





His Majesty

King Abdullah II Bin Al Hussein



His Royal Highness

Prince Hussein Bin Abdullah II

Crown Prince



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DEEP-ROOTED PRINCIPLES INNOVATIVE SOLUTIONS

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 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-eight branches within the Kingdom and its subsidiary, in accordance with the effective Banking Law.

The authorized and paid-up capital of the Bank is 100 million dinars, per 100 million shares, with a nominal value of one dinar per share.

Leading Islamic banking to serve all spectrums of the society.

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 Vision

Our Mission

Our Values

- Predict the customer's needs and come up with a proper solution
- Be quick to respond and always be continuous with following up
- Treat the customers the way they desire to be treated
- Do not sell products, provide solutions

"The distinguished service will end with an inevitable success."

One Team Spirit

- Work together as a seamless one team
- The interest of the many outweigh the interest of the one
- Communicate with the utmost respect
- Avoid gossiping and spreading rumors

"Working efficiently as one team will lead to better results."

Dedication

- Be productive and passionate to reach excellence
- Let improvement be your principle at work
- Never stop learning and continuously nurture your experience
- We celebrate standout performances through rewards and professional growth

"Without our precious employees, we wouldn't be the best bank."

Innovation and Initiative

- Always present solutions and never excuses
- Lead the change and always think outside the box
- Always asl: I there a better, more efficient way?
- Keep your eye on new opportunities, evaluate the current situation and always be vocal about your thoughts

"Innovation and initiative are the core to shine amongst competitors."



Names of the Board of Directors Members

Dr. "Mohammed Naser" Abu Hammour	Chairman of the Board/Representative of Al-Etihad Islamic for Investment Co.
Abd Al-Rahim Al-Hazaymeh	Deputy Chairman of the Board/Representative of Orphans Fund Development Foundation 7/5/2020
Basem Salfiti	Representative of Al-Etihad Islamic for Investment Co.
Deema Aqel	Representative of Al-Etihad Islamic for Investment Co.
Khaled Algonsel	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 Investments Management Company
Dr. Ibrahim Saif	independent
Samir Abu Lughod	independent
Salem Burqan	independent

Members of Shari'a Supervisory Board

His Eminence Prof. Ali Al Qaradaghi	Chairman of the Shari'a Supervisory Board and Executive Member He was named Chairman of the Sharia Supervisory Board on 22/9/2020
His Eminence Dr. Ahmad Melhem	Deputy Chairman of the Shari'a Supervisory Board He was appointed as Deputy Chairman of the Shari'a Supervisory Board on 22/11/ 2020
His Eminence Sheikh Abdul Karim Al-Khasawneh	Member of the Shari'a Supervisory Board

Names of Executive Management

Name	Job Title
Samer Al 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
Masoud "Sakf Al-Hait"	Chief of Legal 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	Head of Risk

Name of the external auditor

Deloitte & Touche (M.E) - JORDAN



The bank achieved growth in assets of 263 million dinars (17%)

The highest shares in the banking sector belong to Islamic banks

We've opened two new branches, bringing our branch network to 38

The Board
of Directors
recommends
to the General
Assembly to
distribute cash
dividends to
shareholders in
the amount of 6
million dinars, at
a rate of 6%

Chairman's Letter

Dear Brothers, Sisters, and Shareholders,

Peace, mercy, and blessings of Allah be with you.

On behalf of the Board of Directors of Safwa Islamic Bank, I am pleased to present to you our 2020 annual report.

As you know, 2020 was anything but an ordinary year: the entire world experienced enormous challenges as a result of the COVID-19 pandemic. However, despite these difficult circumstances, we have continued to achieve remarkable results, achieving a growth in assets of JOD263 million (17%). As a result of this growth, the bank's investments have expanded strategically across numerous business sectors, in line with our ongoing commitment to achieve the best results for all of our stakeholders. This strategy bore fruit in 2020, and is reflected by our 18% growth (JOD239 million) in net income—growth that will allow us to pursue new investments, while still maintaining adequate provisions to meet any future challenges.

In 2020, we also witnessed 2% growth in the bank's pre-tax profits, up from JOD10 million in 2019 to JOD10.2 million in 2020.

These kinds of outstanding financial results, even in the face of enormous global challenges, demonstrate the success of our ambitious strategy for leading and driving our business.

Islamic banks in general have shown their resilience in the face of adversity. This can be seen in the steadily increasing share of the banking sector held by Islamic banks: in 2020, their collective shares in assets grew from 12.6% to 13.6%, while total shares in investment grew from 16.3% to 17.3%, and their shares in deposits expanded from 15.6% to 16.6%. Additionally, although the net profits of the banking sector declined last year, the profits of Islamic banks have been observably less affected than others.

At Safwa Islamic Bank, we adhere to the principles of innovation, and distinguish ourselves by serving as a pioneering financial institution. As such, the bank continued to introduce numerous new products and campaigns throughout 2020, aimed at serving all segments of our community and meeting the growing needs of our clients, while still maintaining our commitment to delivering a superlative level of service and customer care.

In order to provide an unprecedented banking experience for our clients, the bank has continued along its long-term journey toward an entirely integrated digital transformation.

The bank continues to place the utmost importance on developing and upgrading our policies and procedures. We believe that continuous development is paramount, particularly when it comes to the provision of competitive and distinctive products and services. Additionally, the bank seeks to establish new relationships with global financial institutions, by expanding our network of correspondent banks, which will have a positive impact on our future performance.

In order to continue our ambitious expansion plans and serve an ever-growing segment of our society, in 2020, praise be to God, we opened two new branches, bringing the total number of branches in our network to 38. We have also expanded our ATM network, with a total of 78 branches across the Kingdom. This expansion in our physical presence is also evidence of the expansion of our services, and the continuous growth of our client base.

As a result of the bank's outstanding performance in 2020, the Board of Directors has recommended that the General Assembly distribute cash dividends to shareholders in the amount of JOD6 million, representing 6% of our total capital. It is worth noting that bank's capital adequacy ratio will reach around 19.65% for 2020, which is well above the requirements laid out by Basel III and the Central Bank of Jordan.

Under the guidance of the Central Bank of Jordan, the banking sector in general has played an essential and decisive role in promoting economic stability during the Coronavirus pandemic. Through its decisive actions, the Central Bank of Jordan has taken significant steps to minimize the negative ramifications of COVID-19 on the national economy, including enabling small- and medium-sized enterprises to obtain the financing necessary to withstand the pandemic's adverse effects on their business, and to maintain their labor force.

This pandemic has shown the strength of the local banking sector in terms of its financial fortitude, as well as its ability to deal with the aftermath of the crisis. Through continuous coordination, the entire network of banks in Jordan has managed to provided much-needed support to other sectors of the economy.

We at Safwa Islamic Bank have taken many steps to aid our clients in overcoming these difficult times. For personal financing customers, for example, we allowed clients with all types of loan to postpone four loan installments without any penalties or additional fees.

For our corporate clients, we carefully studied their situations and the vulnerability of their cash flows as a reverberation of this pandemic. We provided them with many different forms of assistance, as well as a high level of flexibility, in order to help them mitigate the adverse effects of COVID-19 on their business. Having witnessed the resilience of our own operations—and those of others in the banking sector—we have been able to step into 2021 with a positive outlook. With the guidance of governmental institutions, we hope to continue playing our part to reduce the burdens of the pandemic on citizens, steadily improve their living conditions, and revitalize the national economy.

We at Safwa Islamic Bank will continue to let our strong sense of community and team spirit guide our work. By the end of 2021, we anticipate many more achievements along our long-term strategy for success, guaranteeing our continued excellence and leadership in the market.

I would like to thank the bank's executive management team and all our employees for their resilient efforts and tireless dedication to serving the bank and its clients. I would also like to sincerely commend the role of the bank's Sharia Supervisory Board for assisting our management team in providing competitive, Shari'a-approved products and services, and for dutifully advising and overseeing the bank's operations.

I also want to extend my deepest thanks and gratitude to all of our clients and shareholders for their continuous trust, and to our board of directors for their support and guidance in making Safwa Islamic Bank a true success story.

Finally, I would like to point out the critical role of the Central Bank of Jordan, which provides strategic oversight and support to the entire banking sector, alongside various other national and international advisory entities, all of which play an essential role in the bank's wellbeing, give confidence to investors, and ultimately stimulate and sustain our national economy.

We ask God to grant us continued success, so that we may work in the interest of this institution and serve our beloved Kingdom under the leadership of the country's leader, King Abdullah II bin Al-Hussein. May God protect him.

Dr. "Mohammed Naser" Abu Hammour Chairman of the Board





I am proud of what we have accomplished in terms of financial performance and our steadfast dedication to help our customers facilitate and simplify their banking experience

Our banking services must be fair and responsible

We are committed to provide the highest services to our clients, staff, contributors, and society

CEO Letter

Dear Brothers, Sisters, and Shareholders,

Let me extend my gratitude for your continuous support, which is the first catalyst for pursuing progress, and as we used to meet together through this report to assist the performance of the past year and highlight the most significant achievements made by the bank in the year 2020, which would not have happened without your precious trust which forms the backbone of our giving and continuity.

First of all, I extend my thanks to the bank's Board of Directors for their boundless support to me personally and to my fellow members of the Executive Management, and 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.

We have touched previously on the most prominent pillars that we have followed to move forward with Safwa Islamic Bank and the most prominent initiatives that we have adopted to bring Safwa Islamic Bank to the position it deserves. And by the end of this unpreceded year, Safwa Islamic Bank managed to deliver on its promise to build a robust financial institution that can stand up to the challenges.

Today, I review with you the most significant achievements during the year 2020; you will see later through this 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.

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

In keeping with our motto that innovations are limitless, that our banking services must be fair and responsible and that the passion for excellence and leadership is an obsession that always leads us to fly to new horizons; our ideas were formed to help our clients by all available means and methods and to provide services and solutions through digital channels and contact center available throughout the day and throughout the week to provide an integrated experience to please our clients.

When the client chooses us to represent their financial transitions; It ensures that all our potential, experience, and expertise will be harnessed to serve them, and our ability to link all relevant parties will create convenient shortcuts to work to our advantage ensuring their satisfaction.

We are committed to provide the highest services to our clients, our staff, our contributors, and the society in which we live, consistent with the principles of our vision, mission, and values.

Our key balances and financial changes:

	2020 (Amount in JOD million)	2019 (Amount in JOD million)	Change (Amount in JOD million)	Change %
Assets	1,820	1,557	263	17%
Deposits	1,555	1,316	239	18%
Net Financing & Ijara	1,178	1,025	153	15%
Net Income	10.2	10.0	0.2	2%
EPS Fils/share				
EPS	102	100	2	2%

This year witnessed a positive change at all levels. The bank's assets grew by 263 million dinars, 17% without losing sight of the importance of the capital base, 19.65% of the capital-efficiency rate, 16.11% of the leverage. We have sought to make optimal use of the sources of funds for the desired benefit of both clients and shareholders, as the bank's departments made great efforts, which was reflected on the increase in the sum of funding by 153 million dinars and the increase in the sum of investment by 32 million dinars.

We continue to attach the utmost importance to the client, believing that the client is the main core of the bank's business. This has been reflected in the fact that the number of clients have increased to 109,000, with a total deposit of 1.6 billion dinars and an increase of 239 million dinars, which has contributed mainly to enhancing the bank's liquidity.

Because risk management is an integral part of our growth strategy, in the course of this year and earlier, we have assigned additional 10 million dinars over and above what is required. The bank's capital expenditure during the year was 2.2 million dinars.

The social role of the bank:

Because we promised our clients fair and responsible banking experience, the global pandemic proved to everyone that Safwa Islamic Bank believes in deeds, not just words. Therefore, we have directed all our capabilities and possibilities during 2020 toward finding appropriate solutions for all our clients in different sectors to overcome this crisis with the least possible damage.

We have made sure our communication and client services channels are available 24 hours a day, including across our contact center, social media channels, and website, to ensure that banking services are provided during total or partial lockdown periods and achieve the recommended social distancing to ensure the safety of all.

While the Central Bank of Jordan has taken several decisions to promote financial stability and has assisted banks by launching several initiatives that will help sectors affected by this pandemic, we at Safwa Islamic Bank have taken many measures that aid our clients in surmounting these difficult times. For example, for personal financing, we have postponed four installments for all types of loans without any commissions or an increase in the profits deducted from the clients.

For our corporate clients, we have studied their situation and the vulnerability of their cash flows as a reverberation of this pandemic. We have provided them with all means of assistance and very high flexibility to mitigate the adverse effects on their business.

Because we believe in the significant role played by our armed forces, security services, and medical personnel, we launched the "First Line of Defense Campaign" offering competitive rates as an appreciation and recognition from the management for the remarkable role and dedication provided by them, who worked day and night to ensure our safety.

Safwa Islamic
Bank has
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Our initiatives to our community varied to mitigate the aftermath of the pandemic

The Coronavirus pandemic has awakened our compassion and sense of national responsibility. The entire world has seen the interdependence of Jordanians, and we have demonstrated to ourselves first and foremost that Jordan is a small country in its resources but great in its people, and we at Safwa Islamic Bank are part of this society.

Our initiatives to our community varied to include donations to charities. For example, to assist unprivileged students in the remote learning process, we provided smart tablets, as well as the contribution of the bank and its staff to support The Himmat Watan (A Nation's Effort) Fund, as well as donations appropriated to the affected sectors, and maintenance for public schools and other initiatives.

The efficiency and effectiveness:

We have adopted the principles of efficiency and effectiveness in all our resolutions. As a result, we have implemented numerous initiatives, programs, and process engineering that contribute to cost management and optimal time and effort. In addition, we have adopted a policy of selecting digitalized services based on their contribution to provide an added benefit to the client and secure a high level of information security.

We strive with utmost confidence to maintain the highest quality standards in everything we do, starting with strategic planning and ending by offering our clients the most comfortable and enjoyable experience. Success is evidence of hard work and the contributions of all those working at Safwa Islamic Bank.

During 2020, we developed products, services, and technology, prioritized the client's banking needs, and improved the communication channels to ensure their expectations were exceeded. In addition, we used digitization and innovation to offer simple, user-friendly, and quick solutions; this includes our dedicated mobile and online application, which was developed to provide services that reflect our distinctive image. It is constantly updated by providing sufficient information on all Safwa Islamic Bank clients. We still have a lot to offer in the field of digital transformation.

We will continue to offer a state-of-the-art and flexible business model to achieve strong financial performance through a client-centered approach that promotes a culture of excellence for our clients.

Our geographic presence:

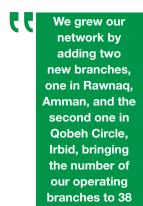
We worked during 2020 to enhance our network by adding two new branches, one in Rawnaq, Amman, and the second one in Qobeh Circle, Irbid, bringing the number of our operating branches to 38. We have also updated and relocated the third branches in Khalda, Al-Madina Al-Monawara St, and Istiklal Mall areas. In addition, a specialized team is studying 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 eight machines to reach a total of 78 ATMs.

We are proud of the appreciation we have received from our clients, which confirms the strength of Safwa Islamic Bank and establishes its status as a leading Jordanian institution with client service in mind. We consider excellence in client service to be the cornerstone of our services built in a competitive environment. Our consistent mission is to seek better lives for our clients by offering solutions that will help them meet their financial needs and aspirations. The bank has invested a great deal of time and effort to become a model of excellence in customer service in the Kingdom. We want to take this opportunity to commend the efforts and dedication of our employees, who have contributed enormously to these remarkable results.

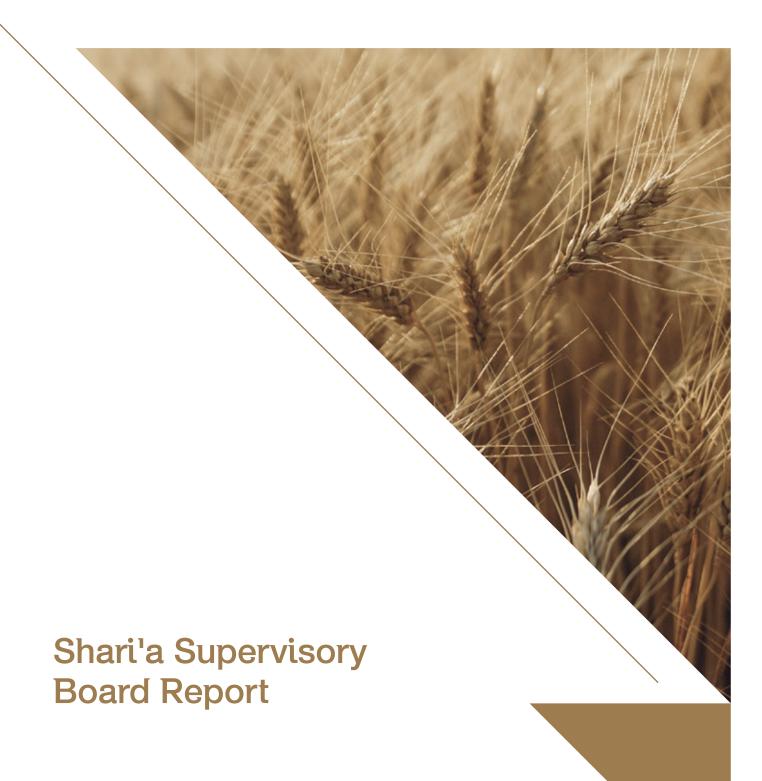
The journey is still long and requires passion and perseverance. However, we are confident that we have the right plans, culture, and dedication to enable us to successfully lead our transformation and progress, achieve our goals, maintain the upward pace of the bank's growth and develop its business to the rank we seek by making Safwa a more substantial, more competitive, and more successful Jordanian Islamic bank in the long term.

Samer Al Tamimi General Manager, Chief Executive Officer

We are keen to provide userfriendly and quick solutions







FOR INNOVATION

In the Name of Allah Sharia Supervisory Board Report For Safwa Islamic Bank For The Year 31/12/2020

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); Based on a letter of assignment from the Board of Directors, the Sharia Supervisory Board provides 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 31/12/2020. It has also carried out due surveillance to give its opinion whether the Bank has been compliant with regulations and principles of the Islamic Sharia, and how far its observance of Fatwas (Sharia decisions) was, as well as the defined resolutions and directions that we had issued, and to make sure of the Bank's observance thereof.

Note that the management is responsible for the execution of the banks activities in accordance to the Islamic Sharia 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 Sharia 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 Sharia. The Board has also continued, through meetings and discussions of the agenda items proposed by the Sharia Controller, to develop required provisions and instructions for emerging topics that arise during the practical application and indicate the Sharia regulations for those topics.

In our opinion:

- A. The members of the Sharia Supervisory Board reviewed the Bank's general budget and income statement as of 31/12/2020 and the explanations concerning them, considering that they provide a description of the Bank's activities; and the Board did not find any Sharia violation in those it acknowledged thereon.
- B. The contracts, operations and transactions conducted by the Bank during the year ending 31/12/2020, that we reviewed have been conducted according to the regulations and principles of the Islamic Sharia.
- 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 31/12/2020 which we reviewed according to regulations and principles of the Islamic Sharia.
- E. Distribution of profits and burdening loss on investment accounts, agrees with the basis approved by us according to regulations and principles of Islamic Sharia.
- F. Sums that came to the Bank from resources or by ways that are non-compliant with the regulations and principles of Islamic Sharia 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(Sharia 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 Sharia 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 Sharia 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: 31/1/2021.

Chairman of the Commission

Prof. Dr. Ali Al Qaradaghi

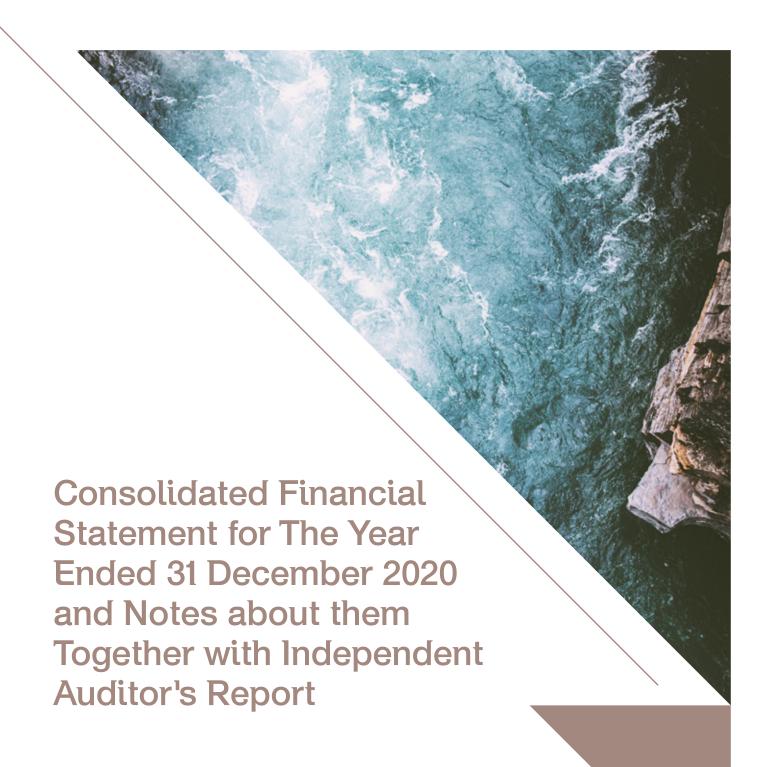
Deputy Chairman

Dr. Ahmad Melhem

Board Member

His Eminence Sheikh Abdul Karim Khasawneh





COMMUNITY-CENTRIC BANK

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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, 2020, 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 comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, 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 ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") as adopted by the Central Bank of Jordan.

In our opinion, the Group has also complied with the Islamic Shariah Principles and Rules as determined by the Shariah Supervisory Board of the Bank during the year ended 31 December 2020.

Basis for Opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. 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 ("the Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The accompanying consolidated financial statements are a translation of the original consolidated 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, 2020. 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.

 Expected credit losses in the financing portfolio (Deferred sales receivables and other receivables, and Ijara Muntahia Bittamleek assets),
 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 12) to the consolidated financial statements.

Key Audit Matter

The Bank's net financing portfolio (Deferred sales receivables and other receivables, and Ijara Muntahia Bittamleek assets) amounted to approximately JD 1.18 Billion as at December 31, 2020 after deducting it's related expected credit loss provision amounted to approximately JD 35.48 million, which includes a provision of approximately JD 16.61 million against the exposures of Stage (1) and Stage (2), and approximately to JD 18.87 million against the exposures included in Stage (3).

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.

The 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 at the various stages set forth in Financial Accounting Standards (30) and the Application Instructions issued by the Central Bank of Jordan and the related provision requirements, this matter has been considered as a key audit matter.

How the key audit matter was addressed

The audit procedures included evaluating the internal controls, by determining if they had been designed and implemented appropriately, and the monitoring system related to granting, recording and monitoring of the financing, as well as the procedures for determining the expected credit losses. We also took 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 evaluated the Group's expected credit loss allowance policy against the requirements of the Financial Accounting Standards issued by (AAOIFI) as adopted by the Central Bank of Jordan in this regard and the strictest between them.

Furthermore, we have obtained understanding of the methodology used by the Group in determining the provisions against exposures classified within Stages (1, 2 and 3). We have also assessed the underlying assumptions and adequacy of the data used by the Group to determine the reasonable. We also determined if the credit facilities portfolio included in the calculation of the expected credit loss was complete.

As disclosed in Note (3), the COVID-19 pandemic has significantly impacted management's determination of expected credit loss and required the application of heightened judgment. To address the uncertainties inherent in the current and future environment and to reflect all relevant risk factors not captured in the Bank's modelled results, management applied quantitative and qualitative adjustments for the impacts of the unprecedented macroeconomic scenarios arising from the pandemic, the temporary effects of the bank and government-led payment support programs, which may not completely mitigate future losses, and the impacts to particularly vulnerable sectors affected by COVID-19.

The Bank made amendments to the expected credit loss calculation models (including management overlays) to take into consideration the potential impact of the COVID 19 pandemic to address the impact on certain sectors or specific customers based on relative cash flow forecasts.

As disclosed in Note (3), the COVID-19 We assessed the judgments applied by pandemic has significantly impacted management's determination of expected credit loss and required the application of classifying the exposures into different stages.

We tested a sample of the credit exposures to evaluate if the determination of exposure at default, the probability of default, and the loss given default used in the calculation of the expected credit losses were appropriate.

We tested a sample of 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 assessed management's estimate of the future cash flows on a sample basis to determine if they are reasonable and reperformed calculations of the allowances.

We also have used our internal specialists, where appropriate, to verify the validity of that data.

We obtained an understanding of the amendments made by the Bank to the expected credit losses impacted by the COVID-19 pandemic. We assessed those amendments by evaluating the model adjustments in relation to macroeconomic factors and forward-looking scenarios, which were incorporated into the impairment calculations, by utilizing our internal specialists to challenge the chosen scenarios and weights applied to capture non-linear losses

We have tested, utilizing our internal IT specialists, the IT application used in the credit impairment process and have verified the integrity of data used as input to the models, including the transfer of data between source systems and the impairment models. We have evaluated system-based and manual controls over the recognition and measurement of the allowance for expected credit loss, including the consideration of the economic disruptions caused by COVID 19.

We assessed if the amount recorded as the allowance for expected credit losses was in accordance with the Financial Accounting Standards issued by (AAOIFI) as adopted by the Central Bank of Jordan.

IT systems and controls related to the preparation of the consolidated financial statements

Key Audit Matter

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

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

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

We have 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 2020
The Board of Directors is responsible for other information. Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. 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

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Group's Shariah Supervisory Board.

The Group's Board of Directors is also responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by the 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 for 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 ASIFIs issued by the 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, actions taken to eliminate threats or safeguard applied.

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 approving it.

Amman – The Hashemite Kingdom of Jordan February 7, 2021

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

Statement (A)

		31 December		
	Note	2020	2019	
		JD	JD	
Assets			<u> </u>	
Cash and balances with the Central Bank	4	351,694,499	278,816,552	
Balances at banks and the financial institutions	5	9,669,834	6,513,543	
International wakala investments-net	6	78,717,349	70,790,378	
Financial assets at fair value through statement of income	7	1,513,175	3,536,138	
Deferred sales receivables and other receivables-net	8	754,662,396	641,388,269	
Financial assets at fair value through unrestricted investment accounts' holders equity-net	9	58,488,983	32,856,966	
Financial assets at amortized cost -net	10	92,191,000	92,191,000	
Investment in associate	11	349,507	354,022	
ljara Muntahia Bittamleek assets-net	12	422,067,496	382,860,291	
Qard Hasan-Net	Statement «E»	962,062	509,660	
Property and equipment-net	13	22,889,345	23,886,014	
Intangible assets - net	14	2,024,886	2,043,279	
Right of use assets	47/A	8,969,372	9,702,044	
Deferred tax assets	20/C	5,313,875	1,661,190	
Other assets	15	10,725,424	9,811,237	
Total Assets		1,820,239,203	1,556,920,583	
Liabilities				
Banks and financial Institutions accounts	16	25,085,579	1,522,392	
Customers' current accounts	17	228,380,089	181,361,486	
Cash margins	18	26,856,968	35,875,353	
Income tax provision	20/A	8,298,808	6,936,284	
Other provisions	19	954,597	421,785	
Lease liabilities	47/B	8,898,628	9,368,215	
Other liabilities	21	40,422,039	41,133,151	
Total Liabilities		338,896,708	276,618,666	
Unrestricted Investment Accounts Holders' Equity				
Unrestricted investment accounts	22	1,326,573,194	1,135,016,343	
Fair value reserve	24/B	151,894	48,157	
Total Unrestricted Investment Accounts Holders' Equity		1,326,725,088	1,135,064,500	
Investment Risk Fund				
Income tax provision for investment risk fund	23/B	-	787,149	
Shareholders' Equity				
Paid up capital	25	100,000,000	100,000,000	
Statutory reserve	26	27,485,171	25,902,069	
Retained earnings	27	27,132,236	18,548,199	
Total Shareholders' Equity		154,617,407	144,450,268	
Total Liabilities, Unrestricted Investment Accounts Holders' and Shareholders' Equity		1,820,239,203	1,556,920,583	
Wakala Investments accounts	Statement «F»	7,096,305	7,815,807	

The accompanying notes are 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

Statement (B)

Consolidated Statement of Income and Comprehensive Income		For the year ended 31 December		
	No.			
	Note	2020	2019	
		JD	JD	
Deferred sales revenue	28	47,806,599	40,992,345	
Ijara Muntahia Bittamleek assets revenue	29	31,653,197	30,417,721	
Gains from International wakala investments	30	865,064	1,960,584	
Gains from financial assets at fair value through unrestricted investment accounts' holders equity	31	1,810,043	1,475,258	
Gains from financial assets at fair value through statement of income	32	122,759	123,343	
Gains from financial assets at amortized cost	33	4,137,690	4,126,385	
Share of joint funds from profits of associate company	11	5,485	(12,596)	
Gains from foreign currencies evaluation	34	62,892	6,267	
Other revenue - jointly financed -net		32,201	758,409	
Total unrestricted investment revenue		86,495,930	79,847,716	
Deposit Insurance fees - jointly financed accounts		(1,580,571)	(847,340)	
Share of unrestricted investment accounts holders'	35	(38,245,176)	(36,423,421)	
Expected credit losses on jointly items	6 & 8 & 9 & 21	(9,960,274)	(5,070,718)	
Share of the Investment Risk Fund	23/A	(0,000,21 1)	(2,416,902)	
Bank's share of unrestricted investments revenue as a mudariband	20/11		(2,110,002)	
rab - mal	36	36,709,909	35,089,335	
Bank's self financed revenue	37	671,095	1,104,804	
Banks share from the restricted investments revenue as agent (wakeel)	38	129,099	283,056	
Gain from foreign currencies	39	922,916	1,075,782	
Banking services revenue - Net	40	4.946.663	5,402,964	
Other revenue	41	1,415	575,419	
Deposit Insurance fees - self financed		(982,883)	(652,989)	
Gross Income		42,398,214	42,878,371	
Employees' expenses	42	(13,123,431)	(13,151,976)	
Depreciation and amortization	13 & 14	(3,182,555)	(3,026,261)	
Depreciation of Ijara muntahia bittamleek assets- self financed	29	(395,003)	(798,847)	
2 Sp. Column 1 of Jan a Francis and St. Call Column 1 of	Statements	(000,000)	(, 55,5)	
(Provision) for expected credit loss - self financed	«F» & 8 & 21	(84,596)	(181,138)	
Depreciation of right of use assets	47/A	(1,513,964)	(1,333,344)	
Finance costs / discount rate on lease liability	47/A	(322,467)	(295,305)	
Rent expenses	7777	(182,889)	(234,266)	
Other expenses	43	(7,762,289)	(6,655,358)	
Total expenses	40	(26,567,194)	(25,676,495)	
Profit for the Year before tax		15,831,020	17,201,876	
Income tax expense	20/B	(5,663,881)	(7,185,657)	
Profit for the Year	20/15			
		10,167,139	10,016,219	
Items not subsequently transferrable to statement of income:				
Gain from sale of financial assets at fair value through Shareholders' equity Self- Financed		-	139,067	
Total comprehensive Income for the year		10,167,139	10,155,286	
		JD/Fils	JD/Fils	
Basic and diluted earnings per share	44	0/102	0/100	

The accompanying notes from are 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 Shareholders' Equity

Statement (C)

	Paid up capital	Statutory reserve	Fair value reserve – self financed	Retained Earnings *	Total
	JD	JD	JD	JD	JD
For the year ended 31 December 2020					
Balance as at the beginning of the year	100,000,000	25,902,069	-	18,548,199	144,450,268
Total comprehensive income for the year	-	-	-	10,167,139	10,167,139
Transfer to reserves	<u> </u>	1,583,102		(1,583,102)	
Balance as at 31 December 2020	100,000,000	27,485,171		27,132,236	154,617,407
For the year ended 31 December 2019					
Balance as at the beginning of the year	100,000,000	24,181,881	(24,510)	17,137,611	141,294,982
Profit for the year	-	-	-	10,016,219	10,016,219
profit on sale of financial assets through self-					
shareholders' equity	<u>-</u>		24,510	114,557	139,067
Total comprehensive Income for the Year	-	-	24,510	10,130,776	10,155,286
Distributed Dividends	-	-	-	(7,000,000)	(7,000,000)
Transfer to reserves		1,720,188		(1,720,188)	
Balance as at 31 December 2019	100,000,000	25,902,069		18,548,199	144,450,268

⁻ Retained earnings balance as at 31 December 2020 includes amounted to JD 807,460 (436,376 JD as at 31 December 2019) which represents deferred tax assets -self financed and it is restricted from use in accordance with the Central Bank of Jordan instructions.

The accompanying notes are part of these consolidated financial statements and should be read with them and with the accompanying audit report.

^{*} Based on CBJ instructions no.(13/2018) that was issued on 6 June 2018 the general banking risks reserve which was transferred to retained earnings, amounted to JD 108,397 is restricted from use without prior approval of the Central Bank of Jordan.

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

Statement (D)

		For the year ended 31 December		
	Note	2020	2019	
		JD	JD	
Cash Flows from Operating Activities				
Profit for the year before tax		15,831,020	17,201,876	
Adjustments for noncash items:				
Depreciation and amortization	13&14	3,182,555	3,026,261	
Depreciation of Ijara Muntahia Bittamleek assets(self & jointly financed)	29	39,851,640	50,344,819	
Depreciation of right of use assets	47/A	1,513,964	1,333,344	
Finance costs discount lease liabilities	47/A	322,467	295,305	
Investment risk fund	23/A	-	2,416,902	
Unrealized (gain) loss of financial assets at fair value through statement of income	32	(42,872)	71	
Expected credit losses provision - joint	6 & 8 & 9 & 21	9,960,274	5,070,718	
Expected credit losses provision - self	8&21	84,596	181,138	
Other provisions	19	550,000	41,000	
Share of joint funds from (profits) losses of associate company	11	(5,485)	12,596	
Loss (gain) from disposal of property and equipment	41	12,647	(8,116)	
(Gain) from sale of seized assets against debts	71	(29,821)	(69,467)	
Cash Flows from Operating Activities before Changes in working capital		71,230,985	79,846,447	
Changes in working capital:		71,200,903	19,040,441	
(Increase) in deferred sales receivables and other receivables		(122,462,378)	(200 154 224)	
		. , , ,	(200,154,334)	
(Increase) in Ijara Muntahia Bittamleek assets		(79,058,845)	(105,952,638)	
(Increase) in Qard Hasan		(472,222)	(4,000,074)	
(Increase) in other assets		(1,198,260)	(1,893,671)	
Increase in customers' current accounts		47,018,603	37,752,903	
(Decrease) increase in cash margin accounts		(9,018,385)	23,405,089	
(Decrease) increase in other liabilities		(1,384,961)	11,909,900	
Net cash (used in) operating activities before income tax paid		(95,345,463)	(155,086,304)	
Income tax paid	20&23	(8,635,951)	(7,813,004)	
Paid from lawsuits provisions	19	(17,188)	-	
Net cash flows (used in) operating activities		(103,998,602)	(162,899,308)	
Cash Flows from Investing Activities				
Net (purchase) of financial assets at fair value through unrestricted investment				
accounts holders		(25,650,991)	(4,555,113)	
Net (purchase) of financial assets at fair value through statement of income		2,065,835	(2,847,720)	
Net sale of financial assets at fair value through shareholders' equity -self financed		-	479,567	
Net disposal of investment in a subsidary		-	79,717	
Cash dividends from associate company	11	10,000	10,000	
(Purchase) of intangibles assets	14	(709,117)	(1,161,619)	
(Purchase) of property and equipment	13	(284,249)	(953,469)	
(Increase) in payments on purchase of property, equipment and projects	13	(1,187,624)	(1,053,549)	
Proceeds from sale of property and equipment in progress		850	73,532	
Proceeds from sale of assets seized by the bank		208,654	234,500	
(Increase) in International Wakala Investments		(7,967,210)	(14,781,662)	
Net cash (used in) investing activities		(33,513,852)	(24,475,816)	
Cash Flows from Financing Activities		(, , ,	(, , ,	
Increase in unrestricted investment 'holders quity		191,556,851	348,030,055	
Finance lease (payments)	47/B	(1,573,346)	(1,590,092)	
(Dividends) distributed to shareholders	2	-	(6,853,134)	
Net cash generated by financing activities		189,983,505	339,586,829	
Net increase in cash and cash equivalents		52,471,051	152,211,705	
Cash and cash equivalents at the beginning of the year		283,807,703	131,595,998	
Cash and cash equivalents at the beginning of the year	45	336,278,754	283,807,703	
Non-cash transactions:	40	000,210,104	200,001,100	
Transfer to property and equipment from installments to purchase property,				
	13	2,220,988	1,348,104	
equipment and projects in progress				

The accompanying notes are 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 Statement Of Sources And Uses Of Al-Qard Al-Hasan Fund

Statement (E)

	31 Decem	ber
	2020	2019
	JD	JD
Balance as at the beginning of the year	509,660	509,660
Sources of the fund:		
Shareholders' equity	<u>(27,778)</u>	
Total Sources of the fund's assets during the year	<u>(27,778)</u>	
Uses of the fund:		
Professional unions / salary payments	_500,000	
Total uese during the year	500,000	
Balance at the end of the year	981,882	509,660
Less : Expected credit losses	<u>(19,820)</u>	
Balance at the end of the year - Net	962,062	509,660

^{*} The overdrawn accounts accounts appear within the other self-receivables the note on deferred sales and other receivables (note 8).



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

Statement (F)

			Ctatement (i)	
	Note	Local Murabaha	Total	
	Note	JD	JD	
For the Year ended 31 December 2020				
Beginning balance of the year		7,815,807	7,815,807	
Add: Deposits		4,979,853	4,979,853	
Less: Withdrawals		(5,699,355)	(5,699,355)	
Add: Investments' gains	38	904,889	904,889	
Less: Banks share as agent (wakeel)	38	(129,099)	(129,099)	
Less: Muwakel's share	38	(775,790)	(775,790)	
Investments at the end of year		7,096,305	7,096,305	
Deferred revenue		225,964	225,964	
Suspended revenue				
Balance as at 31 December 2020		225,964	225,964	
		Local Murabaha	Total	
		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	38	705,369	705,369	
Less: Banks share as agent (wakeel)	38	(283,056)	(283,056)	
Less: Muwakel's share	38	(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	

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 (the "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 provides 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 eight branches within the Kingdom and its subsidiary, in accordance with the effective Banking Law.

The authorized and paid-up capital of the bank is 100 million dinars, per 100 million shares, with a nominal value of one dinar per share.

Etihad Islamic Investment Company owns 62.37% of the Bank's capital.

The consolidated financial statements were approved by the Bank's Board of Directors in their meeting No. (1/2020) held on 31 January 2021 are subject to the approval of the General Assembly of Shareholders.

The consolidated financial statements were read and reviewed by the Bank's Sharia Supervisory Board, in their meeting No. (1/2021) held on 31 January 2021, 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 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 what should have been applied according to the financial accounting standards issued and what has been aproved by the Central Bank of Jordan consist of the following:

First:Provisions for expected credit losses are made in accordance with FAS (30) issued by the organization for Islamic Financial Institutions and according to the instructions of the Central Bank of Jordan, whichever is stricter, 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 FAS (30) issued by Organization
 for Islamic Financial Institutions with the instructions of the Central Bank of Jordan No. (47/2009) dated December 10, 2009
 for each stage separately. The most stringent result is selected.
- Revenue and commissions are suspended on non-performing credit financing granted to clients in accordance with the Central Bank of Jordan instructions.

