalidity or unenforceability of contracts resulting from improper documentation are deemed as causes of legal risks.

The Legal Department is responsible for these risks through verifying all contracts and documents related to the Bank's transactions. The said department should conduct a legal follow-up on the Bank's debtors in coordination with the Risk Management Department and closely and directly follow-up on the lawsuits to which the Bank is a party.

#### 7. Non-Compliance with Shari'a Risk

These are the risks faced by Islamic banks that result in non-recognition of income and losses as well as Reputational Risk arising from non-compliance with Islamic Shari'a. These risks are managed through an integrated and sound Shari'a regulation system for the Shari'a Control Department that is supervised by the Shari'a Board, Shari'a regulation system within the scope of Shari'a Compliance Department, and the Risk Management Department.

# The Bank's Risk Management Culture And The Role Of Policies And Strategies Of Risk Management In Supporting And Nominating The Bank's Risk Management Culture

The Bank's risk management culture is key for the framework of comprehensive risk management, as it reinforces understanding and communication among all of the Bank's employees, thus enabling them to perform their daily work and decision making based on a risk management methodology. The Bank's comprehensive risk management framework includes special focus on reinforcing the understanding of risk management culture through the support of the Board of Directors and Executive Management in this regard and the importance of raising awareness about the risk management culture at all management levels. In addition, integrated training about the risk management culture should be developed for all of the Bank's employees.

#### The Bank's Acceptable Risk Limits in Line With Business Models Approved By The Bank

The Bank uses a documented and integrated manual for the acceptable risk level approved by the Bank's Board of Directors, whereby such level aims to link the Bank's strategic objectives with the risk management system, in addition to linking this system with the business models adopted by the Bank.

Including the concept of acceptable risk limits within the risk management culture at the Bank and involving different management levels in this leads to linking the strategic objectives with the risk management methodology at the different management levels.

Acceptable limits of risks have been consistently set for each type of risk according to the Bank's strategic instructions and the Central Bank of Jordan's mandatory requirements, in addition to studying and analyzing the historical data for each type of risk. An integrated monitoring system has been adopted for the acceptable risk level to follow up on all of these levels periodically as specified in the approved manual, in addition to issuing control reports related to the acceptable risk level to the Board of Directors and the different committees and specifying the parties authorized to follow up on violations.

#### **Stress Testing**

Stress testing is one of the most important tools used by the Bank in measuring the ability to tolerate high risks and shocks it might face. This test aims to evaluate the financial position and capital adequacy of the Bank within different and possible scenarios.

The Bank relies on an integrated methodology for stress testing where it includes the following:-

**Sensitivity Analysis Test:** aims to measure the effect of different economic factors and internal risk factors on the Bank's financial position and capital adequacy. Such test covers credit risk, market risk, operating risk, liquidity risk, and any other type of risk which the Bank considers important for stress testing purposes.

**Scenarios testing:** aims to evaluate the Bank's level of tolerance of economic crisis and shocks arising from the State's macro economy, such as changes in growth rates, unemployment rates, increases in return prices, and the related effect on the Bank's financial position and capital adequacy. Stress testing policies have been developed, and approved by the Board of Directors to cover all requirements for stress testing and selecting the methodology approved in applying these tests and their period.

The Bank seeks to consider the stress results as a main reference for setting future plans and proper strategies. Currently, the concept of stress testing is included in the monthly reports of the department to create a comprehensive culture of the new risk management concept.

The Bank adopts an integrated system related to the governance of stress testing. In this regard, the Risk Management Department periodically performs stress testing, and then presents it to the Risk Management Committee, and to the Board of Directors' Risk Management Committee for its proper recommendations. After that, stress testing is present to the Board of Directors for their approval. This system is in line with the best practices, as it involves the Bank's Board of Directors and Executive Management in the stress testing methodology and its effect on the Bank's strategic decisions.

# (50/A) CREDIT RISK

# 1) Credit risk exposure (After impairment provision and before collateral and other risk reducers:

	3	31 December 2019			
	Jointly financed	Self financed	ed Total		
	JD	JD	JD		
Balances with Central Bank	-	260,871,603	260,871,603		
Balances at banks and financial institutions	-	6,513,543	6,513,543		
International Wakala investments	70,790,378	-	70,790,378		
Deferred sales receivables and other receivables					
Retail (individual)	171,508,511	1,783,163	173,291,674		
Real estate financing	18,100,663	-	18,100,663		
Corporate	369,991,692	113,749	370,105,441		
Small and medium companies	20,753,691	89,619	20,843,310		
Public and governmental sectors	59,047,181	-	59,047,181		
Sukuk					
Within financial assets at fair value through statement of income	3,536,138	-	3,536,138		
Financial assets at fair value through unrestricted investments accounts	30,908,602	-	30,908,602		
Financial Assets at Amortized Cost	92,191,000	-	92,191,000		
Qard hasan	-	509,660	509,660		
Other assets	1,438,037	947,141	2,385,178		
Total consolidated statement of financial position items	838,265,893	270,828,478	1,109,094,371		
Off-consolidated statement of financial position items:					
Letters of guarantees	-	35,398,381	35,398,381		
Letters of credit	-	37,135,892	37,135,892		
Acceptances	-	7,868,683	7,868,683		
Unutilized limits	93,696,801	-	93,696,801		
Total	931,962,694	351,231,434	1,283,194,128		

	3	31 December 2018				
	Jointly financed	Self financed	Total			
	JD	JD	JD			
Balances with Central Bank	-	102,772,456	102,772,456			
Balances at banks and financial institutions	-	13,264,923	13,264,923			
International Wakala investments	56,020,856	-	56,020,856			
Deferred sales receivables and other receivables						
Retail (individual)	126,527,463	1,571,428	128,098,891			
Real estate financing	17,501,428	-	17,501,428			
Corporate	201,040,436	157,125	201,197,561			
Small and medium companies	12,944,258	13,788	12,958,046			
Public and governmental sectors	89,041,965	-	89,041,965			
Sukuk						
Within financial assets at fair value through statement of income	688,489	-	688,489			
Financial assets at fair value through unrestricted investments accounts	26,841,596	-	26,841,596			
Financial Assets at Amortized Cost	92,191,000	-	92,191,000			
Qard hasan	-	509,660	509,660			
Other assets	716,383	728,220	1,444,603			
Total consolidated statement of financial position items	623,513,874	119,017,600	742,531,474			
Off-consolidated statement of financial position items:						
Letters of guarantees	-	20,479,104	20,479,104			
Letters of credit	-	25,465,256	25,465,256			
Acceptances	-	627,778	627,778			
Unutilized limits	63,637,237	-	63,637,237			
Total	687,151,111	165,589,738	852,740,849			

#### **Distribution of credit exposures**

# A. Distribution of credit exposures - self financed (After deducting the deferred and suspended revenues):

		31	December 20	19			
Internal rating of the Bank	Category Classification by Instructions (2009/47)	Total exposure value	Expected credit loss	The probability of loss (PD)	Classification according to external classification institutions	Exposure at default (EAD) per million dinars	Average loss at default (LGD)%
		JD	JD			JD	
Little risk	Worker exposure	509,660	-	0%	-	0.510	60%
Semi empty risk	Worker exposure	16,897,504	13,219	0.4%	-	6.516	65%
Low risk	Worker exposure	416,154	400	1%	-	0.092	69%
Normal Risk	Worker exposure	10,023,802	10,636	1%	-	1.648	64%
Acceptable risk	Worker exposure	20,884,033	32,234	2%	-	4.002	62%
Acceptable with due care	Worker exposure	6,177,654	37,537	3%	-	2.403	61%
Watch list	Worker exposure	2,162,994	39,299	9%	-	0.718	60%
Not rated	Worker exposure	25,958,320	70,907	9%	-	5.950	69%
Sub Total		83,030,121	204,232		-	21.840	
Substandard	Non - worker exposure	-	-	0%	-	-	0%
Doubtful collection	Non - worker exposure	320	320	100%	-	0.000	60%
Loss	Non - worker exposure	135,217	85,217	100%	-	0.135	100%
Not rated	Non - worker exposure	201,327	178,069	100%	-	0.135	73%
Total		83,366,985	467,838		-	22.110	

# B. Distribution of credit exposures - Jointly financed (After deducting the deferred and suspended revenues):

		31	December 20	19			
Internal rating of the Bank	Category Classification by Instructions (2009/47)	Total exposure value	Expected credit loss	The probability of loss (PD)	Classification according to external classification institutions	Exposure at default (EAD) per million dinars	Average loss at default (LGD)%
		JD	JD			JD	
Little risk	Worker exposure	60,934,746	-	0%	-	51.411	0%
Semi-empty risk	Worker exposure	6,531,587	3,095	0.4%	-	5.062	63%
Low risk	Worker exposure	19,405,162	72,397	1%	-	13.897	63%
Normal Risk	Worker exposure	205,180,355	663,963	1%	-	169.308	60%
Acceptable risk	Worker exposure	154,927,783	1,056,860	2%	-	131.329	60%
Acceptable with due care	Worker exposure	12,444,668	152,975	5%	-	12.477	60%
Watch list	Worker exposure	18,846,055	6,447,373	17%	-	17.589	59%
Not rated	Worker exposure	262,822,191	1,029,185	1%	-	448.621	63%
Sub Total		741,092,547	9,425,848		-	849.695	
Substandard	Non - worker exposure	-	-	0%	-	-	0%
Doubtful collection	Non - worker exposure	1,065,271	791,307	100%	-	1.000	60%
loss	Non - worker exposure	12,039,828	12,805,026	100%	-	9.000	96%
Not rated	Non - worker exposure	5,266,091	3,684,172	100%	-	3.000	72%
Total		759,463,737	26,706,353		-	862.695	

2. Classification of deferred sales and other receivables according to the degree of risk:

A) Distribution of the fair value of collateral against credit exposures - for total credit exposure - Jointly according to the following table:

					31 Decer	31 December 2019				
	Total			Fai	Fair value of collateral	teral			Net	
ltem	exposure value	Cash margin	Traded shares	Bank guarantees	Real estate financing	Cars and mechanics	Other	Total value of collateral	exposure after collateral	Expected credit loss
	O۲	an Or	OL	ЭP	a,	O.	۵۲	O.	a,	O.
Balances with Central Bank	ı	1	ı	1	ı	ı	ı	ı	1	1
Balances at banks and financial institutions	ı	ı		ı	ı	ı		ı	ı	ı
Deposits with banks and financial institutions	ı	ı	ı	ı	ı	ı	ı	ı	ı	ı
International Wakala investments	70,888,829	1	ı	ı	1	ı	ı	ı	70,888,829	98,451
Direct credit financing										
Retail	175,394,993	4,439,567	ı	ı	3,115,210	105,405,039	ı	112,959,816	62,435,177	3,886,482
Real estate financing	21,183,660	4,191,448	1	ı	9,316,376	ı	ı	13,507,824	7,675,836	3,082,997
For corporate	331,281,309	5,988,651		ı	57,470,706	4,156,260	ı	67,615,617	263,665,692	18,627,482
Large Corporate	57,398,161		1	ı	ı	-	ı	-	57,398,161	60,296
Small and medium companies	21,114,557	9,295,358	1		7,135,333	1,483,494	ı	17,914,185	3,200,372	360,866
Public and governmental sectors	59,047,181		ı		1	-	ı	-	59,047,181	ı
Sukuk										
Within financial assets at fair value through statement of income	3,536,138	1	1	1	ı	•	ı		3,536,138	ı
Financial assets at fair value through unrestricted investments accounts	31,151,306	ı	ı	ı	ı		ı		31,151,306	242,704
Financial Assets at Amortized Cost-net	92,191,000	ı		ı	ı		ı	ı	92,191,000	ı
Other assets	1,438,037	ı		ı	ı		ı	ı	1,438,037	ı
Sub Total	864,625,171	23,915,024		•	77,037,625	111,044,793		211,997,442	652,627,729	26,359,278
Bank guarantees	ı			ı	ı	ı	ı	ı	ı	ı
Credits and acceptance	ı	,		ı	ı	ı	ı	ı	ı	ı
Unutilized credit limits	94,043,876	1	ı	ı	ı	ı	ı	ı	94,043,876	347,075
Total	958,669,047	23,915,024			77,037,625	111,044,793		211,997,442	746,671,605	26,706,353

B. Distribution of the fair value of collateral against credit exposure - for total credit exposures - self according to the following table:

					31 Decer	31 December 2019				
	Total			Fai	Fair value of collateral	iteral			Net	
Item	exposure value	Cash margin	Traded shares	Bank guarantees	Real estate financing	Cars and mechanics	Other	Total value of collateral	exposure after collateral	Expected credit loss
	an Or	<b>a</b>	<u>a</u>	G,	ЭС	ЭP	O.	an Or	ЭС	an Or
Balances with Central Bank	260,871,603	ı	ı	ı	ı		'	ı	260,871,603	ı
Balances at banks and financial institutions	6,513,543	ı	ı		1	ı		ı	6,513,543	ı
Direct credit financing - net										
Retail	1,954,411	1	ı	ı	ı	588,793	,	588,793	1,365,618	171,248
Real estate financing	1	ı	ı	ı	ı	ı	,	ı	1	ı
For corporate	206,575	900'9	ı	ı	4,723	ı	,	10,729	195,846	92,826
Large Corporate	-	ı	ı	ı	ı	ı	'	ı	•	ı
Small and medium companies	99,088	ı	ı		ı		,	ı	880'66	9,469
Public and governmental sectors	209,660	ı	ı		ı		,	ı	509,660	
Other assets	947,141	ı	ı	ı	ı	ı	1	ı	947,141	ı
Sub Total	271,102,021	900'9			4,723	588,793	٠	599,522	270,502,499	273,543
Bank guarantees	35,528,282	3,660,283	ı	1	1	1	1	3,660,283	31,867,999	129,901
Credits and acceptance	45,068,969	20,113,546	ı	ı	ı	1	ı	20,113,546	24,955,423	64,394
Unutilized credit limits	-	ı	ı	ı	ı	ı	,	ı	ı	ı
Total	351,699,272	23,779,835	•	•	4,723	588,793		24,373,351	327,325,921	467,838

C. Distribution of the fair value of collateral against credit exposures included in the third stage - joint according to the following table:

					31 Dece	31 December 2019				
				Fair	Fair value of collateral	teral			2	
ltem	Total exposure value	Cash Insurance	Shares traded	Bank guarantees are acceptable	Real estate	Cars and Mechanics	Other	Total value of collateral	Net exposure after collateral	Expected Credit Loss (ECL)
	ar Or	ЭD	ar Or	ar Or	٩	9	۵۲	O۲	9	O۲
Balances with Central Bank	ı	,	ı	,	ı	1	,	ı	1	1
Balances at banks and financial institutions	ı	ı	ı	1	ı	ı	ı	ı	ı	ı
Deposits with banks and financial institutions	ı	ı	ı	ı	1		ı			1
Investment by an international agency - net	ı	ı	ı	ı	1	ı	ı	ı	ı	ı
Direct credit facilities -net										
Retail	3,945,085	45,876	ı	•	180,086	1,816,847	ı	2,042,809	1,902,276	3,353,544
Real estate financing	588,679	ı	ı	•	416,664	1	ı	416,664	172,015	451,847
For corporate	12,689,892		ı	•	1,191,202	25,950	,	1,217,152	11,472,740	13,173,462
Large Corporate	ı	ı	ı		ı	1	ı	ı	-	ı
Small and medium companies	1,147,534	802,746	ı	ı	169,851	11,700	ı	984,297	163,237	301,652
Public and governmental sectors	ı	ı			1	1			1	-
Sukuk:										
Within financial assets at fair value through statement of income	,	ı	ı	ı	ı		ı	ı		ı
Within financial assets at fair value through the holders of the joint investment accounts - net	ı	I	ı	I	ı	ı	ı	ı		1
Within financial assets at amortized cost-net	ı	ı	ı		ı	-	ı		-	-
Other assets	ı	ı	ı		ı	1	ı	ı	-	-
Sub Total	18,371,190	848,622			1,957,803	1,854,497		4,660,922	13,710,268	17,280,505
Bank guarantees	ı	ı	ı	ı	ı	ı	ı	ı	ı	1
Credits and acceptance	ı		ı	1	1	ı	ı	-	ı	-
Unutilized credit limits	ı	ı	ı	ı	ı	ı	ı	ı	ı	1
Total	18,371,190	848,622	1	•	1,957,803	1,854,497		4,660,922	13,710,268	17,280,505

D- Classifications of the deferred sales receivables and other receivables, based on the level of risks according to the Central Bank of Jordan's regulations:

					31 Dece	31 December 2019				
				Fair	Fair value of collateral	teral			;	
ltem	Total exposure value	Cash Insurance	Shares traded	Bank guarantees are acceptable	Real estate	Cars and Mechanics	Other	Total value of collateral	Net exposure after collateral	Expected Credit Loss (ECL)
	G,	۵۲	۵۲	۵۲	ЭD	Эr	۵۲	ЭC	OL O	۵۲
Balances with Central Bank	1	ı	ı	ı	ı	ı	ı	ı	ı	ı
Balances at banks and financial institutions	1	ı	1	ı	1	ı	ı	1	1	ı
Direct credit facilities -net										
Retail	181,620	ı	1	ı	ı	ı	ı	1	181,620	164,370
Real estate financing	ı	ı	1	ı	ı	ı	ı	ı	ı	ı
For corporate	96,361	900'9	ı	ı	4,723	ı	ı	10,729	85,632	90,353
Corporate	ı	ı	1	ı	ı	ı	ı	1	ı	ı
Small and medium companies	8,883	ı		ı	ı	ı	ı	ı	8,883	8,883
Public and governmental sectors	ı	ı	-	ı	ı	ı	ı	ı	ı	ı
Other assets	ı	ı	-	ı	ı	ı	ı	ı	ı	ı
Sub Total	286,864	900'9	•	•	4,723	•	ı	10,729	276,135	263,606
Bank guarantees	50,000	ı	ı	ı	ı	ı	ı	ı	50,000	ı
Credits and acceptance	,	ı	1	ı	ı	ı	ı	ı	ı	ı
Unutilized credit limits	ı	ı	-	ı	ı	ı	ı	ı	ı	ı
Total	336,864	900'9		•	4,723	ı	,	10,729	326,135	263,606

#### Deferred sales and other receivables and scheduled financing:

Are those that have previously been classified as non-performing financing and are eliminated from the balance of non-performing loans and borrowings under a fundamental schedule whether they are still under control or transferred to a transaction. Moreover, they are classified as cash and cash equivalents. Deferred sales and other receivables are as follows: JD 3,827,669 as at 31 December 2019 (JD 1,383,283 as at 31 December 2018).

#### Deferred sales and other receivables and restructured financing:

Restructuring means a rearrangement of the status of the receivables / financing in terms of instalment adjustment, extension of the life of the receivables / financing, postponement of certain instalments, or extension of the grace period. They were classified as receivables / financing under control. Deferred sales and restructured receivables amounted to JD 73,435,573 as at 31 December 2019 (JD 32,994,073 as at 31 December 2018).

#### 3) sukuk

The following table illustrates sukuk grading under financial assets at fair value through unrestricted investment accounts holders in accordance with foreign grading institutions.

#### A- Financial assets at fair value through unrestricted investment accounts

Classification avada	Overallie et in skit, stie e	31 December 2019	31 December 2018
Classification grade	Grading institution	JD	JD
A3	Moody's	-	2,797,089
A3	Moody's	-	2,793,177
BBB+	Fitch	-	-
B1	Moody's	1,399,441	489,862
A3	Moody's	3,533,486	-
A+	Fitch	-	1,419,858
A	Fitch	3,547,778	6,569,295
A	Fitch	-	1,383,741
BB+	Fitch	-	-
BB	S&P's	-	1,263,481
B-	S&P's	611,756	-
N/R	-	17,687,741	3,932,493
Government	-	4,128,400	6,192,600
		30,908,602	26,841,596

#### B- Financial assets at amortized cost

On Government bail	-	92,191,000	92,191,000
		92,191,000	92,191,000

#### C- Financial assets at fair value through income statement

A3	Moody's	3,536,138	688,489
		3,536,138	688,489
Total		126,635,740	119,721,085

# 4 -Concentration in credit exposures by geographical distribution.

1. The total distribution of exposures by geographical region-self financed (after impairment provision):

				31 December 2019	oer 2019				31 December 2018
ltem	Within the Kingdom	Other Middle Eastern countries	Europe	Asia	Africa	America	Other	Total	Total
	<b>a</b>	9	<u>ح</u>	<b>9</b>	<u>무</u>	<b>S</b>	9	무	Oل
Cash and balances with central banks	260,871,603	-	-	1	-	-	1	260,871,603	102,772,456
Balances at banks and financial institutions	390,348	1,987,017	752,767	435,393	-	2,808,222	139,796	6,513,543	13,264,923
Deposits with banks and financial institutions	ı	-	-	ı	-	-	1	1	ı
Direct credit facilities -net	2,496,191		1	1	1		1	2,496,191	2,252,001
Sukuk:									
Within financial assets at fair value through statement of income	I	1	1	ı	-	ı	ı	1	ı
Within financial assets at fair value through unrestricted investment accounts holders' equity -net	ı	ı	-	-	-	I		ı	ı
Within financial assets at amortized cost -net	ı	ı	ı	ı	ı	ı	ı	ı	ı
Other assets	947,141		1	1	1	ı	1	947,141	728,220
Sub Total	264,705,283	1,987,017	752,767	435,393	•	2,808,222	139,796	270,828,478	119,017,600
Letter of guarantees	35,398,381	ı	ı	ı	1		ı	35,398,381	20,510,172
Letters of credit and acceptances	24,610,520	20,394,055	ı	1	1		1	45,004,575	26,126,973
Unutilized credit limits	ı	-	-	1	-	-	1	1	ı
Total	324,714,184	22,381,072	752,767	435,393		2,808,222	139,796	351,231,434	165,654,745

2.Distribution of exposures according to IFRS 9 - Self financed:

			31 December 2019	er 2019		
ltem	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	Оľ	OL	OL OL	۵۲	۵۲	۵۲
Within the Kingdom	318,323,621	1,839,284	4,461,773	16,248	73,258	324,714,184
Other Middle Eastern countries	22,381,072	1	1	1	ı	22,381,072
Europe	752,767	1	1	ı	ı	752,767
Asia	435,393	1	1	ı	ı	435,393
Africa	ı	-	ı	-	ı	ı
America	2,808,222	ı	ı	ı	ı	2,808,222
Other countries	139,796	ı	ı	ı	ı	139,796
Total	344,840,871	1,839,284	4,461,773	16,248	73,258	351,231,434

3. Total distribution of exposures by geographical region-jointly financed (after impairment provision):

			31 December 2019	mber 2	019				31 December 2018
ltem	Within the Kingdom	Other Middle Eastern countries	Europe	Asia	Africa	America	Other countries	Total	Total
	OP.	G.	9	9	۵۲	9	O.	<b>P</b>	GP.
Cash and balances with central banks	1	1	ı	ı	ı	1	ı	1	1
Balances at banks and financial institutions	1	ı	1	ı		ı	ı	ı	1
Deposits with banks and financial institutions	•	1	-	ı	ı	1	ı	-	1
International wakala investments -net	ı	70,790,378	-	ı	ı	1	ı	70,790,378	56,020,856
Direct credit facilities -net	587,066,386	48,781,888	3,553,464	ı	ı	1	ı	639,401,738	447,055,550
Sukuk:									
Within financial assets at fair value through statement of income	I	3,536,138	ı	ı	ı	I	I	3,536,138	688,489
Within financial assets at fair value through unrestricted investment accounts holders' equity net	4,128,400	26,780,202	1	ı	ı	I	I	30,908,602	26,841,596
Within financial assets at amortized cost -net	92,191,000	ı	1	ı	1	ı	ı	92,191,000	92,191,000
Other assets	1,438,037	-	-	ı	ı	1	ı	1,438,037	716,383
Sub Total	684,823,823	149,888,606	3,553,464				•	838,265,893	623,513,874
Letter of guarantees	ı	-	ı	ı	1	1	ı	-	1
Letters of credit and acceptances	-	-	-	ı	ı	1	ı	-	-
Unutilized credit limits	93,696,801	1	1	ı	ı	ı	ı	93,696,801	63,637,238
Total	778,520,624	149,888,606	3,553,464	•	•		•	931,962,694	687,151,112

# 4. Distribution of exposures according to IFRS 9 - jointly financed:

			31 December 2019	ıber 2019		
Item	Stage 1 - Individual	Stage 1 - Collective	Stage 2 - Individual	Stage 2 - Collective	Stage 3	Total
	ДĈ	OD	OL	ОГ	۵۲	Д
Within the Kingdom	560,594,491	184,028,791	20,213,181	12,593,476	1,090,685	778,520,624
Other Middle Eastern countries	149,888,606	1	1	ı	ı	149,888,606
Europe	3,553,464	1	1	ı	ı	3,553,464
Asia	ı	ı	ı	ı	ı	ı
Africa	ı	ı	ı	ı	ı	ı
America	ı	ı	1	ı	1	ı
Other countries	ı	1	1	ı	ı	ı
Total	714,036,561	184,028,791	20,213,181	12,593,476	1,090,685	931,962,694

## 5. Distribution of exposures by economic sectors:

1. Total distribution of exposures by financial instrument - self financed (after impairment provision):

					31 Dec	31 December 2019					31 December 2018
ltem	Financial	Industry	Trade	Real estates	Agriculture	Shares	Retail	Government and public sector	Other	Total	Total
	Of C	OL	OL	۵۲	П	П	D Or	O۲	П	۵۲	OL
Cash and balances with central banks	260,871,603	I	ı	ı	ı	ı	1	ı	ı	260,871,603	102,772,456
Balances at banks and financial institutions	6,513,543	ı	ı	ı	ı	ı	ı	ı	ı	6,513,543	13,264,923
Direct credit facilities -net	ı	900'9	ı	ı	ı	1,009,577	773,587	509,660	197,361	2,496,191	2,252,001
Other assets	947,141	ı	ı	ı	ı	ı	ı	I	I	947,141	728,220
Sub Total	268,332,287	900'9	ı	1	ı	1,009,577	773,587	209,660	197,361	270,828,478	119,017,600
Financial letter of guarantees	1,199,228	1,409,180	1,199,228 1,409,180 3,863,743 4,856,357	4,856,357	ı	4,310,699	157,319	ı	19,601,855	35,398,381	20,479,104
Letters of credit and acceptances	20,394,055 6,847,907 16,364,525	6,847,907	16,364,525	ī	ı	666,183	ı	ı	731,905	45,004,575	26,093,034
Unutilized credit limits	1	ı	ı	ı	ı	ı	ı	ı	I	ı	ı
Total	289,925,570 8,263,093 20,228,268 4,856,357	8,263,093	20,228,268	4,856,357	ı	5,986,459	930,906	209,660	20,531,121	20,531,121 351,231,434	165,589,738

2. Distribution of exposures according to the implementation instructions of IFRS 9:

			31 December 2019	ber 2019		
Item	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	۵۲	OC	OL	ДD	ЭD	۵۲
Financial	289,175,570	ı	750,000	ı	1	289,925,570
Industry	8,228,586	ı	42,595	I	900'9	8,277,187
Trade	20,065,464	ı	187,162	ı	ı	20,252,626
Real estates	4,885,504	ı	ı	ı	ı	4,885,504
Agriculture	ı	ı	ı	ı	ı	ı
Share's	3,367,378	1,009,577	1,623,691	ı	ı	6,000,646
Retail	155,100	744,939	2,500	11,396	17,252	931,187
Government and public sector	509,660	1	1	ı	ı	509,660
Other	18,546,122	84,768	1,855,825	4,852	20,000	20,541,567
Total	344,933,384	1,839,284	4,461,773	16,248	73,258	351,323,947

# 3. Total distribution of exposures by financial instrument-jointly financed (after impairment provision):

					31 Dec	31 December 2019					31 December 2018
ltem	Financial	Industry	trade	real estates	Agriculture	Share's	Retail	Government and public sector	Other	Total	Total
	9	O.	9	9	<u></u>	9	<b>S</b>	G.	윽	O.	J.D
International wakala investments -net	70,790,378	1	1		1	1		-	1	70,790,378	56,020,856
Direct credit facilities -net	57,337,865	57,337,865   122,733,017   136,685,957	136,685,957	18,100,663		75,792,627	113,183,563	59,047,181	56,520,865	639,401,738	447,055,550
Sukuk:											
Within financial assets at fair value through statement of income	3,536,138	ı	ı	,	1	1	-	-		3,536,138	688,489
Within financial assets at fair value through unrestricted investment accounts' holders equity -net	26,780,202	ı	ı	ı	ı	1		4,128,400	ı	30,908,602	26,841,596
Within financial assets at amortized cost -net	I	I	ı	,	1	ı	ı	92,191,000		92,191,000	92,191,000
Other assets	1,438,037	•	•		1			-	1	1,438,037	716,383
Sub Total	159,882,620	159,882,620 122,733,017	136,685,957	18,100,663		75,792,627	113,183,563	155,366,581	56,520,865	838,265,893	623,513,874
Letter of guarantees				1	1		ı	ı	1		ı
Letters of credit and acceptances					1		1	-		ı	•
Irrevocable commitments to extend credit	1,398,790	26,770,827	43,322,204	236,827	ı	ı	8,181,638	ı	13,786,515	93,696,801	63,637,237
Total	161,281,410	161,281,410 149,503,844 180,008,161	180,008,161	18,337,490		75,792,627	121,365,201	155,366,581	70,307,380	931,962,694	687,151,111

### 4. Distribution of exposures according to the implementation instructions of IFRS9:

			31 Decen	nber 2019		
Item	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Financial	161,281,410	-	-	-	-	161,281,410
Industry	148,842,086	1,673,192	-	306,016	-	150,821,294
Trade	159,864,839	7,172,404	10,790,711	2,056,922	123,285	180,008,161
Real estates	5,360,994	5,339,650	7,042,176	457,838	136,832	18,337,490
Agriculture	-	-	-	-	-	-
Shares	16,231,323	57,780,685	1,026,702	282,797	471,120	75,792,627
Retail	8,181,638	106,537,516	-	6,315,972	330,075	121,365,201
Government and public sector	155,366,581	-	-	-	-	155,366,581
Other	58,907,690	5,525,344	1,353,592	3,173,931	29,373	68,989,930
Total	714,036,561	184,028,791	20,213,181	12,593,476	1,090,685	931,962,694

### 6. Credit exposures that have been reclassified

### 1. Total credit exposures classified: A. Self financed

			31 Dece	ember 2019		
	St	age 2	St	tage 3	Takal	
ltem	Total exposure value	The exposures that have been reclassified	Total exposure value	The exposures that have been reclassified	Total exposures that have been reclassified	Percentage of rated exposures
	JD	JD	JD	JD	JD	
Direct credit facilities-net	126,814	3,732	286,864	17,181	20,913	5.06%
Letter of guarantees	3,942,507	(221,013)	50,000	-	(221,013)	(5.54%)
Letters of credit and acceptances	464,165	(1,027,696)	-	-	(1,027,696)	(221.41%)
Total	4,533,486	(1,244,977)	336,864	17,181	(1,227,796)	(25.21%)

### B. Jointly financed

D. don'tty infanced						
			31 Dece	ember 2019		
	St	age 2	St	age 3		
ltem	Total exposure value	The exposures that have been reclassified	Total exposure value	The exposures that have been reclassified	Total exposures that have been reclassified	Percentage of rated exposures
	JD	JD	JD	JD	JD	
Direct credit facilities-net	37,429,513	(10,121,459)	18,371,190	2,964,014	(7,157,445)	(12.83%)
Unutilized credit limits	2,264,561	(2,620,634)	-	-	(2,620,634)	(115.72%)
Total	39,694,074	(12,742,093)	18,371,190	2,964,014	(9,778,079)	(16.84%)

## 2. Credit losses expected for exposures that have been reclassified:

A.Self financed

				31 December 2019	ıber 2019			
	The exposul	The exposures that have been reclassified	reclassified	Expected cre	edit loss on exposu	Expected credit loss on exposures that have been reclassified	n reclassified	
ltem	Total exposures that have been reclassified rated from Stage 2	Total exposures that have been reclassified rated from Stage 3	Total exposures that have been reclassified	Stage 2 - Individual	Stage 2 - Collective	Stage 3 - Individual	Stage 3 - Collective	Total
	ЭD	۵۲	G,	Oل	G,	۵۲	JD	O.
Direct credit facilities	3,732	17,181	20,913	-	87	ı	(2)	85
Letter of guarantees	(221,013)	ı	(221,013)	(238)	I	ı	ı	(238)
Letters of credit and acceptances	(1,027,696)	ı	(1,027,696)	(4,144)	ı	ı	ı	(4,144)
Total	(1,244,977)	17,181	(1,227,796)	(4,382)	87	•	(2)	(4,297)

### B. Jointly financed

				31 December 2019	ber 2019			
	The exposul	The exposures that have been reclassified	reclassified	Expected cre	dit loss on exposu	Expected credit loss on exposures that have been reclassified	n reclassified	
ltem	Total exposures that have been reclassified rated from Stage 2	Total exposures that have been reclassified rated from Stage 3	Total exposures that have been reclassified	Stage 2 - Individual	Stage 2 - Collective	Stage 3 - Individual	Stage 3 - Collective	Total
	۵۲	۵۲	۵۲	۵۲	OL	۵۲	۵۲	O.
Direct credit facilities	(10,121,459)	2,964,014	(7,157,445)	206,384	215,190	39,706	(705,822)	(244,542)
Other Liabilities	(2,620,634)	ı	(2,620,634)	(23,264)	ı	ı	ı	(23,264)
Total	(12,742,093)	2,964,014	(9,778,079)	183,120	215,190	39,706	(705,822)	(267,806)

### (50/B) MARKET RISKS

The Bank follows certain financial policies to manage different risks within a specific strategy. There is also a committee concerned with managing assets and liabilities in the Bank. This committee is charged with monitoring and controlling risks, and conducting the best strategic distribution of assets and liabilities whether on- or off -the statement of financial position. Its responsibilities include:

- Updating the investment policy followed by the Bank, submitting it to the Board of Directors to be approved on a regular basis, reviewing the implemented investment policy, and assessing its results against the banking market and competitive indicators.
- Forming investment decision-making committees and related authorities, according to the Bank's investment policy.
- Preparing the annual investment plan, in line with the Assets and Liabilities Committee's expectations of revenues and changes in market rates, including low-risk investment instruments available in the market.
- Preparing a report including market prices and presenting it to the Asset and Liabilities Committee to monitor any sudden change in prices of financial instruments and avoid changes in market prices.

