

بنك صفوة الإسلامي
Safwa Islamic Bank



Safwa...

Our Achievements with a Jordanian Print

Annual Report 2022



His Majesty
King Abdullah II Ibin Al Hussein



His Royal Highness
Crown Prince Al Hussein Bin Abdullah II

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2022 • • •





The Spirit of One Team

Hand in Hand for Today and Tomorrow

Safwa Islamic Bank is a public joint stock 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 42 branches and its subsidiary within the Kingdom, 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.

Our Vision

Leading Islamic banking to serve all spectrums of the society.

Our Mission

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

Our Values

Exceptional Services:

- Anticipate clients needs and find solutions
- Respond rapidly and follow through
- Treat others as you want them to treat you
- Sell solutions, not products

"if we serve our clients well, our success will follow"

Teamwork § Harmony across and within units

- Put the bank and clients' interests ahead of your own
- Communicate respectfully
- Create professional culture within the bank

"Working effectively with one team spirit will produce the best outcomes"

Devotion to Work

- Be productive and strive with passion to reach excellence
- Seek continuous improvement
- Be a long life learner
- Recognize outstanding performance by rewards and promotion opportunities

"with best people, we will be the best bank"

Creativity

- Find solutions, not excuses
- Be a change agent.. Think outside the box
- Ask: Is there a better or more efficient way to do this?
- Pursue new opportunities

"Creativity and new initiatives differentiate the bank from other competitors"

Members of The Board of Directors

| | |
|---|--|
| 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/ independent |
| Samir Abu Lughod | Independent |
| Dr. Khaled Al Zentuti | Independent |
| Salem Burqan | Independent |
| Basem Salfiti | Representative of Al Etihad Islamic for Investment Co. |
| Deema Aqel | Representative of Al Etihad Islamic for Investment Co. |
| Khaled Algonsef | Representative of Al Etihad Islamic for Investment Co. until 4/12/2022 |
| Dr. Ibrahim Saif | Representative of Al Etihad Islamic for Investment Co. |
| Dr. Ahmed Menesi | Representative of Al Etihad Islamic for Investment Co. until 4/12/2022 |
| Dr. Nofan Alaql | Representative of Social Security Corporation |

Members of Shari’a Supervisory Board

| | |
|--|--|
| His Eminence Prof. Dr. Ali Al Qaradaghi | Chairman of the Shari’a Supervisory Board |
| His Eminence Dr. Ahmad Melhem | Deputy Chairman of the Shari’a Supervisory Board |
| His Eminence Dr. Ali Musa | Member of the Shari’a Supervisory Board |
| His Eminence Dr. Safwan Edibat | Member of the Shari’a Supervisory Board |

Executive Management Members

| | |
|-----------------------------------|--|
| Samer “Al Saheb Al Tamimi” | General Manager/ Chief Executive Officer |
| Rami Al khayyat | Deputy CEO, Chief of Corporate Banking |
| Hani Al-Zrari | Deputy CEO, Chief of Operations |
| Ziad Kokash | Deputy CEO, Chief Credit Officer |
| Nesfat Taha | Chief of Retail Banking |
| Wael Al-Bitar | Chief of Treasury and Investment |
| Ahmad Tarteer | Head of Compliance |
| Masoud “Sakf al-Hait” | Chief of Legal and Board Secretary |
| Muneer Faroneyah | Head of Internal Shari’a Audit |
| Mohammad Hawari | Head of Human Capital Management |
| Khalid Al-Issa | Head of Internal Audit |
| Ahmad Jafar | Head of Risk Management |
| Ahmad Ghnaim | Chief Financial & Corporate Strategies Officer |

Name of the external auditor

Deloitte & Touche (M.E) - JORDAN

Chairman's Message

In the name of Allah, the most gracious, the most merciful

Praise be to Allah, God of all, and may peace and blessings be upon the last of the Prophets, our Prophet Mohammed and his family and companions all,

Dear Brother and Sister Shareholders,

May the peace, mercy and blessing of Allah be upon you.

It is with great pleasure that I present to you the annual report 2022 of Safwa Bank Islamic bank, which includes the results and achievements of the bank.

During the year 2022, we have implemented a flexible strategy, within which we focused on maintaining the ascending performance indicators that we witnessed during the previous year. Our strategy reflected on our results, our business volume and growth indicators in several aspects. This included assets, depositors return, deposits, liquidity, profits and financing and investments while managing resources efficiently and controlling costs and expenditures. Meanwhile we maintained our leading growth position in the Jordanian banking sector, and in gaining more clients. The bank achieved growth in its business volume, with assets increasing by 11%, equivalent to JD 248 million to reach JD 2.6 billion. Profit before tax reached JD 24.4 million, with a growth rate of 7% compared to the previous year, driven by a growth in the volume of financing and investments by 21% and deposits by 12%. Bank deposits increased during the year by JD 244 million, which represents 9% of the banking sector's deposit increase during the year. The bank also gave priority to managing its resources efficiently and effectively, as it maintained a cost to income ratio of 44%.

These results are due to hard and tireless work of all the bank's employees, who did not hesitate one day to raise your bank to what it is today. In 2022 they worked to continue the upward developmental path, which included internal operational developments, and those related to the continuous improvement of the customer journey. Along with many initiatives, services and procedures, including digital transformation initiatives. They also worked on measures for supporting expansion, distribution, and ease of access to us; providing new services and products to meet the needs of individuals and companies in accordance with Islamic Sharia rules. We seek to diversify our services to individuals and companies, especially in light of the continued investment in technology.

On the other hand, Islamic banks have maintained their position in the banking sector. As its share in the volume of assets stabilized at 18.2%, while its share in the volume of deposits stood at 24%. Its share in financing grew from 25.3% to 25.7%, which indicates the Jordanian society's desire to obtain banking services compatible with tolerant Islamic Sharia.

In terms of geographical expansion, we have added two new branches during 2022 to our network of branches. One branch in Mafraq Governorate to support the branches of the North, and the second in Army Street near Marka Highway, based on the strategic plan to expand to cover densely populated areas. During the coming couple of years, we will work on, God willing, adding more branches in carefully selected areas. In that regard, we have worked to replace a large number of ATMs with modern machines that provide additional services that meet the requirements of our customers.



**Assets increased by
JD 248 million.**

**Continuous
improvement of the
customer journey.**

We have adopted a complete program for strategic digital transformation, in which we have come a long way. We changed the main pillars within our operations, including infrastructure, based on banking solutions and systems banks that are in line with international regulations and the latest technological tools in order to meet the changing and growing requirements of the market. Therefore, serving the bank in achieving its objectives, especially in light of the increasing trend towards smart services. We, at Safwa Islamic Bank are currently offering many electronic banking services through several channels, seeking to enhance and expand our circle, in parallel with enhancing our electronic services platform.

In light of the bank's financial results, the Bank Board of Directors discussed during its meeting on 15/2/2023, distributing profits to shareholders for the year 2022. The majority of the board decided to recommend not distributing profits for this year, as the bank's strategic goal is to increase equity so that it exceeds JD (200) million. Moreover, the bank's management seeks to maintain a high capital adequacy ratio and maintain the bank's ability to expand and continue growing at the same pace.

Regarding our future plans, we are looking forward to continuing our upward trajectory. We seek to maintain our profitability, market share, financing portfolio and investments at the same level of quality. Likewise, we will aim to expand our customer base to reach larger and more comprehensive segments in new sectors.

We will also continue to implement our development initiatives, especially those related to digitization, to improve operations, performance and offerings including green financing offerings. We will continue in upholding our social and environmental responsibilities and making impactful contributions following national trends and needs, and in a way that serves many axes of the plan for economic modernization vision. Meanwhile, we will expand the group of sectors that we support, while focusing on the environment and health.

Through our various works and activities, we seek to contribute more to the realization of The National Strategic Vision for Financial Inclusion. Through this we hope to contribute to the realization of a fairer and more equitable financial system due to the importance of this matter in achieving sustainable development. We will spare no effort in continuing to serve the economy, customers and members of society directly and indirectly through what we do and deliver.

Allow me, through you, to extend my thanks to our customers for their trust in us, and to you, our dear shareholders, for your support and assistance to the bank. Our appreciation goes to the Central Bank of Jordan for its wise and proper management of the banking system, supervising all banking operations, and for its wise guidance to us, which enhances the integrity of the bank's operations and gives a sense of confidence to customers and investors.

We ask Allah to help us and you succeed in working to serve the interest of our beloved Jordan under its wise Hashemite leadership.

Finally, we at Safwa Islamic Bank wish everyone a happy new year full of optimism and hope, prosperity and achievement.

Dr. "Mohammed Naser" Abu Hamour
Chairman of the Board of Directors

Strategic digital transformation to meet market needs.

We will maintain, God willing, our profitability, market share and financing portfolio.

CEO's Message

**Dear Brother and Sister Shareholders of Safwa Islamic Bank,
Peace, mercy and blessings of Allah be upon you,**

I begin my message with the goodness of what has been revealed to our Prophet Muhammad, peace and blessings be upon him, as the Almighty said: "As for the foam, it vanishes, but as for that which benefits the people, it remains on the earth" Allah the all mighty has spoken the truth.

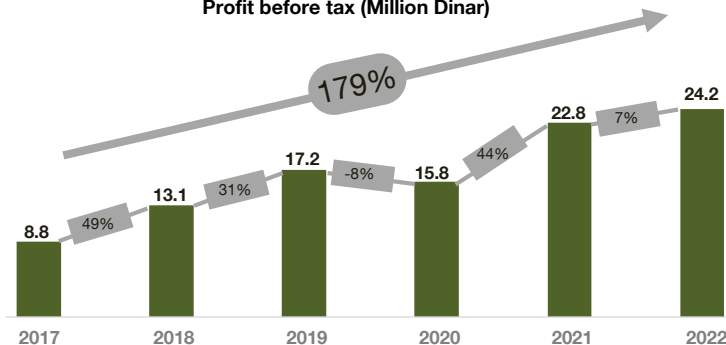
Allow me to take you on an interesting journey entitled (five years), located in our beloved Hashemite Kingdom of Jordan.

Since I assumed my position as General Manager of Safwa Islamic Bank in early 2018 and met the bank employees, I adopted a clear goal for everyone (Jordan First) for my absolute belief in this slogan. Based on it, we built all the goals and strategies, so that it will come out as a winner, no matter the circumstances.

My colleagues from all levels of the bank, and I have worked diligently around the clock, day and night, to achieve the goals that we set and presented to you in previous annual reports. The positive results were the fruits of this tireless effort. Today, your bank has become at the forefront of Jordanian banks; I couldn't be prouder to announce to you the increase in shareholders' equity to reach JD 172 million and total assets to JD 2.6 billion.



Profit before tax (Million Dinar)



Customers' expectations are based on the routine method followed by most banks in offering products and services that suit the bank policies and conditions. However, we at Safwa Bank, work on a completely different basis to provide services that meets customer needs, exceptional benefits. We offer an experience that makes the customer feel that it was created to suit his goals and way of life.

We have heard from some of our customers that their experience at Safwa is almost unbelievable. They don't know that we built this experience just for them! A banking experience that exceeds expectations.

You know that these results cannot be spur of the moment, and cannot be achieved without the joint efforts of the Safwa family, as i have witnessed, during my professional journey, responsibility, commitment and dedication. It could not be otherwise, as the goal was clear. His Majesty King Abdullah II said in his speech on the occasion of the 76th Independence Day: "Jordan, a story of struggle and giving, imbued with blood and sweat, the march of all Jordanians, soldiers, workers, farmers, and competencies in all field, and builders of forefront national institutions." Hence, all slogans turned into goals, and all the dreams turned into a reality that we touched and lived together, even in the

**I adopted a clear goal
for everyone (Jordan
First).**

**A banking experience
made especially for
Safwa clients!**

most difficult circumstances. When the COVID pandemic casted its shadow over our Jordan, we launched banking products and solutions at exceptional prices, for our brave Arab army and our first line of defense. Thus, making Safwa the first banking choice for members of the army and the armed forces, as well as for the educational cadres, which it is our duty to support.

I am pleased to share with you some financial results which show a positive change in performance:

| | 2021 | 2022 | Change | % |
|---|-------|-------|--------|-----|
| The most important items of the financial statements (JDs million) | | | | |
| Assets | 2,336 | 2,584 | 248 | 11% |
| Deposits | 2,031 | 2,275 | 244 | 12% |
| Net financing and leasing | 1,599 | 1,937 | 338 | 21% |
| Net profit before tax | 22.8 | 24.4 | 1.6 | 7% |
| Financial Indicators | | | | |
| Earnings Per Share (EPS) | 0.141 | 0.151 | 0.01 | 7% |
| Return on capital (ROC) | 14.1% | 15.1% | 1% | - |
| Capital Adequacy Ratio (CAR) | 18.1% | 16.9% | (1.2%) | - |

Since Jordan, with its cities, valleys and villages, is one unit, we have worked to expand our geographical reach. Today, there are forty-two branches and nearly eighty ATMs to serve every Jordanian man and woman that look to benefit from our services and products. We will work during 2023 to add four more branches in vital carefully studied areas.

In terms of process automation, in support of the Jordanian local market, which is full of expertise and competencies, and Jordanian workforce, we have contracted Jordanian companies to add qualitative improvements to the bank application. The banking application, has become a basic necessity in light of the rapid technological evolution witnessed by the region and across the globe. The Jordanian citizen is now able to access his bank account, whether he is at home or abroad, with the highest safety standards in a few minutes.

We have spared no effort to contribute to achieving the desired development in line with national and governmental directives. We developed a comprehensive and flexible strategy for social responsibility that we annually renew, in accordance with developmental priorities. We are keen to include many initiatives, programs and sponsorships that cover various sectors and segments. At the forefront of which, and remains, the sectors of education, health, youth, environment and the less fortunate groups, for which we aim to make a positive difference.

Women are half of society. Empowering them is a duty and imperative to achieve financial inclusion. With this in mind, we have worked over the past five years to empower women in their positions inside the bank. We provided all forms of support so that they can achieve the best results. Indeed, we had more than one example and success stories of distinguished women who today run vital departments in the bank. Similarly, at the local community level, we have provided the opportunity for a number of women working in small projects to enable them to display and sell their products online.

“Jordanian people always deserve the best, and it is our duty, as officials and institutions, to do our best to translate the modernization agenda into a reality, where the citizen feels its direct impact on his quality of life and standard of living.” This is what His Majesty said in his 76th Independence Day speech. This is what we always strive to achieve for our customers, as you were, still are and will remain the foundation of our success and our passion to continue providing the best.

May God grant us success
Samer “Al Saheb Al Tamimi”
 CEO

**A comprehensive
and flexible social
responsibility strategy.**



A blurred background image showing a group of people in a meeting or conference setting. The image is overlaid with a dark purple gradient.

Sharia's Supervisory Board Report

Dedication to Work

The First Steps of Achievement
are Loyalty and Dedication to Work

In the Name of Allah
Sharia Supervisory Board Report
For Safwa Islamic Bank For The Year 31/12/2022

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

To 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 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) And based on a letter of assignment from the Board of Directors; the Sharia Supervisory Board presents the following report:

The Board has supervised the principles used and the contracts concerning transactions and applications offered by the Bank during the financial period ending on 31/12/2022. 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.

Because the Bank's 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 many samples for each type of operations through Sharia Internal Audit.

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 agendas items proposed by the head of internal Sharia Audit, 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 Board reviewed the consolidated financial statements of the bank as on 31/12/2022, and the income statement for the year ended at 31/12/2022, and the explanations related to it as they provide of the bank's business image ,and it did not show any Sharia violation as it looked at.

B. The contracts, operations and transactions conducted by the Bank during the year ending 31/12/2022, 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



31/12/2022 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 resources or by ways that are non-compliant with the regulations and principles of Islamic Sharia were credited to the Account of benefits (Khairat) to be spent in charities, and were disincluded from Banks revenues.

G. The Board replied to inquiries presented to it and issued the necessary and Fatwa (Sharia opinion); and the Banks management showed a decision positive reaction in applying those (Fatwa) opinions And decisions and observance of Them.

H. The issuance of Zakat is the task of the shareholders, As per the bank's articles of association, the shareholder must pay (Zakat) of his shares when applying the provisions of Sharia and Zakat regulations, taking the following into considerations:

- If the intention on purchasing shares to trade with them and circulation, the shareholders will issue (Zakat) of the shares 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 (2.575%).

- If the intention on purchasing shares 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.

H. The commission approved new products, which are electronic murabaha, electronic bargaining, stock murabaha with its Shariah controls.

In conclusion , the Authority extends its thanks to the Board of Directors for its good and continuous cooperation, as well as the executive management and those dealing with the bank, praying to God Almighty to bless dear country.

In conclusion, the board extends its thanks to the Board of Directors and to the executives management for their continuous and generous cooperation. Praying to Allah to bless our country.

Praise be to Allah

Date:6/2/2023

Chairman and Executive Member

Prof. Dr. Ali Al Qaradaghi



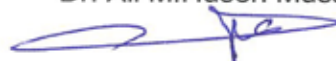
Deputy Chairman

Dr. Ahmad Melhem



Board Member

Dr. Ali M. Husen Musa



Board Member

Dr. Safwan Ali Edibat





A man in a dark suit, white shirt, and striped tie is seated at a desk, looking down at a calculator. The background is a blurred office setting. The entire image has a dark purple overlay.

Consolidated Financial Statements
for the year ending in December 2022 ,31
with the Independent Auditor's Report

Planning

Disciplined work Is Our Hallmark
to Serve You with All Our Resources

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 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, 2022, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows, statement of the sources and uses of Al Qard Al hasan, and consolidated statement of changes in restricted Wakala accounts for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and the consolidated results of the operations, changes in shareholders' equity, its cash flows, statement of the sources and uses of Al Qard Al hasan, and changes in restricted wakala 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 modified 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 2022.

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 Matter

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, 2022. 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.

The details of how our audit addressed the matter is described as below:

1- Key Audit Matter **Expected credit losses ("ECL") on the financing portfolio (Deferred sales and other receivables and ijara muntahia bittamleek assets) and indirect facilities**

As described in notes 8, 13 and 22 to the consolidated financial statements, the Group had a net Deferred sales and other receivables and ijara muntahia bittamleek assets portfolio of JD 1.9 Billion as of december 31 , 2022, which represented 75% of total assets, the total allowance for expected credit losses relating to these facilities was 56 million. The Group also had indirect facilities of JD 284 million, which are not recognized in the Statement of Financial Position, the total allowance for expected credit losses relating to these facilities was JD 1.3 million.

The determination of the Group's expected credit losses for credit facilities is a material and complex estimate requiring significant management judgement in the evaluation of the credit quality and the estimation of inherent losses in the portfolio.

The financial statement risk arises from several aspects requiring substantial judgement of management, such as the estimation of probabilities of default and loss given defaults for various stages, the determination of significant increase in credit risk (SICR) and credit-impairment status (default), the use of different modelling techniques and consideration of manual adjustments.

How our audit addressed the key audit matter

We established an audit approach which included both testing the design and operating effectiveness of internal controls over the determination of expected credit losses and risk-based substantive audit procedures. Our procedures over internal controls focused on the governance over the process controls around the ECL methodology, completeness and accuracy of credit facilities data used in the expected loss models, management review of outcomes, management validation and approval processes, the assignment of borrowers' risk classification, consistency of application of accounting policies and the process for calculating allowances.

The primary procedures which we performed to address this key audit matter included, but were not limited to, the following:

For a risk-based sample of individual loans, we performed a detailed credit review, assessed the f information for evaluating the creditworthiness and staging classification of individual borrowers and challenged the assumptions underlying the expected credit loss allowance calculations, such as estimated future cash flows, collateral valuations and estimates of recovery as well as considered the consistency of the Bank's application of its impairment policy.

We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for credit impairment allowances.

In calculating expected credit losses, the Bank considered credit quality indicators for each loan and portfolio, stratified financing by risk grades and estimated losses for each facility based upon their nature and risk profile.

The Group's expected credit losses are calculated against credit exposures, according to the requirements by AAOIFI (30) as modified by the Central Bank of Jordan. Credit exposures granted directly to the Jordanian Government as well as credit.

Exposures guaranteed by the Jordanian Government are excluded from the determination of the allowance for expected credit losses. In addition, expected credit losses are also adjusted to take into consideration any special arrangements with the Central Bank of Jordan.

The recognition of specific allowances on impaired facilities under the CBJ instructions is based on the rules prescribed by the CBJ on the minimum allowances to be recognised together with any additional allowances to be recognised based on management's estimate of expected cash flows related to those credit facilities.

In calculating expected credit losses, the Bank considered credit quality indicators for each loan and portfolio, stratified financing by risk grades and estimated losses for each facility based upon their nature and risk profile. Auditing these complex judgements and assumptions involves especially challenging auditor judgement due to the nature and extent of audit evidence and effort required to address these matters and therefore this item is considered to be a key audit matter.

For credit facilities not assessed individually, we evaluated controls over the modelling process, including model monitoring, validation and approval. We tested controls over model outputs and the mathematical accuracy and computation of the expected credit losses by re-performing or independently calculating elements of the expected credit losses based on relevant source documents with the involvement of our credit specialists.

We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data. We evaluated key assumptions such as thresholds used to determine SICR and including the related weighting.

We evaluated post model adjustments and management overlays in the context of key model and data limitations identified by the Bank in order to assess these adjustments, focusing on PD and LGD used for corporate loans, challenged their rationale;

We assessed the amendments made by management by evaluating the model adjustments in relation to macroeconomic factors and the forward-looking scenarios which were incorporated into the impairment calculations by utilizing our internal specialists to challenge the multiple economic scenarios chosen and weighting applied to capture non-linear losses; and

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

We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of the Financial Accounting Standards issued by AAOIFI.

Key Audit Matter

1- IT systems and controls over financial reporting

The Bank is vitally dependent on its complex information technology environment for the reliability and continuity of its operations and financial reporting process due to the extensive volume and variety of transactions which are processed daily across the Bank's businesses; this includes cyber risks.

Inappropriate granting of or ineffective monitoring of access rights to IT systems therefore presents a risk to the accuracy of financial accounting and reporting. Appropriate IT controls are required to protect the Bank's IT infrastructure, data and applications, ensure transactions are processed correctly and limit the potential for fraud and error as a result of change to an application or underlying data.

Unauthorised or extensive access rights cause a risk of intended or unintended manipulation of data that could have a material effect on the completeness and accuracy of financial statements. Therefore, we considered this area as key audit matter.

How our audit addressed the key audit matter

Our audit approach depends to a large extent on the effectiveness of automated controls and IT-dependent manual controls and therefore we performed an understanding of the Bank's IT related control environment and identified IT applications, databases and operating systems that are relevant for the financial reporting process and to our audit.

For relevant IT-dependent controls within the financial reporting process we identified, with the involvement of our internal IT specialist, supporting general IT controls and evaluated their design, implementation and operating effectiveness. We performed an understanding of applications relevant for financial reporting and testing key controls particularly in the area of access protection, integrity of system interfaces and linkage of such controls to the reliability, completeness and accuracy of financial reporting including computer-generated reports used in financial reporting. Our audit procedures covered, but were not limited to, the following areas relevant for financial reporting.

General IT controls relevant to automated controls and computer-generated information covering access security, program changes, data center and network operations;

Controls relating to access permissions to IT systems for new employees or employees changing roles, whether that access was subject to appropriate screening and approved by the authorized personnel.

Controls regarding the removal of an employee or former employee access rights within an appropriate period of time after having changed roles or leaving the Bank.

Controls regarding the appropriateness of system access rights for privileged or administrative authorizations (superusers) being subject to a restrictive authorization assignment procedure and regular review thereof.

Password protection, security setting regarding modification of applications, databases and operating systems, the segregation of department and IT user and segregation of employees responsible for program development and those responsible for system operations.

Key automated controls on significant IT systems relevant to business processes.

Computer generated information used in financial reports from relevant applications.

Other Information included in the Group's Annual Report for the Year 2022

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for other information. We expect that the annual report will be made available to us after the date of our audit report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

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

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

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

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

The Group's Board of Directors is 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 to 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 16, 2023**


Deloitte & Touche (M.E.) – Jordan
ديلويت أند 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»

| | Note | 31 December | |
|--|----------------------|----------------------|----------------------|
| | | 2022 | 2021 |
| | | JD | JD |
| Assets | | | |
| Cash and balances at the Central Bank | 4 | 203,295,535 | 358,653,364 |
| Balances at banks and the financial institutions | 5 | 13,551,162 | 8,293,931 |
| International wakala investments-net | 6 | 63,141,396 | 86,124,648 |
| Financial assets at fair value through profit or loss | 7 | 35,143 | 1,565,294 |
| Deferred sales receivables and other receivables-net | 8 | 1,316,974,157 | 1,063,215,294 |
| Financial assets at fair value through shareholders' equity -self financed | 9 | 235,000 | - |
| Financial assets at fair value through unrestricted investment accounts' holders equity-net | 10 | 272,659,187 | 164,363,677 |
| Financial assets at amortized cost -net | 11 | 37,313,000 | 64,752,000 |
| Investment in associate | 12 | 345,954 | 343,708 |
| Ijara Muntahia Bittamleek assets-net | 13 | 613,299,772 | 533,805,256 |
| Qard Hasan-Net | Statement «E» | 6,780,358 | 1,619,321 |
| Property and equipment-net | 14 | 21,286,068 | 22,333,251 |
| Intangible assets - net | 15 | 2,002,476 | 1,919,527 |
| Right of use assets | 47/A | 10,017,830 | 9,367,268 |
| Deferred tax assets | 21/C | 8,268,512 | 6,734,092 |
| Other assets | 16 | 14,911,705 | 13,044,688 |
| Total Assets | | 2,584,117,255 | 2,336,135,319 |
| Liabilities, Unrestricted Investment Accounts Holders' and Shareholders' Equity | | | |
| Liabilities | | | |
| Banks and financial Institutions accounts | 17 | 17,989,093 | 16,530,718 |
| Customers' current accounts | 18 | 299,878,280 | 290,066,768 |
| Cash margins | 19 | 42,900,132 | 56,124,802 |
| Income tax provision | 21/A | 8,746,097 | 8,332,402 |
| Other provisions | 20 | 440,000 | 440,000 |
| Lease liabilities | 47/B | 10,044,519 | 9,342,554 |
| Other liabilities | 22 | 57,997,365 | 51,211,325 |
| Total Liabilities | | 437,995,486 | 432,048,569 |
| Unrestricted Investment Accounts Holders' Equity | | | |
| Unrestricted investment accounts | 23 | 1,975,334,213 | 1,741,326,610 |
| Fair value reserve | 24/B | (1,016,785) | 82,413 |
| Total Unrestricted Investment Accounts Holders' Equity | | 1,974,317,428 | 1,741,409,023 |
| Shareholders' Equity | | | |
| Paid up capital | 25 | 100,000,000 | 100,000,000 |
| Statutory reserve | 26 | 32,208,887 | 29,766,889 |
| Fair value reserve - Self | 24/A | 14,593 | - |
| Retained earnings | 27 | 39,580,861 | 32,910,838 |
| Total Shareholders' Equity | | 171,804,341 | 162,677,727 |
| Total Liabilities, Unrestricted Investment Accounts Holders' and Shareholders' Equity | | 2,584,117,255 | 2,336,135,319 |
| Wakala Investments accounts | Statement «A» | 730,737 | 4,288,847 |

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 Profit or loss and Comprehensive Income

Statement "B"

| | Note | For the year ended 31 December | |
|--|------------------------|--------------------------------|---------------------|
| | | 2022 | 2021 |
| | | JD | JD |
| Deferred sales revenue | 28 | 71,473,780 | 58,754,853 |
| Ijara Muntahia Bittamleek assets revenue | 29 | 39,909,620 | 33,606,273 |
| Gains from International wakala investments | 30 | 1,279,221 | 269,264 |
| Gains from financial assets at fair value through unrestricted investment accounts' holders equity | 31 | 5,843,745 | 1,933,740 |
| (Losses) gains from financial assets at fair value through profit or loss | 32 | (11,732) | 118,407 |
| Gains from financial assets at amortized cost | 33 | 2,281,432 | 3,539,642 |
| Net share of joint funds from profits of associate company | 12 | 8,496 | 451 |
| (Losses) from foreign currencies evaluation | 34 | (152,393) | (48,324) |
| Other revenue - jointly financed -net | | 1,490,758 | 85,909 |
| Total unrestricted investment revenue | | 122,122,927 | 98,260,215 |
| Deposit Insurance fees - jointly financed accounts | | (2,390,379) | (1,928,999) |
| Share of unrestricted investment accounts holders' | 35 | (63,214,784) | (45,658,680) |
| Expected credit losses on jointly items | 6 & 8 & 10 & 22 | (11,904,950) | (9,499,586) |
| Bank's share of unrestricted investments revenue as a mudarib and rab - mal | 36 | 44,612,814 | 41,172,950 |
| Bank's self financed revenue | 37 | 773,949 | 686,602 |
| Banks share from the restricted investments revenue as agent (wakeel) | 38 | 95,577 | 150,018 |
| Gain from foreign currencies | 39 | 1,568,168 | 1,491,988 |
| Banking services revenue - Net | 40 | 8,613,592 | 6,722,733 |
| Other revenue | 41 | 16,563 | 158,770 |
| Deposit Insurance fees - self financed | | (1,623,164) | (1,184,299) |
| Gross Income | | 54,057,499 | 49,198,762 |
| Employees' expenses | 42 | (15,384,277) | (14,402,503) |
| Depreciation and amortization | 14 & 15 | (3,152,976) | (3,240,190) |
| Depreciation of Ijara muntahia bittamleek assets- self financed | 29 | (425,348) | (387,164) |
| Expected credit losses on - self items | Statement "E" & 8 & 22 | (122,890) | (21,767) |
| Depreciation of right of use assets | 47 | (1,657,348) | (1,445,208) |
| Finance costs / discount on lease liability | 47 | (349,169) | (299,732) |
| Rent expenses | | (181,243) | (198,802) |
| Recovered from (expenses) miscellaneous provisions | 20 | - | 514,597 |
| Other expenses | 43 | (8,364,273) | (6,900,813) |
| Total expenses | | (29,637,524) | (26,381,582) |
| Profit for the Year before tax | | 24,419,975 | 22,817,180 |
| Income tax expense | 21/B | (9,307,954) | (8,756,860) |
| Profit for the Year | | 15,112,021 | 14,060,320 |
| Comprehensive income items | | | |
| Items after tax that will not be reclassified subsequently to the consolidated statement of profit or loss : | | | |
| Add: other comprehensive Income items after tax : | | | |
| Net change in fair value reserve for financial assets | | 14,593 | - |
| Total comprehensive income for the year | | 15,126,614 | 14,060,320 |
| | | JD/FILS | JD/FILS |
| Basic and diluted earnings per share | 44 | 0/151 | 0/141 |

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 Changes in Shareholders' Equity

Statement "C"

| | Paid up capital | Statutory reserve | Fair value reserve - Self | Retained Earnings * | Total |
|---|--------------------|-------------------|---------------------------|---------------------|--------------------|
| | JD | JD | JD | JD | JD |
| For the year ended 31 December 2022 | | | | | |
| Balance as at the beginning of the year | 100,000,000 | 29,766,889 | - | 32,910,838 | 162,677,727 |
| Total comprehensive income for the year - (Statement B) | - | - | 14,593 | 15,112,021 | 15,126,614 |
| Distributed dividends** | - | - | - | (6,000,000) | (6,000,000) |
| Transferred to reserves | - | 2,441,998 | - | (2,441,998) | - |
| Balance as at 31 December 2022 | 100,000,000 | 32,208,887 | 14,593 | 39,580,861 | 171,804,341 |
| For the year ended 31 December 2021 | | | | | |
| Balance as at the beginning of the year | 100,000,000 | 27,485,171 | - | 27,132,236 | 154,617,407 |
| Total comprehensive income for the year - (Statement B) | - | - | - | 14,060,320 | 14,060,320 |
| Distributed Dividends | - | - | - | (6,000,000) | (6,000,000) |
| Transferred to reserves | - | 2,281,718 | - | (2,281,718) | - |
| Balance as at 31 December 2021 | 100,000,000 | 29,766,889 | - | 32,910,838 | 162,677,727 |

- Retained earnings balance as at 31 December 2022 includes an amount of JD 793,221 (JD 669,296 as at 31 December 2021) which represents the self financed deferred tax assets and it is restricted from use in accordance with the Central Bank of Jordan instructions.

* Based on CBJ instructions no.(13/2018) that were 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.

** In its meeting held on 24 April 2022, the General Assembly approved the Board of Directors' recommendation to distribute cash dividends of (6) million dinars for the year 2021 at a rate of 6% of the capital.