Second: Assets seized by the bank against debts are disclosed in the consolidated statement of financial positionin 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.comperhansive income however, the increase in value is not recorded as revenue. Subsequent increase in fair value 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, a progressive provision was recorded for the assets seized against debts, according to the Circular of the Central Bank of Jordan No. 10/1/16239 dated on 27 Novambaer 2019 as (5%) of the total book values of these properties starting from the year 2021 so that acheive the required percentage of (50%) for these properties with the end of the year 2029.

The consolidated financial statements are presented in Jordanian Dinar (JD), which is the functional currency of the Bank.

The separation between what belongs to the Shareholders' equity and what belongs to the unrestricted investment accounts holders has been taken into consideration

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.

Basis of Consolidation of the Financial Statements

The Consolidated financial statements comprise of the financial statements of the Bank and its subsidiary 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 uses 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 owned by the Bank as at 31 December 2020 is as follows:

Company name	Paid up Capital (JD)	Source of Funding	Ownership %	Company Main Activity	Operation location	Acquisition 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 the separate financial statements for the Bank as an independent entity, investments in subsidiaries are shown at cost or net proceeds value in case of liquidation.

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 statements for the year ended 31 December 2019, Except for the impact of the New and revised standards and as follows:

Standards that were applied with no material effects on the consolidated financial statements.

- FAS No. (30) issued by the accounting and auditing organization for islamic financial institutions. Impairment in value and credit losses and liabilities expected to result in losses". This standard sets out the accounting treatment of impairment and expected 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 applied in the year 2018 as adopted by central bank of jordan. The bank has implemented the Islamic Financial Accounting Standard No. (30) for the year 2020 with no material impact as adopted by the Central Bank of Jordan on the consolidated financial statements.
- FAS No. (31), "Investment Agency" issued by the accounting and auditing organization for islamic financial institutions The Standard aims to determining the requirements for the preparation of reports related to the Investment Agency and the transactions that are in line with best practices for both the agent and the client. The mandatory implementation date of the Standard is January 1, 2020 Noting that the Bank does not deal with this product at the present time and therefore does not have an affect on the consolodated financial statements of the Bank.
- FAS No. (33) issued by the accounting and auditing organization for islamic financial institutions "Investments in Sukuk, Shares and Similar Instruments" which will replace the Islamic Accounting Standard No. (25). The new standard aims to improve the principles of classification, measurement, presentation and disclosure of investments in Sukuk, stocks and similar financial instruments, The Bank has implemented the Islamic Financial Accounting Standard No. (33) for the year 2020 and no material effects have been found on the consolidated financial statements
- FAS 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 FAS No. 34 is January 1, 2020 with early application allowed. This standard has no effect on the Bank's consolodated 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 2020 was distributed as follows:

	percentage
Share of joint investment account holders	47%
Share of shareholders equity	53%

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 34% of the lowest balance of savings accounts in Jordanian Dinars.
- From 14% to 33% of the lowest balance of savings accounts in foreign currencies.
- From 56% to 90% of the average balance of term accounts in Jordanian Dinars.
- From 18% to 47% of the average balance of foreign currency term accounts.
- 90% of average 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 bear all administrative expenses except for the advertising and marketing expenses of the products. The insurance expenses of the ljarah Muntahia Bittamleek assets assets are incurred in the joint investment pool.

The Bank combines (mixes) 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'ah 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 and the unrestricted investment accounts holder shall pay zakat on their shares and funds if the Shari'ah conditions and rules are fulfilled.

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

The sums devolved to the bank from sources or by means that are inconsistent with the provisions and principles of Islamic Sharia are set aside to the charity account within the other credit balances in the consolidated balance sheet, to be disbursed for charitable causes in accordance with what is decided by the Sharia supervisory board in the bank.

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 to 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). Revenue 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 of 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 that 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 AAOIFI (33) 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:
 - 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.
 - Financial assets at fair value through shareholders equity are subsequently measured at fair value through other statement of comprehensive income.
 - 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 unrestricted 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 any gain/loss arising on remeasurement recognized in the consolodated statement of income and comprehensive 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 revaluated 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 value for 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

The Bank as a lessor

The Bank recognizes the right of use assets and the lease liabilities in relation to all lease arrangements in which the bank is a lease, 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 ments in 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 re-measured by deducting the adjusted lease payment using the adjusted discount rate.
- lease payments change due to changes in an index, rate, or change in expected payments under the guaranteed residual value. In 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 the statement of income and the comprehensive statement of income.

The Bank as a lessor

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 lease 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.

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

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

- Operating Ijara: Ijara contracts that doesn't end with translated ownership of the leased asset of the leasee.
- 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 should 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 AAOIFI (30) 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 (common pool)

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).
- Qard Hasan (self)
- (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 ECL is measured at an amount equal 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.

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.

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

To determinate the impairment provision of financial assets, the bank's management requires to issue important judgments to estimate the amounts of future cash flows and their timing, in addition to estimating any substantial increase in the credit risk of financial assets after their initial recognition, taking into consideration future measurement information for expected credit losses.

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.

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 (40) 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.



Presentation of Provision for expected credit loss 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.

Direct and indirect financing – Self: 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.

Direct and indirect financing – Joint: 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:

Item	Annual depreciation rate
Buildings	2%
Equipment, device 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 groups intangible assets item is as follows:

Item	Annual depreciation rate
Computers systems & Softwares	20%

Seized assets by the Bank against debts

Assets seized by the bank's ownership are shown in the consolidated statement of financial position under "other assets" at the value it devolved to the bank or the fair value whichever is lower. They are re-evaluated at the date of the consolidated financial statements at fair value individually, and any decrease in its value is recorded as a loss in the statement. Consolidated income and comprehensive income and the increase is not recorded as revenue, a progressive provision is calculated for real estate according to Central Bank Circular No. 10/1/16239 of November 21, 2019, at a rate of (5%) of the total book values of those real estate as of the year 2021, so that the arrival To the required percentage (50%) of those real estate by the end of 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 income and comprehensive income.

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. (34) of 2014 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 rate of 38% was used to calculate deferred taxes for this year (35% tax rate, 3% national contribution rate), 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 offseted 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.:

- 1. 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;
- 2. 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;
- 3. 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
- 4. 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:-

Significant Judgments in applying the bank's accounting policies

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 stage (1), or the credit loss over the life of the assets of the stage(2) and (3). The asset transferred to the stage (2) if credit risk increases significantly since initial recognition. FAS (30) issued by the Accounting and Auditing Organization for Financial and Islamic Institutions. 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 (48).

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.

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 (48). 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.

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.

Key sources of estimation uncertainty

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:

Impairment in value of seized assets by the bank against debt:-

Any impairment in value of the seized assets 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.

According to the circular Central Bank No. 10/1/16239 dated on 21 November 2019 recognizing of the required allocations against the properties acquired as (5%) of the total book values of these properties starting from the year 2021 so that acheive the required percentage amount (50%) of these properties with the end of the year 2029.

The useful 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.

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 comprehensive income.

Provision for expected 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.

Provisions against assets financed by joint investment account holders (including provisions against sales receivables and joint financing) are charged to the profits of the joint investment pool.

Where provisions for expected credit losses were formed in accordance with FAS (30) in accordance with the instructions of the Central Bank of Jordan, whichever is stricter.

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 lease 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.

Encouter the outbreak of the emerging corona virus (Covid-19)

The outbreak incident of Coronavirus (Covid-19) in early 2020 and its spread in many geographical regions around the world has caused widespread disruptions to business, with a consequential negative impact on economic and business activity. Also, this event is witnessing continuous and rapid developments, which required the Bank's management to conduct an evaluation of the expected effects on the Bank's business inside and outside Jordan, and to conduct a study to review and evaluate potential risks in addition to providing additional disclosures in the consolidated financial statements as at 31 December 2020, based on the above the Bank has taken the following measures to contain the crisis, as follows:

First - The Bank's Plan to Address the Outbreak of the New Corona Virus (COVID19)

With the continued exposure to the risks of the Corona pandemic in Jordan and its impact on various fields, the administration has taken all necessary measures to ensure business continuity and customer service by developing a plan to deal with the crisis and in coordination with various departments to ensure the implementation of a set of measures, the most important of which are the following:

- Develop alternative action plans that are flexible to deal with the pandemic and in line with the instructions issued by the legislative authorities and within the best international practices, while updating these plans according to the developments of the pandemic.
- Providing alternative locations for staff distribution to ensure continuity of work and to maintain social separation among employees.
- Activate the remote work feature for sensitive jobs in order to ensure the continuity of providing service to customers through electronic channels and ATM.
- Maintaining the safety of both employees and clients by taking all procedures related to sterilizing branches and workplace.
- Granting authorities to managers and departments to take necessary decisions regarding to organizing work within departments.

Second - The impact of the outbreak of the new coronavirus (COVID-19) on the results of the Bank's business.

In order to reach the expected impact of the crisis on the results of calculating the expected credit losses, a set of assumptions were to assess the impact, which were based on the following:

- Reflecting the Management Overlay in assessing the impact on specific sectors or specific clients based on the study of each sector or customer separately.
- The implementation of Recalibration project for updating the variables related to Accounting and Auditing Organization for Islamic Financial Institutions FAS (30), whereby the country's macroeconomic forecasts for the coming years have been updated based on the expectations of Oxford Ecconomic Outlooks and then changing the weights of expected ecconomic perceptions.

The affected sectors were divided into three main levels:

- Unaffected (low risk) sectors.
- Medium affected sectors (medium risk).
- Highly affected sectors (high risk).

The risk level for the econmic sectors has been determined based on a set of local reports issued by research centers affiliated with accredited associations such as the Association of Banks in Jordan, in additions to the reports issued by an international econmic instititions such as Moody's corporation, the World Bank(IMF), and the economic forecasts of Oxford Economic Outlooks, accordingly the following were put in place:

Impact On The Weights Of Future Scenarios

According to the instructions of the Central Bank of Jordan and aspect of applying FAS(30) banks must conduct several scenarios when calculating the expected credit losses so that the final outcome of the results represents the "expected weighted credit losses for the scenarios", where the Bank adopts in this respect three scenarios. The Base Scenario, Upturn Scenario and Downturn Scenario.

Noting that the three scenarios have been updated and are consistent with the current and expected economic situation for the next five years, where the Downturn Scenario increased, Upturn Scenario decreased significantly with corona virus outcomes.

Probability of Default Ratios (PD)

The Bank has set suitable scenarios according to the risk levels for each economic sectors furthermore, the Bank has developed scenarios for clients in high level risk sectors and calculated the impact on the expected credit losses. Moreover the Bank implemented the Corona virus pandemic on macroeconomic adjusted PD and depending on it as a base for expected credit losses calculated with the aim of hedging.

Loss given default (LGD)

The Bank from the beginning of the year has developed the methology of calculationg the Loss given default (LGD) according to the following:

- The loss given default (LGD) percentage for stage 1 and 2 customers is measured based on the updated historical data for the amounts that has been recovered from customers.
- The loss given default (LGD) percentage for stage 3 is measured in a direct correlation between loss on default and the timing of the default.
- The loss given default (LGD) percentage has been adjusted for a number of customers based on their expected cashflows.
- The bank has updated the data related to the loss given default (LGD) and increased it based on studies of previous financial crises.

Management Overlay

The Bank's management has reached logical expectations for the outputs of this event, in addition to reflecting the Bank's direction in assessing the impact on specific sectors or specific clients based on the study of each sector or customer separately

Third - The Impact of the Outbreak of the New Coronavirus (COVID-19) on the Bank's liquidity levels

The bank achieves the liquidity management requirements by reviewing and studying liquidity on the bank's overall level on a daily basis. Where the Finance Department and Treasury Department study and analyze the gap between assets and liabilities and analyze the maturities of assets and liabilities in an integrated manner to achieve harmonization between the two sides and present these results to the Asset and Liability Committee, which holds its meetings periodically to determine directions for liquidity management.

The Bank also prepares various scenarios for stressful situations related to liquidity risk, as it demonstrated the bank's ability to comfortably face liquidity risks, in addition to the bank's taking all measures that the Central Bank followed regarding liquidity requirements, which had a significant impact on enhancing the liquidity of the Jordanian banking system.

Fourth - Instructions issued by the Accounting and Auditing Organization for Islamic Financial Institutions regarding the accounting treatment of the impact of the Corona pandemic On May 21,2020

The Accounting and Auditing Organization for Islamic Financial Institutions dated to 21 May 2020 issued explanatory instructions to Islamic financial institutions on the accounting treatment mechanism for the measures to confront the Corona pandemic related to delaying installments structuring of funds affected by this pandemic, including clarifying the mechanism for recognizing profits.

The Bank has complied with these instructions regarding the issue of dealing with postponements and structures that have taken place on the financing portfolio of individuals and companies.

Future economic outlook

The Bank continued to assess the available future economic outlooks, and its' potential to increase credit risks significantly. The fluctuations in future economic outlooks demand continuous monitoring and updating of the parameters used in calculating ECL. The Bank has performed historical analysis, and identified the main macroeconomic factors that affect ECL through conducting macroeconomic data recalibration, in addition to updating the economic scenarios as per Oxford Economic Outlooks.

The Bank has developed a methodology that interrelates the ECL parameters with macroeconomic factors, and measures the correlation with historical data precisely. The methodology implemented relies on preparation of forecasts for the upcoming four years while taking into consideration the effect of COVID-19 on those factors, which affected the probability of default (PD) and loss given default (LGD) substantially.

To determine the effect of future economic outlooks on ECL, the bank has adopted three main scenarios and granted weights to each of them. The scenarios were as follows: (Upturn Scenario, Based Scenario, and Downturn Scenario).

It is worth noting that the scenarios have been updated recently to align with economics' status-quo, where the upturn scenario has decreased substantially, and the downturn scenario has increased significantly, below table shows the exact weights for each scenario:

Veer	Base Scenario		Upturn Scenario		Downturn Scenario	
Year	Before	After	Before	After	Before	After
2020	30%	10%	10%	5%	60%	85%
2021	30%	10%	10%	5%	60%	85%
2022	30%	20%	10%	10%	60%	70%
2023	30%	30%	10%	10%	60%	60%
2024	30%	40%	10%	10%	60%	50%

(4) CASH AND BALANCES AT THE CENTRAL BANK

The details of this item are as follows:

	31 Dec	31 December		
	2020	2019		
	JD	JD		
Cash on hand	20,828,813	17,944,949		
Balances at the Central Bank of Jordan:				
Current accounts	268,960,098	175,027,268		
Statutory cash reserve	61,905,588	85,844,335		
Total	351,694,499	278,816,552		

- Except for the statutory cash reserve, there are no other restricted cash accounts as at 31 December 2020 and 31 December 2019.
- All balances at the Central Bank are classified as stage (1). There are no transfers between the (first, second and third) stages or written-off balances during the year ended 31 December 2020. There is no need to record a provision for the expected credit losses for balances at the Central Bank of Jordan.
- * The Central Bank of Jordan amended the statutory cash reserve calculation based on ciculation No. 10/5/8772 on July 20, 2020 and as of August 2020 financial information.

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

	Stage 1 (individual)
	For the year ended 31 December 2020
	JD
Balance at the beginning of the year	260,871,603
New balances during the year	88,280,504
Repaid balances	(18,286,421)
Balance at the end of the year	330,865,686

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

	Local banks and financial institutions		Foreign banks institu	s and financial utions	То	tal
	31 December 31 December 2020 2019 JD JD		31 December	31 December	31 December	31 December
			2020 2019		2020	2019
			JD	JD	JD	JD
Current and on -Demand accounts	417,588	390,348	9,252,246	6,123,195	9,669,834	6,513,543
Total	417,588	390,348	9,252,246	6,123,195	9,669,834	6,513,543

There are no balances at banks and financial institutions on which the bank receives returns as at 31 December 2020 and 31 December 2019.

There are no balances with banks and banking institutions for which the bank charges returns as on 31 December 2020 and as on 31 December 2019.

All balances at banks and banking institutions are classified as stage(1). There are also no transfers between the(first, second and third) stages or written -off balances during the year ended 31 December 2020. 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 2020
	JD
Balance at the beginning of the year	6,513,543
New balances during the year	4,536,410
Repaid balances	(1,380,119)
Balance at the end of the year	9,669,834

(6) INTERNATIONAL WAKALA INVESTMENTS - NET

The details of this item are as follows:

	Jointly finance	ed		
	31 December			
	2020 2019			
	JD	JD		
Matures:				
Within a month	52,466,000	67,355,000		
From a month to three months	24,940,971	3,533,829		
From three to six months	1,449,068	-		
Total International Wakala Investments	78,856,039	70,888,829		
Less: Expected credit losses for international wakala investment	(138,690)	(98,451)		
Net International Wakala Investments	78,717,349 70,790,3			

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

	For the year ended 31 December 2020				
Item	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	
	JD	JD	JD	JD	
Balance at the beginning of the year	70,888,829	-	-	70,888,829	
New balances and deposits during the year	78,856,039	-	-	78,856,039	
Repaid balances and deposits	(70,888,829)	-	-	(70,888,829)	
Total balance at the end of the year	78,856,039	-	-	78,856,039	

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 2020				
Item	Stage 1 (Individual)	Stage 2 (Individual)	Stage 3	Total	
	JD	JD	JD	JD	
Balance at the beginning of the year	98,451	-	-	98,451	
Impairment loss of new balances during the year	138,690	-	-	138,690	
Recoverable from impairment loss on repaid balance and deposits	(98,451)	-	-	(98,451)	
Total balance at the end of the year	138,690	-	-	138,690	

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

The details of this item are as follows:

	Jointly f	inanced		
	31 Dec	ember		
	2020	2019		
	JD	JD		
Shares corporate	49,851	-		
Quated Islamic sukuk	1,463,324	3,536,138		
Total	1,513,175 3,536			

(8) DEFERRED SALES RECEIVABLES AND OTHER RECEIVABLES - NET

The details of this item are as follows:

	Jointly f	inanced	Self fina	anced	To	tal
	31 Dec	ember	31 Dece	ember	31 Dec	ember
	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD
Individuals (retail)						
Murabaha to the purchase orderer	275,010,114	213,917,125	1,548,111	1,646,011	276,558,225	215,563,136
ljara Muntahia Bittamleek - receivables	1,544,385	1,210,619	-	-	1,544,385	1,210,619
Other receivables	3,705,043	1,812,928	214,231	552,010	3,919,274	2,364,938
Real estate financing	23,261,507	25,086,645	-	-	23,261,507	25,086,645
ljara Muntahia Bittamleek - receivables	1,471,114	-	-	-	1,471,114	-
Corporate						
International Murabaha	13,471,978	57,398,162	-	-	13,471,978	57,398,162
Murabaha to the purchase orderer	359,318,707	355,026,771	-	-	359,318,707	355,026,771
ljara Muntahia Bittamleek - receivables	1,521,159	2,172,973	-	-	1,521,159	2,172,973
Other receivables	-	-	1,844,514	213,687	1,844,514	213,687
Small and medium enterprises						
Murabaha to the purchase orderer	39,318,766	23,325,983	-	-	39,318,766	23,325,983
Ijara Muntahia Bittamleek - receivables	-	25,149	-	-	-	25,149
Other receivables	-	-	2,948,669	99,088	2,948,669	99,088
Government and the public sector	150,587,406	61,966,203	-	-	150,587,406	61,966,203
Total	869,210,179	741,942,558	6,555,525	2,510,796	875,765,704	744,453,354
Less: Deferred revenue	83,622,777	75,153,663	210,477	243,610	83,833,254	75,397,273
Suspended revenue	1,783,025	1,369,034	7,112	7,112	1,790,137	1,376,146
Expected credit losses	35,185,881	26,018,123	294,036	273,543	35,479,917	26,291,666
Net deferred sales receivable and other receivables	748,618,496	639,401,738	6,043,900	1,986,531	754,662,396	641,388,269

- The non- performing deferred sales receivables, other receivables, facilities and Ijara Muntahia bittamleek receivables amounted to JD 22,200,442as at 31 December 2020, representing 2,53% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables (JD 19,674,303 as at 31 December 2019, representing 2.64% 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 20,410,305 as at 31 December 2020, representing 2.33% of deferred sales receivables, other receivables, facilities and Ijara Muntahia Bittamleek receivables (JD 18,298,157 as at 31 December 2019, representing 2.46% 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 291,459 Moreover, the provision calculated based on the "individual customer" (non-performing) amounted to JD 18,604,987 as at 31 December 2020 (JD 565,302 and JD 17,280,505 respectively as at 31 December 2019).
- 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 213,356,360 as at 31 December 2020, representing 24.36% of the balance of deferred sales receivables, other receivables and facilities (JD134,950,708 as at 31 December 2019, representing 18.13% 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)

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 1 (individual) Stage 2 (individual)		Total	Total
	JD	JD	JD	JD	JD
Low risk	-	-	-	-	-
Semi free risk	-	-	-	-	-
Low risk	570,966	-	-	570,966	-
Normal risk	353,010	-	-	353,010	-
Acceptable risk	449,377	78,159	-	527,536	9
Acceptable with due care	78,532	-	-	78,532	-
Watch list	-	-	-	-	33
Substandard	-	-	313,605	313,605	-
Doubtful	-	-	-	-	320
Loss	-	-	17,838	17,838	85,217
Not rated	-	444,588	3,549	448,137	120,996
Total	1,451,885	522,747	334,992	2,309,624	206,575

The movement of financing:

	For the year ended 31 December 2020						
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total			
	JD	JD	JD	JD			
Balance at the beginning of the year	9	110,205	96,361	206,575			
New facilities during the year	1,451,885	522,748	314,243	2,288,876			
settled facilities	(9)	(108,866)	(79,472)	(188,347)			
Transfer to Stage 1	-	-	-	-			
Transfer to Stage 2	-	-	-	-			
Transfer to Stage 3	-	(1,340)	1,340	-			
Effect on the provision as a result of the change in classification between the stages	-	-	1,561	1,561			
Changes resulting from modifications	-	-	959	959			
Total balance at the end of the year	1,451,885	522,747	334,992	2,309,624			

		For the year ended	31 December 2020	
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	-	2,473	90,353	92,826
Impairment loss on new financing during the year	19,904	15,321	648	35,873
Recoverable from the loss of impairment on reimbursements	-	(2,443)	(79,438)	(81,881)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	(30)	30	-
Effect on the provision as a result of the change in classification between the stages	-	-	2,871	2,871
Changes resulting from modifications	-	-	917	917
Total balance at the end of the year	19,904	15,321	15,381	50,606

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

		31 December 2019			
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Almost risk free	3,945,620	-	-	3,945,620	2,670,293
Low risk	13,763,730	144,005	-	13,907,735	11,310,381
Normal risk	120,914,155	5,611,632	-	126,525,787	159,221,399
Acceptable risk	123,399,033	6,855,038	-	130,254,071	126,190,381
Acceptable with due care	27,181,423	7,719,891	-	34,901,314	11,154,271
Watch list	-	16,462,100	-	16,462,100	8,868,365
Substandard	-	-	1,146,012	1,146,012	-
Doubtful	-	-	394,115	394,115	1,002,601
Loss	-	-	11,829,201	11,829,201	11,687,291
Unrated	14,935,238	280,668	-	15,215,906	56,574,488
Total	304,139,199	37,073,334	13,369,328	354,581,861	388,679,470

The movement on financing:

	For the year ended 31 December 2020							
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total				
	JD	JD	JD	JD				
Balance at the beginning of the year	361,132,697	14,856,881	12,689,892	388,679,470				
New facilities during the year	67,098,501	17,954,336	-	85,052,837				
settled facilities	(104,705,026)	(571,784)	-	(105,276,810)				
Transfer to Stage 1	6,674,056	(6,674,056)	-	-				
Transfer to Stage 2	(23,361,697)	23,361,697	-	-				
Transfer to Stage 3	-	(739,114)	739,114	-				
Effect on the provision as a result of the change in classification between the stages	(1,624,954)	(9,904,856)	61,211	(11,468,599)				
Changes resulting from modifications	(1,074,378)	(1,209,770)	(120,889)	(2,405,037)				
Total balance at the end of the year	304,139,199	37,073,334	13,369,328	354,581,861				

No.	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
Item	JD	JD	JD	JD
Balance at the beginning of the year	1,617,344	3,896,972	13,173,462	18,687,778
Impairment loss on new financing during the year	742,402	2,822,262	-	3,564,664
Recoverable from the loss of impairment on reimbursements	(371,702)	(1,116,369)	-	(1,488,071)
Transfer to Stage 1	139,875	(139,875)	-	-
Transfer to Stage 2	(155,623)	155,623	-	-
Transfer to Stage 3	-	(739,112)	739,112	-
Effect on the provision as a result of the change in classification between the stages	(91,416)	1,540,694	(409,797)	1,039,481
Changes resulting from modifications	1,310,655	1,535,261	(355,064)	2,490,852
Total balance at the end of the year	3,191,535	7,955,456	13,147,713	24,294,704

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

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						
la	Stag	ge 1 Stage 2		Chara 2	Total	Tatal		
Item	individual	Collective	individual	Collective	Stage 3	iotai	Total	
	JD	JD	JD	JD	JD	JD	JD	
Not rated	-	1,412,544	-	1,477,158	58,967	2,948,669	99,088	
Total	-	1,412,544	-	1,477,158	58,967	2,948,669	99,088	

The movement on financing:

	For the year ended 31 December 2020							
Item	Staç	ge 1	Staç	je 2	Ctorro 2	Total		
item	individual	Collective	individual	Collective	Stage 3	iotai		
	JD	JD	JD	JD	JD	JD		
Balance at the beginning of the year	-	85,212	-	4,993	8,883	99,088		
New facilities during the year	-	1,412,545	-	1,477,158	49,786	2,939,489		
settled facilities	-	(84,733)	-	(4,993)	(6,715)	(96,441)		
Transfer to Stage 1	-	-	-	-	-	-		
Transfer to Stage 2	-	-	-	-	-	-		
Transfer to Stage 3	-	(480)	-	-	480	-		
Effect on the provision as a result of the change in classification between the stages	-	-	-	-	6,103	6,103		
Changes resulting from modifications	-	-	-	-	430	430		
Total balance at the end of the year	-	1,412,544	-	1,477,158	58,967	2,948,669		

	For the year ended 31 December 2020							
Item	Sta	ge 1	Stag	je 2	Ctava 0	Total		
item	individual	Collective	individual	Collective	Stage 3	Total		
	JD	JD	JD	JD	JD	JD		
Balance at the beginning of the year	-	445	-	141	8,883	9,469		
Impairment loss on new financing during the year	-	-	-	6	49,786	49,792		
Recoverable from the loss of impairment on reimbursements	-	(441)	-	(143)	(6,715)	(7,299)		
Transfer to Stage 1	-	-	-	-	-	-		
Transfer to Stage 2	-	-	-	-	-	-		
Transfer to Stage 3	-	(1)	-	-	1	-		
Effect on the provision as a result of the change in classification between the stages	-	-	-	-	6,582	6,582		
Changes resulting from modifications	-	-	-	-	430	430		
Total balance at the end of the year	-	3	-	4	58,967	58,974		

B-Jointly financed

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

		31 December 2019					
No. or	Staç	ge 1	Stage 2				
Item	individual	Collective	individual	Collective	Stage 3	Total	Total
	JD	JD	JD	JD	JD JD		JD
unrated	-	23,821,387	-	11,481,235	1,762,748	37,065,370	21,114,557
Total	-	23,821,387	-	11,481,235	1,762,748	37,065,370	21,114,557

The movement on financing:

		For t	he year ended	31 December 2	020	
No	Sta	ge 1	Stage 2		C4 0	Total
Item	individual	Collective	individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	-	14,397,989	- 1	5,569,034	1,147,534	21,114,557
New facilities during the year	-	14,128,918	-	7,259,106	57,579	21,445,603
settled facilities	-	(3,178,286)	-	(609,631)	(4,761)	(3,792,678)
Transfer to Stage 1	-	2,560,197	-	(2,544,714)	(15,483)	-
Transfer to Stage 2	-	(2,304,329)	-	2,362,502	(58,173)	-
Transfer to Stage 3	-	(461,753)	-	(230,940)	692,693	-
Effect on the provision as a result of the change in classification between the stages	-	(763,133)	-	(164,839)	(43,090)	(971,062)
Changes resulting from modifications	-	(558,216)	-	(159,283)	(13,551)	(731,050)
Total balance at the end of the year	-	23,821,387	-	11,481,235	1,762,748	37,065,370

		For t	he year ended	31 December 2	020	
Item	Stag	ge 1	Stage 2		Store 2	Total
item	individual	Collective	individual	Collective	Stage 3	IOtal
	JD	JD	JD	JD	JD	JD
Balance of beginning of the year	-	27,049	-	32,165	301,652	360,866
Impairment loss on new financing during the year	-	28,653	-	22,475	1,373	52,501
Recoverable from the loss of impairment on reimbursements	-	(3,867)	-	(1,918)	(357)	(6,142)
Transfer to Stage 1	-	20,131	-	(18,970)	(1,161)	-
Transfer to Stage 2	-	(2,287)	-	18,057	(15,770)	-
Transfer to Stage 3	-	(4,095)	-	(2,890)	6,985	-
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	-	(17,478)	-	58,031	81,851	122,404
Changes resulting from modifications	-	10,307	-	7,144	68,009	85,460
Total balance at the end of the year	-	58,413	-	114,094	442,582	615,089

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

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 2020						
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total	Total			
	JD	JD	JD	JD	JD			
Unrated	1,354,473	594	196,798	1,551,865	1,954,411			
Total	1,354,473	594	196,798	1,551,865	1,954,411			

The movement on financing:

		For the year ended	31 December 2020		
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total	
	JD	JD	JD	JD	
Balance at the beginning of the year	1,761,175	11,616	181,620	1,954,411	
New facilities during the year	383,218	219	8,787	392,224	
settled facilities	(526,770)	(7,228)	(11,473)	(545,471)	
Transfer to Stage 1	-	-	-	-	
Transfer to Stage 2	(72)	101	(29)	-	
Transfer to Stage 3	(5,886)	(4,108)	9,994	-	
Effect on the provision as a result of the change in classification between the stages	-	(6)	6,654	6,648	
Changes resulting from modifications	(257,192)	-	1,245	(255,947)	
Total balance at the end of the year	1,354,473	594	196,798	1,551,865	

The movement on financing:

		For the year ended	31 December 2020	
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	6,658	220	164,370	171,248
Impairment loss on new financing during the year	1,623	12	8,787	10,422
Recoverable from the loss of impairment on reimbursements	(3,019)	(192)	(11,472)	(14,683)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	29	(29)	-
Transfer to Stage 3	(315)	(25)	160	-
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	-	(24)	16,472	16,448
Changes resulting from modifications	(2,345)	1	18,495	(20,841)
Total balance at the end of the year	7,472	21	196,783	204,276

B-Jointly financed

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

		31 December 20	20		31 December 2019		
Item	Stage 1 (collective)	Stage 2 (collective)	2 (collective) Stage 3		Stage 3 Total		Total
	JD	JD	JD	JD	JD		
Unrated	224,929,828	3,601,481	4,737,279	233,268,588	175,394,993		
Total	224,929,828	3,601,481	4,737,279	233,268,588	175,394,993		

The movement on financing:

	ı	or the year ended 31 D	ecember 2020	
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	164,572,343	6,877,565	3,945,085	175,394,993
New facilities during the year	90,139,020	57,471	98,385	90,294,876
settled facilities	(11,411,082)	(350,267)	(138,016)	(11,899,365)
Transfer to Stage 1	2,802,432	(2,781,317)	(21,115)	-
Transfer to Stage 2	(434,142)	983,685	(549,543)	-
Transfer to Stage 3	(455,674)	(733,081)	1,188,755	-
Effect on the provision as a result of the change in classification between the stages	(369,951)	(119,207)	3,757	(485,401)
Changes resulting from modifications	(19,913,118)	(333,368)	209,971	(20,036,515)
Total balance at the end of the year	224,929,828	3,601,481	4,737,279	233,268,588

	F	For the year ended 31 D	ecember 2020	
Item	Stage 1 (collective)	Stage 2 (collective)	Stage 3	Total
	JD	JD	JD	JD
Balance at the beginning of the year	254,142	278,796	3,353,544	3,886,482
Impairment loss on new financing during the year	430,416	1,273	46,757	478,446
Recoverable from the loss of impairment on reimbursements	(15,575)	(3,442)	(120,711)	(139,728)
Transfer to Stage 1	129,873	(119,420)	(10,453)	-
Transfer to Stage 2	(2,022)	355,784	(353,762)	-
Transfer to Stage 3	(2,224)	(64,972)	67,196	-
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	(123,674)	(348,109)	872,986	401,203
Changes resulting from modifications	154,993	(59,906)	735,667	830,754
Total balance at the end of the year	825,929	40,004	4,591,224	5,457,157

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

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	Stag	ge 1	Stag	Stage 2		Total	Total
	individual	Collective	individual	Collective	Stage 3	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Total	-	-	-	-	-	-	-

The movement on financing:

	For the year ended 31 December 2020						
Item	Stage 1		Stage 2		Store 2	Total	
	individual	Collective	individual	Collective	Stage 3	Iotai	
	JD	JD	JD	JD	JD	JD	
Total balance at the beginning of the year	-	-	-	-	-	-	
Total balance at the end of the year	-	-	-	-	-	-	

Item		For the year ended 31 December 2020						
	Sta	Stage 1 Stage 2			Store 2	Total		
	individual	Collective	individual	Collective	Stage 3	iotai		
	JD	JD	JD	JD	JD	JD		
Total balance at the end of the year	-	-	-	-	-			

B-Jointly 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	Staç	ge 1	Staç	Stage 2		Total	Total
item	individual	Collective	individual	Collective	Stage 3	iotai	Iotai
	JD	JD	JD	JD	JD	JD	JD
Almost free risk	1,385,526	-	-	-	-	1,385,526	1,601,312
Low risk	-	-	-	-	-	-	113,740
Normal Risk	86,899	-	-	-	-	86,899	68,145
Acceptable risk	3,228,696	-	1,667,039	-	-	4,895,735	5,083,795
Acceptable with due care	23,577	-	8,154,007	-	-	8,177,584	76,572
Watch list	-	-	-	-	-	-	7,752,304
Doubtful	-	-	-	-	-	-	62,670
Loss	-	-	-	-	422,996	422,996	352,537
Unrated	388,636	4,869,859	642,153	237,671	173,472	6,311,791	6,072,585
Total	5,113,334	4,869,859	10,463,199	237,671	596,468	21,280,531	21,183,660

The movement on financing:

		For t	he year ended	31 December 2	020	
la	Stage 1		Stag	je 2	Stone 2	Total
Item	individual	Collective	individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year	5,129,270	5,339,678	9,668,103	457,930	588,679	21,183,660
New facilities during the year	334,642	457,692	1,959,253	-	-	2,751,587
Settled facilities	(4,739)	(193,301)	(88,502)	(36,957)	(62,670)	(386,169)
Transfer to Stage 1	199,560	186,337	(199,560)	(186,337)	-	-
Transfer to Stage 2	(121,761)	-	121,761	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision as a result of the	63,224	(04 595)	510 071			551,010
change in classification between the stages	03,224	(24,585)	512,371	-	-	551,010
Changes resulting from modifications	(486,862)	(895,962)	(1,510,227)	3,035	70,459	(2,819,557)
Total balance at the end of the year	5,113,334	4,869,859	10,463,199	237,671	596,468	21,280,531

	For the year ended 31 December 2020							
la	Stage 1		Stage 2		Store 2	Tabel		
Item	individual	Collective	individual	Collective	Stage 3	Total		
	JD	JD	JD	JD	JD	JD		
Balance at the beginning of the year	5,103	28	2,625,927	92	451,847	3,082,997		
Impairment loss on new financing during the year	379	16	86,705	-	-	87,100		
Recoverable from the loss of impairment on reimbursements	(26)	-	(1,733)	-	(98,789)	(100,548)		
Transfer to Stage 1	4,692	92	(4,692)	(92)	-	-		
Transfer to Stage 2	(1,566)	-	1,566	-	-	-		
Transfer to Stage 3	-	-	-	-	-	-		
Effect on the provision as a result of the change in classification between the three stages during the year	(602)	(69)	236,983	-	-	236,312		
Changes resulting from modifications	(2,810)	(16)	1,445,486	-	70,410	1,513,070		
Total balance at the end of the year	5,170	51	4,390,242	-	423,468	4,818,931		

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 2	020		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:

Item		For the year ended 31 December 2020						
	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				

Item	For the year ended 31 December 2020								
	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

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

		31 December 2020						
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total	Total			
	JD	JD	JD	JD	JD			
Low risk	137,608,027	-	-	137,608,027	59,047,181			
Total	137,608,027	-	-	137,608,027	59,047,181			

The movement on financing:

		For the year ended	31 December 2020	
Item	Stage 1 (individual)	Stage 2 (individual)	Stage 3	Total
	JD	JD	JD	JD
Total balance at the beginning of the year	59,047,181	-	-	59,047,181
New facilities during the year	101,062,833	-	-	101,062,833
settled facilities	(7,339,567)	-	-	(7,339,567)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Effect on the provision as a result of the change in classification between the three stages during the year	-	-	-	-
Changes resulting from modifications	(15,162,420)	-	-	(15,162,420)
Total balance at the end of the year	137,608,027	-	-	137,608,027

Item		For the year ended 31 December 2020						
	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	-	-	-	-				

The movement on credit financing (after deducting suspended and deferred revenue): A- Self-financed (Deferred sales receivables and other receivables and Alqard alhassn)

	For the year ended at 31 December 2020							
	Stage 1		Stag	је 2	Ct0	Total		
Item	individual	Collective	individual	Collective	Stage 3	Total		
	JD	JD	JD	JD	JD	JD		
Total balance at the beginning of the year	509,669	1,846,387	110,205	16,609	286,864	2,769,734		
New facilities during the year	1,451,885	1,795,763	522,748	1,477,377	372,816	5,620,589		
Repaid facilities	(9)	(611,503)	(108,866)	(12,221)	(97,660)	(830,259)		
Transfer to Stage 1	-	-	-	-	-	-		
Transfer to Stage 2	-	(72)	-	101	(29)	-		
Transfer to Stage 3	-	(6,366)	(1,340)	(4,108)	11,814	-		
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	-	-	-	(6)	14,318	14,312		
Changes resulting from modifications	-	(257,192)	-	-	2,634	(254,558)		
Total balance at the end of the year	1,961,545	2,767,017	522,747	1,477,752	590,757	7,319,818		

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

	For the year ended at 31 December 2020								
Item	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	92,826	9,469	171,248	-	-	273,543			
Impairment loss on new facilities during the year	35,873	49,792	10,422	-	-	96,087			
Recovered from impairment loss on repaid facilities	(81,881)	(7,299)	(14,683)	-	-	(103,863)			
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	2,871	6,582	16,448	-	-	25,901			
Changes resulting from modifications	917	430	20,841	-	-	22,188			
Total balance at the end of the year *	50,606	58,974	204,276	-	-	313,856			

Redistribution:

Provisions on an individual basis	50,606	58,967	196,783	-	-	306,356
Provisions on a collective basis	-	7	7,493	-	-	7,500

^{*} Includes JD 19,820 related to Al-Qard Al-Hasan.