### 1. Rate of Return Risks

- Risks of rate of return arise from the unexpected changes in the market rates. Necessary procedures must be taken to ensure the existence of administrative procedures related to reviewing, measuring, and monitoring of rate of return risks.
- The Bank is exposed to rate of return risks as a result of the gap between assets and liabilities according to their terms and re-pricing the rate on subsequent transactions.
- The Bank manages these risks by determining the rates of future profits according to the expectations of market conditions and developing new instruments that comply with the Islamic rules and regulations through the Bank's risk management strategy:
- 1. Attaining the best returns available in the market based on market indicators as a standard and Benchmarks for both the portfolios an investments managed by the Bank.
- 2. Taking into account the risks resulting from these investments, depending on the diversification option based on countries and institutions to ensure mitigation of the impact of risks.
- 3. The Bank is committed to manage investments based on matching the Bank's liabilities (represented by deposits term accounts) and assets in foreign currencies (represented by investments in foreign currencies).

### 2. Foreign Currency Risks

Foreign currency centers are managed by Treasury and Investment Department on a daily basis in accordance with the principles of Islamic shari'a. The bank's policy of managing foreign currency centers is a conservative policy based on clearing the centers first and covering the required positions according to customers needs.

The maximum positions in foreign currencies shall not exceed 5% of shareholders' equity for each currency except for the US Dollar at no more than 15% of total shareholders' equity. The total foreign currencies position shall not exceed 15% of total equity.

### Below is the effect of foreign currency exchange against JD with other variables being constant:

2019	Increase in the indicator	Impact on consolodated income statements	Impact on equity
currency	( %5)	JD	JD
USD	-	-	-
Euro	(3,528)	(3,528)	(3,528)
GBP	3,445	3,445	3,445
Japanese Yen	19,006	19,006	19,006
Other currencies	15,954	15,954	15,954

2018	Increase in the indicator	Impact on consolodated income statements	Impact on equity
currency	( %5)	JD	JD
USD	-	-	-
Euro	(4,820)	(4,820)	(4,820)
GBP	(2,028)	(2,028)	(2,028)
Japanese Yen	3,557	3,557	3,557
Other currencies	8,466	8,466	8,466

The impact of the decrease in the exchange rate by 5% has the same impact of the opposite sign.

### Concentration in foreign currencies risks:

			31 Decer	mber 2019		
	US Dollars	Euro	GBP	Japanese Yen	Others	Total
Assets:						
Cash and balances with Central Banks	36,629,475	20,759,906	206,624	-	262,037	57,858,042
Balances at banks and financial institutions	3,531,683	584,719	164,031	380,128	1,764,427	6,424,988
Deferred sale receivables	119,553,179	-	2,232,587	-	-	121,785,766
International Wakala Investment	67,355,000	-	3,533,829	-	-	70,888,829
Financial assets at fair value through unrestricted investment accounts	27,022,906	-	-	-	-	27,022,906
Financial assets at low value through income statement	3,536,138	-	-	-	-	3,536,138
Other assets	280,231	-	12,901	-	-	293,132
Total assets	257,908,612	21,344,625	6,149,972	380,128	2,026,464	287,809,801
liabilities:						
Banks and financial institutions' accounts	583,474	47,675	-	-	22,110	653,259
(current, saving, term)Customers' accounts	207,818,261	18,059,546	5,117,372	-	1,685,270	232,680,449
Cash margins accounts	19,475,993	1,103,267	929,025	-	-	21,508,285
Other liabilities	11,770,306	2,204,696	34,685	-	-	14,009,687
Total liabilities	239,648,034	21,415,184	6,081,082	-	1,707,380	268,851,680
Net concentration in current year's financial position	18,260,578	(70,559)	68,890	380,128	319,084	18,958,121
Contingent liabilities outside current year's financial position	47,803,476	4,262,543	-	949,640	19,745,383	72,761,042

		31 December 2018							
	US Dollars	Euro	GBP	Japanese Yen	Others	Total			
Total Assets	155,495,397	15,436,478	6,170,213	71,140	2,831,617	180,004,845			
Total Liabilities	151,912,338	15,532,879	6,210,781	-	2,662,307	176,318,305			
Net concentration in current year's financial position	3,583,059	(96,401)	(40,568)	71,140	169,310	3,686,540			
Contingent liabilities outside current year's financial position	42,088,900	1,902,448	-	1,519,672	16,343,297	61,854,317			

### 3. Stocks price risk:

Financial assets price risk is related to the supply and demand in the financial markets which causes a change in the fair value of the investments portfolio. The Treasury Department uses scientific and advanced financial bases to mitigate the risk of price change and to ensure that the Bank and the Bank's customers get better rates of return on their investments. The Department uses segmental and geographical distribution methodology and the credit ratings of the best credit rating agencies (Moody's, Standard & Poor, etc...). Moreover, the department analyses the financial indicators of these prices and evaluates them with a fair estimate of the weighted weight for the total investment portfolios managed by the bank to manage them accurately to ensure the risk of price fluctuations.

Below is the effect of market index movement by 5% with the other variables being constant:

2019	increase in the indicator (5%)	Impact on consolidated statements of income	Impact on equity	Impact on unrestricted investment accounts holders
Indicator		JD	JD	JD
Amman Stock Market	13,826	-	-	13,826
Foreign markets	-	-	-	-

2018	increase in the indicator (5%)	Impact on consolidated statements of income	Impact on equity	Impact on unrestricted investment accounts holders
Indicator		JD	JD	JD
Amman Stock Market	10,524	-	_	10,524
Foreign markets	-	-	-	-

The impact of the decrease in the exchange rate by 5% has the same impact of the opposite sign.

### 4. Commodities Risks

Commodities risks are caused by any fluctuations in the prices of tradable or leasable assets, and relate to the current and future fluctuations in the market values of specific assets. The Bank is exposed to fluctuations in prices of fully-paid commodities after concluding the sale contracts during the year of possession, in addition to being exposed to the fluctuation in the residual value of leased asset at the end of the lease term.

### (50/C) LIQUIDITY RISKS

review and analysis of cash liquidity of the Bank's assets and liabilities are performed on a monthly basis. Moreover, the maturity of assets and The Cash Liquidity Division ensures the Bank's ability to meet short and long-term cash obligations. The Bank's cash liquidity is reviewed and managed regularly. The cash obligations and available funds are assessed daily by the finance department and treasury department. Moreover, liabilities is analysed. This also includes analysis of the sources of funds according to the nature of the sources and their uses.

First: below is a summary of the maturities of the Bank's undiscounted liabilities and unrestricted investment accounts holders', based on the contractual payment date as of the date of the consolidated financial statements:

	4+4004 040 404+ 000 1	1 2 months	0 6 months	6 months to 1	10,000		\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	Total
	Less triair orie montri	511101110-1		o indititis to 1 year	- J year	INIQIE LITATI O YEARS	villibatinganity	וסומו
31 December 2019:	ОГ	OS.	۵۲	9	마	O,	OP	OL
Bank and financial institutions' accounts	1,522,392	1	ı	ı	1	ı	ı	1,522,392
Customers' current accounts	181,361,486	1	•	ı		ı	1	181,361,486
Cash margins accounts	33,200,733	•	1,754,023	1,003,067	1	ı	ı	35,957,823
Borrowed money	ı	1	•	ı		ı	ı	ı
Income tax provisions	6,936,284	1	1	ı	1	ı	ı	6,936,284
Other provisions	421,785	•	•	ı	1	ı	1	421,785
Lease obligations - long term	9,000	107,818	•	5,262	555,365	10,068,679	ı	10,746,124
Other liabilities	21,072,137	17,263,528	84,645	169,289	2,543,552	ı	ı	41,133,151
Unrestricted investment accounts	188,693,778	214,100,391	262,181,765	408,195,988	76,495,456	ı	1	1,149,667,378
Investment risk fund	1	1		ı		ı	1	1
Investment Tax Facility Tax Allowance	ı	•	787,149	ı	1	ı	ı	787,149
Total	433,217,595	231,471,737	264,807,582	409,373,606	79,594,373	10,068,679		1,428,533,572
Total assets maturities as expected due dates	456,805,095	92,663,455	118,329,477	111,390,823	296,137,395	455,665,045	25,929,293	1,556,920,583
31 December 2018 :								
Bank and financial institutions' accounts	436,283			ı	ı	ı	ı	436,283
Customers' current accounts	143,608,583		1	1		ı	ı	143,608,583
Cash margins accounts	11,213,695		301,457	1,015,676	ı	ı	ı	12,530,828
Income tax provisions	4,031,024		1	1		ı	ı	4,031,024
Other provisions	380,785	•	1	1		-	ı	380,785
Other liabilities	17,286,081	10,597,012	747,645	188,670	1	ı	ı	28,819,408
Unrestricted investment accounts	125,725,323	164,273,112	165,899,137	285,281,833	55,383,965	ı	ı	796,563,370
Investment risk fund	ı		•	1	-	ı	1,945,997	1,945,997
Investment Tax Facility Tax Allowance	ı	ı	2,052,566	1	1	ı	I	2,052,566
Total	302,681,774	174,870,124	169,000,805	286,486,179	55,383,965	-	•	990,368,844
Total assets maturities as expected due dates	248,879,352	81,084,841	99,417,216	87,365,474	235,080,410	343,793,889	25,852,333	1,121,473,515

### Second: Off statement of financial position items

	Up to 1 year				
	2019	2018			
	JD	JD			
letters of credit and acceptances	45,068,969	26,126,973			
Guarantees	35,528,282	20,510,172			
Unutilized limits	94,043,876 63,856,623				
Total	174,641,127 110,493,768				

### (51) SEGMENT INFORMATION

### a. Information on the Bank's Activities

The Bank is structured for administrative purposes whereby sectors are measured according to the reports used by the executive director and main decision maker at the Bank through three major business sectors:

### **Retail Accounts:**

This sector follows up on the unrestricted investment accounts, deferred sales receivables, financings, and other services related to retail.

### **Corporate Accounts:**

This sector handles unrestricted investment accounts, deferred sales receivables, financings, and other banking services related to corporate customers.

### **Treasury:**

This sector handles the services of brokerage, treasury and management of the Bank's funds.

### Information on the Bank's segments according to activities is shown as follows:

	Deteil	Carparata	Tropourt	Other	2019	2018
	Retail	Corporate	Treasury	Other	Total	Total
	JD	JD	JD	JD	JD	JD
Total revenues (joint and self financed)	21,390,381	19,080,445	8,620,751	1,274,414	50,365,991	43,586,546
Investment risks fund share of joint Investment accounts revenues	-	-	-	(2,416,902)	(2,416,902)	(6,217,148)
Expected credit losses (joint and self financed)	(1,576,668)	(4,670,376)	430,817	564,371	(5,251,856)	-
Results of segment's operations	19,813,713	14,410,069	9,051,568	(578,117)	42,697,233	37,369,398
distributed expenses	(2,414,240)	(1,096,505)	(596,732)	-	(4,107,477)	(3,102,587)
Undistributed expenses	-	-	-	(21,387,880)	(21,387,880)	(21,196,159)
Profit for the year before tax	17,399,473	13,313,564	8,454,836	(21,965,997)	17,201,876	13,070,652
Income tax expense	-	-	-	(7,185,657)	(7,185,657)	(4,719,991)
Profit for the year	17,399,473	13,313,564	8,454,836	(29,151,654)	10,016,219	8,350,661
					2019 JD	2018 JD
Segments' assets	480,690,346	481,301,701	261,218,111	-	1,223,210,158	932,904,687
Undistributed assets	-	-	-	333,710,425	333,710,425	188,568,828
Total assets	480,690,346	481,301,701	261,218,111	333,710,425	1,556,920,583	1,121,473,515
Segments' liabilities and total equity of unrestricted investment accounts holders	972,239,468	195,029,904	187,846,416	-	1,355,115,788	930,789,602
Undistributed liabilities	-	-	-	57,354,527	57,354,527	49,388,931
Total liabilities and Total equity of unrestricted investment accounts holders	972,239,468	195,029,904	187,846,416	57,354,527	1,412,470,315	980,178,533

	2019	2018
	JD	JD
Capital expenditure	3,168,637	5,635,309
Depreciation and amortization	3,026,261	2,523,662

### **Geographical Distribution Information**

The following disclosure represents the geographical distribution. The Bank performs its operations mainly inside the Kingdom.

Distribution of the Bank's revenue, assets and capital expenditure according to geographical area is as follows:

	3	1 December 20	19	31 December 2018		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Total assets	1,396,956,121	159,964,462	1,556,920,583	1,022,988,374	98,485,141	1,121,473,515
Total revenue	46,319,649	4,046,342	50,365,991	41,033,463	2,553,083	43,586,546
Capital expenditure	3,168,637	-	3,168,637	5,635,309	-	5,635,309

### (52) CAPITAL MANAGEMENT

The Bank's management takes into consideration the Central Bank of Jordan's requirements which require the Bank to have sufficient self-financed resources to cover a certain percentage of its risk-weighted assets based on the nature of the finance granted and direct investment made. Accordingly, the capital considered as per the Central Bank of Jordan's requirements is the regulatory capital (both basic and additional capital).

Capital management aims to invest the Bank's fund in various risk-weighted investments (low and high risk) to ensure that the Bank obtains a better rate of return and to maintain a capital adequacy of 12% as required by the Central Bank of Jordan.

The capital adequacy ratio is calculated as on December 31, 2019 according to the instructions of the regulatory capital No. (2018/72) issued by the Central Bank of Jordan in accordance with the revised standard No. (15) issued by the Islamic Financial Services Council (IFSB) in support of the provisions of Article (99/B) from the Banking Law. The following is the capital adequacy ratio in thousands of dinars:

	31 December			
	2019	2018		
	JD"000	JD"000		
Basic capital items	134,456	132,349		
Authorised and Paid in capital	100,000	100,000		
Retained earnings	18,548	17,138		
Statutory reserve	25,902	24,182		
proposed dividends	(5,000)	(7,000)		
Full fair value reserve - self financed	-	(25)		
The bank's share of the fair value reserve in full if the fund's are mixed	22	(285)		
Intangible assets	(2,043)	(1,601)		
Deferred tax assets (self financed)	(436)	-		
The Bank's share of the deferred tax assets (jointly financed)	(564)	-		
The bank's share in the capital of banks and financial Institutions	(1,973)	(12)		
Investments in non-consolidated subsidiaries' capital accounts with bank's accounts	-	(48)		
Additional capital	-	-		
Supporting capital	1,281	971		
Self financed general banking risks reserve and the bank's share from the General banking risks reserve (joint) (not to exceed 1.25% of the weighted of financial assets weighted by credit risks)	1,318	1,011		
The Bank's share in the capital of insurance companies	(37)	(8)		
Investments in non-consolidated subsidiaries' capital accounts with bank accounts	-	(32)		
Total regulatory capital	135,737	133,320		
Total risk weighted assets	701,107	522,436		
Capital adequacy ratio (%)	19.36%	25.52%		
Basic capital ratio (%)	19.18%	25.33%		
First slide ratio Tier 1 (%)	19.18%	25.33%		
Second slide ratio Tier 2 (%)	0.18%	0.19%		
Leverage ratio	17.79%	26.41%		

### (53) ASSETS AND LIABILITIES MATURITY ANALYSIS:

Analysis of both assets and liabilities, expected to be received or settled, is detailed per period as follows:

31 December 2019	Within one year	More than one year	Total
	JD	JD	JD
Assets			
Cash and balances with Central Bank	278,816,552	-	278,816,552
Balances at Banks and financial institutions	6,513,543	-	6,513,543
International Wakala investments	70,790,378	-	70,790,378
Financial assets at fair value through statement of income	-	3,536,138	3,536,138
Deferred sale receivables and other receivables, net	355,953,950	285,434,319	641,388,269
Unconverted loans-net	-	-	-
Financial assets at fair value through unrestricted investment accounts	5,496,142	27,360,824	32,856,966
Financial Assets at Amortized Cost- Net	-	92,191,000	92,191,000
Investment in associate	354,022	-	354,022
ljara Muntahia Beltamleek assets, net	49,785,290	333,075,001	382,860,291
Qard hasan	-	509,660	509,660
Property and equipment-Net	-	23,886,014	23,886,014
Intangible assets-Net	-	2,043,279	2,043,279
Right to use assets	6,546	9,695,498	9,702,044
Deferred tax assets	1,661,190	-	1,661,190
Other assets	9,811,237	-	9,811,237
Total assets	779,188,850	777,731,733	1,556,920,583
Liabilities and equity of unrestricted investment accounts' holders			
Banks and financial institutions' accounts	1,522,392	-	1,522,392
Customers' current accounts	181,361,486	-	181,361,486
Cash margins accounts	35,875,353	-	35,875,353
Income tax provision	6,936,284	-	6,936,284
Other provisions	421,785	-	421,785
Lease liabilities-long term	121,036	9,247,179	9,368,215
Other liabilities	38,589,599	2,543,552	41,133,151
Fair value reserve – net	48,157	-	48,157
Unrestricted investment accounts	1,057,970,887	77,045,456	1,135,016,343
Provision of investment risk fund tax	787,149	-	787,149
Total liabilities and equity of unrestricted investment accounts holders	1,323,634,128	88,836,187	1,412,470,315
Net	(544,445,278)	688,895,546	144,450,268

31 December 2018	Within one year	More than one year	Total
	JD	JD	JD
Assets			
Cash and balances with Central Bank	118,767,358	-	118,767,358
Balances at Banks and financial institutions	13,264,923	-	13,264,923
International Wakala investments	56,020,856	-	56,020,856
Financial assets at fair value through statement of income	-	688,489	688,489
Deferred sale receivables and other receivables, net	267,148,675	181,649,216	448,797,891
Financial assets at fair value through unrestricted investment accounts	9,753,218	18,362,580	28,115,798
Financial assets at fair value through shareholders' equity -self financed	340,500	-	340,500
Financial Assets at Amortized Cost- Net	-	92,191,000	92,191,000
Investment in associate	376,618	-	376,618
Financial assets at fair value through unrestricted investment accounts' holders equity-net	79,717	-	79,717
Ijara Muntahia Beltamleek assets, net	41,779,118	285,473,354	327,252,472
Qard hasan	-	509,660	509,660
Property and equipment-Net	-	24,251,426	24,251,426
Intangible assets-Net	-	1,600,907	1,600,907
Deferred tax assets	723,606	-	723,606
Other assets	8,492,294	-	8,492,294
Total assets	516,746,883	604,726,632	1,121,473,515
Liabilities and equity of unrestricted investment accounts' holders			
Banks and financial institutions' accounts	436,283	-	436,283
Customers' current accounts	143,608,583	-	143,608,583
Cash margins accounts	12,470,264	-	12,470,264
Income tax provision	4,031,024	-	4,031,024
Other provisions	380,785	-	380,785
Other liabilities	28,819,408	-	28,819,408
Fair value reserve – net	(552,665)	-	(552,665)
Unrestricted investment accounts	731,602,323	55,383,965	786,986,288
Investment risk fund	-	1,945,997	1,945,997
Provision of investment risk fund tax	2,052,566	-	2,052,566
Total liabilities and equity of unrestricted investment accounts holders	922,848,571	57,329,962	980,178,533
Net	(406,101,688)	547,396,670	141,294,982

### (54) CONTINGENT COMMITMENTS (OFF BALANCE SHEET)

### A. Contingent credit and commitments/self financed\*:

	31 December 2019	31 December 2018
	JD	JD
Letters of credit	37,195,214	25,498,756
Acceptances	7,873,755	628,217
Letters of guarantees:		
Payment	7,763,186	1,362,013
Performance	10,847,499	7,454,186
Others	16,917,597	11,693,973
Total	80,597,251	46,637,145

### B. Contingent credit and commitments/jointly financed:

	31 December 2019	31 December 2018
	JD	JD
Direct unutilized credit limits	94,043,876	63,856,623
Total	94,043,876	63,856,623

<sup>\*</sup> Indirect unutilized credit limits / self financed amounted to JD (18,799,299) as of 31 December 2019.

The expected credit losses recorded against contingent credit commitments/self financed amounted under the implementation instructions of IFRS9 to JD 194,295 as at 31 December 2019 and recorded in the other liabilities (note 22).

The expected credit losses recorded against contingent credit commitments/jointly financed amounted under the implementation instructions of IFRS9 to JD 347,075 as at 31 December 2019 and recorded in other liabilities (note 22).

### (55) LAWSUITS AGAINST THE BANK

The Bank is a defendant in a number of lawsuits, which amounted to JD 410,635 as at 31 December 2019 (JD 2,638,686 31 as at December 2018) and that is within the bank's normal activity. In the opinion of the Bank's Management and its legal advisor, the related provision of JD 60,785 is adequate should any liabilities arise therefrom.

### (56) COMPARATIVE FIGURES

The comparative figures for the year 2018 balances in the consolidated financial statements were reclassified to correspond with 31 December 2019 presentation. The reclassifications did not have any effect on profit and equity for the year 2018.

List of consolidated Income and consolidated comprehensive income:

	After reclassification	Befour reclassification
	31 December 2018	31 December 2018
Rental expenses	(1,526,349)	-
Other expenses	(6,636,907)	(8,163,256)
	(8,163,256)	(8,163,256)

### (57) ANALYSIS OF THE IMPACT OF STANDARDS ISSUED AND NOT YET EFFECTIVE

### **Islamic Accounting Standards:**

### AAOIFI has issued the following Islamic accounting standards:

- IAS No. 30 "Impairment in value and credit losses and liabilities expected to result in losses". This Standard sets out the accounting treatment of expected impairment and credit losses for financing, investments and high risk commitments in Islamic financial institutions. The requirements of this Standard with respect to expected credit losses Is substantially similar to the requirements of IFRS 9 Financial Instruments (IFRS 9). The Bank has implemented the Central Bank's instructions in this regard and has been reversed On the consolidated financial statements, as the mandatory application of the Islamic Financial Accounting Standard No. Date (30) is the first in January 2020 with earlier application permitted.
- IAS No. 31 "Investment Agency". The Standard aims at determining the requirements for the preparation of reports related to the Investment Agency and the transactions that are in line with best practices of both the agent and the client. The mandatory implementation date of the Standard is January 1, 2020.
- IAS No. 32 "Ijara and Ijara ending in ownership." This standard aims to improve the principles of recognition, classification, measurement and disclosure of Ijara and Ijara transactions ending with ownership, knowing that the mandatory application date for Standard No. 32 is on or after January 1, 2021, with early application permitted.
- IAS No. 33 "Investments in Sukuk, Shares and Similar Instruments", which replaces Islamic Accounting Standard No. 25, aims to improve the classification, measurement, presentation and disclosure of investments in sukuk, equities and similar financial instruments. The requirements of Islamic Financial Accounting Standard No. 33 are effective on January 1, 2020, with early application permitted.
- IAS No. 34 The new standard aims to ensure transparent and fair reporting to all stakeholders, particularly sukuk holders. The mandatory date of application of Islamic Financial Reporting Standard No. 34 is January 1, 2020 with early application allowed.
- IAS No. 35 "Risk reserve". This accounting standard and financial reporting on risk reserves have been developed to mitigate the various risks faced by stakeholders, particularly investors. The mandatory date for applying IFRS 35 is January 1, 2021, with early application allowed.

### (58) FAIR VALUE HIERARCHY

The standard requires the identification and disclosure of a level in the fair value hierarchy in which fair value measurements are categorized in full, and the fair value measurements are classified according to the levels specified in IFRS. The difference between level (2) and level (3) for fair value measurements means assessing whether information or inputs are observable and the importance of information that is not observable. This requires careful judgment and analysis of the inputs used to measure fair value including consideration of all factors affecting the asset or liability.

### A.Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair value of these financial assets and financial liabilities is determined(valuation techniques and key inputs).

	Fair valı	ue as at				
Financial Assets/Financial Liabilities	31 December 2019	31 December 2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable	Relationship of unobservable inputs to fair value
	JD	JD				
Financial assets at fair value t	through share	holders' equi	ty -self finan	ced		
Quoted shares	-	340,500	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Financial assets at fair value t	through unres	tricted invest	ment accour	nts' holders equity		
Quoted shares	276,524	210,477	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Quoted sukuk	27,022,906	20,786,749	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Financial assets at fair value through statement of income	3,536,138	688,489	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Financial assets at fair value t	through unres	tricted invest	ment accour	nts' holders equity		
Unquoted shares	1,671,840	1,063,725	Level 2	A similar financial instrument	Not applicable	Not applicable
Unquoted sukuk	4,128,400	6,192,600	Level 2	A similar financial instrument	Not applicable	Not applicable
Total	36,635,808	29,282,540				

There were no transfer between level 1 and 2 during the year ended 31 December 2019 and the year 2018.

### B. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis:

Except for what is detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the Bank's financial statements approximate their fair values.

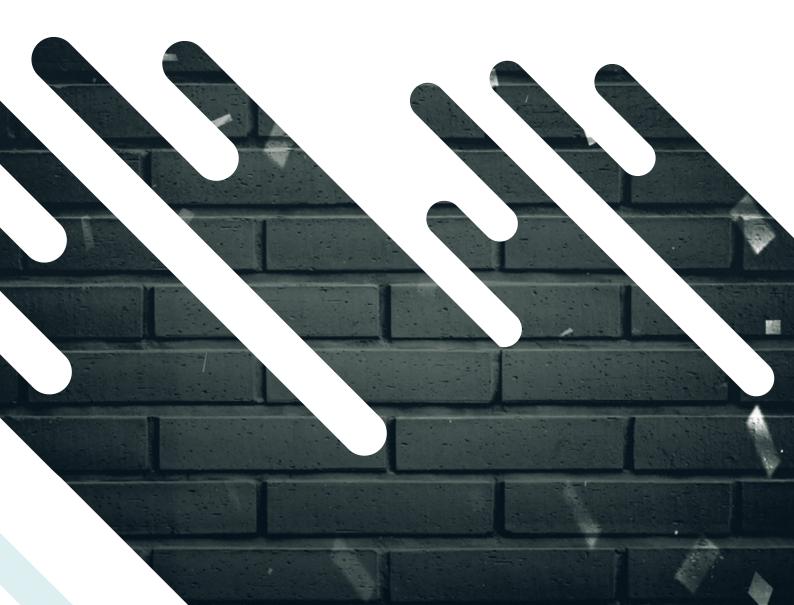
	31 Decen	nber 2019	31 Decem	nber 2018	
	Book value	Fair value	Book value	Fair value	Fair value hierarchy
	JD	JD	JD	JD	
Financial assets not calculated at fair value					
Deferred sales receivables and other receivables	641,388,269	716,785,542	448,797,124	497,280,343	Level 2
Financial assets at amortized cost	92,191,000	93,315,652	92,191,000	92,633,447	Level 2
Total financial assets not calculated at fair value	733,579,269	810,101,194	540,988,124	589,913,790	
Financial liabilities not calculated at fair value					
Customers' current accounts and unrestricted investment accounts	1,316,377,829	1,331,111,334	930,594,871	940,232,517	Level 2
Cash margin accounts	35,875,353	35,875,353	12,470,264	12,470,264	Level 2
Total financial liabilities not calculated at fair value	1,352,253,182	1,366,986,687	943,065,135	952,702,781	





### The Board of Directors' Report

Integrity, honesty and transparency in our banking services



### **Board of Directors' Report**

Achievements of the Bank and Description of Important Events in 2019

Contributions of the Bank to Local Community Service and Environment Protection in 2019

Financial Position Analysis and Most Important Financial Ratios

Time Series (Profit and Loss , Dividends, Net Shareholders' Equity and Share Price )

Competitive Position in the Banking Sector

The financial effect of non-frequent operations, occurred during the Financial year, and don't enter into the Bank's main activity

Bank Capital Investment Volume

Important Future Developments and the Strategic Plan

Names of the Board of Directors members, their representation, date of designation and their profiles:

Members of the Shari'a Supervisory Board and a Profile of each of them

Members of the Senior Executive Management and Profile of each of them

Number of securities owned by members of the Board of Directors, Top Management, Their Relatives or Companies owned by them as end of year 2019 compared to the previous year

Names of major shareholders and the number of shares they own compared to the previous year

Shareholders, who own 1% or more from the bank capital and the final beneficiary for these shares as of 31/12/2019

Rewards and bonuses of the Board of Directors Chairman and Members

Declarations of the Board of Directors

Advantages and rewards enjoyed by the Chairman and members of the Shari'a Supervisory Board

Declarations of not receiving any benefits (Shari'a Supervisory Board)

Rewards and Bonuses of the Top Management

Number of employees of the Bank by categories of qualifications as at 31/12/2019

Training programs for Bank employees in 2019

Safwa Bank geographic locations and number of employees in each branch

The Bank Bonus Policy

Subsidiaries

Fees of Bank and Subsidiaries' Auditors

Reliance on specific suppliers or main clients, whether internally or externally, who represent 10% or more of the total purchases and/or sales and/or revenues, respectively

Description of any government protection or any privilege enjoyed by the Bank or any of its products, in accordance with the laws and regulations, where there are no patents or privileges obtained by the Bank

Description of resolutions issued by the government, international organizations or others, which have financial impact on the Bank operation, products or competitive abilities

A statement of the contracts, projects or agreements concluded by the Bank with its subsidiaries, subsidiaries, affiliates, chairman, members of the Board of Directors, general managers or any of the employees of the Bank or their relatives

The international quality standards apply to the Bank, as it acquired

Donations and grants made by the Bank during 2019

Most Important Lawsuits Filed by and against Safwa Islamic Bank

Safwa Bank Risks

Risk Management Description, Structure and Nature of its operation

Developments of the Risk Management Department

Risk Management Structure

Organizational Structure for Safwa Bank

Executive Management's Evaluation of the Effectiveness of Internal Control Systems

Description of Bank main activities as well as the most important services and products provided by Safwa Islamic Bank

Statistics of the complaints received from the clients during 2019 through different channels as follows

Summary of the policy of regulating the relation between the Bank (the Mudarib) and the Investment Accounts Holders Safwa Islamic Bank

### **Board of Directors' Report**

### **Distinguished Shareholders,**

The Board of Directors of Safwa Islamic Bank is pleased to review the annual financial statements, achievements, services and products developed during 2019, which have brought the Bank many successes and achieved more strategic objectives that have been identified in advance and their positive results will be reflected on the shareholders of the Bank and its clients.

Since Safwa Islamic Bank was established in 2010. It has been providing integrated Islamic banking solutions that combine established Islamic values and the latest technologies in order to provide high quality service of personal touch so as to meet the needs of its clients. This is embodied in the philosophy of the Bank that is based on «well-established principles, innovative solutions».

### Achievements of the Bank and Description of Important Events in 2019

The Bank has set up a network of branches, which to date includes 36 branches across the Kingdom, offering a series of Shari'a-compliant banking solutions within modern foundations. Bank's operations have grown so that Bank assets reached 1.6 Billion JD with a growth rate of 39% in the year 2019. Bank's financing portfolio increased to 1 Billion JD by 32%. Deposits of Bank clients amounted to 1.3 Billion JD with a growth rate of 41%. The most prominent achievements of the Bank's various departments are as follows:

### **Corporate Banking**

Safwa Islamic Bank offers various financing products which are compliant with the provisions of Islamic Shari'a. These products include direct financing such as Murabaha, Murabaha agency and Ijara/leasing, in addition to indirect financing such as letters of credit and all types of letters of guarantee.

Our Corporate Banking Department has developed an account which is considered to be one of its kind in Jordan. This account is an investment savings account for companies and institutions (company savings account.)

In addition, this year Safwa Islamic Bank has launched the Internet Banking Service for companies, and the cash management service which has been implemented in a unique and modern manner. Moreover, Safwa Islamic Bank offers its clients with innovative financial solutions, all of which operate under the umbrella of Islamic banking rules and regulations including financing large and medium sized corporations operating in various economic sectors.

The Corporate Banking Department has ensured to focus all of its efforts on establishing strategic and comprehensive relationships by providing clients with highly distinguished services and understanding their respective financing requirements.

On the other hand, the establishment of the Deposits Department and the Corporate Operation Services Department (COSO) at the beginning of this year has had a positive impact on attracting new deposits and elevating the quality of services provided to the corporate sector.

Safwa Islamic Bank has also continued to focus on cross-selling to individuals working at companies which deal with the Corporate Banking Department, in addition to transferring the salaries of these individuals. Moreover, in coordination with the Treasury Department, the Bank has also been able to attract business from companies involved in foreign exchange and transfer operations and other similar activities.

### **Retail Banking:**

At Safwa Islamic Bank, we are keen on strengthening our presence and the coverage of our network of branches throughout all governorates of the Kingdom, in order to provide our services to the largest segment of clients possible. The Bank's network has continued to grow, reaching 36 branches in the Hashemite Kingdom of Jordan to this day, whereby, in addition to the capital, our network encompasses Irbid, Al-Zarqa, Aqaba, Al-Salt, Jarash, Ma'adaba and Al-Karak, thus enabling the Bank to provide a comprehensive range of services and products to meet the requirements and wishes of a wide segment of clients.

When it comes to deposits, the Bank offers current accounts, savings accounts, investment deposits and certificates of deposit services; the conditions of which have been formulated to be highly flexible, in addition to the Hajj Sukuk product, which offers clients the opportunity to save and invest in the Hajj Fund in order to perform the commandment of Hajj at an early age. Consequently, the Bank has been able to expand its customer base, whereby the number of accounts opened at the bank exceeds 130,000 accounts, owing to the diverse and innovative range of accounts launched by the Bank and the distribution of high returns on investment accounts.

The Bank also offers various financing services and products which have been developed to the highest of standards by relying on Islamic Shari'a compliant financing solutions, such as: cars financing, Murabaha financing of products and shares, house financing, land and offices financing through Ijara/leasing ending in ownership, financing services such as education and Hajj and many others, in addition to the Yusr Refinancing Product, through which the financial obligations of clients at traditional commercial banks are settled and are then refinanced by Safwa Islamic Bank, and the Musawamah financing, whereby the Bank has signed agreements with some of the largest businesses operating in the Jordanian market.

The Bank also offers all types of cards services such as direct debit cards «Visa Electron card», VISA Gold and Classic monthly installment Cards, in addition to VISA Signature Cards for Safwa Gold customers, and the Electronic Murabaha Credit Card, which is based on the permissive provisions of Islamic Shari'a and is the first credit card to be offered which operates on the basis of Islamic Murabaha.

### **Online Banking Services**

In line with its digital transformation strategy, and its focus on using online banking services to facilitate its dealings, Safwa Islamic Bank has established a set of services aimed at enriching the experiences of customers and making it easier to obtain the Bank's services; whereby the Bank has updated its website and online services, in addition to its banking application to ensure that it is up-to-date with the demands and requirements of customers. Moreover, the Bank has developed and offered a number of unique services such as "Open an Account"; aimed at attracting new customers in a smooth manner; in addition to the "Open an additional account" service, whether current or savings. Furthermore, a new service involving the renewal of account data has been added, whereby clients are no longer required to make a visit to the Bank's branches, which has led to a clear increase in the percentage of renewed accounts for clients dealing with the Bank. Safwa Islamic Bank seeks to provide more services through its banking applications in the near future.