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 Cash Flows

Statement "D"

| | Note | For the year ended 31 December | |
|--|-----------|--------------------------------|----------------------|
| | | 2022 | 2021 |
| | | JD | JD |
| Cash Flows from Operating Activities | | | |
| Profit for the year before tax - statement B | | 24,419,975 | 22,817,180 |
| Adjustments for non-cash items: | | | |
| Depreciation and amortization | 14&15 | 3,152,976 | 3,240,190 |
| Depreciation of Ijara Muntahia Bittamleek assets(self & jointly financed) | 29 | 42,986,082 | 41,855,727 |
| Depreciation of right of use assets | 47 | 1,657,348 | 1,445,208 |
| Finance costs (discount lease liabilities) | 47 | 349,169 | 299,732 |
| Unrealized (gain) of financial assets at fair value through profit or loss | 32 | (172) | (6,269) |
| Expected credit losses provision - joint | 6&8&10&22 | 11,904,950 | 9,499,586 |
| Expected credit losses provision - self | 8 & 22 | 122,890 | 21,767 |
| (Recovered) from miscellaneous provisions | 20 | - | (514,597) |
| Provision for seized assets | 16 | 242,123 | 643,364 |
| Net share of joint funds from associate company (profits) | 12 | (8,496) | (451) |
| Loss (Gain) from disposal of property and equipment | 41 | 3,460 | (11,102) |
| (Gain) Loss from sale of seized assets against debts | | (624,583) | 37,313 |
| Cash Flows from Operating Activities before Changes in working capital | | 84,205,722 | 79,327,648 |
| Changes in working capital: | | | |
| (Increase) in deferred sales receivables and other receivables | | (265,645,621) | (318,626,975) |
| (Increase) in Ijara Muntahia Bittamleek assets | | (122,480,598) | (153,593,487) |
| (Increase) decrease in Qard Hasan | | (5,440,196) | 150,990 |
| (Increase) in other assets | | (3,101,725) | (3,346,941) |
| Increase in customers' current accounts | | 9,811,512 | 61,686,679 |
| (Decrease) Increase in cash margin accounts | | (13,224,670) | 29,267,834 |
| Increase in other liabilities | | 6,527,391 | 10,677,719 |
| Net cash flows (used in) operating activities before income tax paid | | (309,348,185) | (294,456,533) |
| Income tax paid | 21 | (10,406,611) | (10,143,483) |
| Net cash flows (used in) operating activities | | (319,754,796) | (304,600,016) |
| Cash Flows from Investing Activities | | | |
| Net sale (purchase) of financial assets at fair value through profit or loss | | 1,530,323 | (45,850) |
| Net (purchase) of financial assets at fair value through shareholders' equity -self financed | | (220,407) | - |
| Net (purchase) of financial assets at fair value through unrestricted investment accounts holders | | (109,394,849) | (105,811,560) |
| Maturity of financial assets at amortized cost- Net | | 27,439,000 | 27,439,000 |
| Cash dividends from associate company | 12 | 6,250 | 6,250 |
| (Purchase) of intangibles assets | 15 | (875,719) | (616,659) |
| (Purchase) of property and equipment & payments on purchase of property, equipment and projects under progress | 14 | (1,326,051) | (2,001,380) |
| Proceeds from sale of property and equipment | | 9,568 | 50,404 |
| Proceeds from sale of assets seized by the bank against debts | | 1,595,100 | 347,000 |
| Decrease (Increase) in International Wakala Investments | | 23,261,391 | (7,827,197) |
| Net cash flows (used in) investing activities | | (57,975,394) | (88,459,992) |
| Cash Flows from Financing Activities | | | |
| Increase in unrestricted investment 'holders equity | | 234,007,603 | 414,753,416 |
| Paid of Lease liability | 47 | (1,955,114) | (1,698,910) |
| (Profits) distributed to shareholders | | (5,881,272) | (5,856,675) |
| Net cash flows generated by financing activities | | 226,171,217 | 407,197,831 |
| Net (Decrease) increase in cash and cash equivalents | | (151,558,973) | 14,137,823 |
| Cash and cash equivalents at the beginning of the year | | 350,416,577 | 336,278,754 |
| Cash and cash equivalents at the end of the year | 45 | 198,857,604 | 350,416,577 |
| Non-cash transactions: | | | |
| Transfer to property and equipment from installments to purchase property, equipment and projects in progress | 14 | 594,373 | 242,214 |

The accompanying notes are part of those 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 December | |
|--|---------------------|--------------------|
| | 2022 | 2021 |
| | JD | JD |
| Balance at the beginning of the year | 1,279,581 | 981,882 |
| Sources of the fund from : | | |
| Shareholders' equity | (12,596,708) | (6,152,124) |
| Total Sources of the fund during the year | (12,596,708) | (6,152,124) |
| Uses of the fund on : | | |
| Companies | 15,526,344 | 6,444,856 |
| Employees | 31,276 | 4,967 |
| Total uses during the year | 15,557,620 | 6,449,823 |
| Gross balance | 4,240,493 | 1,279,581 |
| Add: exposed accounts | 3,019,285 | 540,001 |
| Less : Expected credit losses provision | (479,420) | (200,261) |
| Balance at the end of the year - Net | 6,780,358 | 1,619,321 |

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

Statement "F"

| | Note | Local Murabaha JD | Total JD |
|--|------|----------------------|------------------|
| For the Year ended 31 December 2022 | | | |
| Beginning balance of the year | | 4,288,847 | 4,288,847 |
| Add: Deposits | | 1,694,227 | 1,694,227 |
| Less: Withdrawals | | (5,252,337) | (5,252,337) |
| Add: Investments' gains | 37 | 1,272,942 | 1,272,942 |
| Less: Banks share as agent (wakeel) | 37 | (95,577) | (95,577) |
| Less: Muwakel's share | 37 | (1,177,365) | (1,177,365) |
| Investments at the end of year | | 730,737 | 730,737 |
| Deferred revenue | | 48,722 | 48,722 |
| Suspended revenue | | - | - |
| Balance as at 31 December 2022 | | 48,722 | 48,722 |
| For the Year ended 31 December 2021 | | | |
| Beginning balance of the year | | 7,096,305 | 7,096,305 |
| Add: Deposits | | 10,287,479 | 10,287,479 |
| Less: Withdrawals | | (13,094,937) | (13,094,937) |
| Add: Investments' gains | 37 | 1,136,746 | 1,136,746 |
| Less: Banks share as agent (wakeel) | 37 | (150,018) | (150,018) |
| Less: Muwakel's share | 37 | (986,728) | (986,728) |
| Investments at the end of year | | 4,288,847 | 4,288,847 |
| Deferred revenue | | 114,515 | 114,515 |
| Suspended revenue | | - | - |
| Balance as at 31 December 2021 | | 114,515 | 114,515 |

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 forty 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.

Al Etihad Islamic for 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. (1/2023) held on 15 February 2023, 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. (1/2023) held on 6 February 2023, and the board issued its shari'ah 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 accounting 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 approved 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 10 December 2009 for each stage separately. The strictest 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 position in the other asset, and recorded using the acquisition value or fair value, whichever is lower, and they are reevaluated individually at the date of the consolidated financial statements, and any impairment in value is taken to the consolidated statement of profit or loss; any increase is not recorded as revenue. Subsequent increase in fair value is recorded in the consolidated statement of Profit or loss 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. 10/3/13246 dated on 2 September 2021 as (5%) of the total book values of these properties starting from the year 2022 so as to achieve the required percentage of (50%) for these properties by the end of the year 2030, On October 10, 2022, a subsequent circular was issued by the Central Bank of Jordan canceling the calculation of provisions against expropriated real estate in violation, with an emphasis on the need to maintain the allocations against real estate in violation of Banking Law, provisions be released against any of the real estate that is disposed.

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 unrestricted investment accounts mean joint investment accounts wherever they are mentioned.

The consolidated financial statements are prepared on historical cost basis except for the financial assets at fair value through statement of Profit or loss, 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 2022 is as follows:

| Company name | Paid up Capital (JD) | Source of Funding | Ownership % | Company Main Activity | Operation location | Acquisition Date |
|--------------------------------------|----------------------|-------------------|-------------|-----------------------|--------------------|------------------|
| Misc for Financial 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 Profit or loss 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 Profit or loss 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 investee; and
- 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 Profit or loss.
- Reclassifies the equity of the previously restricted bank in other comprehensive income to the statement of Profit or loss 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 2021, Except for the impact of the new and revised standards issued by the accounting and auditing organization for Islamic financial institutions mentioned below that became effective from 1 January 2022 with no effect on the consolidated financial statement

-Financial Accounting Standard No. 37 "Financial Reporting for Endowment Establishments"

This standard sets out the comprehensive accounting and financial reporting requirements for endowment institutions and similar institutions, including requirements for public presentation and disclosure and special presentation requirements such as yield requirements and basic accounting treatments related to some aspects of endowment institutions.

The principles contained in this standard are consistent with the principles and provisions of Sharia, and this helps to reach a better understanding of the information contained in the general-purpose financial statements and enhances the confidence of stakeholders in endowment institutions. This standard will be applied as of 1 January 2022, with early application permitted. The newly established endowment institutions must apply this standard since its establishment.

-Financial Accounting Standard No. 38 "(Promise), (Option), (Hedging) "

This standard describes the accounting and reporting principles and requirements for (promise), (option), and (hedging) arrangements for Islamic financial institutions. Many products such as Murabaha and Ijara offered by institutions incorporate the implementation of a promise or option in one way or another. An additional promise or option that aligns with this Standard is a promise or option associated with a Shariah-compliant arrangement concerning its structure that does not generate any asset or liability unless it turns into an impairment contract or liability. On the other hand, a Waad product is a stand-alone arrangement that is compatible with Sharia and is used either as a regular product or, in some cases, for hedging purposes. It can take the form of a single transaction or a series or a group, of financial transactions and it can become a future transaction or a series of transactions in line with the principles and rules of Sharia. Such transactions result in an asset or a liability to the counterparties according to the conditions set out in the standard.

The effective date for this is 1 January 2022.

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 2022 was distributed as follows:

| | Percentage |
|---|------------|
| Share of joint investment account holders | 61% |
| Share of shareholders' equity | 39% |

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 53% to 95% of the average balance of term accounts in Jordanian Dinars.
- From 18% to 51% 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 average 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 Ijarah Muntahia Bittamleek 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 distribute 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 receivables 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 transferred to the common pool profits (presented in the Consolidated Statement of Profit or loss and Comprehensive Income). On the other hand, deferred sales receivable and financing from the Bank's self-funds for which there is an impairment provision are written off in case the measures for their collection are ineffective. In this respect, they are deducted from the self-provisions and suspended profits (if any), and any provision surplus is transferred to the consolidated statement of Profit or loss and comprehensive income / Prior funding is written off to income, any shortage will be recorded on the consolidated statement of profit or loss and comprehensive 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 Profit or loss are recognized directly in the consolidated statement of Profit or loss.

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 Profit or loss. Transaction costs directly attributable to the acquisition of financial assets designated at fair value through Profit or loss are recognized in the Consolidated Statement of Profit or loss.

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 holder's 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 Profit or loss are subsequently measured at fair value through the statement of Profit or loss.

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 consideration 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 derecognized, the cumulative gain / loss previously recognized in other comprehensive income in shareholders equity is reclassified to the consolidated statement of Profit or loss. 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 Profit or loss 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 holder's equity is reclassified to the consolidated statement of Profit or loss 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 Profit or loss

Financial assets at fair value through the statement of Profit or loss 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 consolidated statement of Profit or loss 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- self financed.

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 Profit or loss 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 cannot 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 Profit or loss 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 Profit or loss and comprehensive income. Additionally, any expected credit losses regarding self-financed instruments are recognized in the consolidated statement of Profit or loss and comprehensive income. As for joint investments, the calculated expected credit losses are recognized in the consolidated statement of Profit or loss 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 Profit or loss 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 Profit or loss 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 unrestricted investment account holder's equity.

Lease contracts

The Bank applied the Islamic Financial Accounting Standard No. (32) "Ijara and Ijara Muntahia Bittamleek" which defines the principles relating to of recognition, classification, measurement and About the different types of rent as a landlord and tenant and Ijara transactions ending with ownership.

The Bank as a lessee

The Bank recognizes the right of use assets and the lease liabilities in relation to all lease arrangements in which the bank is a lessee, 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 payments 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
- 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 Profit or loss 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 lessee 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 Profit or loss 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 Ijarah Muntahia Bittamleek

Ijara 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 lease.

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. (32) 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 Profit or loss 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 allocate 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'ah 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 as a donation.

The bank abides by what is stated in the Financial Accounting Standard No. (35) "Risk Reserve" issued by the Accounting and Auditing Organization for Islamic Financial Institutions when there is a need to create/compose a profit rate reserve.

The profit equalization reserve is transferred to the shareholders and unrestricted 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:

Input 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;

Input 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;

Input 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 Profit or loss and comprehensive income in respect of assets and financing (self). The expected credit losses and other provisions for jointly financed and investments, that were classified at fair value through unrestricted investment accounts holders' equity will be charged through statements of Profit or loss and comprehensive income (common pool).

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

- 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 equivalent of:

- The expected (12) -month credit losses, or, 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 one, or
- Expected life time credit loss, life of expected credit losses arising from all possible default events over the life the financial instrument referred to the stage two and stage three.

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

The 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; or
- 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.
- Customer's due exceeds 90 days or more.

If a single event cannot 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 impairment to corporate debt instruments. Furthermore, 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 expected credit 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; or
- 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 the assessment process, 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 (30) 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 net 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's 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 exhausted. 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 Profit or loss 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 Profit or loss 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 Profit or loss 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 Profit or loss and comprehensive income.

Intangible assets arising from the Bank's business are not capitalized and are recognized in the consolidated statement of Profit or loss 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 Amortization Percentage |
|--------------------------------|--------------------------------|
| Computer's systems & Softwires | 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 consolidated statement of Profit or loss 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. 10/3/13246 of 2 September 2021, at a rate of (5%) of the total book values of those real estate as of the year 2022, so that the arrival To the required percentage (50%) of those real estate by the end of 2030, On October 10, 2022, a subsequent circular was issued by the Central Bank of Jordan cancelling the calculation of provisions against expropriated real estate in violation, with an emphasis on the need to maintain the allocations against real estate in violation of Banking Law, provisions be released against any of the real estate that is disposed.

Impairment in non-financial assets:

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

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

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

All impairment losses are recognized in the statement of Profit or loss and 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 under 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 offsetted 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 Profit or loss 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 Profit or loss 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 Profit or loss depends on the classification and measurement of equity investment, i.e.:

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

Establishment of 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 consolidated statement of Profit or loss and other comprehensive income however, the increase in value is not recorded as revenue. Subsequent increase is recorded in the consolidated statement of Profit or loss 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. 10/2/13246 dated on 2 September 2021 recognizing of the required allocations against the properties acquired as (5%) of the total book values of these properties starting from the year 2022 so that achieve the required percentage amount (50%) of these properties with the end of the year 2030, On October 10, 2022, a subsequent circular was issued by the Central Bank of Jordan canceling the calculation of provisions against expropriated real estate in violation, with an emphasis on the need to maintain the allocations against real estate in violation of Banking Law, provisions be released against any of the real estate that is disposed.

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 profit or loss 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 provision 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 Profit or loss 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 profit 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 financier expects to collect, taking into account cash flows from collateral and integrated credit adjustments.

Fair value measurement and valuation procedures

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

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.

(4) CASH AND BALANCES AT THE CENTRAL BANK

The details of this item are as follows:

| | 31 December | |
|--|--------------------|--------------------|
| | 2022 | 2021 |
| | JD | JD |
| Cash on hand | 25,077,875 | 22,099,424 |
| Balances at the Central Bank of Jordan: | | |
| Current accounts | 90,036,172 | 259,858,283 |
| Statutory cash reserve | 88,181,488 | 76,695,657 |
| Total | 203,295,535 | 358,653,364 |

- Except for the statutory cash reserve, there are no other restricted cash accounts as at 31 December 2022 and 31 December 2021.
- No provision for expected credit losses has been calculated on the balances with the Central Bank, as they are exposures to the Jordanian government.

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

| | Stage 1 (individual) | Stage 1 (individual) |
|---|---|---|
| | for the year ended 31 December 2022 | for the year ended 31 December 2021 |
| | JD | JD |
| Balance at the beginning of the year | 336,553,940 | 330,865,686 |
| New balances during the year | 8,140,186 | 25,536,862 |
| Repaid balances | (166,476,466) | (19,848,608) |
| Balance at the end of the year | 178,217,660 | 336,553,940 |

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

| | Local banks and financial institutions | | Foreign banks and financial institutions | | Total | |
|---------------------------------|---|----------------|---|------------------|-------------------|------------------|
| | 31 December | | 31 December | | 31 December | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | JD | JD | JD | JD | JD | JD |
| Current and on -Demand accounts | 754,210 | 713,698 | 12,796,952 | 7,580,233 | 13,551,162 | 8,293,931 |
| Total | 754,210 | 713,698 | 12,796,952 | 7,580,233 | 13,551,162 | 8,293,931 |

- There are no balances at banks and financial institutions on which the bank receives returns as at 31 December 2022 and 31 December 2021.
- There are no balances with banks and banking institutions for which the bank charges returns as on 31 December 2022 and as on 31 December 2021.
- All balances have current accounts that use the bank's operations, and there is no need for calculating financial provisions for them according to Islamic Financial Accounting Standard No. (30).

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

| | Stage 1 (individual) | Stage 1 (individual) |
|---|---|---|
| | For the year ended 31 December 2022 | For the year ended 31 December 2021 |
| | JD | JD |
| Balance at the beginning of the year | 8,293,931 | 9,669,834 |
| New balances during the year | 713,955 | 186,595 |
| Repaid balances | (122,385) | (26) |
| Changes resulting from modifications | 4,665,661 | (1,562,472) |
| Balance at the end of the year | 13,551,162 | 8,293,931 |

(6) INTERNATIONAL WAKALA INVESTMENTS - NET

The details of this item are as follows:

| | Jointly financed | |
|--|-------------------|-------------------|
| | 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Matures: | | |
| Within a month | 37,005,663 | 66,701,844 |
| From a month to three months | 18,395,607 | 17,209,456 |
| From three to six months | 2,127,000 | 2,771,936 |
| From six months to year | 5,893,575 | - |
| Total International Wakala Investments | 63,421,845 | 86,683,236 |
| Less: Expected credit losses for international wakala investment | (280,449) | (558,588) |
| Net International Wakala Investments | 63,141,396 | 86,124,648 |

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

| Item | For the year ended 31 December 2022 | | | | For the year ended 31 December 2021 |
|---|-------------------------------------|-------------------------|---------|-------------------|---|
| | Stage 1 (Individual) | Stage 2 (Individual) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 86,683,236 | - | - | 86,683,236 | 78,856,039 |
| New balances and deposits during the year | 63,421,845 | - | - | 63,421,845 | 86,683,236 |
| Repaid balances and deposits | (86,683,236) | - | - | (86,683,236) | (78,856,039) |
| Total balance at the end of the year | 63,421,845 | - | - | 63,421,845 | 86,683,236 |

- There are no transfers between the stages (First , second and third) or written off balances.

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

| Item | For the year ended 31 December 2022 | | | | For the year ended 31 December 2021 |
|---|-------------------------------------|-------------------------|---------|----------------|-------------------------------------|
| | Stage 1 (Individual) | Stage 2 (Individual) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 558,588 | - | - | 558,588 | 138,690 |
| Impairment loss of new balances during the year | 280,449 | - | - | 280,449 | 558,588 |
| Recoverable from impairment loss on repaid balance and deposits | (558,588) | - | - | (558,588) | (138,690) |
| Total balance at the end of the year | 280,449 | - | - | 280,449 | 558,588 |

(7) FINACIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

| | Jointly financed | |
|--|------------------|------------------|
| | 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Shares corporate listed in financial markets | - | 69,813 |
| Islamic sukuk listed in financial markets | 35,143 | 1,495,481 |
| Total | 35,143 | 1,565,294 |

(8) DEFERRED SALES RECEIVABLES AND OTHER RECEIVABLES - NET

The details of this item are as follows:

| | Jointly financed | | Self financed | | Total | |
|--|----------------------|----------------------|------------------|------------------|----------------------|----------------------|
| | 31 December | | 31 December | | 31 December | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | JD | JD | JD | JD | JD | JD |
| Individuals (retail) | | | | | | |
| Murabaha to the purchase orderer | 422,186,379 | 357,150,865 | 1,573,351 | 1,387,424 | 423,759,730 | 358,538,289 |
| Ijara Muntahia Bittamleek - receivables | 445,923 | 1,440,495 | 782 | 246 | 446,705 | 1,440,741 |
| Other receivables | 6,502,529 | 5,243,641 | 26,633 | 30,612 | 6,529,162 | 5,274,253 |
| Real estate financing | 20,838,066 | 23,922,928 | - | - | 20,838,066 | 23,922,928 |
| Ijara Muntahia Bittamleek - receivables | 939,480 | 431,709 | - | - | 939,480 | 431,709 |
| Corporate | | | | | | |
| Murabaha to the purchase orderer | 524,119,481 | 430,360,904 | - | - | 524,119,481 | 430,360,904 |
| Ijara Muntahia Bittamleek - receivables | 1,821,670 | 2,161,551 | - | - | 1,821,670 | 2,161,551 |
| Other receivables | - | - | 324,783 | 779,145 | 324,783 | 779,145 |
| Small and medium enterprises | | | | | | |
| Murabaha to the purchase orderer | 53,176,897 | 44,951,938 | - | - | 53,176,897 | 44,951,938 |
| Ijara Muntahia Bittamleek - receivables | 92,223 | 20,110 | - | - | 92,223 | 20,110 |
| Other receivables | - | - | 648,089 | 1,922,767 | 648,089 | 1,922,767 |
| Government and the public sector | 522,438,962 | 384,465,171 | - | - | 522,438,962 | 384,465,171 |
| Total | 1,552,561,610 | 1,250,149,312 | 2,573,638 | 4,120,194 | 1,555,135,248 | 1,254,269,506 |
| Less: Deferred revenue | 178,770,653 | 144,157,955 | 207,853 | 174,257 | 178,978,506 | 144,332,212 |
| Suspended revenue | 2,723,411 | 2,149,584 | 7,112 | 7,112 | 2,730,523 | 2,156,696 |
| Expected credit losses | 56,409,431 | 44,532,900 | 42,631 | 32,404 | 56,452,062 | 44,565,304 |
| Net deferred sales receivable and other receivables | 1,314,658,115 | 1,059,308,873 | 2,316,042 | 3,906,421 | 1,316,974,157 | 1,063,215,294 |

- The non- performing deferred sales receivables , other receivables , facilities, Ijara Muntahia Bittamleek receivables and Qard Al-Hasan amounted to JD 40,904,287 as at 31 December 2022, representing 2.62% of deferred sales receivables, other receivables, facilities, Ijara Muntahia Bittamleek receivables and Qard Al-Hasan(JD30,246,226 as at 31 December 2021, representing 2.41% of deferred sales receivables, other receivables, facilities, Ijara Muntahia Bittamleek receivables and Qard Al-Hasan).
- The non- performing deferred sales receivables , other receivables , facilities, Ijara Muntahia Bittamleek receivables and Qard Al-Hasan amounted to JD 38,173,764 as at 31 December 2022, representing 2.45% of deferred sales receivables, other receivables, facilities, Ijara Muntahia Bittamleek receivables and Qard Al-Hasan (JD 28,089,530 as at 31 December 2021, representing 2.24% of deferred sales receivables, other receivables, facilities, Ijara Muntahia Bittamleek receivables and Qard Al-Hasan).
- 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 674,809 Moreover, the provision calculated based on the "individual customer"(non-performing) amounted to JD 33,082,180 as at 31 December 2022(JD 642,260 and JD 24,646,935 respectively as at 31 December 2021).
- 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 439,496,601 as at 31 December 2022 , representing 28.13% of the balance of deferred sales receivables , other receivables , facilities and Qard Al-Hasan (JD 235,350,835 as at 31 December 2021, representing 18.74% of the balance of deferred sales receivables , other receivables , facilities and Qard Al-Hasan).

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

A- Self-financed (Deferred sales receivables and other receivables and Alqard alhassn)

| Item | For the year ended at 31 December 2022 | | | | | |
|---|--|------------------|------------------|------------------|------------------|------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total |
| | individual | Collective | individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Total balance at the beginning of the year | 1,814,416 | 2,146,470 | 242,810 | 1,015,554 | 539,157 | 5,758,407 |
| New facilities during the year | 4,904,246 | 626,516 | 635,535 | 162,985 | 332,000 | 6,661,282 |
| Repaid facilities | (922,121) | (516,943) | (71,704) | (326,147) | (4,612) | (1,841,527) |
| Transfer to Stage 1 | - | 21,270 | - | (21,270) | - | - |
| Transfer to Stage 2 | (14,683) | (224,465) | 14,683 | 224,465 | - | - |
| Transfer to Stage 3 | - | (72,965) | - | (135,951) | 208,916 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | - | (15,364) | 266,710 | (91,567) | (52,719) | 107,060 |
| Changes resulting from modifications | (181,971) | (483,048) | (45,764) | (353,712) | (2,276) | (1,066,771) |
| Total balance at the end of the year | 5,599,887 | 1,481,471 | 1,042,270 | 474,357 | 1,020,466 | 9,618,451 |

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

| Item | For the year ended at 31 December 2022 | | | | | |
|--|--|------------------------------|---------------------|-----------------------|----------------------------------|----------------|
| | 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 | 24,306 | 55,397 | 152,962 | - | - | 232,665 |
| Impairment loss on new facilities during the year | 228,840 | 2,232 | 43,834 | - | - | 274,906 |
| Recovered from impairment loss on repaid facilities | (10,003) | (141) | (5,459) | - | - | (15,603) |
| 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 | 18,338 | 10,256 | 1,596 | - | - | 30,190 |
| Changes resulting from modifications | (446) | (1,400) | 1,739 | - | - | (107) |
| Total balance at the end of the year | 261,035 | 66,344 | 194,672 | - | - | 522,051 |
| Redistribution: | | | | | | |
| Provisions on an individual basis | 261,035 | 65,197 | 184,149 | - | - | 510,381 |
| Provisions on a collective basis | - | 1,147 | 10,523 | - | - | 11,670 |

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

B- Jointly financed

| Item | For the year ended at 31 December 2022 | | | | | |
|---|--|--------------------|-------------------|-------------------|-------------------|----------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total |
| | individual | Collective | individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Total balance at the beginning of the year | 666,727,092 | 302,213,964 | 69,779,932 | 37,610,805 | 27,509,980 | 1,103,841,773 |
| New facilities during the year | 265,472,153 | 137,463,100 | 47,208,515 | 3,560,869 | 4,781,045 | 458,485,682 |
| Repaid facilities | (79,412,148) | (31,243,997) | (6,006,449) | (6,067,060) | (812,102) | (123,541,756) |
| Transfer to Stage 1 | 14,386,360 | 13,102,572 | (14,386,360) | (13,073,745) | (28,827) | - |
| Transfer to Stage 2 | (20,406,817) | (5,174,008) | 20,406,817 | 6,293,444 | (1,119,436) | - |
| Transfer to Stage 3 | - | (2,335,336) | (3,939,098) | (3,356,399) | 9,630,833 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | (2,376,824) | (1,322,693) | 2,181,399 | (674,926) | (2,499,214) | (4,692,258) |
| Changes resulting from modifications | (6,496,196) | (39,709,928) | (16,513,999) | 7,147 | (312,919) | (63,025,895) |
| Total balance at the end of the year | 837,893,620 | 372,993,674 | 98,730,757 | 24,300,135 | 37,149,360 | 1,371,067,546 |

The movement on expected credit losses provision / jointly financed:

| Item | For the year ended at 31 December 2022 | | | | | |
|--|--|------------------------------|---------------------|-----------------------|----------------------------------|-------------------|
| | 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 | 29,450,057 | 1,574,594 | 9,478,100 | 4,030,149 | - | 44,532,900 |
| Impairment loss on new facilities during the year | 11,727,499 | 179,590 | 1,453,813 | 356,919 | - | 13,717,821 |
| Recovered from impairment loss on repaid facilities | (2,277,849) | (230,500) | (790,512) | (147,603) | - | (3,446,464) |
| 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 | 4,357,795 | 219,590 | 1,182,808 | 97,587 | - | 5,857,780 |
| Changes resulting from modifications | (4,399,855) | 313,937 | 862,822 | (1,029,510) | - | (4,252,606) |
| Total balance at the end of the year | 38,857,647 | 2,057,211 | 12,187,031 | 3,307,542 | - | 56,409,431 |
| Redistribution: | | | | | | |
| Provisions on an individual basis | 38,857,647 | 1,622,588 | - | 3,302,807 | - | 43,783,042 |
| Provisions at a collective basis | - | 434,623 | 12,187,031 | 4,735 | - | 12,626,389 |

Suspended revenue :

The movement on suspended revenue is as follows:

| | For the year ended 31 December 2022 | | | | For the year ended 31 December 2021 | | | |
|---|-------------------------------------|-----------|------------------------------------|-----------|-------------------------------------|-----------|------------------------------------|-----------|
| | 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) | 984,711 | 1,081,696 | 83,177 | 2,149,584 | 815,512 | 932,660 | 34,853 | 1,783,025 |
| Add: suspended revenue during the year | 609,566 | 288,274 | 52,271 | 950,111 | 461,987 | 222,544 | 51,489 | 736,020 |
| Less: suspended revenue transferred to revenue | 368,473 | 6,688 | 1,123 | 376,284 | 292,788 | 73,508 | 3,165 | 369,461 |
| Balance at the end of the year (Joint) | 1,225,804 | 1,363,282 | 134,325 | 2,723,411 | 984,711 | 1,081,696 | 83,177 | 2,149,584 |

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):

| Item | 31 December 2022 | | | | 31 December 2021 |
|--------------------------|-------------------------|-------------------------|----------------|------------------|------------------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Almost risk free | - | - | - | - | 14,442 |
| Low risk | 196,087 | - | - | 196,087 | 49,443 |
| Normal risk | 1,557,301 | - | - | 1,557,301 | 866,224 |
| Acceptable risk | 3,336,839 | 121,817 | - | 3,458,656 | 579,460 |
| Acceptable with due care | - | 2,883 | - | 2,883 | 37,474 |
| Watch list | - | 282,044 | - | 282,044 | - |
| Substandard | - | - | 293,333 | 293,333 | - |
| Doubtful | - | - | - | - | 10 |
| Loss | - | - | 320,704 | 320,704 | 331,433 |
| Unrated | - | 635,526 | 12,732 | 648,258 | 2,810 |
| Total | 5,090,227 | 1,042,270 | 626,769 | 6,759,266 | 1,881,296 |

The movement of financing:-

| Item | For the year ended 31 December 2022 | | | |
|---|-------------------------------------|-------------------------|----------------|------------------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 1,304,756 | 242,810 | 333,730 | 1,881,296 |
| New facilities during the year | 4,904,246 | 635,535 | 293,492 | 5,833,273 |
| settled facilities | (922,121) | (71,704) | (27) | (993,852) |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | (14,683) | 14,683 | - | - |
| Transfer to Stage 3 | - | - | - | - |
| The total impact on the size of exposures as a result of changing the classification between stages | - | 266,710 | - | 266,710 |
| Changes resulting from modifications | (181,971) | (45,764) | (426) | (228,161) |
| Total balance at the end of the year | 5,090,227 | 1,042,270 | 626,769 | 6,759,266 |

The movement of impairment provision:-

| Item | For the year ended 31 December 2022 | | | |
|--|-------------------------------------|-------------------------|----------------|----------------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 10,104 | 41 | 14,161 | 24,306 |
| Impairment loss on new financing during the year | 63,968 | 18,047 | 146,825 | 228,840 |
| Recoverable from the loss of impairment on reimbursements | (9,940) | (36) | (27) | (10,003) |
| 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 | - | 18,338 | - | 18,338 |
| Changes resulting from modifications | (18) | (2) | (426) | (446) |
| Total balance at the end of the year | 64,114 | 36,388 | 160,533 | 261,035 |

B-Jointly financed

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

| Item | 31 December 2022 | | | | 31 December 2021 |
|--------------------------|----------------------|----------------------|-------------------|--------------------|--------------------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Insignificant | 4,531,388 | - | - | 4,531,388 | 5,432,849 |
| Almost risk free | 3,993,931 | - | - | 3,993,931 | 5,092,255 |
| Low risk | 28,445,461 | - | - | 28,445,461 | 14,127,108 |
| Normal risk | 100,510,005 | 2,943,052 | - | 103,453,057 | 160,827,850 |
| Acceptable risk | 230,335,067 | 37,329,425 | - | 267,664,492 | 168,091,871 |
| Acceptable with due care | 9,786,428 | 23,153,497 | - | 32,939,925 | 39,376,608 |
| Watch list | - | 21,087,457 | - | 21,087,457 | 2,832 |
| Substandard | - | - | 3,632,955 | 3,632,955 | 3,444,487 |
| Doubtful | - | - | 2,883,360 | 2,883,360 | 1,146,495 |
| Loss | - | - | 16,308,064 | 16,308,064 | 12,064,458 |
| Unrated | 3,938,170 | 3,088,173 | - | 7,026,343 | 1,725,092 |
| Total | 381,540,450 | 87,601,604 | 22,824,379 | 491,966,433 | 411,331,905 |