The movement on credit facilities (after deducting deferred revenue and suspended revenue): B- Jointly financed

	For the year ended at 31 December 2020							
No. or	Stag	e 1	Stag	e 2	Ctorro 2	Total		
Item	individual	Collective	individual	Collective	Stage 3	iotai		
	JD	JD	JD	JD	JD	JD		
Total balance at the beginning of the year	425,309,148	184,310,010	24,524,984	12,904,529	18,371,190	665,419,861		
New facilities during the year	168,495,976	104,725,630	19,913,589	7,316,577	155,964	300,607,736		
Repaid facilities	(112,049,332)	(14,782,669)	(660,286)	(996,855)	(205,447)	(128,694,589)		
Transfer to Stage 1	6,873,616	5,548,966	(6,873,616)	(5,512,368)	(36,598)	-		
Transfer to Stage 2	(23,483,458)	(2,738,471)	23,483,458	3,346,187	(607,716)	-		
Transfer to Stage 3	-	(917,427)	(739,114)	(964,021)	2,620,562	-		
Effect on the provision as a result of the change in	4	,, , <u></u>	/ ·	()				
classification between the stages	(1,561,730)	(1,157,669)	(9,392,485)	(284,046)	21,878	(12,374,052)		
Changes resulting from modifications	(16,723,660)	(21,367,296)	(2,719,997)	(489,616)	145,990	(41,154,579)		
Total balance at the end of the year	446,860,560	253,621,074	47,536,533	15,320,387	20,465,823	783,804,377		

The movement on expected credit loss / jointly financed:

		For	the year ended	at 31 December	2020	
Item	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	18,687,778	360,866	3,886,482	3,082,997	-	26,018,123
Impairment loss on new facilities during the year	3,564,664	52,501	478,446	87,100	-	4,182,711
Recovered from impairment loss on repaid facilities	(1,488,071)	(6,142)	(139,728)	(100,548)	-	(1,734,489)
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	1,039,481	122,404	401,203	236,312	-	1,799,400
Changes resulting from modifications	2,490,852	85,460	830,754	1,513,070	-	4,920,136
Total balance at the end of the year	24,294,704	615,089	5,457,157	4,818,931	-	35,185,881

Redistribution:

Provisions on an individual basis	24,294,704	442,582	-	4,818,880	-	29,556,166
Provisions at a collective basis	-	172,507	5,457,157	51	-	5,629,715

Suspended revenue:

The movement on suspended revenue is as follows:

	For th	e year ended	31 December	2020	For th	e year ended	31 December	2019
	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 (Self)	-	7,112	-	7,112	-	7,112	-	7,112
Add: suspended revenue during the year	-	-	-	-	-	-	-	-
Less: suspended revenue transferred to revenue								
Balance at the end of the year (Self)		7,112		7,112		7,112		7,112
Balance at the beginning of the year (Joint)	455,873	896,626	16,535	1,369,034	229,935	828,440	3,545	1,061,920
Add: suspended revenue during the year	467,496	94,943	33,016	595,455	329,077	181,324	16,581	526,982
Less: suspended revenue transferred to revenue	107,857	58,786	14,698	181,341	103,139	113,138	3,591	219,868
Balance at the end of the year (Joint)	815,512	932,783	34,853	1,783,148	455,873	896,626	16,535	1,369,034

The following are credit exposures in accordance to financial accounting standard (30) Issued by the Accounting and Auditing Organization for Islamic Financial Institutions as at 31 December 2020 A- Self-financed

		Sta	Stage 1			Stage 2	le 2			Stage 3	6.3			₽	Total	
	Total	ECL	Suspended	Deferred	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue	Total	ECL	Suspended	Deferred revenue
	B	9	9	9	9	9	9	9	9	9	B	9	9	9	a	9
Corporates	1,451,885	19,904	•	1	522,747	15,321	•	,	342,104	15,381	7,112	,	2,316,736	50,606	7,112	,
Small and medium enterprises	1,412,544	ю	ı	1	1,477,158	4	1	ı	58,967	58,967	1	1	2,948,669	58,974	1	'
Retail (Individual)	1,564,950	7,472		210,477	594	21	1		196,798	196,783		1	1,762,342	204,276		210,477
Real estate financing		1		1	1	,			1	1	1	'	1	1	1	'
Government and public sector	509,660	1	ı	1	'	1	'	ı	ı	'	ı	1	509,660	ı	'	'
Total	4,939,039	27,379	•	210,477	2,000,499	15,346	•	•	597,869	271,131	7,112	•	7,537,407	313,856	7,112	210,477

The financing amount in according to financial accounting standard (30) Issued by the Accounting and Auditing Organization for Islamic Financial Institutions instructions does not include the amount of JD (5,044,221), representing ligra Muntahia Bittamleek.

B - Jointly financed

		Sta	Stage 1			Stage 2	e 2			Stage 3	3			Total	ial	
	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue
	۵۲	9	9	9	9	9	9	9	g,	<u>م</u>	۵۲	g,	a,	9	9	9
Corporates	320,685,542 3,191,535	3,191,535	1	16,546,343	39,375,438	7,955,456	ı	2,302,104	14,250,864	13,147,713	868,885	12,651	374,311,844	24,294,704	868,885	18,861,098
Small and medium enterprises	25,189,246	58,413	ı	1,367,859	12,199,513	114,094	1	718,278	1,930,007	442,582	34,853	132,406	39,318,766	615,089	34,853	2,218,543
Retail (Individual)	270,310,764	825,929	•	45,380,936	4,073,718	40,004		472,237	5,875,060	4,591,224	791,763	346,018	280,259,542	5,457,157	791,763	46,199,191
Real estate financing	11,435,201	5,221	1	1,452,008	12,588,980	4,390,242	1	1,888,110	708,440	423,468	87,524	24,448	24,732,621	4,818,931	87,524	3,364,566
Government and public sector	150,587,406	ı		12,979,379	1	ı		ı	1		1	1	150,587,406	ı	ı	12,979,379
Total	778,208,159 4,081,098	4,081,098	•	77,726,525	68,237,649	12,499,796	•	5,380,729	22,764,371	18,604,987	1,783,025	515,523	869,210,179 35,185,881	35,185,881	1,783,025	83,622,777

The financing amount in accordance with Financial accounting standard (30) Issued by the Accounting and Auditing Organization for Islamic Financial Institutions instructions does not include the amount of JD (417,023,275) representing Ijara Muntahia Bittamleek.

The following are credit exposures in accordance to financial accounting standard (30) Issued by the Accounting and Auditing Organization for Islamic Financial Institutions as at 31 December 2019

A- Self-financed																
		Sta	Stage 1			Stage 2	e 2			Sta	Stage 3			Total	ial	
	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	9	a,	9	9	9	٩٢	٩	9	9	٩٢	۵	9	a 5	9	9	a
Corporates	6	1	1		110,205	2,473		1	103,473	90,353	7,112		213,687	92,826	7,112	1
Small and medium enterprises	85,212	445	1	1	4,993	141	1	ı	8,883	8,883	1	1	880'66	9,469	1	ı
Retail (Individual)	2,004,785	6,658		243,610	11,616	220	1		181,620	164,370	1		2,198,021	171,248	1	243,610
Real estate financing	•	1				•										
Government and public sector	509,660	ı		,	1	,		ı	1	1	1	1	509,660			
Total	2,599,666	7,103	•	243,610	126,814	2,834	1	•	293,976	263,606	7,112	•	3,020,456	273,543	7,112	243,610

The financing amount in accordance with according to financial accounting standard (30) Issued by the Accounting and Auditing Organization for Islamic Financial Institutions instructions does not include the amount of JD (4,193,746), representing liara Muntahia Bittamleek.

B - Jointly financed

		Sta	Stage 1			Stage 2	e 2			Stag	Stage 3			δ	Total	
	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended	Deferred	Total	ECL	Suspended	Deferred revenue	Total	ECL	Suspended revenue	Deferred revenue
	<u>م</u>	9	9	9	9	9	9	9	9	9	9	a	9	9	9	a
Corporates	382,883,999 1,617,344	1,617,344	1	21,751,302	17,334,727	3,896,972	1	2,477,846	2,477,846 13,503,815	13,173,462	804,971	8,952	413,722,541	18,687,778	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	1	39,487,864	8,076,524	278,796		1,198,959	4,803,154	3,353,544	446,368	411,701	411,701 216,939,885	3,886,482	446,368	41,098,524
Real estate financing	12,632,560	5,131	1	2,163,612	12,636,323	2,626,019	1	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	1	1	2,919,022	,	,	1	,	'	1	1	'	61,966,203	1	'	2,919,022
Total	677,305,711 1,903,666	1,903,666	•	67,686,553	67,686,553 44,415,708	6,833,952	•	6,986,195	6,986,195 20,221,139 17,280,505	17,280,505	1,369,034	480,915	480,915 741,942,558	26,018,123	1,369,034	75,153,663

The financing amount in accordance with Financial accounting standard (30) Issued by the Accounting and Auditing Organization for Islamic Financial Institutions instructions does not include the amount of JD (378,666,545), representing Ijara Muntahia Bittamleek.



Disclosure of credit exposures according to the classification instructions No. 47/2009 and in comparison with Financial Accounting Standard No. (30) issued by the Accounting and Auditing Organization for Islamic Financial Institutions as of December 31, 2020 A- Self

	•			(F) (COO) (M. coo) is a subsection of the cool of the	K-7/ 000				acc	according to financial accounting standard (30)	ancial acc	punting sta	ndard (30)						Ā		
	According	g to classifi	auon msu u	Cuons INO. (A	2009/47)		1 st	stage			2 stage	ge			3 stage	0			90		
	Total	Deferred Suspended revenue	Suspended revenue	Net	ם	Total	ECL	Deferred S revenue	Suspended revenue	Total	ECL	Deferred Suspended revenue	uspended	Total	ECL D	Deferred Suspended revenue	nspended	Total	ECL	Deferred Suspended revenue	uspended
	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
performing loans	6,939,136	210,477	1	6,728,659	'	4,939,039	27,379	210,477	-	2,000,081	15,322	,	'	16	12	,	1	6,939,136	42,713	210,477	1
Debt under Watch	428	ı	1	428	34	1	'	1		418	24	,	,	10	2	1	,	428	31	,	1
Non-performing debt	597,843	1	7,112	590,731	271,130	1	'	1	,	1	1	,	1	597,843	221,996		7,112	597,843	221,996	1	7,112
Of which:																					
Substandard	1,044	ľ	1	1,044	1,044	1	-	1	1	1	1	-	'	1,044	820		1	1,044	820	1	1
Bad debts	340,096	1	1	340,096	26,501	1	1	1	1	1	1	1	1	340,096	20,992		1	340,096	20,992	1	1
SSOT	256,703	1	7,112	249,591	243,585	1	1	1	1	1	1		1	256,703	200,184		7,112	256,703	200,184	1	7,112
Total	7,537,407	210,477	7,112	7,319,818	271,164	4,939,039	27,379	210,477		2,000,499	15,346		'	597,869	222,015	'	7,112	7,537,407	264,740	210,477	7,112

The finances that are covered according to Instructions No. 47/2009 were linked to the results of their calculation according to the instructions of the Central Bank of Jordan.

B-joint

					1,000				ac	according to financial accounting standard (30)	inancial acc	ounting sta	indard (30)								
	Accordin	g to classifi	cation instru	According to classification instructions no. (2009/47)	3009/47)		1 st	stage			2 stage	age			3 stage	ge					
	Total	Deferred srevenue	Deferred Suspended revenue	Net	ECL	Total	ECL	Deferred Srevenue	Suspended revenue	Total	ECL	Deferred S revenue	Deferred Suspended revenue	Total	ECL	Deferred Suspended revenue	nspended	Total	ECL	Deferred tevenue	Suspended
	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
performing loans	829,043,307 82,337,633	82,337,633	,	746,705,674	·	- 777,690,542 4,078,9	4,078,985	385 77,713,705	-	50,232,227		9,416,034 4,616,089	,	1,120,538	14,118	7,839	-	829,043,307 13,509,137 82,337,633	13,509,137	82,337,633	,
Debt under Watch	18,564,273	781,215	,	17,783,058	291,459	517,617	2,113	12,820	, , , , , , , , , , , , , , , , , , ,	18,005,422	3,083,762	764,640	,	41,234	17,137	3,755	-	18,564,273	3,103,012	781,215	'
Von-performing debt	21,602,599	503,929	1,783,025	19,315,645 18,604,987	18,604,987	,						,	1	21,602,599 15,984,789	15,984,789	503,929	1,783,025	21,602,599	21,602,599 15,984,789	503,929	1,783,025
Of which:																					
Substandard	1,520,440	207,682	10,444	1,302,314	313,243	'	1	1	1		-	,	1	1,520,440	323,368	207,682	10,444	1,520,440	323,368	207,682	10,444
Bad debts	1,113,786	31,964	8,863	1,072,959	548,978	'	1	1	1	ı	,	,	1	1,113,786	687,327	31,964	8,863	1,113,786	687,327	31,964	8,863
Poss	18,968,373	264,283	1,763,718	1,763,718 16,940,372 17,742,766	17,742,766	,	-	,	-		,	,	,	18,968,373 14,974,094 264,283	14,974,094		1,763,718	1,763,718 18,968,373 14,974,094	14,974,094	264,283	1,763,718
Total	869,210,179	83,622,777	1,783,025	869,210,179 83,622,777 1,783,025 783,804,377 18,896,446 778,208,159 4,081,0	18,896,446	778,208,159	4,081,098	098 77,726,525	•	68,237,649	68,237,649 12,499,796 5,380,729	5,380,729	,	22,764,371	16,016,044	515,523	1,783,025 8	- 22,764,371 16,016,044 515,523 1,783,025 869,210,179 32,596,938 83,622,777 1,783,025	32,596,938	83,622,777	1,783,025

The finances that are covered according to Instructions No. 47/2009 were linked to the results of their calculation according to the instructions of the Central Bank of Jordan.

Disclosure of credit exposures according to the classification instructions No. 47/2009 and in comparison with Financial Accounting Standard No. (30) issued by the Accounting and Auditing Organization for Islamic Financial Institutions as of December 31, 2019. A- Self

		-			Į,				ассс	rding to fin	ancial ac	counting st	according to financial accounting standard (30)						,	,	
	According	to classifi	cation instri	According to classification instructions No. (2009/47)	(14/800		1 sta	l stage			2 st	2 stage			3 stage	ige			lotal		
	Total	Deferred	Deferred Suspended revenue	Net	ECL	Total	ECL	Deferred Suspended revenue	Suspended	Total	딥	Deferred Suspended revenue	Suspended	Total	_ 	Deferred S	Deferred Suspended revenue	Total	ECL	Deferred srevenue	Deferred Suspended revenue
	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
performing loans	2,626,383	243,610		2,382,773	,	2,512,244	6,534	243,610	,	114,116	2,479	,	-,	23	91	_		2,626,383	9,029	243,610	'
Debt under Watch	100,120	•	1	100,120	3,788	87,422	269	1	1	12,698	355	1	,		'		,	100,120	924	1	1
Non-performing debt	293,953	•	7,112	286,841	263,606	,	'	,	,	'	'	'	'	293,953	224,018		7,112	293,953	224,018	1	7,112
Of which:																					
Substandard	32,649	'		32,649	15,422	'		-	,			'	'	32,649	23,710		'	32,649	23,710	'	'
Bad debts	19,950	'	-	19,950	19,950	,	'	,	-	,	'	'	'	19,950	14,360		'	19,950	14,360	1	'
Poss	241,354	,	7,112	234,242	228,234	,	'	1	,	,	'	'	'	241,354	185,948		7,112	241,354	185,948	1	7,112
Total	3,020,456	243,610		7,112 2,769,734	267,394	2,599,666	7,103	243,610	•	126,814	2,834	•	•	293,976	224,034	•	7,112	7,112 3,020,456	233,971	243,610	7,112

The finances that are covered according to Instructions No. 47/2009 were linked to the results of their calculation according to the instructions of the Central Bank of Jordan.

B-joint

									acc	ording to fil	nancial ac	counting	according to financial accounting standard (30)	(6							
	According	to classifi	cation instr	According to classification instructions No. (2009/47)	(2009/47)		18	1 stage			2 S	2 stage			3 stage	age			Iotal	<u>e</u>	
	Total	Deferred :	Deferred Suspended revenue	Net	ECL	Total	ECL	Deferred served servenue	Deferred Suspended revenue	Total	- -	Deferred Suspende revenue	Deferred Suspended revenue	Total	ECL	Deferred S revenue	Deferred Suspended revenue	Total	ECL	Deferred tevenue	Deferred Suspended revenue
	9	9	9	9	9	9	9	9	9	9	9	9	٩	9	9	9	9	9	9	9	9
performing loans	697,006,343 71,332,541	71,332,541		-625,673,802	Ė	676,943,371 1,903,226 67,673,749	1,903,226	67,673,749	Ċ	24,585,244 2,219,778 3,658,792	2,219,778;	3,658,792	,	-	<u>'</u>	,	-	-701,528,615 4,123,004 71,332,541	4,123,004	71,332,541	1
Debt under Watch	25,555,864 3,340,207	3,340,207		22,215,657	565,302	362,340	440	12,804		19,830,464 4,614,174 3,327,403	4,614,174;	3,327,403	-	-	'	'		20,192,804 4,614,614 3,340,207	4,614,614	3,340,207	
Non-performing debt	19,380,350	480,915		1,369,034 17,530,401 17,280,505	17,280,505			,		'	'	'	-,*	20,221,139	20,221,13913,831,390	480,915		1,369,034 20,221,13913,831,390	13,831,390	480,915	1,369,034
Of which:																					
Substandard	1,329,874	171,073	9,561	1,149,240	405,845	1		'	1	,	'	-	1	1,329,875	447,192	171,073	9,561	1,329,875	447,192	171,073	9,561
Bad debts	2,814,260	161,339	150,205		2,502,716 1,921,750	1	,	-	1	,	'	-	1	2,821,353	997,427	161,339	157,297	2,821,353	997,427	161,339	157,297
Loss	15,236,216	148,503		1,209,268 13,878,445 14,952,910	14,952,910		,	'	,	1	'	-		16,069,911	16,069,911 12,386,771	148,503		1,202,176 16,069,911 12,386,771	12,386,771	148,503	1,202,176
Total	741,942,558	75,153,663	1,369,034	741,942,558 75,153,663 1,369,034 665,419,861 17,845,807 677,305,711 1,903,666 67,686,553	17,845,807	577,305,711	1,903,666	67,686,553		-44,415,708 6,833,952 6,986,195	6,833,952	6,986,195	7	20,221,139	13,831,390	480,915	1,369,034	20,221,13913,831,390 480,915 1,369,034741,942,55822,569,00875,153,663 1,369,034	22,569,008	75,153,663	1,369,034

The finances that are covered according to Instructions No. 47/2009 were linked to the results of their calculation according to the instructions of the Central Bank of Jordan.

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

The details of this item are as follows:

	Jointly finance	ed
	31 Decembe	er
	2020	2019
	JD	JD
Quoted Financial Assets :		
Corporate Shares	273,603	276,524
Islamic Sukuk	54,337,021	27,022,906
Total quoted Financial Assets	54,610,624	27,299,430
Unquoted Financial Assets		
Corporate Shares	2,179,574	1,671,840
Islamic Sukuk	2,064,200	4,128,400
Total unquoted financial assets	4,243,774	5,800,240
Total Financial Assets At Fair Value through Unrestricted Investment Accounts Holders' Equity-Net	58,854,398	33,099,670
Less: Expected Credit Losses provision of financial assets	(365,415)	(242,704)
Net Financial Assets At Fair Value through Unrestricted Investment Accounts Holders' Equity	58,488,983	32,856,966

⁻ Unquoted financial assets were presented 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 2020:

Item	Stage1 (Individual)	Stage2 (Individual)	Stage3	Total
- item	JD	JD	JD	JD
Fair value as at the beginning of the year	33,099,670	-	-	33,099,670
New investments during the year	32,986,182	-	-	32,986,182
Matured and sold investments	(3,903,382)	-	-	(3,903,382)
Change in Fair value	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1,425,515)	1,425,515	-	-
Transfer to Stage 3	-	-	-	-
Effect on the provision as a result of the change in classification between the stages	-	3,829	-	3,829
Changes resulting from modifications	(3,331,901)	-	-	(3,331,901)
Total balance at the end of year	57,425,054	1,429,344	-	58,854,398

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 2020:

Item	Stage1 (Individual)	Stage2 (Individual)	Stage3	Total
item	JD	JD	JD	JD
Balance at the beginning of the year	242,704	-	-	242,704
Impairment loss on new investments during the year	124,688	-	-	124,688
Recovered from loss of Matured and sold investments	(1,582)	-	-	(1,582)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(26,074)	26,074	-	-
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	-	15,840	-	15,840
Changes resulting from modifications	(16,235)	-	-	(16,235)
Total balance at the end of year	323,501	41,914	-	365,415

(10) FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

	Jointly f	
	2020	2019
	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 in accordance with CBJ instructions.

(11) INVESTMENT IN ASSOCIATE

Investment in associated company (jointly financed)

	Dovosutova of			31 Dec	ember
	Percentage of ownership	Country	Principal activity	2020	2019
	Ownership			JD	JD
Jordan Blending and Packing of Fertilizers Company	25%	Jordan	Manufacturing	349,507	354,022

Cash dividend for the bank from the associate amounted to JD 10,000 during the year 2020 (10,000 during the year 2019).

The movement on the investment in associate was as follows:

	Jointly fi	nanced
	31 Dec	ember
	2020	2019
	JD	JD
Beginning balance	354,022	376,618
Share of profit	17,985	12,404
The share of joint funds from the loss of decline in the affiliate's investment	(12,500)	(25,000)
Dividends received	(10,000)	(10,000)
Ending balance for the year*	349,507	354,022

^{*} The latest audited and approved financial statements of the associate have been approved for the purpose of valuation.

(12) IJARA MUNTAHIA BITTAMLEEK ASSETS - NET

		Jointly financed			Self financed			Total	
31 December 2020	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	a۲	a۲	٩٢	a,	a,	a,	۵۲	a,	a O
ljara Muntahia Bittamleek assets-Real Estate	448,845,023	(81,882,130)	366,962,893	6,281,714	(1,237,493)	5,044,221	5,044,221 455,126,737	(83,119,623)	372,007,114
ljara Muntahia Bittamleek assets- Machines	66,702,026	(16,641,644)	50,060,382	ı	I	ı	66,702,026	(16,641,644)	50,060,382
Total	515,547,049	(98,523,774)	(98,523,774) 417,023,275	6,281,714	(1,237,493)	5,044,221	521,828,763	(99,761,267)	422,067,496

		Jointly financed			Self financed			Total	
31 December 2019	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	аr	9	۵۲	۵۲	9	9	٩	9	a,
ljara Muntahia Bittamleek assets-Real Estate	403,436,655	(75,113,613)	328,323,042	5,812,053	(1,618,307)	4,193,746	409,248,708	(76,731,920)	332,516,788
ljara Muntahia Bittamleek assets- Machines	60,449,756	(10,106,253)	50,343,503	ı	ı	ı	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

The accrued ljara installments amounted to JD 4,536,658 as at 31 December 2020 (JD 3,408,741 as at 31 December 2019). Moreover the due ljara installments were presented under deferred sales receivables and other receivables-Net (Note 8). The non-performing ljara Muntahia Bittamleek amounted to JD 5,512,567 as at 31 December 2020, representing 1.31% of the balance of ljara Muntahia Bittamleek assets (JD 6,532,498 as at 31 December 2019, representing 1.71% of the balance of Ijara Muntahia Bittamleek assets).

(13) PROPERTY AND EQUIPMENT - NET

For the year ended at 31 December 2020	Lands	Buildings	Equipment, Devices and furniture	Vehicles	Computers	Others	Total
	JD	JD	JD	JD	JD	JD	JD
Cost:							
Beginning balance for the year	2,747,021	12,882,553	15,848,487	279,530	4,593,044	1,139,949	37,490,584
Additions	-	-	1,964,080	-	541,157	-	2,505,237
Disposals	-	-	799,527	-	1,282	-	800,809
Ending balance for the year	2,747,021	12,882,553	17,013,040	279,530	5,132,919	1,139,949	39,195,012
Accumulated depreciation							
Beginning balance for the year	-	1,671,521	10,111,008	128,053	3,013,591	169,037	15,093,210
Depreciation for the year	-	258,354	1,571,842	30,771	527,131	66,947	-
Disposals	-	-	786,039	-	1,273	-	2,455,045
Ending balance for the year	-	1,929,875	10,896,811	158,824	3,539,449	235,984	16,760,943
Net book value for property and equipment	2,747,021	10,952,678	6,116,229	120,706	1,593,470	903,965	22,434,069
Advance payments on purchasing property and equipment	-	-	-	-	33,640	339,518	373,158
Projects in progress	-	-	82,118	-	-	-	82,118
Net property and equipment at the end of year	2,747,021	10,952,678	6,198,347	120,706	1,627,110	1,243,483	22,889,345
For the year ended at 31 December 2019							
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	-	-	1,652,594	76,500	572,479	-	2,301,573
Disposals	-	-	363,397	57,371	27,023	-	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	-	1,413,872	8,989,827	159,638	2,502,962	102,272	13,168,571
Depreciation for the year	-	257,649	1,421,615	25,785	535,200	66,765	2,307,014
Disposals	-	-	300,434	57,370	24,571	-	382,375
Ending balance for the year	-	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	-	-	199,010	-	484,288	-	683,298
Projects in progress	-	-	771,384	-	33,958	-	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
Annual depreciation rate	-	%2	%15	%15	%20	%4-%10	

⁻ Fully depreciated property and equipment amounted to JD 8,211,976 as at 31 December 2020 (as at 31 December 2019 JD 7,601,301).

⁻ The total estimated cost to complete projects in progress amounted to JD 172,171 as at 31 December 2020.

(14) INTANGIBLE ASSETS-NET

The details of this item are as follows:

	Computer Systems	& Software
	31 Decem	ber
	2020	2019
	JD	JD
Beginning balance for the year	2,043,279	1,600,907
Additions	709,117	1,161,619
Amortization for the year	(727,510)	(719,247)
Ending balance for the year	2,024,886	2,043,279
Annual amortization rate	20%	20%

(15) OTHER ASSETS

The details of this item are as follows:

	31 December		
	2020	2019	
	JD	JD	
Seized assets by the Bank against debts-Net*	6,500,513	5,997,165	
Prepaid expenses	1,210,840	820,054	
Accrued revenue	1,666,749	1,463,656	
Stationery and printing inventory	219,043	242,765	
withholding income tax	24,769	123,643	
Petty cash	27,387	68,716	
Other account receivables	617,341	653,405	
Others	458,782	441,833	
Total	10,725,424	9,811,237	

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

	For the	For the year ended 31 December 2019		
	Seized real estates -self financed	Seized real estates- jointly financed	Total	Total
	JD	JD	JD JD	
Net balance at the beginning of the year	644,199	5,798,098	6,442,297	5,325,605
Additions	-	682,182	682,182	1,719,192
Amortization and disposal	(14,358)	(164,476)	(178,834)	(602,500)
Total	629,841	6,315,804	6,945,645	6,442,297
Provision for impairment of real estate - Jordan Central Bank instructions	(343,441)	(101,691)	(445,132)	(445,132)
Net balance at the end of the year	286,400	6,214,113	6,500,513	5,997,165

- 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 an additional 2 years at max.
- 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 amounted to JD 214,390 as at 31 December 2020 (213,424 as at 31 December 2019).

(16) BANKS AND FINANCIAL INSTITUTIONS ACCOUNTS

The details of this item are as follows:

		31 December 2019		
	Inside the Kingdom	Outside the Kingdom	Total	Total
	JD	JD	JD	JD
Current accounts	19,396,578	5,689,001	25,085,579	1,522,392
Total	19,396,578	5,689,001	25,085,579	1,522,392

(17) CUSTOMERS' CURRENT ACCOUNTS

The details of this item are as follows:

	31 December 2020				
	Retail	Corporate	Small and medium companies	Governmental and Public sector	Total
	JD	JD	JD	JD	JD
Current accounts	153,874,091	33,216,390	38,213,597	3,076,011	228,380,089
Total	153,874,091	33,216,390	38,213,597	3,076,011	228,380,089

	31 December 2019				
	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

- Government and public sector deposits inside the Kingdom as at 31 December 2020 amounted to JD 3,076,011 representing 1.35 % of the total customers' current accounts (As at 31 December 2019 amounted to JD 880,817 representing 0.49% of the total customers' current accounts).
- The restricted accounts as at 31 December 2020 amounted to JD 580,372 representing 0.25% of the total customers' current accounts (As at 31 December 2019 amounted to JD 2,091,906 representing 1.15% of the total customers' current accounts).
- The dormant accounts as at 31 December 2020 amounted to JD 15,886,076 (As at 31 December 2019 amounted to JD 11,782,922).

(18) CASH MARGIN ACCOUNTS

	31 December		
	2020	2019	
	JD	JD	
Margins against direct facilities	18,695,386	11,588,170	
Margins against indirect facilities	7,557,696	23,773,830	
Other margins	603,886	513,353	
Total	26,856,968	35,875,353	

(19) OTHER PROVISIONS

The details of this item are as follows:

	31 December 2020				
	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	150,000	17,188	-	193,597
Provision for contingent liabilities	361,000	400,000	-	-	761,000
Total	421,785	550,000	17,188	-	954,597

	31 December 2019				
	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

(20) INCOME TAX PROVISION

A- Income tax provision

The movement of the income tax provision is as follows:

	For the year end	ded 31 December
	2020	2019
	JD	JD
Beginning balance for the year	6,936,284	4,031,024
Income tax expense	9,719,111	8,123,241
Previous years settelement	(105,240)	(288,834)
Less: Income tax paid for the year*	(8,251,347)	(4,929,147)
Ending balance for the year	8,298,808	6,936,284

^{*} Of which, an amount of 1,597,068 JD paid in advance for the income tax for the year 2020 (1,326,821 JD paid in advance for the income tax for the year 2019).

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

	For the year ended 31	For the year ended 31 December		
	2020	2019		
	JD	JD		
Income tax due	(9,719,111)	(8,123,241)		
Releaged deferred tax assets	(6,531)	(570,000)		
Deferred tax assets / self financed	377,615	282,770		
Deferred tax assets / jointly financed	3,281,601	1,224,814		
Settlement of prior year tax provision (23/B)	402,545	-		
Total	(5,663,881)	(7,185,657)		

35% 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.

Tax Status:

The Bank:

- Tax clearance was obtained for end the year 2017 from The Income and Sales Tax Department.
- The tax return for the year 2018 was submitted within the statutory period and is currently under review by the Income and Sales Tax Department.
- The tax return for the year 2019 was submitted within the statutory period and was still not reviewed by the Income and Sales Tax Department until the date of preparing the consolidated financial statements.

The Subsidiary:

Misk Financial Brokerage Company:

- Annual returns for the years 2011, 2012 and 2013 were submitted and audited by the Income and Sales Tax Department as they were under review by court to accept accumulated losses carryover without any tax impact. According to the legal counsel, the court has ruled in favor of the company and the ruling was endorsed by both the court of appeal and the court of cassation and is currently under execution.
- A tax clearance was obtained for the year 2014, and returns for the years 2015, 2016, 2017 and 2018 were accepted within the sampling system issued by the Income and Sales Tax Department.
- The tax return for the year 2019 has been submitted and has not yet been audited by the Income and Sales Tax Department to date.

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

C- Deferred tax assets

		For the year ended 31 December						
		2020						
Deferred tax assets	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 - self financed								
Provision of lawsuits against the bank	60,785	17,188	150,000	193,597	73,567	23,098		
Provision for impairment of assets seized by the bank aginst debts	343,441	-	-	343,441	130,508	130,508		
Provision for credit losses for the first and second stages - self	130,486	-	77,072	207,558	78,872	49,585		
Difference in the application of Standard 16 - Lease	252,645	-	246,653	499,298	189,733	96,005		
Provision for contingent liabilities	361,000	-	400,000	761,000	289,180	137,180		
Unpaid Employee bounses	-	-	120,000	120,000	45,600	-		
Total Deferred tax assets - self financed	1,148,357	17,188	993,725	2,124,894	807,460	436,376		
Deferred tax assets - jointly financed								
Provision for credit losses for the first and second stages - jointly financed	3,223,195	-	8,635,791	11,858,986	4,506,415	1,224,814		
Total Deferred tax assets - jointly financed	3,223,195	-	8,635,791	11,858,986	4,506,415	1,224,814		
Total	4,371,552	17,188	9,629,516	13,983,880	5,313,875	1,661,190		

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

	For the year ended 31 December			
	2020	2019		
	JD	JD		
Balance at the beginning of the year	436,376	723,606		
Additions during the year	377,615	282,770		
Amortized during the year	(6,531)	(570,000)		
Balance at the End of the year	807,460	436,376		

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

	For the year ended 31 December				
	2020	2019			
	JD	JD			
Balance at the beginning of the year	1,224,814	-			
Additions during the year	3,281,601	1,224,814			
Balance at the End of the year	4,506,415	1,224,814			

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

	For the year ended 3	1 December
	2020	2019
	JD	JD
Accounting profit for the Bank	15,831,020	17,201,876
Less: Non-taxable income	(158,096)	(424,950)
Add: Non-deductible expenses	10,030,347	4,269,888
Tax income for the Bank	25,703,271	21,046,814
Attributable to :		
Taxable income for the Bank (separated)	25,212,014	20,582,668
Subsidiary's taxable profit	491,257	464,146
Statutory tax rate- bank	38%	38%
Statutory tax rate- subsidiary	28%	28%
Effective tax rate (for the current year)	38.3%	38.5%

(21) OTHER LIABILITIES

The details of this item are as follows:

	31 Dec	ember
	2020	2019
	JD	JD
Accrued expenses and not paid	849,779	338,578
Certified cheques	5,930,248	2,608,186
Expected credit losses on Off - balance sheet items-self financed(Note 53)*	238,578	194,295
Expected credit losses on off balance sheet items - Jointly financed(Note 53)**	976,641	347,075
Shareholders and customers deposits	6,046,447	6,404,845
Customers' share of profits from unrestricted investment	13,686,993	14,733,505
Temporary deposits	10,427,849	15,189,860
Visa Claims	1,493,618	998,183
Others	771,886	318,624
Total	40,422,039	41,133,151

• Expected credit losses

* Expected credit loss of indirect facilities

A- Self financed

Movement on indirect facilities for the year ended 31 December 2020:

	Stage 1		Stage 2		Stage 3	Total
Item	Individual	Collective	Individual	Collective	Stage 3	iotai
	JD	JD	JD	JD	JD	JD
Total balance at the beginning of the year	76,140,579	-	4,406,672	-	50,000	80,597,251
New exposures during the year	15,969,767	-	518,688	-	-	16,488,455
Accrued exposures	(35,559,978)	-	(510,165)	-	-	(36,070,143)
Transfer to Stage 1	36,500	-	(36,500)	-	-	-
Transfer to Stage 2	(76,500)	-	76,500	-	-	-
Transfer to Stage 3	-	-	(1,659,796)	-	1,659,796	-
Effect on the provision as a result of the change in classification between the stages		-	-	-	(1,408,424)	(1,408,424)
Changes resulting from modifications	(2,194,885)	-	10,527	-	-	(2,184,358)
Total balance at the end of the year	54,315,483	-	2,805,926	-	301,372	57,422,781

Movement on the provision for expected credit losses (indirect facilities /self financed) for the year ended 31 December 2020:

	Stage 1		Stage 2		Ctorra 0	Total
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	141,664	-	52,631	-	-	194,295
Impairment loss on new exposures during the year	64,819	-	3,397	-	-	68,216
Impairment loss of matured / derecognized exposures	(64,889)	-	(3,688)	-	-	(68,577)
Transfer to Stage 1	312	-	(312)	-	-	-
Transfer to Stage 2	(266)	-	266	-	-	-
Transfer to Stage 3	-	-	(36,105)	-	-	(36,105)
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	(155)	-	340	-	-	185
Changes resulting from modifications	73,912	-	6,652	-	-	80,564
Total balance at the end of the year	215,552	-	23,181	-	-	238,578

* Expected credit loss of indirect facilities / guarantees Distribution of total indirect facilities / guarantees

	31 December 2020								
Item	Stag	je 1	Stag	ge 2		T	T . 1. 1		
	Individual	Collective	Individual	Collective	Stage 3	Total	Total		
	JD	JD	JD	JD	JD	JD	JD		
Almost risk free	16,638,695	-	-	-	-	16,638,695	16,897,504		
Low risk	1,567,430	-	2,000	-	-	1,569,430	155,250		
Normal Risk	1,304,027	-	102,986	-	-	1,407,013	1,560,913		
Acceptable risk	13,504,163	-	102,000	-	-	13,606,163	5,435,447		
Acceptable with due care	570,930	-	35,500	-	-	606,430	6,177,654		
Watch list	-	-	-	-	-	-	1,698,796		
Substandard	-	-	-	-	251,372	251,372	-		
Loss	-	-	-	-	50,000	50,000	50,000		
Not rated	1,697,881	-	2,540,417	-	-	4,238,298	3,552,718		
Total	35,283,126	-	2,782,903	-	301,372	38,367,401	35,528,282		

Movement on indirect facilities / guarantees for the year ended 31 December 2020 :

	Stag	ge 1	Stage 2		Ctown 0	Total
Item	Individual	Collective	Individual	Collective	Stage 3	iotai
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	31,535,775	-	3,942,507	-	50,000	35,528,282
New exposures during the year	4,050,573	-	495,665	-	-	4,546,238
Matured exposures	(2,521,467)	-	(46,000)	-	-	(2,567,467)
Transfer to Stage 1	36,500	-	(36,500)	-	-	-
Transfer to Stage 2	(76,500)	-	76,500	-	-	-
Transfer to Stage 3	-	-	(1,659,796)	-	1,659,796	-
Effect on the provision as a result of the change in classification between the stages	-	-	-	-	(1,408,424)	(1,408,424)
Changes resulting from modifications	2,258,245	-	10,527	-	-	2,268,772
Total balance at the end of the year	35,283,126	-	2,793,430	-	301,372	38,367,401

Movement on the provision for expected credit loss (indirect facilities / guarantees) for the year ended 31 December 2020:

	Stage 1		Stage 2		Ctorre 2	Tabel
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	80,463	-	49,438	-	-	129,901
Impairment loss on new exposures during the year	26,139	-	3,397	-	-	29,536
Impairment loss of matured / derecognized exposures	(14,165)	-	(495)	-	-	(14,660)
Transfer to Stage 1	312	-	(312)	-	-	-
Transfer to Stage 2	(266)	-	266	-	-	-
Transfer to Stage 3	-	-	(36,105)	-	36,105	-
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	(155)	-	340	-	(36,105)	(35,920)
Changes resulting from modifications	82,020	-	6,652	-	-	88,672
Total balance at the end of the year	174,348	-	23,181	-	-	197,529

* Expected credit loss of indirect facilities / Credits and acceptance Distribution of total on indirect facilities / credits and acceptance

	31 December 2020							
Item	Staç	je 1	Staç	je 2	Stage 3	Total	Total	
	Individual	Collective	Individual	Collective		iotai	iotai	
	JD	JD	JD	JD	JD	JD	JD	
Low risk	1,401,027	-	-	-	-	1,401,027	260,904	
Normal risk	2,343,628	-	-	-	-	2,343,628	8,462,889	
Acceptable risk	7,809,930	-	-	-	-	7,809,930	15,448,577	
Watch list	-	-	-	-	-	-	464,165	
Not rated	7,477,772	-	23,023	-	-	7,500,795	20,432,434	
Total	19,032,357	-	23,023	-	-	19,055,380	45,068,969	

Movement on the provision for expected credit loss(indirect facilities / credits and acceptance) for the year ended 31 December 2020:

	Stage 1		Stag	je 2	Stone 2	Tabel
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	44,604,804	- 1	464,165	-	-	45,068,969
New exposures during the year	11,919,194	-	23,023	-	-	11,942,217
repaid exposures	(33,038,511)	-	(464,165)	-	-	(33,502,676)
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision as a result of the change in classification between the stages	-	-	-	-	-	-
Changes resulting from modifications	(4,453,130)	-	-	-	-	(4,453,130)
Total balance at the end of the year	19,032,357	-	23,023	-	-	19,055,380

Movement on the provision for expected credit loss(indirect facilities / credits and acceptance) for the year ended 31 December 2020:

	Stag	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	61,201	-	3,193	-	-	64,394
Impairment loss on new exposures during the year	38,680	-	-	-	-	38,680
Impairment loss of matured / derecognized exposures	(50,724)	-	(3,193)	-	-	(53,917)
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	(8,108)	-	-	-	-	(8,108)
Total balance at the end of the year	41,049	-	-	-	-	41,049

** Expected credit loss of indirect facilities

B- jointly financed

Movement on indirect facilities for the year ended 31 December 2020 :

	Stag	ge 1	Stage 2		01	Total
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	91,779,315	-	2,264,561	-	-	94,043,876
New exposures during the year	54,241,602	-	764,326	-	-	55,005,928
Accrued exposures	(14,257,029)	-	(2,205,310)	-	-	(16,462,339)
Transfer to Stage 1	39,301	-	(39,301)	-	-	-
Transfer to Stage 2	(4,180,195)	-	4,180,195	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision as a result of the change in classification between the stages	(31,654)	-	(1,391,718)	-	-	(1,423,372)
Changes resulting from modifications	766,157	-	73,640	-	-	839,797
Total balance at the end of the year	128,357,497	-	3,646,393	-	-	132,003,890

Movement on the provision for expected credit losses (indirect facilities /jointly financed) for the year ended 31 December 2020:

	Stag	je 1	Stage 2		Store 2	Total
Item	Individual	Collective	Individual	Collective	Stage 3	Iotai
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	293,610	-	53,465	-	-	347,075
Impairment loss on new exposures during the year	339,613	-	13,206	-	-	352,819
Impairment loss of matured / derecognized exposures	(40,529)	-	(52,302)	-	-	(92,831)
Transfer to Stage 1	936	-	(936)	-	-	-
Transfer to Stage 2	(18,182)	-	18,182	-	-	-
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	(829)	-	55,872	-	-	55,043
Changes resulting from modifications	313,153	-	1,382	-	-	314,535
Total balance at the end of the year	887,772	-	88,869	-	-	976,641

** Expected credit loss of indirect facilities / unutilized credit limits Distribution of total on indirect facilities / unutilized credit limits

	31 December 2020						
Item	Stag	e 1	Stag	je 2	010		
	Individual	Collective	Individual	Collective	Stage 3	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Low risk	477,710	-	-	-	-	477,710	1,887,565
Semi free risk	2,672,583	-	-	-	-	2,672,583	2,259,982
Low risk	9,711,342	-	-	-	-	9,711,342	7,981,041
Normal risk	65,433,858	-	1,160,794	-	-	66,594,652	45,890,811
Acceptable risk	33,884,672	-	122,557	-	-	34,007,229	23,653,607
Acceptable with due care	304,714	-	-	-	-	304,714	1,213,825
Watch list	-	-	1,505,126	-	-	1,505,126	2,225,386
Not rated	15,872,618	-	857,916	-	-	16,730,534	8,931,659
Total	128,357,497	-	3,646,393	-	-	132,003,890	94,043,876

Movement on the unutilized credit limits for the year ended 31 December 2020:

	Stag	je 1	Stage 2		Ctorra 0	Total
Item	Individual	Collective	Individual	Collective	Stage 3	Total
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	91,779,315	-	2,264,561	-	-	94,043,876
New exposures during the year	54,241,602	-	764,326	-	-	55,005,928
repaid exposures	(14,257,029)	-	(2,205,310)	-	-	(16,462,339)
Transfer to Stage 1	39,301	-	(39,301)	-	-	-
Transfer to Stage 2	(4,180,195)	-	4,180,195	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision as a result of the change in classification between the stages	(31,654)	-	(1,391,718)	-	-	(1,423,372)
Changes resulting from modifications	766,157	-	73,640	-	-	839,797
Total balance at the end of the year	128,357,497	-	3,646,393	-	-	132,003,890

Movement on the provision for expected credit loss (indirect facilities) /unutilized credit limits for the year ended 31 December 2020:

	Stag	e 1	Stage 2		Ctomo 2	Total
Item	Individual	Collective	Individual	Collective	Stage 3	Iotai
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the year	293,610	-	53,465	-	-	347,075
Impairment loss on new exposures during the year	339,613	-	13,206	-	-	352,819
Impairment loss of matured / derecognized exposures	(40,529)	-	(52,302)	-	-	(92,831)
Transfer to Stage 1	936	-	(936)	-	-	-
Transfer to Stage 2	(18,182)	-	18,182	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Effect on the provision - as at the end of the period - as a result of the change in classification between the three stages during the year	(829)	-	55,872	-	-	55,043
Changes resulting from modifications	313,153	-	1,382	-	-	314,535
Total balance at the end of the year	887,772	-	88,869	-	-	976,641

(22) UNRESTRICTED INVESTMENT ACCOUNTS

The details of this item are as follows:

		31 December 2020						
	Retail	Corporate	Small and medium enterprises	Governmental and Public sector	Banks and Financial Institutions	Total		
	JD	JD	JD	JD	JD	JD		
Saving accounts	118,692,103	20,407,809	8,658,438	2,821,333	18,869,614	169,449,297		
Term accounts/ Investing deposits	691,891,552	135,479,620	79,746,869	84,536,907	5,398,762	997,053,710		
Certificates of investing deposit	76,307,081	5,460,786	9,487,892	15,400,009	15,169,243	121,825,011		
Total	886,890,736	161,348,215	97,893,199	102,758,249	39,437,619	1,288,328,018		
Depositors' share from investments' revenue	26,050,379	4,649,397	3,013,330	3,374,200	1,157,870	38,245,176		
Total unrestricted investment accounts	912,941,115	165,997,612	100,906,529	106,132,449	40,595,489	1,326,573,194		

	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

Unrestricted investment accounts share of profit is calculated as follows:

- 20% to 34% of the minimum balance of saving accounts in Jordanian Dinar.
- 14% to 33% of the minimum balance of saving accounts in foreign currencies.
- 56% 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 2020 is 3.30% (for the Year ended 31 December 2019 was 4.09%).
- The percentage of the profit on USD for the Year ended 31 December 2020 is 1.45% (for the Year ended 31 December 2019 was 2.31%).
- The unrestricted investment accounts for the Government and Public sector amounted to JD 106,132,449 as at 31 December 2020, which represents 8.00% of the total unrestricted investment accounts (As at 31 December 2019 amounted to JD 67,851,281 which represents 5.98% of the total unrestricted investment accounts).
- The restricted accounts amounted to JD 129,093 as at 31 December 2020, which represents 0.01% of the total unrestricted investment (As at 31 December 2019 amounted to JD 632,148 which represent 0.06% f the total unrestricted investment).
- The dormant accounts as at 31 December 2020 amounted to JD 14,909,477 (As at 31 December 2019 amounted to JD 11,028,352).

(23) INVESTMENT RISK FUND

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

	For the year ended at 31 December			
	2020	2019		
	JD	JD		
Balance at the beginning of the year	-	20,959,845		
Add: transferred from unrestricted investment revenue during the year	-	2,416,902		
Less: losses from sale financial assets at fair value through unrestricted investment accounts holders equity related to previous years * (Note 24/B)	-	(309,816)		
Less : previous years tax - jointly revenue	-	(688,599)		
Less: accrued income tax expense	-	(641,007)		
Less : Distrubted to joint items as at 1 May 2019 *	-	(21,737,325)		
Balance at the end of the year	-	-		

^{*} 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 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 31 December 2019.

B- Investment risks fund balance is distributed as follows:

	For the year ended 31 December			
	2020	2019		
	JD	JD		
Balance at the begining of the year	787,149	2,052,566		
Accrude income tax payable on the transfers from investment profits	-	641,007		
Less : Income tax paid	(384,604)	(1,906,424)		
Transfer to income tax provision	(402,545)	-		
Balance at the end of the year	-	787,149		

(24) 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	2020	2019		
	JD	JD		
Beginning balance	-	(24,510)		
Gains on sale of financial assets	-	139,067		
(Gains) of equity instrument at fair value trough stockholders equity - self financed are transferred to the retained earnings as a result of sale	-	(114,557)		
Ending balance	-	-		

B - jointly financed

Financial assets at fair value through unrestricted investment accounts reserves - jointly financed	For the year ended 31 December			
	2020	2019		
reserves - jointly infanceu	JD	JD		
Beginning balance	48,157	(552,665)		
Unrealized gains on debt instruments / sukuk	67,702	492,470		
Losses on financial 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		
Unrealized gains (losses) on shares	36,035	(201,464)		
Ending balance	151,894	48,157		

(25) 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 2020 and 31 December 2019.

(26) 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:

	For the year end	ed 31 December		
Reserve name	2020	2019	Nature of recordly	
	JD	JD		
Statutory reserve	27,485,171	25,902,069	Law's requirement (Banking and companies)	

(27) RETAINED EARNINGS

	31 Dec	31 December			
	2020	2019			
	JD	JD			
Beginning balance of the year	18,548,199	17,137,611			
Transferred statutary reserve	(1,583,102)	(1,720,188)			
Dividends	-	(7,000,000)			
Gain (loss) on sale of financial assets through equity - self financed	-	114,557			
Profit for the year	10,167,139	10,016,219			
Ending balance of the year	27,132,236	18,548,199			

- The retained earnings balance as at 31 December 2020 includes an amount to JD 807,460 (2019 amounted to JD 436,376) which represent deferred tax assets-self financed and it is restricted from use in accordance with the Central Bank of Jordan regulations.
- It is prohibited to dispose of the surplus from the balance of the general banking risk reserve, which is transferred to the retained earnings, amounting to 108,397 dinars, except with the prior approval of the Central Bank of Jordan, where the accumulated balance of the general banking risk reserve has been transferred to the retained earnings based on the instructions of the Central Bank of Jordan No. (13/2018) issued. On June 6, 2018.

Proposed dividend to shareholders

- The Board of Director proposed, in their meeting held on 31 January 2021, recomended to distribute cash dividends of JD 6,000,000 to shareholders for the year 2020, representing 6% of paid-up and authorized capital from distributable retained earnings. This proposed percentage is subject to the approval of the General Assembly of Shareholders.

(28) DEFERRED SALES REVENUE

		For the year ended 31 December					
	202	0	2019				
	Jointly financed	Self financed	Jointly financed	Self financed			
	JD	JD	JD	JD			
Individuals(Retail)		ĺ					
Murabaha to the purchase orderer	19,017,709	102,824	15,409,369	97,941			
Real estate facilities	1,628,136	-	1,935,540	-			
Corporate							
International Murabaha	288,845	-	654,705	-			
Murabaha to the purchase orderer	25,218,402	-	21,362,356	-			
Small and medium enterprises							
Murabaha to the purchase orderer	1,653,507	-	1,630,375	-			
Total	47,806,599	102,824	40,992,345	97,941			

(29) IJARA MUNTAHIA BELTAMLEEK REVENUE

The details of this item are as follows:

	For the year ended 31 December				
	202	20	2019		
	Jointly financed Self financed		Jointly financed	Self financed	
	JD	JD	JD	JD	
Ijara Muntahia Beltamleek – real state	66,926,124	568,271	77,391,048	969,363	
Ijara Muntahia Beltamleek – machines	4,183,710	-	2,572,645	-	
Depreciation for Ijara Muntahia Beltamleek assets	(39,456,637)	(395,003)	(49,545,972)	(798,847)	
Total	31,653,197	173,268	30,417,721	170,516	

(30)GAINS FROM INTERNATIONAL WAKALA INVESTMENT

The details of this item are as follows:

	Jointly financed		
	For the year ended 31 December 2020 2019		
	JD	JD	
Gains from International Wakala investment	865,064	1,960,584	
Total	865,064	1,960,584	

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

	Jointly 1	inanced
	For the year end	led 31 December
	2020	2019
	JD	JD
Shares dividends	19,969	3,967
(Loss) gains on sale of financial assets	(62,205)	124,140
Islamic Sukuk profits	1,852,279	1,347,151
Total	1,810,043	1,475,258

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

The details of this item are as follows:

		Jointly financed						
		For the year ended 31 December						
		20	20			20	19	
	Realized gains	Unrealized (gains)	Dividends	Total	Realized gains	Unrealized (Losses)	Dividends	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Corporate Shares	2,077	(254)	-	1,823	-	-	-	-
Sukuk	78,265	43,126	-	121,391	123,414	(71)	-	123,343
Total	80,342	42,872	-	123,214	123,414	(71)	-	123,343
Less:								
Contract commission	455	-	-	455	-	-	-	-
Total	79,887	42,872	-	122,759	123,414	(71)	-	123,343

(33) GAINS FROM FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

	Jointly financed	
	For the year ended 31 December 2020 2019 JD JD	
Sukuk	4,137,690	4,126,385
Total	4,137,690	4,126,385

(34) GAINS FROM FOREIGN CURRENCIES VALUATION

	Jointly financed		
	For the year ended 31 December 2020 2019		
	JD	JD	
Gains foreign currencies valuation	62,892	6,267	
Total	62,892	6,267	

(35) SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS'

The details of this item are as follows:

	Jointly financ	Jointly financed		
	For the year ended 31	December		
	2020	2019		
	JD	JD		
Customers				
Saving accounts	1,094,476	919,319		
Term accounts	31,114,063	30,515,119		
Certificates of deposit	4,878,767	3,821,554		
Total Customers Revenue	37,087,306	35,255,992		
Banks				
Banks and financial Institutions accounts	1,157,870	1,167,429		
Total Banks revenue	1,157,870	1,167,429		
Total	38,245,176	36,423,421		

(36) BANK'S SHARE OF REVENUE FROM UNRESTRICTED INVESTMENT ACCOUNTS AS MUDARIB AND RAB MAL

The details of this item are as follows:

	Jointly financed For the year ended 31 December		
	2020 2019		
	JD	JD	
Bank's share as Mudarib*	34,481,661	27,565,683	
Bank's share as Rab Mal	2,228,248	7,523,652	
Total	36,709,909	35,089,335	

^{*} The bank's share of the revenues of joint investment accounts in its capacity as mudarib amounted to 37,797,401 JD and 3,315,740 JD were donated with the approval of Sharia supervision for the benefit of joint investment account holders.

(37) BANK'S SELF FINANCED REVENUE

	Note	Self fir	anced
		For the year end	ed 31 December
		2020	2019
		JD	JD
Ijara Muntahia Bittamleek revenue	29	568,271	969,363
Deferred sales revenue	28	102,824	97,941
Cash dividends - financial assets at fair value through shareholders' equity- self financed		-	37,500
Total		671,095	1,104,804

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

The details of this item are as follows:

	For the year ended 31 December	
	2020	2019
	JD	JD
Deferred sales revenue	904,889	705,369
Less: Muwakel's share	(775,790)	(422,313)
Banks share as an agent (wakeel) statement "E"	129,099	283,056

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

(39) GAIN FROM FOREIGN CURRENCIES

The details of this item are as follows:

	For the year end	ed 31 December
	2020	2019
	JD	JD
As a result of trading and dealing foreign currencies	922,916	1,075,782
Total	922,916	1,075,782

(40) BANKING SERVICES REVENUE - NET

The details of this item are as follows:

	For the year end	ed 31 December
	2020	2019
	JD	JD
Indirect facilities commissions	1,010,746	1,203,961
Direct facilities commissions	2,318,170	2,119,295
Other commissions	3,286,535	3,092,804
Less : debit commission	(1,668,788)	(1,013,096)
Total	4,946,663	5,402,964

(41) OTHER REVENUE

	For the year ended 31 December	
	2020	2019
Γ	JD	JD
Gain (losses) from sale of fixed assets	(12,647)	8,116
Gain from sale of seized assets*	142	4,974
Compensation for the acquisition of the Ministry of Works from land owned by the Bank	-	73,305
Membership in the Board of Directors of Jordan Fertilizer Processing Company	4,148	4,160
Revenue from settling accounts	-	459,951
Other revenue	9,772	24,913
Total	1,415	575,419

^{*} 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 2020 (zero for the year ended 31 December 2019).

(42) EMPLOYEES' EXPENSES

The details of this item are as follows:

	For the year ended 31 December	
	2020	2019
	JD	JD
Salaries, benefits, allowances and bonuses for employees	10,472,357	10,636,203
Bank's contribution for social security	1,078,433	1,111,033
Medical expenses	570,274	528,982
Employees training	96,190	143,356
Insurance expenses	35,906	36,238
Other employees expenses	870,271	696,164
Total	13,123,431	13,151,976

(43) OTHER EXPENSES

	For the year ended	d 31 December
	2020	2019
	JD	JD
Stationery and printing materials	239,299	295,881
Postal telecommunications	618,576	597,500
Utilities	712,688	457,984
Travel and transportation	89,079	132,804
Marketing and advertising	967,362	863,228
Subscription and fees	477,377	381,365
Maintenance and Cleaning	493,672	465,658
Licences and fees	425,895	369,025
Board of Directors' meetings expenses	523,798	541,056
Information technology expenses	1,287,139	1,093,671
Security and insurance expenses	394,142	360,742
Donations	126,310	142,542
Management and consulting fees	128,796	141,851
Professional fees	146,785	126,288
Board of Directors' remunerations	55,000	55,000
Hospitality expenses	60,894	83,503
Money transportation expenses	137,649	117,700
Legal expenses - Self financed	75,264	140,717
Legal provision expenses	150,000	-
Contingent liabilities expense	400,000	41,000
Others	252,564	247,843
Total	7,762,289	6,655,358

(44) EARNINGS PER SHARE

The details of this item are as follows:

	For the year end	ed 31 December
	2020	2019
	JD	JD
Profit for the year	10,167,139	10,016,219
	share	share
Weighted average number of shares	100,000,000	100,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share for the year	0/102	0/100

(45) CASH AND CASH EQUIVALENTS

	For the year end	ed 31 December
	2020	2019
	JD	JD
Cash balances with CBJ maturing within three months	351,694,499	278,816,552
Add: cash at banks and banking institutions maturing within three months	9,669,834	6,513,543
Less: banks and financial banking accounts maturing within three months	(25,085,579)	(1,522,392)
Total	336,278,754	283,807,703

(46) 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:

			Board of	Al-Etihad Islamic		Total	-
	Main	Senior	Directors	company for	sharia directors	31 December	mber
	snarenoiders	management	members	investment*	members	2020	2019
	a	۵۲	9	a	٩٢	9	G
Consolidated statements of financial position items							
Balances at banks and banking institutions	1	ı	1	204,472	1	204,472	239,076
Unrestricted investments accounts and current accounts	16,785	521,240	14,594,777	20,485,162	42,924	35,660,888	39,342,046
Deferred sales receivables and facilities	1	357,850	217	1	1	358,067	513,461
Ijara Muntahia Bittamleek assets	ı	1,611,839	496,304	1	ı	2,108,143	1,854,090
						For the year ended 31 December	d 31 December
						2020	2019
Consolidated statement of Income and Comprehensive Income items							
Dividends	86	3,378	648,476	479,019	127	1,131,098	1,163,971
Salaries and bonuses	ı	2,325,766	55,000	ı	47,722	2,428,488	2,441,891
Transportation	1	1	513,700	1	23,100	536,800	546,500

^{*} Al Etihad Islamic For Investment Company which owns 62.37% of Safwa Islamic Bank

The lowest and highest received Murabaha rate were 3.93% and 6.39% respectively-

The lowest and highest rate of Ijara Muntahia Bittamleek received by the Bank were 3.66% and 7.50% respectively.

The lowest and highest distributed profit rate were 0.86% and 4.32% respectively.

Executive management salaries and benefits for the year ended 31 December 2020 amounted to JD 2,325,766 (JD 2,334,491 as at 31 December 2019).

⁻ All facilities granted to related parties are performing and no provisions were recorded for it.

(47) 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	For the year ended
	31 December 2020	31 December 2019
	JD	JD
Balance at the beginning of the year	9,702,044	8,728,457
Add : Additions during the year	1,092,173	2,306,931
Less: Disposals during the year	(310,881)	-
Less : depreciation for the year	(1,513,964)	(1,333,344)
Balance at the end of year	8,969,372	9,702,044

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

	For the year ended	For the year ended
	31 December 2020	31 December 2019
	JD	JD
Depreciation of the right of use assets for the year	(1,513,964)	(1,333,344)
Finance costs (discounting of rental obligations) during the year	(322,467)	(295,305)

B- lease liabilities long-term

	For the year ended	For the year ended
	31 December 2020	31 December 2019
	JD	JD
Balance at the beginning of the year	9,368,215	8,356,071
Add : Additions during the year	1,092,173	2,306,931
Less : Disposals during the year	(310,881)	=
Finance costs (discounting of rental obligations) during the year	322,467	295,305
Less : paid during the year	(1,573,346)	(1,590,092)
Balance at the end of year	8,898,628	9,368,215

Analysis of lease tenancy contract liability maturity :	31 December 2020	31 December 2019
	JD	JD
In less than a year	152,726	121,036
From 1 to 5 years	1,562,598	2,309,093
More than 5 years	7,183,304	6,938,086
	8,898,628	9,368,215

The value of undiscounted rental contract obligations amounted to JD 10,163,246, as at 31 December 2020, and the following is the benefit analysis:

	For the year ended	For the year ended
Eligibility for undivided lease obligations:	31 December 2020	31 December 2019
	JD	JD
In less than a year	155,891	122,080
From 1 to 5 years	1,658,181	2,473,963
More than 5 years	8,349,174	8,150,081
	10,163,246	10,746,124

(48) Risk Management:

Safwa Islamic Bank applies a risk management system that adopts the concept of effective comprehensive risk management that organizes the risks that the bank exposed to according to the concept of prevention before treatment, where the bank adopts a risk framework which is documented and approved by the Board of Directors as the basis for other policies related to the risk appetite and other risk policies and a basis of preparing an internal capital adequacy assessment plan (ICAAP) and Stress Testing.

Risk Management is a prime responsibility of the bank's Board of Directors through the Board Risk Committee that recommends to the board of directors to approve the risk framework. The Risk Management Department is responsible for managing all types of risks that the bank exposed to and analyzing and measuring and developing an appropriate measurement methods to mitigate these risks that affect the Bank's profitability and capital adequacy in line with the approved risk framework. The Risk Management Department prepare a periodic reports to the Board of Directors through the Risk Management Committee to inform them with the latest developments related to risk management for their evaluation and recommendations.

The Internal Audit Department also reports to the Board of Directors through Board Audit Committee to verify the compliance of all departments with risk management policies and procedures; as well as auditing the Risk Management Department activities and reporting thereon to the concerned parties.

The bank applies the Central Bank of Jordan instructions related to Risk Management through developing an Internal Capital Adequacy Assessment Plan (ICAAP) and Stress Testing on an annual basis.

Risk Management Department adopts an integrated methodology into managing the risks through identifying all risk factor that the bank exposed to and then managing each type of risk within an integrated cycle that includes the following:

- 1. Define each type of risk.
- 2. Determine the strategic objectives for managing this type of risk.
- 3. Determine the risk appetite.
- 4. Evaluate and measure these risks.
- 5. Managing the risks.
- 6. Monitoring and reporting of exposure.

The risks that the bank exposed to include:

1. Credit risk:

The bank defines credit risk as the risk arising from the clients inability or unwillingness to fulfill their obligations (principal amount and / or profits) according to the agreed terms and maturities which is causing the bank to incur financial losses.

The Risk Management Department manages credit risk by applying the Credit Manual that organizes and governs the credit process for corporate clients, in addition to the Credit Policy for retail and small business clients, as well as the policy of financial institutions credit limits, in line with the Central Bank of Jordan policies and the Basel requirements.

Bank's exposure to credit risk in the bank arises from its financing and investment operations, including:

- Risks related to the client and the nature of business.
- Risks related to the granting and implementing of financing.
- Concentration risk.
- Risks related to Islamic financing instruments.

In this field, the bank monitors and controls credit risks through:

- Managing and controlling portfolio risks through a number of committees such as Board Risk Management committee approved by the Bank Board at director.
- Reviewing and approving credit applications through Credit Committees according to specific authorities that documented and approved by the Board of Directors, where small amounts are approved by individual authorities.
- Applying credit rating methodologies in line with best practices.
- Monitor credit limits and issuing the needed reports to avoid breach of that limits and monitoring the quality of portfolio.
- Diversifying between financing and investment to avoid the Concentration Risk within individuals, groups or clients of specific geographical regions or specific economic sectors or specific financing instruments or in the term of financing period.
- Managing nonperforming loans to reduce the expected credit losses.
- Separation of duties between marketing and credit decision tasks.
- Separation of duties between implementation and credit control role.
- Setting and updating credit policy which is responsible of the credit process and decisions.

Credit risk measurement:

The bank applies the standardized method for measuring credit risk by measuring the weighted assets of credit risks mentioned in the consolidated statement of financial position according to the degree of risks identified in Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) reports. The bank is taking the necessary steps to apply the Foundation Internal Risk Basis (FIRB), where a corporate credit rating system is periodically applied to determine the credit quality for each client and monitoring this quality throughout the financing period to determine any deterioration that may occur which is reflected in the principles of credit granting and pricing. Risk Scoring System project for retail and small business has been completed which is an essential tool for credit decisions and determining the appropriate pricing.

Credit risk mitigation:

The bank uses various credit risk mitigation tools (such as real estate guarantees, financial, etc.) accordance to the approved credit risk mitigation policy in order to mitigate the exposure credit risks and the related impact on the bank ,where the volume and value of the required collateral is determined based on approved credit risk mitigation policy.

The systems used in the bank to manage credit risk:

The bank is currently using advanced technological programs to improve the quality of risk management. Perhaps the most important systems currently used are:

1- Expected Credit Losses System (ECL):

Risk management department has accomplished with the related departments in the Bank setting the Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) through an integrated and automated system to calculate the expected credit loss that is linked with the core banking system.

2- Scoring system :

Scoring system is a tool that is used to evaluate and improve the quality of the credit decision, in addition to be considered as a primary base to improve and develop the credit risk in line the Basel requirements and FAS (30) Accounting and Auditing Organization for Islamic Financial Institutions instructions.

Safwa Islamic Bank applies an internal credit rating to the customers of the Corporate Banking Services Department, which is a standard process for classifying customers in terms of the degree of credit risk that the bank is exposed to on a regular basis. The classification process is based on qualitative and quantitative credit criteria and according to a model approved by the bank's board of directors. Where the credit rating includes two ratings, one at the customer level (Obligor Risk Rating "ORR") and the other at the level of financing (Facility Risk Rating "FRR"). Whereas, the credit rating system is the main focus of calculating the probability of default (Probability of Default "PD") in addition to calculating losses upon default and within the concept of losses assuming default (LGD).

The credit rating system (ORR) is determined by ten degrees and divided as follows:

- From the first degree to the sixth degree for operating financing, where the first degree is considered the best.
- The seventh grade for operating under supervision
- From the eighth degree to the tenth degree for non-performing financing.
- The customer is classified on the credit rating system at least once a year in case that no credit event occurs during the year (Credit Events), and the bank seeks continuously to review and develop the credit rating system in accordance with international best that meets international and local legislative requirements.

The Risk Scoring System was implemented, noting that it is considered an essential part of an integrated project to automate individual financing requests through a Work Flow System that includes all stages of submitting applications and approvals in the relevant departments.

The bank has also started implementing the Risk Scoring System project evaluating small business clients, so that the customer evaluation system is relied upon as a basic tool in making credit decisions.

3- Management Information System (MIS)

The management information system is considered a base for the development of credit risk management system in accordance with the requirements of the Basel decisions and the instructions for the application of the Accounting and Auditing Organization for Islamic Financial Institutions FAS (30). Where the system contributes to control risk management related to granted credit by providing periodic oversight reports. Which in turn contributes to control risk within acceptable levels.

Governance of implementation of Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30):

The bank applies an integrated corporate governance for the implementation of Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) where the board of directors responsibility is to ensure compliance with the implementation of the Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30), through adopting methodology and policies for the standard, which include defining the roles of relevant committees, departments, and business units also it includes the adopting of system for Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30), implementation and providing the necessary infrastructure.

Also the Board of Directors responsibility is to approve the periodic results of expected credit loss in line with Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) instructions.

Definition of Default Implementation and the Mechanism of Handling the Default:

The bank applied the Central Bank of Jordan instructions regarding the default. where the facilities is considered as defaulted (Non-performing) if its maturity or the maturity of one of the installments is equal or more than 90 days or there are indicators that the facilities may be defaulted . The possibility of non-payment of financial Sukuk, International Murabaha and International Wakala with the banking institutions also included into Bank's default concept.

Payment of due installments are monitoring through the related departments within approved framework and policies.

The Mechanism of Calculating the Expected Credit Losses (ECL)

The mathematical model for calculating the expected credit loss according to Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) instructions is as follows:

Expected Credit Loss = Probability of Default (PD) * Exposure at Default (EAD) * Loss Given Default (LGD)

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

1- Probability of Default (PD)

Definition of Probability of Default and the Mechanism of Calculation and Controlling:

It is the probability of irregularity in repayment. where it is measured for the purpose of calculating the expected credit loss for each stage of Expected Credit Losses based on historical data that reflecting historical default rates as well as macroeconomic factors stress testing, Where the bank has developed appropriate perceptions according to levels of risk for each economic sector and made several perceptions for sectors with high levels of risk and calculated the impact of this on expected credit losses. Moreover, the bank also reflected the economic effects of the Corona pandemic on the possibility of default (Macroeconomic Adjusted PD) And adopting it as a basis in the process of calculating expected credit losses, with the aim of precaution and precaution.

The probability of default for a period of 12 months is calculated for the funds included in the first phase and the probability of default for the entire life of the financing for the funds included in the second and third stages. Whereas, the bank adopts a default rate on the level of corporate portfolio clients and investment portfolio clients on an individual basis, while a general ratio for each individual product is based on a collective basis.

2. Exposure at Default (EAD)

Definition of Exposure at Default and Mechanism of Calculating and Controlling:

It is the amount of potential exposure that is subject to risk - uncovered balance by acceptable collateral - for exposures that fall within the scope of Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) through a forward-looking for the period which the default may occur. where the exposure at default is measured for the purposes of calculating Expected Credit Loss for each stage of Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) instruction. An EAD Haircut is used to determine the on-balance exposure that subjected to risk where the off-balance statistical exposure utilization (DDF) is used to determined the potential utilization for that exposures (LGs, LCs and Unutilized Limits). Exposure at Default (EAD) is calculated by the total facilities for the first and second stage and net facilities for the third stage.

3. Loss Given Default (LGD)

Definition of Loss Given Default and Mechanism of Calculating and Controlling:

It is the amount of loss that arises as a result of defaulted that calculated through a statistical model that analyzes the historical collections for each portfolio, where it measured for the purpose of calculating the expected credit loss for each stage of Expected Credit Losses according to the instructions for the implementation of accouting and auditing organization for Islamic Financial institutions AAOIFI (30) by calculating the recoverable amount of the different collateral (Cars, Real Estate, Cash, Land, Machinery, Equipment and Vehicles) provided to the Bank against the facilities that granted and legally documented into contracts through a conversion factor for each type of collateral taking into consideration the timing of reaching each type of collateral and turn them into cash (expected cash flow and timing).

In light of the new Corona pandemic (Covid-19), the bank has developed a methodology for calculating loss on default (LGD), according to the following:

- 1. The loss ratio was taken under the assumption of default for the first and second stage customers, based on updated historical data for the amounts recovered from the dealers.
- 2. The loss on default ratio was considered for the third stage dealers, so that the relationship between the loss on default and the default period is positive.
- 3. Loss on default ratio (LGD) was adjusted for a number of dealers based on their cash flow projections.
- 4. The bank has updated the data related to the loss on default ratio (LGD) and increased it based on studies of previous financial crises

The Bank's policy in Determining the Elements of calculating Credit Risk and Expected Credit Loss on a Collective Basis

The expected Credit Loss (ECL) methodology is classified into individual or collective basis where the collective basis was adopted for retail portfolio through a general PD ratio for each product and then calculating the expected credit loss for each retail portfolio product. while the individual basis was adopted for corporate portfolio as well as for each investment in the Bank's investment portfolios that subjected to the with Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) instructions through a PD ratio for corporate and investment portfolio then calculating the Expected Credit Loss for corporate and investment portfolio.

Key indicators of credit risk on which the Bank has relied in distributing its credit exposures among the three stages

Bank classified exposures on the Expected Credit Loss automated system in line with Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) instructions into three stages depending on a set of determinants such as: corporate client internal credit rating, external credit rating, number of dues installments, restructuring and rescheduling, , increase pricing (rate of return) negative changes in the client behavior, increase credit risk, classifying the client under watching-list stage adjusting the credit terms, negative changes on the guarantees value, negative changes in the customer's economic sector, the bank's legal follow-up with the client, In addition to the classification criteria mentioned in the CBJ instructions No. (47/2009) 10/12/2009.

The Main Economic Factors Used by the Bank in Calculating the Expected Credit Loss (PD)

The main economic factors (macroeconomic factors) were included in the automated system for calculating the expected credit loss with the variables for calculating the expected credit loss, and in light of the spread of the new Corona virus (Covid-19) globally and locally, as the bank has adopted several foundations to contain the pandemic and mitigate its impact as follows:

- International practices for calculating credit losses based on the International Financial Reporting Standard Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30) that leads to taking the impact of the Covid-19 event into account and reaching reasonable expectations for the expected outputs of the impact.
- Taking into account the management overlay directions of the bank's management in assessing the impact on certain sectors or specific customers based on the study of each sector or customer separately.
- The implementation of the project for updating the variables of accounting standard Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30), (Recalibration), whereby the country's macroeconomic projections for the coming years were first updated based on the Oxford Economic Outlooks, and then we changed the weights for the expected economic perceptions.

Where the affected sectors were divided into three main levels:

- Unaffected sectors (low risk).
- Moderately affected sectors (medium risk).
- Sectors highly affected (high risk).

The risk levels for the economic sectors have been determined based on a set of local reports issued by research centers affiliated such as the Jordanian Banks Association, in addition to reports issued by international economic institutions such as Moody's and the World Bank, and on the economic forecasts of Oxford Economic Outlooks. Accordingly, the following was done:

Impact on the weights of future scenarios

According to the instructions of the Central Bank of Jordan regarding the application of the International Accounting Standard for Financial Reporting Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (30), several scenarios were made when calculating the expected credit losses, so that the final outcome of the results represents the "weighted expected credit losses for these scenarios". Basic (Base Scenario) and visualization of improvement and transformation for the better (Upturn Scenario) and visualization of decline and contraction (Downturn Scenario).

It is worth noting that the projection ratios for the three scenarios have been updated in the fourth quarter of 2020 in proportion to the expected line with the current and expected economic situation for the next five years, as the downturn scenario increased and the perception of improvement and transformation to the better (Upturn Scenario) was significantly reduced to match the data of the Corona pandemic.

Bank management trends (management overlay)

The bank's management reached reasonable expectations for the outcomes of this event, in addition to taking into account the bank's management's directions in assessing the impact on certain sectors or specific customers based on the study of each sector and / or dealer separately.

2. Market Risk:

The risks that the bank is exposed to as a result of changes in interest rates and fluctuations in exchange rates and financial instruments prices.

The bank adopts a conservative policy of reducing risk factors and maintain it within the minimum levels through alignment between assets and liabilities and through maintaining the minimum levels of financial positions in currencies and insecurities.

3. Operational Risk:

The risk of losses resulting from inadequate or failure of internal processes, the human resources, systems, or from external events.

Operational risk factors are managed according to a framework approved by the Board of Directors. This framework includes policies and procedures that clarify the mechanism of identifying and evaluating risk factors and assessing the current controls to determine the adequacy of these controls in mitigating the risk factors and reducing the likelihood of occurrence.

The Bank adopted and applied the Risk & Control Self-Assessment (RSCA) methodology through workshops to define and measure all the risk factors of operations, activities, products and services of the bank, and to assess the effectiveness of current controls in mitigating these risks and to develop corrective plans to handle such gaps. As this methodology promotes and enhance the principles of direct responsibility of the business units for managing risk factors of their areas. also it achieves the principle of continuous monitoring risk factors. risk profiles were developed for all departments which are monthly examined and providing the results to the Risk Management Department.

Operational risk department reviewed the internal audit reports of bank's business units and to include new operational risks factors within the unit's risk profile in addition to the internal control unit findings.

The bank applies Loss Data Collection methodology that arise as a result of operational events and the Board of Directors has adopted a detailed policy. The data for these events are currently collected, analyzed, linked with risk factors.

All policies and procedures related to departments and business units are reviewed by Risk Management Department - within the process of approved policies and procedures – for the purpose of assessing the adequacy of controls to mitigate risk factors.

With regard to the bank wide awareness of risk culture, the Department conducted many workshops for Bank employees on an annual basis.

As for capital adequacy purposes, the operational risks are measured using the Basic Indicator Approach according to the instructions of the Central Bank of Jordan.

Information security and cybersecurity

Policies and strategies were developed based on the best practice of Information Security And Cybersecurity in order to maintain the Confidentiality and Availability of client information and provide banking services within the highest levels of safety and to maintain a safety and secured work environment in which the goals related to information protection, confidentiality, integrity and availability are achieved.

Several projects related to Information Security And Cyber Security were implemented for the purpose of implementing the best solutions and programs to protect and monitor the information systems in the bank as well as ensuring the bank adherence to the International Standards (such as the Payment Card Security Standard PCI DSS).

The risk factors related to Information Technology are also managed through a continuous updating of Risk Matrix for Information Technology, Information Security And Cyber Security using the Risk and Control Self-Assessment methodology, where controls are tested and making sure all control gaps are handled in a proper manner.

The bank works to achieve the principle of continuous monitoring of systems and networks security incidents through the creation of a unit of Security Operations Center (SOC).

The bank also works to comply with the Central Bank instructions related to Cyber Security risks, through an integrated project with the participation of the concerned bank departments.

In the field of security breaches, several tests were conducted on networks and systems and also tests covered of banking applications (Internet Banking and Mobile Banking).

Business continuity

An amendment has been made to the Business Continuity Plan in light of the Covid-19 Pandemic, as remote access mechanism was applied and staff were reallocated between the bank's sites to ensure social distancing.

The amendments included a methodology to respond to Business Interruption Risks based on the stages of dealing with the pandemic, also the employees were classified into three categories based on the criteria of implementing financial transactions and the degree of sensitivity of the implementation of non-financial operations. Technical requirements were specified and provided within the allocated budgets and distributed to the concerned staff .

The alternative site was redesigned and improved to provide a safe and healthy work environment for work while achieving the terms of social distancing. The alternative staff team are still working from the alternate site.

Also, the bank conducts periodic checks of Alternative Sites And Business Continuity Plan to ensure they are ready in emergency situations.

With regard to awareness of Information Security And Business Continuity, training workshops are held for bank staff on an annual basis, in addition to Awareness messages.

4. Reputational risk

The bank considering reputation risks as the negative effects on the bank's reputation and brand which is resulted from bank failure to fulfill its responsibility towards all clients and / or its failure to manage its affairs efficiently and effectively and / or the failure to comply with the Sharia requirements and / or the failure to manage All other types of risks which leads to several negative effects, including a loss of client confidence and thus a decline in the client base and an increase of costs or a decrease of profits.