### **Banking Services for Small Enterprises/Companies**

As a part of the Bank's expansion plan, and in order to provide its services to all segments of the society, Safwa Islamic Bank has developed a number of financing services offered to small enterprises operating in various sectors, whereby it is involved in financing the imports of these small enterprises (financing working capital requirements or fixed assets), in addition to offering LC services and foreign transfers and letters of guarantee. The Bank also offers real estate Murabaha financing (lands and buildings), whilst also offering financing for cars, trucks, and various other types of financing.

The following financing products and programs have been introduced to the small enterprises sector:

Renewable Energy Financing Product.

Financing Local and External Purchases through the use of POS guarantees.

Startup Financing Product.

Cars and Trucks Financing Product.

Tourism Sector Financing Product (Tourism Financing).

Our main objective is to provide our clients with fast services and the highest level of quality, based upon which we have established three centers specializing in financing small enterprises geographically spread as follows:

- 1. Amman Center, which provides its services to all areas/regions in Amman.
- 2. Irbid and Al-Zarqa Center, which provides its services to all northern governorates and Al-Zarqa.
- 3. The Southern Center, which provides its services to all southern governorates and Aqaba.

The Bank also ensures to provide all relevant basic information through its employees working at branches spread throughout the Kingdom.

### **Treasury and Investment Department**

The Treasury and Investment Department plans, organizes and controls the funds available at the Bank in order to achieve the best possible return whilst reducing the cost of funds used. It does so by selecting the most appropriate Islamic Shari'a compliant investment methods. Among the most important roles of the Department entails budgeting and managing the financial centers in foreign currency and effectively managing its liquidity and the related risks. In order to enhance the role played by the Treasury and Investment Department in achieving the objectives and strategy of the Bank, during 2019, the Department worked to expand Safwa Islamic Bank's network of relationships with international correspondent banks in order to meet the requirements of the Bank and its customers at the lowest possible costs. Moreover, the Bank has activated services related to the trade and safe custody of instruments for its customers, as it has also issued certificates of deposit in Jordanian Dinars and USD for periods of one, one and a half, two, three and five years. Furthermore, in line with our commitment to support the national economy and to activate the partnership between the public and private sectors, Safwa Islamic

Bank has taken advantage of the investment agreement concluded with the Central Bank of Jordan, which aims to provide medium-term financing for the various economic sectors operating in the fields of industry, tourism, renewable energy, agriculture, information technology and engineering consultation, thus enabling customers to carry out their activities at the least costs possible.

### **Human Capital Management**

At Safwa Islamic Bank, we give special attention to the human element, considering that it forms an important part of the Bank's capital and adds value to the institution. The Human Capital Management Department achieved the following results during 2019:

- In line with its human resources strategy, and stemming from the Bank's keenness to keep pace with technological development to support, develop and facilitate the process of training and offering employees with information and knowledge related to their work; Safwa Islamic Bank implemented the Online Training System in order to provide a number of important online training courses for all of the Bank's employees.
- The Safwa Future Stars campaign was launched to give students currently studying at Jordanian universities with real opportunities to develop their practical skills at our Jordanian Islamic banking institution.
- Our Job Test system was upgraded and the criteria for accepting candidates were increased. These
  steps are expected to lead to the employment of the most suitable and qualified candidates, chosen
  from amongst the best available competencies within the labor market.
- In order to ensure the continuous development and refinement of employee skills, a specialized company was contracted with to provide employee testing services. These tests are specifically formulated to develop and analyze the managerial and personal characteristics for certain employees at various managerial levels, and which assess the managerial capabilities, identify leaders amongst these employees and measure the potential skills and capabilities that they possess so as to enhance various aspects of their respective performances.
- With the aim of enhancing the principle of participation, an incentive scheme for various business sectors was developed to motivate employees to participate in developing the Bank's activities and attract new customers.

### Support Departments (Central Operations/Institutional and Engineering Services/Internal Audit/Total Quality Management)

At Safwa Islamic Bank, we strive to provide our customers with high quality services both effectively and efficiently, whereby we have concentrated our efforts on reviewing/reassessing a number of banking operations in order to provide speedy services whilst simultaneously ensuring a high degree of accuracy and ensuring minimal operational errors, in addition to maximizing profits through the reduction of costs. In order to achieve these objectives, the Central Operations Unit/Department underwent an organizational restructuring process for some banking operations in accordance with quality standards and the necessary internal controls and in line with the approved policies and procedures of the Bank. Subsequently, in order to arrive at a higher level of efficiency in banking operations, the organizational structure of the Bank is under study in coordination with other related departments, so as to implement a new operational model built upon enhancing the internal structures of departments and to ensure that they are up to date with digital developments. Hence, some of the Bank's operations shall be automated in order to achieve the Bank's objective of providing its customers with the best possible services, by shortening some operations and simultaneously reducing the standard time for offering these services; within a stringent monitoring environment.

In order to achieve the Bank's strategic plan, the Institutional and Engineering Services Department completed and equipped two new branches in the capital, Amman, in addition to two other branches in two different governorates, using the Bank's new design. Moreover, the Jabal Al-Hussein and Khalda branches were transferred to two new locations in order to make it easier for customers to access these branches and to offer higher quality services in light of the new Bank design. Furthermore, as a part of the Bank's annual plan to adjust its branches in accordance with the new design, the Bayader Wadi Al-Seer branch was redesigned in record time to avoid causing any inconveniences to the Bank's customers.

In order to achieve its objective of providing customers with the best possible services by expanding the geographical spread of its automated teller machines, the Bank prepared various locations throughout the Kingdom for the installation of four new automated teller machines. The decorations were implemented according to the new and modern design adopted by the bank, bringing the total number of outdoor automated teller machines to 38.

In line with the Bank's policy to control expenditures whilst taking into consideration environmental standards, contact was made with the Jordanian Electricity Company to study expanding the range of the renewable energy station owned by the Bank, with the aim of either maximizing potential benefits derived from increased power generation or from the optimal distribution of current power generated, which in turn would reflect positively on reducing the value of consumption.

### **The Information Technology Department**

Safwa Islamic Bank strongly believes that the future of banking services depends on the ability to work with a sufficient level of flexibility and to adopt the skills necessary for digital transformation. In 2019, the Bank has made great strides in this direction by defining its short and long term strategies for digital transformation, in addition to defining its priorities in this regards. This helped the Bank to offer comprehensive optimal solutions to guarantee providing its customers, whether retail or companies, with the best services possible, and this was made possible by developing various simple and modern financing mobile and Internet applications. The most prominent of these applications is the Customer Onboarding service. Using this service, clients are able to join the Bank using a mobile application. They are also able to immediately issue ATM and pre-paid cards, which has created a new view of the journey to become a customer at Safwa Islamic Bank. Furthermore, a number of new services for companies have also been added.

Additionally, in line with the requirements of the Central Bank of Jordan, the Bank has implemented 15 information technology projects, in order to reach the required level of compliance with Cobit 2019 (Control Objectives for Information Technologies.)

### The Shari'a Supervisory Department

The Shari'a Supervision Department draws its strength from the existence of an exceptional Shari'a Supervisory Board who enjoys long-standing legal banking expertise in the world of Islamic banking. The Department ensures that the Fatwas and resolutions concerning all of the Bank's activities issued by the Shari'a Supervisory Board are implemented, and this is achieved by monitoring and auditing all activities, in addition to studying contract templates, product policies and the applicable work and operation procedures.

The Shari'a Supervision Department has continued to effectively communicate with the Shari'a Supervisory Board in order to present all developments and delicate/sensitive cases, and to obtain related responses and Fatwas. Moreover, the Department also ensures that the instructions and resolutions issued by the Board are fully implemented by the Bank's concerned departments.

The Department also communicates on a daily basis with all departments, units and employees of the Bank in order to review any cases which may arise during the execution of operations and to respond to any related queries in accordance with the Honorable Shari'a Supervisory Board resolutions.

Achievements of the Shari'a Supervisory Board during 2019:

- Establish a foreign exchange rate commitment mechanism adopted for letters of credit in all currencies except for the USD.
- Communicate with Islamic insurance companies in order to provide Safwa Islamic Bank customers with the best and most competitive insurance rates.
- Participate in formulating the principles and conditions for ljara/leasing financing ending up in ownership and Musawama for residential units.
- Establish and implement Yusr through financing the financial obligations of clients (shares).
- Provide the Product Development Department with a summary of opinions coming from branches and direct selling points concerning the Ijara financing ending with ownership product, in addition to the responses of the Shari'a Supervisory Board to each case, in order to circulate them to the relevant departments.

### **Corporate Communications and Marketing department**

The Corporate Communications and Marketing department kept implementing its strategic plan to meet the demands of internal and external stakeholders. It has built and implemented various promotional campaigns for the bank's new and existing products and services, as well as the key role this department seeks to achieve concerning social responsibility to cover all its areas and achieve sustainable development through real strategic partnerships with the different civil society organizations.

### The Bank's Contribution in Serving the Local Community and Protecting the Environment in 2019

Based on the bank's values and its vision aiming to serve the community, the bank has been keen to maintain the approach that it has followed over the past years, which focused on strengthening its role in the local community and taking part in its development by contributing to provide financial and moral support to community initiatives in educational, humanitarian and other fields. Some examples of Safwa Islamic Bank's contributions in serving the local community include:

### **Educational and Religious Initiatives:**

- Sponsoring the activities of the United Nations Club for Princess Sumaya University for Technology students
- Donating to Al-Aman Fund for the future of orphans to teach two university students for a full scholarship.
- Sponsoring Al Hussein Technical University students in the global Hult Prize competition
- Sponsoring the graduation ceremony for the students of the "Hafez" Association for the memorizing the Holy Quran
- Sponsoring the Holy Quran memorization competition in cooperation with the Ministry of Awqaf and Islamic Affairs
- Sponsoring the educational conference for private school students with the Katateeb Association
- Sponsoring the children's financial skills program in cooperation with the Haya Cultural Center
- Sponsorship of the second conference of Al Hussein Technical University student projects
- Sponsoring the pilgrimage program for teachers in cooperation with the Jordanian Teachers Union
- Sponsoring the smart mosque project in cooperation with the Ministry of Awqaf and Islamic Affairs
- Sponsoring the Sports and Health Conference for the Mutah University students

### **Humanitarian and Health Initiatives:**

- Organizing a blood donation campaign for the bank's employees in cooperation with the Ministry of Health/Blood Bank
- Organizing and distributing the "heater and blanket" initiative in collaboration with the Clothing Bank/ the Jordan Hashemite Charity Organization on needy families.
- Donating for the Zakat Fund within the national initiative to support female debtors
- Organizing and distributing (jacket and backpack) initiative in collaboration with the Clothing Bank/the Jordan Hashemite Charity Organization on needy school students
- Donating for MAP Jordan to support their programs for the year 2019.
- Organizing the food parcels distribution initiative with Tkiyet Um Ali which is held during the holy month of Ramadan to needy families.
- Sponsoring educational and professional activities held by the Jordanian Pharmacists Association
- Donating to the King Hussein Cancer Center within the annual charity dinner
- Sponsoring the general staff meeting for non-doctors at the King Hussein Cancer Center
- Sponsoring the general staff meeting for the Jordanian Nurses Association
- Sponsoring the Charity Diplomatic Bazaar, in cooperation with Mabarrat Um Al Hussein
- Donating for the "Sanahya Keram" organization to rebuild homes of families in need in Al Dhlail in the governorate of Al Mafraq

### **Initiatives in support of sports:**

Supporting the national team in collaboration with the Jordan Football Federation

### **Environmental Initiatives:**

- Sponsoring the "Zarqa Creek" competition in collaboration with the Friends of the Environment Society
- Sponsoring a water desalination and cooling project through solar power in cooperation with the Mayar Schools

### **Women Empowerment Initiatives:**

- Sponsoring the EWA initiative for women employment in collaboration with the Princess Taghrid Institute for Development and Training
- Sponsoring the "Nashmiyat Watan" initiative in collaboration with the Jordanian National Forum for Women



Blood donation campaign for Safwa Islamic Bank's employees



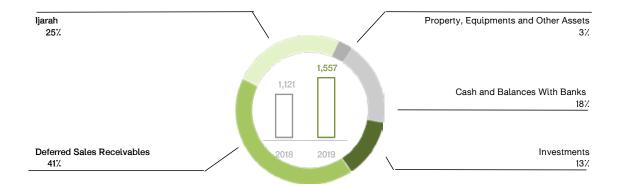
"Keswet Al Eid" Ramadan initiative in collaboration with Jordan Hashemite Charity Organization – Clothing Bank



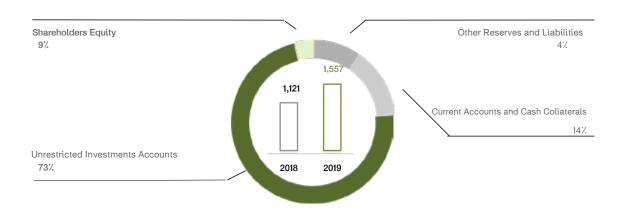
Distribution of dates and water during Ramadan in collaboration with the Central Traffic Department

### Bank's Financial Position Analysis

Assets	JOD (Mi	JOD (Million)		Common Size %	
	2019	2018		2019	2018
Cash and Balances With Banks	285	132		18%	12%
Investments	200	178		13%	16%
Deferred Sales Receivables	642	449		41%	40%
ljarah	383	327		25%	29%
Property, Equipments and Other Assets	47	35		3%	3%
Total	1,557	1,121		100%	100%



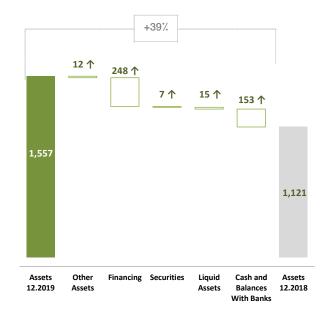
Liabilities, Unrestricted	JOD (Mi	JOD (Million)		Commo	Common Size //	
Investments Accounts and Shareholders Equity	2019	2018		2019	2018	
Current Accounts and Cash Collaterals	219	157		14%	14%	
Unrestricted Investments Accounts	1,135	787		73%	70%	
Other Reserves and Liabilities	59	37		4%	3%	
Shareholders Equity	144	141		9%	13%	
Total	1,557	1,121		100%	100%	



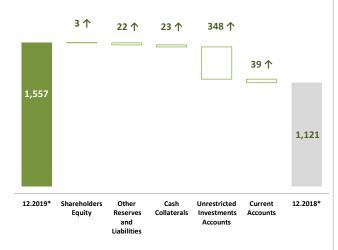
### Financial Position Movement during 2019

### Assets Movement during 2019 (JOD millions)

- The Bank achieved one of the highest growth rates between Banks in Jordan
- o growth assets of JOD 435 million representing growth of facilities by JOD 248 million, investments by JOD 22 million, and the cash increased by JOD 153 million which has been contributed to improve liquidity indicators
- The effect of this growth positively affected bank's revenues in this year and years after



### Liabilities and Owners Equity and Common Investment Accounts Movement during 2019 (JOD millions)

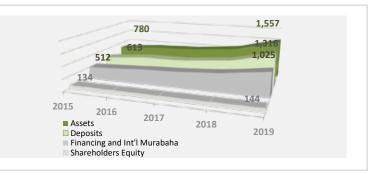


Liabilities, Unrestricted Investments Accounts and Shareholders
 Equity

- Sources of funds increased by JOD 435 million during 2019
- The bank succeeded to attract new investment deposits amounted JOD 348 million, and new current accounts by JOD 39 million, the increase of facilities caused the cash collaterals to increase by JOD 23 million
- The reserves and other liabilities increased by JOD 22 million :
- o Implementation of new accounting standard regarding leasing contracts leaded to create a new liability account "lease liability, long term" with an amount of JOD 9.4 million.
- o Increase of profits accruals for common investment accounts
- o Temprory deposits increased by JOD 5.4 million

### Time Series (Financial Position)





	2019 2018		2017 2016		2015	Change During 2019	
JOD Million	2018	2010	2017	2010	2013	Amount	
Assets	1,557	1,121	958	920	780	435	39%
Deposits	1,316	931	773	756	613	386	41%
Financing and Int'l Murabaha	1,025	777	672	603	512	248	32%
Shareholders Equity	144	141	138	132	134	3	2%

- The bank achieved assets growth during 2018 and 2019 close to the total growth through the period from 2012 to 2017
- o The CAGR during the last 5 years reached 15%.
- O The bank ranked first in the growth rate for 2019 in the Jordanian banking sector

Assets

### **Deposits**

- The bank has achieved remarkable results in deposits growth after its success in attracting new deposits and expanding the clients base
- 64% or JOD 245 million of total deposits growth were generated by retail sector (total growth JOD 386 million) which will help to reduce liquidity and concentration risks
- During the year 2019, the bank reviewed the procedures, pricing, and services which
  has been reflected dramatically to services quality and reduce grant duration process,
  all of these efforts had contributed to the growth of facilities with an amount of JOD
  248 million

Financing

### Shareholders Equity

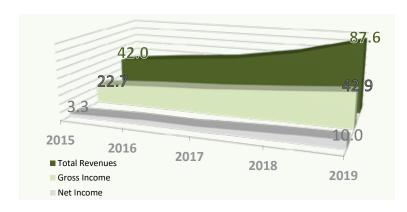
- 2019 year result had contributed to increase shareholders equity by JOD 3 million
- The Board suggested to the general assembly JOD 5 million cash dividends to shareholders

### Time Series (Share Price and Dividends)

	2019	2018 2	2019 2018	2017	2016	2015	Change D	uring 2019
	2010	2010	2017	2010	2010	JOD	7.	
Share Price (JOD)	1.34	1.13	1.22	1.28	1.07	0.21	19%	
Dividends	5%	7%	5%	-	7%	-2%	-29%	
Dividends	*Cash	Cash	Cash	_	Cash	-2/.	-20/.	

 $_{\star}$  Suggested dividends to shareholders

### Time Series (Profit and Loss)



2019 Growth				
Total Revenues	28%			
Gross Income	17%			
Net Income	20%			

JOD Million	2019	2018	2017	2016	2015	Change Du	ring 2019 %
Total Revenues	87.6	68.2	55.9	49.6	42.0	19.4	28%
Gross Income	42.9	36.7	31.3	27.6	22.7	6.1	17%
Net Income	10.0	8.4	5.7	5.7	3.3	1.7	20%

 The increase of earning assets, enhancement of the rate of return, beside the rapid growth of clients base had contributed to the growth of total revenues by JOD 19.4 million

Total Revenues

Gross Income

The Gross income grew to JOD 42.9 million compared to JOD 36.7 million in the previous year with a ratio of 17% as a result of the growth of bank's balance sheet

- Net income increased by 20% to reach JOD 10 million as a result of the increase of operation volumes.
- o The increase of income tax rate for the banking sector, the inclusion of Islamic banks under "Jordan Deposits Insurance Corporation" umbrella, and the implementation of new accounting standard related to leases contracts (IFRS16) had negatively affected the net income

Net Income

### **Financial Ratios**

		2019	2018	2017	2016
	Return on Average Equity	7.0%	6.0%	4.2%	4.3%
Profitability	Return on Average Assets	0.7%	0.8%	0.6%	0.7%
Fiornability	Earning Per Share (fils / share)	0/100	0/084	0/057	0/057
	Cost to Income Ratio	49%	54%	61%	61%
Acceta	Non Performing Financing (NPL) %	2.2%	2.3%	2.2%	1.8%
Assets	Coverage Ratio	113%	112%	116%	129%
Quality	Equity / Assets	9%	13%	14%	14%
	Operating Financial Leverage *	1.2	1.3	1.4	1.5
Productivity	Assets Per Branch (million JOD)	43.2	34.0	38.3	38.3
	Assets Per Employee (million JOD)	2.5	1.9	1.7	1.9

### Profitability

- $^{\circ}$   $\,$  Increase of rate on average equity in 2019 by 1.0% (from 6.0% to 7.0%)
- Steady steps reflects upward growth, a result of the continuous improvement of business and the control over expenses.
- The bank maintained the low non performing financing (NPL) ratio compared with the banking sector
- The bank continued to increase the coverage ratio for nonperforming financing

Assets Quality

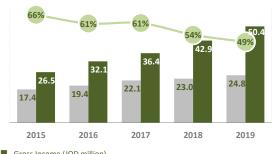
### **Productivity**

- ° The bank continuously improved its operating financial leverage
- Enhancement in the productivity indicators as a result of the increased balance sheet volume

### \*Operating Financial Leverage

Measurement the firm's ability to control the fixed costs, and it is calculated by dividing the total of gross revenues and other revenues by the same figure after subtracting the fixed costs.

### Cost to Income Ratio



- Gross Income (JOD million)
- General and administrative expenses (JOD million)
- Cost to Income %

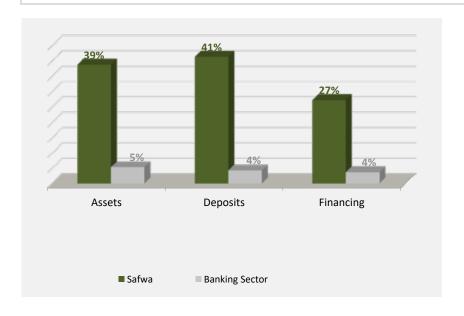
- The growth of gross income is in a faster pace than the growth of administrative and general expenses
- Continuous improvement in this vital ratio which decreased from 66% in 2015 to 49% in 2019
- The enhancement of cost to income ratio reflects the management control over the bank's expenditures
- Safwa bank aims to keep this improvement which will be reflected positively on profitability indicators

### Return on Average Equity and Return on Average Assets

- Steady steps reflect upward growth, a result of the continuous improvement over business volume and the control over expenses and expenditures.
- Return on average equity increased in 2019 by 1.0% (from 6.0% to 7.0%)
- Slight decrease in return on average assets



### Development of Safwa's Share in the Banking Sector



Safwa's Growth
Rates Compared
With The Banking
Sector

Development
of Safwa's
Share in The
Banking Sector



Safwa Bank continued to raise its market share in the banking sector

Assets

The bank raised its market share from 2.2% to 2.9% due to increase its assets by 39% compared to the sector growth of 5%.

**Deposits** 

The bank succeeded in attracting more deposits, which reached JOD 386 million (41%), raising its market share from 2.7% to 3.7%, while banking sector deposits increased by 4%

Financing (without int'l murabaha)

Safwa's financing portfolio increase by 27% while banking sector grew by 4%, market share reached 3.7% from 3.0%

# The financial effect of non-frequent operations, occurred during the Financial year, and don't enter into the Bank's main activity

In 2019, the Bank, as part of it non-recurring activities, sold repossessed assets by the Bank against debts. The selling process resulted in capital profit of JD 69,5 thousands.

### **Bank Capital Investment Volume**

The volume of capital investment for the bank reached to JD 25,9 million at the end of year 2019 (represent net fixed and intangible assets) compared with JD 25,8 million at the end of year 2018.

### Future developments and strategic plan

The bank prepared its strategic plan after a careful evaluation of the bank's position in several aspects, the most important of which are external factors, the competitors, the bank's internal environment, we measured its impact on the bank's operations and arranging them according to their importance to build clear strategic goals that can be achieved, measured, with a clear timeframe for each goal.

To ensure the success of its strategic plan, Safwa Islamic Bank is keen to measure the progress made, and sets the needed corrections in the right, and in this framework:

- The bank seeks to focus on customer experience, and to provide all the various resources of the bank to ensure obtaining customer satisfaction in his quest to be the first community bank in the Kingdom.
- It aims to provide fair and responsible banking transactions, and to ensure that all services and products are provided to customers fairly, and that they do not incur any additional burdens so that the fees and commissions are commensurate with the effort made by the bank, as the bank started to review all the commissions and fees for all the services and products offered.
- Enhancing the customer experience through studying the customer's journey for all the services and products provided, shortening and speeding them up to ensure ease and smoothness of the transaction, so that the customer's satisfaction is the goal that must be reached and achieved with the highest level of success.
- Expanding customers' base by offering an integrated package of services and products in a competitive manner that takes into account the needs and requests of customers.
- Smart expand of our network of branches and ATMs to better serve all customer segments, and look to external expansion after giving adequate care to the available opportunities.
- Increasing products and services provided to the corporate sector in compliance with Islamic law and strengthening the network of relationships with corporate clients.
- Enhancing the correspondent banking network, and strengthening the bank's role as a regionally and internationally accredited correspondent bank.

### Digital transformation and electronic channels

The bank has put in its strategic plan a growing interest in digital transformation and electronic channels that is in line with the successive and increasing needs of customers.

The bank not only seeks to keep pace with these developments, but also excellence in providing services without losing sight of the safety and trust factor.

Many services have been added and developed to the electronic channels and the mobile banking, the bank seeks to add more services through its electronic channels to ensure the excellence of services.

### Human capital

The bank's successes were achieved through a collaborative and diligent team working with the spirit of one team. We looks forward to consolidate these successes and develop them to become an advantage enjoyed by the bank through:

- Maintaining competencies and developing their own programs.
- Designing new values commensurate with the next stage and the bank's strategic goals.
- Focusing on the career path and providing opportunities for career advancement.
- Adoption of serious incentive schemes for the business sectors.
- Designing promising leadership development programs and creating a new generation of leaders.
- Keeping pace with developments in the banking market and conducting surveys to develop a competitive system for employee benefits.
- Encouraging the elements of innovation and creativity and rewarding creators whose new and creative ideas contribute to improving efficiency.
- Developing the bank's testing system.
- Meet the needs of employees in accordance with the best standards of transparency, clear procedures and advanced systems.

### Risk management and internal control

The bank has developed the risk management system; we seek to continuously improve all risk management tasks, whether by developing existing policies and procedures, developing a mechanism for measuring risk, updating liquidity plans and rate of return risk, periodically monitoring acceptable levels of risk, continuing to self-assessment of risks, as well as developing corrective plans and reviewing the work environment to reduce the effects of the risks to which the bank is exposed.

### Corporate identity and social responsibility

The strategic plans aim to strengthen the successes achieved by the bank over the previous years, commercialize the bank's brand, and show its image and institutional identity to be a distinguished Islamic bank that competes with its counterparts from Islamic banks and traditional banks in Jordan.

Advertising campaigns for the various innovative products and services provided by the bank in all traditional and modern media to ensure that it reaches the widest possible audience.

To enhance our social responsibility, we will seek to enhance the bank's position in the local community, and it will have a positive impact in building a bright and consistent image with the principles of the true Islamic religion.

The bank will also continue to sponsor important events during the next periods, organize advertisements for new campaigns, products and services.

Marketing the bank through social media, launching initiatives to do good in the holy month of Ramadan and religious occasions, and the bank tends to enhance its role in charitable initiatives and provide assistance to needy parties and charities.

### The financial strategy

The bank's strategy has been built by setting detailed plans for all the objectives outlined above that will positively reflect on the bank's financial results and achieving distinct returns for the bank's shareholders and its depositors.

Maintaining financial solvency and liquidity ratios that ensure the bank's continuity in business and a full compliance with rules and regulations.

Extra control for operating expenses and capital expenses in a way that ensures optimal use of resources.

The bank's board and senior executive management expect that the growth in the financial position and profits will continue during the coming year and beyond.

# Names of the Board of Directors members, their representation, date of designation and their profiles:



# Dr. "Mohammed Nasser" Abu Hammour Chairman of the Board

Representative of: Al-Etihad Islamic for Investment Co. The date of joining the Board of directors: 4/1/2017

Date of birth: 20/12/1961

### Qualifications:

- Ph. D. in Economics/Financial, University of Surrey, UK, 1997
- Master in Economics, University of Jordan, 1989
- · Bachelor in Economics, Yarmouk University, 1984

### **Practical experience and memberships:**

- Ministry of Finance, Minister 14/12/2009 -17/10/2011
- The Arab Potash Company, Chairman of the Board of Directors 1/11/2007-14/12/2009
- Executive privatization commission, Chairman, 11/7/2005- 20/11/2007
- Ministry of Finance, Minister 25/10/2003 5/4/2005
- Ministry of Industry and Trade, Minister 21/7/2003 22/10/2003
- Ministry of Finance, Secretary General 8/2/2000 21/7/2003
- Ministry of Finance, Advisor to the Minister of Finance 8/11/1998 7/2/2000 and head of Financial control unit and vice president of monetory, financial, and economic evaluationCommittee
- University of Jordan, Part time lecturer/graduate students in Economics 1998 2003
- Member of committees discussing master's degrees dissertations, 1998-1999
- · Central Bank of Jordan, several administrative positions
- Chairman of the Board of Al Salam Transport Company



### Hamdan Al-Fawair Deputy Chairman of the Board.

Representative of: Orphans Fund Development Foundation The date of joining the Board of directors: 13/4/2017

Date of birth: 2/3/1960

### **Qualifications:**

Bachelor of Law from Alexandria University in 1985

### **Practical experience and memberships:**

- General Manager of Orphans Fund Development Corporation from 2/10/2017 until now
- Orphans Fund Development Corporation, several administrative positions 2008 till 1/10/2017
- Executive Assistant for Supervision of Public Health and Social Services, Audit Bureau 2007-2008
- Executive Assistant for Revenue Control (General Customs Department), Audit Bureau 2005-2007
- Head of Control of the Ministries of Justice and Awqaf and the Courts of Law and Shari'a Courts, Audit Bureau 2004 - 2005
- Head of Supervision of the Ministry of Public Works and Housing, Audit Bureau 2001-2004
- Assistant Director, Internal Control, Audit Bureau 1999-2001
- Head of the Royal Jordanian and Transport Sector Control, Audit Bureau 1994-1999



### **Basem Salfiti**

Representative of: Al-Etihad Islamic for Investment Co. The date of joining the Board of directors: 4/1/2017

Date of birth: 29/4/1972

### **Qualifications:**

- 1998-2000 COLUMBIA BUSIENSS SCHOOL New York, NY MBA, Finance and Corporate Strategy
- 1989-1993 BROWN UNIVERISTY Providence, RI. BS, Honors, Electrical Engineering

### Practical experience and memberships:

- General Partner and Co Manager, Hummingbird Ventures London, UK 2013-2017
- Managing Director, Head of European Technology Investment Banking, Perella Weinberg Partners London, UK 2006-2013
- Executive Director, Technology Investment Banking, Morgan Stanley & Co. London, UK 2000-2006
- Chief Operating Officer, BEST IC Laboratories, Inc. Sunnyvale, CA 1994-1998
- Non-Executive Board Member, Bank Al-Etihad Amman, Jordan 2009-Present
- · Non Executive Board Member of Delta Insurance and Advisory
- Board Member of the King Hussein foundation
- Chairman of Al Hussein Technical University (HTU)



### Deema Agel

Representative of: Al-Etihad Islamic for Investment Co. The date of joining the Board of directors: 4/1/2017

Date of birth: 13/2/1968

### Qualifications:

- Master in Business Administration 2001, Imperial College, School Of Management, London, U.K
- Master of Science (M.Sc.) in Banking & Financial Studies/Capital Markets 1998
- B.Sc. in Electrical Engineering, 1990

### **Practical experience and memberships:**

- Deputy General Manager, Bank Al Etihad from 01/2012
- Assistant General Manager, Risk Management and Compliance, Bank Al Etihad until01/2012
- Assistant General Manager Risk Management and Compliance Division, Jordan Ahli Bank 2005- 2007
- Head of Credit Policy Risk Management Division, Housing Bank for Trade and Finance 2004 – 2005
- Credit Risk Manager ARAB BANK 1990 2004
- Member of the Board of Directors, AL Etihad Brokerage Company
- Member of the Board of Directors, AL Etihad Leasing Company
- Member of the Board of Directors, Palestine Commercial Bank 9/2011-7/2013



### **Khaled Al-Gonsel**

Representative of: Al-Etihad Islamic for Investment Co. The date of joining the Board of directors: 4/1/2017

Date of birth: 13/8/1971

### Qualifications:

- Masters in Banks and Finance, The European University 2003
- Masters in Financial Accounting, Libyan Academy 1996
- Bachelor in Financial Accounting, College in Accounting, Gharian, Libya 1992

### Practical experience and memberships:

- Managing Director and Board Member, Libyan Foreign Investment Company (LAFICO) 2012 -2018
- Board Member, Arab Petroleum Investment Corporation (APICORP) 2012-2018
- Board Member, International company for Hotel Investment 2015-2018.
- Chairman of the Board of Directors of Libya Investment Company Egypt 2012-2018.
- Chairman of the Board of Directors of Etran Co. Malta 2015-2018.
- Director of the Cash Operations and Financial Planning Department of the Libyan Foreign Investment Company 2008-2012.
- · Member of the Board of Directors of Kovrak Company Ukraine.
- Responsibilities and leadership positions in the companies affiliated to the Libyan Foreign Investment Company 1995 - 2008.