The movement on financing:-

| Item | For the year ended 31 December 2022 | | | |
|---|-------------------------------------|----------------------|-------------------|--------------------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 335,256,744 | 59,419,721 | 16,655,440 | 411,331,905 |
| New facilities during the year | 126,737,816 | 45,885,633 | 4,451,381 | 177,074,830 |
| settled facilities | (72,167,468) | (5,999,664) | - | (78,167,132) |
| Transfer to Stage 1 | 14,280,206 | (14,280,206) | - | - |
| Transfer to Stage 2 | (19,471,764) | 19,471,764 | - | - |
| Transfer to Stage 3 | - | (3,925,113) | 3,925,113 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | (2,341,838) | 2,463,259 | (1,860,179) | (1,738,758) |
| Changes resulting from modifications | (753,246) | (15,433,790) | (347,376) | (16,534,412) |
| Total balance at the end of the year | 381,540,450 | 87,601,604 | 22,824,379 | 491,966,433 |

The movement on impairment provision:

| Item | For the year ended 31 December 2022 | | | |
|--|-------------------------------------|----------------------|-------------------|-------------------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 3,750,027 | 9,089,288 | 16,610,742 | 29,450,057 |
| Impairment loss on new financing during the year | 593,170 | 7,654,939 | 3,479,390 | 11,727,499 |
| Recoverable from the loss of impairment on reimbursements | (1,144,873) | (1,132,976) | - | (2,277,849) |
| Transfer to Stage 1 | 187,951 | (187,951) | - | - |
| Transfer to Stage 2 | (244,041) | 244,041 | - | - |
| Transfer to Stage 3 | - | (1,701,533) | 1,701,533 | - |
| 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 | (108,429) | 4,431,294 | 34,930 | 4,357,795 |
| Changes resulting from modifications | (326,199) | (3,470,002) | (603,654) | (4,399,855) |
| Total balance at the end of the year | 2,707,606 | 14,927,100 | 21,222,941 | 38,857,647 |

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) :

| Item | 31 December 2022 | | | | | | 31 December 2021 |
|--------------|------------------|---------------|--------------|----------------|----------------|----------------|------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | | |
| | JD | JD | JD | JD | JD | JD | JD |
| Not rated | - | 87,884 | - | 417,744 | 209,534 | 715,162 | 1,978,535 |
| Total | - | 87,884 | - | 417,744 | 209,534 | 715,162 | 1,978,535 |

The movement on financing-

| Item | For the year ended 31 December 2022 | | | | | |
|---|-------------------------------------|----------------|--------------|------------------|----------------|------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | - | 908,055 | - | 1,015,092 | 55,388 | 1,978,535 |
| New facilities during the year | - | 76 | - | 106,669 | 1,087 | 107,832 |
| settled facilities | - | (290,115) | - | (326,122) | (134) | (616,371) |
| Transfer to Stage 1 | - | 21,268 | - | (21,268) | - | - |
| Transfer to Stage 2 | - | (224,465) | - | 224,465 | - | - |
| Transfer to Stage 3 | - | (72,959) | - | (135,807) | 208,766 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | - | (15,366) | - | (91,567) | (54,173) | (161,106) |
| Changes resulting from modifications | - | (238,610) | - | (353,718) | (1,400) | (593,728) |
| Total balance at the end of the year | - | 87,884 | - | 417,744 | 209,534 | 715,162 |

The movement on impairment provision:

| Item | For the year ended 31 December 2022 | | | | | |
|--|-------------------------------------|--------------|--------------|--------------|---------------|---------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | - | 5 | - | 4 | 55,388 | 55,397 |
| Impairment loss on new financing during the year | - | - | - | 1,145 | 1,087 | 2,232 |
| Recoverable from the loss of impairment on reimbursements | - | (1) | - | (6) | (134) | (141) |
| 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 | - | - | - | - | 10,256 | 10,256 |
| Changes resulting from modifications | - | - | - | - | (1,400) | (1,400) |
| Total balance at the end of the year | - | 4 | - | 1,143 | 65,197 | 66,344 |

B-Jointly financed

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

| Item | 31 December 2022 | | | | | | 31 December 2021 |
|--------------|------------------|-------------------|--------------|-------------------|------------------|-------------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | | |
| | JD | JD | JD | JD | JD | JD | JD |
| unrated | - | 29,188,828 | - | 18,143,840 | 3,514,267 | 50,846,935 | 43,017,222 |
| Total | - | 29,188,828 | - | 18,143,840 | 3,514,267 | 50,846,935 | 43,017,222 |

The movement on financing:-

| Item | For the year ended 31 December 2022 | | | | | |
|---|-------------------------------------|-------------------|--------------|-------------------|------------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | - | 20,151,623 | - | 20,475,259 | 2,390,340 | 43,017,222 |
| New facilities during the year | - | 13,769,917 | - | 3,462,858 | 279,939 | 17,512,714 |
| settled facilities | - | (3,952,251) | - | (4,555,961) | (125,498) | (8,633,710) |
| Transfer to Stage 1 | - | 3,893,291 | - | (3,877,742) | (15,549) | - |
| Transfer to Stage 2 | - | (3,330,395) | - | 3,369,799 | (39,404) | - |
| Transfer to Stage 3 | - | (510,068) | - | (1,170,979) | 1,681,047 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | - | 375,991 | - | (247,214) | (628,316) | (499,539) |
| Changes resulting from modifications | - | (1,209,280) | - | 687,820 | (28,292) | (549,752) |
| Total balance at the end of the year | - | 29,188,828 | - | 18,143,840 | 3,514,267 | 50,846,935 |

The movement on impairment provision:-

| Item | For the year ended 31 December 2022 | | | | | |
|--|-------------------------------------|---------------|--------------|----------------|------------------|------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | |
| | JD | JD | JD | JD | JD | JD |
| Balance of beginning of the year | - | 27,731 | - | 649,299 | 897,564 | 1,574,594 |
| Impairment loss on new financing during the year | - | 29,647 | - | 9,156 | 140,787 | 179,590 |
| Recoverable from the loss of impairment on reimbursements | - | (6,912) | - | (173,669) | (49,919) | (230,500) |
| Transfer to Stage 1 | - | 37,565 | - | (37,565) | - | - |
| Transfer to Stage 2 | - | (5,087) | - | 21,907 | (16,820) | - |
| Transfer to Stage 3 | - | (3,230) | - | (499) | 3,729 | - |
| 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 | - | (33,107) | - | 8,074 | 244,623 | 219,590 |
| Changes resulting from modifications | - | (2,794) | - | (85,893) | 402,624 | 313,937 |
| Total balance at the end of the year | - | 43,813 | - | 390,810 | 1,622,588 | 2,057,211 |

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):

| Item | 31 December 2022 | | | | 31 December 2021 |
|--------------|----------------------|----------------------|----------------|------------------|------------------|
| | Stage 1 (collective) | Stage 2 (collective) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Unrated | 1,393,587 | 56,613 | 184,163 | 1,634,363 | 1,388,916 |
| Total | 1,393,587 | 56,613 | 184,163 | 1,634,363 | 1,388,916 |

The movement on financing:-

| Item | For the year ended 31 December 2022 | | | |
|---|-------------------------------------|----------------------|----------------|------------------|
| | Stage 1 (collective) | Stage 2 (collective) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 1,238,415 | 462 | 150,039 | 1,388,916 |
| New facilities during the year | 626,440 | 56,316 | 37,421 | 720,177 |
| settled facilities | (226,828) | (25) | (4,451) | (231,304) |
| Transfer to Stage 1 | 2 | (2) | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | (6) | (144) | 150 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | 2 | - | 1,454 | 1,456 |
| Changes resulting from modifications | (244,438) | 6 | (450) | (244,882) |
| Total balance at the end of the year | 1,393,587 | 56,613 | 184,163 | 1,634,363 |

The movement on impairment provision:-

| Item | For the year ended 31 December 2022 | | | |
|--|-------------------------------------|----------------------|----------------|----------------|
| | Stage 1 (collective) | Stage 2 (collective) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 5,872 | 13 | 147,077 | 152,962 |
| Impairment loss on new financing during the year | 2,776 | 3,637 | 37,421 | 43,834 |
| Recoverable from the loss of impairment on reimbursements | (1,007) | (1) | (4,451) | (5,459) |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | (8) | 8 | - |
| 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 | - | - | 1,596 | 1,596 |
| Changes resulting from modifications | (760) | 1 | 2,498 | 1,739 |
| Total balance at the end of the year | 6,881 | 3,642 | 184,149 | 194,672 |

B-Jointly financed

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

| Item | 31 December 2022 | | | | 31 December 2021 |
|--------------|-------------------------|-------------------------|-------------------|--------------------|--------------------|
| | Stage 1 (collective) | Stage 2 (collective) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Unrated | 339,351,104 | 6,156,295 | 10,265,051 | 355,772,450 | 301,652,519 |
| Total | 339,351,104 | 6,156,295 | 10,265,051 | 355,772,450 | 301,652,519 |

The movement on financing:-

| Item | For the year ended 31 December 2022 | | | |
|---|-------------------------------------|-------------------------|-------------------|--------------------|
| | Stage 1 (collective) | Stage 2 (collective) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 276,706,634 | 16,676,113 | 8,269,772 | 301,652,519 |
| New facilities during the year | 122,791,014 | 98,011 | 39,488 | 122,928,513 |
| settled facilities | (26,560,718) | (1,427,653) | (686,604) | (28,674,975) |
| Transfer to Stage 1 | 9,089,426 | (9,076,148) | (13,278) | - |
| Transfer to Stage 2 | (1,843,613) | 2,923,645 | (1,080,032) | - |
| Transfer to Stage 3 | (1,825,268) | (1,929,288) | 3,754,556 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | (1,667,642) | (427,712) | (60,325) | (2,155,679) |
| Changes resulting from modifications | (37,338,729) | (680,673) | 41,474 | (37,977,928) |
| Total balance at the end of the year | 339,351,104 | 6,156,295 | 10,265,051 | 355,772,450 |

The movement on impairment provision:-

| Item | For the year ended 31 December 2022 | | | |
|--|-------------------------------------|-------------------------|------------------|-------------------|
| | Stage 1 (collective) | Stage 2 (collective) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 1,174,893 | 1,295,105 | 7,008,102 | 9,478,100 |
| Impairment loss on new financing during the year | 1,432,391 | 3,385 | 18,037 | 1,453,813 |
| Recoverable from the loss of impairment on reimbursements | (94,937) | (65,825) | (629,750) | (790,512) |
| Transfer to Stage 1 | 807,027 | (800,376) | (6,651) | - |
| Transfer to Stage 2 | (7,359) | 820,717 | (813,358) | - |
| Transfer to Stage 3 | (8,543) | (178,958) | 187,501 | - |
| 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 | (788,333) | (767,866) | 2,739,007 | 1,182,808 |
| Changes resulting from modifications | (40,913) | (194,002) | 1,097,737 | 862,822 |
| Total balance at the end of the year | 2,474,226 | 112,180 | 9,600,625 | 12,187,031 |

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) :-

| Item | 31 December 2022 | | | | | | 31 December 2021 |
|--------------|------------------|--------------|--------------|--------------|---------|-------|------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | | |
| | JD | . | JD | JD | JD | JD | JD |
| Total | - | - | - | - | - | - | - |

The movement on financing:-

| Item | For the year ended 31 December 2022 | | | | | | |
|--|-------------------------------------|--------------|--------------|--------------|---------|-------|----|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | |
| | (individual) | (Collective) | (individual) | (Collective) | | | |
| | JD | JD | JD | JD | JD | JD | JD |
| Total balance at the beginning of the year | - | - | - | - | - | - | - |
| Total balance at the end of the year | - | - | - | - | - | - | - |

The movement on impairment provision:

| Item | For the year ended 31 December 2022 | | | | | | |
|--------------------------------------|-------------------------------------|--------------|--------------|--------------|---------|-------|----|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | |
| | (individual) | (Collective) | (individual) | (Collective) | | | |
| | JD | 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) :

| Item | 31 December 2022 | | | | | | 31 December 2021 |
|--------------------------|------------------|------------------|-------------------|--------------|----------------|-------------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | | |
| | JD | JD | JD | JD | JD | JD | JD |
| Almost free risk | - | - | 624,150 | - | - | 624,150 | 1,006,883 |
| Low risk | 55,162 | - | - | - | - | 55,162 | - |
| Normal Risk | - | - | 59,540 | - | - | 59,540 | 86,857 |
| Acceptable risk | 1,536,856 | - | 615,234 | - | - | 2,152,090 | 4,156,463 |
| Acceptable with due care | 3,948 | - | 9,597,158 | - | - | 9,601,106 | 8,556,925 |
| Watch list | - | - | 233,071 | - | - | 233,071 | 20,769 |
| Doubtful | - | - | - | - | 65,881 | 65,881 | - |
| Unrated | 310,727 | 4,453,742 | - | - | 479,782 | 5,244,251 | 6,017,589 |
| Total | 1,906,693 | 4,453,742 | 11,129,153 | - | 545,663 | 18,035,251 | 19,845,486 |

The movement on financing:-

| Item | For the year ended 31 December 2022 | | | | | |
|---|-------------------------------------|------------------|-------------------|----------------|----------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | |
| | JD | JD | JD | JD | JD | JD |
| Total balance at the beginning of the year | 3,475,707 | 5,355,707 | 10,360,211 | 459,433 | 194,428 | 19,845,486 |
| New facilities during the year | 281,558 | 902,169 | 1,322,882 | - | 10,237 | 2,516,846 |
| Settled facilities | (79,725) | (731,028) | (6,785) | (83,446) | - | (900,984) |
| Transfer to Stage 1 | 106,154 | 119,855 | (106,154) | (119,855) | - | - |
| Transfer to Stage 2 | (935,053) | - | 935,053 | - | - | - |
| Transfer to Stage 3 | - | - | (13,985) | (256,132) | 270,117 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | (34,986) | (31,042) | (281,860) | - | 49,606 | (298,282) |
| Changes resulting from modifications | (906,962) | (1,161,919) | (1,080,209) | - | 21,275 | (3,127,815) |
| Total balance at the end of the year | 1,906,693 | 4,453,742 | 11,129,153 | - | 545,663 | 18,035,251 |

The movement on impairment provision:-

| Item | For the year ended 31 December 2022 | | | | | |
|--|-------------------------------------|--------------|------------------|--------------|----------------|------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total |
| | (individual) | (Collective) | (individual) | (Collective) | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 3,518 | 173 | 3,895,931 | - | 130,527 | 4,030,149 |
| Impairment loss on new financing during the year | 693 | 4,328 | 331,094 | - | 20,804 | 356,919 |
| Recoverable from the loss of impairment on reimbursements | - | (13) | (147,590) | - | - | (147,603) |
| Transfer to Stage 1 | 1,162 | - | (1,162) | - | - | - |
| Transfer to Stage 2 | (70) | - | 70 | - | - | - |
| Transfer to Stage 3 | - | - | (319,765) | - | 319,765 | - |
| 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 | (903) | - | 2,625 | - | 95,865 | 97,587 |
| Changes resulting from modifications | (1,742) | 247 | (1,097,080) | - | 69,065 | (1,029,510) |
| Total balance at the end of the year | 2,658 | 4,735 | 2,664,123 | - | 636,026 | 3,307,542 |

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):-

| Item | 31 December 2022 | | | | 31 December 2021 |
|------------------|----------------------|----------------------|----------|----------------|------------------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total | Total |
| | JD | JD | JD | JD | JD |
| Low risk | - | - | - | - | 509,660 |
| Almost free risk | 509,660 | - | - | 509,660 | - |
| Total | 509,660 | - | - | 509,660 | 509,660 |

The movement on financing:-

| Item | For the year ended 31 December 2022 | | | |
|--|-------------------------------------|----------------------|---------|---------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Total balance at the beginning of the year | 509,660 | - | - | 509,660 |
| Total balance at the end of the year | 509,660 | - | - | 509,660 |

The movement on impairment provision:-

| Item | For the year ended 31 December 2022 | | | |
|--------------------------------------|-------------------------------------|----------------------|---------|-------|
| | 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):-

| Item | For the year ended 31 December 2022 | | | | Total |
|--------------|-------------------------------------|-------------------------|----------|--------------------|--------------------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total | |
| | JD | JD | JD | JD | |
| Low risk | 454,446,477 | - | - | 454,446,477 | 327,994,641 |
| Total | 454,446,477 | - | - | 454,446,477 | 327,994,641 |

The movement on financing:-

| Item | For the year ended 31 December 2022 | | | |
|---|-------------------------------------|-------------------------|----------|--------------------|
| | Stage 1 (individual) | Stage 2 (individual) | Stage 3 | Total |
| | JD | JD | JD | JD |
| Total balance at the beginning of the year | 327,994,641 | - | - | 327,994,641 |
| New facilities during the year | 138,452,779 | - | - | 138,452,779 |
| settled facilities | (7,164,955) | - | - | (7,164,955) |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| The total impact on the size of exposures as a result of changing the classification between stages | - | - | - | - |
| Changes resulting from modifications | (4,835,988) | - | - | (4,835,988) |
| Total balance at the end of the year | 454,446,477 | - | - | 454,446,477 |

The movement on impairment provision:-

| Item | For the year ended 31 December 2022 | | | |
|---|-------------------------------------|-------------------------|----------|----------|
| | 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 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 2022

A - Self-financed

| | Stage 1 | | | | Stage 2 | | | | Stage 3 | | | | Total | | | |
|------------------------------|------------------|---------------|-------------------|------------------|------------------|---------------|-------------------|------------------|------------------|----------------|-------------------|------------------|------------------|----------------|-------------------|------------------|
| | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue |
| JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Corporates | 5,090,227 | 64,114 | - | - | 1,042,270 | 36,388 | - | - | 633,881 | 160,533 | 7,112 | - | 6,766,378 | 261,035 | 7,112 | - |
| Small and medium enterprises | 87,884 | 4 | - | - | 417,744 | 1,143 | - | - | 209,534 | 65,197 | - | - | 715,162 | 66,344 | - | - |
| Retail (individual) | 1,601,440 | 6,881 | - | 207,853 | 56,613 | 3,642 | - | - | 184,163 | 184,149 | - | - | 1,842,216 | 194,672 | - | 207,853 |
| Real estate financing | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Government and public sector | 509,660 | - | - | - | - | - | - | - | - | - | - | - | 509,660 | - | - | - |
| Total | 7,289,211 | 70,999 | - | 207,853 | 1,516,627 | 41,173 | - | - | 1,027,578 | 408,879 | 7,112 | - | 9,833,416 | 522,051 | 7,112 | 207,853 |

The financing amount in according to financial accounting standard (30) Issued by the Accounting and Auditing Organization for Islamic Financial Institutions does not include the amount of JD (6,168,880), representing Ijara Muntahia Bittamleek.

B - Jointly financed

| | Stage 1 | | | | Stage 2 | | | | Stage 3 | | | | Total | | | |
|------------------------------|----------------------|------------------|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|----------------------|-------------------|-------------------|--------------------|
| | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue |
| JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Corporates | 405,381,364 | 2,707,606 | - | 23,840,914 | 96,094,166 | 14,927,100 | - | 8,492,562 | 24,465,621 | 21,222,941 | 1,326,283 | 314,959 | 525,941,151 | 38,857,647 | 1,326,283 | 32,648,435 |
| Small and medium enterprises | 30,530,086 | 43,813 | - | 1,341,258 | 19,012,516 | 390,810 | - | 868,676 | 3,726,518 | 1,622,588 | 134,325 | 77,926 | 53,269,120 | 2,057,211 | 134,325 | 2,287,860 |
| Retail (individual) | 410,128,672 | 2,474,226 | - | 70,777,568 | 6,826,814 | 112,180 | - | 670,519 | 12,179,345 | 9,600,625 | 1,155,526 | 758,768 | 429,134,831 | 12,187,031 | 1,155,526 | 72,206,855 |
| Real estate financing | 7,190,329 | 7,393 | - | 829,894 | 13,908,130 | 2,664,123 | - | 2,778,977 | 679,087 | 636,026 | 107,277 | 26,147 | 21,777,546 | 3,307,542 | 107,277 | 3,635,018 |
| Government and public sector | 522,438,962 | - | - | 67,992,485 | - | - | - | - | - | - | - | - | 522,438,962 | - | - | 67,992,485 |
| Total | 1,375,669,413 | 5,233,038 | - | 164,782,119 | 135,841,626 | 18,094,213 | - | 12,810,734 | 41,050,571 | 33,082,180 | 2,723,411 | 1,177,800 | 1,552,561,610 | 56,409,431 | 2,723,411 | 178,770,653 |

The financing amount in accordance with Financial accounting standard (30) Issued by the Accounting and Auditing Organization for Islamic Financial Institutions does not include the amount of JD (607,130,892) 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 2021

A- Self-financed

| | Stage 1 | | | | Stage 2 | | | | Stage 3 | | | | Total | | | |
|------------------------------|------------------|---------------|-------------------|------------------|------------------|-----------|-------------------|------------------|----------------|----------------|-------------------|------------------|------------------|----------------|-------------------|------------------|
| | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Corporates | 1,304,756 | 10,104 | - | - | 242,810 | 41 | - | - | 340,842 | 14,161 | 7,112 | - | 1,888,408 | 24,306 | 7,112 | - |
| Small and medium enterprises | 908,055 | 5 | - | - | 1,015,092 | 4 | - | - | 55,388 | 55,388 | - | - | 1,978,535 | 55,397 | - | - |
| Retail (individual) | 1,412,672 | 5,872 | - | 174,257 | 482 | 13 | - | - | 150,039 | 147,077 | - | - | 1,563,173 | 152,962 | - | 174,257 |
| Real estate financing | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Government and public sector | 509,660 | - | - | - | - | - | - | - | - | - | - | - | 509,660 | - | - | - |
| Total | 4,135,143 | 15,981 | - | 174,257 | 1,258,364 | 58 | - | - | 546,269 | 216,626 | 7,112 | - | 5,939,776 | 232,665 | 7,112 | 174,257 |

-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 (5,457,190) , representing Ijara Muntahia Bittamleek.

B - Jointly financed

| | Stage 1 | | | | Stage 2 | | | | Stage 3 | | | | Total | | | |
|------------------------------|----------------------|------------------|-------------------|--------------------|--------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|------------------|----------------------|-------------------|-------------------|--------------------|
| | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue | Total | ECL | Suspended revenue | Deferred revenue |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Corporates | 352,068,357 | 3,750,027 | - | 16,611,613 | 62,266,523 | 9,089,288 | - | 2,846,802 | 16,187,575 | 16,610,742 | 1,081,896 | 450,439 | 432,522,455 | 29,450,057 | 1,061,696 | 20,108,854 |
| Small and medium enterprises | 21,031,716 | 27,731 | - | 880,093 | 21,364,938 | 649,299 | - | 889,679 | 2,575,394 | 897,564 | 83,177 | 101,877 | 44,972,048 | 1,574,594 | 83,177 | 1,871,649 |
| Retail (individual) | 334,740,676 | 1,174,893 | - | 58,034,042 | 19,207,257 | 1,295,105 | - | 2,531,144 | 9,887,068 | 7,008,102 | 940,593 | 676,703 | 363,835,001 | 9,478,100 | 940,593 | 61,241,889 |
| Real estate financing | 10,088,171 | 3,691 | - | 1,256,757 | 14,014,751 | 3,886,931 | - | 3,195,107 | 251,715 | 130,527 | 44,118 | 13,169 | 24,354,637 | 4,030,149 | 44,118 | 4,465,033 |
| Government and public sector | 384,465,171 | - | - | 56,470,530 | - | - | - | - | - | - | - | - | 384,465,171 | - | - | 56,470,530 |
| Total | 1,102,394,091 | 4,956,342 | - | 133,453,035 | 116,853,469 | 14,929,623 | - | 9,462,732 | 30,901,752 | 24,646,935 | 2,149,584 | 1,242,188 | 1,250,149,312 | 44,532,900 | 2,149,584 | 144,157,955 |

-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 (528,348,066) 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 at 31 December 2022

A- Self

| | at December 31, 2022 | | | | | | | | | | | | | | |
|---------------------|--|------------------|-------------------|-------------------|----------------|---|---------------|------------------|-------------------|------------------|---------------|------------------|-------------------|------------------|----------------|
| | According to classification instructions No. (47/2009) | | | | | according to financial accounting standard (30) | | | | | | | | | |
| | | | | | | 1 stage | | | | | 2 stage | | | | |
| | Total | Deferred revenue | Suspended revenue | Net | ECL | Total | ECL | Deferred revenue | Suspended revenue | Total | ECL | Deferred revenue | Suspended revenue | Total | ECL |
| Performing loans | 14,540,453 | 207,853 | - | 14,332,600 | - | 7,289,211 | 70,999 | 207,853 | - | 1,082,346 | 18,032 | - | - | 16 | 11 |
| Watch list | 434,281 | - | - | 434,281 | 45,733 | - | - | - | - | 434,281 | 23,141 | - | - | - | - |
| Non-performing debt | 1,027,562 | - | 7,112 | 1,020,450 | 409,879 | - | - | - | - | 1,027,562 | 362,007 | - | 7,112 | 1,027,562 | 362,007 |
| of watch : | | | | | | | | | | | | | | | |
| Substandard | 48,415 | - | - | 48,415 | 2,328 | - | - | - | - | 48,415 | 7,819 | - | - | 48,415 | 7,819 |
| Bad debts | 375,799 | - | - | 375,799 | 191,684 | - | - | - | - | 375,799 | 186,675 | - | - | 375,799 | 186,675 |
| Loss | 603,348 | - | 7,112 | 596,236 | 215,867 | - | - | - | - | 603,348 | 167,513 | - | 7,112 | 603,348 | 167,513 |
| Total | 16,002,296 | 207,853 | 7,112 | 15,787,331 | 455,612 | 7,289,211 | 70,999 | 207,853 | - | 1,516,627 | 41,173 | - | 1,027,578 | 9,833,416 | 474,190 |
| | | | | | | | | | | | | | | 207,853 | 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

| | according to financial accounting standard (30) | | | | | | | | | | | | | | |
|---------------------|--|--------------------|-------------------|----------------------|-------------------|----------------------|------------------|--------------------|-------------------|--------------------|-------------------|-------------------|-------------------|----------------------|-------------------|
| | According to classification instructions No. (47/2009) | | | | | 1 stage | | | | | | | | | |
| | | | | | | 2 stage | | | | | 3 stage | | | | |
| | Total | Deferred revenue | Suspended revenue | Net | ECL | Total | ECL | Deferred revenue | Suspended revenue | Total | ECL | Deferred revenue | Suspended revenue | Total | ECL |
| Performing loans | 2,092,635,393 | 176,359,391 | - | 1,916,276,002 | - | 1,374,256,285 | 5,231,370 | 164,548,797 | - | 110,074,360 | 13,105,604 | 11,810,594 | - | 1,173,946 | 20,660 |
| Watch list | 27,180,384 | 1,233,462 | - | 25,946,922 | 674,809 | 1,413,118 | 1,668 | 233,322 | - | 25,767,266 | 4,989,609 | 1,000,140 | - | - | - |
| Non-performing debt | 39,876,725 | 1,177,800 | 2,723,411 | 35,975,514 | 33,082,180 | - | - | - | - | - | - | - | - | 39,876,725 | 23,713,584 |
| of watch : | | | | | | | | | | | | | | | |
| Substandard | 2,014,658 | 188,720 | 12,076 | 1,833,862 | 753,804 | - | - | - | - | 2,014,658 | 675,003 | 188,720 | 12,076 | 2,014,658 | 675,003 |
| Bad debts | 8,554,261 | 180,586 | 110,028 | 8,263,647 | 5,354,986 | - | - | - | - | 8,554,261 | 3,675,049 | 180,586 | 110,028 | 8,554,261 | 3,675,049 |
| Loss | 29,307,806 | 828,494 | 2,601,307 | 25,678,005 | 26,473,390 | - | - | - | - | 29,307,806 | 19,363,532 | 828,494 | 2,601,307 | 29,307,806 | 19,363,532 |
| Total | 2,159,692,502 | 178,770,653 | 2,723,411 | 1,978,198,438 | 33,756,989 | 1,375,669,413 | 5,233,038 | 164,782,119 | - | 135,841,626 | 18,094,213 | 12,810,734 | - | 41,050,571 | 23,734,244 |
| | | | | | | | | | | | | | | 1,177,800 | 2,723,411 |
| | | | | | | | | | | | | | | 1,552,561,610 | 47,061,495 |
| | | | | | | | | | | | | | | 176,770,653 | 2,723,411 |

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.

A-Self

The finances that are covered according to Instructions No. 4/7/2009 were linked to the results of their calculation according to the instructions of the Central Bank of Jordan.

B-joint

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 SHAREHOLDERS' EQUITY-SELF FINANCED

The details of this item are as follows:

| | 31 December | |
|---|----------------|----------|
| | 2022 | 2021 |
| | JD | JD |
| Quoted Financial Assets : | | |
| Corporate Shares | 235,000 | - |
| Total quoted Financial Assets | 235,000 | - |
| Total Financial assets at fair value through shareholders' equity -self financed | 235,000 | - |

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

The details of this item are as follows:

| | Jointly financed | |
|--|--------------------|--------------------|
| | 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Quoted Financial Assets : | | |
| Corporate Shares | 1,748,930 | 478,651 |
| Islamic Sukuk | 53,086,503 | 71,457,019 |
| Total quoted Financial Assets | 54,835,433 | 71,935,670 |
| Unquoted Financial Assets | | |
| Corporate Shares | 3,951,976 | 2,564,807 |
| Islamic Sukuk | 214,104,719 | 90,096,000 |
| Total unquoted financial assets | 218,056,695 | 92,660,807 |
| Total Financial Assets At Fair Value through Unrestricted Investment Accounts Holders' Equity-Net | 272,892,128 | 164,596,477 |
| Less: Expected Credit Losses provision of financial assets | (232,941) | (232,800) |
| Net Financial Assets At Fair Value through Unrestricted Investment Accounts Holders' Equity | 272,659,187 | 164,363,677 |

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 2022:

| Item | (Stage1 (Individual | (Stage2 (Individual | Stage3 | Total |
|---|------------------------|------------------------|--------|--------------------|
| | JD | JD | JD | JD |
| Fair value as at the beginning of the year | 164,596,477 | - | - | 164,596,477 |
| New investments during the year | 136,593,962 | - | - | 136,593,962 |
| Matured and sold investments | (44,634,201) | - | - | (44,634,201) |
| Change in Fair value | - | - | - | - |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| The total impact on the size of exposures as a result of changing the classification between stages | - | - | - | - |
| Changes resulting from modifications | 16,335,890 | - | - | 16,335,890 |
| Total balance at the end of year | 272,892,128 | - | - | 272,892,128 |

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 2022:-

| Item | (Stage1 (Individual | (Stage2 (Individual | Stage3 | Total |
|--|------------------------|------------------------|--------|----------------|
| | JD | JD | JD | JD |
| Fair value as at the beginning of the year | 232,800 | - | - | 232,800 |
| Impairment loss on new investments during the period | 35,486 | - | - | 35,486 |
| Recovered from loss of Matured and sold investments | (36,060) | - | - | (36,060) |
| 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 | 715 | - | - | 715 |
| Total balance at the end of year | 232,941 | - | - | 232,941 |

(11) FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

| | Jointly financed | |
|--|-------------------|-------------------|
| | 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Unquoted Financial Assets: | | |
| Islamic Sukuk | 37,313,000 | 64,752,000 |
| Total unquoted Financial Assets | 37,313,000 | 64,752,000 |
| Total Financial Assets at Amortized Cost- Net | 37,313,000 | 64,752,000 |

- The assets mentioned above mature during the years 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.

(12) INVESTMENT IN ASSOCIATE

Investment in associated company (jointly financed):

| | Percentage of ownership | Country | Principal activity | 31 December | |
|--|-------------------------|---------|--------------------|-------------|---------|
| | | | | 2022 | 2021 |
| Jordan Blending and Packing of Fertilizers Company | 25% | Jordan | Manufacturing | 345,954 | 343,708 |

- Cash dividend for the bank from the associate amounted to JD 6,250 during the year 2022 (JD 6,250 during the year 2021).