5. Non-compliance risks

The risks of non-compliance are the risks of legal or regulatory penalties, material losses or reputation risks to which the bank may be exposed due to non-compliance with laws, regulations, instructions, codes of conduct and banking standards.

The bank evaluates and monitors compliance with the instructions issued by the Central Bank and other official bodies. In addition to reviewing all policies, procedures, agreements, announcements, and any new services or products to ensure the availability of the necessary controls to avoid risks arising from non-compliance.

The bank educates employees on compliance issues and prepares written instructions in this regard. The Compliance Department provides advice and guidance to the executive management on applicable laws, regulations and standards and any amendments to them.

The bank conducts a comprehensive assessment of the risks of money laundering and terrorist financing at least annually, or in the event that a need arises to conduct this assessment as a result of a fundamental change in the nature of the risks to which the bank is exposed. Geographical regions, products, services, processes and service delivery channels, according to a methodology approved by the Board of Directors.

The bank's commitment to the anti-money laundering and terrorist financing policy works to build a business relationship with customers based on ethical standers and best practices, especially with regard to (Know Your Customer) and taking the necessary measures to determine the true beneficiary of all transactions.

6. Legal risks related to operational activities

Risks that may be caused indirectly by one or more of the four sources mentioned in the definition of operational risks (human factor, internal processes, external systems and events), or the bank non-comply with the applicable laws and regulations. Legal risks also arise from the possibility of the bank facing judicial procedures by others, where the insufficiency of documents and the lack of legal capacity and / or the invalidity of contracts and / or their lack of enforceability resulting from lack of proper documentation are among the most important causes of legal risks.

The responsibility for managing these risks lies with the legal department, as it reviews all contracts and documents related to the bank's transactions, in addition to legal follow-up to the bank's debtors – in coordination with the Credit Department-, and careful follow-up of the lawsuits to which the bank is a party.

7. Risks of non-compliance Sharia Laws

These are the risks that Islamic banks exposed to, which lead to non-recognition of income also it includes the losses resulting from their operations in addition to the reputational risks resulting from non-compliance with Sharia laws. Where these risks are managed through an integrated system of Sharia controls for both the Sharia Supervision Department supervised by the Sharia Supervisory Board and the regulatory control of the Sharia Compliance Department and the Risk Management Department.

The culture of the bank risk management and the role of risk management policies and strategies in supporting and nominating the bank's risk culture

Risk Management Culture is considered as one of the main pillars of the risk management framework, as it enhances the understanding and communication process among all bank's employees in a way that enables them to perform their daily work and make decisions on a basis of the risk management methodology.

risk management framework includes a main component related to strengthening the concept of Risk Management Culture through the support of the Board of Directors and Executive Management and the necessity to raise awareness of all managerial levels with a culture of risk management in addition to create an integrated training system for all the bank employees to develop Risk Management Culture.

Bank Risk Appetite in line with the Approved business models

The bank adopts a documented and integrated document of Risk Appetite which is approved by the bank's Board of Directors. Approved risk appetite aims to link the bank's strategic objectives with the bank risk management system as well as with the business models.

The concept of integration of Risk Appetite into Risk Management Culture and the involvement of the various managerial levels will lead to the linkage of the strategic plan and the methodology of risk management at different managerial levels.

Risk Appetite have been specified for each type of risk in a manner consistent with the bank's strategic directions and CBJ requirements in addition to analyze historical data for each type of risk.

An integrated system of control has been adopted for the Risk Appetite in terms of following up all these levels according to the periodicity specified in the approved document and issuing reports on Risk Appetite to management and to related committees with specifying the responsibility to follow up on any breach.

Stress testing

Stress testing is considered as one of the most important tools that the bank uses to measure its ability to withstand against shocks and high risks, as these tests aim to assess the financial position and the capital adequacy ratio for the bank within different scenarios.

The bank adopts a comprehensive methodology for conducting stress testing. These tests include the following:

Sensitivity Analysis Tests: These tests aim to measure the impact of different economic factors and internal risk factors on the financial position and the adequacy ratio of the bank's capital. These tests cover credit, market, operational, liquidity and any other risks the bank believes is necessary to stress tested.

Scenarios tests: These tests aim to assess the bank's tolerance of crises and shocks related to the overall economy of the country, such as changes in the rate of economic growth, unemployment rates, high interest rates, and their impact on the financial position and capital adequacy ratio of the bank.

A policy for stress tests was prepared and approved by the bank's board of directors to cover all the requirements for stress tests and to define the methodology adopted for applying these tests and their periodicity, as the instructions of the Central Bank of Jordan were based on.

This is in light of the spread of the new Corona virus (Covid-19) and its impact on the Jordanian economy, the bank has added special scenarios to measure the bank's ability to withstand shocks resulting from the economic changes due to the pandemic.

The bank seeks to consider the results of stressful situations as a basic reference for developing future plans and appropriate strategies. The concept of stress tests is being incorporated into the department's monthly reports to create a comprehensive culture of the modern risk management concept.

The bank adopts an integrated system for the governance of stress tests whereby the risk management periodically conducts stress tests and then submits them to the Risk Management Committee and then submits them to take the appropriate recommendation from the Board of Directors Committee for Risk Management and then approves it by the Board of Directors, where it simulates these The system is the best practical practices in involving the bank's board of directors and senior executive management in the methodology of stress tests and the impact of their results on the bank's strategic decisions

(49/A) CREDIT RISK

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

		31 December 2020	
	Jointly financed	Self financed	Total
	JD	JD	JD
Balances with Central Bank	-	330,865,686	330,865,686
Balances at banks and financial institutions	-	9,669,834	9,669,834
International Wakala investments	78,717,349	-	78,717,349
Deferred sales receivables and other receivables			
Retail (individual)	227,811,431	1,347,589	229,159,020
Real estate financing	16,461,600	-	16,461,600
Corporate	330,287,157	1,806,616	332,093,773
Small and medium companies	36,450,281	2,889,695	39,339,976
Public and governmental sectors	137,608,027	-	137,608,027
Sukuk			
Within financial assets at fair value through statement of income	1,463,324	-	1,463,324
Financial assets at fair value through unrestricted investments accounts	56,035,806	-	56,035,806
Financial Assets at Amortized Cost	92,191,000	-	92,191,000
Qard hasan	-	962,062	962,062
Other assets	1,647,394	824,185	2,471,579
Total consolidated statement of financial position items	978,673,369	348,365,667	1,327,039,036
Off-consolidated statement of financial position items:			
Letters of guarantees	-	38,169,872	38,169,872
Letters of credit	-	11,165,642	11,165,642
Acceptances	-	7,848,689	7,848,689
Unutilized limits	131,027,249	-	131,027,249
Total	1,109,700,618	405,549,870	1,515,250,488

		31 December 2019	
	Jointly financed	Self financed	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

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

				31 December 2020	ser 2020		
Internal rating of the Bank	Category Classification by Instructions (47/2009)	Total exposure value	Expected credit loss	The probability of	Classification according to external classification	Exposure at default (EAD) per million dinars	Average Loss to Trip (LGD) %
		9	a G	derauit (PD)	Institutions	9	
Little risk	Performing exposure	209,605	1	%0	1	0.416	%09
Semi free risk	Performing exposure	16,638,695	32,120	0.4%	1	6.472	%59
Low risk	Performing exposure	3,541,423	29,531	1%	1	1.249	%69
Normal risk	Performing exposure	4,103,651	9,466	1%	1	1.124	64%
Acceptable risk	Performing exposure	21,943,629	112,731	2%	1	98999	62%
Acceptable with due care	Performing exposure	684,962	7,552	3%	1	0.300	61%
Watch list	Performing exposure	ı	ı	%6	1	•	%09
Not rated	Performing exposure	16,428,450	89,903	%6	1	6.245	%69
Total		63,850,470	281,303		•	22.491	
Substandard	Non - performing exposure	564,977	2	100%	1	0.650	%0
Doubtful collection	Non - performing exposure	ı	1	100%	1	0.000	%09
Loss	Non - performing exposure	67,838	56,456	100%	1	0.112	100%
Not rated	Non - performing exposure	259,314	214,673	100%	-	0.215	73%
Sub Total		64,742,599	552,434		•	23.383	

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

				31 December 2020	ber 2020		
Internal rating of the Bank	Category Classification	Total exposure value	Expected credit loss	The probability of	The Classification according probability of to external classification	Exposure at default (EAD) per million dinars	Average Loss
	by Instructions (47/2009)	۵۲	٩	default (PD)	institutions	a,	to Irip (LGU) %
Little risk	Performing exposure	138,085,737	403	%0	1	123.694	%0
Semi free risk	Performing exposure	8,003,729	11,683	0.4%	1	5.996	%89
Low risk	Performing exposure	23,619,077	145,179	1%	1	17.143	%89
Normal risk	Performing exposure	193,207,338	1,979,883	1%	1	143.880	%09
Acceptable risk	Performing exposure	169,157,035	3,714,451	2%	1	137.046	%09
Acceptable with due care	Performing exposure	43,383,612	6,863,536	9%	1	40.009	%09
Watch list	Performing exposure	17,967,226	3,656,430	17%	1	14.976	29%
Not rated	Performing exposure	301,918,690	1,690,076	1%	1	505.018	%89
Total		895,342,444	18,061,641		1	987.762	
Substandard	Non - performing exposure	1,146,012	359,275	100%	1	1.146	%0
Doubtful collection	Non - performing exposure	394,115	394,115	100%	1	0.394	%09
loss	Non - performing exposure	12,252,197	12,753,545	100%	1	12.252	%96
Not rated	Non - performing exposure	6,673,499	5,098,052	100%	•	6.674	72%
Sub Total		915,808,267	36,666,628		1	1,008.228	



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 - common according to the following table In accordance with the Financial Accounting Standard (30) issued by the Accounting and Auditing Organization for Islamic Financial Institutions:

balances amounting to 1,014,363,355 Dinars as of December 31, 2020 (compared to 864,625,171 Dinars as of 31 December 2019). The estimated value of the joint collateral neld is 245,467,282 dinars as on 31 December 2020 (compared to 211,997,442 dinars as on 31 December 2019. The value of collateral is only considered to the extent that it The bank maintains collateral or other credit enhancements to mitigate credit risk associated with financial assets. The Group maintains cash, investments and (joint) financing mitigates credit risk. There has been no change in The bank's guarantees policy during the current year.

The table below shows each type of exposure and the associated guarantees:

					31 Dece	31 December 2020				
				Fa	Fair value of collateral	teral			0 1 1 0 0 0 1 0 N	P. 400 GA
Item	value	Cash margin	Traded shares	Bank guarantees	Real estate financing	Cars and mechanics	Other	Total value of collateral	after collateral	credit loss
	a.	a,	۵۲	۵۲	۵۲	a,	۵۲	a,	9	۵۲
Balances with Central Bank	1	1	1	•	1	1	1	1	1	'
Balances at banks and financial institutions	1	1	1	1	1	1	1	1	1	1
Deposits with banks and financial institutions	1	1	1	1	1	1	1	1	1	1
International Wakala investments	78,856,039	1	ı	1	1	1	ı	1	78,856,039	138,690
Direct credit financing (after deducting deferred revenue and suspended revenue)										
Retail	233,268,588	4,210,855	1	1	4,682,028	118,084,311	139,392	127,116,586	106,152,002	5,457,157
Real estate financing	21,280,531	401,600	ı	1	12,644,684	31,879	1	13,078,163	8,202,368	4,818,931
For corporate	341,109,883	6,286,827	1	-	61,672,408	6,071,482	2,259,690	76,290,407	264,819,476	24,279,547
Large Corporate	13,471,978	-	ı	-	-	1	-	-	13,471,978	15,157
Small and medium enterprises	37,065,370	1,909,664	ı	1	23,265,176	1,256,489	2,550,797	28,982,126	8,083,244	615,089
Public and governmental sectors	137,608,027	1	ı	-	1	1	ı	ı	137,608,027	•
Sukuk										
Within financial assets at fair value through statement of income	1,463,324	1	1	1	ı	ı	1	1	1,463,324	1
Financial assets at fair value through unrestricted investments accounts	56,401,221	1	1	ı	ı	ı	-	I	56,401,221	365,415
Financial Assets at Amortized Cost-net	92,191,000	1	1	•	•		-		92,191,000	1
Other assets	1,647,394	1	ı	1	1	1	-	-	1,647,394	1
Subtotal	1,014,363,355	12,808,946	•	•	102,264,296	125,444,161	4,949,879	245,467,282	768,896,073	35,689,986
Bank guarantees	1	'	1	'	1	1	1	1	-	,
Credits and acceptance	-	-	-	1	1	ı	-	_	-	1
Unutilized credit limits	132,003,890	1	1	1	1	1	1	1	132,003,890	976,641
Total	1,146,367,245	12,808,946	•	•	102,264,296	125,444,161	4,949,879	245,467,282	900,899,963	36,666,627

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

348,679,523 Dinars as of 31 December 2020 (compared to 271,102,021 Dinars as of 31 December 2019). The estimated value of the joint guarantees held is 4,487,976 Dinars as on 31 December 2019). The value of collateral is only considered to the extent that it mitigates. credit risk. There was no change in the bank's guarantees policy The bank maintains collateral or other credit enhancements to mitigate credit risk associated with financial assets. The Bank maintains cash, investments and (self-financial) balances amounting to during the current year

The table below shows each type of exposure and the associated guarantees:

					31 Dece	31 December 2020				
	i i i			Fa	Fair value of collateral	teral				
ltem	value	Cash margin	Traded shares	Bank guarantees	Real estate financing	Cars and mechanics	Other	Total value of collateral	after collateral	credit loss
	a,	a	a۲	a	۵۲	9	۵۲	9	a,	J.D
Balances with Central Bank	330,865,686	1	1	1	ı	ı	1	ı	330,865,686	ı
Balances at banks and financial institutions	9,669,834	1	1	1	1	ı	1		9,669,834	ı
Direct credit financing (after deducting										
deferred revenue and suspended revenue)										
Retail	1,551,865	ı	ı	ı	I	537,675	1	537,675	1,014,190	204,276
Real estate financing	1	ı	1	1	1	ı	1	1	ı	ı
For corporate	2,309,624	36,366	1	1	978,896	ı	45,515	1,060,777	1,248,847	50,606
Large Corporate	1	ı	1	ı	I	ı	1	ı	ı	ı
Small and medium enterprises	2,948,669	1	1	1	2,417,964	59,511	412,049	2,889,524	59,145	58,974
Public and governmental sectors	209,660	1	1		ı	ı	1	ı	209,660	I
Other assets	824,185	ı	1	ı	I	ı	1	1	824,185	I
Subtotal	348,679,523	36,366	•	•	3,396,860	597,186	457,564	4,487,976	344,191,547	313,856
Bank guarantees	38,367,401	3,920,106	1	ı	I	ı	1	3,920,106	34,447,295	197,529
Credits and acceptance	19,055,380	3,637,589	1	1	-	ı	1	3,637,589	15,417,791	41,049
Unutilized credit limits	1	•	1	•	-	ı	-	•	1	ı
Total	406,102,304	7,594,061	•	•	3,396,860	597,186	457,564	12,045,671	394,056,633	552,434

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

					31 December 2020	er 2020				
	i F			Fair valu	Fair value of collateral	al			Net	
Item	exposure value	Cash Insurance	Shares	Bank guarantees are acceptable	Real estate	Cars and Mechanics	Other	Total value of collateral	exposure after collateral	Credit Loss (ECL)
	аr	a	9	9	윽	9	a _S	۵۲	۵۲	막
Balances with Central Bank	1	1	1	ı	1	1	1	1	'	'
Balances at banks and financial institutions	1	1	1	1	1	1	1	1	1	1
Deposits with banks and financial institutions	ı	1	ı	ı	ı	ı	1	ı	ı	1
Investment by an international agency - net	1	1	1	ı	1	1	1	1	•	1
Direct credit financing (after deducting deferred revenue and suspended revenue)										
Retail	4,737,279	41,434	1	ı	642,332	1,872,569	1	2,556,335	2,180,944	4,591,224
Real estate financing	596,468	1	1	ı	384,294	-	1	384,294	212,174	423,468
For corporate	13,369,328	3,000	1	1	596,256	25,950	ı	625,206	12,744,122	13,147,713
Large Corporate	1	-	1	1	1	1	ı	1	ı	1
Small and medium enterprises	1,762,748	458,724	1	ı	1,007,142	21,470	1	1,487,336	275,412	442,582
Public and governmental sectors	ı	ı			ı	ı		ı	ı	1
Sukuk:										
Within financial assets at fair value through statement of income	-	1	1	1	•	-	ı	1	-	•
Within financial assets at fair value through the holders of the joint investment accounts - net	•	1	I	ı	1	1	ı	1	•	ı
Within financial assets at amortized cost-net	ı	ı	ı	ı	ı	-	1	ı	ı	ı
Other assets	-	1	1	ı	1	-	-	1	•	1
Subtotal	20,465,823	503,158	•	ı	2,630,024	1,919,989	1	5,053,171	15,412,652	18,604,987
Bank guarantees	1	1	1	1	1	1	1	1	1	•
Credits and acceptance	1	-	1	-	1	1	1	1	ı	•
Unutilized credit limits	1	-	1	-	1	1	1	ı	ı	'
Total	20,465,823	503,158	1	•	2,630,024	1,919,989	•	5,053,171	15,412,652	18,604,987

D- Distribution of the fair value of collateral against credit exposures included in the third stage - self according to the following table:

					31 Dec	31 December 2020				
	ļ			Fair val	Fair value of collateral	ateral				
Item	exposure value	Cash Insurance	Shares traded	Bank guarantees are acceptable	Real	Cars and Mechanics	Other	Total value of collateral	after collateral	Credit Loss (ECL)
	a	9	9	9	9	9	9	a	۵۲	9
Balances with Central Bank	'	•	'	1	'	'	'	'	1	1
Balances at banks and financial institutions	ı	1	1	1	1	'	1	1	1	1
Direct credit financing (after deducting deferred revenue and suspended revenue)										
Retail	196,798	1	1	1	1	1	1	1	196,798	196,783
Real estate financing	ı	1	1	1	1	'	1	1	1	1
For corporate	334,992	5,972	1	1	4,757	1	1	10,729	324,263	15,381
Corporate	ı	1	1	1	1	ı	1	1	1	ı
Small and medium enterprises	58,967	1	1	1	1	1	1	1	58,967	58,967
Public and governmental sectors	ı	1	1	1	1	'	1	1	ı	1
Other assets	ı	1	1	1	1	ı	1	1	1	ı
Subtotal	590,757	5,972	•	1	4,757	•	•	10,729	580,028	271,131
Bank guarantees	301,372	1	1	1	1	'	1	1	301,372	1
Credits and acceptance	ı	-	-	ı	-	-	-	-	1	1
Unutilized credit limits	ı	-	-	1	1	ı	-	ı	ı	ı
Total	892,129	5,972	1		4,757	1	1	10,729	881,400	271,131

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: 2,585,910 JD as at 31 December 2020 (3,827,669 JD as at 31 December 2019).

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 129,396,497 JD as at 31 December 2020 (73,435,573 JD as at 31 December 2019).

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		31 December 2020	31 December 2019
Classification grade	Grading institution	JD	JD
A1	Moody's	2,181,826	-
В	Fitch	1,262,477	-
B2	Moody's	1,387,430	-
A2	Moody's	5,457,145	-
Ba3	Moody's	2,236,441	-
B1	Moody's	-	1,399,441
A3	Moody's	-	3,533,486
A+	Fitch	2,934,039	-
A	Fitch	21,011,985	3,547,778
B-	S&P's	-	611,756
CCC+	S&P's	321,927	-
N/R	-	17,178,337	17,687,741
Government	-	2,064,200	4,128,400
		56,035,807	30,908,602
B- Financial assets at amort	ized cost		
On Government guarantee	-	92,191,000	92,191,000
		92,191,000	92,191,000
C- Financial assets at fair va	lue through income statement		
B1	Moody's	154,114	-
N/R	-	1,309,210	3,536,138
		1,463,324	3,536,138
Total		149,690,131	126,635,740

All the above instruments are classified within the first phase except for the HAZINE Turkey instrument, which is included in the B2 classification and is classified within the second phase for the year 2020.

4- Concentration in credit exposures by geographical distribution.

1. The total distribution of exposures by geographical region-self financed (after impairment provision):

				31 December 2020	r 2020				31 December 2019
Item	Within the Kingdom	Other Middle Eastern countries	Europe	Asia *	Africa	America	Other countries	Total	Total
	9	۵۲	9	as	٩	a,	۵۲	٩	J.D
Cash and balances with central banks	330,865,686	ı	1	1	1	1	1	330,865,686	260,871,603
Balances at banks and financial institutions	417,588	1,460,264	1,365,179	290,995	1	6,124,332	11,476	9,669,834	6,513,543
Deposits with banks and financial institutions	ı	ı	1	1	ı	1	1		1
Direct credit facilities -net	7,005,962	ı	1	1	1	1	1	7,005,962	2,496,191
Sukuk:									
Within financial assets at fair value through statement of income	ı	ı	ı	ı	1	1	1	1	1
Within financial assets at fair value through unrestricted investment accounts holders' equity-net	ı	ı	ı	ı	1	1	1	1	1
Within financial assets at amortized cost -net	1	ı	1	1	1	1	1	I	ı
Other assets	824,185	ı	ı	ı	ı	ı	1	824,185	947,141
Total / current period	339,113,421	1,460,264	1,365,179	290,995	•	6,124,332	11,476	348,365,667	270,828,478
Letter of guarantees	38,169,872	ı	1	1	1	1	1	38,169,872	35,398,381
Letters of credit and acceptances	11,658,250	7,356,081	1	ı	1	ı	1	19,014,331	45,004,575
Unutilized credit limits	1	ı	1	ı	1	1	ı	I	ı
Sub Total	388,941,543	8,816,345	1,365,179	290,995	1	6,124,332	11,476	405,549,870	351,231,434

^{*} Except for Middle Eastern countries

2. Distributions according to classification according to classification according to the Islamic Accounting Classification No. (30) - Self

Item			31 Decem	31 December 2020		
	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	a,	9	a,	9	<u>م</u>	a
Within the Kingdom	380,793,105	2,759,542	3,290,171	1,477,727	620,998	388,941,543
Other Middle Eastern countries	8,816,345	1	-	-	ı	8,816,345
Europe	1,365,179	1	1	1	1	1,365,179
Asia	290,995	1	-	1	ı	290,995
Africa	ı	1	-	1	1	ı
America	6,124,332	1	-	1	1	6,124,332
Other countries	11,476	1	-	-	ı	11,476
Total	397,401,432	2,759,542	3,290,171	1,477,727	620,998	405,549,870

3. Total distribution of exposures by geographical region-jointly financed (after impairment provision):

			က	31 December 2020	er 2020				31 December 2019
ltem	Within the Kingdom	Other Middle Eastern countries	Europe	Asia*	Africa	America	Other countries	Total	Total
	a,	۵۲	۵۲	٩٢	ar	٩	a,	۵۲	a
Cash and balances with central banks	1	1	1	1	'	ı	1	1	1
Balances at banks and financial institutions	1	1	1	1	1	1	ı	1	1
Deposits with banks and financial institutions	1	1	1	1	1	1	1	1	'
International wakala investments -net	ı	73,599,623	5,117,726	1	1	ı	ı	78,717,349	70,790,378
Direct credit facilities -net	735,161,675	13,456,821	1	1	1	1	1	748,618,496	639,401,738
Sukuk:									
Within financial assets at fair value through statement of income	ı	1,463,324	ı	ı	ı	ı	ı	1,463,324	3,536,138
Within financial assets at fair value through unrestricted investment accounts holders' equity -net	2,064,200	52,584,176	1,387,430	ı	ı	ı	ı	56,035,806	30,908,602
Within financial assets at amortized cost -net	92,191,000	1	1	1	1	1	1	92,191,000	92,191,000
Other assets	1,647,394	1	1	1	1	1	1	1,647,394	1,438,037
Total / current period	831,064,269	141,103,944	6,505,156	-	•	•	•	978,673,369	838,265,893
Letter of guarantees	ı	ı	ı	1	1	ı	ı	ı	•
Letters of credit and acceptances	ı	ı	ı	1	1	ı	ı	I	,
Unutilized credit limits	131,027,249	-	1	-	1	1	1	131,027,249	93,696,801
Sub Total	962,091,518	141,103,944	6,505,156	•	•	•		1,109,700,618	931,962,694

^{*} except for middle eastern contries

4. Distribution of exposures according to the classification stages according to the Islamic Accounting Standard No. (30) - joint:

			31 December 2020	lber 2020		
Item	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	٩٢	۵۲	۵۲	۵۲	۵۲	Or.
Within the Kingdom	653,579,353	252,736,681	38,748,359	15,166,289	1,860,836	962,091,518
Other Middle Eastern countries	141,103,944	ı	ı	1	1	141,103,944
Europe	5,117,726	ı	1,387,430	1	1	6,505,156
Asia	ı	ı	1	ı	1	ı
Africa	1	ı	ı	-	-	ı
America	ı	ı	ı	ı	1	ı
Other countries	ı	ı	ı	ı	1	ı
Total	799,801,023	252,736,681	40,135,789	15,166,289	1,860,836	1,109,700,618

5- Distribution of exposures by economic sectors:
1. Total distribution of exposures by financial instrument - self financed (after impairment provision):

					31 Dec	31 December 2020					31 December 2019
Item	Financial	Industry	Trade	Real estates*	Agriculture	Shares	Retail	Government and public sector	Other	Total	Total
	۵۲	9	9	a,	9	۵۲	a,	G.	аr	۵۲	a
Cash and balances with central banks	330,865,686	ı	ı	1	1	1	1	I	1	330,865,686	260,871,603
Balances at banks and financial institutions	9,669,834	1	1	1	1	1	1		1	9,669,834	6,513,543
Deposits with banks and financial institutions	ı	1	•	1	1	1	1	ı	1	1	1
Direct credit facilities -net	-	328,412	2,499,815	_	1	919,123	456,155	209,660	2,292,797	7,005,962	2,496,191
sukuk:											
Included in financial assets at fair value											
through income statement											
Within financial assets at fair value through											
unrestricted investment accounts holders'											
equity -net											
Within financial assets at amortized cost - net	ı	1	1	1	1	I	1	1	1	1	ı
Other assets	824,185	1	•	1	1	1	1	ı	1	824,185	947,141
Total / current year	341,359,705	328,412	2,499,815	•	•	919,123	456,155	209,660	2,292,797	348,365,667	270,828,478
Financial letter of guarantees	1,034,609	600,915	7,342,663	4,892,788	1	1,052,006	253,459	1	22,993,432	38,169,872	35,398,381
Letters of credit and acceptances	7,356,081	2,844,803	8,008,042	1	'	258,604	546,801	ı	1	19,014,331	45,004,575
Unutilized credit limits	I	ı	ı	ı	ı	I	ı	I	ı	ı	ı
Sub Total	349,750,395	3,774,130	17,850,520	4,892,788	•	2,229,733	1,256,415	209,660	25,286,229	405,549,870	351,231,434

2.Distribution of divisions according to classification according to the classification of the Islamic Accounting Standard No. (30):

			31 December 2020	lber 2020		
Item	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	a,	۵۲	ac	۵۲	۵۲	a
Financial	349,012,640	ı	737,755	1	,	349,750,395
Industry	3,563,690	113,507	14,907	76,020	900'9	3,774,130
Trade	15,352,813	739,689	452,810	991,604	313,604	17,850,520
Real estates	4,885,887	ı	6,901	ı	1	4,892,788
Agriculture	1	ı	1	ı	1	1
Shares	1,059,238	919,123	1	ı	251,372	2,229,733
Retail	799,276	456,155	984	ı	1	1,256,415
Government and public sector	209,660	ı	1	ı	1	509,660
Other	22,218,228	531,068	2,076,814	410,103	50,016	25,286,229
Total	397,401,432	2,759,542	3,290,171	1,477,727	620,998	405,549,870

3. Total distribution of exposures by economic sector-jointly financed (after impairment provision):

					31 Dece	31 December 2020					31 December 2019
ltem	Financial	Industry	trade	real estates* Agriculture	Agriculture	Shares	Retail	Government and public sector	Other	Total	Total
	۵۲	a	ar Or	9	a,	a,	a,	۵۲	۵۲	۵۲	O.
Cash and balances with central banks	'	•	1	1	'	1	1	1	'	ı	1
Balances at banks and financial institutions	1	ı	ı	ı	1	1	ı	I	1	I	ı
Deposits with banks and financial institutions	-	1	1	1	1	1			1	1	ı
International wakala investments -net	78,717,349		1	1	1	1		1	1	78,717,349	70,790,378
Direct credit facilities -net	13,485,560	136,327,986	150,540,186	16,461,600	1	121,119,630	127,923,836	137,608,027	45,151,671	748,618,496	639,401,738
Sukuk:											
Within financial assets at fair value through statement of income	1,463,324	1	•	-	1	•	1	-	1	1,463,324	3,536,138
Within financial assets at fair value through unrestricted investment accounts holders' equity -net	53,971,606	I	1	ı	,	ı	ı	2,064,200	1	56,035,806	30,908,602
Within financial assets at amortized cost -net	1	ı	1	ı	ı	1	ı	92,191,000	1	92,191,000	92,191,000
Other assets	1,647,394	ı	ı	1	1	ı	ı	1	ı	1,647,394	1,438,037
Total / current period	149,285,233	136,327,986	150,540,186	16,461,600	•	121,119,630	127,923,836	231,863,227	45,151,671	978,673,369	838,265,893
Letter of guarantees	-	•	1	-	1	1	1	1	1	1	1
Letters of credit and acceptances	1	ı	ı	ı	ı	ı	ı	I	ı	ı	ı
Unutilized credit limits	1,397,041	29,593,543	41,636,286	-	1	6,326,373	13,767,734	1	38,306,272	131,027,249	93,696,801
Total	150,682,274	165,921,529	192,176,472	16,461,600	•	127,446,003	141,691,570	231,863,227	83,457,943	1,109,700,618	931,962,694

4. Distribution of exposures according to the classification stages according to the Islamic Accounting Standard No. (30) - joint

			31 December 2020	ıber 2020		
Item	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
	ar	a,	۵۲	O.	۵۲	G.
Financial	149,269,092	25,752	1,387,430	1	1	150,682,274
Industry	162,710,955	3,969,753	(379,246)	593,036	(972,969)	165,921,529
Trade	151,994,823	13,895,353	19,915,863	5,420,943	949,490	192,176,472
Real estates	5,108,164	4,869,808	6,072,957	237,671	173,000	16,461,600
Agriculture	1	1	ı	ı	1	1
Shares	25,795,693	99,030,323	1,020,847	1,051,559	547,581	127,446,003
Retail	13,767,735	125,027,755	1	2,622,181	273,899	141,691,570
Government and public sector	231,863,227	1	ı	ı	1	231,863,227
Other	59,291,334	5,917,937	12,117,938	5,240,899	889,835	83,457,943
Total	799,801,023	252,736,681	40,135,789	15,166,289	1,860,836	1,109,700,618

6- Credit exposures that have been reclassified
1. Total credit exposures classified:
A. Self financed

			31 December 2020	ber 2020		
	Stage 2	je 2	Stage 3	e 3		
Item	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
	ЭC	۵۲	G	G	9	
Direct credit facilities-net	2,000,499	(5,347)	590,757	11,785	6,438	0.25%
Letter of guarantees	2,782,903	(1,619,796)	301,372	1,659,796	40,000	1.30%
Letters of credit and acceptances	23,023	1	1	1	ı	%00'0
Sub Total	4,806,425	(1,625,143)	892,129	1,671,581	46,438	0.81%

B. Jointly financed

Item			31 December 2020	ber 2020		
	Stage 2	le 2	Stage 3	e 3	Total exposures	Percentage of rated
	Total exposure value	The exposures that have been reclassified	Total exposure value	The exposures that have been reclassified	that have been reclassified	exposures
	ar Or	J.D	J.D	J.D	a,	
Direct credit facilities-net	62,856,920	12,740,526	20,465,823	1,976,248	14,716,774	17.66%
Unutilized credit limits	3,646,393	4,140,894	ı	-	4,140,894	113.56%
Sub Total	66,503,313	16,881,420	20,465,823	1,976,248	18,857,668	21.68%

2.Credit losses expected for exposures that have been reclassified:

				31 December 2020				
	The expos	The exposures that have been re	been reclassified	Expected cre	dit loss on exposu	Expected credit loss on exposures that have been reclassified	n reclassified	
Item	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	ar Or	a,	ar Or	ar Or	a,	a,	a
A.Self financed								
Direct credit facilities	(5,347)	11,785	6,438	(30)	4	30	132	136
Letter of guarantees	(1,619,796)	1,659,796	40,000	(36,151)	ı	36,105	1	(46)
Letters of credit and	ı	ı	1	1	1	1	•	ı
Sub Total	(1,625,143)	1,671,581	46,438	(36,181)	4	36,135	132	06

The exposures that have been treclassified and from Stage 2 Total exposures that have been that have been that have been treclassified a that have been treclassified a that have been that have been treclassified a trec					31 December 2020	0			
Total exposures that have been reclassified rated from Stage 2 Total exposures that have been from Stage 2 Stage 2 Stage 2 Stage 3 Stage 3 Stage 3 Individual Individual Collective Individual Individual Individual Collective Individual Individual Individual Algoritation of the collective Individual Individual Individual Individual Individual Individual Individual Algoritation of the collective Individual Individual Individual Individual Individual Individual Individual Individual Indivi		The expos	ures that have been re	eclassified	Expected cre	dit loss on exposu	ires that have bee	n reclassified	
JD JD<	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
12,740,526 1,976,248 14,716,774 (726,490) 167,497 4,140,894 - 4,140,894 - - 16,881,420 1,976,248 18,857,668 (709,244) 167,497		9	a	a	9	a	9	9	9
it facilities 12,740,526 1,976,248 14,716,774 (726,490) 167,497 16,881,420 1,976,248 148,57,668 (709,244) 167,246 16,881,420 1,976,248 18,857,668 (709,244) 167,497	B. Jointly financed								
lities 4,140,894 - 4,140,894 17,246 - 6,140,894 17,246 - 6,140,894 14,140,894 14,140,894 14,140,894 14,140,894	Direct credit facilities	12,740,526	1,976,248	14,716,774	(726,490)	167,497	739,112	(306,965)	(126,846)
16,881,420 1,976,248 18,857,668 (709,244) 167,497	Other Liabilities	4,140,894	1	4,140,894	17,246	ı	ı	I	17,246
	Sub Total	16,881,420	1,976,248	18,857,668	(709,244)	167,497	739,112	(306,965)	(109,600)

(49/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- 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:

2020	Increase in the indicator	Impact on consolidated income statement	Impact on equity
currency	(%5)	JD	JD
USD	-	-	-
Euro	614	614	614
GBP	712	712	712
Japanese Yen	12,349	12,349	12,349
Other currencies	19,921	19,921	19,921

2019	Increase in the indicator	Impact on consolidated income statement	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

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 Decem	nber 2020		
	US Dollars	Euro	GBP	Japanese Yen	Others	Total
Assets:			•			
Cash and balances with Central Banks	20,987,995	20,182,852	366,630	-	141,609	41,679,086
Balances at banks and financial institutions	5,796,698	640,618	649,165	175,683	2,397,670	9,659,834
Deferred sale receivables	82,403,067	-	-	-	-	82,403,067
International Wakala Investment	73,736,000	-	5,120,039	-	-	78,856,039
Financial assets at fair value through unrestricted investment accounts	54,337,021	-	-	-	-	54,337,021
Financial assets at low value through income statement	1,513,175				-	1,513,175
Other assets	(450,053)	(349)	9,560	-	-	(440,842)
Total assets	238,323,903	20,823,121	6,145,394	175,683	2,539,279	268,007,380
liabilities:						
Banks and financial institutions' accounts	1,580,553	137,051	-	-	8,473	1,726,077
(current, saving, term)Customers' accounts	207,407,989	16,071,282	5,236,082	-	2,132,386	230,847,739
Cash margins accounts	2,661,021	1,789,180	965,079	-	-	5,415,280
Other liabilities	7,098,598	2,813,328	(70,005)	(71,295)	-	9,770,626
Total liabilities	218,748,161	20,810,841	6,131,156	(71,295)	2,140,859	247,759,722
Net concentration in current year's financial position	19,575,742	12,280	14,238	246,978	398,420	20,247,658
Contingent liabilities outside current year's financial position	36,328,007	5,727,613	-	56,087	19,622,451	61,734,158

			31 Decen	nber 2019		
	US Dollars	Euro	GBP	Japanese Yen	Others	Total
Total Assets	257,908,612	21,344,625	6,149,972	380,128	2,026,464	287,809,801
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

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:

2020	Increase in the indicator (5%)	Impact on consolidated statements of income	Impact on equity	Impact on unrestricted investment accounts holders
Indicator	JD	JD	JD	JD
Amman Stock Market	13,680	-	-	13,680
Foreign markets	2,493	2,493	-	-

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	JD
Amman Stock Market	13,826	-	-	13,826
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.