### Dr. Khaled Zentuti

Representative of: Al-Etihad Islamic for Investment Co. The date of joining the Board of directors: 17/12/2018

Date of birth: 24/12/1954

### **Qualifications:**

- PhD in Finance Administration and Management of Organization and Marketing, Bosphorus University Turkey 1992
- MBA in Management Accounting University of Hartford C.T USA (Hons) 1982
- Bachelor of Accounting, Faculty of Economics, Qaryounis University, Benghazi, Libya 1976

### **Practical experience and membership:**

- (1988 2000) Different positions, as Manager and DM in different companies owned by Libyan Arab Foreign Investment Company (LAFICO) in Turkey, Italy, Germany, Pakistan, Egypt
- (2000 2002) State Secretary Investment and International Cooperation Libyan Cabinet
- (2002 2004) Chairman and General Manager Libyan Arab Foreign Investment Co. (LAFICO
- General Manager and Chairman of the Management Committee / Long Term Investment Portfolio / Libya - Tripoli 2004/2012
- · A part time faculty member of Graduate Studies Tripoli.
- Financial, Economic and Investment Consultant for long term portfolio Amman, Jordan, 2016 till now
- Vice Chairman of the Board of Directors of the British Arab Bank London / Britain 2004/2012
- Vice Chairman / Union Bank Amman Jordan 2007/2012
- Vice Chairman of the Board / Libyan Foreign Bank / Tripoli Libya 2009/2012
- Member of the Board of Directors of the Arab Banking Corporation ABC Manama Bahrain 2010/2012
- (2012 2016) A full-time faculty member Of Finance and Accounting at PUST University Amman – Jordan
- Advisor to the Union Bank Union Bank Amman / Jordan 2012 -2016



### **Dr. Ahmed Menesi**

Representative of: Al-Etihad Islamic for Investment Co. The date of joining the Board of directors: 13/4/2017

Date of birth: 28/12/1938

### Qualifications:

- PhD in Economics from the University of Cologne / Germany in 1972
- Bachelor of Economics from the Libyan University in 1963

### Practical experience and memberships:

- Chairman of the Board, Libyan Economists Association 1990-1999
- Chairman of the Board and General Manager of Al-Wahda Bank- Libya 9/9/2000-23/3/2001
- Governor of the Central Bank of Libya 23/3/2001-3/3/2006
- Secretary of the Public General Committee for Finance (Minister of Finance) 3/3/2006-3/1/2007
- Ambassador of Libya to the State of Austria 4/7/2007-4/4/2012
- Professor at the Department of Economics, University of Garyounis-Libya, 1973 - 2001



### Dr. Nofan Alaqil

Representative of: Government Investments Management Company

The date of joining the Board of directors: 3/8/2016

Date of birth: 1/1/1971

### **Qualifications:**

- PhD in public law (Administrative law/Administrative Jurisdiction) Ain Shams University - Egypt in 2005
- Master in Public Law (administrative law) Al al-Bayt University, 1997
- Bachelor in Law, Mu'tah University, 1994

### **Practical experience and memberships:**

- Head of Legislation and Opinion Bureau Prime Ministry Jordan, 30/6/2013 until 8/5/2019
- Acting Chairman of the Board of Grievances from 31/12/2014 until 18/10/2015
- Minister of State for Prime Ministry Affairs from 8/10/2012 until 30/03/2013
- Minister of Political Development from 2/5/2012 until 07/10/2012
- Associate professor of Public Law at the University of Jordan since 2006 present
- Lawyer and legal advisor from 2006 to 2012
- Head of the legal department / Telecommunications Regulatory Authority from 8/1/2003 until 20/1/2004
- Legal Researcher in the Office of the Jordanian accounting from 1/1/1999 until 8/12/1999
- Member at the company of Aldamaan for Energy Investment



### Samir Abu Lughod/ Independent

The date of joining the Board of directors: 13/4/2017

Date of birth: 7/12/1951

### **Qualifications:**

Bachelor's Degree in Accounting 1976

### Practical experience and memberships:

- Chairman of the Audit Committee The International Criminal Court / The
- · Hague, Netherlands March 2017 till now
- Member of the Audit Committee The International Criminal Court / The Hague, Netherlands January 2016 till March 2017
- · Country Senior Partner PWC, Jordan 2009-2012
- · Managing Partner EY, Jordan, 2002-2009
- · Office Managing Partner Arthur Andersen, Jordan, 1979-2002
- Senior Auditor Saba&Co 1976-1979



### Dr. Ibrahim Saif/ Independent

The date of joining the Board of directors: 22/10/2017

Date of birth: 10/8/1965

### **Qualifications:**

- PhD in Economics from University of London 2001
- MSc. in Economics from University of London 1988
- BA in Economics and Accounting from Yarmouk University 1986

### Practical experience and memberships:

- Minister of Planning and International Cooperation 2013 –2015, and in March 2015 assumed the position of Minster of Energy and Mineral Resources till June 2017
- Researcher at Carnegie Middle East Center, 2012-2015
- Secretary General, Economic and Social Council, Jordan 2009 -2012
- Professor of Economics, and manager of the Center for Strategic Studies, Jordan University, 2002-2008
- · Executive Manager of Jordan Strategy Forum .



### Salem Burgan/Independent

The date of joining the Board of directors: 17/12/2018

Date of birth: 1/1/1952

### **Qualifications:**

- · Bachelor of Accounting
- JCBA

### Practical experience and memberships:

- · Chief Executive Officer and then Chairman of Arab Islamic International Bank
- · Important administrative positions at the Arab Bank in Jordan and abroad
- Vice Chairman of the Board of Directors of Arab National Leasing Company
- Member of the Board of Directors of Al-Nisr Al-Arabi Insurance Company and then Chairman of its Board of Directors
- · Chairman of the Board of Directors of the Jordanian Group of Maritime Agencies
- Chairman of the Board of Directors of Arab Investment Group / Palestine & Member of the Board of Directors of Al-Arabi Investment Group / Jordan
- Financial and Administrative Manager / Arab Insurance Company.
- Senior Auditor Saba&Co
- Board of Directors of several important companies in the Kingdom.

### Members of the Shari'a Supervisory Board and a Profile of each of them:



### His Eminence Prof. Hussein Hamid Hassan Chairman of the Shari'a Supervisory Board and Executive Member

Date of birth: 25/07/1932

Date of appointment: 28/04/2018

### **Certificates:**

- PhD in Jurisprudence and Principles of Islamic Jurisprudence (Islamic law and Shari'a), Al-Azhar University, Egypt 1965.
- Master of Comparative Jurisprudence, International Institute of Comparative Law, University of New York, USA 1964.
- Diploma in Comparative Law, International Institute of Comparative Law, New York University, USA 1963.
- · Diploma in Islamic Law, Cairo University, Egypt 1962.
- Diploma in Private Law, Al-Azhar University, Egypt 1961.
- · High degree in Shari'a, Al-Azhar University, Egypt 1959.

### **Experiences:**

- Chairman of the Shari'a Supervisory Board of more than 13 Islamic financial institutions.
- Member of the Shari'a Supervisory Board of more than 9 Islamic financial institutions and Islamic banks.
- Chairman of Assembly of Muslim Jurists in America.
- · Member of Islamic Jurisprudence Complex of the Islamic World League.
- Member of the Shari'a Committee of the Accounting and Auditing Organization for Islamic Financial Institutions.



### His Eminence Prof. Ali Al-Qara Daghi Deputy Chairman of the Shari'a Supervisory Board

Date of Birth: 01/01/1949

Date of appointment: 28/04/2018

### Certificates:

- PhD in Shari'a and law in the field of contracts and financial transactions, Al-Azhar 1985.
- Master of Comparative Jurisprudence, Faculty of Shari'a and Law, Al-Azhar University, 1980.
- BA in Islamic Shari'a, Baghdad 1975.
- Certificate of Scientific of Completion (Ijaza) in Islamic Sciences by Sheikhs in 1970.
- Graduated from the Islamic Institute in 1969.

### **Experiences:**

- · Secretary General of the World Union of Muslim Scholars.
- Expert of the Islamic Jurisprudence Complex related to the Organization of the Islamic Conference in Jeddah.
- Vice President of the European Council for Fatwa and Research.
- Professor and Head of the Department of Jurisprudence and Principles of Islamic Jurisprudence, Faculty of Shari'a, Law and Islamic Studies, University of Qatar (formerly).
- Member of the Shari'a Board of the Audit Authority for Islamic Financial Institutions.
- Chairman and executive member of the Fatwa and Shari'a Supervisory Board for a number of Islamic banks, Islamic insurance companies in Qatar such as Qatar Islamic Insurance, and outside Qatar such as Dubai Islamic Bank, Investors Bank of Bahrain and First Investment in Kuwait.
- Chairman or executive member of the Fatwa and Shari'a Supervisory Board of a number of Islamic banks outside Jordan



# His Eminence Sheikh Abdul Karim Khasawneh Member of the Shari'a Supervisory Board

Date of birth: 02/10/1944

Date of appointment: 28/04/2018

### Certificates:

· BA in Shari'a, University of Damascus.

### **Experiences:**

- The Grand Mufti of the Hashemite Kingdom of Jordan.
- His Eminence the Judge Judge of the Hashemite Kingdom of Jordan (previously).
- · Member of the Fatwa Board.
- Member of the General Secretariat of the world Fatwa institutions and advisory bodies.
- Member of the Council of the Ministry of Endowments and Islamic Affairs and Sanctities.
- Member of the Board of Trustees of the International Islamic University.
- · Member of the Council of Education.
- · Chairman of the Board of Directors of Orphans Fund Development Foundation.
- · Chairman of the Board of Alimony Fund.



### His Excellency Dr. Ahmed Salem Melhem Member of the Shari'a Supervisory Board

Date of birth: 15/02/1961

Date of appointment: 28/04/2018

### **Education:**

- Doctorate in Comparative Jurisprudence, 1994.
- MA in Jurisprudence and Legislation, 1987.
- Bachelor in Jurisprudence and Legislation 1982.

### Work experience:

- Shari'a advisor in the Shari'a Supervisory Board of the World Federation of Takaful Companies And Islamic insurance in Khartoum.
- Shari'a advisor at the advisory board of the North African Bank in Libya.
- Part-time lecturer at Al-Zaytoonah Private University.
- · The Board of Commissioners of the Securities Commission.
- Shari'a advisor in the Shari'a Supervisory Board of the Jordanian Engineers Association.
- Shari'a advisor in the Shari'a Supervisory Board of the Orphans Fund Development Corporation.
- Shari'a advisor in the Shari'a Supervisory Board of the Islamic Insurance Company - previously.

### Members of the Senior Executive Management and Profile of each of them:



# Samer Saadi Hassan Al Sahib Tamimi/ General Manager, Chief Executive Officer

Mr. Samer Tamimi joined Safwa Islamic Bank in early 2018 with extensive banking and management experience in banks and financial institutions for more than 30 years during which he worked in prominent financial institutions in the Hashemite Kingdom of Jordan, United Arab Emirates, State of Qatar, and United States of America.

Mr. Samer is holding Master's degree in accounting. Mr. Samer is the Executive Director of Safwa Islamic Bank. He was Executive Director of the United Arab Bank from 2015 to 2018. He held various positions at Arab Bank from 1993 to 2015. He was Senior Auditor at Global Audit Group from 1991 to 1993. He also worked at Deloitte & Touche from 1990 to 1991.

Mr. Samer Tamimi is a member of the Board of Directors of the Zakat Fund. He is the Chairman of Misc Financial Brokerage. He also was a member of the Board of Directors of Europe Arab Bank in London and Arab Bank Australia. As well as a member of the board of directors and investment in the University of Science and Technology.



Rami Ziad Abdelfattah Khayyat, Deputy CEO, Chief of Corporate Banking Mr. Rami Al Khayyat joined the Bank on 01/03/2010 as a Deputy CEO, Chief of Corporate Banking, with over 25 years of experience in Corporate Banking in prestigious Jordanian and regional commercial and Islamic banks.

He started his career as a Credit Officer at Cairo Amman Bank, then moved to Saudi Arabia as a Head of Commercial Unit for the Western Region at Arab National Bank, and then he joined Abu Dhabi Islamic Bank as a senior manager for northern Emirates. He was a part time lecturer and trainer in the Arab Academy for Banking and Financial Sciences. Mr. Rami is a board member in several companies as well.

Mr. Rami holds a Master's degree in Banking from the Arab Academy for Banking and Financial Sciences (1995) ,and a Bachelor's Degree in Accounting and finance sciences from Yarmouk University, Jordan, 1994.



# Hani Mohammad Sobhi Ahmad Al - Zrari, Deputy CEO , Chief of Central Operations

Mr. Hani Al - Zrari joined the Bank on 01/07/2010 as Deputy CEO, Chief of Central Operations and Information Technology, with more than 26 years of experience in Central Operations and Information Technology.

He started his career at Cairo Amman Bank till he became the head of Remittance and Foreign Exchange Department. Then he joined Citibank where he held many positions, such as Central Operations, Compliance and Internal Control. He then moved to UAE to work for Dubai Islamic Bank as the head of International Project Support Unit.

Mr. Hani holds a Bachelor's degree in Economics from Yarmouk University in Jordan in 1985.



### Ziad Said Khalil Kokash, Deputy CEO, Chief Credit Officer

Mr. Ziad Kokash joined the bank on 16/09/2012 as Deputy CEO, Chief Risk Officer supported by 28 years of experience in Credit & Risk Management, His Current Position is Deputy CEO, Chief Credit Officer.

He started his career with Cairo Amman Bank in Credit Department as a Credit Officer. in ABC Bank, he became as a senior Credit officer, then in Ahli Bank, he left as Assistant General Manager, Head of Risk Management Group.

Mr. Kokash holds a Master degree in Financial Management from Arab Academy for Banking and Financial Sciences in Jordan 2006, and a Bachelor's degree in Banking and Finance Sciences from Yarmouk University in 1992.

Mr. Ziad Kokash is a Board of Directors Member of MISC for Financial Brokerage Company.



# Ibrahim Salah Mohammad Samha, Deputy CEO, Chief of Finance & Corporate Strategies

Mr. Ibrahim Samha joined the Bank on 31/03/2013 as Deputy CEO, Chief Of Finance & Corporate Strategies with 25 years of experience in financial management.

He started his career at HSBC Bank in the Financial Control Department. Then he moved to work for Capital Bank as Assistant General Manager, Chief of Financial Control. He later moved to work for Al Rajhi Bank as Chief Financial Officer.

Mr. Ibrahim holds a Master's degree in Finance and Banking Sciences from the Institute of Banking Studies\ The University of Jordan in 2005 and a Bachelor's degree in Accounting from The University of Jordan in 1994.

Mr. Ibrahim Samha is the Deputy Chairman of the Board of Directors of MISC for Financial Brokerage Company.



### Nesfat Kamal Salama Taha, Head of Retail Banking

Mr. Nesfat joined the bank on 21/02/2010 as head of Branches Network with 26 years of extensive experience in Retail banking.

He started his professional career at Arab Bank. The last position he held was Area Manager, Jordan Branches / VIP customers Department.

Mr. Nesfat holds a Bachelor's Degree in Business Administration from the American University in Cairo (1993).



### Wael Osama Mohammed Mousa Al-Bitar, Head of Treasury and Investment

Mr. Wael Al-Bitar joined the bank on 03/01/2010 as senior manager/ head of financial Institution Relations with a broad experience of up to 25 years.

He worked in many fields including corporate, treasury, investment, credit and financial institutions at several banks in Jordan (Arab Bank, Bank ABC, Capital Bank) and has gradually advanced in several important positions in the field of banking.

Mr. Wael Al-Bitar holds a Master's Degree in Business Administration / Finance from the University of Jordan (1999), and a Bachelor's Degree in Economics / Finance from Yarmouk University (1994).

Mr. Wael Al-Bitar is currently a member of several companies (Deputy Chairman of Sukuk National Electricity Owners', Deputy Chairman of Sukuk of Ministry of Finance, Member of the Board of Directors of MISK Brokerage Company, and Board member of Directors of Islamic Banks Group Company to participate in companies).



### Rami Riyad Hasan Kilani, Head of Information Technology

Mr. Rami Kilani joined the bank on 02/10/2011 as Senior Manager, Deputy Chief of Information Technology with 26 years of experience in the field of Information Technology.

He started his career as a Systems Analyst at the Housing Bank and then moved to Cairo Amman Bank as Head of Banking Application Support and later joined Audi Bank as Head of Information Technology.

Mr. Rami Kilani is holding a Bachelor's Degree in Computer Engineering from Amman Private University in 1993 and a Master's Degree in Business Administration from Heriot Watt University in Edinburgh.

He got the following certificates of competence: Fintech Certified Professional, TOGAF, CISSP, CPP, COBIT5, ITIL, PMP, ISO27001.



# Ahmad Darwish Mustafa Tarteer, Head of Compliance and Anti-Money Laundering

Mr. Ahmad Tarteer joined the Bank on 21/06/2015 as Senior Manager, Head of Compliance and Anti-Money Laundering, he has a 12 years of experience in the field of banking.

He started his career at Bank ABC as an internal auditor. Then, he became Assistant Manager/Compliance and Anti-Money Laundering Department at Arab Bank. His last position was the Head of Compliance and Anti Money Laundering at the National Bank of Kuwait in Jordan.

Mr. Tarteer holds a Bachelor's Degree in Accounting and Commercial Law from the Hashemite University in 2007. He is a Certified Anti-Money Laundering Specialist by the ACAMS - Miami, USA. And he holds the following international certificates: CAMS, CAMS AUDIT CCM, CCOS, CPT.



Masoud Ismail Masoud Sakf al-Hait, Chief of Legal & Board Secretariat Mr. Masoud Sakf al-Hait joined the bank on 01/04/2012 as head of the legal department with 27 years of experience in legal affairs.

He started his career as a lawyer at Arab Bank and then moved to Capital Bank as head of the legal department. Later, he worked as lawyer at Ali Sharif Al Zoubi's Office.

Mr. Masoud holds a Bachelor's degree in Law from Jordan University in Jordan in 1992.



### Muneer Mohammad Fayyad Faroneyah, Head of Shari'a Supervision

Mr. Muneer Faroneyah joined the bank on 01/08/2010 as a Shari'a auditor with extensive experience of 24 years in Islamic banking and Shari'a audit.

Mr. Muneer worked at the Jordan Islamic Bank in several positions and departments and His last position was senior Auditor, Internal and Shari'a Audit.

Mr. Muneer holds a Master's degree in Finance and Banking speciality Islamic banks from the Arab Academy for Banking and Financial Sciences and a Bachelor's degree in Finance and Banking from Yarmouk University. He has got the certificate of Certified Shari'a Advisor and Auditor (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain (AAOIFI).



Mohammad Ahmad Salem Hawari, Head of Human Capital Management Mr. Mohammad Hawari joined the bank on 18/01/2010 as Human Resources Operations Manager with 16 years experience in banking.

He started his career at Jordan Kuwait Bank in the Finance Department and his last job was an Assistant Financial Manager.

Mr. Hawari holds a Bachelor's Degree in Accounting from Mu'tah University in 2003 and a Master's Degree in Accounting from Amman Arab University for higher Studies in 2005. He holds Certified Human Resources Manager Certificate (CHRM).



### Khalid Khalil Mohammed Al-Issa, Head of Internal Audit

Mr. Khaled Al-Issa joined the Bank on 20/02/2011 as Manager of the Financial and Operational Audit with an extensive experience of 15 years.

He started his career working at the Housing Bank in the Internal Audit Department and his last job was an Operations Auditor.

Mr. Al-Issa holds a bachelor's degree in Accounting from Al-Bayt University in 2004. He Also holds a number of International certificates: CIA, DIP-IFRS, CCSA, CGAP.



experience.

Ahmad Mahmoud Adel Qader Jafar, Acting/Head of Risk Management Mr. Ahmad Ja'far joined the Bank on 06/02/2011 as Senior Manager, Head of Credit Policy and Portfolio Management and Market risk with over 19 years of banking

He started his career with Islamic International Arab Bank in 2000 till 2005 within the Department of Banking Organization and Systems to become a Supervisor of Banking policies and Systems. then he joined Aljazira Bank – Saudi Arabia from 2005 to 2011 as Senior Manager of Basel and Credit Risk.

Mr. Ja'far holds a Bachelor's degree in Accounting from Al-Ahliyya Amman University in 2000 and a Masters degree in Accounting in from Amman Arab University in 2003 addition that he holds a professional certificate in Banking Risk and Regulation.

# Number of Securities owned by Members of the Board of Directors, Top Management, Their relatives or Companies owned by Them as of year 2019 compared to the previous year

			31/12/2019				
Members Name legal entity)	Nationality	Independent / non-independent member	Independent / non-independent member	Members Name (representative of legal entity)	Nationality	Number of shares held by the legal entity	Direct participation in capital %
Dr. "Mohammed Nasser" Abu Hammour	Jordanian	Non-executive	Is not independent				
Basem Salfiti	Jordanian	Non-executive	Is not independent				
Deema Aqel	Jordanian	Non-executive	Is not independent	Al-Etihad Islamic for		070 070	/00/20
Khaled Algonsel	Libyan	Non-executive	Is not independent	Investment Co.	Jordanian	02,370,249	02.370%
Dr. Ahmed Menesi	Libyan	Non-executive	Is not independent				
Dr.Khaled Zentuti	Libyan	Non-executive	Is not independent				
Dr. Noufan Alaqil	Jordanian	Non-executive	Is not independent	Social Security Corporation	Jordanian	5,550,000	2.550%
Hamdan Al-Fawair	Jordanian	Non-executive	independent	Orphans Fund Development Foundation	Jordanian	4,925,000	4.925%

Name of the board member (representing his personal capacity)	Nationality	Independent / non- independent member	Independent / non- independent member	The number of shares owned by a The percentage of shares held in member of the Board of Directors the bank's capital%	The percentage of shares held in the bank's capital%
Samir Abu-Lughod	Jordanian	Non-executive	independent	1,500	0.002%
Salem Burgan	Jordanian	Non-executive	independent	2,000	0.002%
Dr. Ibrahim Saif	Jordanian	Non-executive	independent	1,500	0.002%

Board member who owns shares in the bank in his personal capacity	Nationality	The number of shares owned by a member of the Board of Directors	The percentage of shares held in the bank's capital%
Dr. Noufan Al-Aqil	Jordanian	1,000	0.001%
Dr. "Mohammed Nasser" Abu Hammour	Jordanian	65,000	0.065%
Basem Salfiti	Jordanian	1	1
Deema Aqel	Jordanian	,	1
Khaled Algonsel	Libyan	,	1
Dr. Ahmed Menesi	Libyan	1	1
Dr.Khaled Zentuti	Libyan		1
Hamdan Al-Fawair	Jordanian	,	1

# The number of securities owned by members of the Board of Directors compared to the previous year

			31/12/2019				
Members Name legal entity)	Nationality	Independent / non-independent member	Independent / non-independent member	Member·s Name (representative of legal entity)	Nationality	Number of shares held by the legal entity	Direct participation in capital %
Dr. "Mohammed Nasser" Abu Hammour Jordanian	Jordanian	Non-executive	Is not independent				
Basem Salfiti	Jordanian	Non-executive	Non-executive Is not independent				
Deema Aqel	Jordanian	Non-executive	Non-executive Is not independent	Al-Etihad Islamic for	9	707 707	70.40
Khaled Algonsel	Libyan	Non-executive	Is not independent	Investment Co.	Jordanian	01,794,249	01.794%
Dr. Ahmed Menesi	Libyan	Non-executive	Is not independent				
Dr.Khaled Zentuti	Libyan	Non-executive	Is not independent				
Dr. Noufan Alaqil	Jordanian	Non-executive	Is not independent	Social Security Corporation	Jordanian	5,550,000	2.550%
Hamdan Al-Fawair	Jordanian	Non-executive	independent	Orphans Fund Development Foundation	Jordanian	4,925,000	4.925%

Name of the board member (representing his personal capacity)	Nationality	Independent / non- independent member	Independent / non- independent member	The number of shares owned by a The percentage of shares held in member of the Board of Directors the bank's capital%	The percentage of shares held in the bank's capital%
Samir Abu-Lughod	Jordanian	Non-executive	independent	1,500	0.002%
Salem Burgan	Jordanian	Non-executive	independent	2,000	0.002%
Dr. Ibrahim Saif	Jordanian	Non-executive	independent	1,500	0.002%

Board member who owns shares in the bank in his personal capacity	Nationality	The number of shares owned by a member of the Board of Directors	The percentage of shares held in the bank's capital%
Dr. Noufan Al-Aqil	Jordanian	1,000	0.001%
Dr. "Mohammed Nasser" Abu Hammour	Jordanian	64,950	0.065%
Basem Salfiti	Jordanian	•	
Deema Aqel	Jordanian	•	•
Khaled Algonsel	Libyan		•
Dr. Ahmed Menesi	Libyan	-	-
Dr. Khaled Zentuti	Libyan	•	•
Hamdan Al-Fawair	Jordanian	•	

- There is no ownership for any of the top managment or their relatives or companies owned by them as of end of year 2019 and end of year 2018.
- There is no ownership of companies owned by any of Board members as of end of year 2019 and end of year 2018.
- There is no ownership of securities owned by relatives of the BOD except ownership of sons Dr. Nofan Al- Aqeil(Abdullah,Noor,Noof and Omar) a total of 1000 share in Safwa Islamic Bank for each one of them as of end of year 2019 and end of year 2018.

# Names of major shareholders and the number of shares they own compared to the previous year

		31/12	/2019			31/12	/2018
name	Nationality	Percentage of shares held in the Bank's capital %	Number of Shares	name	Nationality	Percentage of shares held in the Bank's capital %	Number of Shares
Al-Etihad Islamic for Investment Co.	Jordanian	62.370%	62,370,249	Al-Etihad Islamic for Investment Co.	Jordanian	61.794%	61,794,249
Social Security Corporation	Jordanian	9.090%	9,090,909	Social Security Corporation	Jordanian	8.893%	8,893,620
Government Contributions Management Company	Jordanian	5.550%	5,550,000	Government Contributions Management Company	Jordanian	5.550%	5,550,000

<sup>-</sup> The company name changed on 30 October 2019

Shareholders, who own 1% or more from the bank capital and the final beneficiary for these shares as of 31/12/2019

ifor Jordanian 62,370,249 62.370%  Jordanian 36,174,744 36.175% 58.00%  Tench 27,435,967 6.203% 17.147%  Cayman 32,413,763 7.329% 20.259%  Islands 24,149,840 5.460% 15.094%  Ifiti Jordanian 15,207,886 3.438% 9.505%	Meml (repre	Member's Name (representative of legal entity)	Nationality	Number of shares held by the legal entity	Direct participation in capital %	Indirect participation in capital %	The final beneficiary	Number of shares encumbered	Share of encumbered shares of total contribution	Foreclosure
Jordanian       36,174,744       36.175%       58.00%         French       27,435,967       6.203%       17.147%         Libyan       32,413,763       7.329%       20.259%         Libyan       24,149,840       5.460%       15.094%         Jordanian       15,207,886       3.438%       9.505%         Jordanian       13,473,212       3.046%       8.420%	Al-Etihad Isl Investme	amic for nt Co.	Jordanian	62,370,249	62.370%			IInN		
French 27,435,967 6.203% 17.147% Libyan 32,413,763 7.329% 20.259% Cayman 24,149,840 5.460% 15.094% Islands 15,207,886 3.438% 9.505% Jordanian 13,473,212 3.046% 8.420%	Bank al E	Etihad	Jordanian	36,174,744	36.175%	58.00%		II N		
French 27,435,967 6.203% 17.147% Libyan 32,413,763 7.329% 20.259% Cayman 24,149,840 5.460% 15.094% Islands Jordanian 15,207,886 3.438% 9.505% Jordanian 13,473,212 3.046% 8.420%							Owned by companies			
French 27,435,967 6.203% 17.147% Libyan 32,413,763 7.329% 20.259% Cayman 24,149,840 5.460% 15.094% lslands 15,207,886 3.438% 9.505% Jordanian 13,473,212 3.046% 8.420%							Bank of New York 17.15%			
Libyan 32,413,763 7.329% 20.259%  Cayman 24,149,840 5.460% 15.094%  Jordanian 15,207,886 3.438% 9.505%  Jordanian 13,473,212 3.046% 8.420%	Blom Banl	k france	French	27,435,967	6.203%	17.147%	Banorabe S.A.SPF 34.37% (actionnaires Unis Holding Libanais S.A.L42.31%, Shaker Family 8.61%)			
Libyan 32,413,763 7.329% 20.259%  Cayman 24,149,840 5.460% 15.094%  Jordanian 15,207,886 3.438% 9.505%  Jordanian 13,473,212 3.046% 8.420%							Azhari Family7.53%.			
Cayman 24,149,840 5.460% 15.094% Islands 15,207,886 3.438% 9.505% Jordanian 13,473,212 3.046% 8.420%	Libyan F Investment	oreign Company	Libyan	32,413,763	7.329%	20.259%	Owned by Libyan governmen	Null		
Cayman 24,149,840 5.460% 15.094% Islands 15,207,886 3.438% 9.505% Jordanian 13,473,212 3.046% 8.420%							Owned by companies			
Cayman 24,149,840 5.460% 15.094% Islands 15,207,886 3.438% 9.505% Jordanian 13,473,212 3.046% 8.420%							TRHS Holding 25% ownership (Tareq Rajai Salfiti ) 100%			
Cayman 24,149,840 5.460% 15.094% Islands Jordanian 15,207,886 3.438% 9.505% 3.00danian 13,473,212 3.046% 8.420%							ZRS Holding 25% ownership (Zaid Rajai Salfiti)100%			
Jordanian 13.473.212 3.046% 8.420%	RS FIN.	ANCE	Cayman Islands	24,149,840	5.460%	15.094%	FRS Holding 25% ownership(Faisal Rajai Salfiti)100%	16,429,000	%89	Societe Generale Bank
Jordanian 13.473.212 3.046% 8.420%							DRS Holding 12.5% ownership (Dina Rajai Salfiti) 100%			
Jordanian 13.473.212 3.046% 8.420%							SRHS Holding 12.5%ownership (Samia Farah issa Fraih)100%			
Jordanian 13.473.212 3.046% 8.420%	- - !	;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;	!  !	7 7 7 7	000	9	Same	6,276,508	, , , , , , , , , , , , , , , , , , ,	National bank of Kuwait
Jordanian 13.473.212 3.046% 8.420%	Essam hall		Jordanian	13,207,880	3.438%	%cnc.6		2,000,000	04.4%	Societe
Jordanian 13.473.212 3.046% 8.420%							Total	8,276,508		Generale Bank
	Social Securit Corporation	ecurity ation	Jordanian	13,473,212	3.046%	8.420%	Same/Governmental entity	II n		

Foreclosure hand														
Share of encumbered shares of total contribution														
Number of shares encumbered		lin V					Noil	Null	Noil	מפו	II N	Null	Null	IInN
The final beneficiary	Hammouda Brothers Company for Trade and Investment 10% (Sami25%, Maher25%, Samir and Mohamed Nabil Abdel-Hadi Hamouda25%)	Jordan Chemicals Company 10% (Sami25%, Maher 25%, Samir 25%, and Muhammad Nabil Abdel-Hadi Hammouda 25%)	Sami Abdel Hadi Hammouda 20%	Maher Abdul Hadi Hammouda 20%	Samir Abdel Hadi Hammouda 20%	Mohamed Nabil Abdel-Hadi Hammouda 20%	Same	Owned by Libyan government	Same	Same	Same	Same	Same	Same
Indirect participation in capital %		2.830%					2.790%	42%						
Direct participation in capital %	1.024%					1.009%	26.194%	9:09%	5.55%	4.93%	1.15%	1.03%	1.03%	
Number of shares held by the legal entity		4,526,848					4,427,300	26,195,505	606'060'6	5,550,000	4,925,000	1,154,000	1,029,342	1,029,341
Nationality		Jordanian					Jordanian	Libyan	Jordanian	Jordanian	Jordanian	Jordanian	Jordanian	Jordanian
Member's Name (representative of legal entity)		Jordan Valley Company	Development				wedad ayoub odeallah alkouri	Libyan Foreign Investment Compan	Social Security Corporation	Government Contributions Management Company	Orphans Fund Development Foundation	Ali Ahmed Al Hakim	zeina Saad Khalaf Al-Tal	Tamara Saad Khalaf Al-Tal
		1.1.6					1.1.7	1.2	2	က	4	2	9	7

### Rewards and bonuses of the Board of Directors Chairman and Members

Board of Directors Members Board of Directors Members	Mobility Allowances & attending BOD meetings	Committee membership	Accrued and unpaid bonuses for 2019	Total
Dr. "Mohammed Nasser" Abu Hammour	155,000	11,500	5,000	171,500
Hamdan Al-Fawair	29,000	9,200	5,000	43,200
Dr. Nofan Alaqil	-	1,500	-	1,500
Government Investment Management Company	24,000	4,500	5,000	33,500
Deema Aqel	24,000	15,000	5,000	44,000
Basem Salfiti	24,000	14,000	5,000	43,000
khaled Al-Gonsel	24,000	5,000	5,000	34,000
Dr. Ahmad Menesi	24,000	2,000	5,000	31,000
Samir Abu Lughod	29,000	11,200	5,000	45,200
Dr. Ibrahim Saif	29,000	5,000	5,000	39,000
Dr. Khaled Zentuti	24,000	16,200	5,000	45,200
Salem Burqan	29,000	10,000	5,000	44,000
Total	415,000	105,100	55,000	575,100

<sup>\*</sup> Members of the Board of Directors not received any salaries other than the allowance and the afore mentioned bonues

### **Approval by the Board of Directors**

- 1. The Board of Directors hereby declares that there are no material issues that may affect the Bank's continuity during the next financial year 2020.
- 2. The Board of Directors declares its responsibility for the financial statements and that the bank has an effective control system .

Chairman Dr."Moh'd Naser" Salem Mohammad Abu-Hammour

Deputy Chairman Hamdan Mustafa Alfayad Al Fawair

Basem Isam Halim Salfiti

Deema Mufleh Mohammad Aqel

Dr. Noufan Mansour Ageel Alaqil

Khaled Amr E Algonsel

Dr. khaled F M Zentuti

Dr. Ahmed Menesi Menesi

Salem Abdel-Monem Salem Burqan

Samir H.A Abu Lughod

Dr. Ibrahim Hassan Mustafa Saif

### **Declarations of the Board of Directors**

Each of the under signed Board of Directors declares that he / she did not gain any benefits, either cash or in -kind as a result of his position at the bank and was not declared whether for himself or any of his related parties during the year 2019

Chairman Dr."Moh'd Naser" Salem Mohammad Abu-Hammour

Deputy Chairman Hamdan Mustafa Alfayad Al Fawair

Basem Isam Halim Salfiti

Deema Mufleh Mohammad Aqel

Dr. Noufan Mansour Ageel Alaqil

Khaled Amr E Algonsel

Dr. khaled F M Zentuti

Dr. Ahmed Menesi Menesi

Salem Abdel-Monem Salem Burgan

Samir H.A Abu Lughod

Dr. Ibrahim Hassan Mustafa Saif

### Declaration

We, the undersigned, declare that all information and data provided in this annual report for the year 2019 are complete, accurate and comprehensive.

Chairman
Dr."Moh'd Naser" Salem Mohammad Abu-Hammour

Chief Executive Officer Samer Sa'di Hasan Al-Saheb Al Tamimi

Chief of Finance & Corporate Strategies Ibrahim Salah Mohammad Samha

### Advantages and rewards enjoyed by the Chairman and members of the Shari'a Supervisory Board

Members of The Shari'a Supervisory Board	Transportation and attending the meetings of the Shari'a Supervisory Board	Number of sessions of the Commission attended	Paid bonuses	Total
Dr. Hussein Hamed Hassan	6,660	5	31,100	37,700
Dr. Ali Muhieddin Al Qaradaghi	6,660	6	7,100	13,700
Dr. Ahmad Salem Melhem	6,660	6	7,100	13,700
His Eminence Sheikh Abdul karim Al-Khasawneh	6,660	4	7,100	13,700
Total	26,400		52,400	78,800

- The number of meetings of the Shari'a Supervisory Board during the year 2019 (6) meetings.
- The Shari'a Supervisory Board met twice with the Board of Directors in 2019.
- The Shari'a Supervisory Board met twice with the External Auditor during 2019.

### Peace be upon you,

Referring to Corporate Governance's instructions of Islamic Banks No (64/2016), we, the Shari'a Supervisory Board Members, did not get any benefits which we didn't disclose during our work, whether materialistic or non-materialistic, whether to our personal benefit or to any of the stakeholders, in the past year 2019.