The movement on the investment in associate was as follows:

| | Jointly financed | |
|---|------------------|----------------|
| | 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Beginning balance | 343,708 | 349,507 |
| Share of profit | 8,496 | 12,951 |
| The share of joint funds from the loss of decline in the affiliate's investment | - | (12,500) |
| Dividends received | (6,250) | (6,250) |
| Ending balance for the year* | 345,954 | 343,708 |

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

(13) LJARA MUNTALIA BITTAMLEEK ASSETS - NET

| | Jointly financed | | | Self financed | | | Total | | |
|--|--------------------|--------------------------|--------------------|------------------|--------------------------|------------------|--------------------|--------------------------|--------------------|
| | Cost | Accumulated Depreciation | Net Value | Cost | Accumulated Depreciation | Net Value | Cost | Accumulated Depreciation | Net Value |
| 31 December 2022 | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Ijara Muntalia Bittamleek assets-Real Estate | 671,947,039 | (105,315,553) | 566,631,486 | 7,900,380 | (1,731,500) | 6,168,880 | 679,847,419 | (107,047,053) | 572,800,366 |
| Ijara Muntalia Bittamleek assets-Machines | 55,246,985 | (18,272,951) | 36,974,034 | - | - | - | 55,246,985 | (18,272,951) | 36,974,034 |
| Ijara Muntalia Bittamleek assets-vehicles | 3,759,188 | (233,816) | 3,525,372 | - | - | - | 3,759,188 | (233,816) | 3,525,372 |
| Total | 730,953,212 | (123,822,320) | 607,130,892 | 7,900,380 | (1,731,500) | 6,168,880 | 738,853,592 | (125,553,820) | 613,299,772 |
| 31 December 2021 | Jointly financed | | | Self financed | | | Total | | |
| | Cost | Accumulated Depreciation | Net Value | Cost | Accumulated Depreciation | Net Value | Cost | Accumulated Depreciation | Net Value |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Ijara Muntalia Bittamleek assets-Real Estate | 580,679,266 | (91,816,833) | 488,862,433 | 6,879,147 | (1,421,957) | 5,457,190 | 587,558,413 | (93,238,790) | 494,319,623 |
| Ijara Muntalia Bittamleek assets-Machines | 51,976,724 | (12,579,226) | 39,397,498 | - | - | - | 51,976,724 | (12,579,226) | 39,397,498 |
| Ijara Muntalia Bittamleek assets-vehicles | 117,976 | (29,841) | 88,135 | - | - | - | 117,976 | (29,841) | 88,135 |
| Total | 632,773,966 | (104,425,900) | 528,348,066 | 6,879,147 | (1,421,957) | 5,457,190 | 639,653,113 | (105,847,857) | 533,805,256 |

- The accrued Ijara installments amounted to JD 3,300,078 as at 31 December 2022 (JD 4,054,111 as at 31 December 2021). Moreover the due Ijara installments were presented under deferred sales receivables and other receivables-Net (Note 8).

- The non-performing Ijara Muntalia Bittamleek amounted to JD 6,259,572 as at 31 December 2022 representing 1.02% of the balance of Ijara Muntalia Bittamleek assets (JD 3,583,586 as at 31 December 2021, representing 0.67% of the balance of Ijara Muntalia Bittamleek assets).

(14) PROPERTY AND EQUIPMENT - NET

| For the year ended 31 December 2022 | 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 | 17,639,022 | 282,131 | 5,336,017 | 1,139,949 | 40,026,693 |
| Additions / capitalization* | - | - | 1,447,104 | - | 415,571 | 23,135 | 1,885,810 |
| Disposals | - | - | 777,459 | - | 97,258 | - | 874,717 |
| Ending balance for the year | 2,747,021 | 12,882,553 | 18,308,667 | 282,131 | 5,654,330 | 1,163,084 | 41,037,786 |
| Accumulated depreciation: | | | | | | | |
| Beginning balance for the year | - | 2,187,466 | 12,480,116 | 126,454 | 4,007,462 | 302,698 | 19,104,196 |
| Depreciation for the year | - | 257,303 | 1,480,009 | 36,923 | 519,048 | 66,923 | 2,360,206 |
| Disposals | - | - | 770,873 | - | 90,816 | - | 861,689 |
| Ending balance for the year | - | 2,444,769 | 13,189,252 | 163,377 | 4,435,694 | 369,621 | 20,602,713 |
| Net book value for property and equipment | 2,747,021 | 10,437,784 | 5,119,415 | 118,754 | 1,218,636 | 793,463 | 20,435,073 |
| Advance payments on purchasing property and equipment | - | - | 18,369 | - | 339,503 | 277,941 | 635,813 |
| Projects in progress | - | - | 215,182 | - | - | - | 215,182 |
| Net property and equipment at the end of year | 2,747,021 | 10,437,784 | 5,352,966 | 118,754 | 1,558,139 | 1,071,404 | 21,286,068 |
| For the year ended 31 December 2021 | | | | | | | |
| Cost: | | | | | | | |
| Beginning balance for the year | 2,747,021 | 12,882,553 | 17,013,040 | 279,530 | 5,132,919 | 1,139,949 | 39,195,012 |
| Additions / capitalization* | - | - | 745,717 | 63,501 | 236,684 | - | 1,045,902 |
| Disposals | - | - | 119,735 | 60,900 | 33,586 | - | 214,221 |
| Ending balance for the year | 2,747,021 | 12,882,553 | 17,639,022 | 282,131 | 5,336,017 | 1,139,949 | 40,026,693 |
| Accumulated depreciation: | | | | | | | |
| Beginning balance for the year | - | 1,929,875 | 10,896,811 | 158,824 | 3,539,449 | 235,984 | 16,760,943 |
| Depreciation for the year | - | 257,591 | 1,667,381 | 28,526 | 497,960 | 66,714 | 2,518,172 |
| Disposals | - | - | 84,076 | 60,896 | 29,947 | - | 174,919 |
| Ending balance for the year | - | 2,187,466 | 12,480,116 | 126,454 | 4,007,462 | 302,698 | 19,104,196 |
| Net book value for property and equipment | 2,747,021 | 10,695,087 | 5,158,906 | 155,677 | 1,328,555 | 837,251 | 20,922,497 |
| Advance payments on purchasing property and equipment | - | - | 60,062 | - | 339,503 | 634,061 | 1,033,626 |
| Projects in progress | - | - | 377,128 | - | - | - | 377,128 |
| Net property and equipment at the end of year | 2,747,021 | 10,695,087 | 5,596,096 | 155,677 | 1,668,058 | 1,471,312 | 22,333,251 |
| Annual depreciation rate | - | %2 | %15 | %15 | %20 | %10-%4 | |

-Fully depreciated property and equipment amounted to JD 11,120,531 as at 31 December 2022 (JD 10,358,001 as at 31 December 2021).

-The total estimated cost to complete projects in progress amounted to JD 333,212 as at 31 December 2022.

*An amount of JD 594,373 was capitalized from payments on the purchase of property, equipment and projects under implementation in 2022 (JD 242,214 during the year 2021).

(15) INTANGIBLE ASSETS-NET

The details of this item are as follows:

| | Computer Systems & Software | |
|---------------------------------------|-----------------------------|------------------|
| | 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Beginning balance for the year | 1,919,527 | 2,024,886 |
| Additions | 875,719 | 616,659 |
| Amortization for the year | (792,770) | (722,018) |
| Ending balance for the year | 2,002,476 | 1,919,527 |
| Annual amortization rate | 20% | 20% |

(16) OTHER ASSETS

The details of this item are as follows:

| | 31 December | |
|--|-------------------|-------------------|
| | 2022 | 2021 |
| | JD | JD |
| Seized assets by the Bank against debts-Net* | 8,283,321 | 7,941,658 |
| Prepaid expenses | 1,540,096 | 1,120,008 |
| Accrued revenue | 3,038,178 | 1,580,066 |
| Stationery and printing inventory | 239,181 | 228,399 |
| Withholding income tax | 21,695 | 31,180 |
| Petty cash | 37,460 | 134,170 |
| Other accounts receivable | 795,418 | 648,306 |
| Others | 956,356 | 1,360,901 |
| Total | 14,911,705 | 13,044,688 |

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

| | For the year ended 31 December 2022 | | | For the year ended 31 December 2021 |
|--|-------------------------------------|---------------------------------------|------------------|-------------------------------------|
| | Seized real estates -self financed | Seized real estates- jointly financed | Total | Total |
| | JD | JD | JD | JD |
| Balance at the beginning of the year | 409,833 | 8,620,321 | 9,030,154 | 6,945,645 |
| Additions | - | 1,532,849 | 1,532,849 | 2,468,822 |
| Sales and disposal | (17,589) | (931,474) | (949,063) | (384,313) |
| Total | 392,244 | 9,221,696 | 9,613,940 | 9,030,154 |
| Provision for impairment of real estate - Jordan Central Bank instructions | (343,441) | (987,178) | (1,330,619) | (1,088,496) |
| Balance at the end of the year | 48,803 | 8,234,518 | 8,283,321 | 7,941,658 |

- 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 256,148 as at 31 December 2022 (JD 225,754 as at 31 December 2021).

The movement of real estate provision was as follows:

| | For the year ended 31 December 2022 | | | For the year ended 31 December 2021 |
|---|-------------------------------------|---------------------------------------|--------------------|-------------------------------------|
| | Seized real estates -self financed | Seized real estates- jointly financed | Total | Total |
| | JD | JD | JD | JD |
| Provision balance at the beginning of the year | (343,441) | (745,055) | (1,088,496) | (445,132) |
| Additions to the provision for impairment in real estate | - | (222,164) | (222,164) | (662,240) |
| Additions to the real estate provision (instructions of the Central Bank of Jordan) | (108) | (30,286) | (30,394) | (12,197) |
| Released from the provision for impairment of real estate | 108 | 10,327 | 10,435 | 30,240 |
| Released from the real estate provision (Central Bank of Jordan instructions) | - | - | - | 833 |
| Balance at the end of the year | (343,441) | (987,178) | (1,330,619) | (1,088,496) |

(17) BANKS AND FINANCIAL INSTITUTIONS ACCOUNTS

The details of this item are as follows:

| | 31 December 2022 | | | 31 December 2021 |
|------------------|--------------------|---------------------|-------------------|-------------------|
| | Inside the Kingdom | Outside the Kingdom | Total | Total |
| | JD | JD | JD | JD |
| Current accounts | 6,742,584 | 11,246,509 | 17,989,093 | 16,530,718 |
| Total | 6,742,584 | 11,246,509 | 17,989,093 | 16,530,718 |

(18) CUSTOMERS' CURRENT ACCOUNTS

The details of this item are as follows:

| | 31 December 2022 | | | | |
|------------------|--------------------|-------------------|----------------------------|--------------------------------|--------------------|
| | Retail | Corporate | Small and medium companies | Governmental and Public sector | Total |
| | JD | JD | JD | JD | JD |
| Current accounts | 190,396,725 | 29,164,531 | 77,042,701 | 3,274,323 | 299,878,280 |
| Total | 190,396,725 | 29,164,531 | 77,042,701 | 3,274,323 | 299,878,280 |
| | 31 December 2021 | | | | |
| | Retail | Corporate | Small and medium companies | Governmental and Public sector | Total |
| | JD | JD | JD | JD | JD |
| Current accounts | 175,393,369 | 31,782,908 | 80,641,325 | 2,249,166 | 290,066,768 |
| Total | 175,393,369 | 31,782,908 | 80,641,325 | 2,249,166 | 290,066,768 |

- Government and public sector deposits inside the Kingdom as at 31 December 2022 amounted to JD 3,274,323 representing 1.09 % of the total customers' current accounts (As at 31 December 2021 amounted to JD 2,249,166 representing 0.78 % of the total customers' current accounts) .
- The restricted accounts as at 31 December 2022 amounted to JD 1,038,984 representing 0.35% of the total customers' current accounts (As at 31 December 2021 amounted to JD 1,465,904 representing 0.51% of the total customers' current accounts) .
- The dormant accounts as at 31 December 2022 amounted to JD 11,322,528 (As at 31 December 2021 amounted to JD 9,820,599).

(19) CASH MARGIN ACCOUNTS

The details of this item are as follows:

| | 31 December | |
|-------------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| | JD | JD |
| Margins against direct facilities | 31,983,899 | 39,702,662 |
| Margins against indirect facilities | 9,716,465 | 15,501,135 |
| Other margins | 1,199,768 | 921,005 |
| Total | 42,900,132 | 56,124,802 |

(20) OTHER PROVISIONS

The details of this item are as follows:

| | 31 December 2022 | | | | |
|--|-------------------|--------------------------|----------------------|--------------------|----------------|
| | 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 | 340,000 | - | - | - | 340,000 |
| Provision for contingent liabilities | 100,000 | - | - | - | 100,000 |
| Total | 440,000 | - | - | - | 440,000 |
| | 31 December 2021 | | | | |
| | 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 | 193,597 | 146,403 | - | - | 340,000 |
| Provision for contingent liabilities | 761,000 | - | - | 661,000 | 100,000 |
| Total | 954,597 | 146,403 | - | 661,000 | 440,000 |

(21) INCOME TAX PROVISION

A- Income tax provision

The movement of the income tax provision is as follows :

| | For the year ended 31 December | |
|---|--------------------------------|------------------|
| | 2022 | 2021 |
| | JD | JD |
| Beginning balance for the year | 8,332,402 | 8,298,808 |
| Income tax expense | 10,842,374 | 10,177,077 |
| Previous years settlement (netting from tax deposits of the subsidiary company) | (22,068) | - |
| Less : Income tax paid for the year* | (10,406,611) | (10,143,483) |
| Ending balance for the year | 8,746,097 | 8,332,402 |

* Of which, an amount of JD 2,064,360 paid in advance for the income tax for the year 2022 (JD 1,891,615 paid in advance for the income tax for the year 2021).

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

| | For the year ended 31 December | |
|--|--------------------------------|--------------------|
| | 2022 | 2021 |
| | JD | JD |
| Income tax due | (10,842,374) | (10,177,077) |
| Add : Released deferred tax assets/self financed | (48,054) | (296,780) |
| Less : Deferred tax assets / self financed | 171,979 | 158,616 |
| Less : Deferred tax assets / jointly financed | 1,410,495 | 1,558,381 |
| Total | (9,307,954) | (8,756,860) |

- 35% was used to calculate the income tax provision according to the Income and Sales Tax Law No. 38 of 2018, which was implemented from first of January 2019, in addition to the percentage of 3% as national contributions.

Tax Status:

The Bank :

-Tax clearance was obtained for end the year 2020 from The Income and Sales Tax Department.

-The tax returns for the year is 2021 were submitted within the statutory period and were still not reviewed by the Income and Sales Tax Department until the date of preparing the consolidated financial statements .

The Subsidiary:

Misk for Financial Brokerage Company:

-A tax clearance was obtained from the Income and Sales Tax Department until the end of 2021 except for 2019, the tax returns for the year 2019 had been submitted and still pending review by the Income and Sales Tax Department.

- Regarding the tax returns for the years 2011, 2012 and 2013, a court decision was issued to write off the amounts and accept the tax returns as they are. The court's decision has not been implemented 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

The details of this item are as follows:

| | For the year ended 31 December | | | | | For the year ended 31 December |
|---|--------------------------------|------------------|--------------------|-----------------------------|------------------|--------------------------------|
| | 2022 | | | | | 2021 |
| | Beginning Balance for the year | Released Amounts | Additional Amounts | Ending Balance for the year | Deferred tax | Deferred tax |
| | JD | JD | JD | JD | JD | JD |
| Deferred tax assets | | | | | | |
| Deferred tax assets - self financed | | | | | | |
| Provision of lawsuits against the bank | 340,000 | - | - | 340,000 | 129,200 | 129,200 |
| Provision for impairment of assets seized by the bank against debts-self financed | 343,441 | - | - | 343,441 | 130,508 | 130,508 |
| Provision for credit losses for the first and second stages - self financed | 283,830 | 70,363 | - | 213,467 | 81,117 | 107,855 |
| Difference in the application of FAS (32) - Leases | 636,762 | - | 136,576 | 773,338 | 293,868 | 241,970 |
| Provision for contingent liabilities | 100,000 | - | - | 100,000 | 38,000 | 38,000 |
| Unpaid employee bounsnes | 57,272 | 56,094 | 316,000 | 317,178 | 120,528 | 21,763 |
| Total Deferred tax assets - self financed | 1,761,305 | 126,457 | 452,576 | 2,087,424 | 793,221 | 669,296 |
| Deferred tax assets - jointly financed | | | | | | |
| Provision for impairment of expropriated real estate - jointly financed | 643,364 | - | 242,123 | 885,487 | 336,485 | 244,478 |
| Provision for credit losses for the first and second stages - jointly financed | 15,316,625 | - | 3,469,706 | 18,786,331 | 7,138,806 | 5,820,318 |
| Total Deferred tax assets - jointly financed | 15,959,989 | - | 3,711,829 | 19,671,818 | 7,475,291 | 6,064,796 |
| Total | 17,721,294 | 126,457 | 4,164,405 | 21,759,242 | 8,268,512 | 6,734,092 |

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

| | For the year ended 31 December | |
|---|--------------------------------|----------------|
| | 2022 | 2021 |
| | JD | JD |
| Balance at the beginning of the year | 669,296 | 807,460 |
| Additions during the year | 171,979 | 158,616 |
| Amortized during the year | (48,054) | (296,780) |
| Balance at the End of the year | 793,221 | 669,296 |

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

| | For the year ended 31 December | |
|---|--------------------------------|------------------|
| | 2022 | 2021 |
| | JD | JD |
| Balance at the beginning of the year | 6,064,796 | 4,506,415 |
| Additions during the year | 1,410,495 | 1,558,381 |
| Balance at the End of the year | 7,475,291 | 6,064,796 |

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

| | For the year ended 31 December | |
|---|--------------------------------|-------------------|
| | 2022 | 2021 |
| | JD | JD |
| Accounting profit for the Bank | 24,419,975 | 22,817,180 |
| Less: Non-taxable income | (181,629) | (842,955) |
| Add: Non-deductible expenses | 4,566,741 | 5,041,180 |
| Tax income for the Bank | 28,805,087 | 27,015,405 |
| Attributable to : | | |
| Taxable income for the Bank (separated) | 27,787,238 | 26,109,462 |
| Subsidiary's and associate's taxable profit | 1,017,849 | 905,943 |
| Statutory tax rate- bank | 38% | 38% |
| Statutory tax rate- subsidiary | 28% | 28% |
| Effective tax rate | 38.1% | 38.4% |

(22) OTHER LIABILITIES

The details of this item are as follows:

| | For the year ended 31 December | |
|--|--------------------------------|-------------------|
| | 2022 | 2021 |
| | JD | JD |
| Accrued expenses and not paid | 850,782 | 410,517 |
| Certified cheques | 6,405,993 | 5,925,643 |
| Expected credit losses on off - balance sheet items-self financed(Note 54)** | 175,041 | 341,537 |
| Expected credit losses on off balance sheet items - Jointly financed(Note 54)*** | 1,148,342 | 841,925 |
| Shareholders and customers deposits | 7,611,239 | 10,702,612 |
| Customers' share of profits from unrestricted investment | 26,127,822 | 17,867,612 |
| Temporary deposits* | 11,842,010 | 12,591,008 |
| Visa Claims | 2,897,543 | 2,099,032 |
| Others | 938,593 | 431,439 |
| Total | 57,997,365 | 51,211,325 |

* It includes intermediate accounts for an amount of JD 9,227,465 as at 31 December 2022 (JD 10,993,035 as at 31 December 2021), which is the value of credits and deferred policies, and the value will be paid when due.

• Expected credit losses

**Expected credit loss of indirect facilities

A-Self-financed

Movement on indirect facilities for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|---|--------------------|------------|------------------|------------|----------------|--------------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | | |
| Total balance at the beginning of the year | 90,741,077 | - | 9,059,946 | - | 125,309 | 99,926,332 |
| New exposures during the year | 57,145,518 | - | 4,757,455 | - | - | 61,902,973 |
| Accrued exposures | (44,447,537) | - | (6,870,769) | - | - | (51,318,306) |
| Transfer to Stage 1 | 513,120 | - | (503,120) | - | (10,000) | - |
| Transfer to Stage 2 | (242,500) | - | 242,500 | - | - | - |
| Transfer to Stage 3 | (10,000) | - | - | - | 10,000 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | (32,582) | - | (31,700) | - | - | (64,282) |
| Changes resulting from modifications | 3,473,802 | - | (119,159) | - | - | 3,354,643 |
| Total balance at the end of the year | 107,140,898 | - | 6,535,153 | - | 125,309 | 113,801,360 |

Movement on the provision for expected credit losses (indirect facilities /self financed) for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|--|----------------|------------|---------------|------------|---------|----------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | | |
| Balance at the beginning of the year | 276,031 | - | 65,506 | - | - | 341,537 |
| Impairment loss on new exposures during the year | 51,347 | - | 5,039 | - | - | 56,386 |
| Impairment loss of matured / derecognized exposures | (126,485) | - | (38,006) | - | - | (164,491) |
| Transfer to Stage 1 | 4,122 | - | (4,122) | - | - | - |
| Transfer to Stage 2 | (1,203) | - | 1,203 | - | - | - |
| Transfer to Stage 3 | (163) | - | - | - | 163 | - |
| 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 | (3,250) | - | (623) | - | (163) | (4,036) |
| Changes resulting from modifications | (49,818) | - | (4,537) | - | - | (54,355) |
| Total balance at the end of the year | 150,581 | - | 24,460 | - | - | 175,041 |

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

Distribution of total indirect facilities / guarantees

| Item | 31 December 2022 | | | | | | 31 December 2021 |
|--------------------------|-------------------|------------|------------------|------------|----------------|-------------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | Total |
| | Individual | Collective | Individual | Collective | | | |
| | JD | JD | JD | JD | JD | JD | JD |
| Almost risk free | 18,172,348 | - | - | - | - | 18,172,348 | 17,105,132 |
| Low risk | 1,977,381 | - | - | - | - | 1,977,381 | 1,196,966 |
| Normal Risk | 2,866,946 | - | - | - | - | 2,866,946 | 2,300,663 |
| Acceptable risk | 12,489,562 | - | - | - | - | 12,489,562 | 11,511,930 |
| Acceptable with due care | 792,138 | - | 12,600 | - | - | 804,738 | 1,686,863 |
| Watch list | - | - | 186,863 | - | - | 186,863 | - |
| Doubtful | - | - | - | - | - | - | 54,809 |
| Loss | - | - | - | - | 114,809 | 114,809 | 60,000 |
| Not rated | 4,617,730 | - | 2,637,219 | - | 10,500 | 7,265,449 | 5,087,199 |
| Total | 40,916,105 | - | 2,836,682 | - | 125,309 | 43,878,096 | 39,003,562 |

Movement on indirect facilities / guarantees for the year ended 31 December 2022 :

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|---|-------------------|------------|------------------|------------|----------------|-------------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 35,282,179 | - | 3,596,074 | - | 125,309 | 39,003,562 |
| New exposures during the year | 9,065,844 | - | 1,058,984 | - | - | 10,124,828 |
| Matured exposures | (2,698,748) | - | (1,406,897) | - | - | (4,105,645) |
| Transfer to Stage 1 | 513,120 | - | (503,120) | - | (10,000) | - |
| Transfer to Stage 2 | (242,500) | - | 242,500 | - | - | - |
| Transfer to Stage 3 | (10,000) | - | - | - | 10,000 | - |
| The total impact on the size of exposures as a result of changing the classification between stages | (32,582) | - | (31,700) | - | - | (64,282) |
| Changes resulting from modifications | (961,208) | - | (119,159) | - | - | (1,080,367) |
| Total balance at the end of the year | 40,916,105 | - | 2,836,682 | - | 125,309 | 43,878,096 |

Movement on the provision for expected credit loss (indirect facilities / guarantees) for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|--|----------------|------------|---------------|------------|----------|----------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 157,106 | - | 50,308 | - | - | 207,414 |
| Impairment loss on new exposures during the year | 38,901 | - | 5,039 | - | - | 43,940 |
| Impairment loss of matured / derecognized exposures | (23,603) | - | (22,808) | - | - | (46,411) |
| Transfer to Stage 1 | 4,122 | - | (4,122) | - | - | - |
| Transfer to Stage 2 | (1,203) | - | 1,203 | - | - | - |
| Transfer to Stage 3 | (163) | - | - | - | 163 | - |
| 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 | (3,250) | - | (623) | - | (163) | (4,036) |
| Changes resulting from modifications | (44,019) | - | (4,537) | - | - | (48,556) |
| Total balance at the end of the year | 127,891 | - | 24,460 | - | - | 152,351 |

****Expected credit loss of indirect facilities / Acceptance**

Distribution of total on indirect facilities /Acceptance

| Item | 31 December 2022 | | | | | | 31 December 2021 |
|------------------|-------------------|------------|------------|------------|----------|-------------------|------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | Total |
| | Individual | Collective | Individual | Collective | | | |
| | JD | JD | JD | JD | JD | JD | JD |
| Almost free risk | 624,955 | - | - | - | - | 624,955 | - |
| Low risk | 1,148,967 | - | - | - | - | 1,148,967 | 1,176,762 |
| Normal risk | 4,451,823 | - | - | - | - | 4,451,823 | 317,076 |
| Acceptable risk | 286,531 | - | - | - | - | 286,531 | 163,539 |
| Not rated | 33,460,647 | - | - | - | - | 33,460,647 | 8,205,116 |
| Total | 39,972,923 | - | - | - | - | 39,972,923 | 9,862,493 |

Movement on indirect facilities / acceptance for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|---|-------------------|------------|------------|------------|----------|-------------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 9,862,493 | - | - | - | - | 9,862,493 |
| New exposures during the year | 38,823,956 | - | - | - | - | 38,823,956 |
| repaid exposures | (8,474,897) | - | - | - | - | (8,474,897) |
| Transfer to Stage 1 | - | - | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - | - | - |
| The total impact on the size of exposures as a result of changing the classification between stages | - | - | - | - | - | - |
| Changes resulting from modifications | (238,629) | - | - | - | - | (238,629) |
| Total balance at the end of the year | 39,972,923 | - | - | - | - | 39,972,923 |

Movement on the provision for expected credit loss(indirect facilities / Acceptance) for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|--|---------------|------------|------------|------------|----------|---------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 34,093 | - | - | - | - | 34,093 |
| New exposures during the year | 6,587 | - | - | - | - | 6,587 |
| Impairment loss on accrued exposures | (32,143) | - | - | - | - | (32,143) |
| 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 | (1,313) | - | - | - | - | (1,313) |
| Total balance at the end of the year | 7,224 | - | - | - | - | 7,224 |

****Expected credit loss of indirect facilities / Credits**

Distribution of total on indirect facilities /Credits

| Distribution of total on indirect facilities / credits | 31 December 2022 | | | | | | 31 December 2021 |
|--|-------------------|------------|------------------|------------|----------|-------------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | Total |
| | Individual | Collective | Individual | Collective | | | |
| | JD | JD | JD | JD | JD | JD | JD |
| Almost free risk | 158,175 | - | - | - | - | 158,175 | - |
| Low risk | 9,878,957 | - | - | - | - | 9,878,957 | 7,356,403 |
| Normal risk | 1,104,288 | - | - | - | - | 1,104,288 | 11,128,280 |
| Acceptable risk | 6,938,170 | - | - | - | - | 6,938,170 | 19,588,466 |
| Acceptable with due care | 139,886 | - | - | - | - | 139,886 | 1,308,247 |
| Not rated | 8,032,394 | - | 3,698,471 | - | - | 11,730,865 | 11,678,881 |
| Total | 26,251,870 | - | 3,698,471 | - | - | 29,950,341 | 51,060,277 |

Movement on indirect facilities / credits for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|---|-------------------|------------|------------------|------------|----------|-------------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 45,596,405 | - | 5,463,872 | - | - | 51,060,277 |
| New exposures during the year | 9,255,718 | - | 3,698,471 | - | - | 12,954,189 |
| repaid exposures | (33,273,892) | - | (5,463,872) | - | - | (38,737,764) |
| Transfer to Stage 1 | - | - | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - | - | - |
| The total impact on the size of exposures as a result of changing the classification between stages | - | - | - | - | - | - |
| Changes resulting from modifications | 4,673,639 | - | - | - | - | 4,673,639 |
| Total balance at the end of the year | 26,251,870 | - | 3,698,471 | - | - | 29,950,341 |

Movement on the provision for expected credit loss(indirect facilities / credits) for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|--|---------------|------------|---------------|------------|----------|----------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 84,832 | - | 15,198 | - | - | 100,030 |
| Impairment loss on new exposures during the year | 5,859 | - | - | - | - | 5,859 |
| Impairment loss of matured / derecognized exposures | (70,739) | - | (15,198) | - | - | (85,937) |
| 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 | (4,486) | - | - | - | - | (4,486) |
| Total balance at the end of the year | 15,466 | - | - | - | - | 15,466 |

***Expected credit loss of indirect facilities

B- jointly financed

Movement on indirect facilities for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|---|--------------|------------|-------------|------------|---------|--------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | | |
| Balance at the beginning of the year | 115,142,593 | - | 4,163,458 | - | - | 119,306,051 |
| New exposures during the year | 42,208,220 | - | 1,235,540 | - | - | 43,443,760 |
| Accrued exposures | (30,775,248) | - | (1,297,509) | - | - | (32,072,757) |
| Transferred to Stage 1 | 1,658,491 | - | (1,658,491) | - | - | - |
| Transferred to Stage 2 | (216,767) | - | 216,767 | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - | - |
| The total impact on the size of exposures as a result of changing the classification between stages | (238,463) | - | (81,793) | - | - | (320,256) |
| Changes resulting from modifications | 39,929,352 | - | 383,553 | - | - | 40,312,905 |
| Total balance at the end of the year | 167,708,178 | - | 2,961,525 | - | - | 170,669,703 |

Movement on the provision for expected credit losses (indirect facilities /jointly financed) for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|--|------------|------------|------------|------------|---------|-----------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | | |
| Balance at the beginning of the year | 774,674 | - | 67,251 | - | - | 841,925 |
| Impairment loss on new exposures during the year | 208,608 | - | 16,830 | - | - | 225,438 |
| Impairment loss of matured / derecognized exposures | (176,076) | - | (19,046) | - | - | (195,122) |
| Transferred to Stage 1 | 27,266 | - | (27,266) | - | - | - |
| Transferred to Stage 2 | (1,862) | - | 1,862 | - | - | - |
| Transferred 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 | (17,922) | - | 3,962 | - | - | (13,960) |
| Changes resulting from modifications | 281,764 | - | 8,297 | - | - | 290,061 |
| Total balance at the end of the year | 1,096,452 | - | 51,890 | - | - | 1,148,342 |

***Expected credit loss of indirect facilities - unutilized credit limits

Distribution of total on indirect facilities - unutilized credit limits

| Item | 31 December 2022 | | | | | | 31 December 2021 |
|--------------------------|--------------------|------------|------------------|------------|----------|--------------------|--------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | Total | Total |
| | Individual | Collective | Individual | Collective | | | |
| | JD | JD | JD | JD | JD | JD | JD |
| Low risk | 1,982,764 | - | - | - | - | 1,982,764 | 719,301 |
| Semi free risk | 3,062,545 | - | - | - | - | 3,062,545 | 2,285,402 |
| Low risk | 22,296,242 | - | - | - | - | 22,296,242 | 20,805,416 |
| Normal risk | 55,670,354 | - | - | - | - | 55,670,354 | 20,763,684 |
| Acceptable risk | 42,738,950 | - | - | - | - | 42,738,950 | 30,356,018 |
| Acceptable with due care | 15,721,699 | - | 821,608 | - | - | 16,543,307 | 15,281,145 |
| Watch list | - | - | 134,974 | - | - | 134,974 | 18,611 |
| Not rated | 26,235,624 | - | 2,004,943 | - | - | 28,240,567 | 29,076,474 |
| Total | 167,708,178 | - | 2,961,525 | - | - | 170,669,703 | 119,306,051 |

Movement on the indirect facilities/credit unutilized credit limits for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|---|--------------------|------------|------------------|------------|----------|--------------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 115,142,593 | - | 4,163,458 | - | - | 119,306,051 |
| New exposures during the year | 42,208,220 | - | 1,235,540 | - | - | 43,443,760 |
| Repaid exposures | (30,775,248) | - | (1,297,509) | - | - | (32,072,757) |
| Transferred to Stage 1 | 1,658,491 | - | (1,658,491) | - | - | - |
| Transferred to Stage 2 | (216,767) | - | 216,767 | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - | - |
| The total impact on the size of exposures as a result of changing the classification between stages | (238,463) | - | (81,793) | - | - | (320,256) |
| Changes resulting from modifications | 39,929,352 | - | 383,553 | - | - | 40,312,905 |
| Total balance at the end of the year | 167,708,178 | - | 2,961,525 | - | - | 170,669,703 |

Movement on the provision for expected credit loss (indirect facilities) /unutilized credit limits for the year ended 31 December 2022:

| Item | Stage 1 | | Stage 2 | | Stage 3 | Total |
|--|------------------|------------|---------------|------------|----------|------------------|
| | Individual | Collective | Individual | Collective | | |
| | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 774,674 | - | 67,251 | - | - | 841,925 |
| Impairment loss on new exposures during the year | 208,608 | - | 16,830 | - | - | 225,438 |
| Impairment loss of matured / derecognized exposures | (176,076) | - | (19,046) | - | - | (195,122) |
| Transferred to Stage 1 | 27,266 | - | (27,266) | - | - | - |
| Transferred to Stage 2 | (1,862) | - | 1,862 | - | - | - |
| Transferred 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 | (17,922) | - | 3,962 | - | - | (13,960) |
| Changes resulting from modifications | 281,764 | - | 8,297 | - | - | 290,061 |
| Total balance at the end of the year | 1,096,452 | - | 51,890 | - | - | 1,148,342 |

(23) UNRESTRICTED INVESTMENT ACCOUNTS

The details of this item are as follows:

| | 31 December 2022 | | | | | |
|---|----------------------|--------------------|------------------------------|--------------------------------|----------------------------------|----------------------|
| | Individuals | Corporate | Small and Medium enterprises | Governmental and Public sector | Banks and Financial Institutions | Total |
| | JD | JD | JD | JD | JD | JD |
| Saving accounts | 177,773,742 | 26,744,680 | 49,189,613 | 5,707,890 | 28,950,959 | 288,366,884 |
| Term accounts/ Investing deposits | 880,052,230 | 206,978,206 | 93,892,953 | 191,523,819 | 6,422,843 | 1,378,870,051 |
| Certificates of investing deposit | 160,658,806 | 5,233,022 | 13,403,169 | 27,770,873 | 37,816,624 | 244,882,494 |
| Total | 1,218,484,778 | 238,955,908 | 156,485,735 | 225,002,582 | 73,190,426 | 1,912,119,429 |
| Depositors' share from investments' revenue | 40,246,149 | 8,298,053 | 4,427,200 | 8,247,442 | 1,995,940 | 63,214,784 |
| Total unrestricted investment accounts | 1,258,730,927 | 247,253,961 | 160,912,935 | 233,250,024 | 75,186,366 | 1,975,334,213 |

| | 31 December 2021 | | | | | |
|---|----------------------|--------------------|------------------------------|--------------------------------|----------------------------------|----------------------|
| | Individuals | Corporate | Small and Medium enterprises | Governmental and Public sector | Banks and Financial Institutions | Total |
| | JD | JD | JD | JD | JD | JD |
| Saving accounts | 153,230,289 | 37,799,497 | 21,999,806 | 2,219,758 | 28,071,380 | 243,320,730 |
| Term accounts/ Investing deposits | 845,988,575 | 142,699,456 | 105,834,239 | 163,084,662 | 7,894,984 | 1,265,501,916 |
| Certificates of investing deposit | 114,130,375 | 5,080,952 | 10,693,672 | 18,388,208 | 38,552,077 | 186,845,284 |
| Total | 1,113,349,239 | 185,579,905 | 138,527,717 | 183,692,628 | 74,518,441 | 1,695,667,930 |
| Depositors' share from investments' revenue | 30,363,437 | 4,735,740 | 3,699,343 | 5,537,513 | 1,322,647 | 45,658,680 |
| Total unrestricted investment accounts | 1,143,712,676 | 190,315,645 | 142,227,060 | 189,230,141 | 75,841,088 | 1,741,326,610 |

- 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.
- 53% to 95% of the average term accounts in Jordanian Dinar.
- 18% to 51% 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 2022 is (%3.59) (for the Year ended 31 December 2021 was (3.27%)).
- The percentage of the profit on USD for the Year ended 31 December 2022 is (1.96%) (for the Year ended 31 December 2021 was(1.13%)).
- The unrestricted investment accounts for the Government and Public sector amounted to JD 233,250,024 as at 31 December 2022, which represents11.81% of the total unrestricted investment accounts (As at 31 December 2021 amounted to JD 189,230,141 which represents 10.87% of the total unrestricted investment accounts).
- The restricted accounts amounted to JD 351,127 as at 31 December 2022, which represents 0.02% of the total unrestricted investment (As at 31 December 2021 amounted to JD 437,006 which represent 0.03% f the total unrestricted investment).
- The dormant accounts as at 31 December 2022 amounted to JD 18,942,524 (As at 31 December 2021 amounted to JD 18,797,250).