(49/C) LIQUIDITY RISKS

The Cash Liquidity management 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, 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 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:

1-3 months	3-6 months	6 months to	1-3 year	More than 3 years	Without	Total
Or					maturity	
	9	a,	a,	a,	ar Or	9
- 870,080,07	1	1	1	1	1	25,085,579
	1	1	ı	1	ı	228,380,089
18,807,969 5,424,833	1,733,339	1,005,022	ı	1	ı	26,971,163
1	ı	1	ı	ı	1	ı
8,298,808	1	1	1	1	1	8,298,808
	1	1	ı	ı	1	954,597
1	90,321	65,570	404,131	9,603,224	1	10,163,246
24,614,850 8,880,185	6,440,634	486,370	ı	1	1	40,422,039
228,823,688 280,223,225	286,310,731	489,660,270	55,128,078	ı	1	1,340,145,992
1	1	1	ı	1		ı
1	ı	1	I	ı	1	I
534,965,580 294,528,243	294,575,025	491,217,232	55,532,209	9,603,224	1	1,680,421,513
474,801,652 123,335,876	143,156,998	140,151,706	419,382,970	494,495,770	24,914,231	1,820,239,203
1,522,392	1	1	ı	1	1	1,522,392
	ı	1	ı	ı	1	181,361,486
- 33,200,733	1,754,023	1,003,067	ı	1	1	35,957,823
1	ı	1	1	1	ı	ı
6,936,284	ı	1	ı	ı	ı	6,936,284
	ı	1	ı	ı	1	421,785
9,000 107,818	ı	5,262	555,365	10,068,679	ı	10,746,124
21,072,137 17,263,528	84,645	169,289	2,543,552	ı	ı	41,133,151
188,693,778 214,100,391	262,181,765	408,195,988	76,495,456	ı	ı	1,149,667,378
1	1	-	1	ı	ı	ı
-	787,149	-	1	ı	-	787,149
433,217,595 231,471,737	264,807,582	409,373,606	79,594,373	10,068,679	1	1,428,533,572
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
m	214,100,391 - - 231,471,737 92,663,455		262,181,765 408,195,988 - 787,149 264,807,582 409,373,60 118,329,477 111,390,8 2	262,181,765 408,195,988 - 787,149 - 264,807,582 409,373,606 118,329,477 111,390,823	262,181,765 408,195,988 76,495,456	262,181,765 408,195,988 76,495,456 - - - - - 787,149 - - - 264,807,582 409,373,606 79,594,373 10,068,679 118,329,477 111,390,823 296,137,395 455,665,045

Second: Off statement of financial position items

	Up to	1 year
	2020	2019
	JD	JD
letters of credit and acceptances	19,055,380	45,068,969
letters of guarantees	38,367,401	35,528,282
Unutilized limits	132,003,890	94,043,876
Total	189,426,671	174,641,127

(50) 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:

			_	.	2020	2019
	Retail	Corporate	Treasury	Other	Total	Total
	JD	JD	JD	JD	JD	JD
Total revenues (joint and self financed)	22,873,883	21,182,902	7,379,612	922,092	52,358,488	50,365,991
Investment risks fund share of joint Investment accounts revenues	-	-	-	-	-	(2,416,902)
Expected credit losses (joint and self financed)	(1,603,703)	(8,323,356)	(117,811)	-	(10,044,870)	(5,251,856)
Results of segment's operations	21,270,180	12,859,546	7,261,801	922,092	42,313,618	42,697,233
distributed expenses	(2,540,793)	(1,002,707)	(604,920)	-	(4,148,420)	(4,107,477)
Undistributed expenses	-	-	-	(22,334,178)	(22,334,178)	(21,387,880)
Profit for the year before tax	18,729,387	11,856,839	6,656,881	(21,412,086)	15,831,020	17,201,876
Income tax expense	-	-	-	(5,663,881)	(5,663,881)	(7,185,657)
Profit for the year	18,729,387	11,856,839	6,656,881	(27,075,967)	10,167,139	10,016,219
					2020	2019
					JD	JD
Segments' assets	553,809,359	607,080,391	247,742,812	-	1,408,632,562	1,223,210,158
Undistributed assets	-	-	-	411,606,641	411,606,641	333,710,425
Total assets	553,809,359	607,080,391	247,742,812	411,606,641	1,820,239,203	1,556,920,583
Segments' liabilities and total equity of unrestricted investment accounts holders	1,206,142,102	338,109,591	65,683,533	-	1,609,935,226	1,355,115,788
Undistributed liabilities	-	-	-	55,686,570	55,686,570	57,354,527
Total liabilities and Total equity of unrestricted investment accounts holders	1,206,142,102	338,109,591	65,683,533	55,686,570	1,665,621,796	1,412,470,315
					2020	2019
					JD	JD
Capital expenditure					2,180,990	3,168,637
Depreciation and amortization					3,182,555	3,026,261

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 202	20	3	1 December 20 ⁻	19
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Total assets	1,662,808,744	157,430,459	1,820,239,203	1,396,956,121	159,964,462	1,556,920,583
Total revenue	49,383,907	2,974,581	52,358,488	46,319,649	4,046,342	50,365,991
Capital expenditure	2,180,990	-	2,180,990	3,168,637	-	3,168,637

(51) 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, 2020 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 Decemb	er
	2020	2019
	JD"000	JD"000
Basic capital items	142,516	139,687
Authorised and Paid in capital	100,000	100,000
Retained earnings	27,132	18,548
Statutory reserve	27,485	25,902
proposed dividends	(6,000)	-
The bank's share of the fair value reserve in full if the fund's are mixed	65	22
Intangible assets	(2,025)	(2,043)
Deferred tax assets (self financed)	(807)	(436)
The Bank's share of the deferred tax assets (jointly financed)	(1,925)	(564)
The bank's share in the capital of banks and financial Institutions	(1,409)	(1,742)
Additional capital	-	-
Supporting capital	2,541	1,281
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)	2,563	1,318
Investment in financial banks and takaful companies that is less than 10%	(22)	(37)
Investments in non-consolidated subsidiaries' capital accounts with bank accounts	-	-
Total regulatory capital	145,057	140,968
Total risk weighted assets	738,104	701,418
Capital adequacy ratio (%)	19.65%	20.10%
Basic capital ratio (%)	19.31%	19.91%
First slide ratio Tier 1 (%)	19.31%	19.91%
Second slide ratio Tier 2 (%)	0.34%	0.18%
Leverage ratio	16.11%	18.84%
·		

(52) ASSETS AND LIABILITIES MATURITY ANALYSIS:

Analysis of both assets and liabilities, expected to be received or settled, is detailed per period as follows:

2. 2	Within one year	More than one year	Total
31 December 2020	JD	JD	JD
Assets			
Cash and balances with Central Bank	351,694,499	-	351,694,499
Balances at Banks and financial institutions	9,669,834	-	9,669,834
International Wakala investments	78,717,349	-	78,717,349
Financial assets at fair value through statement of income	1,513,175	-	1,513,175
Deferred sale receivables and other receivables, net	337,679,029	416,983,367	754,662,396
Unconverted loans-net	-	-	-
Financial assets at fair value through unrestricted investment accounts	7,808,395	50,680,588	58,488,983
Financial Assets at Amortized Cost- Net	27,439,000	64,752,000	92,191,000
Investment in associate	349,507	-	349,507
ljara Muntahia Beltamleek assets, net	50,210,620	371,856,876	422,067,496
Qard hasan	313,516	648,546	962,062
Property and equipment-Net	-	22,889,345	22,889,345
Intangible assets-Net	-	2,024,886	2,024,886
Right to use assets	12,009	8,957,363	8,969,372
Deferred tax assets	5,313,875	-	5,313,875
Other assets	10,725,424	-	10,725,424
Total assets	881,446,232	938,792,971	1,820,239,203
Liabilities and equity of unrestricted investment accounts' holders			
Banks and financial institutions' accounts	25,085,579	-	25,085,579
Customers' current accounts	228,380,089	-	228,380,089
Cash margins accounts	26,856,968	-	26,856,968
Income tax provision	8,298,808	-	8,298,808
Other provisions	954,597	-	954,597
Lease liabilities-long term	152,726	8,745,902	8,898,628
Other liabilities	40,422,039	-	40,422,039
Fair value reserve – net	151,894	-	151,894
Unrestricted investment accounts	1,271,445,116	55,128,078	1,326,573,194
Total liabilities and equity of unrestricted investment accounts holders	1,601,747,816	63,873,980	1,665,621,796
Net	(720,301,584)	874,918,991	154,617,407

04 Para selection 2040	Within one year	More than one year	Total
31 December 2019	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 fair value through shareholders' equity -self financed	-	-	-
Financial Assets at Amortized Cost- Net	-	92,191,000	92,191,000
Investment in associate	354,022	-	354,022
Financial assets at fair value through unrestricted investment accounts' holders equity-net	-	-	-
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
Investment risk fund	-	-	-
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

(53) CONTINGENT COMMITMENTS (OFF BALANCE SHEET)

A- Contingent credit and commitments/self financed*

	31 December 2020	31 December 2019
	JD	JD
Letters of credit	11,188,541	37,195,214
Acceptances	7,866,839	7,873,755
Letters of guarantees:		
Payment	8,178,256	7,763,186
Performance	12,311,636	10,847,499
Others	17,877,509	16,917,597
Total	57,422,781	80,597,251

B. Contingent credit and commitments/jointly financed

	31 December 2020	31 December 2019
	JD	JD
Direct unutilized credit limits	132,003,890	94,043,876
Total	132,003,890	94,043,876

^{*}Indirect unutilized credit limits / self financed amounted to JD (12,983,326) as of 31 December 2020 .

The expected credit losses recorded against contingent credit commitments/self financed amounted under the implementation instructions of FAS (30) issued by Organization for Islamic Financial Institutions to JD 194,295 as at 31 December 2020 and recorded in the other liabilities (note21).

The expected credit losses recorded against contingent credit commitments/jointly financed amounted under the implementation instructions of FAS (30) issued by Organization for Islamic Financial Institutions to JD 347,075 as at 31 December 2020 and recorded in other liabilities (note 21).

(54) LAWSUITS AGAINST THE BANK

The Bank is a defendant in a number of lawsuits, which amounted to JD 624,553 as at 31 December 2020 (JD 410,635 31 as at December 2019) 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 193,597 is adequate should any liabilities arise therefrom.

(55) COMPARATIVE FIGURES

The comparative figures for the year 2019 balances in the consolidated financial statements were reclassified to correspond with 31 December 2020 presentation. The reclassifications did not have any effect on profit and equity for the year 2019.

List of consolidated Income and consolidated comprehensive income:

	After reclassification	Before reclassification
	31 December 2019	31 December 2019
Total regulatory capital (to the nearest thousand dinars)	140,968	135,737
Capital adequacy ratio (%)	20.10%	19.36%
Leverage ratio (%)	18.48%	17.79%

Property and equipment:

	After reclassification	Before reclassification
	31 December 2019	31 December 2019
	JD	JD
eciated property and equipment cost	7,601,301	7,569,961

Deferred sales receivables and other receivables

	After reclassification	Before reclassification
	31 December 2019	31 December 2019
	JD	JD
Deferred sales receivables and other receivables, finances and non-performing ljara montahia bltamlik	19,674,303	21,310,579
Deferred sales receivables, other receivables and financing The receivables ijarah montahia bltmlik Not working after downloading America pending	18,298,107	19,934,433
Deferred sales receivables and other receivables and financing granted and guaranteed by the Hashemite Kingdom of Jordan	134,950,708	61,966,203

(56) Analysis of the impact of standards issued and not yet effective Islamic Accounting Standards:

AAOIFI has issued the following Islamic accounting standards:

- IAS 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.
- 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.

(57) Accounts managed in favor of clients

among the bank's assets and liabilities in the financial statements. Fees and commissions for managing these accounts are shown in a list. Consolidated income and comprehensive Accounts managed in favor of clients amounted to 5,968,686 dinars as on 31 December 2020 (4,250,745 dinars as on 31 December 2019). These accounts are not shown income, fees and commissions for managing these accounts amounted to 3,505 dinars for the year 2020 (246 dinars for the year 2019).

(58) FAIR VALUE HIERARCHY

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 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 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 value as at	le as at		Valuation	:	Relationship of
Financial Assets/Financial Liabilities	31 December 2020	31 December 2019	Fair value hierarchy	techniques and key	Significant	unobservable
	<u>م</u> ر	G,	S	inputs		inputs to fair value
Financial assets at fair value through shareholders' equity -self financed	1,513,175	3,536,138	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Financial assets at fair value through unrestricted investment accounts' holders equity	investment accounts'	holders equity				
Quoted shares	273,603	276,524	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Quoted sukuk	54,337,021	27,022,906	Level 1	Quoted rates in financial markets	Not applicable	Not applicable
Unquoted shares	2,179,574	1,671,840	Level 3	The latest financial prices available	Not applicable	Not applicable
Unquoted sukuk	2,064,200	4,128,400	Level 2	A similar financial instrument	Not applicable	Not applicable
Total Financial assets at fair value through unrestricted investments accounts	58,854,398	33,099,670				
Total	60,367,573	36,635,808				

There were no transfer between level 1 and 2 during the year ended 31 December 2020 and the year 2019.



B. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis:

Except for what is detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the Bank's financial statements approximate their fair values .

	31 December 2020	ser 2020	31 December 2019	ver 2019	
	Book value	Fair value	Book value	Fair value	Fair value hierarchy
	9	9	۵۲	9	
Financial assets not calculated at fair value					
Cash and bank balances	361,364,333	361,364,333	285,330,095	285,330,095	Level 2
Qard hasan - Net	962,062	962,062	99,605	509,660	Level 2
Deferred sales receivables and other receivables	754,662,396	838,495,650	641,388,269	716,785,542	Level 2
Financial assets at amortized cost	92,191,000	93,315,652	92,191,000	93,315,652	Level 2
ljara muntahia Bittamleek assets - Net	422,067,496	422,067,496	382,860,291	382,860,291	Level 2
Total financial assets not calculated at fair value	1,631,247,287	1,716,205,193	1,402,279,315	1,478,801,240	
Financial liabilities not calculated at fair value					
Customers' current accounts and unrestricted investment accounts	1,554,953,283	1,568,526,081	1,316,377,829	1,331,111,334	Level 2
Cash margin accounts	26,856,968	26,971,163	35,875,353	35,875,353	Level 2
Total financial liabilities not calculated at fair value	1,581,810,251	1,595,497,244	1,352,253,182	1,366,986,687	





Culture

Board of Director Report

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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 2020, 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 2020

The Bank has set up a network of branches, which to date includes 38 branches across the Kingdom, offering a series of Sharia-compliant banking solutions within modern foundations. Bank's operations have grown so that Bank assets reach 1.8 milliard JD with a growth rate of 17% From the previous year. The bank's financing and Ijarah Muntahia Bittamleek also grew to reach Increase to 1,2 milliard JD by 15%. Deposits of Bank clients increased by 239 million JD with a growth rate of 18%. The most prominent achievements of the Bank's various departments are as follows:

Corporate Banking:

Corporate Banking Services Department achieved excellent growth during 2020 in the direct and indirect financing portfolio, as the base of customers in various economic sectors was expanded, by building a diversified and high-quality portfolio of new customers in the sectors of large and medium companies, and in various fields and commercial sectors. Industrial, service, contracting and government sector.

Since excellence in serving our customers is our first concern, the distinguished and innovative service has been enhanced in the products and services it provides to our customers in a modern way.

The Bank's Corporate Banking Services Department is keen to focus on establishing strategic and comprehensive relationships with our customers in the Jordanian market, centered on the distinguished service for them, understanding their special financing needs and building long-term relationships with these companies by providing banking solutions compatible with Islamic Sharia to meet the various needs of companies through a team Experienced and experienced relationship managers in corporate banking services, we always strive to provide the best service to our customers so that they can grow their business and move forward.

Retail Banking:

At Safwa Islamic Bank, we are keen on strengthening/consolidating our presence and our branch network coverage throughout all governorates of the Kingdom, in order to provide our services to the largest possible segment of customers. The Bank's network has continued to grow, reaching 38 branches in the Hashemite Kingdom of Jordan to this day, whereby, in addition to the capital, our network includes Irbid, Al-Zarqa, Aqaba, Al-Salt, Jarash, Ma'adaba and Al-Karak. Moreover, the Bank has increased the number of external ATMs to 39, thus enabling it to offer a comprehensive range of services and products to meet the requirements and wishes of a wide segment of customers.

As for deposits, the Bank offers current accounts, savings accounts, investment deposits and certificates of deposit; the conditions of which have been formulated to be highly flexible, in addition to the Hajj Sukuk product, which gives customers the opportunity to perform the Hajj commandment at an early age by saving and investing in the Hajj Fund. The Bank has consequently been able to expand its customer base, with the number of accounts opened exceeding 147,000, largely due to the diverse and innovative range of accounts offered by the Bank and the distribution of the highest possible returns on investment accounts.

The Bank also offers a number of financing services and products developed in line with the highest standards, by relying on a set of Islamic Sharia compliant financing solutions, such as: Murabaha financing of cars, Murabaha financing of products and shares, Ijara/lease financing ending in ownership for homes, lands and offices, and financing services such as education, Hajj and others, in addition to the Yusr Refinancing Project, which facilitates settling the financial obligations of customers with traditional banks; and the Musawama Financing Product, whereby the Bank has signed a number of agreements with some of the largest businesses operating in the Jordanian market.

The Bank also offers all types of card services, such as direct debit cards <<VISA Electron>>, 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 Sharia and is the first credit card to be offered which operates on the basis of Islamic Murabaha.

Online Banking Services

As part of the Bank's strategy in digital transformation, and with the aim of enriching the customers' experience, the Bank sought to develop all channels of communication with customers, whether individuals or Companies, where during 2020 the Bank did the following:

- In his strive to be the first community Bank in Jordan, the Bank will avail the necessary resources to guarantee the clients' satisfaction.
- At the beginning of the year, the bank launched its new website, the aim of the update was to provide a unique experience for website visitors, in addition to providing all the information that the customer needs from services and products, requesting an account opening and requesting financing through the website directly.
- Safwa Mobile and Internet Banking: The Safwa Mobile service aims to make it easier for customers to access their accounts and perform various banking services at any time and in the easiest way. In addition to the self-remittance service, during the year the service of requesting account opening through the application was launched without the need to attend the Bank's branches, which increased the efficiency and effectiveness of the account opening process, and the Safwa Mobile application provided a mechanism for managing the electronic Murabaha card, the services included in the ceiling modification service, the activation of the electronic purchases service and loyalty points, and the service of updating customer data has been added in addition to the service of paying a bundle of bills in one go.
- Electronic services for companies: The Bank provides various companies with an account management service by building a matrix of powers compatible with the commercial registry for companies, so that it became possible for companies to pay salaries to employees and issue remittances electronically.
- Call Center: The connection of the call center with the CRM system (Customer Relationship Management System) has been activated, which affects the increase in service efficiency and effectiveness and increase customers' satisfaction with the services provided to them.

Banking Services for Small Enterprises/Companies

The small companies department has worked in its various centers during the current year and due to the negative economic effects that the Corona pandemic left on the world in general and the Hashemite Kingdom of Jordan in particular on many procedures that would contribute to mitigating the negative effects on existing and polarized clients in addition to the contribution to the economic recovery of customers through the following procedures: -

- Postponing the installments incurred by the clients during the period of the ban imposed by the government in the middle of March and until the end of the month of May without arranging any burdens or commissions on the clients.
- Granting existing and polarized clients with funds exceeding 21 million dinars within the national program to confront the
 Corona virus crisis (subsidized central bank financing). These funds included interest-free loans to cover salaries and rents
 and capital cost-plus financing to help clients fulfill their obligations towards lessors and employees, in addition to enhancing
 the inventory to meet the market need after the period of gradual sector opening.
- Continuing to postpone the installments for the clients affected by the partial ban applied until 31/12/2020 and sectors that have stopped working without arranging any burdens or commissions on the clients.

Treasury and Investment Department

The Treasury and Investment Department at Safwa Islamic Bank consists of a team of specialists all eligible and perfectly fit to carry out frequent Treasury, Investment and Capital Market Operations; and offering a variety of pioneering Shariah Compliant products and services designed to represent the bank's mission statement. It is also responsible for managing the bank's overall budget by aiming to achieve the most desirable financial reward through numerous investment streams while also complying with Islamic Shariah principles, in addition to the management of financial positions in foreign currencies, effective cash liquidity, and its interrelated risk.

The bank's Treasury and Investment Division achieved success by benefiting from its team's rich experience to improve and enhance its Islamic hedging tools aligned with constant market movements that are best known for their dynamic, continuous fluctuations, and vague futuristic outlook. Market conditions that have posed a big challenge for companies and institutions that are unremittingly working on administering liquidity and minimizing market threats. Moreover, the Treasury and Investment Department have relied heavily on this expertise to develop innovative solutions best serving all benefiting parties, implemented particularly to fit customer needs in a way that compliments Islamic rules and measures. It has also ensured that these innovative solutions are well adjusted to accommodate current market conditions. The Treasury and Investment Department at Safwa Islamic Bank has been working thoroughly and continuously on developing these solutions that meet individual needs in Investment, Liquidity and Risk Management Domains.

In commitment of supporting the local economy and highlighting the paramount importance of creating a balanced partnership between the private and public sector, the bank have worked well on exploiting its customers for investment agreements with the Central Bank of Jordan, it generally aims to provide medium term sources of finance for different economic sectors that operates cost effectively in a variety of areas amid Covid 19 outbreak.

Human Capital Management

At Safwa Islamic Bank, we pay special attention to the human element, considering that it constitutes an important component of the Bank's capital and contributes to adding value to the institution. The Human Capital Management Department achieved the following results during 2020:

- 1. Signed an agreement with the King Hussein Cancer Center aimed at involving the Bank's employees in cancer care program to cover cancer treatment at the King Hussein Cancer Center, with a ceiling of JOD 20,000 per employee.
- 2. A contract has been signed with Azar Human Recourses Solutions, which provides competency development testing services, which helps to identify the strengths and opportunities for improvement of the succession plan candidates in order to qualify them for the positions they are nominated for.
- 3. Completed the Safwa Future Stars campaign for the second consecutive year. The campaign generated a wide response and received excellent feedback from all segments of the local community because of its contribution to the integration of students in the labor market and providing them with the necessary skills and awareness prior to graduating.
- 4. Signed an agreement to offer scholarships for two students from Al Hussein Bin Abdullah Technical University.
- 5. The project (Mena Me Application) has been completed, as the mobile application allows employees to submit vacations, leave request and accurately records working hours through the use of Google Maps and Gps technology, in addition to many operations that will contribute the facilitating human resources services for employees...and will be launched soon.
- 6. The Department sent thank you and appreciation cards to a number of employees for their efforts and dedication to their work, which was especially clear during the lockdown period in the new Coronavirus pandemic, during which they showed a great deal of responsibility and commitment, and which in turn had a positive impact on the progress of work.
- 7. The total employee turnover rate decreased by 36% compared to the previous year, reaching 3.98% as at 31/12/2020, as opposed to 6.21% as at 31/12/2019.

Support Departments (Central Operations/Institutional and Engineering Services/Internal Audit/Total Quality Management The year 2020 is considered by far the year of challenges due to Corona Pandemic and its effect on economic, social and medical

aspects of life.

The impact of Corona pandemic did not only affect world economy only, but also it had its big impact on Jordanian economy. Such impact was clearly seen in the increase of government medical bill, closer of many economic sectors of the country for different periods of time. All of this impacted the economic growth of the country and negatively impacted citizen's ability to spend money of different purchases.

With all of the above challenges around, Safwabank arranged to implement several initiatives in order to reduce Corona's impact on its customers. By invoking our Continuity of Business Plan we made sure that our services are provided to our customers in full and uninterrupted. At the same time the safety and health of our employees was an important and a critical aspect of our plans. Our plans where set in a way to ensure that we do comply with Government's Defense Orders and Central Bank of Jordan circulars that requested minimum staff in work place. In addition, our plans took into consideration the scenario of daily challenge of dealing with either affected staff or staff who have been in contact with affected people.

During the 1st quarter, and beginning of 2nd quarter of the year 2020 and in compliance with Central Bank of Jordan's directions, Central Operations Department arranged to postpone monthly installments to all of its customers (Retail / SME / Corporate) for 3 months, totaling for more than 23 thousand customers in timely, effective and well controlled manner. In addition, and during the reset of the year Central Operations Department kept on and on daily bases on postponing monthly installments for different customers who are affected by Corona pandemic.

At the beginning of Corona pandemic's spread, the government issued a lock down procedure in the country, Central Bank of Jordan issued its instructions to banks to provide basic services to all customers such as, salaries, transfers, ECC checks, and Trade Services. This required Safwabank Management to work with different governmental entities in order to get needed permits to its staff in Central Operations Department to enable them to process such transactions and to provide top notch services to its customers.

To ensure Safwabank's ability to continue its uninterrupted services to its customer's different plans were implemented on the ground. One of such plans, was implementing its Continuity of Business Plan which was adjusted to cater for certain specifics related to Corona pandemic. Other plans were related to transferring many staff to work either from Alternate site, or providing staff with laptops to enable them to work from home. Also, immediate emphasis and actions were taken to strengthen the concept of creating Alternate staff to ensure having ready substitute staff to fill in any affected staff. Also different reports and controls have been issued and implemented to ensure that work is done in line with approved policies and procedures to protect the customer and the bank.

All of the above procedures conducted by Safwabank in an unprecedented and extraordinary scenario (Corona pandemic) had a very positive impact on our customers' trust, who believed that Safwabank is trust worthy bank that is able to find different solutions regardless of the crises.

Administration & Engineering departments faced same challenges but in different type due to the nature of their business which focuses io providing logistics and supplies to different departments in the bank and its branches, as well as controlling and reducing expenses.

In this regard, main challenge was due to the slow process or shortage of supplies from different vendors due to stoppage of shipments in and out the country. This imposed a critical risk in finding different supplies that enables the bank to conduct its day-to-day services. This required the department to ensure enough storage is in place, proper monitoring of its storage and finding different and well qualified vendors who can ensure continuous stream of needed supplies. Due to its strong relationship with different vendors Admin. Department was able to ensure continuous and enough supplies are provided to different Departments and branches of the bank.

Another challenge faced by Engineering Department was its ability to deliver its branching projects in the approved timeframe and that opening of its branches is not impacted. This required more and direct follow ups with contractors and different vendors, and putting different plans in place so as to compensate time lost due to different lock downs or reduced working hours. All of the previous actions resulted in opening of 3 new branches (Istiklal Mall Br. reallocation, Madina Munawareh Br. reallocation) and Rawnaq Br.(new) in a timely manner with no or minimum delay. Also, different plans were set to ensure protective maintenance is done to all branches as well as day-to-day needed maintenance is carried out to different branches as and when needed.

With Corona pandemic spread, we can never skip the issue of sanitization of different Safwabank premises where Corona cases are discovered in. This posed a health threat as well a risk of closing the infected branch or building. As a result, Safety and Security team in Admin. Dept. arranged to contract different health and sanitization vendors and arranged to coordinate sanitization process to different locations as soon as a case is discovered. Such task is done either after work hours or on weekends with minimum interruption of work while keeping our premises well protected.

Internal Control Department (ICU) arranged to conduct its work during the 2020 by applying the concept of distant working (or work from home). Their main tasks was to ensure that transactions done by Operations Department and branches are in line with approved policies and procedures as well as ensuring controls are in place. This required the creation of different reports that enabled them to conduct their tasks remotely.

By the end of the year 2020, Safwabank's top Management decided to reallocate ICU's tasks to different departments and units within the bank. ICU tasks were not cancelled but rather shifted to different Departments. Also, a new Control unit reporting directly to Retail was created to oversee some of ICU tasks while other tasks were shifted to Audit, Finance Control Department and Operations. This decision is based on different factors that ensures better allocation of resources, stop and reduce overlapping activities between bank's different control and audit departments, namely; Audit Department, Sharia Audit, Compliance Audit and ICU.

Safwabank Quality Department arranged during the year 2020 to conduct its work mainly by working from home. Its work regarding issuing, renewing, and adjusting different Policies & Procedures of the bank never stopped and continued as normal as possible. In addition, different Policies and Procedures that are related to or have been impacted by Corona virus crises where issued on a timely manner to pave the way of conducting business in clear manner to all staff.

The Information Technology Department

The bank believes that the future of banking services depends on its ability to operate with sufficient flexibility and adopting the right skills for digital transformation. In 2020, the bank took great steps in this direction by defining a strategy for transformation in the short and long term, and setting priorities in this field. This has helped provide comprehensive solutions that ensure the best services for its clients, whether for companies or individuals, by developing a simplified and modern mobile banking and internet banking applications. The most prominent of these services was card management with a comprehensive loyalty point, which enables the client to manage credit card and pay from e-points through mobile, as well as a simplified e-KYC, and bulk payment of E-fawteercom, that created a new look for Safwa customer Journey, and increased the number of mobile subscribers to more than 50%.

In accordance with the instructions of the Central Bank of Jordan, the bank management was keen to complete sixteen technological projects to reach the required level of services and fulfil compliance level of the IT Governance (Cobit 2019), and maintain highest level of security and numerous protection standards such as PCIDSS and cybersecurity.

The Shari'a Supervisory Department

The strength of the Sharia Supervisory Department stems from the existence of an exceptional Sharia Supervisory Authority which enjoys long-standing legal banking expertise in the world of Islamic Banking. The Department is careful to ensure that Fatwas and resolutions concerning all of the Bank's activities are implemented, which is achieved by monitoring and auditing all activities, in addition to studying comprehensive studies covering contract templates, product policies, and applicable work and operation procedures.

The Sharia Supervisory Department has continued to effectively communicate with the Sharia Supervisory Authority, with the aim of presenting all developments and sensitive cases, and to obtain the relevant responses and Fatwas. The Department is also responsible for ensuring that all instructions and resolutions issued by the Authority are fully implemented by the Bank's concerned departments.

The Department also communicates with all departments, sections and bank employees on a daily basis, 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 resolutions of the Honorable Sharia Supervisory Authority.

Achievements of the Sharia Supervisory Department during 2020:

- Creation of a product for buying and selling Islamic bonds in cooperation with the Treasury and Investment Department.
- Creation of a sub- ljara ending with ownership product for customers.
- Formulation of a mechanism to reduce risks related to purchasing foreign currencies upon concluding Murabaha financing of imported goods.
- Contributed to concluding a number of agreements with the Central Bank related to financing investment and development in numerous sectors.

Corporate Communication and Marketing Department

The Corporate Communication and Marketing department implemented its strategic plan to meet internal and external stakeholders' needs. At the beginning of the year 2020, the department launched a special campaign celebrating the tenth anniversary of the bank establishment, which had a good impact on the Jordanian market.

The department also played an essential role in communicating with customers to inform them of the latest developments and news related to the bank during the full lockdown, since communication relied primarily on social media platforms and SMS.

In the last quarter of the year, the department launched an appreciation campaign for the bank's customers for the third year in a row in a way that took into consideration social distancing. The campaign was called "Thank you from the heart" and included many competitions and prizes using the bank's official pages on social media; it was a successful one with high viewership, reach and engagement.

The bank's contribution to serving the local community and protecting the environment during the year 2020

During 2020, the bank continued to provide material and moral support for community initiatives based on its keenness to participate in developing the local community and its advancement in its various forms. The bank made significant material contributions during this exceptional year, which required us to stand side by side with the public sector and support it with all possible means. Examples of the contributions made by Safwa Islamic Bank to serve the local community:

Educational and religious initiatives:

- Sponsoring a charity dinner to donate to the Bnayyat Center for Special Education, organized by Princess Tharwat University College.
- An agreement to provide scholarships for two students from Al-Hussein Technical University for four years.
- Sponsoring the financial education and awareness project in collaboration with the Central Bank.
- Donating to Al-Aman Fund for the Future of Orphans to complete two students' education as part of a memorandum of understanding between the bank and Al-Aman Fund.
- Renovation and maintenance of a hall in the Sharia College at the University of Jordan.
- Maintenance and restoration of the building of Al-Hussein Elementary College School for Boys.
- Donating school seats to "Sukaina Bint Al-Hussein" Secondary School.
- Donating iPads to a group of students in public schools in Aqaba Governorate, in cooperation with the Ministry of Education and RTI in the Reading and Math Initiative (RAMP).

Humanitarian and health initiatives:

- Donation to the Public Security Directorate Press Fund for the Charity Parcels Campaign for needy families.
- Sponsoring the national campaign to distribute medical and awareness bags for Coronavirus, organized by the Arab Medical Relief Society.
- Donating to sponsor a charitable Ramadan breakfast for orphan children in cooperation with the Jordan Good Foundation for Development.
- Sponsoring the "Goal for Life" championship to support the sick children at King Hussein Cancer Center.
- Donating to the Jordanian Ministry of Health to face the repercussions of the Coronavirus.
- Donating to "Hemmet Watan" Fund to support those affected by the Coronavirus pandemic.
- Signing an agreement to sponsor several programs and initiatives carried out by the Jordanian Hashemite Charity Organization.



Sports Initiatives:

• Sponsoring the charity match as part of the "confrontation" initiative to support professional football players, organized by the Jordanian Football Association.



Environmental Initiatives:

• Sponsoring the Green Caravan initiative to plant 600 trees in cooperation with the Arab Group for the Protection of Nature.



Women and children support initiatives:

- Donation to support the spinning and wool production project and export in Ghor Fifa, under the supervision and organization of Princess Taghrid Institute for Development and Training.
- Sponsoring the "Shabbek wa Bader" (Link and Initiate) program to train and educate children about financial programs, in partnership with Wasel for Awareness and Education.





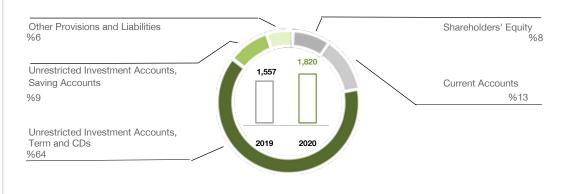
Bank's Financial Position Analysis and Financial Ratios

Bank's Financial Position Analysis

Assets	JOD (N	lillion)	Common size
Assets	2020	2019	2020 2019
Cash and Balances With Banks	361	285	%20 %18
Investments	231	200	%13 %13
Deferred Sales Receivables	756	642	%42 %41
ljarah	422	383	%23 %25
Property, Equipment and Other Assets	50	47	%3 %3
Total	1,820	1,557	%100 %100



Liabilities and Shareholders'	JOD (I	Million)	Common size
Equity	2020	2019	2020 2019
Current Accounts	228	181	%13 %12
Unrestricted Investment Accounts, Term and CDs	1,156	1,011	%64 %65
Unrestricted Investment Accounts, Saving Accounts	171	124	%9 %8
Other Provisions and Liabilities	111	96	%6 %6
Shareholders' Equity	155	144	%8 %9
Total	1,820	1,557	%100 %10



Financial Ratios

		2020	2019	2018	2017
	Return on Average Equity	6.8%	7.1%	6.0%	4.2%
Profitability	Return on Average Assets	0.6%	0.7%	0.8%	0.6%
Fromability	Earning Per Share (fills/JD)	0/102	0/100	0/057	0/057
Cost to Income		50%	49%	55%	61%
Assets	Non-Performing Financing (NPL%)	2.5%	2.6%	2.3%	2.2%
	Coverage Ratio	168%	130%	123%	116%
Quality	Equity / Assets	8%	9%	13%	14%
	Operating Financial Leverage*	1.28	1.29	1.35	1.43
Efficiency	Assets / Branch (JOD mn.)	47.9	45.1	39.7	38.3
	Assets / Employee (JOD mn.)	2.9	2.6	1.8	1.8

Profitability

- Despite of deduction additional provisions to face Covid 19 effects, the bank increased
 NI by 2%
- Profitability indicators is expected to return to the upward trend with gradual return
 of economic activities, year 2020 witnessed several non-recurring items affected
 the profitability like donation to (Hemat Watan) fund, decrease of other revenues as
 a result of lockdown for two months, building credit loss provisions, decline direct
 profits as a result of postponing installments.
- Credit and investment portfolio quality and continuous follow up by bank contributed to keep NPL% low
- The bank continued to preserve adequate provisions cover the whole nonperforming financings without taking into consideration the collaterals, beside building extra provisions to face any future effects of Covid 19 pandemic

Assets Quality

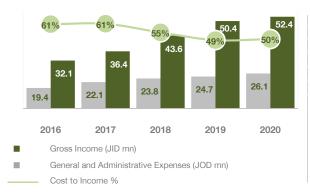
Productivity

- The operating financial leverage witnessed continuous improvements
- The productivity indicators for branches and employees showed upward trend as a result of optimal use of resources and increased bank's volume

Measurement of the firm's ability to control the fixed costs, and calculated by dividing the total of gross revenues and other revenues by the same figure after subtracting the fixed costs

^{*} Operating Financial Leverage

Cost to Income Ratio



- The exceptional circumstances in year 2020 had affected the continuous improvement trend as this ratio showed slight decline after downward trend in the previous years
- The general and administrative expenses increased 6% during 2020 vs increased of income by 4%
- If the nonrecurring item of donation to hemat watan fund is excluded from ratio calculations, it would be improved and reached 48%

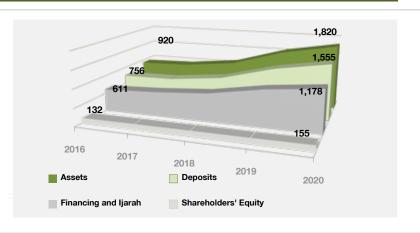
Return on Average Equity (ROE) and on Average Assets (ROA)

- The slight improvement of net income by 2% versus the assets growth by 17% and shareholders equity by 7% caused the decline of ROA and ROE
- Despite the increase in volume of the bank, the exceptional circumstances witnessed in 2020, the decline in the rates of return on earning assets and other income, and building of additional provisions, all led to the lack of net income growth at a pace in line with the growth of the bank's volume.



Time Sereis (Finacial Position)

Growth 2	020
Assets	17%
Deposits	18%
Financing and Ijarah	15%
Shareholders' Equity	7%



	2020	2019	2018	2017	2016	Change i	n 2020
JD mn	2020	2019	2010	2017	2010	mn JDs	%
Assets	1,820	1,557	1,121	958	920	263	17%
Deposits	1,555	1,316	931	773	756	239	18%
Financing and Ijarah	1,178	1,025	777	672	611	153	15%
Shareholders' Equity	155	144	141	138	132	10	7%

- Safwa bank reached an assets growth during the period from 2018 to 2020 equivalent to the whole growth between 2011 to 2017
- The CAGR reached 19% since 2016

Assets

Deposits

- Safwa Bank continued attracting deposits and enhancing clients base,
 the deposits increased during 2020 by JOD 239 mn; 18%
- Out of JOD 239 mn of deposits growth, 72% was for retail sector, which mitigate concertation and liquidity risks
- Marketing Campaigns and promotions which had a positive effect to increase the financing by 15%

Financing and ljarah

Shareholders'

Equity

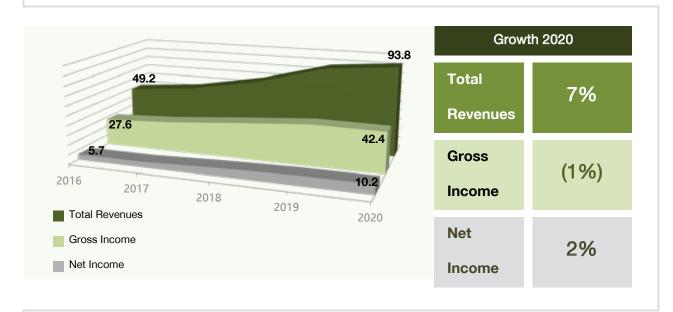
- 2019 and 2020 results had contributed to increase shareholders by JOD 10 mn
- The Board suggested to the general assembly to distribute JOD 6mn as cash dividends to shareholders

Time Series (Share Price and Dividends)

	2020	2019	2018	2017	2016	Change	in 2020
	2020	2019	2010	2011	2010	JOD	%
Share Price	1.41	1.34	1.13	1.22	1.28	0.07	%5
Dividends	%6 *Cash	-	%7 Cash	%5 Cash	-	JOD 6 mn	%6

^{*} Suggested dividends to shareholders

Time Series (Profit and Loss)



	2020	2019	2018	2017	2016	Change	in 2020
JOD mn	2020	2010	2010	2011	2010	JOD	%
Total Revenues	93.8	87.5	68.4	55.5	49.2	6.3	7%
Gross Income	42.4	42.9	37.4	31.3	27.6	(0.5)	(1%)
Net Income	10.2	10.0	8.4	5.7	5.7	0.2	2%

 Net of increase of earning assets volume in one side, and a decline in return on these assets in the other side (less effect) caused the total revenues to increase by JD 5.3 mn

Total Revenues

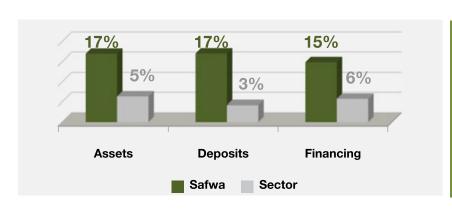
Gross Income

- Slight decline in the gross income as a result of increase in the direct income by 6% in one side, and an increase of cost of deposits (paid profit and cost of deposits guarantee) by 8% and building extra provisions in the other side, caused the gross income to decrease by 1%
- Net income after tax increased by 2% and reached JOD 10.2 mn

Net Income

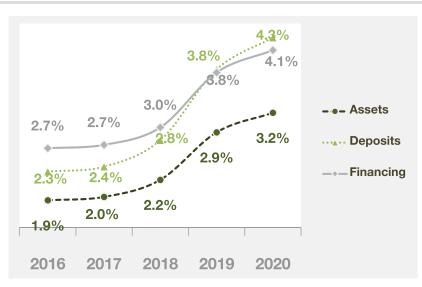
The Bank's Competitive Position

Development of Safwa's Share in the Banking Sector



Safwa's Growth
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 share from 2.9% to 3.2% due to growth of assets by 17% compared to the sector growth of 5%

Deposits

Safwa bank succeeded to attract more deposits which reached JOD 239 mn caused it market share to increase from 3.8% to 4.3% with a growth rate of 17% compared to sector growth of 3%

Financing and

Financing portfolio increased in 2020 by 15% compared to a growth of 6% in the sector

The financial effect of non-frequent operations, occurred during the Financial year, and don't enter into the Bank's main activity

In 2020, 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 29,8 thousands.