Chairman

Dr. Hussein Hassan

Deputy Chairman

Dr. Ali Al Quradaghi

Member

Sheikh Abdul Karim khasawneh

Member

Dr. Ahmad Mulhem

### Rewards and Bonuses of the Top Management

Name	Job	The Total annual Salaries	Transportation allowances	Total
Samer Tamimi	Chief Executive Officer	601,100	0	601,100
Rami Khayat	Depuity CEO, Chief of Corporate Banking	195,475	3,300	198,775
Hani Al-Zrari	Depuity CEO, Chief of Centeral Operations	183,843	3,300	187,143
Ziad Kokash	Depuity CEO, Chief Credit officer	186,001	3,300	159,301
Ibrahim Samha	Depuity CEO, Chief of Finance and Corporate Strategies	187,230	3,300	190,530
Nesfat Taha	Head of Retail Banking	147,583	2,900	150,483
Wael Al – Bitar	Head of Treasury and Investment	116,966	2,900	119,866
Rami Al – Kilani	Head of Information Technology	129,345	2,900	132,245
Ahmad Tarteer	Head of Compliance and AML	83,767	2,400	86,167
Masoud "Sakf al-hait"	Chief of legal & Board secretariat	155,556	3,300	158,856
Muneer Faroneyah	Head of Shari'a Supervision	75,613	2,900	78,513
Mohammed Hawari	Head of Human Capital Management	77,084	2,900	79,984
Khalid Al-Issa	Head of Internal Audit	69,715	2,900	72,615
Ahmad Jafar Head of Risk Management Acting		87,513	1,400	88,913
Total		2,296,791	37,700	2,334,491

# Number of employees of the Bank by categories of qualifications as at 31/12/2019

Qualification	No. of Employees
PhD	2
Master's Degree	43
Higher Diploma	3
Bachelor Degree	527
Diploma	19
General Secondary Education	7
Pre-Secondary Education	11
Total	612

# Training programs for Bank employees in 2019

Pograms Name No.	Pograms No.	Participants No. of	General description of program objectives
Shari'a Education Programs	11	175	These programs aim to develope employee skills in terms of Shari'a banking and to provide them with Shari'a banking bases and foundations that enable them to serve the clients properly.
Policies, Laws And Procedures Education Programs	47	1552	Bank management is keen to adhere to all adopted policies and laws, which contributes to comply with relevant regulations and legislations
Following Positive behaviors, Communication Skills and Personal Skills	8	25	These programs aim to develop the personal and managerial skills of employees.
Best Practice Programs in Customer Service and Sales	12	104	These programs aim to emphasize employee skills to the level of excellence in customer service, maintaining customers, dealing with complaints, focusing on the Bank's mission to provide innovative and distinguished services so as to build a lasting partnership and introduce them to the right basics of sales according to the highest quality standards.
New Employees Orienation Program	2	59	These programs aim to qualify new employees and provide them with all necessary information and support to ensure their integration into the work environment and to achieve the expected performance.
Development of Leadership and Management Skills	12	82	These programs aim to develop leadership skills of managers, help leaders to achieve bank objectives and provide them with the skills necessary for performing their work Professionally
Specialized Programs in Banking	126	1490	These programs aim to emphasize and enable employees knowledge in their specialized work fields and to keep up the latest developments and updates with regard to their work and to increase the efficiency and effectiveness in carrying out their various duties.
Specialized Professional Certificates	17	21	These programs aim to qualify employees, enhance their knowledge and skills through obtaining specialized professional certificates.
Conferences and Seminars	40	61	Attend a multiple of conferences and seminars
Total	275	3569	

# Safwa Bank geographic locations and number of employees in each branch

No.	Branchs	District Name	Street	Building No.	Telephone	Fax	
-	Headquarter	Abdali / Boulevard project	Finance	38	4602100	4647821	264
2	Jabal Amman Building	Zahran area	Islamic Scientific College	31	4602100	4602184	63
က	Al-abdali	Abdali / Boulevard project	Finance	38	4602100	4602728	11
4	Jabal Amman	Zahran area	Islamic Scientific College	31	4602100	4602723	6
2	Al-Bayader	Al Rawnq / Wadi Sir	Hosny Suber	33	4602100	4602711	7
9	Al Madina AlMunawwarah	Al Salam neighborhood / Tla Al Ali area	Al Madina AlMunawwarah	121	4602100	4602712	6
7	Shmeisani	Shmeisani district / Abdali area	Ilya Abu Madi	9	4602100	4602713	6
8	Al Wehdat	Alawda / Yarmouk area	Prince Al Hassan	313	4602100	4602714	8
6	Sweifiyeh	Sweifieh district /Wadi al-Sir area	Abdul Rahim Al-Haj Mohammed	70	4602100	4602718	2
10	Al Khaldi	Al-Radwan neighborhood / Zahran area	Ibn Khaldun	38	4602100	4602719	2
11	Khalda	Khalda District /Tlaa Al Ali Area	Wasfi Al-Tal	302	4602100	4602720	8
12	Taj Mall	Southern Abdoun district / Zahran area	Saad Abdo Shammout	2	4602100	4620721	12
13	Al Jubaiha	Al-Fadila neighborhood /Sweileh area	Queen Rania Al Abdullah	329	4602100	4602722	7
14	Al Hashemi	Raghadan district / Basman area	Batha	97	4602100	4602725	2
15	Jabal Al - Hussein	Jabal Al Hussein neighborhood /Abdali area	Khalid ibn al-Walid	170	4602100	4602726	7
16	Wasfi EITal .ST	Baraka District / Tla' Al Ali Area	The Martyr Wasfi al - Tal	110	4602100	4602109	10
17	Dabouq	Al-Bashaer district / Sweileh area	King Abdullah II	149	4602100	4602734	7
18	Istiklal Mall	Jabal Al Nozha /Basman area	Istiklal	-	4602100	4602730	6
19	Abu Nseir	Al-Amana neighborhood / Abu Nseir area	Abu Nseir	145	4602100	4602731	7
20	Tabarbour	Tarek area	Tarek	78	4602100	4602733	10
21	Al Rabiah	Al Salam neighborhood / Tla Al Ali area	Abdullah bin Rawaha	17	4602100	4602737	8
22	Mecca Mall	Tla Al-ali area / Um Alsummaq neighborhood	Abdullah Al-Daoud	20	4602100	4602736	13
23	Al Hureyye Street	Mqablain	Al Hureyye	150	4602100	4604770	7
24	Marka	Al Zahraa district	King Abdullah	440	4602100	4602739	7
25	Sports City	Al Hussein Youth City neighborhood	Sarh Al Shaheed	06	4602100	4604774	7
26	Sahab	King Abdullah II City	Banks	254	4602100	4660724	ဇ
27	Marj Al Hamam	Marj Al Hamam area	Princess Taghreed Mohammed	47	4602100	4602729	7

District Name			Street	Building No.	Telephone	Fax	
Madaba West District	West District		Al Yarmouk	ı	4602100	4604773	80
Al Zarqa - Saadeh Street	The first area		Saadeh	74	4602100	4602735	8
Zarqa New Zarqa / Fifth Area	New Zarqa / Fifth Area		Street 36	36	4602100	4602716	7
Salt Al-Kharabsheh neighborhood	Al-Kharabsheh neighborhoo	ō	Amreya Bridge	ı	4602100	4604772	7
Jerash Kairouan	Kairouan		Kairouan roundabout	ı	4602100	4604771	7
Irbid	Hashemi		Al Hashemi	84	4602100	4602715	12
Irbid City Center Mall	City Center Mall		Prince Hassan	ı	4602100	4602727	1
Aqaba Hotel Area	Hotel Area		Al Nahda	722	4602100	4602738	7
Al-Karak Al-Thaniah	Al-Thaniah		Karak	ı	4602100	4604775	0
Queen Rania Street	Haj Fund		Queen Rania	19	4602100	4604776	2
Abu Alanda Abu Alanda	Abu Alanda		Ibrahim Al Hnaty	71	4602100	4604777	7
		Total	-				612

### The Bank Bonus Policy

The Bank adopts a clear-cut bonus policy which aims at creating excellent results through promoting the employees' excellence and high performance culture; that in return contributes to attracting distinctive, high-qualified and skilled calibres', in addition to maintaining, supporting and developing and the incumbent efficiencies to upgrade the Bank and increase its competitiveness.

The bonuses are annually distributed over the employees based on the annual performance assessment and the extent of achieving goals determined at the beginning of the year; while the bonus system is characterized by transparency and fairness; and is in line with the human capital policies and the institutional governance instructions.

### **Subsidiaries**

Misc For Brokerage (Misc)

- Established in 2011, with a capital of JOD 750,000.
- Its capital stood at JD 2 million by end of 2019.
- The company's major business is financial brokerage on the Amman Stock Exchange (ASE).
- The Bank owns a 100% stake in Misc.
- · Jabel Amman Area, next to the Islamic Scientific College.
- Staff number: seven
- Misc's objectives: Trading securities on behalf of other persons and a broker for its account.

### Fees of Bank and Subsidiaries' Auditors

- The fees of Bank and subsidiaries' auditors reached JOD 126,150 in 2019.
- Also, the fees of Bank and subsidiaries' auditors for additional services reached JOD 30,462 in 2019 as follows:
- The fees of Bank and subsidiaries' tax auditors reached JOD 13,340.
- The fees of reviewing business continuity plan for the Bank reached JOD 13,642.
- The fees for reviewing the policies of anti-money laundering and terrorism finance for the subsidiary (MISC For Financial Brokerage Co) reached JOD 3,480
- The audit committee that emerged from the bank board of directors reviewed engagement letters and contracts with external auditors and the due measures were adopted in order to maintain the independency of the external auditor.

# Reliance on specific suppliers or main clients, whether internally or externally, who represent 10% or more of the total purchases and/or sales and/or revenues, respectively

• There is no reliance on specific suppliers or main clients, whether internally or externally, who represent 10% or more of the total purchases and/or sales and/or revenues, respectively.

Description of any government protection or any privilege enjoyed by the Bank or any of its products, in accordance with the laws and regulations, where there are no patents or privileges obtained by the Bank

• There is no government protection or any privileged enjoyed by the Bank or any of its products, subject to the laws and regulations, as there are no patents or franchises acquired by the Bank.

Description of resolutions issued by the government, international organizations or others, which have financial impact on the Bank operation, products or competitive abilities.

• There are no resolutions issued by the government, international organizations or others, which have financial impact on the Bank operation, products or competitive abilities.

A statement of the contracts, projects or agreements concluded by the Bank with its subsidiaries, subsidiaries, affiliates, chairman, members of the Board of Directors, general managers or any of the employees of the Bank or their relatives.

 There are no contracts, projects or agreements held by the Bank with subsidiaries, sister companies, affiliate companies, chairman, board members, general managers or any of Bank employees, or their relatives.

### The bank's application of the international quality standards

The international quality standards apply to the Bank, as it acquired:

- Certificate of the international standard «PCI DSS» for applying the best international standards
  of information security in banking card transactions. And to provide the highest level of
  protection and confidentiality of data on electronic payment cards, within the latest version
  (V3-2-1).
- 2. ISO-9001:2008 certificate, for applying the international quality standards by SGS Company, with authorization from UKAS, United Kingdom.

## Donations and grants during 2019

Number	The beneficiary	Total
1	Ministry of Endowments, Islamic Affairs and Holy Sites	37,500
2	The Jordanian Hashemite Fund for Human Development	33,292
3	King Hussein Cancer Foundation	25,000
4	Tkiyet Um Ali	10,000
5	The Hashemite Jordanian Charitable Organization	10,000
6	Awqaf Fund Development Department	7,500
7	Al Aman Fund For the Future of orphans	3,600
8	Jordanian Association for Medical Aid for Palestinians	3,400
9	Traffic department / Supporting the families of martyrs' families	3,000
10	The Middle East Association for Hearing, Balance and Pronunciation	2,000
11	The Circassian Charity Association	1,500
12	Prince Hamza Bin Al Hussein School	1,000
13	Al Sanabel Health Care Association	1,000
14	Alsalheen association for memorizing the Qur'an	1,000
15	Sanahyakiram Charity Association	1,000
16	The Solidarity and Accord Society	500
17	Jordanian Association for the Support of the Children of Gaza, the charity	500
18	Other donations	500
19	Arab Medical Relief Society	250
Total		142,542

#### Most Important Lawsuits Filed by and against Safwa Islamic Bank

#### First: Below are the most important lawsuits filed against the Bank

Lawsuit No.	Lawsuit Classification	Claim Value	Court
1292/2017	Invalidating procedures of implementation of debt bonds worth	JD 200,000 for the purposes of fees	Amman First Voyurt of Instance
201/2018	Invalidating procedures of implementation of debt bonds worth	JD 140,000 for the purposes of fees	Jerash First Court of Instance

The Bank management and lawyer believe that lawsuits provision, which amounts JOD 60,785 is enough for facing the liabilities that may be imposed on the Bank as a result of all lawsuits filed against the same.

#### Second: Below are the most important Lawsuits filed by the Bank

Lawsuit No.	Lawsuit Classification	Claim Value	Court
2728/2017	financial claim	JD 2,932,000	Amman First Voyurt of Instance
660/2016	financial claim	JD 672,696	Amman First Voyurt of Instance

The Bank management and lawyer believe that the Bank has a very strong opportunity to win such cases and collect the due debts.

#### Safwa Bank Risks

The risks that Safwa Islamic Bank exposed to are within the risk appetite from the Board of Directors.

Board Risk Committee determines the frameworks of risk management strategies and policies which are approved by the Board of Directors. Operationally, the Bank's risk is managed by a specialized department with qualified staff in line with the Board's guidelines and overall strategy. This department applies international best practices in risk management (Basel II & III) and in line with the requirements and directives of the Central Bank of Jordan.

#### Risk Management Description, Structure and Nature of its operation

The risks to the bank The risks to which Safwa Islamic Bank is exposed are within the level accepted by the Board of Directors, and a management committee is established Risks emanating from the Board of Directors by defining the broad frameworks of risk management strategies and policies that are approved by the Board Administration. From an operational point of view, the risks in the bank are managed by a specialized department with qualified personnel and in line with the directives Board and overall strategy of the bank, and this department works to implement international best practices in risk management (Basel II decisions) III &) and in line with the requirements and directives of the Central Bank of Jordan The risks to the bank The risks to which Safwa Islamic Bank is exposed are within the level accepted by the Board of Directors, and a management committee is established Risks emanating from the Board of Directors by defining the broad frameworks of risk management strategies and policies that are approved by the Board Administration. From an operational point of view, the risks in the bank are managed by a specialized department with qualified personnel and in line with the directives Board and overall strategy of the bank, and this department works to implement international best practices in risk management (Basel II decisions) III &) and in line with the requirements and directives of the Central Bank of Jordan

#### The Risk Management Department consists of the following departments:

- 1. credit risk department.
- 2. Department of Operational Risks and Information Security.
- 3. Market risk department

#### **Developments of the Risk Management Department**

The Risk Management Department in coordination with the Finance Department and all relevant units completed the implementation of IFRS 9 in accordance with the instructions of the Central Bank of Jordan and best practices through the implementation of an integrated automated system to calculate the expected credit loss for the various portfolios of the Bank and in conjunction with the core banking system. IFRS 9 system includes the automatic extraction of all the required disclosures from the regulatory authorities. As part of the Department ongoing efforts to develop the credit risk management system, the Scoring System project has been initiated, which is an essential tool for credit decisions and determining the appropriate pricing. Retail scoring system is a part of an Integrated workflow system includes all phases of applications and approvals in different departments. The Risk Management Department implied the operational risk management methodologies in terms of completing the implementation of Risk & Control Self-Assessment (RCSA) workshops across all departments and business units and the newly established departments as per the organizational structure of the Bank. Risk department also followed up the departments' commitment to apply corrective Action Plans that related to current control gaps. Also, a follow-up process is conducted on compliance test of controls across all units, department and branches in coordination with other control units to ensure that the controls are tested and documented as part of the self-assessment process. The department also updated the Risk Profiles of the bank departments and make sure that such Profiles are available to the Internal Audit department and Internal Control Unit, which will enhance the implementation of Risk based methodologies in audit and revision. The department collects and analyzes Operational Loss Data and Operational Events to be linked with Risk Profiles.

Regarding the Information Security, the Risk Management Department managed the compliance project with the PCI DSS (PCI DSS) within the third version (3.2.1) and obtaining the certification and following up the annual compliance process.

In addition, an integrated strategy for information security has been developed through updating the Information Security policies in light of best practices and managing the related projects that enhance and improve the controls within bank technical environment and in accordance with the instructions of the Central Bank of Jordan.

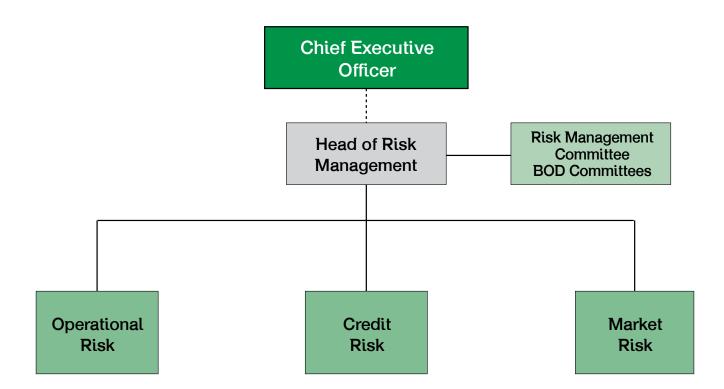
Risk Department also participated in the implementation of COBIT5 in accordance with the instructions of the Central Bank.

The Department has managed the projects of establish a Security Operations Center to achieve the principle of continuous monitoring of the security events records of systems and networks. Also, risk department managed the project of compliance with the Cyber security Risk instructions issued by the Central Bank of Jordan and with the participation of the different departments within the Bank.

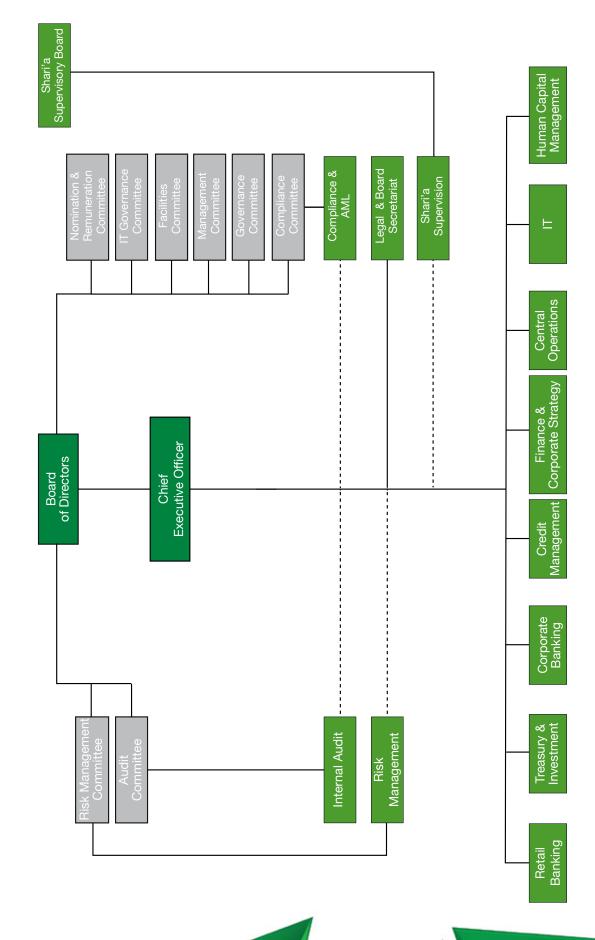
In the area of Security Penetration Testing, a number of tests were conducted for the networks and systems and a specialized testing was conducted for a certain banking applications (Internet Banking and Mobile Banking). With regard to the bank wide awareness of Information Security and Business Continuity, the Department conducted many workshops for Bank employees on an annual basis.

In terms of Business Continuity Plans, the Department has managed the project of developing and updating Business Continuity Plans as a response to the external risk factors and tests were initiated to ensure the readiness of the alternative locations. Payment systems have been checked in coordination with the Central Bank. The Bank Business Continuity Plan has been audited and reviewed by the External Auditor with a positive result.

# Risk Management Structure



## Organizational Structure



Organizational Structure

# Executive Management's Evaluation of the Effectiveness of Internal Control Systems:

The Bank's strategy, operational plans emanating from it, and related policies in various fields (credit, risk, human resources, information technology) are adopted by the Board of Directors. The Bank's Executive Management prepares the working procedures that govern all the Bank's operations, works to implement the policies adopted efficiently and effectively, conducts periodic review of these procedures, ensures alignment with the environment and work requirements, and makes sure of their ability to optimally implement the policies adopted.

The Board of Directors of Safwa Islamic Bank and the Executive Management are responsible for the development, implementation and maintenance of control systems and internal control at the Bank and is able to ensure and achieve the following:

- The accuracy of the information mentioned in the annual report.
- The accuracy and integrity of the financial and operating statements issued by the Bank.
- Efficiency and effectiveness of the Bank's operations.
- The effectiveness of procedures for protecting the assets and property of the Bank.
- Compliance with internal policies and procedures and applicable laws and regulations.
- The adequacy of the systems of Shari'a controls.

This comes from the Bank's belief in the importance of having adequate and effective internal controls which is the responsibility of the executive management to develop, implement and verify its effectiveness after adoption of the Board of Directors, in addition to the Executive Management of the Bank to develop strategies and policies and work on them to be applied after approval by the Board, in addition to the preparation and updating of work procedures in a manner that ensures the identification, measurement and control the risks facing the Bank and the application of these procedures, and the Board of Directors of the Bank is continuously monitoring And assess the efficiency and effectiveness of these systems and their ability to achieve the desired objectives and work to strengthen them.

In this context, the Board has outlined strategic objectives of the Bank as well as oversight of its executive management which is responsible for day-to-day operations. The Board also approves internal control and verification systems of their effectiveness and the Bank's compliance with the strategic plan, policies and procedures adopted or required by law and the instructions issued thereunder, in addition to ensuring that all the Bank's risks have been properly managed.

The implementation of supervision and internal control procedures is achieved through the following authorities:

#### Shari'a Supervisory:

Shari'a Supervisory is an essential part of the control systems falling within the Bank's organizational structure, as the Shari'a Supervisory Board examines all issues, inquiries and funding formulas that the Bank handles. The Shari'a Supervisory Department within the Bank examines and assesses the extent of the institution's adherence to the principles and provisions of the Islamic Shari'a, Fatwas, guidelines and instructions issued by the Shari'a Supervisory Board of the Bank and the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The Shari'a Supervisory Board issues a report attached to the annual report of the Bank about the Shari'a opinion on the Bank's work and activities.

#### **Human Capital Management:**

Human Resources Department activities include the development and activation of all controls to place every employee in the proper position, according to the qualifications and job requirements, in addition to the continuous follow-up of his performance and evaluation on a semi-annual basis. This will be achieved by the preparation of a job description specifically for each employee in line with the organizational structure of the Bank and the human capital management policy, as well as what can be achieved through continuous training for all Bank employees in order to promote their competencies to make sure they possess the qualifications required to perform their job professionally.

#### **Internal Audit:**

The mission of Internal Audit Department within Safwa Islamic Bank is improving and protecting the institutional value of the bank through adopting risk based audit approach and providing objective assurance and consulting services, in addition to providing advice and guidance for the related parties within the bank. Internal Audit Department reports functionally to the Board's Audit Committee and administratively to the Chief Executive Officer, and raises its reports to the Executive Management and the Board's Audit Committee.

Internal Audit Department has internal audit charter approved by the Board of Directors, where it includes Internal Audit Department roles, responsibilities, power and working methodology, the Charter has been circulated within the Bank in accordance with the amended instructions of the Corporate Governance of Islamic Banks No. 64/2016 issued by the Central Bank of Jordan on 25/9/2016, and it is reviewed annually.

The scope of Internal Audit Department covers all bank's work centers, activities, operations in addition to subsidiaries in a way that enables the department to assess the appropriateness and effectiveness of internal control systems, risk management processes, corporate governance and checking compliance with the Bank's internal policies, international standards and relevant legislation in accordance with the established risk based annual audit plan approved by the Board's Audit Committee. More over, The Internal Audit Department prepares an annual report on the adequacy of internal control systems in accordance with the instructions of the internal control and control systems No. 35/2007 issued by the Central Bank of Jordan on 10/06/2007

#### **Risk Management:**

The general framework for risk management is the main umbrella for the risk management processes in the bank, as this framework gives rise to an integrated set of different risk management policies that can be exposed within the bank's work.

The Risk Management Department is the department responsible for developing a robust and effective system for identifying and measuring risks and then managing them effectively and efficiently. The most important roles for the Risk Management Department are preparing relevant risk policies, preparing acceptable levels of risks periodically and in line with the strategic directions of the bank, and providing Reports of abuse and ensuring that they are addressed, in addition to assessing the bank's ability to face unusual risks through conducting stress tests. The risk department also analyzes and studies all risks to which the bank is exposed and raises the level of risk awareness based on best practices and standards in the banking sector.

The application of the International Financial Reporting Standard (9) within an integrated automated system has contributed to enhancing the ability to predict and determine expected losses, and the variables that are relied upon in calculating expected credit losses are re-evaluated periodically by expanding the historical database that includes values Failure, guarantees and refunds for the purpose of reversing the current reality of the economy in general and the bank in particular and increasing accuracy in the calculation process and forecasting expected credit losses. As for the accounts that show signs of stumbling, the early warning and follow-up procedures provide for taking corrective and preventive steps as an effective attempt to reduce the risks and not to exceed the limits and acceptable levels thereof.

#### **Finance Department:**

The consolidated financial statements of the Bank and its subsidiaries are prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and in accordance with the applicable laws and regulations of the Central Bank of Jordan, The aim is to show the financial position of the Bank in a just and true manner and provide the necessary information needed for the decision-maker to take the appropriate decision. The quarterly performance of the Bank is assessed objectively and impartially based on the targets specified in work plans and estimated budget. The Department of Finance also follows the implementation of policy approved for the measures to adjust current and capital expenses at the Bank, which include all relevant aspects in terms of the privileges, limits, approvals, exceptions, methods of measurement and analysis and monitoring of compliance with the action plans and estimated budget for the expenses of all departments, either the expenditure of new projects or ongoing expenses.

# Support Departments (Operations/Corporate and Engineering services/Internal control/ Total Quality Management):

The Operations Department is keen through its various sections to apply integrated steps in banking operations, the primary objective of which is to make sure that the implementation of these operations is in accordance with the banking principles and within an effective control framework. All procedures which show the implementation mechanisms of various banking operations that are prepared in accordance with international quality standards, including the necessary regulatory procedures are also documented. The Internal Control Unit also undertakes the tasks of reviewing reports and daily audit engagements to records, reconciliations, bank accounts, foreign balances, investments, etc. and ensures compatibility of implementation with the instructions adopted. The Bank is committed to the enforcement of strict requirements of security and safety in accordance with the best international and regulatory standards, and this is checked routinely and continuously.

#### **Information Technology Department:**

The Information Technology Department operates according to a methodology through which it determines owners of systems, thus specifying the responsibilities, so as to ensure the safety of the use of the automated system in accordance with effective controls in systems subject to constant monitoring, including system maintenance operations, and any emerging applications are made within strict procedures ensuring the protection of the systems and data at all times.

#### **Compliance & AML Department**

The Compliance Department makes sure that the bank and its internal policies comply with all the regulations, laws, instructions, orders, codes of conduct, banking standards and practices issued by local and international supervisory authorities by setting and developing the compliance policy, anti-money laundering policy, Shari'a compliance policy and holding the necessary training sessions. The department also submits reports in this regard, to the Compliance Committee and the Corporate Governance Committee that is formative from the Board of Directors.

Through these procedures, the Executive Management can ascertain that the departments concerned with oversight and internal control had carried out their set plans, and that work was at a high level of discipline and professionalism.

# Description of Bank main activities as well as the most important services and products provided by Safwa Islamic Bank

#### **Corporate Banking:**

Safwa Islamic Bank offers various financing products which are compliant with the provisions of Islamic Shari'a. These products include direct financing such as Murabaha, Murabaha agency and Ijara/leasing, in addition to indirect financing such as letters of credit and all types of letters of guarantee.

Our Corporate Banking Department has developed an account which is considered to be one of its kind in Jordan. This account is an investment savings account for companies and institutions (company savings account.)

In addition, this year Safwa Islamic Bank has launched the Internet Banking Service for companies, and the cash management service which has been implemented in a unique and modern manner. Moreover, Safwa Islamic Bank offers its clients with innovative financial solutions, all of which operate under the umbrella of Islamic banking rules and regulations including financing large and medium sized corporations operating in various economic sectors.

The Corporate Banking Department has ensured to focus all of its efforts on establishing strategic and comprehensive relationships by providing clients with highly distinguished services and understanding their respective financing requirements.

On the other hand, the establishment of the Deposits Department and the Corporate Operation Services Department (COSO) at the beginning of this year has had a positive impact on attracting new deposits and elevating the quality of services provided to the corporate sector.

Safwa Islamic Bank has also continued to focus on cross-selling to individuals working at companies which deal with the Corporate Banking Department, in addition to transferring the salaries of these individuals. Moreover, in coordination with the Treasury Department, the Bank has also been able to attract business from companies involved in foreign exchange and transfer operations and other similar activiti

#### **Retail Banking**

The Retail Banking Department provids the Following Services:

#### VIP Customer Services (Safwa Gold):

The Bank is committed to providing a range of superior and distinctive services that are tailored to meet the expectations of its VIP customers through centers (Safwa Gold) that are designed and structured in order to provide the highest standards of comfort and service speed. Such service also provides a special relationship manager to assist customers in completing their banking transactions, advice and guide through banking consultations related to all Bank products and services.

**Financing Services and Products:** The Retail Banking Department offers a variety of Shari'a-compliant personal financing products that are designed to suit the needs and requirements of various clients, as follows:

#### Financing products:

- Personal financing for purchasing goods such as furniture, electrical appliances and lands (Murabaha Financing).
- Competitive equity financing in Islamic banks, which provides the option to purchase assets (shares) in companies with a permitted activity and in accordance with the criteria of forensic financial analysis prescribed by the Shari'a Supervisory Board.
- In terms of car financing, the Bank has successfully built strategic relationships with suppliers and offered competitive financing offers upon convenient terms.
- Financing travel expenses for Hajj and Umrah, as well as financing tourist tour expenses, covering the cost of wedding halls and study expenses, through the Ijara service financing program, which is concluded by a beneficial ownership contract between the bank and the client.
- Commodity financing product in the form of bargaining, which allows customers to finance their
- Purchase of goods at the same cash price and without profits through the network of merchants approved by the Bank.
- Yusr Refinancing Product, through which the financial obligations of clients at traditional commercial banks are settled and are then refinanced by Safwa Islamic Bank,

#### Financing products upon lease-to-own agreement:

- Financing the purchase of apartments and prefabricated houses.
- Financing the purchase of land to build on it and financing the farms and industrial lands.
- Financing commercial offices such as clinics and engineering offices.
- Refinancing owned properties.

#### **Accounts and deposits services:**

They include current accounts, savings, children savings accounts (Kanzy) and ladies savings accounts (Harir). The Bank is also distinguished in the banking sector to provide investment bond product in terms of competitive price and product characteristics. The bank allows customers to link deposits on a monthly basis and pay quarterly dividends, which is a competitive advantage for the bank. In addition, the Bank provides Islamic deposit certificate product for individuals and financial institutions, namely for customers who want to obtain a suitable return. Besides, the service of leasing iron safes of different sizes is available in several branches to enable customers to save their valuable possessions.

#### E-Banking:

In line with its digital transformation strategy, and its focus on using online banking services to facilitate its dealings, Safwa Islamic Bank has established a set of services aimed at enriching the experiences of customers and making it easier to obtain the Bank's services; whereby the Bank has updated its website and online services, in addition to its banking application to ensure that it is up-to-date with the demands and requirements of customers. Moreover, the Bank has developed and offered a number of unique services such as "Open an Account"; aimed at attracting new customers in a smooth manner; in addition to the "Open an additional account" service, whether current or savings. Furthermore, a new service involving the renewal of account data has been added, whereby clients are no longer required to make a visit to the Bank's branches, which has led to a clear increase in the percentage of renewed accounts for clients dealing with the Bank.

#### **Bank Cards:**

During the year, Safwa Islamic Bank launched the "Electronic Murabaha Card", which operates according to the principles of Islamic Shari'a Samha as the first credit card based on the principle of Islamic Murabaha.

MasterCard has been issued in three types:

- Classic
- Titanium
- World

This card is the first of its kind in the world that accepts installments at all points of sale around the world, at rates Murabaha is very competitive and does not contravene the rules of Islamic Shari'a, and it has an "Electronic Murabaha Card" from Safwa Islamic Bank, All the three types have the flexibility to choose the payment period for each transaction separately, through text messages that are sent to customers on their mobiles and installment for a period of up to 24 months, depending on the amount of the movement. Also the card has servivce (3D Secure Online Shopping & Contactless Remote Payment Service which enables customers to make payments of small amounts remotely.

The "Convenient Installment in Bargaining Form" product has also been added via the electronic Murabaha card, which enables card holders to carry out installments in the form of bargaining without profit for installments of up to 36 months with an approved network of merchants.

During the year 2019, Safwa Islamic Bank launched a free purchase installment campaign for all Murabaha e-card holders and without profits for the period extending from the month of 10 of 2019 until the end of the year.

World and Titanium cardholders can enjoy wide discounts around the world through the (MasterCard For You ) application Compliant with the provisions of Islamic Shari'a and free admission to the halls of VIP visitors in the Middle East airports and more than 1000 airports around the world and many other advantages that make the customer feel the excellence of the services provided to him anywhere.

#### Banking Services for Small Enterprises/Companies

Safwa Islamic Bank has developed a number of financing services offered to small enterprises operating in various sectors, whereby it is involved in financing the imports of these small enterprises (financing working capital requirements or fixed assets), in addition to offering LC services and foreign transfers and letters of guarantee. The Bank also offers real estate Murabaha financing (lands and buildings), whilst also offering financing for cars, trucks, and various other types of financing.

The following financing products and programs have been introduced to the small enterprises sector:

- Renewable Energy Financing Product.
- Financing Local and External Purchases through the use of POS guarantees.
- Startup Financing Product.
- Cars and Trucks Financing Product.
- Tourism Sector Financing Product (Tourism Financing).

#### **Treasury and Investment Department:**

The Treasury and Investment Department provides regular and innovative financial services, that comply with Shari'a principles, for various Bank departments and customers, and help to invest cash surpluses and manage the financial risks to which the Bank and its customers are exposed. The most important of these services are:

- Foreign currency exchange.
- Foreign currency exchange at forward rate based on promise.
- Investment in international agencies and international Murabaha.
- Investment in international and local instruments as well as local and regional stocks.
- Investment in deposit certificates issued by the Bank to its clients and financial institutions.
- Arranging and managing instrument issuance for local companies and issuance secretariat service.
- Custody service.
- Sukuk issuance service.
- The service of enhancing the incoming credit, and the service to facilitate the issuance / re-issuance and promotion of the credits issued to correspondent banks.
- Purchase and sale stocks service (Shari'a-compliant) through Misk Financial Brokerage Company, which is wholly owned by the bank.