(24) FAIR VALUE RESERVE

The details of this item are as follows:

A - Self financed

| Financial assets at fair value through unrestricted investment accounts reserves - Self financed | For the year ended 31 December | |
|--|--------------------------------|------|
| | 2022 | 2021 |
| | JD | JD |
| Beginning balance | - | - |
| Unrealized gains on debt instruments / shares | 14,593 | - |
| Ending balance | 14,593 | - |

B - Jointly financed

| Financial assets at fair value through unrestricted investment accounts reserves - jointly financed | For the year ended 31 December | |
|---|--------------------------------|----------|
| | 2022 | 2021 |
| | JD | JD |
| Beginning balance | 82,413 | 151,894 |
| Unrealized (losses) on debt instruments / sukuk | (1,176,120) | (38,076) |
| Unrealized gains (losses) on shares | 76,922 | (31,405) |
| Ending balance | (1,016,785) | 82,413 |

(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 2022 and 31 December 2021.

(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:

| Reserve name | 31 December | |
|-------------------|-------------|------------|
| | 2022 | 2021 |
| | JD | JD |
| Statutory reserve | 32,208,887 | 29,766,889 |

(27) RETAINED EARNINGS

| | 31 December | |
|-------------------------------|-------------|-------------|
| | 2022 | 2021 |
| | JD | JD |
| Beginning balance of the year | 32,910,838 | 27,132,236 |
| Transferred statutory reserve | (2,441,998) | (2,281,718) |
| Dividends | (6,000,000) | (6,000,000) |
| Profit for the year | 15,112,021 | 14,060,320 |
| Ending balance of the year | 39,580,861 | 32,910,838 |

-The retained earnings balance as at 31 December 2022 includes an amount to JD 793,221 (2021 amounted to JD 669,296) 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 JD 108,397 , 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 6 June 2018.

(28) DEFERRED SALES REVENUE

The details of this item are as follows:

| | For the year ended 31 December | | | |
|---|--------------------------------|---------------|-------------------|---------------|
| | 2022 | | 2021 | |
| | Jointly financed | Self financed | Jointly financed | Self financed |
| | JD | JD | JD | JD |
| Individuals (Retail) | | | | |
| Murabaha to the purchase orderer | 25,877,688 | 97,419 | 21,926,610 | 94,854 |
| Real estate facilities | 2,193,303 | - | 1,990,177 | - |
| Corporate | | | | |
| International Murabaha | 50,535 | - | 4,814 | - |
| Murabaha to the purchase orderer | 24,928,127 | - | 20,993,858 | - |
| Small and medium enterprises | | | | |
| Murabaha to the purchase orderer | 2,973,677 | - | 2,119,075 | - |
| Government and the public sector | 15,450,450 | - | 11,720,319 | - |
| Total | 71,473,780 | 97,419 | 58,754,853 | 94,854 |

(29) IJARA MUNTALIA BELTAMLEEK REVENUE

The details of this item are as follows:

| | For the year ended 31 December | | | |
|---|--------------------------------|----------------|-------------------|----------------|
| | 2022 | | 2021 | |
| | Jointly financed | Self financed | Jointly financed | Self financed |
| | JD | JD | JD | JD |
| Ijara Muntalia Beltamleek – real state | 78,600,398 | 657,054 | 71,430,304 | 588,122 |
| Ijara Muntalia Beltamleek – machines | 3,680,339 | - | 3,644,532 | - |
| Ijara Muntalia Bittamleek assets-vehicles | 189,617 | - | - | - |
| Depreciation for Ijara Muntalia Beltamleek assets | (42,560,734) | (425,348) | (41,468,563) | (387,164) |
| Total | 39,909,620 | 231,706 | 33,606,273 | 200,958 |

(30) GAINS FROM INTERNATIONAL WAKALA INVESTMENT

The details of this item are as follows:

| | Jointly | |
|--|--------------------------------|----------------|
| | For the year ended 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Gains from International Wakala investment | 1,279,221 | 269,264 |
| Total | 1,279,221 | 269,264 |

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

The details of this item are as follows:

| | Jointly financed | |
|--|--------------------------------|------------------|
| | For the year ended 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Shares dividends | 38,773 | 19,941 |
| (Losses) gains on sale of financial assets | (41,756) | 214,925 |
| Islamic Sukuk profits | 5,846,728 | 1,698,874 |
| Total | 5,843,745 | 1,933,740 |

(32) (LOSSES) GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

| | Jointly financed | | | | | | | |
|---------------------|--------------------------------|---------------------|------------|-----------------|-------------------|---------------------------------|------------|----------------|
| | For the year ended 31 December | | | | | | | |
| | 2022 | | | | 2021 | | | |
| | Realized (Losses) gains | Unrealized gains | Dividends | Total | Realized gains | Unrealized (Losses) gains | Dividends | Total |
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Corporate Shares | (23,987) | - | 541 | (23,446) | 26,717 | (312) | 781 | 27,186 |
| Sukuk | 12,372 | 172 | - | 12,544 | 87,462 | 6,581 | - | 94,043 |
| Total | (11,615) | 172 | 541 | (10,902) | 114,179 | 6,269 | 781 | 121,229 |
| Less: | | | | | | | | |
| Contract commission | 830 | - | - | 830 | 2,822 | - | - | 2,822 |
| Total | (12,445) | 172 | 541 | (11,732) | 111,357 | 6,269 | 781 | 118,407 |

(33) GAINS FROM FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

| | Jointly financed | |
|--------------|--------------------------------|------------------|
| | For the year ended 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Sukuk | 2,281,432 | 3,539,642 |
| Total | 2,281,432 | 3,539,642 |

(34) (LOSSES) FROM FOREIGN CURRENCIES VALUATION

The details of this item are as follows:

| | Jointly financed | |
|---------------------------------------|--------------------------------|-----------------|
| | For the year ended 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| (Losses) foreign currencies valuation | (152,393) | (48,324) |
| Total | (152,393) | (48,324) |

(35) SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS'

The details of this item are as follows:

| | Jointly financed | |
|---|--------------------------------|-------------------|
| | For the year ended 31 December | |
| | 2022 | 2021 |
| | JD | JD |
| Customers | | |
| Saving accounts | 2,214,646 | 1,540,645 |
| Term accounts | 52,414,883 | 37,860,999 |
| Certificates of deposit | 6,589,315 | 4,934,389 |
| Total Revenue From Customers | 61,218,844 | 44,336,033 |
| Banks | | |
| Banks and financial Institutions accounts | 1,995,940 | 1,322,647 |
| Total Revenue From Banks | 1,995,940 | 1,322,647 |
| Total | 63,214,784 | 45,658,680 |

(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 | |
| | 2022 | 2021 |
| | JD | JD |
| Bank's share as Mudarib* | 35,124,286 | 35,438,981 |
| Bank's share as Rab Mal | 9,488,528 | 5,733,969 |
| Total | 44,612,814 | 41,172,950 |

*The bank's share of the revenues of joint investment accounts in its capacity as mudarib amounted to JD 41,284,321 , and JD 6,160,035 were donated with the approval of Sharia supervision for the benefit of joint investment account holders.

(37) BANK'S SELF FINANCED REVENUE

The details of this item are as follows:

| | Note | Self financed | |
|--|------|--------------------------------|----------------|
| | | For the year ended 31 December | |
| | | 2022 | 2021 |
| | | JD | JD |
| Ijara Muntahia Bittamleek revenue | 29 | 657,054 | 588,122 |
| Deferred sales revenue | 28 | 97,419 | 94,854 |
| Cash dividends - financial assets at fair value through profit or loss - self financed | | 19,476 | 3,626 |
| Total | | 773,949 | 686,602 |

(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 | |
|---|--------------------------------|----------------|
| | 2022 | 2021 |
| | JD | JD |
| Deferred sales revenue | 1,272,942 | 1,136,746 |
| Less: Muwakel's share | (1,177,365) | (986,728) |
| Banks share as an agent (wakeel) statement "F" | 95,577 | 150,018 |

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:

| The details of this item are as follows: | For the year ended 31 December | |
|---|--------------------------------|------------------|
| | 2022 | 2021 |
| | JD | JD |
| As a result of trading / dealing foreign currencies | 1,568,168 | 1,491,988 |
| Total | 1,568,168 | 1,491,988 |

(40) BANKING SERVICES REVENUE - NET

The details of this item are as follows:

| | For the year ended 31 December | |
|---------------------------------|--------------------------------|------------------|
| | 2022 | 2021 |
| | JD | JD |
| Indirect facilities commissions | 2,766,932 | 1,415,625 |
| Direct facilities commissions | 2,200,127 | 2,222,238 |
| Other commissions | 6,882,641 | 5,267,299 |
| Less : debit commission | (3,236,108) | (2,182,429) |
| Total | 8,613,592 | 6,722,733 |

(41) OTHER REVENUE

The details of this item are as follows:

| | For the year ended 31 December | |
|--|--------------------------------|----------------|
| | 2022 | 2021 |
| | JD | JD |
| (Losses) gain from sale of fixed assets | (3,460) | 11,102 |
| Gain (losses) from sale of seized assets* | 2,411 | (11,008) |
| Membership in the Board of Directors of Jordan Fertilizer Processing Company | 3,891 | 4,941 |
| Revenue from settlement accounts | - | 147,650 |
| Other revenue | 13,721 | 6,085 |
| Total | 16,563 | 158,770 |

* Relates to self-revenue only, as there are sales profits for the joint part amounted to JD 643,626 for the year ended 31 December 2022 (JD 26,305 (losses) for the year ended 31 December 2021).

(42) EMPLOYEES' EXPENSES

The details of this item are as follows:

| | For the year ended 31 December | |
|--|--------------------------------|-------------------|
| | 2022 | 2021 |
| | JD | JD |
| Salaries, benefits, allowances and bonuses for employees | 11,259,740 | 11,126,175 |
| Bank's contribution for social security | 1,193,900 | 1,147,113 |
| Medical expenses | 733,430 | 620,116 |
| Employees training | 105,051 | 54,657 |
| Insurance expenses | 35,461 | 35,538 |
| Other employees 'expenses | 2,056,695 | 1,418,904 |
| Total | 15,384,277 | 14,402,503 |

(43) OTHER EXPENSES

The details of this item are as follows:

| | For the year ended 31 December | |
|---------------------------------------|--------------------------------|------------------|
| | 2022 | 2021 |
| | JD | JD |
| Stationery and printing materials | 371,619 | 252,666 |
| Postal telecommunications | 612,201 | 509,608 |
| Utilities | 562,310 | 369,389 |
| Travel and transportation | 156,760 | 121,979 |
| Marketing and advertising | 903,918 | 951,154 |
| Subscription and fees | 584,699 | 487,255 |
| Maintenance and Cleaning | 489,288 | 466,983 |
| Licences and fees | 560,334 | 552,488 |
| Board of Directors' meetings expenses | 558,193 | 562,005 |
| Information technology expenses | 1,451,673 | 1,200,639 |
| Security and insurance expenses | 530,858 | 478,532 |
| Donations | 640,716 | 47,500 |
| Management and consulting fees | 270,433 | 211,411 |
| Professional fees | 138,444 | 130,200 |
| Board of Directors' remunerations | 55,000 | 55,000 |
| Hospitality expenses | 89,593 | 65,391 |
| Money transportation expenses | 214,997 | 207,790 |
| Legal expenses - Self financed | 11,490 | 68,786 |
| Others | 161,747 | 162,037 |
| Total | 8,364,273 | 6,900,813 |

(44) EARNINGS PER SHARE

The details of this item are as follows:

| | For the year ended 31 December | |
|---|--------------------------------|----------------|
| | 2022 | 2021 |
| | JD | JD |
| Profit for the year | 15,112,021 | 14,060,320 |
| | 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 | 0/151 | 0/141 |

(45) CASH AND CASH EQUIVALENTS

The details of this item are as follows:

| | For the year ended 31 December | |
|--|--------------------------------|--------------------|
| | 2022 | 2021 |
| | JD | JD |
| Cash balances with CBJ maturing within three months | 203,295,535 | 358,653,364 |
| Add: cash at banks and banking institutions maturing within three months | 13,551,162 | 8,293,931 |
| Less: banks and financial banking accounts maturing within three months | (17,989,093) | (16,530,718) |
| Total | 198,857,604 | 350,416,577 |

(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 :

| | Main shareholders | Senior management | Board of Directors members | Al-Etihad Islamic company for investment* | Sharia directors members | Total | |
|--|-------------------|-------------------|----------------------------|---|--------------------------|---------------------------------------|-------------|
| | | | | | | 31 December | |
| | | | | | | 2022 | 2021 |
| | JD | JD | JD | JD | JD | JD | JD |
| Consolidated statements of financial position items: | | | | | | | |
| Balances at banks and banking institutions | - | - | - | 191,518 | - | 191,518 | 270,824 |
| Unrestricted investments accounts and current accounts | 615,511 | 1,284,697 | 20,721,004 | 10,451,524 | 59,270 | 33,132,006 | 32,042,165 |
| Deferred sales receivables and facilities | - | 283,666 | 11,007 | - | - | 294,673 | 256,660 |
| Ijara Muntahia Bittamleek assets | - | 1,535,305 | 488,060 | - | - | 2,023,365 | 1,908,945 |
| Off statement of financial position items : | | | | | | | |
| Letters of guarantee | - | - | 1,500 | - | - | 1,500 | - |
| Consolidated statement of profit or loss and Comprehensive Income items | | | | | | For the year ended 31 December | |
| | | | | | | 2022 | 2021 |
| Dividends | 88 | 19,077 | 698,411 | 313,346 | 1,372 | 1,032,294 | 848,181 |
| Salaries and bonuses | - | 2,432,365 | 55,000 | - | 52,400 | 2,539,765 | 2,653,064 |
| Transportation | - | - | 543,400 | - | 30,800 | 574,200 | 585,200 |
| Cards Services | - | - | - | 8,508 | - | 8,508 | 8,510 |

* Al Etihad Islamic for Investment Company which owns 62.37% of Safwa Islamic Bank.

- The lowest and highest received Murabaha rate were 5.47% and 9.46% respectively
- The lowest and highest rate of Ijara Muntahia Bittamleek received by the Bank were 3.71 % and 8.00% respectively.
- The lowest and highest distributed profit rate were 0.87% and 5.35% respectively.
- Executive management salaries and benefits for the year ended 31 December 2022 amounted to JD 2,432,365 (JD 2,548,031 as at 31 December 2021).
- All facilities granted to related parties are performing and no provisions were recorded for it .

(47) Right of use assets / lease liabilities

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 2022 | 31 December 2021 |
| | JD | JD |
| Balance at the beginning of the year | 9,367,268 | 8,969,372 |
| Add : Additions during the year | 2,531,720 | 1,989,830 |
| Less : Disposals during the year | (223,810) | (146,726) |
| Less : depreciation for the year | (1,657,348) | (1,445,208) |
| Balance at the end of year | 10,017,830 | 9,367,268 |

The amounts related in consolidated statement of profit or loss and comprehensive income:

| | For the year ended | For the year ended |
|---|--------------------|--------------------|
| | 31 December 2022 | 31 December 2021 |
| | JD | JD |
| Depreciation of the right of use assets for the year | (1,657,348) | (1,445,208) |
| Finance costs (discounting of rental obligations) during the year | (349,169) | (299,732) |

B- Lease liabilities

| | For the year ended | For the year ended |
|---|--------------------|--------------------|
| | 31 December 2022 | 31 December 2021 |
| | JD | JD |
| Balance at the beginning of the year | 9,342,554 | 8,898,628 |
| Add : Additions during the year | 2,531,720 | 1,989,830 |
| Less : Disposals during the year | (223,810) | (146,726) |
| Finance costs (discounting of rental obligations) during the year | 349,169 | 299,732 |
| Less : paid during the year | (1,955,114) | (1,698,910) |
| Balance at the end of year | 10,044,519 | 9,342,554 |
| Analysis of lease tenancy contract liability maturity : | For the year ended | For the year ended |
| | 31 December 2022 | 31 December 2021 |
| In less than a year | 81,748 | 85,839 |
| From 1 to 5 years | 2,352,945 | 2,287,215 |
| More than 5 years | 7,609,826 | 6,969,500 |
| | 10,044,519 | 9,342,554 |

The value of undiscounted rental contract obligations amounted to JD 11,288,442 as at 31 December 2022, and the following is the maturity analysis:

| Maturity of undiscounted lease obligations: | For the year ended | For the year ended |
|--|--------------------|--------------------|
| | 31 December 2022 | 31 December 2021 |
| | JD | JD |
| In less than a year | 83,005 | 86,427 |
| From 1 to 5 years | 2,496,082 | 2,400,532 |
| More than 5 years | 8,709,355 | 8,091,827 |
| | 11,288,442 | 10,578,786 |

(48) Risk Management

Safwa Islamic Bank applies a risk management system that adopts the concept of Enterprise Risk Management to manage the risks that the bank is exposed to according to the concept of prevention before treatment, where the bank adopts a Risk Management 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 for 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 endorses to the board of directors to approve the Risk Framework. The Risk Management Department role is to facilitate the management process of different types of risks that the bank is exposed to and evaluating, measuring and developing an appropriate measurement method to mitigate these risks that's affecting the Bank's profitability and Capital Adequacy in line with the approved Risk framework. The Risk Management Department prepares 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 on the compliance level of all departments with risk management policies and procedures; as well as auditing the Risk Management Department activities and reporting the findings 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 and regular basis.

Risk Management Department adopts an integrated Risk Management methodology 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:

- A. Define all types of risk.
- B. Determine the strategic objectives for managing this type of risk.
- C. Defining the risk appetite.
- D. Assess and measure the type risks.
- E. Managing the risks.
- F. Monitoring and reporting of exposures.

The bank is exposed to the following risks:

1. Credit risk:

The bank defines credit risk as the risk arising from the client's 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 is 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, specific economic sectors, or specific financing instruments or in the term of financing period.
- Managing nonperforming loans to reduce the expected credit losses.
- Segregation of duties between marketing and credit decision tasks.
- Segregation 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 Approach for measuring credit risk by measuring the weighted assets of credit risks mentioned in the consolidated Balance sheet as per the Regulatory Capital Instruction in accordance with the Amended Standard No. 15 (issued by the Islamic Financial Services Board (IFSB)). The bank is taking the necessary steps to apply the Foundation Internal Risk Basis (FIRB), where a corporate credit rating system is periodically applied in addition to a specialized credit rating system for small companies and for individual clients to determine the credit quality for each client when granting the credit and monitoring this quality throughout the financing period to specify any deterioration that may occur and to specify the quality of the whole credit portfolio on a regular basis which will be reflected on credit policy and 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 by 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 with the related bank's departments has accomplished setting the Financial Accounting Standard (FAS 30) through an integrated and automated system to calculate the expected credit loss that is linked with the core banking system.

2.Internal Credit Rating system and how it works:

Rating 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 with the Basel requirements and FAS (30) instructions.

Safwa Islamic Bank implements the best international practices related to the internal credit rating on the Corporate Banking clients (CreditLens: Moody's System), where the classification process is based on qualitative and quantitative credit criteria. 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 "PD" in addition to calculating losses upon default and within the concept of losses assuming default (Loss Given Default "LGD").

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

- From one to six degrees for operating financing, where the first degree is considered the best.
- The seventh degree for operating under supervision
- Degrees eight to ten are 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).

In addition, a special system for internal credit rating has been implemented for small business customers, where the classification process is based on qualitative and quantitative criteria. Credit Decisions are made relying mainly on the system output.

Risk Scoring System has been 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 continuously seeks to review and develop the credit rating systems applied for the various bank's portfolios in accordance with the best international practices that complies with the international and local legislative requirements.

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 Financial Accounting Standard (FAS 30):

The bank applies an integrated corporate governance for the implementation of Financial Account Standard (FAS 30) where the board of directors' responsibility is to ensure compliance with the FAS 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 Financial Accounting Standard (FAS 30), implementation and providing the necessary infrastructure.

Also, through the Board committees the Board of Directors' responsibility is to approve the periodic results of expected credit loss in line with (FAS 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 monitored 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 Financial Accounting Standard (FAS 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:

A. Probability of Default (PD)

Definition of Probability of Default and the Mechanism of Calculation and Controlling (PD):

It is the probability of irregularity in repayment where it is measured for the purpose of calculating the expected credit loss for each stage from the implementation of the Financial Accounting Standard (30) 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 global and local economic conditions, in addition to the effects of Covid-19 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.

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.

B. Exposure at Default (EAD)

Definition of Exposure at Default and Mechanism of Calculating and Controlling (EAD):

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 Financial Accounting Standard (FAS 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 (FAS 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 determine the potential utilization for those 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.

C. Loss Given Default (LGD)

Definition of Loss Given Default and Mechanism of Calculating and Controlling (LGD):

It is the amount of loss that arises as a result of defaulted facilities and that is calculated through a statistical model which 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 (FAS 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).

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 or collaterals recovered from the dealers.
2. The loss on default ratio was considered for the third stage dealers based on the default period, so that the relationship between the loss on default and the default period is positive.
3. The bank has updated the data related to the loss on default ratio (LGD) and increased it based on economic studies issued by the international rating agencies.

The Bank's policy in Determining the Elements of calculating Credit Risk and Expected Credit Loss on a Collective or Individual 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 are subjected to (FAS 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 Financial Accounting Standard (FAS 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, 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) December 10, 2009.

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

The main economic factors (macroeconomic factors) were included in the automated system for calculating the expected credit loss. The bank adopts three scenarios, which are the base scenario, the upturn scenario, and the downturn scenario, which were determined based on economic studies issued by the World Bank and international rating agencies.

2. Market Risk:

The bank defines market risk as the potential losses that the bank may be exposed to as a result of the decrease in the prices of the various financial instruments in which it invests, including equity instruments, Sukuk, currency exchange and commodities. The Bank also adopts a conservative policy that aims to identify, assess, measure and manage all types of market risks that may be exposed, which ensures that the Bank's risk factors are reduced and kept within the minimum limits.

3. Operational Risk:

The risk of losses resulting from inadequate or failure of internal processes and/or the human resources and/or systems and/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 methodology through workshops to define and measure all the Operational 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 reviews the internal audit reports of bank's business units and includes 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.

The bank has adopted a general framework for Key Risk Indicators (KRIs), which provides an important tool in managing operational risk factors and improving the Banks ability to manage these risks even before they occur.

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, Risk 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, and the bank is working to develop a methodology for transferring to the Standardized Approach in calculating Capital Adequacy against Operational Risks.

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 by the bank using the following:

- A long-term strategy and an integrated annual plan were developed to include the implementation of strategies, policies, standards and systems in the area of Information Security and Cybersecurity to reach a more secure environment and enhance the cybersecurity capabilities of the Bank.

- Developing and updating the Security Operations Center (SOC), for 24/7 monitoring.
- 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.
- The bank adherence to the International Standards for the year 2022 (such as the Payment Card Security Standard PCI DSS) and the bank has obtained a certificate of compliance with the standard.
- Compliance with SWIFT financial network security standard by applying SWIFT Customer Security Program (CSP).
- 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).
- 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. also, controls are tested Periodically and making sure all control gaps are handled in a proper manner.
- With regard to Awareness of Information Security, Cyber Security and Business Continuity, training workshops are held for bank staff on an annual basis, also, many Awareness Messages (including SMS) related to cyber security were sent to our staff and customers.

Business continuity

An amendment has been made to the Business Continuity, as remote access mechanism was applied and staff were relocated between the bank's sites to ensure social distancing.

Bank's alternative site was redesigned and reactivated to provide a safe and healthy work environment while achieving the terms of social distancing, and work continued in this alternative site until the pandemic's situation became acceptable and safer.

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

The bank conducted an emergency plan for sensitive and critical financial systems with participation of several departments. This test was coordinated with the Central Bank of Jordan. The findings of the tests were followed up directly after the test.

In order to align with the best international practices, the alternative site has been moved outside Amman to ensure that the alternative site is not exposed to the same risks as the original site

4. Reputational risk

The bank considers 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.

Reputational risks are managed by the following up on customers complaints and answering them through the customer complaints unit. A specialized team also follows up the comments and interventions on social networking sites, the bank follows up the inquiries of customers and the public about matters related to the legal aspects of banking on the official website of the bank.