Bank Capital Investment Volume

The volume of capital investment for the bank reached to JD24.9 million at the end of year 2020 (represent net fixed and intangible assets) compared with JD 25.9 million at the end of year 2019.

Future developments and strategic plan

The bank has prepared its strategic plan after a careful and continuous evaluation of the bank's position in several respects, external factors, the banking sector, competitors, and the bank's internal assessment, and prioritizing them according to their importance after measuring their impacts on the bank's operations in order to determine the key success factors to build clear strategic goals that can be achieved and measured, and time bonded

The Bank will review the strategy during the coming period to re-evaluate it as a result of the economic, social and technological conditions imposed by the Corona pandemic.

As an ultimate goal to be the first social bank in the kingdom, the bank will provide the necessary resources to ensure customer satisfaction

- The bank's objective is to provide fair and responsible banking, and to ensure that all services and products are provided to customers in transparent, equal, and fair ways, and not to burden them any extra costs does not fit with the effort exerted by the bank based on honesty and transparency as a work methodology, in order to comply with this objective, the bank had reviewed all fees and commissions for all services and products, and he will continue to implement this review continuously and periodically.
- Reinforce customer experience through studying customer journey for all products and services and to shorten and accelerate the process to ensure the simplicity and easiness in order to transfer the journey to the highest success levels.
- Continue to expand customers' base through offering an integrated package of competitive product and services takes into account the customers' needs and requests.
- Reviewing the branches and ATMs network and deliberate expansion to provide better service for all customers segments, and looking for external expansion opportunities after conducting due diligence
- Expand the range of products and services provided to the corporate sector that comply with sharia' and deepen the network of relationships with corporate clients.
- Strengthening the network of correspondent banks, and expanding the bank's role as an accredited correspondent bank regionally and globally.

The following are the main themes of the bank's strategic plan:

Digital Transformation and E-Channels

Within bank's strategic plan, the bank gives increasing focus in digital transformation and E-channels in line with the successive developments and changes in customers' needs, the bank does not just seek to keep pace with these developments, but to excel in providing such services without omission of safety and security factors.

- Many services had been added to the E-channels, and the mobile application was developed, and the bank seeks in the
 coming period to provide the services package through multiple Omni channels ensure the increasing needs of the customers
 through easily handled electronic services.
- Corona pandemic highlighted the importance of digital transformation, digital services, and providing exceptional service
 to customers which mean that the bank have to give the necessary importance and maintaining the pace of continuous
 improvement of these vital services.

Human capital

The Bank's successes are achieved through a cooperative persevering diligent team that works in one team spirit, these successes were reinforced through:

- Keeping pace with and applying the latest technical systems that support and facilitate human capital management services through the electronic training system application, automating all employee requests, applying MENA-ME employee services on smart phones and other applications.
- Achieving a competitive advantage in the labor market by keeping abreast of developments taking place in it and conducting
 survey studies to ensure the achievement of a competitive advantage for the benefits of employees in a way that ensures
 optimal investment in employees and giving them the opportunity for rapid development, which will positively affect the
 productivity of employees and the bank's performance.
- Maintain competencies and constantly develop their own programs.
- Encouraging innovation and creativity and constantly rewarding the creators by instilling the success values and a culture of high performance.
- Supporting university students and empowering them to have a real opportunity to develop their skills in a practical manner and to facilitate their integration into the labor market, besides providing them with the necessary experiences before graduation, as number of them are then selected to join bank's team.

Risk Management and Internal Control

The Bank has developed a risk management system; in the coming period, the bank locks forward for continuous improvement for all risk management tasks, whether by developing existing policies and procedures, developing methodologies for risk measurement, periodic monitoring of acceptable levels of risk, as well as developing corrective plans and reviewing the work environment to limit the effects of the exposed risks.

Risk management attaches great importance to follow up on the negative effects of the pandemic on some economic sectors in the Kingdom.

The bank will also continue to pay attention to develop the cyber security system, and managing the related risks to it to ensure the efficiency and effectiveness of the bank's control environment to protect the bank from electronic penetration attempts.

Corporate identity and social responsibility

he bank is keen, through strategic plans, to enhance the achievements made by the bank over the previous years, and to market the bank's brand, through fair and responsible banking transactions, and to highlight its image and corporate identity to be a distinguished Islamic bank that competes with its counterparts from Islamic and conventional banks in Jordan, and to build advertising campaigns for various innovated products and services that the bank offers in all traditional and modern medias to ensure to reach the widest category of targeted audience.

In the field of social responsibility, Safwa seeks to enforce the bank position with the local society which contributes the positive effect to build shining image in harmony of Islamic religion principles.

The bank, will also continue during the coming period to sponsor important events, marketing the bank through social media, organizing advertising for products and services, launching initiatives for beneficence in holy month Ramadan and religious events, as the bank is going to enforce his role in the beneficences initiatives and to give support for needy parties and charities.

The financial strategy

The bank's strategy had been built through detailed plans for all above objectives with creating specific targets which are followed up continuously which is expected to be reflected positively on bank's shareholders and depositors with maintaining financial solvency secured business continuity and compliance with applicable regulations and to control the capital and operational expenditures to secure the optimal use of resources.

The banks' boards of director and executive management the continuity of upward growth trend in the financial position and maximizing earnings in the next year through developing various banks processes and following cost control.

The bank is looking to maintain healthy financial indicators through continuously preserve adequate provisions covering any potential future losses, and continuing on expand customers' base and reducing concentration ratios and enhancing liquidity indicators.

Names of the Board of Directors members, their representation, date of designation and their profiles:



Dr. "Mohammed Naser" 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: 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



Abd Al-Rahim Al-Hazaymeh Deputy Chairman of the Board of Directors, Representative of: Orphans Fund Development Foundation

Date of assignment on the board: 7/5/2020 Date of birth: 1969

Qualifications:

• Bachelor's degree in Jurisprudence and Legislation/ Economics and Statistics from the Jordanian University in 1992

Experience and Memberships:

- Acting Director General of the Orphans Fund Development Foundation since 2/3/2020 to date
- Assistant General Director of the Orphans Fund Development Foundation since 3/10/2017
- Director of the Irbid orphanage since 3/8/2008
- Head of the investment department at the Orphans Fund Development Foundation since 1995
- Staff member of the Orphans Fund Development Foundation since 1992



Basem Salfiti

Representative of: Al-Etihad Islamic for Investment Co. The date of joining the Board of directors: 4/1/2017 Date of birth: 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 Aqel

Representative of: Al-Etihad Islamic for Investment Co. The date of joining the Board of directors: 4/1/2017 Date of birth: 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

- 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: 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. Ahmed Menesi

Representative of: Al-Etihad Islamic for Investment Co. The date of joining the Board of directors: 13/4/2017 Date of birth: 1938

Qualifications:

- PhD in Economics from the University of Cologne / Germany in 1972
- Bachelor of Economics from the Libyan University in 1963

- 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: 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: 1951

Qualifications:

Bachelor's Degree in Accounting 1976

- Member of the Audit Committee The International Criminal Court / The Hague, Netherlands March 2020 till now.
- Chairman of the Audit Committee The International Criminal Court / The Hague, Netherlands March 2017 till March 2020
- 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: 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, as his researches focused on Middle East Economics, 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: 1952

Qualifications:

- Bachelor of Accounting / University of Jordan, Amman / Jordan
- JCBA

- 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.



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: 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.
- Advisor to Bank Al Etihad 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



Hamdan Al-Fawair

Deputy Chairman of the Board.

Representative of: Orphans Fund Development Foundation till 12/3/2020

The date of joining the Board of directors: 13/4/2017

Date of birth: 1960

Qualifications:

Bachelor of Law from Alexandria University in 1985

- 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

Members of the Shari'a Supervisory Board and a Profile of each of them:



His Eminence Prof. Hussein Hassan

Chairman of the Shari'a Supervisory Board and Executive Member*

Date of birth: 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.

^{*} Passed away 19/8/2020



His Eminence Prof. Ali Al-Qaradaghi

Chairman Shariah Supervisory Board and Executive Member*

Date of Birth: 1949

Date of appointment: 28/04/2018

Certificates:

- PhD in Shariah and law in the field of contracts and financial transactions, Al-Azhar 1985.
- Master of Comparative Jurisprudence, Faculty of Sharia and Law, Al-Azhar University, 1980.
- BA in Islamic Sharia, 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 Sharia, 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.

^{*} He was named chairman of The Shari'a Supervisory Board on 22/9/2020



His Eminence Dr. Ahmed Melhem*

Deputy Chairman of the Sharia Supervisory Board

Date of birth: 1961

Date of appointment: 04/28/2018

Education:

- Doctorate in Comparative Jurisprudence, 1994.
- MA in Jurisprudence and Legislation, 1987.
- Bachelor in Jurisprudence and Legislation 1982.

Work experience:

- Sharia advisor in the Sharia Supervisory Board of the World Federation of Takaful Companies and Islamic insurance in Khartoum.
- Sharia advisor at the advisory board of the North African Bank in Libya.
- Part-time lecturer at Al-Zaytoonah Private University.
- Shari'a advisory in the Shari'a Supervisory Board of the Islamic Insurance Company previously.

The Board of Commissioners of the Securities Commission.

- Sharia advisor in the Sharia Supervisory Board of the Jordanian Engineers Association.
- Sharia advisor in the Sharia Supervisory Board of the Orphans Fund Development Corporation.
- Sharia advisor in the Sharia Supervisory Board of the Jordanian Engineers Association.

^{*} He was named Deputy Chairman of the Shari'a Supervisory Board on 22/11/2020



His Eminence Sheikh Abdul Karim Khasawneh

Member of the Shariah Supervisory Board

Date of birth: 1944

Date of appointment: 28/04/2018

Certificates:

• BA in Sharia, 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).

Work Experience

- 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.

Members of the Senior Executive Management and Profile of each of them:



Samer Al 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 31 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 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 26 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 1995, 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 Financial Sciences from Yarmouk University, Jordan, 1994.



Hani 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 27 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 Kokash, Deputy CEO, Chief Credit Officer

Mr. Ziad Kokash joined the bank on 16/09/2012 as Deputy CEO, Chief Risk Officer supported by 29 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 Financial Sciences from Yarmouk University in 1992.

Mr. Ziad Kokash is a Board of Directors Member of MISC for Financial Brokerage Company, and he is also a Board of Directors Member of the Jordan Fertilizer Processing Company as a representative of the bank.



Ibrahim 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 26 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.



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 28 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 1990.



Rami Al-Kilani, Head of Information Technology

Mr. Rami Kilani joined the bank on 02/10/2011 as Senior Manager, Deputy Chief of Information Technology with 27 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, COBIT 2019, Data Scientist Certified.



Muneer Faroneyah, Head of Shari'a Supervision

Mr. Muneer Faroneyah joined the bank on 01/08/2010 as a Sharia auditor with extensive experience of 25 years in Islamic banking and Sharia audit.

Mr. Muneer worked at the Jordan Islamic Bank in several positions and departments and His last position was senior Auditor, Internal and Sharia Audit.

Mr. Muneer holds a Master's degree in Financial Sciences and Banking specialty 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'ah Advisor and Auditor (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain (AAOIFI).



Wael 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 26 years.

He worked in many fields including corporate, treasury, investment, credit and financial institutions at several banks in Jordan (Arab Bank, ABC Bank, 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, And holds a license for the issuance management, issuance and custody trust from the Jordan Securities Commission.



Nesfat Taha, Head of Retail Banking

Mr. Nesfat joined the bank on 21/02/2010 as head of Branches Network with 27 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).



Khalid 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 16 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.



Ahmad Tarteer, Head of Compliance

Mr. Ahmad Tarteer joined the Bank on 21/06/2015 as Senior Manager, Head of Compliance and Anti-Money Laundering, he has a 13 years of experience in the field of banking.

He started his career at ABC Bank 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, CGSS.



Mohammad Hawari, Head of Human Capital Management

Mr. Mohammad Hawari joined the bank on 18/01/2010 as Human Resources Operations Manager with 17 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).



Ahmad Jafar, Head of Risk

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 20 years of banking experience.

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 2020 compared to the previous year.

			31/12/2020				
			Independent	Member's Name			Direct
Member's Name (representative of legal entity)	Nationality	Executive / Non-executive	/ non- independent member	(representative of legal entity)	Nationality	Number of shares held by the legal entity	participation in capital %
Dr. "Mohammed Naser" Abu Hammour	Jordanian	Non-executive	Not independent				
Basem Salfiti	Jordanian	Non-executive	Not independent				
Deema Aqel	Jordanian	Non-executive	Not independent	Al-Etihad Islamic for	0	070 040	60 0400
Khaled Al-Gonsel	Libyan	Non-executive	Not independent	Investment Co.	טייסומוומוו	02,070,248	02.37.070
Dr. Ahmed Menesi	Libyan	Non-executive	Not independent				
Dr. Khaled Zentuti	Libyan	Non-executive	Not independent				
Dr. Nofan Alaqil	Jordanian	Non-executive	Not independent	Government Investments Management Company	Jordanian	5,550,000	5.550%
Abd Al-Rahim Al-Hazaymeh	Jordanian	Non-executive	independent	Orphans Fund Development Foundation	Jordanian	4,925,000	4.925%
			Independent				
Name of the board member (representing his personal capacity)	Nationality	Executive / Non-executive	/ non- independent member	The number of shares owned by a member of the Board of Directors	wned by a f Directors	The percentage of shares held in the bank's capital%	hares held in the oital%
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 s member of the E	The number of shares owned by a member of the Board of Directors	The percentage of shares held in the bank's capital%	s held in the %		
Dr. Nofan Alaqil	Jordanian	1,	1,000	0.001%			
Dr. "Mohammed Naser" Abu Hammour	Jordanian	65	65,000	0.065%			
Basem Salfiti	Jordanian		ı	ı			
Deema Aqel	Jordanian		ı	1			
Khaled Al-Gonsel	Libyan		1	1			
Dr. Ahmed Menesi	Libyan		_	1			
Dr. Khaled Zentuti	Libyan		-	1			
Abd Al-Rahim Al-Hazaymeh	Jordanian		ı	1			
Hamdan Al-Fawair Till 12/3/2020	Jordanian		1	ı			

			31/12/2019				
Member's Name		Executive /	Independent / non-	Member's Name		Number of shares	Direct
(representative of legal entity)	Nationality	Non-executive	independent member	(representative of legal entity)	Nationality	held by the legal entity	participation in capital %
Dr. "Mohammed Naser" Abu Hammour	Jordanian	Non-executive	Not independent				
Basem Salfiti	Jordanian	Non-executive	Not independent				
Deema Aqel	Jordanian	Non-executive	Not independent	AI-Etihad Islamic for		60 370 049	%028
Khaled Al-Gonsel	Libyan	Non-executive	Not independent	Investment Co.	ooldalial	04,070,40	0/0.70
Dr. Ahmed Menesi	Libyan	Non-executive	Not independent				
Dr. Khaled Zentuti	Libyan	Non-executive	Not independent				
Dr. Nofan Alaqil	Jordanian	Non-executive	Not independent	Government Investments Management Company	Jordanian	5,550,000	5.550%
Hamdan Al-Fawair	Jordanian	Non-executive	independent	Orphans Fund Development Foundation	Jordanian	4,925,000	4.925%
			Independent				
Name of the board member	Nationality	Executive /	-uou/	The number of shares owned by a	wned by a	The percentage of shares held in the	nares held in the
(representing his personal capacity)		Non-executive	independent member	member of the Board of Directors	t Directors	bank's capital%	ortal%
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	Nationality	The number of s	The number of shares owned by a	The percentage of shares held in the	s held in the		
Dr. Nofan Alaqil	Jordanian), 1	1,000	0.001%			
Dr. "Mohammed Naser" Abu Hammour	Jordanian	65	65,000	0.065%			
Basem Salfiti	Jordanian		1	1			
Deema Aqel	Jordanian		1	1			
Khaled Al-Gonsel	Libyan		-	•			
Dr. Ahmed Menesi	Libyan		1	•			
Dr. Khaled Zentuti	Libyan		1	•			
Hamdan Al-Fawair	Jordanian		1	1			

Members of the Shari'a Supervisory Authority do not have any shares in the bank

Financing to the Board of Directors members and any other deals between the bank and them or their related parties

Name of the Board of Directors	Direct Financing (JD)	Indirect Financing (JD)
Dr. Nofan Alaqil	496,304	-
Samir Abu Lughod	217	-

 There are no financings or other deals between the Bank and the Board of Directors members, except mentioned in the above table.

Ownerships of executive management and their relatives or companies controlled by them

Name	Position	Nationality	Number of shares 2020	Number of shares 2019
Samer Al Tamimi	General Manager/ Chief Executive Officer	Jordanian	20,000	-
Hani Al-Zrari	Deputy CEO, Chief of Central Operations	Jordanian	10,000	-

- There are no ownerships for the executive management, their relatives, or the companies controlled by them, except mentioned in the above table.
- There is no ownership owned by relatives of the BOD members 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 2020 and end of year 2019.
- There are no companies controlled by BOD members or executive management or their relatives.

Names of major shareholders and the number of shares they own compared to the previous year

		31/12	/2020	12/31	/2019
name	Nationality	Percentage of shares held in the Bank's capital %	Number of Shares	Percentage of shares held in the Bank's capital %	Number of Shares
Al-Etihad Islamic for Investment Co.	Jordanian	62.370%	62,370,249	62.370%	62,370,249
Social Security Corporation	Jordanian	9.383%	9,383,037	9.090%	9,090,909
Government Contributions Management Company	Jordanian	5.550%	5,550,000	5.550%	5,550,000

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Shareholders, who own 1% or more from the bank capital and the final beneficiary for these shares as of 31/12/2020.

	Shareholder's Name	Nationality	Number of Shares	Direct participation in capital %	Indirect participation in capital %	The final beneficiary	Number of shares encumbered	Share of encumbered shares of total contribution	Foreclosure hand
-	Al-Etihad Islamic for Investment Co.	Jordanian	62,370,249	62.370%			Null	,	ı
1.1	Bank al Etihad	Jordanian	36,174,744	36.175%	28.000%				1
						One of the branches of BLOM Bank in France contributing to the management of BLOM Bank:			
						Bank of NEWYORK 34.37%			
						Rest_Shareholders 26.20%			
1.1.1	Blom Bank france	French	27,435,967	6.203%	17.147%	Banorabe S.A SPF 18.73%		,	ı
						Azhari Family 7.53%			
						Shaker Family 4.82%			
						Saade Family 2.55%			
						Jaroudi Family 2.17%			
						Actionnaires- Unis 1.83%			
1.1.2	Libyan Foreign Investment Company	Libyan	32,413,763	7.329%	20.259%	Owned by Libyan governmen	Null		1
						Owned by companies			
						TRHS Holding 25% ownership (Tareq Rajai Salfiti) 100%			
						ZRS Holding 25% ownership (Zaid Rajai Salfiti)100%			الموق والميوسون والمناس
1.1.3	RS FINANCE	Islands	24,156,723	5.462%	15.098%	FRS Holding 25% ownership (Faisal Rajai Salfiti)100%	16,429,000	%89	Societe denerale bank (Jordan)
						DRS Holding 12.5% ownership (Dina Rajai Salfiti) 100%			
						SRHS Holding 12.5%ownership (Samia Farah issa Fraih)100%			
						G. C.	6,276,508	707 71	Societe Generale Bank (Jordan)
1.1.4	Essam Halim Salfiti	Jordanian	15,207,886	3.438%	9.505%	סמו בע	2,000,000	624.	National bank of Kuwait (Bahrain Branch)
						Total	8,276,508		
1.1.5	Social Security Corporation	Jordanian	13,549,074	3.063%	8.468%	Same/Governmental entity	InZ		1

	Shareholder's Name	Nationality	Number of Shares	Direct participation in capital %	Indirect participation in capital %	The final beneficiary	Number of shares encumbered	Share of encumbered shares of total contribution	Foreclosure hand
						Hammouda Brothers Company for Trade and Investment 10% (Sami 25%, Maher 25%, Samir 25% and Mohamed Nabil Abdel-Hadi Hamouda 25%)			
1.1.6	Jordan Valley Company for Livestock Development	Jordanian	4,539,898	1.026%	2.837%	Jordan Chemicals Company 10% (Sami 25%, Maher 25%, Samir and Muhammad 25%, Nabil Abdel-Hadi Hammouda 25%)	II N	,	,
						Sami Abdel Hadi Hammouda 20%			
						Maher Abdul Hadi Hammouda 20%			
						Samir Abdel Hadi Hammouda 20%			
						Mohamed Nabil Abdel-Hadi Hammouda 20%			
1.1.7	wedad ayoub odeallah alkouri	Jordanian	4,427,300	1.011%	2.795%	Same	Nul		
1.2	Libyan Foreign Investment Compan	Libyan	26,195,505	26.195%	42.000%	Owned by Libyan government	In Z		
7	Social Security Corporation	Jordanian	9,383,037	9.383%		Same Government entity	In Z		
ю	Government Investments Management Company	Jordanian	5,550,000	5.550%		Same Government entity	II N	1	
4	Orphans Fund Development Foundation	Jordanian	4,925,000	4.925%		Same Government entity	In N		
D.	Jordan Al Mahasen Real Estate Development Company	Jordanian	1,738,595	1.739%		Same	In Z		,
9	Zina Saad Khalaf Al-Tal	Jordanian	1,029,342	1.029%		Same	Null	1	1
7	Tamara Saad Khalaf Al-Tal	Jordanian	1,029,341	1.029%		Same	Null	1	

Rewards and bonuses of the Board of Directors Chairman and Members

Board of Directors Members	Mobility Allowances & attending BOD meetings	Committee membership	Accrued and unpaid bonuses for 2020	Total
Dr. "Mohammed Naser" Abu Hammour	155,000	10,000	5,000	170,000
Abd Al-Rahim Al-Hazaymeh (As of 7/5/2020)	23,000	5,400	4,180	32,580
Basem Salfiti	24,000	13,500	5,000	42,500
Deema Aqel	24,000	13,500	5,000	42,500
Khaled Al-Gonsel	24,000	5,000	5,000	34,000
Dr.Khalid Zentuti	24,000	16,300	5,000	45,300
Dr. Ahmad Menesi	24,000	1,500	5,000	30,500
Government Investments Management Company	24,000	5,000	5,000	34,000
Dr. Ibrahim Saif	29,000	5,000	5,000	39,000
Samir Abu Lughod	29,000	9,800	5,000	43,800
Salem Burgan	29,000	12,500	5,000	46,500
Hamdan Al-Fawair(until 12/3/2020)	6,000	1,200	820	8,020
Total	415,000	98,700	55,000	568,700

⁻ Members of the Board of Directors not received any salaries other than the allowance and the afore mentioned bonuses.

Approval by the Board of Directors

The Board of Directors hereby declares that there are no material issues that may affect the Bank's continuity during the next financial year 2021.

 $The \ Board \ of \ Directors \ declares \ its \ responsibility \ for \ the \ financial \ statements \ and \ that \ the \ bank \ has \ an \ effective \ control \ system \ .$

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Chairman

Dr."Moh'd Naser" Salem Mohammad Abu-Hammour

Deputy Chairman

Abdelrahem Al-Hazaymah

Basem Isam Halim Salfiti

Salfiti Deema Mufleh Mohammad Aqel

2/5

Dr. Noufan Mansour Ageel Alaqil

Khaled Amr E Algonsel

Dr. khaled F M Zentuti

7

Dr. Ahmed Menesi Menesi

Salem Abdel-Monem Salem Burgan

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 2020.

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Chairman

Dr."Moh'd Naser" Salem Mohammad Abu-Hammour

Deputy Chairman

Abdelrahem Al-Hazaymah

Basem Isam Halim Salfiti

4

Deema Mufleh Mohammad Aqel

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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

Declaration

We, the undersigned, declare that all information and data provided in this annual report for the year 2020 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
Prof. Hussein Hassan(*)	3,300	3	19,822	23,122
Prof. Ali Al Qaradaghi	6,600	6	13,700	20,300
Dr. Ahmad Melhem	6,600	6	7,100	13,700
His Eminence Sheikh Abdul karim Khasawneh	6,600	6	7,100	13,700
TOTAL	23,100		47,722	70,822

- The number of meetings of the sharia's Supervisory Board during the year 2020 (6) meetings.
- Mattending remote meetings due to the Corona pandemic.
- The Shari'a Supervisory Authority met with the independent external auditor twice during the year.
- (*) Passed away on 19/8/2020 AD.

Declarations of not receiving any benefits (Shari'a Supervisory Board)

Referring to Corporate Governance's instructions of Islamic Banks No (64/2016), we, the Sharia 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 2020.

Deputy Chairman

Prof. Ali Al Qaradaghi

Member

Sheikh Abdul Karim khasawneh

Member

Dr. Ahmad Melhem

Rewards and Bonuses of the Top Management

			2020	
Name	Job Title	Salaries and Bonuses	Transportation expenses	Total
Samer Al Tamimi	Chief Executive Officer	599,250	0	599,250
Rami Khayyat	Depuity CEO, Chief of Corporate Banking	191,500	3,300	194,800
Hani Al-Zrari	Depuity CEO, Chief of Centeral Operations	176,220	3,300	179,520
Ziad Kokash	Depuity CEO, Chief Credit Officer	182,252	3,300	185,552
Ibrahim Samha	Depuity CEO, Chief of Finance and Corporate Strategies	186,640	3,300	189,940
Nasfat Taha	Head of Retail Banking	146,541	2,900	149,441
Wael Al-Bitar	Head of Treasury and Investment	117,917	2,900	120,817
Rami Al-Kilani	Head of Information Technology	134,761	2,900	137,661
Ahmad Tarteer	Head of Compliance	81,941	2,900	84,841
Masoud "Sakf Al-Hait"	Chief of legal & Board secretariat	148,633	3,300	151,933
Muneer Faroneyah	Head of Shari'a Supervision	75,948	2,900	78,848
Mohammad Hawari	Head of Human Capital Management	77,565	2,900	80,465
Khalid Al-Issa	Head of Internal Audit	68,429	2,900	71,329
Ahmad Jafar	Head of Risk	98,469	2,900	101,369
Total	,	2,286,066	39,700	2,325,766

Number of employees of the Bank by categories of qualifications as at 31/12/2020

Qualification	No. of Employees
PhD	3
Master's Degree	49
Higher Diploma	3
Bachelor Degree	544
Diploma	15
General Secondary Education	4
Pre-Secondary Education	10
Total	628

Training programs for Bank employees in 2020

Pograms Name No.	Programs No.	Participants No. of	General description of program objectives
Shari'a Education Programs	1	624	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	7	2717	Bank management is keen to adhere to all adopted policies and laws, which contributes to comply with relevant regulations and legislations
Developing managerial and personal skills and adopting positive behaviors	9	41	The programs work to develop the skills of administrative employees, help leaders to achieve goals and provide them with the skills that enable them to perform their work professionally.
Best practice software in customers service	1	635	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.
Specialized programs in banks	36	1317	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	9	11	These programs aim to qualify employees, enhance their knowledge and skills through obtaining specialized professional certificates
Conferences and Seminars	7	7	Attend a multiple of conferences and seminars
Total	70	5352	

Safwa Bank geographic locations and number of employees in each branch

Location	District Name	Street	Building No.	Telephone	Fax	Number of staff
Headquarter	Abdali / Boulevard project	Finance	38	4602100	4647821	273
Jabal Amman Building	Zahran area	Islamic Scientific College	31	4602100	4602184	60
Al-abdali	Abdali / Boulevard project	Finance	38	4602100	4602728	10
Jabal Amman	Zahran area	Islamic Scientific College	31	4602100	4602723	7
Al-Bayader	Al Rawnq / Wadi Sir	Hosny Suber	33	4602100	4602711	8
Al Madina AlMunawwarah	Al Salam neighborhood / Tla Al Ali area	Al Madina AlMunawwarah	121	4602100	4602712	9
Shmeisani	Shmeisani district / Abdali area	Ilya Abu Madi	6	4602100	4602713	8
Al Wehdat	Alawda / Yarmouk area	Prince Al Hassan	313	4602100	4602714	7
Sweifiyeh	Sweifieh district /Wadi al-Sir area	Abdul Rahim Al-Haj Mohammed	70	4602100	4602718	6
Al Khaldi	Al-Radwan neighborhood / Zahran area	Ibn Khaldun	38	4602100	4602719	5
Khalda	Khalda District /Tlaa Al Ali Area	Wasfi Al-Tal	302	4602100	4602720	7
Taj Mall	Southern Abdoun district / Zahran area	Saad Abdo Shammout	2	4602100	4620721	11
Al Jubaiha	Al-Fadila neighborhood /Sweileh area	Queen Rania Al Abdullah	329	4602100	4602722	5
Al Hashemi	Raghadan district / Basman area	Batha	97	4602100	4602725	7
Jabal AI - Hussein	Jabal Al Hussein neighborhood / Abdali area	Khalid ibn al-Walid	170	4602100	4602726	7
Gardens	Baraka District / Tla' Al Ali Area	The Martyr Wasfi al - Tal	110	4602100	4602109	8
Dabouq	Al-Bashaer district / Sweileh area	King Abdullah II	149	4602100	4602734	6
Istiklal Mall	Jabal Al Nozha /Basman area	Istiklal	1	4602100	4602730	10
Abu Nseir	Al-Amana neighborhood / Abu Nseir area	Abu Nseir	145	4602100	4602731	7
Tabarbour	Tarek area	Tarek	78	4602100	4602733	9
Al Rabiah	Al Salam neighborhood / Tla Al Ali area	Abdullah bin Rawaha	17	4602100	4602737	8
Mecca Mall	Tla Al-ali area / Um Alsummaq neighborhood	Abdullah Al-Daoud	20	4602100	4602736	13
Al Hureyye Street	Mqablain	Al Hureyye	150	4602100	4604770	7
Marka	Al Zahraa district	King Abdullah	440	4602100	4602739	8
Sports City	Al Hussein Youth City neighborhood	Sarh Al Shaheed	90	4602100	4604774	6
Sahab	King Abdullah II City	Banks	254	4602100	4660724	5
Marj Al Hamam	Marj Al Hamam area	Princess Taghreed Mohammed	47	4602100	4602729	7

Location	District Name	Street	Building No.	Telephone	Fax	Number of staff
Madaba	West District	Al Yarmouk	-	4602100	4604773	8
Al Zarqa - Saadeh Street	The first area	Saadeh	74	4602100	4602735	7
Zarqa	New Zarqa / Fifth Area	Street 36	36	4602100	4602716	8
Salt	Al-Kharabsheh neighborhood	Amreya Bridge	-	4602100	4604772	8
Jerash	Kairouan	Kairouan roundabout	-	4602100	4604771	7
Irbid	Hashemi	Al Hashemi	84	4602100	4602715	10
Irbid City Center	City Center Mall	Prince Hassan	-	4602100	4602727	11
Aqaba	Hotel Area	Al Nahda	722	4602100	4602738	10
Al-Karak	Al-Thaniah	Karak	-	4602100	4604775	8
Queen Rania Street	Haj Fund	Queen Rania	19	4602100	4604776	5
Abu-Alanda	Abu - alanda / Alnahar commercial complex	Ibrahim Rashed Alhnadi	71	4602100	4604777	7
Al rawnaq district	International Group Complex/ 7th circle/Alrawnaq district	maen bin odai street	1	4602100	4604778	7
Irdid - Qubah roundabout	Alqubah Roundabout	Rateb Al-bataineh		4602100	4604772	8
Total						628

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 to 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 2020-end.
- 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 2020.

Also, the fees of Bank and subsidiaries' auditors for additional services reached JOD 37,445 in 2020 as follows:

- The fees of Bank and subsidiaries' tax auditors reached JOD 13,340.
- Review the Central Bank of Jordan program to meet Corona reached, an amount JOD 20,625.
- 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).

Donations and grants made by the Bank during 2020

The beneficiary	Total
Support - Ministry of Health	100,000
The University of Jordan - School of Shari'a	5,803
Public Security Directorate - Food Parcels	5,000
Al-Aman Fund For The Future Of Orphans	3,600
Jordanian Society For Medical Aid for Palestinians	3,000
Sakina Bent Al-Hussein School	2,600
Princess Taghrid Institute for Development & Training	2,000
Support - Wasel for Awareness & Education	1,108
Support - Initiative of the child Leen Bilal Mohammed	500
Khair Al-Ordon Foundation for Development	500
Ajloun National University	486
Total	124,597

⁻ During the year 2020, an amount of (1) million dinars was donated by the Bank in favor of Hemmat Watan Fund to face the repercussions of the Corona pandemic, and it was recorded on the common pool under the approval of the Bank's Shari'a Supervisory Board, and an amount of (500) thousand dinars was donated by the Bank's employees during the year 2020 for the same fund as an initiative of the Bank's employees.

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
342/2020	Financial claim and accounting procedure	JD 200,000 for the purposes of fees	Amman First Voyurt of Instance

The Bank management and lawyer believe that lawsuits provision, which amounts JOD 193,597 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 is exposed to are within the risk appetite as been approved by the Board of Directors.

Board Risk Committee determines the framework 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 of the bank. This department applies best international practices in risk management (Basel III) and in line with the requirements and directions of the Central Bank of Jordan.

Risk Management Description, Structure and Nature of its operation

Risk Management Department is held responsible for managing risks in which Safwa Islamic Bank is exposed to. it also reviews the policies and procedures documents, controls, and limits for the bank's activities which pertains to comprehensive risk management (e.g. Credit Risk, Operational Risk, Market Risk, Liquidity Risk, Rate Of Return Risk, Reputation Risk, Non-Compliance risk, Sharia Non-Compliance, etc..), as well as, analyzing, measuring and developing appropriate measurement methods to embrace against those risks, which could possibly affect the bank's profitability and capital adequacy ratio, in an aligned with the approved general framework for comprehensive risk management that constitutes the basis for these policies in addition to other policies related to risk appetite.

The general framework for Risk Management and related risk policies is the main reference for preparing the ICAAP and conducting stress testing. Risk management department prepares and sets the acceptable levels of risk (Risk Appetite) for all the bank's activities, afterwards, periodic comparisons are conducted to monitor the deviations from the acceptable levels.

In addition, the Risk Management Department reports periodically to the Board of Directors (BOD) through the Risk Management Committee to inform them of most recent developments related to risk management in the bank to seek their evaluations and directions.

Risk Department consists of the following:

- Credit Risk Department.
- Operational Risks and Information Security Department.
- 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 with best practices through the implementation of an integrated automated system that 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 that helps in credit decisions.

Retail scoring system is a part of an integrated workflow system includes all phases of applications and approvals in different departments.

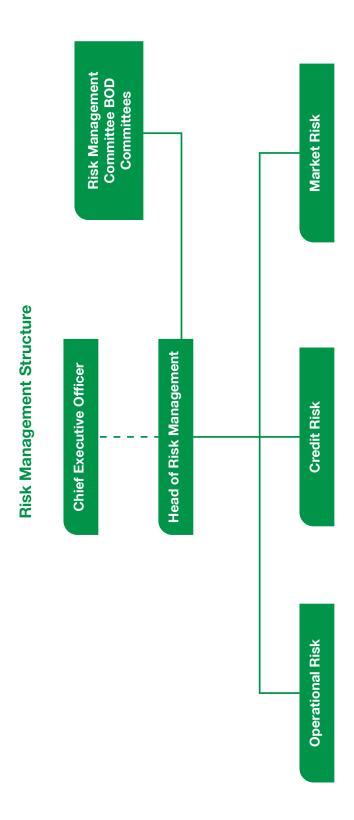
The Risk Management Department continued to apply methodologies related to Operational Risk Management in terms of completing the application of the Risk & Control Self-Assessment (RCSA) workshops with the various departments and units of the bank's work and the departments developed according to the bank's organizational structure. The department also monitors the extent of the departments 'commitment to applying corrective measures for the control gaps and the follow-up processes for the control examination by coordinating roles with the control and review departments to ensure that the control checks carried out by the departments are documented as part of the risk self-assessment process.

The department also updated the risk files for a number of departments and departments and provided files for the internal audit department in the bank, providing the basis for applying risk-based audit and audit methodologies, and the department collects data on losses of operations and operational events, analyzes these data and links them with risk files. In the field of information security, the Risk Management Department manages the PCI DSS compliance project within the third edition (3.2.1), obtaining the international certification and following up the annual compliance process. An integrated strategy on information security and cybersecurity has also been developed in the bank by updating information security policies within the best known practices and managing related projects that aim to improve the system of regulatory controls in the bank's technical environment and in line with the instructions of the Central Bank of Jordan. The department also participated in the project of implementing governance, information management and associated technology COBIT 2019, in line with the instructions of the Central Bank of Jordan. The Information Security Unit perform continues monitoring of the records of security events for systems and networks through the security operation center (SOC). The project for compliance with the instructions for cybersecurity risks issued by the Central Bank of Jordan was also managed with the participation of the relevant departments of the bank. In the field of security breach checks, several checks for networks and systems were conducted, and a specialized examination of banking applications was conducted. As for spreading banking awareness of information security and business continuity, the department holds training workshops for bank and branch employees annually.

In the field of business continuity plans, the department managed a project to develop and update business continuity plans at the bank's level in response to external risk factors. Examinations and tests were carried out to ensure the level of readiness in alternative sites. Payment systems were examined in coordination with the Central Bank of Jordan. The bank underwent the task of auditing and reviewing the business continuity plan by the external auditor, and the audit results were positive.

Regarding to Corona pandemic, the bank has activated strategies of Remote Access and Social Distancing, as well as working through the alternative site. An integrated plan was developed to deal with the pandemic, and related requirements were defined. The bank continues the implementation of this plan in accordance with the instructions of the official and legislative authorities in this regard.

In the field of market risk management, the department developed measurement tools to manage these risks, including the calculation of the Value at Risk (VaR) for different investments and internal stress testing scenarios, in addition to updating the unit's procedures in compline with the best professional practices.



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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 Sharia 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 Sharia 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 And Corporate Strategies 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, Sharia 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:

The focus of our team working in corporate banking services is the customer, and we make sure that the needs, goals and success of the customer is our devotion to work. Therefore, we at Safwa Islamic Bank are keen to be the only banking station for the customer that meets all his needs and for all types and sizes of companies.

In this regard, we are keen to provide an integrated service of services and products that meet the needs of our customers and to develop products and solutions specific to any customer and according to his needs and expectations, all with professionalism, high service and a personal touch of concern. Accordingly, we have provided an integrated set of unique products and services for companies.

During 2020, the Bank also expanded the internet banking service for companies, and the cash management service for customers in a modern and distinguished way, in addition to the investment savings product for companies, the only one of its kind in Jordan, in addition to providing innovative financial solutions to customers under the umbrella of Islamic banking systems, which include financing large companies. In various economic sectors, the Corporate Banking Services Department is keen to focus on establishing strategic and comprehensive relationships with customers, built on distinguished service to them, and understanding their special financing needs.

Bonded financing has been started for the purpose of storing goods financed by the bank in it, where goods are stored, porters, arrange and ensure the safety of parcels in exchange for established allowances, under customs supervision.

On the other hand, and because we are keen to provide everyone with the best-in class types of services, the establishment of the (Deposit Department and the Corporate Operations Services officer COSO), as this was reflected in more efficient, faster service with high customer satisfaction.