#### Statistics of the complaints received from the clients during 2019 through

#### different channels as follows

Classification of Complaints	Number of Complaints
electronic services	31
Commissions and fees	10
Interest rates / returns	74
Professional conduct	73
Bank Cards	8
products and services Marketing	1
Contracts and terms of dealing	47
Work Environment	115
Transfers	7
Other	6
Total	372

Safwa Islamic Bank grants importance to customer complaints, which is one of the most important indicators of the quality of services and performance of the products offered by the bank to its customers.

The Complaints Unit is part of the compliance department according to the regulatory requirements. The Unit deal with all complaints with professionally and in an effective way, it follow up with the concerned departments and division within the bank once the complaints are received In order to ensure that such complaints are delivered to the concerned units and thus processed, as well as working to find radical solutions and avoid recurrence with other clients.

# Summary of the policy of regulating the relation between the Bank (the Mudarib) and the Investment Accounts Holders Safwa Islamic Bank

First: Definition of the Investment Accounts:

#### **Investment Accounts (Investment Deposits):**

The amounts which the Bank receives from the investors on the basis of Mudaraba and their owners authorize the Bank to invest them on the basis of Mudaraba. The investment accounts are divided into investment accounts that are managed on the basis of unrestricted Mudaraba where the Mudarib is authorized to invest the money as its deems appropriate, and the investment accounts that are managed on the basis of restricted Mudaraba where the Mudarib is restricted by the type and method of certain investment determined by the owner of the money (Rub Al Mal). The relationship between the owners of these accounts and the Bank is a relation between the owner of the money and the Mudarib. In case the Mudarib is one and the owners of the money are more than one, the relation shall be subject to the Islamic Shari'a controls on joint Mudaraba.

#### **Joint Investment Accounts:**

The amounts which the Bank receives from the investors where the owners of such amounts authorize the Bank to invest such amounts on the basis of unrestricted Mudaraba without linking with project or certain investment program. The accounts holders and the Bank share the profits, if any, according to the proportions defined for each of them either in the Mudaraba contract or in the account opening application submitted by the depositor and approved by the Bank. The accounts holders bear all losses pro rata to their shares in the capital, except the losses resulting from negligence, will full misconduct or breach of conditions where such losses shall be borne by the Bank (Mudarib).

#### **Restricted Investment Accounts:**

The amounts which their owners authorize the Bank to invest them on the basis of restricted Mudaraba in a certain project or particular investment program. The Bank and account holder share the profits, if any, according to the proportions defined for each of them either in the Mudaraba contract or in the account opening application submitted by the depositor and approved by the Bank. The owner of each account bears the loss pro rata to its shares in the capital, except the losses resulting default from negligence, will full misconduct or breach of conditions where such losses shall be borne by the Bank.

#### Second: Investment Priority / Equal Investment Opportunities:

The principle of equal investment opportunities is applied between the funds of the shareholders and the funds of the investment accounts holders in the joint Mudaraba. The Bank's own investments appear in separate accounts from the joint investment accounts.

#### Third: Elements / Basics of Profits Distribution:

- Allocating the Mudarib share of the joint common pool profits.
- Determination the points (assigning a weightages to the average balances).
- Determine the amounts of the shareholders invested in the joint common pool.
- Determine the amounts of the holders of the unrestricted / restricted investment accounts in the common pool.
- Calculate the net profits of the joint common pool.

#### Fourth: Zakat:

It is the responsibility of the shareholders and holders of the unrestricted/restricted investment accounts to pay Zakat. As there is no authorization to the Bank Management to pay it directly, and due to the absence of the law regulating this, and the fact that Bank's article of association and the decisions of the General Assembly did not mention it, and the absence of the authorization from the shareholders to do so, the shareholder and the unrestricted/restricted investment account holders has to pay zakat on his shares and funds upon the fulfilment of the sharia's legal conditions and controls of Zakat.

#### Fifth: Profit Equalization Reserve (PER):

This reserve is released with the aim of distributing appropriate and competitive rates of return to the holders of unrestricted / restricted investment accounts as well as to the shareholders in the event of exceptional circumstances and sharp fluctuations in the markets.

#### Sixth: Points (Allocating Weighting Weights to the rate of balances):

It is a means for the purposes of calculating the share of investors from the joint common pool profits, as it is agreed "upon implicitly" that the return on deposits and investment certificates of deposits is paid on the average balance of the deposit and the investment certificate of deposits, where the weight is allocated based on the size or the balance of the deposit (According to a pre-set schedule that specifies those weights and explains to the customers), the deposit and the investment certificates of deposit terms, the frequency of profits payment to the customers.

#### Seventh: Allocation of the Mudarib share in the joint common pool profits:

The value of the Mudarib share of profits is calculated by applying a predetermined agreed percentage on the net profits and with the approval of the Shari'a Supervisory Board of the bank, that after calculating the profits share of each category of deposits and each investment certificates of deposit issuance and transfers from / to the credit loss provision for the financial period.

# Eighth: Allocation of a share of shareholders 'profits to unrestricted accounts' holders (capital owners):

The Assets and Liabilities Committee may allocate a portion of shareholders 'profits to specific deposits (categories) / issue investment certificates of deposit to increase the profit rate announced by competitors or to encourage a certain class of joint investment account holders.

## Ninth: The income tax of the unrestricted / restricted investment accounts holders "Withholding tax":

Income tax shall be deducted from all profits of unrestricted / restricted investment account holders based on the decision of the official concerned department (Jordan Income and Sales Tax Department) unless such deposits are exempted by law.

#### **Tenth: Profits Realization:**

The distributable profits is achieved if the following conditions are met:

Capital safety, where the profits of the investment accounts is realized only and after the capital is being protected.

The investment accounts profit is realized after liquidating the Mudaraba assets, whether it is actual by transferring all assets into cash and collecting all debts, or legally by evaluating the non-cash assets and evaluating the debt in terms of collectability and allocating provisions for the bad debts. Regarding the cash, it is fixed with its amounts.

Covering the investment expenses.

#### **Eleventh: Profit Entitlement:**

The Bank shall announce -to the customers- all types of accounts and investment certificate of deposits which are managed within the joint common pool portfolio as well as the approved distribution ratios of each of these accounts and investment certificate of deposits at a prominent clear place in all Bank's branches.

"The unrestricted investment accounts holders shall be entitled to the profit upon distributing and sharing on a percentage basis and it's not permissible to set it as a lump sum". The Bank may determine ratios differ from ratios of different tranches of investment account holders, and the profit ratio may be unified between the Bank and all investment accounts holders. Also, the profits ratios among the investment accounts holders may be unified, or it may be different based on predetermined weights.

It is permissible to agree on any method of distributing the profit, as it could be paid quarterly or at the maturity after the performance of each period.

If the Bank mixes the Mudaraba funds with its own funds (idiomatically), then it becomes a partner and Mudarib -at the same time- with the funds of the others' and the realized profit will be distributed to both of the funds, the Bank shall take the profit of its work and efforts and on his invested funds. And, what applies on the other investment accounts holders shall be applied to the Bank's share of profit.

#### **Twelfth: Disengagement / Discharge:**

It is permissible for one of the account holders to withdraw all or some of his amount, and this represents as a reconciliation of his share in the Mudareb assets/investment pool, and not as a refund of the amount (which deposited in the account) all of it or part of it. And it is permissible to the bank to determine the withdrawal amount in which the account holder will not earn any profits or earn less than what he deserved if he remains, and not a deprivation of profit but it is a withdraw according to supply and demand. Based on that, the joint investment account holder discharges the remaining investors (investment account holders) from any profit that was not distributed and the remaining investment risk reserves and the Profit Equalization Reserve and the donation of the remaining funds for the Zakat Fund when the investment pool is liquidated, and the owners of the investment account discharge the withdrawal (the investors) of any loss (that did not appear) and the withdrawal (the investor) will bear the loss for the time that his invested amount remained in the investment account pool before withdraw it, and he does not bear the loss for the remain time of the year After he withdraw it.

#### Thirteenth: New products within the joint common pool:

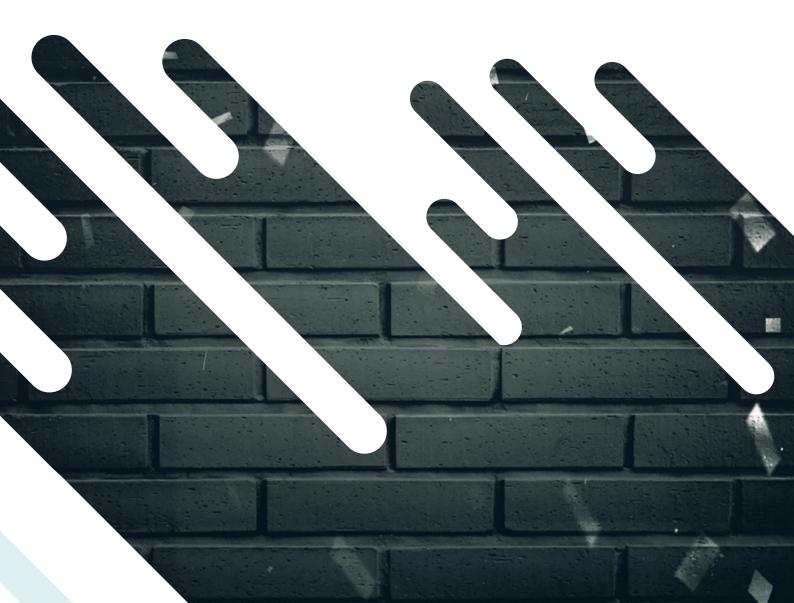
If the Bank launches any new product/s (obligations) that falls within the framework of the joint investment deposits and has an impact on the profitability of the owners of the unrestricted investment accounts such as Investment certificates of deposit or others, this requires a prior approval of the bank's Shari'a Supervisory Authority, which in result the new product will be launched within the parameters and conditions that approved by the Supervisory Authority Legitimacy of the bank.





# Institutional Governance Guide and Governance Report

Clear and easy-to-comprehend information that ensures customers are informed about benefits and risks



# Information and details regarding applying the provisions of Corporate Governance and Companies Governance Guidelines

The Bank Corporate Governance Manual and Governance Report have been prepared in line with the amended Corporate Governance Directives of Islamic banks no. (64/2016), which is issued by the Central Bank of Jordan and the Corporate Governance Regulations of listed companies for the year 2019 issued by Jordan Securities Commission. The Bank top management and under the supervision of the committees emerging from the Board of Directors perform the tasks and procedures necessary to comply with the instructions of the Central Bank of Jordan and the Jordan Securities Commission in addition to submitting periodic reports to the Board of Directors on the extent of compliance with the instructions and procedures taken in this regard

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#### Introduction

This corporate governance manual has been prepared in line with the modified instructions of the Islamic Bank's corporate governance No (64/2016) issued by the Central Bank of Jordan dated 25/9/2016, as well as the corporate governance principles issued by the Organization of Economic Cooperation & Development (OECD) and the directions issued by Basel Committee with a view to reinforce the corporate governance in banking institutions and in conformity with the applicable banking best practices in a manner to coincide with the Bank's needs and policies.

The application of corporate governance within the Bank provides a basis for future corporate development and performance; supports confidence in the Bank's activities and dealings, and enables the Bank to successfully contribute to the Jordanian banking system development which would enhance the efficiency of the National Economy and create an atmosphere of assurance to both the shareholders and clients.

This manual is based on a number of key principles that will effectively contribute to the application of the best practices of the corporate governance within the Bank, most notably:

- Fairness in dealing with all stakeholders like: depositors, shareholders, funders, Bank employees, and control authorities.
- Transparency and disclosure in a manner that enables related parties of evaluating the Bank's position and financial performance.
- Accountability in the relationship between the Bank's executive management and the Board of Directors; the Board of Directors and the shareholders; and the Board of Directors and other related parties.
- · Responsibility in terms of clear segregation between responsibilities and delegation of powers.

#### **Article 1: Definitions**

The following words and phrases, wherever remunerated in this manual, shall have the meanings ascribed hereunder:

Phrase	Definition	
Corporate governance	The system that guides and manages the Bank and aims to define and achieve the Bank's corporate objectives, in order to safely manage its operations and safeguard interests of the depositors and holders of investment accounts, and to comply with the due liability vis-à-vis shareholders and other stakeholders, and the Bank's commitment with its policies and internal regulations.	
Suitability	Existence of certain requirements among the Bank's board members, its top executive management, and members of the Shari'a Supervision Board	
Board (BOD)	The Bank's Board of Directors	
The Authority	The Shari'a Supervision Board of the Bank	
Stakeholders	Any party of interest in the Bank like the depositors, holders of investment accounts, shareholders, employees, creditors, clients, or the concerned control authorities.	
Major shareholder	The person who holds 5% or more of the Bank's capital whether directly or indirectly	
Executive director	A member of the board of directors who participates in the daily operations of the Bank and receives payments for his work.	
Independent member	A member of the board of directors who is not subject to any influences that limit his ability to make objective decisions for the interest of the Bank, and possesses the requirements set forth in this manual.	
Top executive management	Includes the general Manager of the Bank, deputy general manager, CFO, Chief operations officer, chief risk officer, chief internal audit officer, director of Shari'a internal audit department, chief treasury officer (investment), chief compliance officer, in addition to any Bank employee assuming executive authority equal to any of the authorities of any of the aforementioned and reports directly to the general manager without contravening the human capital policies.	

#### **Article 2: Dissemination of Corporate Governance Manual**

Safwa Islamic Bank shall post its manual on its website and disseminate it in any other mean suitable to introduce it to the public. The Bank discloses in its annual report the existence of the corporate governance manual and discloses the information that concerns the stakeholders including the Manual as well as the extent of commitment to applying its provisions.

#### Article 3: Composition of the Board of Directors

- a. The number of the Board Members should not be less than eleven.
- b. None of the members may be an executive director.
- c. The number of independent directors may not be less than four.
- d. The conditions to be met and satisfied by the independent directors are as follows:
  - The member was/is not an executive director in the Board during the three years preceding his
    election,
  - The member was not employed by the Bank or by any of its subsidiaries during the last three years preceding his election.
  - The member is not related to any of the other Board members, or to any member of the Board of directors of the Bank's subsidiaries or to one of the major shareholders in the Bank in any kinship up to the second degree.
  - The member has no relatives among the members of the top executive management of the Bank or any member of the top executive management of the Bank's subsidiaries up to the second degree.
  - The member is not a partner or employee of the external auditor of the Bank or was not a partner or employee during the three years preceding the date of his/her election as a member of the Board and he has no kinship with the partner in charge of the audit process up to the first degree.
  - The member is not a major shareholder in the Bank or proxy of a major shareholder or an ally to a
    major shareholder in the Bank, or his/her contribution with the ally contribution would constitute an
    amount equal to a major shareholder's share or a major shareholder in one of the Bank's subsidiaries,
    Or a main shareholder in the Bank's ownership group.
  - The member has not assumed membership of the Bank's Board of director or its subsidiaries or has not been a Board director for more than eight consecutive years.
  - The member or any company in which he is a director of the Board or owner thereof or a major shareholder therein has not received a trust from the Bank in excess of 5% of the subscribed capital of the Bank and he/she is not a guarantor of a facilities from the Bank of value that exceeds that percentage.
  - The member is highly qualified and experienced in financial and banking matters.

#### Article 4: Meetings of the Board of Directors

- a. The Board of Directors shall hold their meetings by written invitation from the Chairman of the Board of Directors or his deputy, Or by a written request to the Chairman of the Board of Directors from at least the quarter of its members, In the attend of the absolute majority of its members.
- b. The board shall take its decisions by the absolute majority of the members. If the votes are equal, the side voted by the head of meeting shall prevail.
- c. The Board of Directors shall hold at least one meeting every two months, in total six meetings at least through financial year.
- d. Members of the Board shall attend the Board's meetings in person, if the member cannot personally attend the meeting; the member may express his/her viewpoint via phone or videoconference, after obtaining the consent of the Chairman of the Board, but without having the right to vote or sign the minutes of meeting.
- e. The Bank shall record the minutes of meetings of the Board and its committees comprehensively and accurately as well as any reservations raised by any member. The Bank shall properly maintain such minutes of meetings.
- f. The top executive management, in an adequate time prior to the Board's meeting, shall provide the Board's members with complete and accurate information about the items of the meeting's agenda; the Chairman shall verify such action.

#### **Article 5: General Assembly Meeting**

- a. The General Assembly shall consist of all shareholders entitled to vote.
- b. The General Assembly of the Bank should hold an ordinary meeting at least once a year, the meeting must be held within the four months following the end of the bank's financial year, also the General Assembly of the Bank may hold an abnormal meeting at any time in accordance with the applicable regulations.
- c. The Board of Directors should invite the Jordanian Securities Commission and each shareholders to attend the General Assembly meeting by hand or by registered mail or e-mail of the shareholder at least 21 days before the date of the meeting, Providing the appropriate arrangements and procedures for holding the meeting, including the choice of place and time, must be will prepared to encourage the invited attendance as many shareholders as possible.
- d. The date and place of the meeting should be mentioned in the invitation with the General Assembly agenda as attachment, including the points that will be discussed during the meeting in a detailed and clear manner, in addition to any documents or attachments related to these subjects.
- e. To include any new topics during the General Assembly meeting that is not mentioned in the agenda of the General Assembly, which has been sent previously to the shareholder
- f. The shareholder who desires to be nominated to the Board of Directors shall provide the Bank with a brief identification before the end of the financial year of the Bank which precedes the year in which the meeting of the General Assembly to elect the Board of Directors, In this case, the Board of Directors should attach this brief identification with the invitation to shareholders who will attend the meeting of the General Assembly, The Bank should inform all those who desires to be nominate that there is evidence that the Central Bank of Jordan has non-objection to their candidacy, The Bank shall obtain the non-objection of the Central Bank of Jordan to nominate them before the date of the General Assembly meeting of the shareholders of the Bank for a period of not less than two weeks.
- g. The Board of Directors should announce the date and place of the General Assembly meeting in two daily local newspapers and at least two times and on the Bank's website.
- h. The shareholder may delegate another shareholder to attend the meeting of the General Assembly on his behalf by a power of attorney or to appoint another person under legal Power of attorney, in accordance applicable regulations.
- i. The meeting of the General Assembly must be leaded by the Chairman of the Board of Directors or his Deputy in the absence of him, or by any delegate member by the board of director in their absence, The members of the Board of Directors must also attend the General Assembly meeting at no less than the limit which achieves the quorum for any Board meeting.
- j. The General Assembly must be managed in a manner that allows shareholders to actively participate and express their views freely, to receive answers to their questions and to provide sufficient information to enable them to make their decisions.

#### Article 6: Duties and Responsibilities of the Board

- 1. The Board shall oversee and follow-up the top executive management's performance and ensure integrity of the Bank's financial situations and its solvency. It shall adopt proper policies and procedures to oversee and control the Bank's performance.
- 2. The Board shall define the strategic objectives of the Bank and instruct the executive management to set a strategy to achieve these objectives, approve it together with any business plan in line with that strategy.
- 3. The Board shall endorse a policy to monitor and review the executive management's performance through setting the key performance indicators (KPIs) to determine, measure, and monitor the performance and progress towards achieving corporate objectives.
- 4. The Board shall ensure that the Bank has policies, procedures and action plans which include all the activities. The policies, procedures and action plans should be in line with the related regulations, circulated to all administrative levels, and regularly reviewed.
- 5. The Board shall determine the corporate values of the Bank; set clear lines of responsibility and accountability to all Bank's activities, and shall establish a high culture of ethical, impartial, and professional conduct standards among the managers of the Bank.
- 6. The Board shall assume liability for integrity of all the operations of the Bank, including the financial situation; liability for implementing requirements set forth by the Central Bank as well as the requirements of the other regulatory and control authorities, and shall observe the stakeholders and that the Bank is managed and governed under the framework of regulations and policies of the Bank and the effective control is in place at all times over the Bank's activities including those outsourced to external parties.
- 7. The Board shall, based on recommendations submitted to it by the competent committee, appoint the internal audit manager, the head of the risk management, and compliance officer and accepts their respective resignations or service termination. (Regarding the internal Shari'a auditing manager, the recommendation shall be given to the Board by the Shari'a Supervision Board). The Central Bank's approval on the resignation or service termination of the above-mentioned should be obtained. The Central Bank is entitled to investigate the reasons behind the resignation or service termination of any management member.
- 8. The Board shall adopt internal control regulations; review them annually and make sure that the internal auditor and external auditor review the structure of these regulations at least once a year.
- 9. The Board shall ensure independence of the external account auditor at all times.
- 10. The Board shall ensure independence of the Shari'a Supervision Board members from commencement and at all times in accordance with the conditions set forth in this manual.
- 11. The Board shall adopt and oversee the implementation of a risk management strategy. The proposed strategy includes level of risk appetite and ensures that the Bank will not be prone to high risks. The Board should be familiar with the operating business environment of the Bank and the associated risks; to ensure the presence of appropriate risk management tools and infrastructure in the Bank in order to determine, measure, control, and oversee all kinds of risks which the Bank is exposed to.

- 12. The Board shall ensure that the adequate and reliable management information systems (MIS) are in place and are covering all the Bank's activities.
- 13. The Board shall verify that the Bank's credit policy includes an assessment of the type of corporate governance used by companies' clients not least the public joint stock companies so that the risks to the clients may be assessed by strengths and weaknesses in accordance with their exercising in the governance field.
- 14. The Board shall make sure that the Bank adopts proper social initiatives in the field of environment protection, health, and education and observes the provision of funding to the small and medium-sized businesses at appropriate prices and terms.
- 15. The Board shall take the necessary procedures to create a clear segregation between the authorities of shareholders' who own influential interests and the executive management; with a view to promote the sound corporate governance. It shall find proper mechanisms to eliminate impacts of shareholders who own influential interests through the following, examples include but are not limited to:
- 16. None of the shareholders who possess an influential interest may hold a job in the top executive management.
- 17. The top executive management shall derive its authority only from the Board and shall work within the delegations granted to it by the Board.
- 18. The Board shall adopt the organizational structure of the Bank setting out the admin hierarchy including the committees of the Board, Shari'a Supervision Board, and executive management.
- 19. The Board shall determine the banking operations that require its approval taking into account the non-expansion thereof in order not to violate the control role of the Board. The Bank shall not delegate executive authorities to the Board's directors, or the Chairman, including the authority to individually grant credit.
- 20. The Board set special internal charter to be reviewed on an annual basis, specifying in details the functions and Permissions authority of the Board of Directors and its responsibilities.
- 21. The Board adopt the Governance Report and includes it in the Bank's Annual Report.
- 22. The Board appoint a contact officer with the Jordan Securities Commission to oversee matters related to the Bank's governance Implementations.
- 23. The Board adopt the Bank's disclosure and transparency policy and follow up its implementation in accordance with the requirements of the Regulators and the applicable regulations.
- 24. The Board set a clear delegation policy in the Bank specifying the authorized persons and the limits of delegated authority.
- 25. The Board adopt the replacement and career progression policy and adopt the Human Resources and Training Policy in the Bank.
- 26. The Board adopt the Bank's social responsibility policy and programs towards the local community and the environment.

- 27. The Board set up a mechanism to receive complaints and Suggestions that submitted by the shareholders, in addition to their Suggestions for including a specific topics on the agenda of the General Assembly, in a manner that ensures consideration and appropriate decision on them within a specified period.
- 28. The Board set up a mechanism to allow shareholders who holding at least 5% of the Bank's underwriting shares to add items on the agenda of the Ordinary General Assembly Meeting before sending it to the shareholders, and should Provide the Securities Authority with this mechanism.
- 29. The Board set a policy that regulates the relationship with the stakeholders to ensure the implementation of the Bank's obligations towards them, the preservation of their rights, the provision of the necessary information and the establishment of good relations with them.
- 30. The Board evaluate the implementation of the provisions of the Corporate Governance of listed companies and review them annually, in a manner not conflict with the amended instructions of the institutional governance of Islamic banks.
- 31.In case of any conflict between the recommendations of any of the Committees and the board's decisions, the Board shall include in the Governance Report a statement clearly detailing these recommendations and the reasons for non-compliance by the Board.
- 32. The Bank shall determine the duties of the Secretary of the Board so that they include the following:
  - Attends all the Board's meetings; record all deliberations, suggestions, objections, and reservations, along with the voting means on the draft decisions of the Board.
  - Determines the dates of the Board's meetings in coordination with the Chairman.
  - Ensures that the members of the Board sign the minutes of meetings and decisions.
  - Follows up the implementation of the decisions passed by the Board, and follows up the tackling of any topic that was not brought up in previous meetings.
  - Keeps records and documents of the Board's meetings.
  - Takes necessary procedures to ensure that the draft decisions intended to be passed by the Board are in harmony with the legislations.
  - Prepares for the ordinary general meetings and cooperates with the Board's committees.
  - Provides the Central Bank with the proper declarations signed by the members of the Board.
- 33. Members and committees of the Board must have direct communication with the executive management and secretary of the Board and facilitate their undertaking of the duties and tasks vested in them including outsourcing, when needed, at the expense of the Bank in coordination with the Chairman while making sure none of the members may influence the decisions of the executive management except through deliberations held within the meetings of the Board or its committees. The Board shall undertake the following:
- 34.Ensures the presence of a suitable Shari'a Supervision Board, and Shari'a Controls system that includes the internal Shari'a regulatory system through ensuring the existence of an effective Shari'a supervision independent from all the Bank units.

- 35. Verifies that all banking activities are carried out in accordance with the provisions of Islamic principles, in particular Shari'a Fatwas and Shari'a decisions issued by the Shari'a Supervision Board.
- 36.Ensures that the Shari'a Supervision Board is provided with adequate, necessary, and timely information in order to assist it to exercise its duties and assignments represented in verifying the extent of the Bank's commitment by the provisions and principles of Islamic Shari'a, and formulating an independent opinion in this regard.
- 37. Ensures having opinion of the Shari'a Supervision Board pertaining to all contracts, transactions, agreements and products, services, investment policies, dividend distribution, loss charging, set aside revenues on the investment account and mechanism to dispose of Islamic noncompliant income.
- 38.Adopts policy to regulate relations between the Bank/shareholders, and holders of investment accounts provided that it is reviewed by the Shari'a Supervision Board. The Bank shall be committed by posting the policy on its website.
- 39. Approves the policies and procedures manual relating to the compliance with the provisions of Islamic principles provided that the manual shall at least include the following:
  - A mechanism to present any related topics to Shari'a Supervision Board for Shari'a Fatwa and/or decisions thereabout.
  - Manual/procedures of the Shari'a Supervision Board business.
  - Mechanism to ensure compliance with the Shari'a Fatwas or decisions issued by the Shari'a Supervision Board.
  - A mechanism to facilitate the communication between the different units of the Bank and the clients with the Shari'a Supervision Board.
- 40. Ensures the presence of a mechanism to provide the Bank clients, upon request, with explanations to any Shari'a Fatwa issued by the Shari'a Supervision Board.
- 41. Commit by posting Shari'a Fatwas and decisions issued by the Shari'a Supervision Board on the Bank's website, and in case of bringing up a product or service or adapting a remedy or a mechanism pertaining to the product or service for which Shari'a Fatwas and decisions have been issued, they shall be disseminated within a period of no more than six months from the bringing up/adoption date.
- 42. Ensures compliance with the control standards issued by the accounting and auditing organization for the Islamic financial Institutions.

#### 43. The Chairman of the Board shall, at minimum, undertake the following:

- Be keen to establish constructive relations between the Board and the executive management within the Bank.
- Be keen to establish constructive relations between the Board and Shari'a Supervision Board, and between the Shari'a Supervision Board and the executive management of the Bank.
- Encourages constructive criticism of issues addressed in general and those having different viewpoints between the members, and encourages discussions and voting on such issues.
- Ensures that all previous minutes of meetings are received by the Board members and to be signed, and agendas are delivered within an adequate time before any meeting. The agenda shall include adequate written information about the subjects to be discussed in the meeting. Delivery of the agenda is the responsibility of the secretary of the Board.
- Ensures a charter regulating the Board business is in place and identified.
- Discusses exhaustively the strategic and important issues in the Board's meetings.
- Provides the board members, when elected, with the provisions of laws relating to the Bank's activities and relevant instructions of the Central Bank including these instructions as well as a manual showing the members' rights, responsibilities, and duties together with the duties, tasks, and assignments of the secretary.
- Provides every member of the Board with an adequate summary of the Bank's businesses upon appointment or upon request.
- With the help of the legal counsel of the Bank, deliberates with any new member about tasks and responsibilities of the Board in particular those pertaining to the legal and regulatory requirements to explain tasks, powers, and other issues related to the Board membership such as the duration of membership in the Board, meetings schedule, committees missions, remunerations, and possible access to independent specialized technical advice when necessary.
- Meets the needs of the Board members in connection with upgrading their experience and continued learning. The new member shall be given the chance to attend orientation programs that consider the banking background of the member, provided that such program should, as minimum, include the following subjects:
  - The Bank's organizational structure, corporate governance, and the professional code of conduct and ethics.
  - · Corporate objectives and the Bank's strategic plan and approved policies.
  - · The financial situation of the Bank
  - The Bank's risk structure and its risk management framework.
  - · Shari'a controls.

- 44. Each member of the Board shall undertake, as minimum, the following:
  - a. Be familiar with the Islamic banking business-related regulations and principles, and the Bank's operating environment; keep abreast of the developments taking place as well as the external updates that are related to its business including recruitment requirements for of the top executive management of the Bank.
  - b. Attends meetings of the Board and its committees, as the case may be, along with the general assembly meetings.
  - c. Not to disclose any confidential information of the Bank or use it for his/her own interest or the interest of others.
  - d. In all transactions made with any other company in which he/she has a personal interest, the interest of the Bank shall prevail. Never take the business opportunities of the Bank for his/her own interest. Avoid conflict of interests and disclose any conflict of interest to the Board in details if happened while committing not to be present or not to take part in the decision passed during the meeting in which this subject is discussed and deliberated. Such disclosure should be recorded in the minutes of the Board's meeting.
  - e. Have enough time to undertake his tasks as a member of the Board.

The nomination and remuneration committee shall set in place a clear methodology to verify the above-mentioned including (for example) the members' relations and membership in other boards/authorities/forums...etc.

#### Article 7: Limits of liability and accountability

- a. The Board of Directors should adopt a clear limits of liability, accountability, and commitment. All managerial levels of the Bank shall abide by those limits.
- b. The Board must ensure that the organizational structure clearly reflects lines of responsibility and authority provided that it includes at least the following regulatory levels:
  - · Board of Directors and its committees.
  - Shari'a Supervision Board.
  - Separate departments of risks, compliance, internal audit, and Shari'a internal audit which do not perform daily executive activities.
  - Units/employees that do not participate in the daily operations of the Bank activities (such as credit audit officers and Middle Office employees).
- c. The Board must ensure that the top executive management assumes their responsibilities pertaining to the daily operation management of the Bank and contributes the implementation of the corporate governance, it delegates authorities to the officers, establishes an effective managerial structure that would enhance accountability, and implements tasks and missions of the various business activities and fields in conformity with the policies and procedures approved by the Board as well as the resolutions and Shari'a Fatwas issued by the Shari'a Supervision Board.

- d. The Board shall adopt regulatory and Shari'a controls to hold accountable the top executive management.
- e. Despite the provisions of the Companies' Law, the combination between the positions of Chairman and general manager shall be prohibited, and the Chairman or any of the Board's directors or major shareholders may not have kinship with the general manager below the fourth degree.
- f. The general manager shall, in addition to the provisions of regulations, undertake the following:
  - Develop the strategic orientation of the Bank
  - Implement the Bank's strategies and policies
  - · Carry out the decisions of the Board of Directors
  - Implement and comply with the resolutions and Shari'a Fatwas issued by the Shari'a Supervision Board.
  - Provide guidance to implement short and long term business plans.
  - Communicate vision, mission and strategy of the Bank to the staff members
  - Notify the Board of all the important aspects of the Bank's operations
  - Manage the Bank's day-to-day operations.

#### **Article 8: Board of Directors Committees**

The Board of Directors shall form committees from among its members and determine their objectives and delegates authorities to them in accordance with a charter setting out the same. The committees submit periodic reports to the Board and a report on their work to Ordinary General Assembly meeting. Existence of such committees may not relief the Board as whole from assuming its Commitments each committee shall take its decisions and recommendations by the absolute majority of the members. If the votes are equal, the side voted by the Chairman of the Committee shall prevail The Board shall form, as minimum, the following committees:

#### A. Corporate Governance Committee:

- 1. The committee must be composed at least of three members (most of the members shall be independent members) including the Chairman.
- 2. The Committee must meet at least twice a year or at the request of its Chairman.
- 3. The committee must assume guiding and overseeing the preparation of the corporate governance manual, and updates and controls its implementation, and prepare and submit a governance report to the board, And studying the Jordanian Securities Commission's observations regarding the implementation of governance in the Bank and following up on what has been done

#### **B.** Audit Committee (AC)

- Subject to the provisions of the Banking Law, The committee must be composed at least of three members (most of the members shall be independent members) including the Chairman of the Committee, shall be independent members and the Chairman of the Committee shall not be the Chairman of the Board of Directors or the Chairman of any other Off the Board Committees.
- 2. The Committee must meet periodically, with at least four meetings a year.
- 3. All members of the committee should be holders of academic qualifications and have proper practical experience in accounting or finance or any other discipline or related similar fields. In case of lack of the proper Islamic Bank-related experience, they shall join the suitable training programs in accounting, audit and controls standards, and Islamic standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the standards issued by the Islamic Financial Services Board (IFSB).
- 4. Subject to the provisions of the Banks Law concerning the duties and authorities of the committee, the Audit Committee shall review the following matters:
  - Scope, results, and adequacy of internal and external audit of the Bank.
  - Accounting issues of material impact on the Bank's financial statements.
  - · The internal control systems in the Bank
  - The committee shall provide recommendations to the Board relating to the external auditor, his/her termination, remuneration and any other contracting-related conditions in addition to evaluating his/her independence taking into account any other activities assigned to him/her beyond the audit scope.
- 5. The committee shall have the authority to access any information from the executive management and is entitled to call upon any Board member to attend its meetings provided that the same is mentioned in its charter.
- 6. The committee meets the external auditor, the internal auditor, and the compliance officer at least once a year without the attendance of any member from the top executive management.
- 7. The committee shall review and control procedures whereby the employee may confidentially notify of any error in the financial reports or any Shari'a violations or any other matters. The committee shall ensure necessary arrangements for independent investigations and make sure that the results of the investigations are objectively pursued and addressed.
- 8. The committee shall ensure the ability of the external auditor to audit the extent of the Bank's commitment to the Shari'a controls and the conditions provided for in the engagement letter signed with the auditor and makes sure he/she is undertaking the same.
- 9. The committee must make decisions regarding the requests of writing off debts partially or totally for all the facilities.
- 10. The committee must ensure that there is no conflict of interest that may result from holding deals or contracts or projects by the bank with related parties.
- 11. The work of any other committee may not be combined with the work of this committee.