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 of exposure to legal procedures, follow-ups and fines as a result of the occurrence of operational risks and events, and the disputes arising as a result of non-compliance with applicable regulations and instructions, also the financial fines and claims that can be resulted from a third party. 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 spreading 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 policy 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 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 2022 | | |
|--|----------------------|--------------------|----------------------|
| | Jointly financed | Self financed | Total |
| | JD | JD | JD |
| Balances with Central Bank | - | 178,217,660 | 178,217,660 |
| Balances at banks and financial institutions | - | 13,551,162 | 13,551,162 |
| International Wakala investments | 63,141,396 | - | 63,141,396 |
| Deferred sales receivables and other receivables | | | |
| Retail (individual) | 343,585,419 | 1,323,557 | 344,908,976 |
| Real estate financing | 14,727,709 | - | 14,727,709 |
| Corporate | 453,108,786 | 355,345 | 453,464,131 |
| Small and medium companies | 48,789,724 | 637,140 | 49,426,864 |
| Public and governmental sectors | 454,446,477 | - | 454,446,477 |
| Sukuk | | | |
| Within financial assets at fair value through Profit or loss | 35,143 | - | 35,143 |
| Financial assets at fair value through unrestricted investments accounts | 266,958,281 | - | 266,958,281 |
| Financial Assets at Amortized Cost | 37,313,000 | - | 37,313,000 |
| Qard hasan | - | 6,780,358 | 6,780,358 |
| Other assets | 3,002,702 | 983,469 | 3,986,171 |
| Total consolidated statement of financial position items | 1,685,108,637 | 201,848,691 | 1,886,957,328 |
| Off-consolidated statement of financial position items: | | | |
| Letters of guarantees | - | 43,725,745 | 43,725,745 |
| Letters of credit | - | 29,934,875 | 29,934,875 |
| Acceptances | - | 39,965,699 | 39,965,699 |
| Unutilized limits | 169,521,361 | - | 169,521,361 |
| Total | 1,854,629,998 | 315,475,010 | 2,170,105,008 |

| | 31 December 2021 | | |
|--|----------------------|--------------------|----------------------|
| | Jointly financed | Self financed | Total |
| | JD | JD | JD |
| Balances with Central Bank | - | 336,553,940 | 336,553,940 |
| Balances at banks and financial institutions | - | 8,293,931 | 8,293,931 |
| International Wakala investments | 86,124,648 | - | 86,124,648 |
| Deferred sales receivables and other receivables | | | |
| Retail (individual) | 292,174,419 | 1,216,379 | 293,390,798 |
| Real estate financing | 15,815,337 | - | 15,815,337 |
| Corporate | 381,881,848 | 767,277 | 382,649,125 |
| Small and medium companies | 41,442,628 | 1,922,765 | 43,365,393 |
| Public and governmental sectors | 327,994,641 | - | 327,994,641 |
| Sukuk | | | |
| Within financial assets at fair value through Profit or loss | 1,495,481 | - | 1,495,481 |
| Financial assets at fair value through unrestricted investments accounts | 161,320,219 | - | 161,320,219 |
| Financial Assets at Amortized Cost | 64,752,000 | - | 64,752,000 |
| Qard hasan | - | 1,619,321 | 1,619,321 |
| Other assets | 1,552,641 | 780,808 | 2,333,449 |
| Total consolidated statement of financial position items | 1,374,553,862 | 351,154,421 | 1,725,708,283 |
| Off-consolidated statement of financial position items: | | | |
| Letters of guarantees | - | 38,796,148 | 38,796,148 |
| Letters of credit | - | 50,960,247 | 50,960,247 |
| Acceptances | - | 9,828,400 | 9,828,400 |
| Unutilized limits | 118,464,126 | - | 118,464,126 |
| Total | 1,493,017,988 | 450,739,216 | 1,943,757,204 |

Distribution of credit exposures

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

| Internal Rating of the Bank | 31 December 2022 | | | | | | |
|---|---|----------------------|----------------------|---------------------------------|--|--|--------------------------------|
| | Category Classification by Instructions (47/2009) | Total exposure value | Expected credit loss | The probability of default (PD) | Classification according to external classification institutions | Exposure at default (EAD) per million dinars | Average loss at default (LGD)% |
| | | JD | JD | | | JD | |
| A- Direct credit financing (After deducting suspended and deferred revenue): | | | | | | | |
| Almost free risk | Performing exposure | 509,660 | - | 0.5% | - | 0.428 | 53% |
| Low risk | Performing exposure | 196,087 | 1,296 | 1% | - | 0.167 | 53% |
| Normal risk | Performing exposure | 1,557,301 | 15,285 | 2% | - | 1.310 | 53% |
| Acceptable risk | Performing exposure | 3,458,656 | 47,533 | 3% | - | 2.941 | 53% |
| Acceptable with due care | Performing exposure | 2,883 | 1 | 5% | - | 0.002 | 53% |
| Watch list | Performing exposure | 282,044 | 18,340 | 15% | - | 0.242 | 53% |
| Not rated | Performing exposure | 2,591,354 | 29,716 | 2% | - | 2.272 | 71% |
| Total (performing debt) | | 8,597,985 | 112,171 | | | 7.362 | |
| Substandard | Non - performing exposure | 293,333 | 146,667 | 100% | - | 0.293 | 53% |
| Loss | Non - performing exposure | 320,704 | 7,109 | 100% | - | 0.321 | 88% |
| Not rated | Non - performing exposure | 406,429 | 256,103 | 100% | - | 0.406 | 73% |
| Total (Non-performing debt) | | 1,020,466 | 409,879 | | | 1.020 | |
| Sub Total | | 9,618,451 | 522,050 | | | 8.383 | |
| B. Indirect credit financing (Off statement of financial position items - self) : | | | | | | | |
| Almost free risk | Performing exposure | 18,955,478 | 17,617 | 0.5% | - | 7.514 | 53% |
| Low risk | Performing exposure | 13,005,305 | 11,302 | 1% | - | 1.835 | 53% |
| Normal risk | Performing exposure | 8,423,057 | 13,216 | 2% | - | 1.681 | 53% |
| Acceptable risk | Performing exposure | 19,714,263 | 88,896 | 3% | - | 5.725 | 53% |
| Acceptable with due care | Performing exposure | 944,624 | 7,189 | 5% | - | 0.338 | 53% |
| Watch list | Performing exposure | 186,863 | 4,846 | 15% | - | 0.075 | 53% |
| Not rated | Performing exposure | 52,446,461 | 31,975 | 3% | - | 7.098 | 65% |
| Total (performing debt) | | 113,676,051 | 175,041 | | | 24.266 | |
| loss | Non - performing exposure | 114,809 | - | 100% | - | 0.115 | 77% |
| Not rated | Non - performing exposure | 10,500 | - | 100% | - | 0.001 | 77% |
| Total (Non-performing debt) | | 125,309 | - | | | 0.125 | |
| Sub Total | | 113,801,360 | 175,041 | | | 24.392 | |

Distribution of credit exposures

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

| Internal rating of the Bank | 31 December 2022 | | | | | | |
|---|---|----------------------|----------------------|---------------------------------|--|--|--------------------------------|
| | Category Classification by Instructions (47/2009) | Total exposure value | Expected credit loss | The probability of default (PD) | Classification according to external classification institutions | Exposure at default (EAD) per million dinars | Average loss at default (LGD)% |
| | | JD | JD | | | JD | |
| A- International wakala investments | Performing exposure | 63,421,845 | 280,449 | 0.5% | A-CCC | 64.0 | 75% |
| B- Islamic Sukuk: | | | | | | | |
| Within financial assets at fair value through Profit or loss | Performing exposure | 35,143 | - | 0.0% | B | - | 75% |
| Within financial assets at fair value through unrestricted investments accounts | Performing exposure | 267,191,222 | 232,941 | 1.1% | A - BBB- | 267.191 | 75% |
| Within financial Assets at Amortized Cost | Performing exposure | 37,313,000 | - | 0.0% | B | - | 0% |
| C -Direct credit financing (After deducting suspended and deferred revenue): | | | | | | | |
| Low risk | Performing exposure | 458,977,865 | 5 | 0% | - | 443.799 | 37% |
| Almost free risk | Performing exposure | 4,618,081 | 3,004 | 0.5% | - | 4.342 | 54% |
| Low risk | Performing exposure | 28,500,623 | 121,844 | 2% | - | 26.078 | 54% |
| Normal risk | Performing exposure | 103,512,597 | 634,014 | 3% | - | 93.447 | 53% |
| Acceptable risk | Performing exposure | 269,816,582 | 8,503,895 | 3% | - | 252.624 | 53% |
| Acceptable with due care | Performing exposure | 42,541,031 | 6,262,663 | 11% | - | 41.650 | 53% |
| Watch list | Performing exposure | 21,320,528 | 4,668,223 | 19% | - | 19.336 | 54% |
| Not rated | Performing exposure | 404,630,879 | 3,133,603 | 1% | - | 413.100 | 70% |
| Total (performing debt) | | 1,333,918,186 | 23,327,251 | | | 1,294.376 | |
| Substandard | Non - performing exposure | 3,632,955 | 2,444,511 | 100% | - | 3.633 | 53% |
| Doubtful | Non - performing exposure | 2,949,241 | 3,158,204 | 100% | - | 2.949 | 53% |
| Loss | Non - performing exposure | 16,308,064 | 16,006,469 | 100% | - | 16.308 | 89% |
| Not rated | Non - performing exposure | 14,259,100 | 11,472,996 | 100% | - | 14.259 | 80% |
| Total (Non-performing debt) | | 37,149,360 | 33,082,180 | | | 37.150 | |
| Sub Total | | 1,371,067,546 | 56,409,431 | | | 1,331.525 | |
| D - Unutilized limits | | | | | | | |
| Low risk | Performing exposure | 1,982,764 | - | 0% | - | 1.091 | 0% |
| Almost free risk | Performing exposure | 3,062,545 | 4,507 | 0.5% | - | 1.684 | 53% |
| Low risk | Performing exposure | 22,296,242 | 93,854 | 1% | - | 12.263 | 53% |
| Normal risk | Performing exposure | 55,670,354 | 383,711 | 2% | - | 30.619 | 53% |
| Acceptable risk | Performing exposure | 42,738,950 | 388,097 | 3% | - | 23.506 | 53% |
| Acceptable with due care | Performing exposure | 16,543,307 | 195,325 | 4% | - | 9.099 | 53% |
| Watch list | Performing exposure | 134,974 | 5,825 | 15% | - | 0.074 | 53% |
| Unrated | Performing exposure | 28,240,567 | 77,023 | 2% | - | 6.234 | 70% |
| Total (performing) | | 170,669,703 | 1,148,342 | | | 84.570 | |
| Sub Total | | 170,669,703 | 1,148,342 | | | 84.570 | |

2. Classification of deferred sales and other receivables according to the degree of risk In accordance with the Financial Accounting Standard (30) issued by the Accounting and Auditing Organization for Islamic Financial Institutions :

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

The bank maintains collateral or other credit enhancements to mitigate credit risk associated with financial assets. The Group maintains cash, investments and (joint) financing balances amounting to JD 1,742,031,458 as of 31 December 2022 (compared to JD 1,419,878,150 as of 31 December 2021). The estimated value of the joint collateral held is JD 309,528,583 as on 31 December 2022 (compared to JD 267,332,949 as on 31 December 2021) The value of collateral is only considered to the extent that it 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 collateral:

| 31 December 2022 | | | | | | | | | | |
|--|----------------------|--------------------------|---------------|-----------------|-----------------------|--------------------|-----------|-------------------------------|----------------------|---------------------------|
| Item | Total exposure value | Fair value of collateral | | | | | | Net exposure after collateral | Expected credit loss | |
| | | Cash margin | Traded shares | Bank guarantees | Real estate financing | Cars and mechanics | Other | | | |
| | | | | | | | | | | Total value of collateral |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | |
| Balances with Central Bank | - | - | - | - | - | - | - | - | - | |
| Balances at banks and financial institutions | - | - | - | - | - | - | - | - | - | |
| Deposits with banks and financial institutions | - | - | - | - | - | - | - | - | - | |
| International Wakala investments | 63,421,845 | - | - | - | - | - | - | 63,421,845 | 280,449 | |
| Direct credit financing - net : | | | | | | | | | | |
| Retail | 355,772,450 | 7,388,328 | - | - | 1,218,443 | 125,053,952 | - | 133,660,723 | 222,111,727 | |
| Real estate financing | 18,035,251 | 211,391 | - | - | 9,080,806 | 18,951 | - | 9,311,148 | 8,724,103 | |
| For corporate | 491,966,433 | 9,368,349 | - | - | 95,972,046 | 12,257,392 | 3,082,276 | 120,680,063 | 371,286,370 | |
| Small and medium enterprises | 50,846,935 | 1,819,027 | - | - | 41,159,043 | 1,455,933 | 1,442,646 | 45,876,649 | 4,970,286 | |
| Public and governmental sectors | 454,446,477 | - | - | - | - | - | - | - | 454,446,477 | |
| Sukuk | | | | | | | | | | |
| Within financial assets at fair value through Profit or loss | 35,143 | - | - | - | - | - | - | - | 35,143 | |
| Financial assets at fair value through unrestricted investments accounts | 267,191,222 | - | - | - | - | - | - | - | 267,191,222 | |
| Financial Assets at Amortized Cost-net | 37,313,000 | - | - | - | - | - | - | - | 37,313,000 | |
| Other assets | 3,002,702 | - | - | - | - | - | - | - | 3,002,702 | |
| Subtotal | 1,742,031,458 | 18,787,095 | - | - | 147,430,338 | 138,786,228 | 4,524,922 | 309,528,583 | 1,432,502,875 | |
| Unutilized credit limits | 170,669,703 | - | - | - | - | - | - | - | 170,669,703 | |
| Total | 1,912,701,161 | 18,787,095 | - | - | 147,430,338 | 138,786,228 | 4,524,922 | 309,528,583 | 1,603,172,578 | |
| | | | | | | | | | 58,071,163 | |

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

The bank maintains collateral or other credit enhancements to mitigate credit risk associated with financial assets. The Bank maintains cash, investments and (self-financing) balances amounting to JD 202,370,742 as of 31 December 2022 (compared to JD 351,387,086 as of 31 December 2021). The estimated value of the joint guarantees held is JD 1,670,124 as on 31 December 2022 (compared to JD 3,237,420 as on December 2021). 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 during the current year

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

| 31 December 2022 | | | | | | | | | | | | |
|--|----------------------|--------------------------|---------------|-----------------|-----------------------|--------------------|--------|---------------------------|-------------------------------|----------------------|--|--|
| Item | Total exposure value | Fair value of collateral | | | | | | | Net exposure after collateral | Expected credit loss | | |
| | | Cash margin | Traded shares | Bank guarantees | Real estate financing | Cars and mechanics | Other | Total value of collateral | | | | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | | |
| | | | | | | | | | | | | |
| Balances with Central Bank | 178,217,660 | - | - | - | - | - | - | - | 178,217,660 | - | | |
| Balances at banks and financial institutions | 13,551,162 | - | - | - | - | - | - | - | 13,551,162 | - | | |
| Direct credit financing - net : | | | | | | | | | | | | |
| Retail | 1,634,363 | - | - | - | 782 | 703,582 | - | 704,364 | 929,999 | 194,672 | | |
| Real estate financing | - | - | - | - | - | - | - | - | - | - | | |
| For corporate | 6,759,266 | 5,972 | - | - | 290,358 | 16,771 | 4,570 | 317,671 | 6,441,595 | 261,035 | | |
| Small and medium enterprises | 715,162 | - | - | - | 574,887 | 942 | 72,260 | 648,089 | 67,073 | 66,344 | | |
| Public and governmental sectors | 509,660 | - | - | - | - | - | - | - | 509,660 | - | | |
| Other assets | 983,469 | - | - | - | - | - | - | - | 983,469 | - | | |
| Subtotal | 202,370,742 | 5,972 | - | - | 866,027 | 721,295 | 76,830 | 1,670,124 | 200,700,618 | 522,051 | | |
| Bank guarantees | 43,878,096 | 5,294,884 | - | - | - | - | - | 5,294,884 | 38,583,212 | 152,351 | | |
| Credits | 29,950,341 | 4,421,581 | - | - | - | - | - | 4,421,581 | 25,528,760 | 15,466 | | |
| Acceptance | 39,972,923 | - | - | - | - | - | - | - | 39,972,923 | 7,224 | | |
| Total | 316,172,102 | 9,722,437 | - | - | 866,027 | 721,295 | 76,830 | 11,386,589 | 304,785,513 | 697,092 | | |

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

| 31 December 2022 | | | | | | | | | | |
|--|----------------------|--------------------------|---------------|--------------------------------|-------------|--------------------|-------|-------------------------------|----------------------------|---------------------------|
| Item | Total exposure value | Fair value of collateral | | | | | | Net exposure after collateral | Expected Credit Loss (ECL) | |
| | | Cash Insurance | Shares traded | Bank guarantees are acceptable | Real estate | Cars and Mechanics | Other | | | Total value of collateral |
| Balances at banks and financial institutions | JD - | JD - | JD - | JD - | JD - | JD - | JD - | JD - | - | - |
| Deposits with banks and financial institutions | - | - | - | - | - | - | - | - | - | - |
| Investment by an international agency - net | - | - | - | - | - | - | - | - | - | - |
| Direct credit facilities -net | | | | | | | | | | |
| Retail | 10,265,051 | 2,609 | - | - | 255,635 | 4,503,147 | - | 4,761,391 | 5,503,660 | 9,600,625 |
| Real estate financing | 545,663 | - | - | - | 496,449 | - | - | 496,449 | 49,214 | 636,026 |
| For corporate | 22,824,379 | 148,708 | - | - | 1,428,170 | 285,637 | - | 1,862,515 | 20,961,864 | 21,222,941 |
| Small and medium enterprises | 3,514,267 | 646,097 | - | - | 2,310,278 | 75,767 | - | 3,032,142 | 482,125 | 1,622,588 |
| Public and governmental sectors | - | - | - | - | - | - | - | - | - | - |
| Sukuk: | | | | | | | | | | |
| Within financial assets at fair value through Profit or loss | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at fair value through the holders of the joint investment accounts - net | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at amortized cost-net | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| Subtotal | 37,149,360 | 797,414 | - | - | 4,490,532 | 4,864,551 | - | 10,152,497 | 26,996,863 | 33,082,180 |
| Unutilized credit limits | - | - | - | - | - | - | - | - | - | - |
| Total | 37,149,360 | 797,414 | - | - | 4,490,532 | 4,864,551 | - | 10,152,497 | 26,996,863 | 33,082,180 |

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

| 31 December 2022 | | | | | | | | | | | |
|--|----------------------|--------------------------|---------------|--------------------------------|-------------|--------------------|-------|-------------------------------|----------------------------|---------------------------|--|
| Item | Total exposure value | Fair value of collateral | | | | | | Net exposure after collateral | Expected Credit Loss (ECL) | | |
| | | Cash Insurance | Shares traded | Bank guarantees are acceptable | Real estate | Cars and Mechanics | Other | | | Total value of collateral | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | |
| Balances with Central Bank | - | - | - | - | - | - | - | - | - | - | |
| Balances at banks and financial institutions | - | - | - | - | - | - | - | - | - | - | |
| Direct credit facilities -net : | | | | | | | | | | | |
| Retail | 184,163 | - | - | - | - | - | - | - | 184,163 | 184,149 | |
| Real estate financing | - | - | - | - | - | - | - | - | - | - | |
| For corporate | 626,769 | 5,972 | - | - | 4,757 | - | - | 10,729 | 616,040 | 160,533 | |
| Small and medium enterprises | 209,534 | - | - | - | 143,313 | - | - | 143,313 | 66,221 | 65,197 | |
| Public and governmental sectors | - | - | - | - | - | - | - | - | - | - | |
| Other assets | - | - | - | - | - | - | - | - | - | - | |
| Subtotal | 1,020,466 | 5,972 | - | - | 148,070 | - | - | 154,042 | 866,424 | 409,879 | |
| Bank guarantees | 125,309 | - | - | - | - | - | - | - | 125,309 | - | |
| Credits | - | - | - | - | - | - | - | - | - | - | |
| Acceptance | - | - | - | - | - | - | - | - | - | - | |
| Total | 1,145,775 | 5,972 | - | - | 148,070 | - | - | 154,042 | 991,733 | 409,879 | |

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 amounted to JD 3,001,559 as at 31 December 2022 (JD 1,290,534 as at 31 December 2021).

Deferred sales and other receivables and restructured financing:

Restructuring means a rearrangement of the status of the receivables / financing in terms of instalment adjustment, extension of the life of the receivables / financing, postponement of certain instalments, or extension of the grace period. They were classified as receivables / financing under control. Deferred sales and restructured receivables amounted to JD 148,761,272 as at 31 December 2022 (JD 174,968,149 as at 31 December 2021).

3) Sukuk

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

A- Financial assets at fair value through unrestricted investment accounts

| Classification grade | Grading institution | 31 December 2022 | 31 December 2021 |
|----------------------|---------------------|--------------------|--------------------|
| | | JD | JD |
| Aa3 | Moody's | 9,205,907 | 3,644,959 |
| A1 | Moody's | 3,395,168 | 4,084,677 |
| A2 | Moody's | 3,749,679 | 5,473,834 |
| A3 | Moody's | 2,698,776 | - |
| B1 | Moody's | 141,837 | - |
| B2 | Moody's | - | 658,702 |
| B3 | Moody's | 698,673 | - |
| Ba3 | Moody's | 1,307,203 | 934,549 |
| A+ | Fitch | 7,029,230 | 2,074,029 |
| A | Fitch | 12,558,924 | 39,926,595 |
| A- | Fitch | 3,086,705 | - |
| AA- | Fitch | 2,798,227 | - |
| BBB+ | Fitch | 689,811 | - |
| N/R | - | 5,493,422 | 14,426,874 |
| Government | - | 13,328,000 | - |
| Government guarantee | - | 200,776,719 | 90,096,000 |
| | | 266,958,281 | 161,320,219 |

B- Financial assets at amortized cost

| | | | |
|----------------------|---|-------------------|-------------------|
| Government guarantee | - | 37,313,000 | 64,752,000 |
| | | 37,313,000 | 64,752,000 |

C- Financial assets at fair value through income statement

| | | | |
|-----|--------------|--------------------|--------------------|
| A | Fitch | 35,143 | - |
| N/R | - | - | 1,495,481 |
| | | 35,143 | 1,495,481 |
| | Total | 304,306,424 | 227,567,700 |

All the above instruments are classified within the first stage for the year 2022 .

4 -Concentration in credit exposures by geographical distribution .

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

| Item | 31 December 2022 | | | | | | | 31 December 2021 | |
|---|--------------------|--------------------------------|-----------|---------|--------|-----------|-----------------|------------------|-------------|
| | Within the Kingdom | Other Middle Eastern countries | Europe | Asia * | Africa | America | Other countries | Total | |
| | JD | JD | JD | JD | JD | JD | JD | JD | |
| Cash and balances with central banks | 178,217,660 | - | - | - | - | - | - | 178,217,660 | 336,553,940 |
| Balances at banks and financial institutions | 754,210 | 2,435,363 | 4,180,508 | 226,476 | - | 5,944,036 | 10,569 | 13,551,162 | 8,293,931 |
| Deposits with banks and financial institutions | - | - | - | - | - | - | - | - | - |
| Direct credit facilities -net | 9,096,400 | - | - | - | - | - | - | 9,096,400 | 5,525,742 |
| Sukuk: | | | | | | | | | |
| Within financial assets at fair value through Profit or loss | - | - | - | - | - | - | - | - | - |
| Within financial assets at fair value through unrestricted investment accounts holders' equity -net | - | - | - | - | - | - | - | - | - |
| Within financial assets at amortized cost -net | - | - | - | - | - | - | - | - | - |
| Other assets | 983,469 | - | - | - | - | - | - | 983,469 | 780,808 |
| Total / current period | 189,051,739 | 2,435,363 | 4,180,508 | 226,476 | - | 5,944,036 | 10,569 | 201,848,691 | 351,154,421 |
| Letter of guarantees | 42,641,905 | 1,083,840 | - | - | - | - | - | 43,725,745 | 38,796,148 |
| Credits | 25,993,985 | 3,940,890 | - | - | - | - | - | 29,934,875 | 50,960,247 |
| Acceptances | 39,875,124 | 90,575 | - | - | - | - | - | 39,965,699 | 9,828,400 |
| Sub Total | 297,562,753 | 7,550,668 | 4,180,508 | 226,476 | - | 5,944,036 | 10,569 | 315,475,010 | 450,739,216 |

*Except for Middle Eastern countries

2. Distributions according to classification according to classification according to the FAS No. (30) - Self financed :

| Item | 31 December 2022 | | | | | |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------|--------------------|
| | Stage 1 Individual | Stage 1 Collective | Stage 2 Individual | Stage 2 Collective | Stage 3 | Total |
| | JD | JD | JD | JD | JD | JD |
| Within the Kingdom | 287,366,124 | 1,474,586 | 7,516,575 | 469,572 | 735,896 | 297,562,753 |
| Other Middle Eastern countries | 7,550,668 | - | - | - | - | 7,550,668 |
| Europe | 4,180,508 | - | - | - | - | 4,180,508 |
| Asia | 226,476 | - | - | - | - | 226,476 |
| Africa | - | - | - | - | - | - |
| America | 5,944,036 | - | - | - | - | 5,944,036 |
| Other countries | 10,569 | - | - | - | - | 10,569 |
| Total | 305,278,381 | 1,474,586 | 7,516,575 | 469,572 | 735,896 | 315,475,010 |

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

| Item | 31 December 2022 | | | | | | | | 31 December 2021 |
|---|--------------------|--------------------------------|---------|--------|--------|---------|-----------------|---------------|------------------|
| | Within the Kingdom | Other Middle Eastern countries | Europe | Asia * | Africa | America | Other countries | Total | Total |
| | JD | JD | JD | JD | | JD | JD | JD | JD |
| Cash and balances with central banks | - | - | - | - | - | - | - | - | - |
| Balances at banks and financial institutions | - | - | - | - | - | - | - | - | - |
| Deposits with banks and financial institutions | - | - | - | - | - | - | - | - | - |
| International wakala investments -net | - | 63,141,396 | - | - | - | - | - | 63,141,396 | 86,124,648 |
| Direct credit facilities -net | 1,314,658,115 | - | - | - | - | - | - | 1,314,658,115 | 1,059,308,873 |
| Sukuk: | | | | | | | | | |
| Within financial assets at fair value through Profit or loss | - | 35,143 | - | - | - | - | - | 35,143 | 1,495,481 |
| Within financial assets at fair value through unrestricted investment accounts holders' equity -net | 214,104,719 | 52,154,889 | 698,673 | - | - | - | - | 266,958,281 | 161,320,219 |
| Within financial assets at amortized cost -net | 37,313,000 | - | - | - | - | - | - | 37,313,000 | 64,752,000 |
| Other assets | 3,002,702 | - | - | - | - | - | - | 3,002,702 | 1,552,641 |
| Total / current period | 1,569,078,536 | 115,331,428 | 698,673 | - | - | - | - | 1,685,108,637 | 1,374,553,862 |
| Unutilized credit limits | 169,521,361 | - | - | - | - | - | - | 169,521,361 | 118,464,126 |
| Sub Total | 1,738,599,897 | 115,331,428 | 698,673 | - | - | - | - | 1,854,629,998 | 1,493,017,988 |

* except for middle eastern countries

4. Distribution of exposures according to the classification stages according to the FAS (30) - jointly financed :

| Item | 31 December 2022 | | | | | |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------|----------------------|
| | Stage 1 Individual | Stage 1 Collective | Stage 2 Individual | Stage 2 Collective | Stage 3 | Total |
| | JD | JD | JD | JD | JD | JD |
| Within the Kingdom | 1,256,215,503 | 370,470,900 | 84,049,169 | 23,797,145 | 4,067,180 | 1,738,599,897 |
| Other Middle Eastern countries | 115,331,428 | - | - | - | - | 115,331,428 |
| Europe | 698,673 | - | - | - | - | 698,673 |
| Asia | - | - | - | - | - | - |
| Africa | - | - | - | - | - | - |
| America | - | - | - | - | - | - |
| Other countries | - | - | - | - | - | - |
| Total | 1,372,245,604 | 370,470,900 | 84,049,169 | 23,797,145 | 4,067,180 | 1,854,629,998 |

5- Distribution of exposures by economic sectors:

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

| Item | 31 December 2022 | | | | | | | | | | 31 December 2021 |
|--|--------------------|------------------|-------------------|------------------|----------------|----------------|------------------|------------------------------|-------------------|--------------------|--------------------|
| | Financial | Industry | Trade | Real estates | Agriculture | Shares | Retail | Government and public sector | Other | Total | Total |
| Cash and balances with central banks | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| | 178,217,660 | - | - | - | - | - | - | - | - | 178,217,660 | 336,553,940 |
| Balances at banks and financial institutions | 13,551,162 | - | - | - | - | - | - | - | - | 13,551,162 | 8,293,931 |
| Deposits with banks and financial institutions | - | - | - | - | - | - | - | - | - | - | - |
| Direct credit facilities -net | - | 126,502 | 4,160,717 | - | - | 812,379 | 561,507 | 509,660 | 2,925,635 | 9,096,400 | 5,525,742 |
| sukuk : | | | | | | | | | | | |
| Within financial assets at fair value through Profit or loss | - | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at fair value through 'unrestricted investment accounts holders' equity -net | - | - | - | - | - | - | - | - | - | - | - |
| Within financial assets at amortized cost - net | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | 983,469 | - | - | - | - | - | - | - | - | 983,469 | 780,808 |
| Total / current year | 192,752,291 | 126,502 | 4,160,717 | - | - | 812,379 | 561,507 | 509,660 | 2,925,635 | 201,848,691 | 351,154,421 |
| Financial letter of guarantees | 533,099 | 3,900,316 | 10,393,006 | 3,419,258 | 518,178 | - | 2,324,692 | - | 22,637,196 | 43,725,745 | 38,796,148 |
| Letters of credit | 7,164,365 | 1,253,018 | 19,910,773 | - | - | - | 1,302,542 | - | 304,177 | 29,934,875 | 50,960,247 |
| Acceptances | 669,445 | 1,121,527 | 37,842,580 | 286,071 | - | - | - | - | 46,076 | 39,965,699 | 9,828,400 |
| Sub Total | 201,119,200 | 6,401,363 | 72,307,076 | 3,705,329 | 518,178 | 812,379 | 4,188,741 | 509,660 | 25,913,084 | 315,475,010 | 450,739,216 |

2.Distribution of divisions according to classification according to the classification of the FAS (30) self financed :

| Item | 31 December 2022 | | | | | |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------|--------------------|
| | Stage 1 Individual | Stage 1 Collective | Stage 2 Individual | Stage 2 Collective | Stage 3 | Total |
| | JD | JD | JD | JD | JD | JD |
| Financial | 201,119,200 | - | - | - | - | 201,119,200 |
| Industry | 6,014,645 | 1,905 | 269,628 | 108,713 | 6,472 | 6,401,363 |
| Trade | 65,881,710 | 61,003 | 5,681,404 | 165,249 | 517,710 | 72,307,076 |
| Real estates | 3,699,982 | 785 | 4,562 | - | - | 3,705,329 |
| Agriculture | 5,000 | - | 513,178 | - | - | 518,178 |
| Share's | - | 812,379 | - | - | - | 812,379 |
| Retail | 3,616,234 | 561,507 | 11,000 | - | - | 4,188,741 |
| Government and public sector | 509,660 | - | - | - | - | 509,660 |
| Other | 24,431,950 | 37,007 | 1,036,803 | 195,610 | 211,714 | 25,913,084 |
| Total | 305,278,381 | 1,474,586 | 7,516,575 | 469,572 | 735,896 | 315,475,010 |

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

| Item | 31 December 2022 | | | | | | | | | | 31 December 2021 |
|---|--------------------|--------------------|--------------------|-------------------|------------------|--------------------|--------------------|------------------------------|--------------------|----------------------|----------------------|
| | Financial | Industry | trade | real estates | Agriculture | Shares | Retail | Government and public sector | Other | Total | Total |
| International wakala investments -net | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| | 63,141,396 | - | - | - | - | - | - | - | - | 63,141,396 | 86,124,648 |
| Direct credit facilities - net | 4,614,718 | 135,402,246 | 181,339,360 | 14,727,706 | 1,337,093 | 233,705,663 | 142,234,251 | 454,446,477 | 146,850,601 | 1,314,658,115 | 1,059,308,873 |
| Sukuk: | | | | | | | | | | | |
| Within financial assets at fair value through Profit or loss | 35,143 | - | - | - | - | - | - | - | - | 35,143 | 1,495,481 |
| Within financial assets at fair value through unrestricted investment accounts holders' equity -net | 52,853,562 | - | - | - | - | - | - | 214,104,719 | - | 266,958,281 | 161,320,219 |
| Within financial assets at amortized cost -net | - | - | - | - | - | - | - | 37,313,000 | - | 37,313,000 | 64,752,000 |
| Other assets | 3,002,702 | - | - | - | - | - | - | - | - | 3,002,702 | 1,552,641 |
| Total / current period | 123,647,521 | 135,402,246 | 181,339,360 | 14,727,706 | 1,337,093 | 233,705,663 | 142,234,251 | 705,864,196 | 146,850,601 | 1,685,108,637 | 1,374,553,862 |
| Unutilized credit limits | 6,830 | 78,835,520 | 51,465,962 | 529,231 | 960,990 | 2,087,966 | 19,500,033 | - | 16,134,829 | 169,521,361 | 118,464,126 |
| Total | 123,654,351 | 214,237,766 | 232,805,322 | 15,256,937 | 2,298,083 | 235,793,629 | 161,734,284 | 705,864,196 | 162,985,430 | 1,854,629,998 | 1,493,017,988 |

4. Distribution of exposures according to the classification stages according to the FAS (30) - jointly financed

| Item | 31 December 2022 | | | | | |
|------------------------------|----------------------|--------------------|--------------------|--------------------|------------------|----------------------|
| | Stage 1 Individual | Stage 1 Collective | Stage 2 Individual | Stage 2 Collective | Stage 3 | Total |
| | JD | JD | JD | JD | JD | JD |
| Financial | 123,647,225 | - | - | 7,126 | - | 123,654,351 |
| Industry | 186,502,729 | 5,182,326 | 20,516,497 | 2,475,416 | (439,202) | 214,237,766 |
| Trade | 171,685,049 | 15,762,935 | 34,540,477 | 7,657,586 | 3,159,275 | 232,805,322 |
| Real estates | 2,433,268 | 4,449,006 | 8,465,028 | - | (90,365) | 15,256,937 |
| Agriculture | 960,991 | 960,194 | - | 376,898 | - | 2,298,083 |
| Shares | 16,561,135 | 201,378,770 | 14,562,557 | 2,624,085 | 667,082 | 235,793,629 |
| Retail | 19,116,309 | 137,429,373 | 383,724 | 4,251,208 | 553,670 | 161,734,284 |
| Government and public sector | 705,864,196 | - | - | - | - | 705,864,196 |
| Other | 145,474,702 | 5,308,296 | 5,580,886 | 6,404,826 | 216,720 | 162,985,430 |
| Total | 1,372,245,604 | 370,470,900 | 84,049,169 | 23,797,145 | 4,067,180 | 1,854,629,998 |

6- Credit exposures that have been reclassified

1. Total credit exposures classified:

A. Self financed

| Item | 31 December 2022 | | | | | |
|------------------------------|----------------------|---|----------------------|---|---|-------------------------------|
| | Stage 2 | | Stage 3 | | Total exposures that have been reclassified | Percentage of rated exposures |
| | Total exposure value | The exposures that have been reclassified | Total exposure value | The exposures that have been reclassified | | |
| | JD | JD | JD | JD | JD | |
| Direct credit facilities-net | 1,516,627 | 81,927 | 1,020,466 | 208,916 | 290,843 | 11.46% |
| Letters of guarantee | 2,836,682 | (260,620) | 125,309 | - | (260,620) | (8.80%) |
| Acceptances | - | - | - | - | - | - |
| Credits | 3,698,471 | - | - | - | - | - |
| Total | 8,051,780 | (178,693) | 1,145,775 | 208,916 | 30,223 | 0.33% |

B. Jointly financed

| Item | 31 December 2022 | | | | | |
|------------------------------|----------------------|---|----------------------|---|---|-------------------------------|
| | Stage 2 | | Stage 3 | | Total exposures that have been reclassified | Percentage of rated exposures |
| | Total exposure value | The exposures that have been reclassified | Total exposure value | The exposures that have been reclassified | | |
| | JD | JD | JD | JD | JD | |
| Direct credit facilities-net | 123,030,892 | (8,055,341) | 37,149,360 | 8,482,570 | 427,229 | 0.27% |
| Unutilized credit limits | 2,961,525 | (1,441,724) | - | - | (1,441,724) | (48.68%) |
| Total | 125,992,417 | (9,497,065) | 37,149,360 | 8,482,570 | (1,014,495) | (0.62%) |