Retail Banking:

The Retail Banking Services Department offers the following services:

VIP customer services (Safwa Gold):

Safwa Islamic Bank is distinguished by the fact that it is the first Islamic Bank to provide VIP customers with unique services that are in line with the provisions of Islamic Sharia, whereby the Bank is keen on providing a package of high quality distinctive services designed specifically to meet the aspirations of VIP customers, through Safwa Gold centers, designed and prepared to offer the highest standards of convenience and speed of services. The service also offers a specially designated Private Relationship Manager to assist customers in completing their banking transactions, and to offer advice and guidance through banking consultations related to all of the Bank's products and services.

Financing services and products:

The Retail Banking Services Department offers a diverse range of personal financing products compatible with Islamic Sharia regulations, and which are designed to suit the needs and requirements of various customers. With the aim of ensuring the provision of distinguished services that are fast and efficient, a system concerned with automating financing retail financing operations has been implemented for the following products:

- Retail financing includes financing goods, merchandise, shares, motorcycles, lands, and solar heating systems and cells through Murabaha.
- The Murabaha Financing of Shares, which offers the option to purchases assets (shares) in companies involved in permissible activities, and in accordance with Islamic financial analysis criteria adopted by the Sharia Supervisory Authority.
- Financing new and used cars, with quick procedures and minimal requirements, whereby the Bank has succeeded at building strategic relationships with suppliers and providing competitive financing offers with easy terms and conditions.
- Financing travel expenses related to performing Hajj and Umrah rituals, in addition to financing tourism travel expenses, along with covering wedding hall and study expenses. This is done by concluding an assignment of benefit ownership between the Bank and the customer.
- Financing of goods in the form of Musawama, which allows customers to finance their purchases of goods at the same price as though they were conducting a cash purchase, and without having to pay any profits, through a network of dealers adopted by the Bank.
- The Yusr product, which allows customers to settle their various financial obligations at traditional banks (settlement of personal loans, car loans and credit cards).

- Financing products through ljara ending with ownership:
- Financing the purchase of apartments and ready to live in houses.
- Financing the purchase of lands for the purpose of constructing buildings, in addition to financing farms and residential lands.
- Financing commercial offices, such as clinics and engineering offices.
- Refinancing properties owned by the customer.

An agreement was signed with the Ministry of Energy and Mineral Resources/Jordan Renewable Energy and Energy Efficiency Fund, allowing customers to obtain support from the Energy Fund for either solar cell systems or solar heating systems, of the mirror or pipe types, should the customer wish to take advantage of renewable energy systems and/or energy efficiency and conservation. The fund subsidizes approximately 30% of the total value of these systems, within the specified limits.

In order to bolster our presence, and to provide our services to the widest segment of customers possible, and in an effort to preserve the interests of citizens; the Bank offered the following in light of the Coronavirus pandemic:

- Postponed all installments due to be paid by individuals for Murabaha and Ijara financing for the months of March, April, May and December, without any additional commissions or profits calculated for these postponements.
- The ability to use any ATMs belonging to other banks which are located throughout the Kingdom.
- Exempted customers from minimum balance commissions.
- Exempted customers from ATM card issuance commissions.
- Presented a proposal for the first line of defense financing, by reducing returns and granting a grace period.
- Reduced return rates for retail customers.
- The Bank's branches and supporting departments continued to operate by providing numerous services such as payroll
 processing for customers that do not have ATM cards, cash and check deposits, and transfers; with a minimum number of
 employees to ensure continuity of the workflow.
- Amended the account opening service procedures through the Safwa Mobile application "Customer on Boarding Service" during the lockdown, for the purpose of transferring salaries.

Accounts and deposits services:

This includes current and savings accounts, savings accounts for children (Kenzi), savings accounts for women (Harir). Moreover, the Bank is also distinguished in the Islamic banking sector by offering a competitively tied investment deposit product, both in terms of the price and characteristics of the product, whereby Safwa Islamic Bank makes it possible for its customers to tie deposits on a monthly basis, with profits paid on a quarterly basis, which constitutes a competitive advantage. Furthermore, the Bank also offers the Islamic Certificate of Deposit product for individuals and financial institutions, to customers that wish to obtain a suitable return, in addition to the Hajj Sukuk, which provides the opportunity to perform the Hajj rituals at an early age, through saving and investing in the Hajj fund of the Ministry of Awqaf Islamic Affairs and Holy Places. The Bank also offers rental services for safety deposit boxes of all sizes in several branches, thus allowing customers to preserve/safe keep their valuable items.

Online banking services:

As a part of the Bank's expanded strategy related to digital transformation, and in line with its focus on using online banking services to facilitate its transactions, Safwa Islamic Bank has established a set of services aimed at enriching customer experiences and making it easier to access the Bank's services. Accordingly, the Bank has updated its online banking services and its banking application to ensure that it is up to date with the needs and requirements of customers. The Bank has therefore developed and added a number of unique services to its online banking application, such as the "Managing Online Murabaha cards" service, allowing customers to activate their cards and internet limits at any time, in addition to providing customers with extensive details related to their card balances, due installments, and the mobile number on which messages related to installments are customer received. Moreover, the Bank has added the Loyalty Points management service/Safwa Points management service to the Safwa Mobile application, allowing customers to manage and exploit Safwa Points obtained as a result of purchases made using the electronic Murabaha Credit Card. This service makes it possible for customers to utilize their balances by simply activating the "Payment through Points" button available within the banking application, for any transactions conducted with businesses, and without the need to collect receipts for the utilization of points from any of the Bank's branches. The service also makes it possible to conduct these transactions without the need for the Bank to conclude any agreements with businesses to set up a mechanism for utilizing customer points. Furthermore, the Bank has added a service related to paying bills stored on the e-Fawateercom system in the form of packages in a smooth and fast manner, ensuring customers are capable of paying their bills easily. The Bank also offers services related to instant issuance of direct debit and prepaid debit cards through all of its branches, in a manner which has elevated the quality of card services in general, and which allows customers to receive their new and renewed cards in record time.

Bank cards:

During the year, Safwa Islamic Bank launched the instant card issuance service for direct debit and prepaid debit cards through its branches, in a manner which has elevated the quality of card services by providing customers with new and renewed cards in record time, instead of printing them at the company and delivering them in the usual manner.

During the year, the Bank also launched promotional campaigns for its electronic Murabaha cards which are designed in a way to meet the needs of customers as follows:

- 1. The free installments campaign for purchases during the month of Ramadan:

 Financing purchases of customers at all grocery stores and supermarkets for free and without any profits, during the holy month of Ramadan.
- 2. Free installments campaign for school registration fees:

 The Bank launched a services whereby it financed school fees for free without any profits at all schools in the Kingdom, for a period of up to 9 months.
- 3. Dafi Baytak campaign:

 The campaign was launched to offer free installments of diesel, without any profits, lasting till the end of the year, for amounts exceeding JOD 151, and for periods of up to 9 months.
- 4. Free installments campaign during the discounts season:

 The Bank offered free installment services for customers making purchases at all dealers using the electronic Murabaha card during the discount season.
- 5. The 'Safwa Smart Bracelet Photograph" competition, doubling loyalty points: through the "Thank you for being Safwa" campaign, the Bank doubled loyalty points obtained during October 2020, whereby customers received 2 loyalty points for every one JOD of purchases conducted using the electronic Murabaha card. The Bank also launched the "Safwa Smart Bracelet Photograph" competition in coordination with the Institutional Communications and Marketing Department, which gave 50 winning customers the amount of JOD 100 each as a reward transferred to the Safwa Smart Bracelet for taking a picture of the bracelet and sharing it on social media networks.
- 6. Numerous campaigns throughout the year to market pre-paid debit cards.

Small business banking:

The Small Business Banking Services Department at the Bank provides banking and financing services to institutions, operating small companies, and small companies operating in various economic sectors by financing these sectors, such as financing foreign purchases for small companies (working capital or fixed assets), in addition to providing documentary credit services, external remittances and guarantees, in addition to financing real estate (land and buildings) in the form of Murabaha, financing cars and trucks, and other various financings.

In addition, the following programs and financing products have been developed for the small companies sector:

- Renewable energy financing product.
- A product for financing internal and external purchases with a guarantee of sales points.
- A startup financing product.
- Car and truck financing product.
- The 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 2020 through different channels as follows

Classification of Complaints	Number of Complaints
electronic services	23
Commissions and fees	22
Interest rates / returns	86
Professional conduct	147
Bank Cards	7
products and services Marketing	1
Contracts and terms of dealing	94
Work Environment	221
Transfers	15
Account classification	2
Credit inquiries	2
Other	60
Total	680

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 Sharia 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 Sharia 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: Transfers to or from Profit Equalization Reserve (PER):

It is allowed for the Bank management, after obtaining the approval of the Sharia'a supervisory Board, to deduct a portion of the profits of the joint common pool before deducting the share of Mudareb and to transfer this portion to what is called "Profit Equalization Reserve (PER). The purpose of this reserve is to keep or make the rate of return for the holders of the unrestricted / restricted investment accounts and for the Shareholders in a certain profit distribution period in-line with or equal to the market returns of the same period.

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:

- 1. Capital safety, where the profits of the investment accounts is realized only and after the capital is being protected.
- 2. 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.
- 3. 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 Sharia 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.





REPORT TO COMPLYING WITH BEST PRACTICES

Corporate Governance Manual and Governance Report

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 Sharia Supervision Board	
Board (BOD)	The Bank's Board of Directors	
The Authority	The Sharia 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 Sharia 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

- 1. The number of the Board Members should not be less than eleven.
- 2. None of the members may be an executive director.
- 3. The number of independent directors may not be less than four.
- 4. 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

- 1. 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.
- 2. 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.
- 3. The Board of Directors shall hold at least one meeting every two months, in total six meetings at least through financial year.
- 4. 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.
- 5. 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.
- 6. 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

- 1. The General Assembly shall consist of all shareholders entitled to vote.
- 2. 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.
- 3. 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.
- 4. 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.
- 5. 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
- 6. 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.
- 7. 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.
- 8. 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.
- 9. 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 guorum for any Board meeting.
- 10. 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.
- 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 sharia auditing manager, the recommendation shall be given to the Board by the Sharia 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 Sharia 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:
 - None of the shareholders who possess an influential interest may hold a job in the top executive management.
 - The top executive management shall derive its authority only from the Board and shall work within the delegations granted to it by the Board.
- 16. The Board shall adopt the organizational structure of the Bank setting out the admin hierarchy including the committees of the Board, Sharia Supervision Board, and executive management.
- 17. 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.
- 18. 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.
- 19. The Board adopt the Governance Report and includes it in the Bank's Annual Report.
- 20. The Board appoint a contact officer with the Jordan Securities Commission to oversee matters related to the Bank's governance Implementations.
- 21. 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.
- 22. The Board set a clear delegation policy in the Bank specifying the authorized persons and the limits of delegated authority.
- 23. The Board adopt the replacement and career progression policy and adopt the Human Resources and Training Policy in the Bank.
- 24. The Board adopt the Bank's social responsibility policy and programs towards the local community and the environment.

- 25. 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.
- 26. 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.
- 27. 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.
- 28. 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.
- 29. 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.
- 30. 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.
- 31. 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.
- 32. The Board shall undertake the following:
 - Ensures the presence of a suitable Sharia Supervision Board, and Sharia Controls system that includes the internal Sharia regulatory system through ensuring the existence of an effective Sharia supervision independent from all the Bank units.
 - Verifies that all banking activities are carried out in accordance with the provisions of Islamic principles, in particular Sharia Fatwas and Sharia decisions issued by the Sharia Supervision Board.
 - Ensures that the Sharia 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 sharia, and formulating an independent opinion in this regard.
 - Ensures having opinion of the Sharia 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.
 - Adopts policy to regulate relations between the Bank/shareholders, and holders of investment accounts provided that it is reviewed by the Sharia Supervision Board. The Bank shall be committed by posting the policy on its website.
 - 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 Sharia Supervision Board for Sharia Fatwa and/or decisions thereabout.
 - Manual/procedures of the Sharia Supervision Board business.
 - Mechanism to ensure compliance with the Sharia Fatwas or decisions issued by the Sharia Supervision Board.
 - A mechanism to facilitate the communication between the different units of the Bank and the clients with the Sharia Supervision Board.

- Ensures the presence of a mechanism to provide the Bank clients, upon request, with explanations to any Sharia Fatwa issued by the Sharia Supervision Board.
- Commit by posting Sharia Fatwas and decisions issued by the Sharia 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 Sharia 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.
- Ensures compliance with the control standards issued by the accounting and auditing organization for the Islamic financial Institutions.

33. 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 Sharia Supervision Board, and between the Sharia 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.
 - Sharia controls.

34. Each member of the Board shall undertake, as minimum, the following:

- 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.
- Attends meetings of the Board and its committees, as the case may be, along with the general assembly meetings.
- Not to disclose any confidential information of the Bank or use it for his/her own interest or the interest of others.
- 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.
- 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

- 1. 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.
- 2. 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.
 - Sharia Supervision Board.
 - Separate departments of risks, compliance, internal audit, and Sharia 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).
- 3. 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 Sharia Fatwas issued by the Sharia Supervision Board.
- 4. The Board shall adopt regulatory and Sharia controls to hold accountable the top executive management.
- 5. 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.
- 6. 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 Sharia Fatwas issued by the Sharia 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:

- 1. Corporate Governance Committee:
 - The committee must be composed at least of three members (most of the members shall be independent members) including the Chairman.
 - The Committee must meet at least twice a year or at the request of its Chairman.
 - 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

2. 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.
- The Committee must meet periodically, with at least four meetings a year.
- 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).
- 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.
- 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.
- 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.
- The committee shall review and control procedures whereby the employee may confidentially notify of any error in the financial reports or any Sharia 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.
- The committee shall ensure the ability of the external auditor to audit the extent of the Bank's commitment to the Sharia controls and the conditions provided for in the engagement letter signed with the auditor and makes sure he/she is undertaking the same.
- The committee must make decisions regarding the requests of writing off debts partially or totally for all the facilities.
- 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.
- The work of any other committee may not be combined with the work of this committee.

3. Nomination & Remuneration Committee (NRC)

- 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.
- The Committee shall meet periodically, with at least two meetings a year.
- The NRC assumes the following tasks:
 - 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.
 - Identifies the persons qualified to join the Sharia Supervision Board, taking into account the abilities and qualifications of the nominated persons. Taking into consideration that the member of the Sharia 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 Sharia Fatwa. Further, in case of nomination for several times, the number of attendance cases and the effective participation in the Sharia Supervision Board's meetings shall be taken into consideration.
 - Nominates the qualified persons to the Board to join the top executive management.
 - · Ensures the Board members and members of Sharia 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.
- 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.
- Follows specific and approved bases in evaluating the performance of the Board, Sharia Supervision Board and the general manager so that the performance evaluation standard is objective.
- 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.
- Provides information and briefs about the background of certain important Bank topics to the Board members and Sharia Supervision Board members, upon request. Ensures that they continuously identify the latest subjects relating to the Islamic banking business.
- 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.
- 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.

4. Risk Management Committee

- This committee shall be formed of at least 3 Board members, with one independent member. Members of the top executive management may join the committee as members.
- The committee shall assume the following tasks:
 - Setting the Risk Management Framework (Risk Management Policy) at the Bank and review it annually.
 - Review the Bank's risk management strategy before being endorsed by the Board.
 - Keep abreast of developments that would affect the risk management in bank and submit periodic reports thereabout to the Board.
 - Verify absence of variations between actual risks taken by the Bank and risk appetite approved by the Board.
 - 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.
 - 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.

5. Facilities Committee:

- 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.
- 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.
- 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.
- A periodic report must be submitted to the Board with details of the facilities approved by the Committee.
- 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.
- 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.

6. Management committee

- This committee must consist at least three Board members.
- The Committee must meet at least twice a year or at the request of its Chairman.
- The Committee must assume the following functions:
 - 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.
 - Making decisions regarding investment operations that exceed the powers of the highest executive management committee.
 - 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.
 - To adopt all financial and administrative powers in addition to the powers related to investment operations and recommend to the Board for approval.

7. Compliance Committee:

- The Committee consist of at least three board members.
- The Committee meet quarterly or at the request of the Chairman.
- The Committee undertake the following tasks:
 - 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.
 - 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.
 - 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.
 - 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.
 - Supervising and monitoring compliance with AML / CFT standards in the Bank through reports prepared and / or submitted by the Committee Secretary.
 - 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.
 - Ensure that there is an effective internal control system to implement compliance policies, and verify it in the best performance.
 - Follow-up the disclosure reports issued by the Compliance and Anti-Money Laundering Department of the Bank.
 - Work and coordinate with other Board committees to raise compliance in the Bank.
 - 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.
 - 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.
 - Recommend to provide resources for compliance activities and with the necessary requirements.

8. IT governance committee

- The committee must consist at least three members that will be elected based on their experience and strategic knowledge in the IT area.
- The committee must hold meetings on a quarterly basis at least.
- The committee shall assume the following tasks:
 - 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.
 - 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.
 - The committee shall approve the institutional objectives matrix and the accompanying IT objectives and considers its givens as minimum requirements, and describes the sub-objectives needed to achieve them.
 - 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.
 - 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.
 - The committee shall approve the IT projects and resources' budget in accordance with the Bank's strategic objectives.
 - 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.
 - The committee shall monitor IT auditing reports and take the necessary actions to handle deviations.
 - The committee shall give recommendations to the Board to take the necessary actions to correct any deviations.

Article (9): Sharia 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 Sharia Supervision Board shall be signed defining the scope of the Sharia Supervision Board's works, duties and remuneration is determined.
- 3. Sharia Supervision Board's meetings:
 - The committee meet periodically to make periodic reviews and follows sharia 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.
 - The Sharia 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.
 - 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.
 - The top executive management, within an adequate time before the Sharia Supervision Board's meeting, shall provide accurate and complete information to the Sharia Supervision Board's members. The Chairman of the Sharia Supervision Board shall verify this.

- 4. The Sharia 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 sharia supervision, and the mechanism of holding meetings.
- 5. The Sharia Supervision Board shall observe the Sharia 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 Sharia Supervision Board.
- 7. To ensure the independence of the member of the Sharia Supervision Board, the following, as minimum, shall be met:
 - 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.
 - The member must not be employed by the Bank or by any of its subsidiaries during the two years preceding the appointment date.
 - The member has not been a member in any Sharia Supervision Boards in any other Islamic Bank licensed in the Kingdom and has not been a member in any Sharia Supervision Boards for more than four financial institutions that do not accept deposits and operating in the Kingdom, subject to no conflict of interests.
 - 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.
 - 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 Sharia Supervision Board or in consideration of any additional works assigned to him/her but does not affect his/her independence.
 - 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 Sharia Supervision Board member should strive to achieve the following:
 - Establishes justice and fairness among the stakeholders.
 - Acts in a manner allowing him/her to preserve his/her honesty and integrity.
 - Takes into account, while making any decisions, the legal and sharia aspects, in addition to the technical aspects for sharia commitment
 - Regards the different opinions between the various jurisprudential doctrines and variance of experience between the coworkers in the Sharia Supervision Board.
- 9. The Sharia Supervision Board shall assume Sharia fatwa and Sharia supervision as follows:
 - 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 Sharia prohibitions.
 - 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.
 - Approves the charging of any losses resulting from any Bank operations concerning the investment account holders.
 - Makes and expresses opinion on the extent of the Bank's compliance with the Islamic provisions and principles. The Sharia Supervision Board also:
 - Reviews and adopts the annual Sharia audit report and reports it to the audit committee
 - Releases semi-annual/annual report about the Sharia compliance. This report includes the effectiveness of the internal Sharia controls and any weak points in the Sharia 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.

- Reviews and approves the policies and guidance relating to the Islamic provisions.
- Provides advice to the parties rendering services to the Bank such as the auditors, certified public accountants and consultants.
- Ensures adequacy and effectiveness of the internal Sharia control in the Bank.
- Ensures adequacy and effectiveness of the internal Sharia audit department through reviewing the internal Sharia audit reports and response of the management thereto and submits directions to the internal Sharia audit department.
- Coordinates with the (corporate governance and compliance committee) and the audit committee to ensure compliance of the Bank to the Islamic provisions and principles.
- Proposes any necessary Sharia training to the Bank's staff members.
- 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.
- 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.
- 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.
- Makes submissions to the Board of Directors on appointment/dismissal of the Sharia internal audit manager.
- 10. Head of the Sharia internal audit department shall be appointed as the Sharia Supervision Board's Secretary.
- 11. The Secretary shall assume the following duties:
 - Attends all the Sharia Supervision Board's meetings; record all deliberations, proposals, objections and reservations and method of voting on the Sharia Supervision Board's draft decisions.
 - Determines the schedule of the Sharia Supervision Board's meetings in coordination with the head of the Sharia Supervision Board and communicate the same to the members.
 - Prepares the Sharia Supervision Board meetings; receives Sharia inquiries from all organizational units paving the way for submitting them to the Sharia Supervision Board.
 - Ensures that all members have signed the minutes of meeting and decisions.
 - Follows-up the implementation of Sharia Fatwa and decisions taken by the Sharia Supervision Board and provide the Sharia internal audit department and the compliance department for action and follows discussion of any topic brought forward from the previous meetings.
 - Keeps meetings' records and documents of the Sharia Supervision Board.
 - 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.
 - Provides the Central Bank with the suitability declarations signed by the Sharia Supervision Board members.
- 12. The Sharia 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 Sharia 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 Sharia 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

- 1. 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.
- 2. The Chairman or member of the Board of Directors shall meet the following conditions:
 - Not less than 25 years old
 - 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.
 - He/she is not a lawyer or legal counsel or auditor of the Bank.
 - 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.
 - He/she is not a government employee or any other public official institution unless he/she is its representative.
 - 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.
 - 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.
- 3. 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.
- 4. 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.
- 5. 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

- 1. 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
- 2. 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.
- 3. The approval of the Board must be obtained before appointing any member of the top executive management in the Bank.
- 4. 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.
- 5. The Board must notify the Central Bank of any material information that may negatively affect Suitability of the members of the top executive management.
- 6. Top executive managers shall meet the following conditions:
 - · He/she is not a member in the Board of Directors of any other Bank inside the Kingdom unless it is a subsidiary.
 - 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.
 - 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.
 - 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.

7. 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 Sharia Supervision Board

- 1. The Board must adopt an effective policy to ensure Suitability of members of the Sharia 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.
- 2. The Chairman or member of the Board shall meet the following conditions:
 - He/she is a holder of the bachelor degree in Islamic Sciences, Islamic jurisprudence, principles or Islamic economy or Islamic financing.
 - He/she has experience of no less than 3 years in issuing Sharia Fatwas and Islamic provisions and/or experience in teaching or scientific research of no less than four years following graduation.
- 3. 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.
- 4. 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.
- 5. The Chairman of the Board shall notify the Central Bank of any material information that may negatively affect the Suitability of the Sharia Supervision Board members.
- 6. If there is a need to appoint members of the Sharia Supervision Board of those residents abroad, the number is stipulated not to exceed half of the number of the Sharia Supervision Board members.

Article 14: Performance Appraisal of administrators and Sharia Supervision board Members

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.
 - 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.
 - The Board must evaluate the Sharia Supervision Board and its members' performance in accordance with a predetermined evaluation by the NRC and encompasses setting the KPIs to include the Sharia Supervision Board and its members' performance evaluation standards through the role of the member in the Sharia Supervision Board's meetings; comparison of his/her performance with that of the Sharia 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 Sharia Supervision Board's achievement of its duties and tasks and effectiveness of the Sharia control system in the Bank.
 - 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.

- 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:
 - The system provides proper weighing to measure the commitment by the risks management framework and application of the internal controls and the regulatory requirements.
 - 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.
 - Not to exploit influence and conflict of interests.

Article 15: Financial Remunerations of Directors and Sharia 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:
 - Set and prepared to maintain the members of experience, skills and competency and keep them stimulated motivated and to upgrade their performance.
 - Designed to make sure it will not be utilized in a way that adversely affects the solvency and reputation of the Bank.
 - It takes into account the risks, liquidity, and profits situation and timing.
 - 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)
 - It reflects the Bank's goals, values and strategy
 - · Remunerations type is defined in the form of fees, salary, allowances, bonuses or share options or any other benefits
 - 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.
 - 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 Sharia 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 Sharia 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:
 - None of the administrators may use the internal information of the Bank for their own personal benefit.
 - Rules and procedures regulating transactions with the stakeholders.
 - 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:
 - Check for the availability of enough internal control systems for monitoring the activities of the Bank and its subsidiaries.
 - · Verify compliance with the Bank's internal policies and international standards and related regulations.
 - Perform financial and administrative audit to ensure the accuracy, timing, and reliability of the main financial and admin information.
 - Review compliance to the corporate governance manual
 - · Review validity and comprehensiveness of the (Stress Testing) in line with the methodology approved by the Board.
 - 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:
 - The Board gives necessary importance to the audit process and establishes the same in the Bank.
 - 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: Sharia Internal Audit

- 1. The Sharia Supervision Board shall ensure that the Sharia internal audit in the Bank is able to undertake the following tasks and duties, as minimum:
 - Check and evaluate adequacy and effectiveness of the Sharia internal control system of the Bank.
 - Monitor the compliance of the Bank's management with the legal aspects, Sharia Fatwas, and decisions issued by the Sharia Supervision Board.
 - Set the annual Sharia audit plan to be approved by the Sharia Supervision Board and implement its items.
 - 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.
 - Determine the earnings contravening the Islamic principles and dispose them in accordance with the decisions of the Sharia Supervision Board.
 - 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 Sharia 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 Sharia internal audit through the following:
 - Give due importance to the Sharia audit process and establish the same in the Bank.
 - Monitor the correction of Sharia audit notes.
- 4. The Board shall verify provision of adequate resources and qualified number of human personnel to the Sharia internal audit department and that they are well trained. The personnel in the department should, as minimum, meet the following requirements:
 - A related university degree and familiarity with the Islamic financial transaction principles, respective conditions of each contract, and reasons of contracts termination.
 - Familiar with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- 5. The Board shall verify that the Sharia internal audit personnel are rotated to audit the Bank's activities every three years as maximum
- 6. The Board shall verify that the Sharia 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 Sharia audit department and circulate it within the Bank.
- 9. The Board shall verify that the Sharia internal audit department is under the direct supervision of the Sharia Supervision Board and reports directly to the Chairman of the Sharia Supervision Board and send copies of the reports to the audit committee and the general manager.
- 10. The Sharia Supervision Board, in coordination with the nomination and remuneration committee, shall evaluate the performance of the Sharia 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.
- 2. The seven years period is calculated on the application commencement as of 2010
- 3. The first year (at rotation) of the new office shall be (joint) with the old office.
- 4. 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.
- 5. The Sharia Supervision Board shall verify that the external auditor has audited the adequacy and effectiveness of the Sharia internal control system in the Bank.
- 6. The audit committee shall annually verify the independence of the external auditor.
- 7. 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:
 - Review the risk management framework before the Board's approval.
 - Implement the risk management strategy in addition to setting the risk management policies and procedures to manage all types of risks.
 - Setting methodologies to determine, measure, and control each type of the risks.
 - 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.
 - · Verify that the risk measurement mechanisms are integrated with the adopted management information systems
 - Study and analyze all risk types faced by the Bank
 - Make recommendations to the risk management committee about the Bank's exposures to risks; record exemptions from the
 risk appetite levels.
 - 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 Sharia 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, Sharia Fatwas, and decisions issued by the Sharia 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 Sharia 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:
 - General assembly meetings
 - Annual report
 - 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.
 - The Bank's website.
 - 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 Sharia 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 Sharia 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:
 - Summary of the organizational structure of the Bank
 - Summary of the tasks and responsibilities of the Board committees and any authorities delegated to the committees by the Board.
 - The information that concerns the stakeholders set out in the corporate governance manual of the Bank and the extent of compliance with the manual.
 - 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.
 - Information about each member of the Sharia Supervision Board in terms of qualifications, experience, date of appointment, positions held currently outside the Bank.
 - Information about the risk management department including structure, nature of operations, and developments made to it.
 - Frequency of meetings of the Board, committees, and the Sharia Supervision Board and the number of meetings attended.
 - Names of independent members of the Board, top executive management, and Sharia Supervision Board during the year.
 - 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 Sharia Supervision Board, remunerations of all forms paid to each member of the
 top executive management for the previous year.
 - 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.
 - Declarations by all Board members and Sharia 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.
 - 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.
- 3. 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 Sharia 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 Sharia 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 2020

Dr. "Mohammed Naser" Abu Hammour	Chairman of the Board since	Non-independent	
Di. Wohammed Naser Abu Hammour	4/1/2017	Representative of Al-Etihad Islamic for Investment Co	
Abd Al Dahim Al Hamarinah	Deputy Chairman of the Board Since	Independent	
Abd Al-Rahim Al-Hazaymeh	7/5/2020*	Orphans Fund Development Foundation	
Basem Salfiti	Since 4/1/2017	Non-independent	
Basein Sainu	Since 4/ 1/2017	Representative of Al-Etihad Islamic for Investment Co.	
Doomo Aral	Since 4/1/2017	Non-independent	
Deema Aqel	Since 4/ 1/2017	Representative of Al-Etihad Islamic for Investment Co.	
Khalad Alganad	Since 4/1/2017	Non-independent	
Khaled Algonsel Since 4/1/2017	Representative of Al-Etihad Islamic for Investment Co.		
Dr. Khaled Zentuti	Since 17/12/2018	Non-independent	
Dr. Knaled Zentuti	Since 17/12/2016	Representative of Al-Etihad Islamic for Investment Co.	
Dr. Ahmed Menesi	Since 13/4/2017	Non-independent	
Dr. Annied Weriesi	Since 13/4/2017	Representative of Al-Etihad Islamic for Investment Co.	
		Non-independent	
Dr. Nofan Alaqil	Since 3/8/2016	Representative of Government Contributions	
		Management Co.	
Dr. Ibrahim Saif	Since 22/10/2017	Independent	
Samir Abu Lughod	Since 13/4/2017	Independent	
Salem Burqan	Since 17/12/2018	Independent	

⁻ All board members are non-executives.

Resigned Board members during 2020

Hamdan Al-Fawair	The representative of the legal member	Independent
Hamdan Al-Fawair	has been changed on 12/3/2020	Orphans Fund Developments

Names of the Members of Shari'a Supervisory Board 2020

His Eminence Prof. Ali Al Qaradaghi	Since 22/9/2020 ⁽¹⁾	Chairman of the Shari'a Supervisory Board and Executive Member	
His Eminence Dr. Ahmad Salem Melhem	Since 22/11/2020 ⁽²⁾	Deputy Chairman of the Shari'a Supervisory Board	
His Eminence Sheikh Abdul Karim Al-Khasawneh	Since 28/4/2018	Shari'a Supervisory Board Member	

⁽¹⁾ The Bank's Shari'a Supervisory Board approved the appointment of His Eminence Prof. Ali Al Qaradaghi as chairman and executive member of Shari'a Supervisory Board on September 9, 2020, Knowing that His Eminence Prof. Ali Al Qaradaghi held the position of deputy chairman of Shari'a Supervisory Board as of April 28, 2018, until September 21, 2020

Resigned Shari'a Supervisory Board members during 2020

His Eminence Dr. Hussein Hassan ⁽³⁾	Chairman of The Shari'a Supervisory Board and Executive Member
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(3) Passed away on 19/8/2020

^{*} Date of obtaining the Central Bank's Approval.

⁽²⁾ The Bank's Shari'a Supervisory Board approved the appointment of His Eminence Dr. Ahmad Melhem as deputy chairman of the Shari'a Supervisory Board on November 22, 2020, knowing that His Eminence Dr. Ahmad Melhem held the position of Shari'a Supervisory Board Member as of April 28, 2018, until November 21, 2020

Names of Executive Managment

Name	Job Title
Samer Al 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
Masoud "Sakf Al-Hait"	Chief of Legal 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	Head of Risk

Resigned Executive Management members during 2020

^{*}There are no Resignations from The Executive Management during 2020.

Name of Governance Officer in the Bank

Ahmad Tarteer / Head of Compliance

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

- Governance Committee
 - Dr. "Mohammed Naser" Abu Hammour (Chairman)
 - Samir Abu Lughod (Deputy Chairman)
 - Abd Al-Rahim Al-Hazaymeh
- NRC Committee
 - Salem Burqan (Chairman)
 - Samir Abu Lughod (Deputy Chairman)
 - Basem Salfiti
- Risk Committee
 - Deema Aqel (Chairman)
 - Ibrahim Saif (Deputy Chairman)
 - Khaled Al-Gonsel
 - Dr. Khaled Zentuti
 - Salem Burgan

Name of the Audit Committee Head, 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:

- Member of The Audit Committee The International Criminal Court / The Hague, Netherlands March 2020 till now
- 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.

Abd Al-Rahim Al-Hazaymeh (Deputy Head of The Committee)

Qualifications:

Bachelor's degree in Jurisprudence and Legislation/ Economics and Statistics from the Jordanian University in 1992

Experience and Memberships:

- Acting Director General of the Orphans Fund Development Foundation since 2/3/2020 to date
- Assistant General Director of the Orphans Fund Development Foundation since 3/10/2017
- Director of the Irbid Branch / Orphans Fund Development Foundation since 11/1/2009 till 3/10/2017
- Acting Director of Irbid Branch / Orphans Fund Development Foundation since 3/8/2008 till 10/1/2009
- Head of the investment department at the Orphans Fund Development Foundation/Irbid Branch, since 1/4/2003 to 2/8/2008
- Head of Investment Department / Orphans Fund Development Foundation since 28/2/2002 till 30/3/2003
- Acting Director of Jerash Branch / Orphans Fund Development Foundation since 1/4/2001 till 24/2/2002
- Head of Murabaha / Investment Directorate in the Orphans Fund Development Foundation since 3/6/1997 till 31/3/2001
- Staff member of the Orphans Fund Development Foundation since 1992

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.

Experience and Memberships:

- (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 Bank Al-Etihad 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 2020

Board / Committee	NRC Committee	Governance Committee	Compliance	Audit Committee	Risk Committee	IT Steering Committee	Management Committee	Facilities Committee	Board of Directors Meetings
Member's Name Number of Meetings	5	2	က	Ō	9	ო	ю	15	2
Dr. Muhammad Naser Abu Hammour	1	2/2	1	ı	ı	1	3/3	15/15	2//2
Hamdan Al-Fawaer (till 12/3/2020)		1/2	1	1/9	1				2/7
Abd Al-Rahim Al-Hazaymeh (since 7/5/2020)	1	1/2	1	6/2	ı	1	1	1	2/2
Basem Slfiti	2/2	ı	ı	ı		3/3	3/3	15/15	2//2
Deema Aqel	ı	ı	3/3	ı	9/9	ı	3/3	15/15	2//2
Khaled Algonsel	1	1	ı	ı	9/9	2/3 A(1)		1	2//2
Dr. Khaled Zentuti	1	1	1	6/6	9/9	ı		15/15	2//2
Dr. Ahmed Menesi	1	1	2/3 A(1)	1	ı	,	1	'	2//2
Dr. Novan Alaqil	1	1	3/3	ı	ı	3/3	3/3	,	2//2
Dr. Ibrahim Saif	1	1	1		9/9	3/3		ı	2//2
Samer Abu Lughod	2/2	2/2	1	6/6	1	1	ı	1	2//2
Salem Burgan	5/2			ı	9/9			15/15	2//2
: : : : : : : : : : : : : : : : : : :									

Audit Committee met External Auditor 4 times during 2020.

Board of Directors met Shari'a Supervisory Board 2 times during 2020. 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 of International Gathering 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.
- Chairman of the Board of Directors of the Luxury Restaurants Company

Abd Al-Rahim Al-Hazaymeh - Deputy Chairman of the Board

• No membership.

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 .
- Vice Chairman of the Board of Directors of Sout Al Kanar
- Investment Company Chairman of the Amman Store Managers Authority for Real Estate Projects Management

Deema Aqel

- Non-Executive Board Member, Bank Al-Etihad.
- Member of the Board of Directors, AL Etihad Brokerage Company.

Dr. Nofan Alaqil

No membership.

Dr. Khaled Algonsel

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.

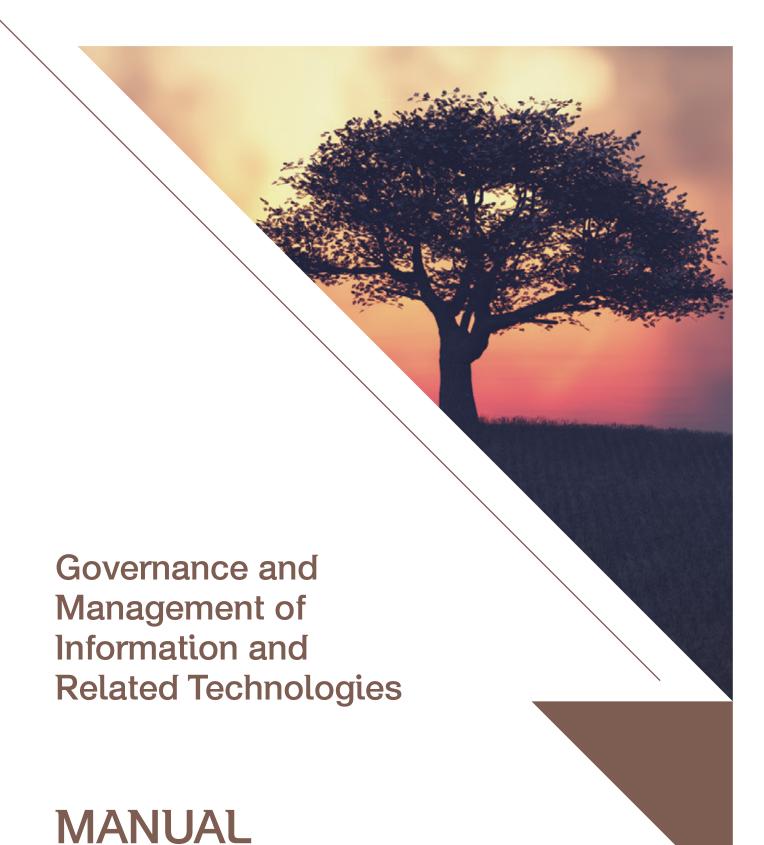
Salem Burgan

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

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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 Sharia 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.
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.
- 4. 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

Safwa Islamic Bank formed the following committees:

- 1. IT Governance Committee The Board
- 2. IT Security Steering Committee
- 3. 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:
 - 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.
 - 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.
 - 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.
 - 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.
 - 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.
 - Adopting the budget of IT resources and projects in accordance with the Bank strategic goals.
 - General control of IT operations, resources and projects (to emphasize their) adequacy and effective contribution to achieving the Bank business program.
 - Reviewing IT auditing reports and taking any necessary measures to address the troubles.
 - Recommending the Bank board to take any necessary measures to fix any errors.
 - 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:
 - Providing the necessary resources and efficient instruments which needed to achieve duties of the IT Governance Committee.
 - Any deviations that may adversely affect the achievement of strategic goals.
 - Any unacceptable risks related to the technology, security and protection of information.
 - The reports of performance and compliance with the management's general framework; setting and controlling IT resources and enterprises.
- 7. 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.

- 1. IT Governance framework and associated technology at Safwa Islamic Bank rely on five key principles of COBIT 2019:
 - Principle 1: Meeting Stakeholder Needs
 - **Principle 2:** Covering the Enterprise End to End
 - **Principle 3:** Applying a Single Integrated Framework
 - **Principle 4:** Enabling a Holistic Approach
 - Principle 5: Separating Governance from Management
- 2. 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

- 1. 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.
- 2. 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.
- 3. 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.
- 4. 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

- 1. 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.
- 2. 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