#### C. Nomination & Remuneration Committee (NRC)

- 1. This Committee shall consist of at least three members, with the majority of the members of the Committee including the Chairman of the Committee being independent members.
- 2. The Committee shall meet periodically, with at least two meetings a year.
- 3. The NRC assumes the following tasks:
  - a. Identifies the persons qualified to enroll in the Board's membership taking into account the abilities and qualifications of the nominated persons. Further, in case of nomination for several times, the member's number of attendance cases and his/her effective participation in the Board's meetings shall be taken into consideration.
  - b. Identifies the persons qualified to join the Shari'a Supervision Board, taking into account the abilities and qualifications of the nominated persons. Taking into consideration that the member of the Shari'a Supervision Board should possess a jurisprudential talent conversant in understanding sedulous speech and able to work hard on jurisprudential matters and deriving from emerging issues. Further, the member should be characterized by Acumen and Vigilance, familiar with people's customs and conditions, watchful to their tricks in Forgery and to or changing speech in portraying illegal as legal. He should be versed in the country traditions and customs in order to understand intention of the persons who ask for Shari'a Fatwa. Further, in case of nomination for several times, the number of attendance cases and the effective participation in the Shari'a Supervision Board's meetings shall be taken into consideration.
  - c. Nominates the qualified persons to the Board to join the top executive management.
  - d. Ensures the Board members and members of Shari'a Supervision Board attend workshops or symposiums on the banking matters specially the risk management, corporate governance, and the latest developments in the Islamic Banking business.
  - e. Defines whether the member satisfies the independent member's capacity taking into account the least conditions prescribed herein, and review the same annually, The Jordanian Securities Commission shall be notified in the event of the absence of independence status from any member of the Board.
  - f. Follows specific and approved bases in evaluating the performance of the Board, Shari'a Supervision Board and the general manager so that the performance evaluation standard is objective.
  - g. The Committee should conduct an annual evaluation of the performance of the Board and its committees, provided that the Committee shall notify the Jordan Securities Commission of the outcome of this evaluation.
  - h. Provides information and briefs about the background of certain important Bank topics to the Board members and Shari'a Supervision Board members, upon request. Ensures that they continuously identify the latest subjects relating to the Islamic banking business.
  - i. Ensures the existence of a remuneration policy to the Bank's Employees and that this policy is revised periodically and applied according to the committee recommendations to determine the salary of the general manager and the remaining top executive management along with other remuneration and benefits.
  - j. The committee should set a policies of replacement, Career progression, human resources, and training at the bank and monitor its implementation, and review it annually.

#### D. Risk Management Committee

- 1. This committee shall be formed of at least 3 Board members, with one independent member.
- 2. Members of the top executive management may join the committee as members.
- 3. The committee shall assume the following tasks:
  - a. Setting the Risk Management Framework (Risk Management Policy) at the Bank and review it annually.
  - b. Review the Bank's risk management strategy before being endorsed by the Board.
  - c. Keep abreast of developments that would affect the risk management in bank and submit periodic reports thereabout to the Board.
  - d. Verify absence of variations between actual risks taken by the Bank and risk appetite approved by the Board.
  - e. Set up the proper circumstances to identify Substantial Risks and any activities carried out by the Bank that would expose it to greater risks than the risk appetite; submit reports to the Board accordingly and follow manipulation thereof.
  - f. To monitor and evaluate the various types of risks that the Bank might face

It is prohibited for any member of the Board to be a Chairman for more than one committee of the above-mentioned committees. It is also prohibited for him/her to be a Chairman for more than two committees of all the Board's committees.

#### E. Facilities Committee:

- 1. The committee must be formed from five board member, one of the members may be an independent member provided that he/she is not a member in the audit committee,
- 2. The Committee's Permissions authority must be limited to taking the appropriate decision regarding the facilities recommended for approval by the highest committee of the Executive Management Committee. Members of the top executive management may participate in the committee's meetings to present their recommendations.
- High limits must be set for the powers vested in this Committee in respect of granting, modifying, renewing or structuring the credit facilities, so that the Board has clear powers in particular.
- 4. The quorum of the Committee meeting must be at least four members and take its decisions by a majority of its members, regardless of the number of those present.
- 5. A periodic report must be submitted to the Board with details of the facilities approved by the Committee.
- 6. Members of the Committee must personally attend their meetings and vote on their decisions. In the absence of personal attendance, the Member may express his opinion through video or telephone and shall have the right to vote and to sign the minutes of the meeting, duly documented.
- 7. The Board may delegate some or all of the powers of this Committee to amend the conditions or structure of the facilities for the Executive Management Committee mentioned above, with the need to inform the Facilities Committee of the decisions taken within these powers.

#### F. Management committee

- 1. This committee must consist at least three Board members.
- 2. The Committee must meet at least twice a year or at the request of its Chairman.
- 3. The Committee must assume the following functions:
  - a. The tasks related to financial decision-making and the corporate strategy in terms of recommending to the Board the adoption of the Bank's strategic plan, the annual estimated budget and the approval of financial claims within the terms of reference specified in the Financial Terms of Reference adopted by the Board.
  - b. Making decisions regarding investment operations that exceed the powers of the highest executive management committee.
  - c. Recommend to the Board the adoption of all policies governing the Bank's business, with the exception of policies relating to risk management, credit, human resource, compliance, anti-money laundering and corporate governance policies.
  - d. To adopt all financial and administrative powers in addition to the powers related to investment operations and recommend to the Board for approval.

#### **G. Compliance Committee:**

- 1. The Committee consist of at least three board members.
- 2. The Committee meet quarterly or at the request of the Chairman.
- 3. The Committee undertake the following tasks:
  - a. Supervise to ensure the independence of the Compliance Department and anti-money laundering, and that the Compliance and AML Department shall include a Shari'a Compliance division, and ensure that they continuously provided with adequate and trained staff.
  - b. Supervise the compliance and anti-money laundering reporting process to the committee, And to the Shari'a Supervisory Board with respect to Shari'a compliance, with a copy sent to the CEO.
  - c. Approving the compliance policy (including the duties and responsibilities of the Compliance department), Shari'a Compliance, Anti-Money Laundering and any other policy relating to the Compliance and Anti-Money Laundering department and recommending to the Board for approval.
  - d. Evaluate effectiveness degree whereby the Bank manages the (noncompliance risks and anti-money laundry) at least once a year and review them when making any related changes.
  - e. Supervising and monitoring compliance with AML / CFT standards in the Bank through reports prepared and / or submitted by the Committee Secretary.
  - f. Ensure compliance in accordance with the policies and procedures and requirements of the Central Bank of Jordan and other regulatory bodies, including the requirements of anti-money laundering and financing of terrorism.

- g. Ensure that there is an effective internal control system to implement compliance policies, and verify it in the best performance.
- h. Follow-up the disclosure reports issued by the Compliance and Anti-Money Laundering Department of the Bank.
- i. Work and coordinate with other Board committees to raise compliance in the Bank.
- j. Keeping up with the rapid developments and increasing complexity that arise on the management of compliance and anti-money laundering and submit periodic reports to the board on these developments.
- k. Recommend to the board of director within the scope of the Committee's responsibilities if it deems that is necessary to improve its work, or if the instructions so require.
- I. Recommend to provide resources for compliance activities and with the necessary requirements.

#### H. IT governance committee

- 1. The committee must consist at least three members that will be elected based on their experience and strategic knowledge in the IT area.
- 2. The committee must hold meetings on a quarterly basis at least.
- 3. The committee shall assume the following tasks:
  - a. The committee shall approve the strategic objectives of IT and the appropriate organizational structure including the steering committees, specifically on top executive management level (the steering IT committees) in order to guarantee the achievement of the Bank's strategic objectives and the best value added from the projects and IT resources investment. The committee shall use the tools and needed measures to supervise and ensure the achievement of these objectives, such as IT Balance Scorecards, and the return on investment (ROI). The committee shall measure the impact of contributions made to enhance the financial and operational efficiency.
  - b. The committee shall approve the general framework of managing, regulating, and supervising IT resources and projects that simulates the best approved international practices in this regard especially (Control Objectives for Information and related Technology-COBIT) that conform with and achieve the objectives and the requirements of our instructions through the continuous fulfilment of the institutional objectives, along with the achievement of the accompanying IT objectives' matrix, and covering the processes of IT governance.
  - c. The committee shall approve the institutional objectives matrix and the accompanying IT objectives and considers its givens as minimum requirements, and describes the subobjectives needed to achieve them.
  - d. The committee shall approve the (RACI chart) matrix regarding the main processes of IT governance along with the secondary processes related to: the entity/s or person/s or party/s primarily (responsible), and those who are ultimately responsible (accountable), and those who are (consulted), and those who are (informed) for all processes in light of (COBIT5 Enabling Processes) in this regard.

- e. The committee shall ensure that a general framework for IT risk management is in place. And will be consistent and integrated with the overall framework of the risk management in the Bank considering and achieving all IT governance processes.
- f. The committee shall approve the IT projects and resources' budget in accordance with the Bank's strategic objectives.
- g. The committee shall undertake the general supervision and monitoring of IT processes, projects, and resources to ensure their sufficiency and effective contribution in achieving the Bank's requirements and works.
- h. The committee shall monitor IT auditing reports and take the necessary actions to handle deviations.
- i. The committee shall give recommendations to the Board to take the necessary actions to correct any deviations.

## Article (9): Shari'a Supervision Board

Subject to Article 58 of the Banks Law No. 28 of 2000, and the amended, the bank must commit to:

- 1. The General Assembly of Shareholders must appoint the members of the Shari'a Supervisory Board upon the recommendation of the Board and upon recommendation of the Nomination and remuneration Committee and the for a period of four years renewable.
- 2. A letter of engagement between the Bank and the Shari'a Supervision Board shall be signed defining the scope of the Shari'a Supervision Board's works, duties and remuneration is determined.
- 3. Shari'a Supervision Board's meetings:
  - a. The committee meet periodically to make periodic reviews and follows Shari'a commitment of the Bank's operations provided that its meetings may not be less than six meetings a year. It also holds meetings with the Board of Directors, audit committee and external auditor at least twice a year (every six months) to discuss issues of common interest.
  - b. The Shari'a Supervision Board members attend the meetings in person. If not, the member may express his/her opinion via phone or videoconference having obtained consent of the Chairman of the committee. He/she is entitled to vote or sign the minutes of meeting. The member may lose this right in any of the following cases:
    - · If failed to attend personally without acceptable excuse.
    - If the personal attendance rate of the member is less than 50% of the Supervision Authority meetings.
  - c. Minutes of meeting must fully and accurately be recorded in addition to any reservations raised by any member. The Bank shall keep all these minutes properly.
  - d. The top executive management, within an adequate time before the Shari'a Supervision Board's meeting, shall provide accurate and complete information to the Shari'a Supervision Board's members. The Chairman of the Shari'a Supervision Board shall verify this.

- 4. The Shari'a Supervision Board shall prepare a manual that includes its work system, job description, responsibilities, along with the organization of its relation with the Board of directors and the executive management, in addition to the reporting mechanism for the management, the Board of directors, and shareholders, and its methodology regarding Shari'a supervision, and the mechanism of holding meetings.
- 5. The Shari'a Supervision Board shall observe the Shari'a environment taking into account Article 53/A of the Banks Law No. 28 of 2000, as amended- and legislations in the Kingdom.
- 6. The Code of Conduct of the Bank shall apply to the members of the Shari'a Supervision Board.
- 7. To ensure the independence of the member of the Shari'a Supervision Board, the following, as minimum, shall be met:
  - a. The member has not received any funding whether to him/her or to his/her family members up to the second degree from the Bank or from any of its subsidiaries.
  - b. The member must not be employed by the Bank or by any of its subsidiaries during the two years preceding the appointment date.
  - c. The member has not been a member in any Shari'a Supervision Boards in any other Islamic Bank licensed in the Kingdom and has not been a member in any Shari'a Supervision Boards for more than four financial institutions that do not accept deposits and operating in the Kingdom, subject to no conflict of interests.
  - d. The member must not be a member in the bank's Board of Directors, or is not an owner of a company with which the Bank is dealing, except for the transactions arising due to services and/or normal business that the Bank renders to its clients, provided that they are governed by and subject to the same conditions of similar transactions with any other party and without any preferential terms.
  - e. The member must not be related to any of the members in the Bank's Board, or the top executive management in any kinship up to the second degree. He/she does not receive any salary or amount or remuneration or benefits or gifts from the Bank except the remuneration received in consideration of his/her membership in the Shari'a Supervision Board or in consideration of any additional works assigned to him/her but does not affect his/her independence.
  - f. The member must not be a shareholder in the Bank or proxy of a major shareholder or a shareholder in one of the Bank's subsidiaries or a shareholder in the group owning the Bank.

- 8. The Shari'a Supervision Board member should strive to achieve the following:
  - a. Establishes justice and fairness among the stakeholders.
  - b. Acts in a manner allowing him/her to preserve his/her honesty and integrity.
  - c. Takes into account, while making any decisions, the legal and Shari'a aspects, in addition to the technical aspects for Shari'a commitment.
  - d. Regards the different opinions between the various jurisprudential doctrines and variance of experience between the coworkers in the Shari'a Supervision Board.
- 9. The Shari'a Supervision Board shall assume Shari'a fatwa and Shari'a supervision as follows:
  - a. Monitoring the Bank's business and activities in terms of conformity and non-contravention with the Islamic provisions, and follows-up and reviews operations to verify they are free of any Shari'a prohibitions.
  - b. Expresses opinion and approves all contracts, transactions, agreements, products, services and investment policies and the policy that regulates the relationship between the shareholders and the investment account holders including dividend distribution, loss charging, set aside revenues on the investment account and mechanism to dispose of Islamic noncompliant income.
  - c. Approves the charging of any losses resulting from any Bank operations concerning the investment account holders.
  - d. Makes and expresses opinion on the extent of the Bank's compliance with the Islamic provisions and principles. The Shari'a Supervision Board also:
    - Reviews and adopts the annual Shari'a audit report and reports it to the audit committee
    - Releases semi-annual/annual report about the Shari'a compliance. This report includes the effectiveness of the internal Shari'a controls and any weak points in the Shari'a controls system and internal legal control with a fundamental impact. The semi-annual report is submitted to the Board of Directors while the annual report to the shareholders general assembly both copied to the Central Bank.
  - e. Reviews and approves the policies and guidance relating to the Islamic provisions.
  - f. Provides advice to the parties rendering services to the Bank such as the auditors, certified public accountants and consultants.
  - g. Ensures adequacy and effectiveness of the internal Shari'a control in the Bank.
  - h. Ensures adequacy and effectiveness of the internal Shari'a audit department through reviewing the internal Shari'a audit reports and response of the management thereto and submits directions to the internal Shari'a audit department.
  - i. Coordinates with the (corporate governance and compliance committee) and the audit committee to ensure compliance of the Bank to the Islamic provisions and principles.
  - j. Proposes any necessary Shari'a training to the Bank's staff members.

- k. Identifies all reports including review of compliance with the Islamic provisions and principles including the reports by the Central Bank, auditor and responses of the management thereon.
- I. Attends meetings of the shareholders general assembly, and the Chairman of the Authority reads the Authority's report or choses one of the members to do so.
- m. Makes opinion on the Bank's memorandum of association and articles of association and ensure they are in harmony with the Islamic provisions and principles.
- n. Makes submissions to the Board of Directors on appointment/dismissal of the Shari'a internal audit manager.
- 10. Head of the Shari'a internal audit department shall be appointed as the Shari'a Supervision Board's Secretary.
- 11. The Secretary shall assume the following duties:
  - Attends all the Shari'a Supervision Board's meetings; record all deliberations, proposals, objections and reservations and method of voting on the Shari'a Supervision Board's draft decisions.
  - b. Determines the schedule of the Shari'a Supervision Board's meetings in coordination with the head of the Shari'a Supervision Board and communicate the same to the members.
  - c. Prepares the Shari'a Supervision Board meetings; receives Shari'a inquiries from all organizational units paving the way for submitting them to the Shari'a Supervision Board.
  - d. Ensures that all members have signed the minutes of meeting and decisions.
  - e. Follows-up the implementation of Shari'a Fatwa and decisions taken by the Shari'a Supervision Board and provide the Shari'a internal audit department and the compliance department for action and follows discussion of any topic brought forward from the previous meetings.
  - f. Keeps meetings' records and documents of the Shari'a Supervision Board.
  - g. Document the name/s of member/s who absence the meeting and clarifying whether excused or not and state the same in the minutes of meeting.
  - h. Provides the Central Bank with the suitability declarations signed by the Shari'a Supervision Board members.
- 12. The Shari'a Supervision Board shall have free access to any information without restriction to the activities of the Bank and can communicate with any employee within the Bank. It shall be delegated with all authorities and powers to perform the duties and tasks entrusted with it as required, including summon of any employee.
- 13.If necessary of the board, and after having obtained the consent from the Board, the Shari'a Supervision Board may resort to outsourcing at the expense of the Bank to help it undertake the tasks vested in it to the fullest.

### **Article 10: Suitability**

Members of the Board of Directors, members of the Shari'a Supervision Board, and top executive management shall have the utmost integrity, credibility, competence, experience, and ability to commit and dedicate time to the Bank's business. It is the responsibility of the Board and NRC to ensure the same.

## **Article 11: Suitability of Board Members**

- a. The Board shall adopt an effective policy to ensure Suitability of its members provided that such policy encompasses the minimum standards, requirements and conditions to be met by the nominated and appointed member. This policy should be reviewed when needed. Adequate procedures and regulations should be set to ensure all members satisfy the appropriate standards at all times. The Bank should provide the Central Bank with a copy of the policy approved by the Board.
- b. The Chairman or member of the Board of Directors shall meet the following conditions:
  - 1. Not less than 25 years old
  - 2. He/she is not a member of the Board of Directors of another Bank within the Kingdom or is not its general manager or regional manager or employed by it unless such other Bank is a subsidiary.
  - 3. He/she is not a lawyer or legal counsel or auditor of the Bank.
  - 4. Holding the first university degree as minimum whether in economy or finance or accounting or business administration or any other similar discipline. The NRC may consider addition of other disciplines if coupled with bank-related business experience.
  - 5. He/she is not a government employee or any other public official institution unless he/she is its representative.
  - 6. He/she is not a member in the Board of directors of more than five public joint stock companies within the Kingdom in his/her personal capacity in some and representative of a legal person in the others.
  - 7. He has experience in the Bank business, finance or similar fields of no less than five years. He is familiar with the banking activities compliant with the Islamic provisions.
- c. The Central Bank may make objections to the nomination of any person to the membership of the bank's Board of Directors should it find that he/she doesn't meet any of the conditions set forth in clause (b) above.
- d. The Chairman or members of the Board shall sign a declaration (in accordance with the annexed form No. (1)) to be kept with the Bank copied to the Central Bank along with the member's C.V.
- e. The Chairman of the Board shall make sure that the Central Bank was notified with any material information that may negatively affect the consistency of the members.

## **Article 12: Suitability of Top Executive Management Members**

- a. The Board must adopt a policy to ensure suitability of members of the top executive management in the Bank if such policy encompasses the minimum standards, requirements, and conditions to be met by the member. The Board shall review this policy from time to time. Adequate procedures and regulations should be set to ensure all members satisfy the Suitability standards at all times. The Bank shall provide the Central Bank with a copy of the policy
- b. The Board must appoint a general manager characterized by integrity, technical competence, and banking experience. The prior consent of the Central Bank should be obtained before such appointment.
- c. The approval of the Board must be obtained before appointing any member of the top executive management in the Bank.
- d. The Board must approve a succession plan to the members of the top executive management. The Board shall review the plan once a year at least.
- e. The Board must notify the Central Bank of any material information that may negatively affect Suitability of the members of the top executive management.
- f. Top executive managers shall meet the following conditions:
  - 1. He/she is not a member in the Board of Directors of any other Bank inside the Kingdom unless it is a subsidiary.
  - 2. Should be full time dedicated to the Bank business.
  - Holder of the first university degree as a minimum in economics or finance or accounting or business administration or any other similar discipline that is related to the bank business.
  - 4. He/she has experience in bank's business and related businesses of no less than five years except for the position of the general manager for which experience is not less than ten years.
  - 5. Among the experiences set out in the previous clause, at least two years in the Islamic banks field, otherwise the member of the top executive management shall undergo a comprehensive qualifying program in the Islamic banks field, accounting standards, audit and legal controls, and standards issued by the Accounting and Auditing Organization for the Islamic financial institutions and the standards issued by the Islamic Financial Services Board (IFSB) for no less than three months.
- g. No objection letter should be obtained from the Central Bank prior to the appointment of any member in the top executive management and thus the Bank should, before appointment of any member in the top executive management, have the C.V of the nominated person annexed with the scientific documents and certificates, experience certificates and good conduct certificate and other supporting documents. The candidate is asked to sign the declaration exhibit No.2 and the Bank should provide the Central Bank with a copy of the declaration together with the relevant C.V.

## Article 13: Suitability of the Shari'a Supervision Board

- a. The Board must adopt an effective policy to ensure Suitability of members of the Shari'a Supervision Board provided that such policy should encompass the minimum standards, requirements and conditions to be met by the nominated and appointed member. The Board should review this policy when needed. Adequate procedures and regulations should be set to ensure all members satisfy the Suitability standards at all times. The Bank shall provide the Central Bank with a copy of the policy approved by its Board of Directors.
- b. The Chairman or member of the Board shall meet the following conditions:
  - 1. He/she is a holder of the bachelor degree in Islamic Sciences, Islamic jurisprudence, principles or Islamic economy or Islamic financing.
  - 2. He/she has experience of no less than 3 years in issuing Shari'a Fatwas and Islamic provisions and/or experience in teaching or scientific research of no less than four years following graduation.
- c. The Central Bank may object on the nomination of any person to the membership of the Board of Directors of the Bank if found not meeting any of the conditions outlined in clause (b) above.
- d. The Chairman or members of the Supervision board shall sign the declaration in exhibit 3 to be kept with the Bank copied to the Central Bank and annexed with the members' C.V.
- e. The Chairman of the Board shall notify the Central Bank of any material information that may negatively affect the Suitability of the Shari'a Supervision Board members.
- f. If there is a need to appoint members of the Shari'a Supervision Board of those residents abroad, the number is stipulated not to exceed half of the number of the Shari'a Supervision Board members.

# Article 14: Performance Appraisal of administrators and Shari'a Supervision board Members

- a. The Board shall create a system for appraisal of its works and members provided that it encompasses as a minimum the following:
  - 1. Sets specific objectives and determines role of the Board in achieving the measurable objectives.
  - 2. Determines the key performance indicators (KPIs) that may be deduced from the strategic plans and goals and use them to measure the Board 's performance
  - 3. Periodic communication between the Board of Directors and the shareholders
  - 4. Periodic meetings of the Board of Directors with the top executive management.
  - 5. Role of the member in the Board's meetings; compare its performance to that of other members' performance. Feedback should be obtained from the concerned member with a view to improve the appraisal process.

- b. The NRC shall evaluate annually the Board's business as whole and its committees and members if the NRC shall notify the Central Bank of the results of such evaluation.
- c. The Board must evaluate the Shari'a Supervision Board and its members' performance in accordance with a predetermined evaluation by the NRC and encompasses setting the KPIs to include the Shari'a Supervision Board and its members' performance evaluation standards through the role of the member in the Shari'a Supervision Board's meetings; comparison of his/her performance with that of the Shari'a Supervision Board's other members. Feedback of the concerned member should be obtained in order to improve the appraisal process. The evaluation system should include also the extent of the Shari'a Supervision Board's achievement of its duties and tasks and effectiveness of the Shari'a control system in the Bank.
- d. The Board shall evaluate performance of the general manager on annual basis in accordance with the predetermined evaluation by the NRC and encompasses setting the KPIs. The performance evaluation standards of the general manager include the financial and admin performance of the Bank, commitment to apply the legal controls approved by the Bank, extent of achievement of the Bank's medium and long term strategies and plans, provided that the committee notifies the Central Bank of the evaluation results.
- e. The Board shall adopt a system to measure performance of the Bank members other than the members of the Board of Directors and the general manager provided that such system should include, at minimum, the following:
  - 1. The system provides proper weighing to measure the commitment by the risks management framework and application of the internal controls and the regulatory requirements.
  - 2. Total income or profit is not the only element to measure performance; however, other elements to measure performance of members like the risks associated with the basic operations and customer's satisfaction wherever applicable should be taken into consideration.
  - 3. Not to exploit influence and conflict of interests.

## Article 15: Financial Remunerations of Directors and Shari'a Supervision Board's Members

- 1. The Board shall set procedures to determine remuneration of its members based on the approved evaluation system.
- 2. The Board shall set procedures to determine board members' based on the approved evaluation system.
- 3. NRC of the Bank shall set the financial remuneration policy to the directors characterized by objectivity and transparency. The policy should be adopted and approved by the Board and the Central Bank is provided with a copy thereof within a maximum period of seven working days from the date of its adoption by the Board
- 4. The financial remuneration policy shall provide, at minimum, the following elements:
  - a. Set and prepared to maintain the members of experience, skills and competency and keep them stimulated motivated and to upgrade their performance.
  - b. Designed to make sure it will not be utilized in a way that adversely affects the solvency and reputation of the Bank.
  - c. It takes into account the risks, liquidity, and profits situation and timing.
  - d. Granting remuneration may not be based only on the current year's performance but also on the performance in the medium and long term (3-5 years)
  - e. It reflects the Bank's goals, values and strategy
  - f. Remunerations type is defined in the form of fees, salary, allowances, bonuses or share options or any other benefits
  - g. It compasses possible postponement of payment of reasonable rate of remuneration, such rate together with the postponement period are determined based on the nature of business, risks and activities of the concerned member.
  - h. No financial remuneration to the members of the regulatory and control departments will be granted (risk management, audit, compliance and others) based on results of departments' activities under control.

#### **Article 16: Conflict of Interests**

- 1. Administrators and members of Shari'a Supervision Board shall avoid conflict of interests.
- 2. The Board adopts a policy and procedures to address conflicts of interest that may arise when the Bank is part of a banking group and to disclose any conflict of interest that may arise from the Bank's association with companies within the Group.
- 3. The Shari'a Supervision Board shall approve a policy and procedures to address conflict of interests
- 4. The Board shall adopt policies and procedures for transactions with stakeholders to include definition of stakeholders taking into account the regulations, transactions conditions, approval procedures and control mechanism over such transactions. These policies and procedures may not be passed over and encroached.
- 5. The control regulatory departments in the Bank shall ensure that the stakeholders' transactions are carried out and processed in accordance with the approved policy and procedures. The audit committee reviews and controls all these transactions and introduces them to the Board of Directors.
- 6. The Board shall ensure that the top executive management implements the approved policies and procedures.
- 7. The Board shall adopt controls for information circulation movement between the different departments and such controls would prevent personal exploitation.
- 8. The Board shall adopt and circulate policies and charter of professional conduct to all members to include as minimum the following:
  - a. None of the administrators may use the internal information of the Bank for their own personal benefit.
  - b. Rules and procedures regulating transactions with the stakeholders.
  - c. Cases from which conflict of interest may arise.
- 9. The Board shall ensure that the executive management enjoys high level of integrity in exercising its business and avoids conflict of interest.

#### **Article 17: Internal Audit**

- 1. The Board must ensure that the internal audit department in the Bank is able to undertake the following tasks, as minimum:
  - a. Check for the availability of enough internal control systems for monitoring the activities of the Bank and its subsidiaries.
  - b. Verify compliance with the Bank's internal policies and international standards and related regulations.
  - c. Perform financial and administrative audit to ensure the accuracy, timing, and reliability of the main financial and admin information.
  - d. Review compliance to the corporate governance manual
  - e. Review validity and comprehensiveness of the (Stress Testing) in line with the methodology approved by the Board.
  - f. Ensure the accuracy of the applicable procedures for the Internal Capital Adequacy Assessment Process (ICAAP).
- 2. The Board ensures and enhances the independence of the internal auditors giving them a suitable position in the career hierarchy of the Bank. It ensures they are qualified enough to undertake their duties including the right of access to all records and information and communication with any employee in the Bank to enable them to perform the tasks vested in them and to prepare their reports without any external interference.
- 3. The Board must take necessary actions to enhance effectiveness of internal audit through the following:
  - a. The Board gives necessary importance to the audit process and establishes the same in the Bank.
  - b. The Board monitors the correction of audit notes.
- 4. The audit committee shall verify the provision of adequate resources and trained number of human personnel qualified to the internal audit department.
- 5. The audit committee shall verify that the internal audit staff members are rotated on auditing the Bank's activities every three years as maximum.
- 6. The audit committee shall verify that the internal audit personnel are not assigned to any executive assignments.
- 7. The audit committee shall verify that all the Bank activities are audited including the outsourced activities.
- 8. The Board shall adopt the internal audit charter that includes tasks, authorities, and responsibilities of the audit department and circulate it within the Bank.
- 9. The Board shall verify that the internal audit department is under the direct supervision of the audit committee and reports directly to the audit committee and the general manager.
- 10. The audit committee, in coordination with the nomination and remuneration committee shall evaluate performance of the internal audit personnel; and determine their remuneration in line with the human capital policies.

#### Article 18: Shari'a Internal Audit

- 1. The Shari'a Supervision Board shall ensure that the Shari'a internal audit in the Bank is able to undertake the following tasks and duties, as minimum:
  - a. Check and evaluate adequacy and effectiveness of the Shari'a internal control system of the Bank.
  - b. Monitor the compliance of the Bank's management with the legal aspects, Shari'a Fatwas, and decisions issued by the Shari'a Supervision Board.
  - c. Set the annual Shari'a audit plan to be approved by the Shari'a Supervision Board and implement its items.
  - d. Check receivables and finances that are classified under non-operating facilities or those decided to be written off which are funded by the joint investment accounts in order to verify absence of encroachment or default on the part of the Bank.
  - e. Determine the earnings contravening the Islamic principles and dispose them in accordance with the decisions of the Shari'a Supervision Board.
  - f. Verify that executive management complies with the policy that regulates relations between the shareholders and investment account holders, in particular distribution bases of dividends.
- 2. The Board shall ensure and enhance independence of Shari'a internal auditors giving them a suitable position in the career hierarchy of the Bank. It ensures they are qualified enough to undertake their duties including the right of access to all records and information and communication with any employee in the Bank to enable them to perform the tasks vested in them and to prepare their reports without any external interference.
- 3. The Board shall take necessary actions to enhance effectiveness of Shari'a internal audit through the following:
  - a. Give due importance to the Shari'a audit process and establish the same in the Bank.
  - b. Monitor the correction of Shari'a audit notes.
- 4. The Board shall verify provision of adequate resources and qualified number of human personnel to the Shari'a internal audit department and that they are well trained. The personnel in the department should, as minimum, meet the following requirements:
  - a. A related university degree and familiarity with the Islamic financial transaction principles, respective conditions of each contract, and reasons of contracts termination.
  - b. Familiar with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- 5. The Board shall verify that the Shari'a internal audit personnel are rotated to audit the Bank's activities every three years as maximum

- 6. The Board shall verify that the Shari'a internal audit personnel are not assigned to any executive assignments.
- 7. The Board shall verify that all the Bank's activities are legally audited including the outsourced activities.
- 8. The Board shall adopt the internal audit charter that includes tasks, authorities, and responsibilities of the Shari'a audit department and circulate it within the Bank.
- 9. The Board shall verify that the Shari'a internal audit department is under the direct supervision of the Shari'a Supervision Board and reports directly to the Chairman of the Shari'a Supervision Board and send copies of the reports to the audit committee and the general manager.
- 10. The Shari'a Supervision Board, in coordination with the nomination and remuneration committee, shall evaluate the performance of the Shari'a internal audit personnel; and determine their remuneration in line with the human capital policies.

#### **Article 19: External Audit**

- 1. The Board shall ensure that the external auditor is regularly rotated between the audit offices and their subsidiaries or allied or associated companies in any way every seven years as maximum as of the election date. The seven years period is calculated on the application commencement as of 2010.
- 2. The first year (at rotation) of the new office shall be (joint) with the old office.
- 3. The former office may not be re-elected before the lapse of at least two years from the last election to it in the Bank unlike the joint audit duty.
- 4. The Shari'a Supervision Board shall verify that the external auditor has audited the adequacy and effectiveness of the Shari'a internal control system in the Bank.
- 5. The audit committee shall annually verify the independence of the external auditor.
- 6. The Board shall take proper actions to address weaknesses in the internal control systems or any other weak points demonstrated by the external auditor.

### Article 20: Risk Management

- 1. The risk management shall monitor the compliance of the Bank's executive managements with the risk appetite levels.
- 2. The Board shall verify that the irregularities at the risk appetite levels are addressed, including holding the concerned top executive management accountable for these irregularities.
- 3. The Board shall ensure that the risk management department periodically undertakes stress testing to measure the Bank's ability to tolerate shocks and face the elevated risks. The Board shall have a key role in approving the adopted assumptions and scenarios, discuss testing results, and adopt actions to be taken based on the results.
- 4. The Board shall approve the internal evaluation methodology of the Bank's capital adequacy so that it is comprehensive and effective and able to determine all risks including the legal ones that the Bank is likely to face; and it takes into account the Bank's strategic plan and capital plan. This methodology should be periodically reviewed and its application shall be ensured. It should be verified that the Bank maintains a capital adequate to meet all faced risks.
- 5. The Board, prior to approval of any activity expansion, shall take into account the resulting risks, competence, and qualifications of the risk management department personnel.
- 6. The Board shall ensure independence of the risk management department in the Bank through submitting its reports to the risk management committee and granting the department authorities and powers necessary to be able to access information from the Bank's other departments and cooperate with the other committees to undertake the respective duties.
- 7. The Board shall adopt the risk appetite charter of the Bank.
- 8. Duties of the risk management departments, as minimum, are as follows:
  - a. Review the risk management framework before the Board's approval.
  - b. Implement the risk management strategy in addition to setting the risk management policies and procedures to manage all types of risks.
  - c. Setting methodologies to determine, measure, and control each type of the risks.
  - d. Submit reports to the Board through the risk management committee copied to the top executive management including information about the actual risk profile for all the Bank's activities compared to the risk appetite; and monitor the addressing of the negative deviations.
  - e. Verify that the risk measurement mechanisms are integrated with the adopted management information systems
  - f. Study and analyze all risk types faced by the Bank
  - g. Make recommendations to the risk management committee about the Bank's exposures to risks; record exemptions from the risk appetite levels.
  - h. Provide necessary information about the Bank's risks to be used for disclosure purposes.