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

| Item | 31 December 2022 | | | | | | | |
|----------------------------|--|--|---|---|--------------------|--------------------|--------------------|------------------|
| | The exposures that have been reclassified | | | Expected credit loss on exposures that have been reclassified | | | | Total |
| | 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 | |
| | JD | JD | JD | JD | JD | JD | JD | |
| A. Self financed | | | | | | | | |
| Direct credit facilities | 81,927 | 208,916 | 290,843 | - | (8) | - | 8 | - |
| Letters of guarantee | (260,620) | - | (260,620) | (2,919) | - | 163 | - | (2,756) |
| Credits | - | - | - | - | - | - | - | - |
| Acceptances | - | - | - | - | - | - | - | - |
| Total | (178,693) | 208,916 | 30,223 | (2,919) | (8) | 163 | 8 | (2,756) |
| Item | 31 December 2022 | | | | | | | |
| | The exposures that have been reclassified | | | Expected credit loss on exposures that have been reclassified | | | | Total |
| | 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 | |
| | JD | JD | JD | JD | JD | JD | JD | |
| B. Jointly financed | | | | | | | | |
| Direct credit facilities | (8,055,341) | 8,482,570 | 427,229 | (1,966,300) | (174,774) | 1,701,533 | (325,834) | (765,375) |
| Other Liabilities | (1,441,724) | - | (1,441,724) | (25,404) | - | - | - | (25,404) |
| Total | (9,497,065) | 8,482,570 | (1,014,495) | (1,991,704) | (174,774) | 1,701,533 | (325,834) | (790,779) |

(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 and 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:

| 2022 | Change in the indicator | Impact on Statement of Profit or loss and Comprehensive income | Impact on equity |
|------------------|-------------------------|--|------------------|
| currency | 5% | JD | JD |
| USD | - | - | - |
| Euro | 21,705 | 21,705 | 21,705 |
| GBP | 3,442 | 3,442 | 3,442 |
| Japanese Yen | 8,369 | 8,369 | 8,369 |
| Other currencies | 51,366 | 51,366 | 51,366 |
| 2021 | Change in the indicator | Impact on Statement of Profit or loss and Comprehensive income | Impact on equity |
| currency | 5% | JD | JD |
| USD | - | - | - |
| Euro | 19,499 | 19,499 | 19,499 |
| GBP | 4,084 | 4,084 | 4,084 |
| Japanese Yen | 13,400 | 13,400 | 13,400 |
| Other currencies | 35,604 | 35,604 | 35,604 |

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 December 2022 | | | | | |
|---|--------------------|-------------------|------------------|----------------|------------------|--------------------|
| | US Dollars | Euro | GBP | Japanese Yen | Others | Total |
| Assets: | | | | | | |
| Cash and balances with Central Banks | 24,553,000 | 2,129,205 | 323,669 | - | 190,019 | 27,195,893 |
| Balances at banks and financial institutions | 6,714,398 | 3,440,449 | 678,039 | 167,372 | 2,550,732 | 13,550,990 |
| Deferred sale receivables | 185,853,976 | - | - | - | - | 185,853,976 |
| International Wakala Investment | 42,540,000 | 17,552,240 | 3,329,605 | - | - | 63,421,845 |
| Financial assets at fair value through unrestricted investment accounts | 50,461,679 | 2,799,820 | - | - | - | 53,261,499 |
| Financial assets at low value through Profit or loss | 35,143 | - | - | - | - | 35,143 |
| Other assets | 514,812 | (1,941,627) | 11,378 | - | - | (1,415,437) |
| Total assets | 310,673,008 | 23,980,087 | 4,342,691 | 167,372 | 2,740,751 | 341,903,909 |
| liabilities : | | | | | | |
| Banks and financial institutions' accounts | 3,488,368 | 87,250 | 164 | - | 7,246 | 3,583,028 |
| Customers' accounts (current, saving, term) | 269,500,506 | 20,690,044 | 4,270,119 | - | 1,665,803 | 296,126,472 |
| Cash margins accounts | 7,803,651 | 1,745,224 | - | - | 39,415 | 9,588,290 |
| Other liabilities | 9,928,669 | 1,023,464 | 3,564 | - | 966 | 10,956,663 |
| Total liabilities | 290,721,194 | 23,545,982 | 4,273,847 | - | 1,713,430 | 320,254,453 |
| Net concentration in current year's financial position | 19,951,814 | 434,105 | 68,844 | 167,372 | 1,027,321 | 21,649,456 |
| Contingent liabilities outside current year's financial position | 140,666,156 | 7,658,701 | - | - | 19,583,697 | 167,908,554 |
| | 31 December 2021 | | | | | |
| | US Dollars | Euro | GBP | Japanese Yen | Others | Total |
| Total Assets | 288,806,015 | 25,310,467 | 4,793,731 | 267,992 | 2,439,965 | 321,618,170 |
| Total Liabilities | 272,552,409 | 24,920,481 | 4,712,061 | - | 1,727,885 | 303,912,836 |
| Net concentration in current year's financial position | 16,253,606 | 389,986 | 81,670 | 267,992 | 712,080 | 17,705,334 |
| Contingent liabilities outside current year's financial position | 81,239,492 | 11,869,225 | - | - | 16,484,273 | 109,592,990 |

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:

| 2022 | Increase in the indicator (5%) | Impact on consolidated Statement of Profit or loss | Impact on equity | Impact on unrestricted investment accounts holders |
|--------------------|--------------------------------|--|------------------|--|
| Indicator | | JD | JD | JD |
| Amman Stock Market | 90,447 | - | 11,750 | 78,697 |
| Foreign markets | 8,750 | - | - | 8,750 |
| 2021 | Increase in the indicator (5%) | Impact on consolidated Statement of Profit or loss | Impact on equity | Impact on unrestricted investment accounts holders |
| Indicator | | JD | JD | JD |
| Amman Stock Market | 23,933 | - | - | 23,933 |
| Foreign markets | 3,491 | 3,491 | - | - |

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 :

| 31 December 2022 : | Less than one month | 1-3 months | 3-6 months | 6 months to 1 year | 1-3 years | More than 3 years | Without maturity | Total |
|---|---------------------|--------------------|--------------------|--------------------|--------------------|----------------------|-------------------|----------------------|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Bank and financial institutions' accounts | 17,989,093 | - | - | - | - | - | - | 17,989,093 |
| Customers' current accounts | 299,878,280 | - | - | - | - | - | - | 299,878,280 |
| Cash margins accounts | 30,072,762 | 927,566 | 753,548 | 11,349,204 | - | - | - | 43,103,080 |
| Income tax provisions | 8,746,097 | - | - | - | - | - | - | 8,746,097 |
| Other provisions | 440,000 | - | - | - | - | - | - | 440,000 |
| Lease obligations - long term | - | - | 78,005 | 5,000 | 2,496,082 | 8,709,355 | - | 11,288,442 |
| Other liabilities | 41,388,963 | 15,679,975 | 503,036 | 425,391 | - | - | - | 57,997,365 |
| Unrestricted investment accounts | 365,518,178 | 394,172,702 | 378,820,423 | 735,649,005 | 116,159,529 | 10,939,250 | - | 2,001,259,087 |
| Total undiscounted liabilities and unrestricted investment accounts holders' | 764,033,373 | 410,760,243 | 380,155,012 | 747,428,600 | 118,655,611 | 19,648,605 | - | 2,440,701,444 |
| Total assets maturities as expected due dates | 345,951,877 | 148,847,716 | 139,043,346 | 250,181,812 | 626,838,792 | 1,033,078,386 | 40,175,326 | 2,584,117,255 |
| 31 December 2021 : | Less than one month | 1-3 months | 3-6 months | 6 months to 1 year | 1-3 years | More than 3 years | Without maturity | Total |
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Bank and financial institutions' accounts | 16,530,718 | - | - | - | - | - | - | 16,530,718 |
| Customers' current accounts | 290,066,768 | - | - | - | - | - | - | 290,066,768 |
| Cash margins accounts | 45,399,354 | 2,398,481 | 2,182,612 | 6,314,897 | - | - | - | 56,295,344 |
| Income tax provisions | 8,332,402 | - | - | - | - | - | - | 8,332,402 |
| Other provisions | 440,000 | - | - | - | - | - | - | 440,000 |
| Lease liabilities - long term | - | 80,427 | - | 6,000 | 2,400,532 | 8,091,827 | - | 10,578,786 |
| Other liabilities | 29,511,362 | 15,631,927 | 5,862,777 | 205,259 | - | - | - | 51,211,325 |
| Unrestricted investment accounts | 295,094,472 | 312,941,778 | 331,392,892 | 692,787,270 | 126,807,268 | - | - | 1,759,023,680 |
| Total undiscounted liabilities and unrestricted investment accounts holders' | 685,375,076 | 331,052,613 | 339,438,281 | 699,313,426 | 129,207,800 | 8,091,827 | - | 2,192,479,023 |
| Total assets maturities as expected due dates | 491,263,058 | 185,992,568 | 130,532,585 | 157,276,555 | 503,610,464 | 828,760,437 | 38,679,652 | 2,336,135,319 |

Second: Off statement of financial position items

| | Up to 1 year | |
|----------------------|--------------------|--------------------|
| | 2022 | 2021 |
| | JD | JD |
| Letters of credit | 29,950,341 | 51,060,277 |
| Acceptances | 39,972,923 | 9,862,493 |
| Letters of guarantee | 43,878,096 | 39,003,562 |
| Unutilized limits | 170,669,703 | 119,306,051 |
| Total | 284,471,063 | 219,232,383 |

(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:

| | Retail | Corporate | Treasury | Other | 2022 | 2021 |
|---|----------------------|--------------------|--------------------|---------------------|----------------------|----------------------|
| | | | | | Total | Total |
| | JD | JD | JD | JD | JD | JD |
| Total revenues (joint and self financed) | 25,293,240 | 22,644,544 | 16,334,768 | 1,689,897 | 65,962,449 | 58,698,348 |
| Expected credit losses (joint and self financed) | (2,750,641) | (9,570,354) | 293,155 | - | (12,027,840) | (9,521,353) |
| Results of segment's operations | 22,542,599 | 13,074,190 | 16,627,923 | 1,689,897 | 53,934,609 | 49,176,995 |
| Distributed expenses | (3,698,481) | (1,190,255) | (719,694) | - | (5,608,430) | (3,208,487) |
| Undistributed expenses | - | - | - | (23,906,204) | (23,906,204) | (23,151,328) |
| Profit for the year before tax | 18,844,118 | 11,883,935 | 15,908,229 | (22,216,307) | 24,419,975 | 22,817,180 |
| Income tax expense | - | - | - | (9,307,954) | (9,307,954) | (8,756,860) |
| Profit for the year | 18,844,118 | 11,883,935 | 15,908,229 | (31,524,261) | 15,112,021 | 14,060,320 |
| | | | | | 2022 | 2021 |
| | | | | | JD | JD |
| Segments' assets | 811,984,666 | 974,644,621 | 741,001,377 | - | 2,527,630,664 | 1,911,882,196 |
| Undistributed assets | - | - | - | 56,486,591 | 56,486,591 | 424,253,123 |
| Total assets | 811,984,666 | 974,644,621 | 741,001,377 | 56,486,591 | 2,584,117,255 | 2,336,135,319 |
| Segments' liabilities and total equity of unrestricted investment accounts holders | 1,464,886,794 | 774,924,194 | 95,273,945 | - | 2,335,084,933 | 2,103,470,211 |
| Undistributed liabilities | - | - | - | 77,227,981 | 77,227,981 | 69,987,381 |
| Total liabilities and Total equity of unrestricted investment accounts holders | 1,464,886,794 | 774,924,194 | 95,273,945 | 77,227,981 | 2,412,312,914 | 2,173,457,592 |
| | | | | | 2022 | 2021 |
| | | | | | JD | JD |
| Capital expenditure | | | | | 2,201,770 | 2,618,039 |
| Depreciation and amortization | | | | | 3,152,976 | 3,240,190 |

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:

| | 31 December 2022 | | | 31 December 2021 | | |
|---------------------|------------------|----------------|---------------|------------------|----------------|---------------|
| | Inside Jordan | Outside Jordan | Total | Inside Jordan | Outside Jordan | Total |
| | JD | JD | JD | JD | JD | JD |
| Total assets | 2,455,115,206 | 129,002,049 | 2,584,117,255 | 2,169,640,925 | 166,494,394 | 2,336,135,319 |
| Total revenue | 63,206,043 | 2,756,406 | 65,962,449 | 56,422,880 | 2,275,468 | 58,698,348 |
| Capital expenditure | 2,201,770 | - | 2,201,770 | 2,618,039 | - | 2,618,039 |

(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 31 December 2022 according to the instructions of the regulatory capital No. (72/2018) issued by the Central Bank of Jordan in accordance with the revised standard No. (15) issued by the Islamic Financial Services Council (IFSB) in support of the provisions of Article (99) / B) from the Banking Law. The following is the capital adequacy ratio in thousands of dinars:

| | 31 December | |
|--|----------------|----------------|
| | 2022 | 2021 |
| | JD"000 | JD"000 |
| Basic capital items | 164,358 | 151,339 |
| Authorised and Paid in capital | 100,000 | 100,000 |
| Retained earnings | 39,581 | 32,911 |
| Statutory reserve | 32,209 | 29,767 |
| Proposed dividends | - | (6,000) |
| Full fair value reserve (self) | 15 | - |
| The bank's share of the fair value reserve in full if the fund's are mixed | (489) | 35 |
| Intangible assets | (2,002) | (1,920) |
| Deferred tax assets (self financed) | (793) | (669) |
| The Bank's share of the deferred tax assets (jointly financed) | (3,591) | (2,614) |
| Investment in financial institutions, Banks and takaful companies that is less than 10% | (572) | (171) |
| Additional capital | - | - |
| Supporting capital | 3,509 | 2,133 |
| 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) | 3,509 | 2,152 |
| Investment in financial institutions, Banks and takaful companies that is less than 10% | - | (19) |
| Investments in non-consolidated subsidiaries' capital accounts with bank accounts | - | - |
| Total regulatory capital | 167,867 | 153,472 |
| Total risk weighted assets | 995,811 | 846,971 |
| Capital adequacy ratio (%) | 16.86% | 18.12% |
| Basic capital ratio (%) | 16.50% | 17.87% |
| First slide ratio Tier 1 (%) | 16.50% | 17.87% |
| Second slide ratio Tier 2 (%) | 0.35% | 0.25% |
| Leverage ratio | 15.35% | 14.04% |

(52) Liquidity Coverage Ratio

The liquidity coverage ratio in total amounted to 235.8% as on 31 December 2022 with an average rate of 367.8% during the year (324.3% as on 31 December 2021 and an average rate of 427.0% during the year 2021).

The liquidity coverage ratio in Jordanian Dinars reached 233.9% as on 31 December 2022 with an average rate of 318.5% during the period (269.9% as on 31 December 2021 and an average rate of 252.9% during the year 2021).

(53) ASSETS AND LIABILITIES MATURITY ANALYSIS:

Information on the Bank's segments according to activities is as follows:

| 31 December 2022 | Within one year | More than one year | Total |
|---|------------------------|----------------------|----------------------|
| | JD | JD | JD |
| Assets | | | |
| Cash and balances with Central Bank | 203,295,535 | - | 203,295,535 |
| Balances at Banks and financial institutions | 13,551,162 | - | 13,551,162 |
| International Wakala investments | 63,141,396 | - | 63,141,396 |
| Financial assets at fair value through profit or loss | 35,143 | - | 35,143 |
| Deferred sale receivables and other receivables, net | 447,288,661 | 869,685,496 | 1,316,974,157 |
| Financial assets at fair value through unrestricted investment accounts | 27,945,090 | 244,714,097 | 272,659,187 |
| Financial assets at fair value through shareholders' equity -self financed | 235,000 | - | 235,000 |
| Financial Assets at Amortized Cost- Net | 37,313,000 | - | 37,313,000 |
| Investment in associate | 345,954 | - | 345,954 |
| Ijara Muntahia Beltamleek assets, Net | 61,500,002 | 551,799,770 | 613,299,772 |
| Qard hasan-Net | 6,190,701 | 589,657 | 6,780,358 |
| Property and equipment-Net | - | 21,286,068 | 21,286,068 |
| Intangible assets-Net | - | 2,002,476 | 2,002,476 |
| Right to use assets | 2,890 | 10,014,940 | 10,017,830 |
| Deferred tax assets | 8,268,512 | - | 8,268,512 |
| Other assets | 14,911,705 | - | 14,911,705 |
| Total assets | 884,024,751 | 1,700,092,504 | 2,584,117,255 |
| Liabilities and equity of unrestricted investment accounts' holders | | | |
| Banks and financial institutions' accounts | 17,989,093 | - | 17,989,093 |
| Customers' current accounts | 299,878,280 | - | 299,878,280 |
| Cash margins accounts | 42,900,132 | - | 42,900,132 |
| Income tax provision | 8,746,097 | - | 8,746,097 |
| Other provisions | 440,000 | - | 440,000 |
| Lease liabilities-long term | 81,748 | 9,962,771 | 10,044,519 |
| Other liabilities | 57,997,365 | - | 57,997,365 |
| Fair value reserve – net | (1,016,785) | - | (1,016,785) |
| Unrestricted investment accounts | 1,848,235,434 | 127,098,779 | 1,975,334,213 |
| Total liabilities and equity of unrestricted investment accounts holders | 2,275,251,364 | 137,061,550 | 2,412,312,914 |
| Net | (1,391,226,613) | 1,563,030,954 | 171,804,341 |

| 31 December 2021 | Within one year | More than one year | Total |
|---|------------------------|----------------------|----------------------|
| | JD | JD | JD |
| Assets | | | |
| Cash and balances with Central Bank | 358,653,364 | - | 358,653,364 |
| Balances at Banks and financial institutions | 8,293,931 | - | 8,293,931 |
| International Wakala investments | 86,124,648 | - | 86,124,648 |
| Financial assets at fair value through profit or loss | 1,565,294 | - | 1,565,294 |
| Deferred sale receivables and other receivables, net | 405,461,658 | 657,753,636 | 1,063,215,294 |
| Financial assets at fair value through unrestricted investment accounts | 3,043,458 | 161,320,219 | 164,363,677 |
| Financial Assets at Amortized Cost- Net | 27,439,000 | 37,313,000 | 64,752,000 |
| Investment in associate | 343,708 | - | 343,708 |
| Ijara Muntahia Beltamleek assets, net | 53,199,183 | 480,606,073 | 533,805,256 |
| Qard hasan | 1,109,661 | 509,660 | 1,619,321 |
| Property and equipment-Net | - | 22,333,251 | 22,333,251 |
| Intangible assets-Net | - | 1,919,527 | 1,919,527 |
| Right to use assets | 72,081 | 9,295,187 | 9,367,268 |
| Deferred tax assets | 6,734,092 | - | 6,734,092 |
| Other assets | 13,044,688 | - | 13,044,688 |
| Total assets | 965,084,766 | 1,371,050,553 | 2,336,135,319 |
| Liabilities and equity of unrestricted investment accounts' holders | | | |
| Banks and financial institutions' accounts | 16,530,718 | - | 16,530,718 |
| Customers' current accounts | 290,066,768 | - | 290,066,768 |
| Cash margins accounts | 56,124,802 | - | 56,124,802 |
| Income tax provision | 8,332,402 | - | 8,332,402 |
| Other provisions | 440,000 | - | 440,000 |
| Lease liabilities-long term | 85,839 | 9,256,715 | 9,342,554 |
| Other liabilities | 51,211,325 | - | 51,211,325 |
| Fair value reserve – net | 82,413 | - | 82,413 |
| Unrestricted investment accounts | 1,614,519,342 | 126,807,268 | 1,741,326,610 |
| Total liabilities and equity of unrestricted investment accounts holders | 2,037,393,609 | 136,063,983 | 2,173,457,592 |
| Net | (1,072,308,843) | 1,234,986,570 | 162,677,727 |

(54) COMMITMENTS & CONTINGENT LIABILITIES :**A.Credit commitments and commitments/Self: ***

| | 31 December 2022 | 31 December 2021 |
|------------------------|--------------------|-------------------|
| | JD | JD |
| Letters of credit | 29,950,341 | 51,060,277 |
| Acceptances | 39,972,923 | 9,862,493 |
| Letters of guarantees: | | |
| Payment | 16,243,883 | 9,091,293 |
| Performance | 16,412,649 | 12,988,791 |
| Others | 11,221,564 | 16,923,478 |
| Total | 113,801,360 | 99,926,332 |

B. Contingent credit and commitments/jointly financed

| | 31 December 2022 | 31 December 2021 |
|---------------------------------|--------------------|--------------------|
| | JD | JD |
| Direct unutilized credit limits | 170,669,703 | 119,306,051 |
| Total | 170,669,703 | 119,306,051 |

*Indirect unutilized credit limits / self financed amounted to JD (23,170,995) as of 31 December 2022.

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 175,041 as at 31 December 2022 (JD341,536 as at 31 December 2021) and recorded in the other liabilities (note22).

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 JD1,148,342 as at 31 December 2022 (JD 841,925 as at 31 December 2021) and recorded in other liabilities (note 22).

(55) LAWSUITS AGAINST THE BANK

The Bank is a defendant in a number of lawsuits, which amounted to JD735,575 as at 31 December 2022 (JD 720,885 31 as at December 2021) 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 340,000 is adequate should any liabilities arise therefrom.

(56) FAIR VALUE HIERARCHY

IFRS 13 requires the identification and disclosure of a level in the fair value hierarchy in which fair value measurements are categorized in full, and the fair value measurements are classified according to the levels specified in IFRS. The difference between level (2) and level (3) for fair value measurements means assessing whether information or inputs are observable and the importance of information that is not observable. This requires careful judgment and analysis of the inputs used to measure fair value including consideration of all factors affecting the asset or liability.

A. Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair value of these financial assets and financial liabilities is determined (valuation techniques and key inputs).

| Financial Assets/Financial Liabilities | Fair value as at | | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable | Relationship of unobservable inputs to fair value |
|--|--------------------|--------------------|----------------------|---------------------------------------|--------------------------|---|
| | 31 December 2022 | 31 December 2021 | | | | |
| | JD | JD | | | | |
| financial assets at fair value through Profit or loss | 35,143 | 1,565,294 | Level 1 | Quoted rates in financial markets | Not applicable | Not applicable |
| Financial assets at fair value through shareholders' equity -self financed | 235,000 | - | Level 1 | Quoted rates in financial markets | Not applicable | Not applicable |
| Financial assets at fair value through unrestricted investment accounts' holders equity | | | | | | |
| Quoted shares | 1,748,930 | 478,651 | Level 1 | Quoted rates in financial markets | Not applicable | Not applicable |
| Quoted sukuk | 52,853,562 | 71,224,219 | Level 1 | Quoted rates in financial markets | Not applicable | Not applicable |
| Unquoted shares | 3,951,976 | 2,564,807 | Level 3 | The latest financial prices available | Not applicable | Not applicable |
| Unquoted sukuk | 214,104,719 | 90,096,000 | Level 2 | A similar financial instrument | Not applicable | Not applicable |
| Total Financial assets at fair value through unrestricted investments accounts | 272,659,187 | 164,363,677 | | | | |
| Total | 272,929,330 | 165,928,971 | | | | |

There were no transfer between level 1 and 2 during the year ended 31 December 2022 and the year 2021.

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 2022 | | 31 December 2021 | | Fair value hierarchy |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Book value | Fair value | Book value | Fair value | |
| | JD | JD | JD | JD | |
| Financial assets not calculated at fair value | | | | | |
| Deferred sales receivables and other receivables | 1,316,974,157 | 1,495,952,663 | 1,063,215,294 | 1,207,547,506 | Level 2 |
| Financial assets at amortized cost | 37,313,000 | 38,017,572 | 64,752,000 | 65,774,037 | Level 2 |
| ljara muntahia Bittamleek assets - Net | 613,299,772 | 613,299,772 | 533,805,256 | 533,805,256 | Level 2 |
| Total financial assets not calculated at fair value | 1,967,586,929 | 2,147,270,007 | 1,661,772,550 | 1,807,126,799 | |
| Financial liabilities not calculated at fair value | | | | | |
| Customers' current accounts and unrestricted investment accounts | 2,275,212,493 | 2,301,137,367 | 2,031,393,378 | 2,049,090,448 | Level 2 |
| Cash margin accounts | 42,900,132 | 43,103,080 | 56,124,802 | 56,295,344 | Level 2 |
| Total financial liabilities not calculated at fair value | 2,318,112,625 | 2,344,240,447 | 2,087,518,180 | 2,105,385,792 | |

(57) Accounts managed in favor of clients

Accounts managed in favor of clients amounted to JD 18,888,183 as on 31 December 2022 (JD 16,899,673 as on 31 December 2021). These accounts are not shown among the bank's assets and liabilities in the financial statements. Fees and commissions for managing these accounts are shown in the consolidated statement of income and comprehensive income, fees and commissions for managing these accounts amounted to JD15,421 for the year 2022 (JD 7,144 for the year 2021).

(58) Standards issued but not yet effective

Financial Accounting Standard 1 - Amended 2021 (Public Presentation and Disclosure in Financial Statements)

This Standard defines and improves the comprehensive presentation and disclosure requirements stipulated in line with international best practices and replaces the accounting standard Finance No.1.

The standard applies to all Islamic financial institutions and other institutions that follow the financial accounting standards 2021 issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Financial Accounting Standard No. 1 - Amended 2021 is aligned with the amendments to the "Conceptual Framework for Financial Reporting of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)" (Amendment 2020) (Conceptual Framework). Amended Financial Accounting Standard No. 1 – 2021 will help prepare clear, transparent, and understandable financial statements, and in turn, will help users of financial statements to make better economic decisions.

This standard will be applied as of 1 January 2023, with early application permitted.

Financial Accounting Standard No. 39 "Financial Reporting on Zakat"

This standard improves and replaces the previously issued Financial Accounting Standard 9 "Zakat". This standard aims to specify the accounting treatment of Zakat in the records of Islamic financial institutions, including presentation and disclosure in their financial statements.

The standard describes the applicable financial reporting principles based on the obligation of Islamic financial institutions to pay zakat. Additionally, if an Islamic financial institution is not required by law or its founding charter to pay zakat, it must still determine and disclose the amount of zakat due for the benefit of the various stakeholders.

This standard will be applied as of 1 January 2023, with early application permitted

Financial Accounting Standard No. 40 "Financial Reporting for Islamic Finance Windows"

This standard improves and replaces FAS 18 "Islamic financial services provided by conventional financial institutions" and specifies financial reporting requirements applicable to conventional financial institutions that provide Islamic financial services.

This standard requires traditional financial institutions that provide Islamic financial services through Islamic financing windows to prepare and submit financial statements for Islamic financing windows aligned with the requirements of this standard and other financial accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). This standard provides principles of financial reporting including presentation and disclosure requirements applicable to Islamic finance windows.

This standard will be applied as of 1 January 2024, on the financial statements of Islamic financing windows for conventional financial institutions, allowing the early application, taking into account the simultaneous application of Financial Accounting Standard No. 1 "Public Presentation and Disclosure in Financial Statements".



2022 • • •





Board of Directors Report

Creativity and Excellence

Creative genius thinking is the
path for excellence and change

Board of Director Report

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Board of Directors' Report

Ladies and Gentlemen, Honorable Shareholders,

The Board of Directors of Safwa Islamic Bank is pleased to present the Annual Report on the Financial Statements, achievements, services and products that were developed during 2022; which highlights achieving several successes and strategic goals that had previously been identified, noting that these positive results will be reflected upon the Bank's shareholders and customers.

Since its inception in 2010, Safwa Islamic Bank has worked on providing integrated Islamic Banking solutions that combine core Islamic values with the latest technological innovations, with the aim of providing high quality services and a personal touch to meet the needs of its customers, all of which is embodied within the concept behind the Bank's motto: "Deeply rooted principles and innovative solutions".

Achievements of the Bank and Description of Important Events in 2022

The Bank sought to establish a network of branches, the number of which to this day has reached 42, spread throughout Jordan, providing a system of banking solutions compatible with the provisions of Islamic Sharia within modern foundations. The bank's operations grew, bringing the bank's assets to JD 2.6 billion, with a growth rate of 11% compared to the previous year whilst the Bank's financing and ijara muntahia bittamleek portfolio has also grown to reach a value of JOD 1.9 billion, constituting a growth rate of 21%. Meanwhile, customer deposits at the Bank have reached JOD 2.3 billion, constituting a growth of 12%. The following are the most prominent achievements of the bank's various departments:

Corporate Banking Services

Corporate Banking Achievements In the year 2022. The Corporate Banking Department achieved outstanding growth in the direct and indirect facilities portfolio, and a significant growth in deposits obtained from various segments of customers. The customer base was expanded in various economic sectors, by building a diversified and high-quality portfolio of new customers in the large and medium-sized companies' sectors, and in various fields and sectors of commercial, industrial, service, contracting, governmental, and others. The portfolio of direct and indirect facilities grew by nearly 28% during the year. Since excellence in customer service is our first concern, distinguished and innovative solutions have been enhanced in products and services offered to our customers. New services were launched this year and corporate operations support departments COSO were strengthened to serve our customers with the best and highest level of professionalism. We, in the Corporate Banking Department of Safwa Islamic Bank, are always keen to focus on establishing strategic and comprehensive relationships with our customers in the Jordanian market. Our objective is centered on providing excellent services to them, understanding their special financing needs and building long-term relationships with these companies by providing banking solutions compatible with Islamic Sharia to meet their needs. Through an experienced team and relationship managers with experience in corporate banking services, we always strive to provide the best service to customers so that they can grow their business and move forward.

Personal Banking Services

At Safwa Islamic Bank, we are keen to strengthen our presence and spread our branch network throughout the Kingdom to provide our services to the greatest segment possible. The bank's branch network has continued to expand, reaching to this day 42 branches in the Hashemite Kingdom of Jordan. It covers, in addition to the capital, Amman, each of the governorates of Irbid, Zarqa, Aqaba, Salt, Jerash, Madaba, Karak, and Mafrqa. The number of external ATMs has been increased to 33, in order to provide an integrated set of services and products to meet the needs and desires of a wide range of customers.

In terms of deposits, the bank offers current account services, savings accounts, basic bank account, investment deposits and certificates of deposit whose terms are designed with extreme flexibility. It also provides the Hajj instruments product, which presents the opportunity to perform Hajj at an early age by saving and investing in the Hajj Fund. The bank was also able to expand its customer base, as the number of accounts exceeded 258 thousand accounts, thanks to the various and innovative accounts launched by the bank, and the distribution of the highest returns on investment accounts.

In terms of financing services and products, the bank continued its development operations at the highest standards through a range of financing solutions that are compatible with the provisions of Islamic Sharia for individuals and designed in a way that simulates their requirements and aspirations. This included: car financing in the form of Murabaha, and in the form of lease to own, financing goods and shares in the form of Murabaha, housing financing and financing lands and offices in the form of lease to own, financing services such as education, pilgrimage, and others. Additionally, Al Yusur product was offered to facilitate the payment of financial obligations for personal loans, vehicle loans, and credit cards from one or more conventional banks. The bank also offered the musawameh product, by signing agreements with major merchants operating in the Jordanian market with the possibility of re-financing real estate owned by the customer.

The bank also provides all types of card services, such as direct debit cards «Visa Electron», prepaid cards, and the electronic Murabaha card, which operates in accordance with the principles of the Islamic Sharia as the first credit card based on the Islamic principle of Murabaha.

Development and Business Transformation

Safwa Bank's strategy aims to serve our customers within the highest levels of security, efficiency and effectiveness; hence we are keen at Safwa Bank to develop various channels of communications with clients.

This included the development of Safwa electronic application, so that the account opening services are available electronically anytime and anywhere. Subsequent support services were provided through a call center equipped to serve customers 24/7 in case of need. In addition, there are payment services, being the instant payment service "Cliq", the payment service using a QR code, and various transfers. The bank also offered the customer data update service, and managed the electronic Murabaha card.

Our ATMs were updated during 2022 with the aim of providing various services to customers. Work is underway to add multiple services to ATMs.

At Safwa, we are keen to constantly update our website to reflect all the bank's services, products and features. The monthly average number of visitors per month reached 58,000 visitors. The Safwa website may also be used for submitting requests for various financing services.

All these improvements contributed to raising the efficiency of the operations provided in the branches.