### **Article 21: Compliance Department**

- 1. The Board shall ensure the independence of the compliance department whereas it includes the Shari'a compliance department. The Board shall also ensure that the compliance department is continuously provided with adequate and well-trained personnel.
- 2. The Board shall adopt a policy to ensure the Bank's compliance with the related legislations, Shari'a Fatwas, and decisions issued by the Shari'a Supervision Board; and review the policy periodically and verify its application.
- 3. The Board shall approve the tasks and responsibilities of the compliance department.
- 4. The compliance department shall report to the corporate governance and compliance committee of the Board, and to the Shari'a Supervision committee and send a copy of the reports to the general manager.

### **Article 22: Rights of Stakeholders**

- 1. The Board shall provide a specific mechanism to ensure communication with the stakeholders through disclosure and to provide information of significance about the Bank's activities to the stakeholders through the following:
  - a. General assembly meetings
  - b. Annual report
  - c. Quarterly reports containing financial information, in addition to reports of the Board about the Bank's stock exchange, and its financial position during the year.
  - d. The Bank's website.
  - e. Shareholders' relation division.
- 2. The Board shall ensure the designation of a part of the website to include explanations and clarifications of the shareholders rights and encourage them to attend the general assembly meetings and vote therein as well as dissemination of meetings-related documents including the full text of convocation and minutes of meetings.
- 3. The Board shall ensure the designation of a part of the website to include clarifications about rights of the investment account holders and disseminates the policy that regulates their relations with the shareholders to include quantitative and qualitative disclosures.

## Article 23: Disclosure & Transparency

- 1. The Board shall ensure the dissemination of financial and non-financial information of concern to the stakeholders.
- 2. The annual report of the Bank should encompass a text stating that the Board is responsible for the accuracy and adequacy of the financial statements of the Bank, the information contained in that report, and the adequacy of the internal control systems and Shari'a control systems.
- 3. The Board shall ascertain compliance of the Bank with the disclosures determined by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and compliance with the disclosures issued by the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), in case Islamic Standards are not made available, along with the directions of the Central Bank and other related regulations. It shall make sure that the executive management is familiar with the changes to the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Financial reporting Standards.
- 4. The Board shall ensure that the annual report of the Bank and its quarterly reports include disclosures that enable the current or potential shareholders of reviewing the operation results and the financial position of the Bank.
- 5. The Board and the Shari'a Supervision Board shall ensure that the annual report of the Bank includes disclosures that enable the current or potential investment account holders of reviewing the operation results and the legal and the financial situation of the Bank.
- 6. The Bank shall establish written work procedures in accordance with the disclosure policy adopted by the Board to regulate the disclosure of information and follow up its implementation in accordance with the requirements of the regulatory bodies and the applicable legislation.
- 7. The Board shall ensure that the annual report includes, as minimum, the following:
  - a. Summary of the organizational structure of the Bank
  - b. Summary of the tasks and responsibilities of the Board committees and any authorities delegated to the committees by the Board.
  - c. The information that concerns the stakeholders set out in the corporate governance manual of the Bank and the extent of compliance with the manual.
  - d. Information about each member of the Board in terms of respective qualifications, experience and his/her share in the Bank's capital and whether he/she is independent or not, and his/her membership in the Board's committees, date of appointment and any other memberships in the Boards of other companies, remuneration of all forms received from the Bank for the previous year as well as the funding granted to him/her from the Bank and any other operations made between the Bank and the member or the parties related to him/her.
  - e. Information about each member of the Shari'a Supervision Board in terms of qualifications, experience, date of appointment, positions held currently outside the Bank.
  - f. Information about the risk management department including structure, nature of operations, and developments made to it.

- g. Frequency of meetings of the Board, committees, and the Shari'a Supervision Board and the number of meetings attended.
- h. Names of independent members of the Board, top executive management, and Shari'a Supervision Board during the year.
- i. Summary of the Bank's remuneration policy showing and disclosing all forms of remunerations granted to each member of the Board, fees paid to each member of the Shari'a Supervision Board, remunerations of all forms paid to each member of the top executive management for the previous year.
- j. Names of shareholders holding 1% or more of capital while determining the ultimate beneficial owners of these shares or any part thereof and demonstrating whether any of these contributions are mortgaged wholly or partly.
- k. Declarations by all Board members and Shari'a Supervision board members that the member has not received any benefits through his/her work at the Bank that has not been disclosed whether such benefits are financial or in-kind and whether personal or to any related party, for the past year.
- I. Governance report to be signed by the chairman.

#### **Article 24: General Provisions**

- 1. The Chairman of the Board shall invite the Central Bank to attend the general assembly meeting in a suitable time before the meeting to enable the nomination of its representative.
- 2. The Chairman of the Board shall provide the Central Bank with the general assembly minutes of meetings within a period not exceeding five days from the date of endorsement of the meetings' minutes by, or on behalf of, the Companies General Controller.
- The Bank shall notify the Central Bank, at least 30 days before the date of the general assembly
  meeting, of its intention to nominate the external auditor to be elected or re-elected by the
  general assembly.
- 4. The Bank shall notify the Central Bank, at least 30 days before the date of the general assembly meeting, of its intention to nominate the Shari'a Supervision Board's member to be elected or re-elected by the general assembly.
- 5. The Bank shall notify the Central Bank of the number of shares mortgaged by the Bank's shareholders holding 1% or more of the capital and of the mortgagee.
- 6. The Bank shall, semi-annually and whenever a change takes place, provide the Central Bank with the information related to the members of the Board and its committees, members of the Shari'a Supervision Board, and members of the top executive management, in accordance with the annexed formats (4/1, 4/2, 4/3, 4/4).
- 7. The Bank shall, semi-annually or when change takes place, provide the Central Bank with information related to the members of the Board of directors and the top executive managements of its subsidiaries and affiliates within the Kingdom and abroad in accordance with the annexed formats (5/1, 5/2, 5/3).

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### Names of the Board of Directors members 2019

Dr. "Mohammed Nasser" Abu Hammour

Representative of Al-Etihad Islamic for Investment Co.

Chairman of the Board since 4/1/2017 non-executive /non-independent

Hamdan Al-Fawair

Representative of Orphans Fund Development Foundation

Deputy Chairman of the Board since 13/4/2017 non-executive/ Independent

**Basem Salfiti** 

Representative of Al-Etihad Islamic for Investment Co.

Since 4/1/2017 non-executive /non-independent

**Deema Agel** 

Representative of Al-Etihad Islamic for Investment Co.

Since 4/1/2017 non-executive /non-independent

Dr. Noufan Alaqeil

Representative of Government Contributions Management Co.

Since 3/8/2016 non-executive /non-independent

**Khaled Al-Gonsel** 

Representative of Al-Etihad Islamic for Investment Co.

Since 4/1/2017 non-executive /non-independent

Dr. Khaled Zentuti

Representative of Al-Etihad Islamic for Investment Co.

Since 17/12/2018 non-executive /non-independent

**Dr. Ahmed Menesi** 

Representative of Al-Etihad Islamic for Investment Co.

Since 13/04/2017 non-executive /non-independent

Dr. Ibrahim Saif

Since 22/10/2017 non-executive/ Independent

Samir Abu Lughod

Since 13/04/2017 non-executive/ Independent

Salem Burgan

Since 17/12/2018

non-executive/ Independent

## Resigned Board members during 2019

There are no resignations from the members of the bank's Board of Directors during the year 2019.

## Names of the Members of Shari'a Supervisory Board 2019

His Eminence Dr.Hussein Chairman of the Shari'a Supervisory Board

Hamed Hassan and Executive Member

His Eminence Dr. Ali Muhieddin Deputy Chairman of the Shari'a Supervisory

al Qaradaghi Board

His Eminence Sheikh Abdul Karim
Shari'a Supervisory Board member

Al-Khasawneh

His Eminence Dr. Ahmad Salem Melhem Shari'a Supervisory Board member

## Resigned Shari'a Supervisory Board members during 2019

\* There are no resignations for any of the Shari'a Supervisory Board members during the year 2019

## Names of Executive Managment

Samer Tamimi Director General / Chief Executive Officer

Rami khayyat Deputy CEO, Chief of Corporate Banking

Hani Al-Zrari Deputy CEO, Chief of Central Operations

**Ziad Kokash** Deputy CEO, Chief Credit Officer

Ibrahim Samha

Deputy CEO, Chief of Finance and Corporate

Strategies

Nasfat Taha Head of Retail Banking

Wael Al-Bitar Head of Treasury and Investment

Rami Al-Kilani Head of Information Technology

Ahmad Tarteer Head of Compliance and AML

Masoud "Sakf al-Hait Chief of Legal Affairs and Board Secretariat

Masoud "Sakf al-Hait Chief of Legal Affairs and Board Secretariat

Muneer Faroneyah Head of Shari'a Supervision

Mohammad Hawari Head of Human Capital Management

Khalid Al-Issa Head of Internal Audit

Ahmed Mahmoud Abdel-Qader Jaafar Head of Risk Management Department (Acting)

## Resigned Executive Management members during 2019

<sup>\*</sup> There are no Resignations from The Executive Management during 2019.

#### Name of Governance Officer in the Bank

Ahmad Tarteer / Head of Compliance and AML

## Names of Committees Originating from the Board

- NRC Committee
- Governance Committee
- Risk Committee
- Management Committee
- Compliance Committee
- Audit Committee
- IT Steering Committee
- Facilities Committee

## Name of head and members of Governance Committee, NRC Committee and Risk Committee

#### • Compliance Committee

Dr. "Mohammed Nasser" Abu Hammour - Chairman

Samir Abu Lughod

Hamdan Al-Fawair

#### NRC Committee

Salem Burqan - Chairman

Samir Abu Lughod

Basem Salfiti

#### Risk Committee

Deema Agel - Chairman

Ibrahim Saif

Khaled Al-Gonsel

Name of the Audit Committee Heads, Members and a brief profile on their relative qualifications and experiences concerning financial and accounting affairs:

#### Samir Abu Lughod (Head of the Committee)

#### Qualifications:

· Bachelor's Degree in Accounting 1976.

#### **Practical experiences:**

- Chairman of the Audit Committee The International Criminal Court / The Hague, Netherlands March 2017 till now.
- Member of the Audit Committee The International Criminal Court / The Hague,
- Netherlands January 2016 till March 2017.
- · Country Senior Partner PWC, Jordan 2009-2012.
- Managing Partner EY, Jordan, 2002-2009.
- Office Managing Partner Arthur Andersen, Jordan, 1979-2002.
- · Senior Auditor Saba&Co 1976-1979.

#### Hamdan Al-Fawair (Deputy Head of the Committee)

#### **Qualifications:**

Bachelor of Law from Alexandria University in 1985.

#### **Practical experience:**

- Director General of the Foundation for the Orphans Fund Development Foundation from 2/10/2017 until now.
- Acting Director General of the Foundation for Orphans Fund Development Foundation from 2/1/2017-1/10/2017.
- Director General Assistant of the Foundation Orphans Fund Development Foundation 2010 till 2016.
- Director of Administrative Affairs and Human Resources for Orphans Fund Development Foundation 2009-2010
- Director of Internal Control for Orphans Fund Development Foundation 2008-2009.
- Executive Assistant for Supervision of Public Health and Social Services, Audit Bureau 2007-2008.
- Executive Assistant for Revenue Control (General Customs Department), Audit Bureau 2005-2007.
- Head of Control of the Ministries of Justice and Awqaf and the Courts of Law and Shari'a Courts, Audit Bureau 2004 – 2005.
- Head of Supervision of the Ministry of Public Works and Housing, Audit Bureau 2001-2004.
- Assistant Director, Internal Control, Audit Bureau 1999-2001.
- Head of the Royal Jordanian and Transport Sector Control, Audit Bureau 1994-1999.

#### Dr. Khaled Zentuti

#### **Qualifications:**

- PhD in Finance Administration and Management of Organization and Marketing, Bosphorus University Turkey 1992.
- MBA in Management Accounting University of Hartford C.T USA (Hons) 1982.
- Bachelor of Accounting, Faculty of Economics, Qaryounis University, Benghazi, Libya 1976.

#### Practical experience and membership:

- (1988 2000) Different positions, as Manager and DM in different companies owned by Libyan Arab Foreign Investment Company (LAFICO) in Turkey, Italy, Germany, Pakistan, Egypt.
- (2000 2002) State Secretary Investment and International Cooperation Libyan Cabinet.
- (2002 2004) Chairman and General Manager Libyan Arab Foreign Investment Co. (LAFICO).
- (2012 2016) Full time Ass. Proff. Of Finance and Accounting at PUST University Amman Jordan.
- General Manager and Chairman of the Management Committee / Long Term Investment Portfolio / Libya - Tripoli 2004/2012.
- Advisor to the Union Bank Union Bank Amman / Jordan 2012 -2016.
- Financial, Economic and Investment Consultant for long term portfolio Amman, Jordan, 2016 till now.
- Vice Chairman of the Board of Directors of the British Arab Bank London / Britain 2004/2012.
- Vice Chairman / Union Bank Amman Jordan 2007/2012.
- Vice Chairman of the Board / Libyan Foreign Bank / Tripoli Libya 2009/2012.
- Member of the Board of Directors of the Arab Banking Corporation ABC Manama Bahrain 2010/2012.

Number of BOD Meetings and its Committee's during 2019

Board / Committee	NRC Committee	Governance Committee	Governance Committee	Audit Committee	Risk Committee	IT Steering Committee	Facilities Committee	Management Committee	Board of Directors Meetings
	4	3	4	11	9	4	9	16	7
Dr. "Mohammed Nasser" Abu Hammour	ı	3/3	ı		ı	ı	9/9	16/16	2//
Hamdan Al-Fawair	ı	3/3	ı	11/11	ı	ı	ı	ı	2//
Dr. Noufan Alaqil	,	ı	4/4	ı	-	4/4	9/9	-	2//2
Deema Aqel	ı	ı	4/4	1	9/9	ı	9/9	16/16	2//
Basem Salfiti	4/4	ı	ı	-	ı	4/4	9/9	16/16	5/7 A (2)
Khaled Algonsel	ı	ı	1	-	5/6 A (1)	2/4 A (2)	ı	ı	5/7 A (2)
Dr. Ahmed Menesi	ı	ı	3/4 A (1)	1	ı	ı	1	ı	5/7 A (2)
Samir Hassan Abu Lughod	4/4	2/3 A (1)	ı	10/11 A (1)	ı	ı	ı	ı	6/7 A (1)
Dr. Ibrahim Saif		ı	ı	ı	9/9	3/4 A (1)		1	6/7 A (1)
Dr. Khaled Zentuti	ı	ı	ı	11/11	ı	ı	ı	16/16	2/7
Salem Burqan	4/4	ı	1	1	1	ı	1	16/16	2//2
	:	•							

Audit Committee met External Auditor 4 times during 2019.

Board of Directors met Shari'a Supervisory Board 2 times during 2019.

A: Absence

## Membership of the Board of Directors, which is occupied by a member of the Board of Directors in other companies

#### Dr. "Mohammed Nasser" Abu Hammour - Chairman of the Board

- · Chairman of the Board of Al Salam Transport Company.
- Chairman of the Board Islamic Model Microfinance Company
- · Chairman of the Board of Al Johoud Investment Company.
- · Chairman of the Board of International Gathering Company.
- Deputy Chairman of the Board of Global Development Company for Consultancy and Economic Investments.
- · Chairman of the Board of Denver Investments Company.
- · Chairman of the Board of Al Hassan Microfinance Company.
- · Chairman of the Board of Global Insights for Financial and Economic Consulting.
- Chairman of the Board of Arab Group for Development Company.
- · Chairman of the Board of Al Salam Investment Company.

#### Hamdan Al-Fawair - Deputy Chairman of the Board

• Member of the Board of Directors, Rum Group for Transportation & Tourism Investment.

#### **Basem Salfiti**

- · Non-Executive Board Member, Bank Al-Etihad.
- Member of the Board of Directors. Al-Etihad Islamic for Investment Co...
- Non-Executive Board Member of Delta Insurance and Advisory .

#### **Deema Agel**

- · Non-Executive Board Member, Bank Al-Etihad.
- Member of the Board of Directors, AL Etihad Brokerage Company.

#### Dr. Noufan Alaqil

• Member of the Board of Directors, Aldamaan for Energy Investment.

#### **Khaled Al-Gonsel**

Member of the Board of Directors, Libyan Foreign Investment Company.

#### Dr. Khaled Zentuti

· No membership.

#### **Dr. Ahmed Menesi**

· No membership.

#### **Dr. Ibrahim Saif**

Member of the Board of Director, Jordan Loan Guarantee Corp.

#### Samir Abu Lughod

· No membership.

#### Salem Burgan

· Member of the Board of Directors, Jerusalem Insurance Company

Chairman of the Board

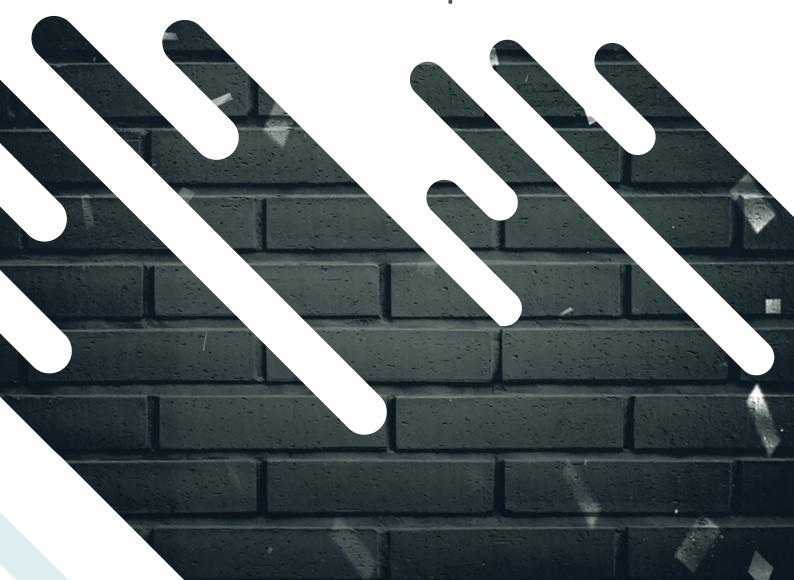
Dr. "Mohammed Nasser"
Abu Hammour





# IT Governance Guide for Information Management and Associated Technology Contents

Best monitoring systems to protect our customers' financial and personal information



# IT Governance Guide for Information Management and Associated Technology Contents

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#### Introduction

In line with the instructions of information governance and the associated technology, Safwa Islamic Bank board of directors and its executive management approved a number of measures to equalize IT with other major business in the Bank. Usage of COBIT 2019 framework for governance, information management, technology and IT projects assists in creating the optimal value of IT by maintaining a balance between achieving benefits and improving risks levels and using resources. COBIT 2019 also enables IT to be managed in a comprehensive way for the full projects taking into account the functional and technological responsibilities from the beginning to the end, along with considering the interests from the involved internal and external stakeholders in addition to working on managing IT risk framework in an integrated manner that complies with the Bank overall risk management operations in accordance with the sound procedures and practices that lead to sound mechanisms for the risk-based decision-making. It also ensures achieving the value added at the lowest costs while mitigating expected losses and risks to reflect the vision of the Bank in this regard and within acceptable risk limits wherever possible.

#### **Definitions**

The following words and phrases, wherever stated in this regulation, shall have the meanings assigned to them unless the context indicates otherwise.

Concerned word	phrase
The Bank	Safwa Islamic Bank
The Board	Safwa Islamic Bank board of directors
The Committee	The committee of information governance and management and the associated technology
The Organizational structure	The Bank organizational structure mentioned in the annex
Top Executive Management	Comprises the Bank General Manager, Deputy General Manager, Financial Manager, Operations Manager, Risk Management Manager, Internal Audit Manager, Internal Shari'a Audit Manager, Treasury Director (Investment), Compliance Manager, in addition to any employee at the Bank who has executive power parallel to any of the mentioned and directly linked to the General Manager and in a manner that doesn't conflict with human capital police.
Stakeholders	Those who have interest in the Bank such as stakeholders, employees, creditors, customers, external suppliers or concerned regulatory authorities.
Concerned Parties	Persons, groups or institutions which have direct or indirect interest in the Bank as they affect or are affected by its practices or activities.
Guide	A guide to governance and management of information and the associated technology which aims to provide recommendation and guidance for the work of the Committee.
Information governance and the associated technology	Distribution of roles ,responsibilities and characterization of relations among different parties entities and stakeholders such as the Board of Directors and the Executive Management in order to maximize the institution's value added) using the optimal approach that ensures the balance between the risks and expected returns, through adopting necessary rules, principles and mechanisms for decision-making and determining strategic objectives of the Bank and the mechanisms for monitoring and compliance verification which ensure development and sustainability of the bank.

Concerned word	phrase
Information Management and the associated technology	A set of on-going activities that fall within the responsibility of the Executive Management; Planning to achieve the strategic objectives including harmonization, organization, and construction and development activities including procurement and implementation, in addition to the operational activities including providing services and support, and monitoring activities including measurement and evaluation, ensuring the sustainability of the Bank objectives and strategic directions.
IT Governance Operations	A set of practices and activities emerging from the institution's policies which are required to achieve the objectives of the information and the associated technology.
Objectives of the information and the associated Technology	A set of key and sub objectives related to the governance and management activities of the information and associated technology which are required to achieve the institutional objectives.
Institutional objectives	A set of objectives related to governance and institutional management which are required to achieve the needs of stakeholders and the objectives of these instructions.
On – Site building	for the general administration, operation place is in the same building of the General Administration of the Bank in Jordan.
Off - Site, for another Building	operation place is in a building other than that of the General Administration of the Bank in Jordan, but in the same governorate.
Near - Site operation	place is in a governorate other than that of the General Administration of the Bank in Jordan.
Off – Shore, for another Country	where the operation place is in a country other than that of the General Administration of the Bank.

## Scope of Work

The IT Department shall be the responsible entity for this evidence; compliance with the implementation is overseen by the Bank Control Departments; while the date of reviewing this evidence is set if a need arises.

The scope of implementing this (guide) includes all Safwa Islamic Bank's operations (based on) IT in various branches and departments. (All stakeholder parties shall be considered concerned with applying the instructions); each according to their position and role.

#### **General Policies & Procedures**

#### Major stakeholders' responsibilities:

- The responsibilities of the Board Chairman, the Board members, external experts include managing the governance project/program; approving the project's tasks and dues, the support, and providing the (needed) funds.
- The general director and the top management: Their responsibilities involve employing experienced calibres at the bank's operations to represent them in the project; defining their duties and responsibilities.
- IT Department and Project Management Office: They're responsible for managing the project/program.
- Internal Auditing: They're responsible for directly controlling the instructions' implementation; the
  participation in the project/program; which represents the role of internal auditing in the executive
  issues as an independent advisor and supervisor to facilitate the project/program's success and
  achievement.
- Risk Management, Information Security, Compliance and Legal Departments:
- Their responsibilities include the participation in the project/program in means representing the role of these departments.
- · The competent calibres; holders of professional and technical certificates (COBIT 2019
- Assessor, COBIT 2019 Implementation, CGEIT certification), who are appointed from inside and outside the Bank: Their responsibilities include the guide's role to disseminate knowledge and ease the implementation.
- Safwa Islamic Bank Board shall be responsible for overseeing the implementation of the five governance operations, which involve Administrative Regulation(Assessment, directives, and monitoring), in addition to the operation of Risk Improvement Guarantee), « EDM 03 and APO12 Risk Management», in line with the Central Bank of Jordan's (CBJ) instructions.

## Governance goals and Associated Information and Technology Management to achieve: Governance and Associated Information and Technology aim at:

- 1. Meeting the stakeholders' needs and achieving the Bank goals through benefiting from the governance framework in:
- Facilitating the added-value creation by offering online services complying with the instructions of Governance Guidelines and Associated Information and Technology Management, in means ensuring the deliberate management of risks and enhancing the optimum use of resources.
- Securing information quality guarantee in order to support the decision-making process.
- · Providing infrastructure for online services, which enables the Bank to accomplish its objectives.
- Ensuring the sustainability of the Bank operations through boosting the operations' automation and activating reliable and effective technological systems.
- IT risk management in a bid to ensure the necessary protection of the Bank assets.
- Setting up e-system complying with the requirements of laws, regulations and instructions.
- Improving the reliability of the internal control environment.
- (maximize the level of satisfaction of IT users by efficiently and effectively meeting the needs of their work)
- Management of services provided by suppliers or partners (outsourcing) who provide their services / products to the Bank or execute operations, services and products to the Bank.

- 2. The use of COBIT 2019 is the benchmark for designing all successful electronic systems and successful and effective solutions in a way that achieves the Bank objectives and all stakeholders.
- 3. Separation of governance and management in accordance with related internationally recognized standards of governance and management of information and technology.
- Achieving the comprehensiveness in the governance and management of information and the associated technology (and) provide the seven elements of enablers according to COBIT 2019 ,too .
- 5. Building the practices and rules of work and organization according to the best international standards, including the areas of IT governance and projects and resources of IT.
- 6. Boosting the mechanisms of self and independent control and checking compliance in the areas of governance and management of information and technology in which they contribute to developing and improving work continuously.

#### **Attribution**

- 1. This guide is based on Central Bank of Jordan's instructions No. 65/2016 and No. 984/6/10 dated 21/1/2019, in addition to COBIT 2019, (Noted that it shall be reviewed and updated regularly by the committee of information governance and the associated technology, or upon issuance of instructions in particular by the Central Bank of Jordan.
- 2. The Bank shall publish this guide on the Website in (any appropriate manner) to the public. The Bank shall disclose in its annual report the existence of a special guide for the governance and management of information and the extent of compliance with it.

### **Committees**

- 1. Safwa Islamic Bank formed the following committees:
  - a. IT Governance Committee The Board
  - b. IT Security Steering Committee
- 2. The Board of Directors of Safwa Islamic Bank adopted the organizational structures (hierarchical and committee structures) for managing resources, IT projects, risk management and information security, which meet the operational needs of the information governance and the associated technology system to achieve efficiency and effectiveness.

#### IT Governance Committee - The Board:

- 1. In line with the Central Bank of Jordan's (CBJ) instructions, the Bank has formed an IT governance committee including at least three members selected from calibres boasting of IT experience and strategic knowledge.
- 2. The committee shall hold at least one quarterly meeting and write the minutes of the meetings; the committee's regulation includes the following tasks:
  - a. Adopting the IT strategic objectives and appropriate organizational structures, including the steering committees at the top executive management sphere, particularly the IT Steering Committee and the means guaranteeing the achievement of the Bank strategic objectives and accomplishing the optimum added-value of the projects and investments of IT resources; utilizing the necessary instruments and standards to monitor and put this into effect; such as using IT Balanced Scorecards, Return On Investment (ROI), and measuring the impact of contribution to boosting the financial and operational efficiency.
  - b. Adopting the common framework of managing, setting and monitoring IT resources and projects, which embraces the international state-of-the-art practices in this realm, especially Control Objectives for Information and Related Technologies (COBIT), in a compatible manner meeting the achievement of goals and requirements of the Governance Guidelines and Associated Information and Technology Management No. 65/2016 by fulfilling the institutional goals sustainably; the accomplishment of matrix of associated information and technology Goals.
  - c. Endorsing the institutional goals matrix and its associated information and technology goals; considering its data as a minimum; defining the necessary sub-goals to achieve them.
  - d. Adopting a RACI chart (RACI Matrix) towards the fundamental operations of IT governance; its sub-operations stemming from it in regard to: the entity, entities, the person or the parties initially responsible; the (Responsible), the (Accountable) and the (Consulted), along with the ones that are briefed on all operations, using COBIT 2019 Enabling Processes in this regard.
  - e. Making sure of existing a common framework to manage the IT risks in line with the comprehensive common framework of the Bank risk management, taking into its consideration all IT governance operations.
  - f. Adopting the budget of IT resources and projects in accordance with the Bank strategic goals.
  - g. General control of IT operations, resources and projects (to emphasize their) adequacy and effective contribution to achieving the Bank business program.
  - h. Reviewing IT auditing reports and taking any necessary measures to address the troubles.
  - i. Recommending the Bank board to take any necessary measures to fix any errors.
  - j. Adopt the importance and prioritization of objectives (Government and Management Objects) and their correlation to the six institutional objectives (Enterprise Goles and Alien Works) as well as to the other enabling elements (Enablers or Components) contained in the instructions, based on a qualitative study or study A quantity that is prepared for this purpose at least annually and that takes into account the Design Factors listed in the (Cobit 2019-Design Guide).

## Information Technology (IT) Steering Committee:

The Bank has formed an Information Technology Steering Committee from the top executive management's members (to ensure a strategic alignment of information technology to achieve the strategic objectives of the bank and that shall be in a sustainable manner.) . Hence, the committee headed by the general director and with the membership of executive management's top managers, including IT and Risk Management heads, was appointed. A board member was elected to have an observer status in the committee, as well as the internal audit manager. Other parties could be invited for attending the meetings, if a need arises. The regulation states that the committee has to write the minutes its meetings that shall be periodically held at least once every three months.

The committee shall undertake the following tasks and functions:

- 1. Laying out the appropriate annual plans required to achieve the strategic goals set up by the board; supervising their implementation in a bid to guarantee their accomplishment, in addition to overseeing the internal and external conditions that affecting them consistently.
- 2. Linking the matrix of institutional goals to the goals of information and technology associated thereto, as well as adopting and reviewing them regularly in a way that ensures the attainment of the Bank strategic aims and the goals of instructions; taking into account the definition and revision of the set of the assessment criteria, and entrusting relevant parties of the Executive Management to constantly monitor them and brief the committee on the results.
- 3. Recommending the allocation of financial and non-financial resources necessary to fulfil the objectives and IT governance operations; using the assistance of competent human elements, the right person in the right place, through organizational structures including all fundamental operations to support the objectives; taking in consideration the functional separation and non-conflict of interest; adapting the technological infrastructure and other services related to achieve the objectives; overseeing the implementation IT projects and governance.
- 4. Prioritizing IT projects and programs.
- 5. Monitoring the level of technological and technical services, and work on to improve their efficiency constantly.
- 6. Briefing the IT Governance Committee on the following matters:
  - a. Providing the necessary resources and efficient instruments which needed to achieve duties of the IT Governance Committee.
  - b. Any deviations that may adversely affect the achievement of strategic goals.
  - c. Any unacceptable risks related to the technology, security and protection of information.
  - d. The reports of performance and compliance with the management's general framework; setting and controlling IT resources and enterprises.
  - e. Periodically providing the IT Governance Committee with the minutes of its meetings, along with obtaining an indication that these minutes have been reviewed.

## Goals and IT governance operations

The committee of information governance and the associated technology shall adopt a set of objectives across the Bank level and IT in accordance with COBIT 2019 framework. The objectives will be overviewed, reviewed and appropriately identified to meet the needs of stakeholders.

Information Technology Steering Committee is primarily responsible for ensuring compliance through achieving its requirements; Information Technology Committee and the board as a whole are the final official in this regard. All Bank departments especially Information Technology, Information Security Management and Project Management Departments shall identify their processes and reformulate them in a way that covers the requirements of IT governance operations.

Safwa Islamic Bank has adopted successive objectives in COBIT 2019 to interpret the needs of stakeholders into specified and customized objectives that can be implemented, in addition to IT-related goals and enablers' goals. Such interpretation allows setting specific objectives at all levels and in all departments and branches of the Bank to support the overall objectives and the requirements of stakeholders, and thus effectively support the alignment between Safwa Islamic Bank solutions and services of IT. The Board and the Risk Management Department are directly responsible for the process of ensuring smooth management of the risks included in the annexes to the instructions and risk management process (IT) respectively.

## Principles, policies and frameworks

IT Governance Committee and the associated technology shall adopt necessary policies to ensure the management of IT operations and to consider them as the minimum, with the possibility of combining such policies as required according to the nature of the work.

- a. IT Governance framework and associated technology at Safwa Islamic Bank rely on five key principles of COBIT 2019:
  - 1. Principle 1: Meeting Stakeholder Needs
  - 2. Principle 2: Covering the Enterprise End to End
  - 3. Principle 3: Applying a Single Integrated Framework
  - 4. Principle 4: Enabling a Holistic Approach
  - 5. Principle 5: Separating Governance from Management
- b. The Board or any of its authorized committees shall adopt principles, policies and frameworks, particularly those related to IT risk management, information security management, and human resource management in particular which meet the requirements of IT Governance operations.

## Information and reports

The Board and the Top Executive Management shall develop infrastructure and information systems necessary for providing the information and reports for their users as a base for making decisions at the bank.

## Services, programs and infrastructure of information technology

The Board or any of its authorized committees in addition to the top management shall adopt the system of services, programs and infrastructure that support achieving the Bank objectives and reaching an acceptable level in the governance of information and associated technology.

## Knowledge, skills and experience

- a. The Board or any of its authorized committees shall approve HR Competencies and human resources policies which are necessary for achieving the requirements of IT governance of and the requirements of these instructions in general along with ensuring assigning the right man in the right place or to ensure that the appropriate human resources are in place.
- b. The Bank Management shall recruit qualified and trained personnel from persons with experience in the fields of Information Technology resources management, Risk Management, Information Security Management and Internal & External Information Technology Audit Management based on the criteria of academic and professional knowledge in addition to the practical experience recognized by qualified international associations under accreditation criteria ISO/IEC 17024(and/or any other parallel standards in accordance with its competence, With the re-qualification and training of staff who are currently employed to meet these requirements within two years of the date of these instructions.
- c. Executive Management shall be responsible for continuing to provide its staff with continuous training education programs to maintain a level of knowledge and skills that achieves IT governance processes.
- d. The executive management is responsible for incorporating the annual evaluation of calibres with objective measurement that take into consideration the contribution through the career centre to achieve bank's objectives

## System of Values, Morals and Behaviour

- a. The Board or its delegate committees shall adopt a code of conduct that reflects professional behaviour related to the management of information and its related technology that clearly define the desired behavioural rules and consequences.
- b. The Board and the Top Executive Management shall hire different mechanisms to encourage the application of desirable behaviors and avoidance Unwanted behaviours by following the methods of governance.
- c. Adopt the importance and prioritization of objectives (Government and Management Objects) and their correlation to the six institutional objectives (Enterprise Goles and Alien Works) as well as to the other enabling elements (Enablers or Components) contained in the instructions, based on a qualitative study or study A quantity that is prepared for this purpose at least annually and that takes into account the Design Factors listed in the (Cobit 2019-Design Guide).

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