Banking Services for Small Business

A number of units affiliated to the Small Companies Department have been created, to cover all regions in Jordan, to provide the best services and banking facilities. They are distributed as follows:

1 - Small Business Center / Amman

- ▷ East Amman Unit / Al Rawnaq Branch
- ▷ Real Estate Development Unit / General Administration

2 - Small Businesses Center / Irbid and Zarqa

The volume of funds granted through the centers and units of the Small Business Department from 1/1/2022 to 31/12/2022

| Department Units | Size of the Portfolio by 31/12/2022 (Thousand JDs) |
|--|---|
| East Amman Unit / Al Rawnaq Branch | 7,574 |
| West Amman Unit / Khalda Branch | 23,236 |
| South Amman Unit / Al Wehdat Branch | 16,567 |
| North Amman Unit / Marka Highway Branch | 9,252 |
| Real Estate Development Unit/ General Administration | 10,321 |
| South Unit (Karak / Aqaba) | 3,872 |
| Zarqa Unit | 9,928 |
| Irbid Unit | 8,722 |
| Total | 89,652 |

Treasury and Investment

During 2022, the Treasury and Investment Department continued its distinguished performance approach by providing a high level of modern products and services designed to customers and in compliance with the principles of Islamic Sharia. It aims to achieve the mission and vision of the bank, through a qualified and professional team specialized in business Treasury and capital markets based on the principles of Islamic Sharia. The Treasury and Investment Department contributed positively to maximizing the bank's profits and diversifying the sources of its funds at various levels, as well as raising the rates of return on investment, managing financial centers in foreign currencies, and efficiency in managing Liquidity and related risks, raising the efficiency of financing operations, particularly the effective management of the bank's balance sheet.

The Treasury and Investment Department has also developed hedging products and solutions that are compatible with the provisions of Islamic Sharia, including the Promise of Exchange product, which is the first product of its kind in the Jordanian Islamic banking market. This product allowed a wide range of dealers who wish to obtain a tool to hedge against the risks of currency exchange fluctuations. On the other hand, the Department of Financial Institutions strengthened its dealings and built distinguished relationships with various local, regional, and global financial institutions, as a step to manage the requirements and needs of customers in general, and the bank in particular.

In addition, the Treasury and Investment Department has created a new department concerned with treasury sales, which in turn is the linking point between the bank's clients and the department. It aims to provide the best services and products and to consolidate the relationship with the bank's major clients, companies and individuals.

In terms of supporting the national economy and activating the partnership between the public and private sectors, Safwa Islamic Bank is still keen on allowing its customers to utilize the investment agreements signed with the Jordan Central Bank. These agreements mainly aim to provide medium-term financing sources for the various economic sectors that operate in several fields in order to carry out their work at low costs.

Human Capital Management

Safwa Islamic Bank Based places great importance on the strategic role played by the human factor and its direct contribution to achieving the strategic objectives of the bank. We, at Safwa Islamic Bank, are keen on developing the capabilities and skills of our employees, valuing and preserving their experiences through a set of the key achievements that took place during 2022 as shown below:

1. The Safwa Future Stars campaign was implemented for the fourth year in a row. It aims to empower students who are currently studying in Jordanian universities, presenting them with a real opportunity to develop their skills in a practical way

at our Jordanian Islamic banking institution.

2. Launching the “Wajeez Application” on smartphones, providing a summary of 3,000 of the most important and famous international and Arabic books.
3. An agreement was carried out with The Pioneers e-training platform to develop and facilitate the training process, and provide employees with information and knowledge related to their work.
4. Completion of the training program “Services and Sales Specialists” for all services and sales employees. The program aims to deepen their knowledge about all products and services provided by the bank to customers. It also aims to raise the participants’ level to an advisor to the customer and not just a service provider. This program is the first of its kind since the establishment of the bank.
5. Achieving savings of 8.5% compared to the budget allocated for employee expenses by end of 2022.
6. The Purchasing Department and Suppliers Department in the bank were transferred under the management of the Head of the Finance Department. This aims at unifying and controlling the process of purchasing management in the optimal form.
7. Honoring the top three branches of each group, and the highest in achieving profitability in 2021, with a total of 9 branches.
8. The automation of submission of requests for overtime allowance through the MENA system.
9. Participation in the two employment fairs of Al-Hussein Technical University and the German University. Information was provided to student participants about the nature of work in the banking sector and the available job opportunities. It introduced university graduates to, and made them aware of, the most prominent products and services provided by the bank.
10. Empowering females in the bank and empowering their leadership role to reach decision making positions. This resulted in (49) female employees reaching administrative positions during 2022, with a percentage of 21% of the total administrative positions in the bank. This was an improvement compared to 2021, when their number reached (39) employees, or 18% of the total number of administrative positions.

Support Departments (Central Operations / Institutional Services / Real Estate and Engineering Evaluation / Total Quality Management)

Support departments play a major role in the bank’s expansion strategy and work to increase the bank’s branches and customers, and diversifying the bank’s products. Support departments work to develop banking systems and their support systems to keep up with technological development and provide the latest applications and work to provide a high level of services provided to the bank’s customers. They work to offer these services with speed and high accuracy, enabling the bank to compete in the local market. Support departments are also continuously working on reviewing the policies and procedures of its business to achieve the aforementioned goals and work to improve the bank auditing environment.

Digitization is still considered one of the most important pillars of development in the bank, and has been given top priority by the bank senior management. Any development process depends on a complete understanding of the process, making requirements simple and clear, with the full cooperation among all departments involved in development. The support departments contributed significantly to the development of products, various banking systems, and policies and procedures. Support departments provide the requirements, and work on examining these modifications, and then applying them to the real environment.

The development process in the bank entails three main results: First, work on improving the level of service in terms of speed and accuracy. Secondly, work on providing a high-level security control. Finally, work on saving time and effort, which contributes to reducing expenses, limiting errors, and working to raise profitability.

The year 2022 is considered to be the year of recovery from the COVID epidemic, both on a global and country level. One sign of this recovery is the recovery of the economic situation in Jordan, reflected in an increase in banking transactions. The Central Operations Department absorbed the increase in the number of transactions and worked to provide a high level of service without having increase number of staff. During the year 2022, the Central Operations Department also developed and automated many of its operations to keep up with various (technological developments or increasing the number of transactions).

The Central Operations Department has worked on implementing the Bana platform project (the electronic clearing system between Arab countries), in line with the instructions of the Jordan Central Bank.

Out of concern for the bank’s social responsibility and in line with the instructions of the Jordan Central Bank, the Central Operations Department worked to postpone more than once, all financing for most of the bank’s clients and more during 2022.

The Quality Department has contributed to the development of many products, the most important of which is the process of opening accounts electronically. This method enabled non clients to open accounts with the bank electronically without the need to visit any of the bank’s branches in person. This has reflected positively on the increase in the bank’s customers and an increase in the number of customers deposits.

The department also contributed to the creation, development and re-engineering of many products, policies, and work procedures in order to keep pace with technological development, and to implement the instructions of the Central Bank, and with the aim of simplifying work procedures and / or improving regulatory controls.

In order to work on the continuity of the bank’s expansion strategy, the Real Estate / Engineering Appraisal Department worked on implementing three new branches in the Zarqa Highway area, Mafrq, and Irbid (moving out of the old branch to a new

location). Work has been done to develop the Taj Mall branch to conform to the new look of Safwa Bank. Also, the replacement of 40 old ATMs with new ones were carried out.

In order to work on reducing capital expenditures, the Real Estate Development / Engineering Department worked on reviewing the requirements for equipping the branches, especially furniture and worked on finding alternative solutions that comply with the branch equipping guidelines, with lower costs. The department also implemented, during 2022, an expansion project for the renewable energy power station by connecting 457 new panels, which gives the bank good material savings on energy costs.

Information Technology Department

The Information Technology Department (IT) undertakes the task of providing services related to the management of the information technology environment in the bank through the development of strategies and the necessary policies to enable all departments of the bank to achieve their objectives, in addition to setting the necessary plans to implement these strategies and policies through projects to ensure their compatibility with the strategic objectives of the bank in accordance with the rules of information technology governance and related standards in order to increase the efficiency and effectiveness of work and provide information at the most appropriate speed and form, as the department does the following:

- Preparing and updating IT plans and setting the procedures necessary for their implementation.
- Managing the IT infrastructure and maintaining its operation.
- Taking the necessary measures to raise the bank's electronic readiness, define strategies for digital transformation in the short and long term, and set priorities in this regard to provide comprehensive solutions that ensure the provision of the best services to its customers, whether for companies or individuals. This was achieved through the development of mobile banking applications and the Internet, most notable of which is the service of opening a bank account through the Safwa mobile application, without the need to visit the branch, within the highest approved standards.
- Follow-up of the bank's main and alternative sites through the specialized employees in those sites and in coordination with the concerned authorities.
- Continuous follow-up to develop the capabilities of the technical staff and increase the efficiency of the employees in the department, keep up with IT technological development.
- In accordance with the instructions of the Central Bank of Jordan, the bank's management was keen to comply with the IT governance according to the 2019 Cobit standards, while maintaining the highest security standards and protection standards such as PCIDSS and cybersecurity.

Internal Sharia Audit Department

The Internal Sharia Audit Department derives its strength from the presence of a Sharia Supervisory Board distinguished with long-standing Sharia banking expertise in the Islamic world. The department is keen to ensure the implementation of fatwas and decisions of the Sharia Supervisory Board related to all the bank's activities, by monitoring and auditing all business, conducting a comprehensive study of contract models and product policies, work procedures and executed transactions.

The Internal Sharia Audit Department continued to communicate effectively with the Sharia Supervisory Board to present all developments and critical issues, obtain answers and relevant fatwas, and ensure that its directives and decisions are implemented by the concerned departments.

The department also communicates daily with the various bank departments, administrations, and employees, to review any issues that may arise during implementation and answer them in accordance with the decisions of the esteemed Sharia Supervisory Board.

Department of Corporate Communication and Marketing

The Corporate Communications and Marketing Department continued to work on strengthening the bank's position in the local market during 2022. The department launched several marketing campaigns, for both services and products, provided to individuals and companies alike, as well as brand marketing campaigns to highlight the bank's image and corporate identity.

The department also adopts several different social responsibility programs that covers most of its pillars, and are in line with developmental priorities. During 2022, the bank's employees were involved in most of the activities and initiatives that we undertake, and we are keen to diversify them to include different sectors and groups and make a positive impact.

Due to the rapid development in the daily routine of Jordanians, the department pays special attention to social media platforms. Current or potential customers who leave comments and make inquiries are replied to, and bank's services and products are marketed in a modern way that keeps up with the current trends.

The bank's contract with the "Fouq Al-Sada" team as a brand ambassador, had a good impact on the follower sentiment, whereby the brand was marketed in a youthful Jordanian way, that suits the local Jordanian community. Videos produced with this team achieved high viewership rates that exceeded one million views each.

Bank's Contribution to Serving the Local Community and Protecting the Environment in 2022

During 2022, the bank continued to provide financial and moral support to community initiatives, based on its keenness to participate in the development of the local community and enhancing it in all its forms. The bank made significant financial contributions during this exceptional year, which required us to stand by the public sector and support it by all possible means. Examples of the contributions made by Safwa Islamic Bank to serve the local community:

Educational and religious initiatives:

- Scholarships for two students from Al-Hussein Technical University for Junior and Senior years.
- Supporting Mutah University to re-equip a student hall in the Deanship of Student Affairs.
- Signing a cooperation agreement with Al-Aman Fund for the Future of Orphans to cover full scholarships for university studies for a number of students from among the fund's beneficiaries until graduation.
- Supporting a Ramadan breakfast to honor nurses, in cooperation with the Syndicate of Nurses and Midwives.
- Implementation of the Ramadan campaign «Distributing Dates and Water» at the time of Iftar in various regions of the Kingdom, in coordination and cooperation with the Traffic Department.
- Bank employees joined Tkiyet Um Ali guests for Iftar at the Rahman tables during the holy month of Ramadan.
- Distributing food parcels to less fortunate families during the holy month of Ramadan, in cooperation with the Ministry of Social Development.
- Supporting a ceremony for the birth of the Prophet, in cooperation with the Ahbaa Charity Association.
- Supporting a training course for those about to get married, in cooperation with the Supreme Judge Department.
- Supporting the project to spread societal financial culture in cooperation with the Central Bank of Jordan.
- Support for the book «The Old Houses of Jordan and Their Stories».
- Supporting the book «Jordanian Banks in a Hundred Years of the State's March» in cooperation with the Jordanian Royal Hashemite Documentation Center.
- Supporting the ceremony honoring the winners of the Hassan Bin Talal Award for Scientific Excellence, in cooperation with the Higher Council for Science and Technology.
- Support for the book «Administrative Judiciary in the Administrative Courts in Egypt and Jordan».
- Supporting the Journal of Human Knowledge System in cooperation with the Islamic Studies and Research Association.
- Sponsoring the third international conference of the College of Business at Al al-Bayt University under the title «Leadership and Money Technology in the Digital Business Environment».
- Sponsoring the «Corona Pandemic: Its Effects and Recovery Strategies» conference, jointly organized by Zarqa University and the AL-Najah Palestinian University.

Humanitarian and health initiatives:

- Supporting the «Winter of Goodness» initiative to distribute 1,000 parcels in cooperation with Tkiyet Um Ali.
- Supporting the naming and honoring program for naming the vital signs examination room in the Sheikh Khalifa bin Zayed Al Nahyan Building at the King Hussein Cancer Center and covering infrastructure, devices and equipment at the center.
- Signing an agreement with Tkiyet Um Ali to support the programs and activities of the association by distributing food parcels on a monthly basis.
- Sponsoring the scientific activity of the Jordanian Board for Orofacial Pain and Disorders in cooperation with the Jordanian Dental Association.
- The bank's support and participation in the winterization initiative, which included the distribution of heaters, fuel coupons and blankets to needy families in preparation for the winter season, in cooperation with the Jordanian Hashemite Charitable Organization.
- Supporting the Love of Jordan program for youth leaders in cooperation with For Jordan Training Company.
- Supporting the Global Policy Forum in cooperation with the Association of Banks in Jordan.
- Golden sponsorship for the first international conference entitled «Between the Entrepreneur and the Businessman» organized by the Palestinian-Jordanian Business Forum
- Organizing a medical and awareness campaign to raise awareness about breast cancer in the General Administration building during October.
- Annual support of the Jordanian Medical Aid Society for the Palestinians for 2022.
- Sponsorship of the medical day of the Jordanian Pediatric Dentistry Society in cooperation with the Jordanian Dental Association.
- The bank's support and participation in the «Dafa» winter campaign to distribute a number of heaters, blankets and kerosene vouchers to a number of needy families benefiting from the services of Takiyet Um Ali.

Sports support initiatives:

- Sponsoring the contestant Yazan Qattan in the 2022 Jordan Speed Racing Championship
- Supporting colleague Mohammed Al-Khatib in the second Jordan Bow and Arrow Championship 2022.
- Supporting the international women's peg picking championship in Petra, in cooperation with the Public Security Directorate.
- Sponsorship of bow and arrow players to represent Jordan in the Asian Cup for Bow and Arrow 2022

Environmental initiatives:

- Supporting the agricultural projects of the Plant for Good Company. A team of bank employees volunteered in the «Plant for Good» initiative to plant land in the capital, Amman.

Support for women and children:

- Donating school bags for deaf children in cooperation with His Highness Prince Ali bin Al Hussein Club for the Deaf.
- Donating to orphans registered with the Sukaina Charity Association for Social Support.

Supporting national initiatives and conferences:

- Platinum sponsorship for the first national youth dialogue conference at the Dead Sea, organized by the Jordanian Senate.
- Sponsoring the dialogue session «Monetary Policy in Jordan in Light of Current International Developments» in cooperation with the Jordanian Strategy Forum.
- Platinum sponsorship of the Jordanian Financial Technology Conference and Exhibition, organized by SOFEX.
- Sponsoring the Jordan Gate International Housing and Building Exhibition 2022.

Human Capital Management

Based on the importance of the strategic role played by the human element in Safwa Islamic Bank and its direct contribution to achieving the strategic objectives of the bank, we, at Safwa Islamic Bank, are keen to develop the capabilities and skills of our employees to value and maintain their experience through a range of the most prominent achievements that took place during the year 2022 as shown below:

1. The "Safwa Future Stars" campaign was implemented for the fourth year in a row, which aims to empower students who are currently studying in universities, in order for them to have a real opportunity to develop their skills in a practical way at our Jordanian Islamic banking institution.
2. Launching "Wajeez" application on smart phones, which provides a summary of 3,000 books of the most important and famous international and Arabic books.
3. The agreement with «Pioneers» e-training platform to develop and facilitate the training process and provide employees with information and knowledge related to their work.
4. Completion of the "sales and services specialist" training program for all sales and service employees, which aims to deepen the knowledge related to all the products and services provided by the bank to customers, to bring the participants to client consulting level, and not just a provider of the service, and this program is the first of its kind since the establishment of the bank.
5. Achieving a saving of 8.5% compared to the budget allocated for employee expenses for the end of the year 2022.
6. The affiliation of the procurement department and the suppliers' department in the bank has been transferred under the management of the head of the financial department, with the aim of unifying and controlling the procurement management process in the optimal way.
7. The first three branches of each group and the highest in achieving profitability for the year 2021 were honored, with a total of 9 branches.
8. The submission of requests for overtime allowance has been automated through the MENA system.
9. Participation in the two employment fairs of Al Hussein Technical University and the German-Jordanian University, in which adequate information was provided to participating students about the nature of work in the banking sector and the available job opportunities, which resulted in introducing university graduates and making them aware of the most prominent products and services provided by the bank.
10. Empowering females in the bank and enhancing their leadership roles to reach decision-making positions, which resulted in

Support Departments (Central Operations / Institutional Services / Real Estate and Engineering Appraisal / Comprehensive Quality Management)

In order to keep up with the bank's strategy of expansion and work to increase the bank's branches and customers, and diversify the bank's products, a major role is played by the support departments, where the work takes place to develop banking systems and their support systems to keep pace with technological development, provide the latest applications, and work to provide a high level services provided to the bank's customers quickly and with high accuracy to enable the bank to compete in the local market. Support departments also work continuously on reviewing policies and procedures for its processes to achieve the aforementioned goals and work to improve the monitoring environment in the bank.

Digitization is still considered one of the most important pillars of development in the bank, which has been given the highest priority by the bank's management. Any development process depends on a complete understanding of the development process, clear and easy requirements and full cooperation among all departments involved in the development process, where the support departments contributed significantly to the product development process, the development of various banking systems, and the development of policies and procedures that required the support departments to provide the needs, work to examine these modifications, and then applying them.

The development process in the bank is reflected in 3 main results: first, working to improve the level of services in terms of speed and accuracy. Second, working on providing a high level of monitoring security. Finally, working to save time and effort, which contributes to reducing expenses, limiting errors, and raising profitability.

The year 2022 is considered to be the year of recovery from the corona epidemic in the Kingdom and worldwide. One of the phenomena of this recovery is the recovery of the economic situation in the Kingdom which reflected on an increase in banking transactions, where the Central Operations Department absorbed the increase in the number of transactions and worked to provide a high level of services without increasing the staff. During the year 2022, the Central Operations Department developed and automated many of its operations to keep pace with various developments (technology or the increased number of transactions).

The Central Operations Department has worked on implementing «Buna» platform project (the electronic clearing system between Arab countries), in line with the instructions of the Central Bank of Jordan.

Out of concern for the bank's social responsibility and in line with the instructions of the Central Bank of Jordan, the Central Operations Department has worked to postpone all financing installments for most customers more than once during the year 2022.

The Quality Department has contributed to the development of many products, the most important of which is the process of opening an account electronically, as this way enabled non-customers to open accounts with the bank electronically without the need to visit any of the bank's branches in person. This has reflected positively on the increase in the bank's customers and increase deposits. The department also contributed to upgrading, developing, and re-engineering many products, policies, and work procedures in order to keep pace with technological development, and as per the regulations of the Central Bank of Jordan and with the aim of simplifying work procedures and/or improving regulatory controls.

In order to work on the continuity of the bank's expansion strategy, the Real Estate/Engineering Appraisal Department has worked on constructing 3 new branches in the Zarqa highway area, Mafrq, and Irbid (moving the old branch to a new location). Much work has also been done to develop the Taj Mall branch to match to the new appearance of Safwa Islamic Bank, as well as the project of replacing the old ATMs with modern ones, which are 40.

In order to work on reducing capital expenditures, the Real Estate/Engineering Development Department has worked on reviewing the requirements for equipping the branches, especially furniture, and working to find alternative solutions that comply with the branch processing instructions, yet within lower prices. The department also implemented, during the year 2022, an expansion for the renewable energy station project by connecting 457 new panels, which gives the bank good savings on energy costs.

Information Technology Department

The Information Technology Department undertakes the task of providing services related to the management of the information technology environment in the bank, through establishing the strategies and necessary policies to enable all departments of the bank to achieve their objectives, in addition to developing the necessary plans to implement these strategies and policies through projects to ensure that they are in line with the strategic objectives of the bank in accordance with the substantial of information technology governance and related standards in order to increase work efficiency, effectiveness, and provide information quickly and in the most suitable way, as the department does the following:

- Preparing and updating plans in the field of information technology and setting the procedures necessary for their implementation.
- Managing the IT infrastructure and maintaining its work.
- Taking the necessary measures to raise the bank's electronic readiness, define strategies for digital transformation on the short and long terms, and set priorities in this regard to provide comprehensive solutions that ensure the provision of the best services to its customers, whether for companies or individuals, through the development of mobile banking applications and internet, and the most prominent of these services is opening a bank account through the Safwa Mobile application, without the need to visit the branch, within the highest approved standards.
- Follow up with the bank's main and alternative sites through the specialized employees and in coordination with the concerned authorities.
- Continuous follow-up to develop the capabilities of the technical staff and increase the efficiency of the employees in the department to keep pace with the technological development of information technology.
- In accordance with the instructions of the Central Bank of Jordan, the bank's management was keen to comply with the information technology governance represented by the Cobit 2019 standard and maintain the highest level of security and many protection standards such as PCIDSS and cybersecurity.

Internal Sharia Audit Department

The Internal Sharia Audit Department derives its strength from the presence of a distinguished Sharia Supervisory Board with long-standing Sharia banking expertise in the Islamic world. The department ensures the implementation of fatwas and decisions of the Sharia Supervisory Board, which are related to all the activities of the bank, by monitoring and auditing all business and conducting comprehensive study for contract forms, product policies, work procedures, and executed transactions.

The Internal Sharia Audit Department continued to communicate effectively with the Sharia Supervisory Board to present all developments and critical issues and obtain answers, relevant fatwas, and ensure the application of its directives and decisions by the concerned departments.

The department also communicates daily with the various sections and departments of the bank and its employees to review any issues that may arise during implementation and answer them according to decisions of the esteemed Sharia Supervisory Board.

Honorable Sharia Supervisory Board.

Corporate Communication and Marketing Department

The Corporate Communications and Marketing Department continued to work to strengthen the bank's position in the local market during the year 2022 by launching several marketing campaigns, whether for services and products provided to individuals and companies alike, or brand marketing campaigns to highlight the bank's image and corporate identity.

The department also adopts many different social responsibility programs that cover most of its pillars and in line with development priorities, as during the year 2022, and by engaging the bank's employees in most of the activities and initiatives that we undertake and are keen to diversify to include different sectors and groups to make positive differences.

As a result of the rapid development in the daily routine of Jordanians, the department pays special attention to social networking sites through which existing and potential customers are served, where they leave their comments and inquiries on an ongoing basis, in addition to marketing the bank's services and products in a modern way that keeps pace with the current development in this field.

The bank's agreement with the «Fouq Al-Sada» team as an ambassador for the brand had a good impact on the followers, so the brand was marketed in a Jordanian youthful way that suits the Jordanian society, and the videos that were produced with them achieved high view rates that exceeded one million for each of their videos.

Bank's Contribution to Local Community Service and Environment Protection During 2022

During the year 2022, the bank continued to provide financial and in-kind support to community initiatives, based on its keenness to participate in the development of the local community and upgrading it through its various forms, the bank made great financial contributions during this exceptional year, which required us to stand side by side with the public sector and support it by all possible means. Examples of the contributions made by Safwa Islamic Bank to serve the local community include:

• Educational and Religious Initiatives:

- Scholarships for two students from Al Hussein Technical University for the third and fourth years.
- Supporting Mutah University to re-equip a student hall in the Deanship of Student Affairs.
- Signing a cooperation agreement with Al-Aman Fund for the Future of Orphans to cover full university scholarships for a number of students who benefit from the Fund until graduation.
- Supporting a Ramadan breakfast for a ceremony honoring nurses, in cooperation with the Jordan Nurses and Midwives Council.
- Implementing the Ramadan campaign «Distributing Dates and Water» at Iftar time in various regions of the Kingdom, in coordination and cooperation with the Traffic Department.
- Participation of the bank's employees as guests of Tkiyet Um Ali at Iftar tables during the holy month of Ramadan.
- Distribution of food parcels to families in need during the holy month of Ramadan, in cooperation with the Ministry of Social Development.
- Supporting a ceremony for the occasion of the birth of the Prophet, in cooperation with the «Ahiba» Charitable Association.
- Supporting a training course for those about to get married, in cooperation with the Supreme Judge Department.
- Supporting the financial culture awareness project in cooperation with the Central Bank of Jordan.
- Supporting the book of «The Old Houses in Jordan and Their Stories».
- Supporting the book «Jordanian Banks in a Hundred Years of the State's March» in cooperation with the Jordanian Royal Hashemite Documentation Center.
- Supporting the ceremony honoring the winners of the Hassan Bin Talal Award for Scientific Excellence in cooperation with the Higher Council for Science and Technology.
- Supporting the book «Administrative Judiciary in Administrative Courts in Egypt and Jordan».
- Supporting the Journal of Human Knowledge System in cooperation with the Islamic Studies and Research Association.

- Sponsoring the third international conference of the School of Business at Al Albayt University under titled «Leadership and Money Technology in the Digital Business Environment».
- Sponsoring the «Corona Pandemic: Its Effects and Recovery Strategies» conference, jointly organized by Zarqa University and the Palestinian An-Najah National University.

Humanitarian and Health Initiatives:

- Supporting the «Winter for Good» initiative to distribute 1,000 parcels in cooperation with Tkiyet Um Ali.
- Supporting the Naming and Recognition Program for naming the vital signs examination room in the Sheikh Khalifa bin Zayed Al Nahyan Building in the King Hussein Cancer Center and covering the infrastructure, devices, and equipment in the center.
- An agreement with Tkiyet Um Ali to support the programs and activities of the association through the distribution of food parcels on a monthly basis.
- Sponsoring the scientific activity of the Jordanian Commission of Orofacial Pain & Dysfunction in cooperation with the Jordanian Dental Association.
- Supporting and participating in the winter initiative, which included the distribution of heaters, fuel coupons, and blankets to families in need to prepare for the winter season, and in cooperation with the Jordanian Hashemite Charity Organization.
- Supporting the «Love Jordan» program for youth leaders in cooperation with «For Jordan» training company.
- Supporting the Global Policy Forum in cooperation with the Association of Banks in Jordan.
- Golden sponsorship for the first (Dolni) conference entitled «Between the Entrepreneur and the Businessman» organized by the Palestinian-Jordanian Business Forum.
- Organizing a medical and awareness campaign to raise awareness about breast cancer in the headquarters building during October.
- Annual support for the Jordanian Health Aid Society for Palestinians for the year 2022.
- Sponsoring the medical day of the Jordanian Society of Pediatric Dentistry in cooperation with the Jordanian Dental Association.
- Supporting and participating in the winter campaign «Dafa» to distribute a number of heaters, blankets, and gas vouchers to a number of families in need who benefit from Tkiyet Um Ali services.

Sports Support Initiatives:

- Sponsoring the contestant Yazan Qattan in the Jordan Sprint Championship 2022.
- Supporting colleague Mohammed Al-Khatib in the second Jordan Bow and Arrow Championship 2022.
- Supporting the international Women Tent Pegging Championship in Petra, in cooperation with the Public Security Directorate.
- Sponsoring bow and arrow players to represent Jordan in the 2022 Asian Cup for Bow and Arrow.

Environment Initiatives:

Supporting the agricultural projects of the «Plant for Good» company, and a team of bank employees volunteered in the «Plant for Good» initiative to plant a land in the capital, Amman.

Woman and Child Support:

- Donating school bags for deaf children in cooperation with the Prince Ali bin Al Hussein Club for the Deaf and Mute.
- Donating to orphans registered with the Sakina Charity for Social Support.

National Initiatives and Conferences Support:

- Platinum sponsorship for the first national youth dialogue conference in Dead Sea, organized by the Senate of Jordanian.
- Sponsoring the dialogue session «Monetary Policy in Jordan in Light of Current International Developments» in cooperation with the Jordanian Strategy Forum.
- Platinum sponsorship of the Jordanian Financial Technology Conference and Exhibition, organized by SOFEX.
- Sponsoring the Jordan Gate International Housing and Building Exhibition for the year 2022.



Sponsorship of the contestant Yazan Kattan in the Jordan Sprint Championship 2022



Bank's employees participation in the «Plant for Good» initiative



Sponsoring the medical day of the Jordanian Society of Pediatric Dentistry



Our participation in the Jordan Financial Technology Conference and Exhibition



Sponsoring the first (Dolni) conference



Sponsoring the first national youth dialogue conference in Dead Sea Organized by the Senate of Jordan



Bank employees participation in distributing aid during the winter campaign “Dafa” in cooperation with Tkiyet Um Ali



During the «Corona Pandemic: Its Effects and Recovery Strategies» conference

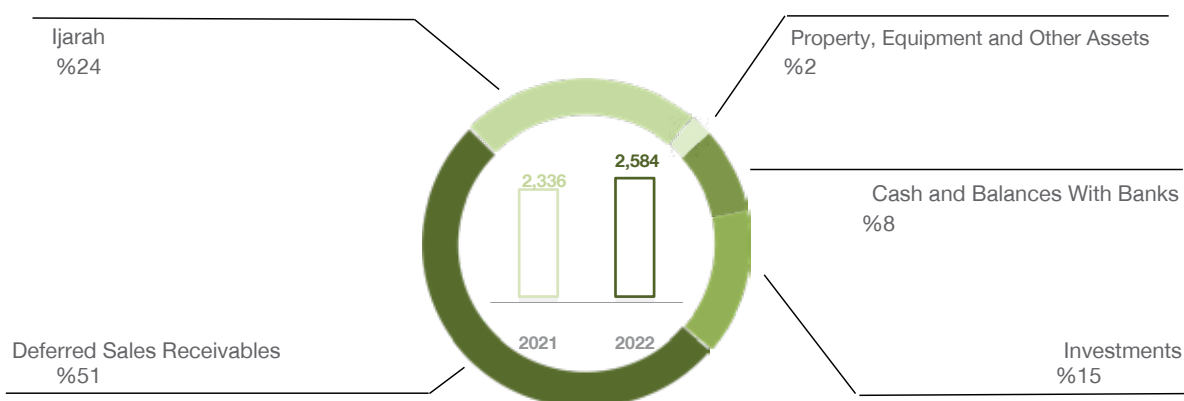


Colleague Mohammed Al-Khatib during the second Jordan Bow and Arrow Championship 2022

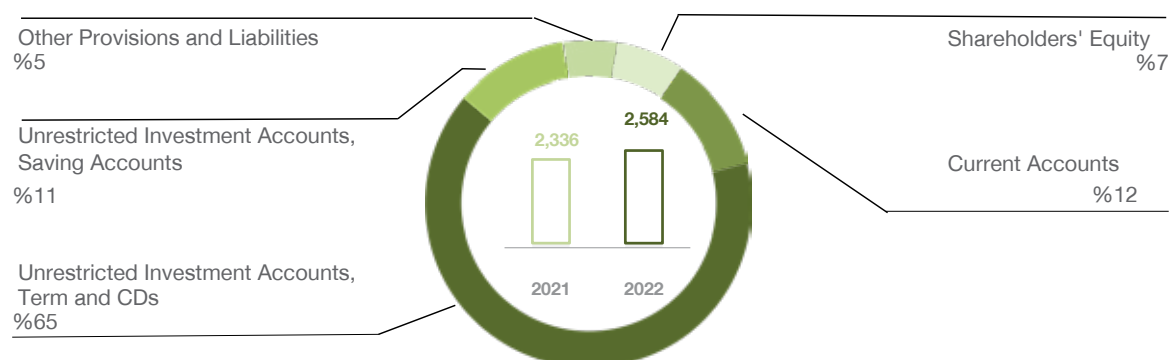
Bank's Financial Position Analysis and Financial Ratios

Bank's Financial Position Analysis

| Assets | JOD (Million) | | Weight | |
|-------------------------------------|---------------|--------------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cash and Balances With Banks | 217 | 367 | %8 | %16 |
| Investments | 374 | 317 | %15 | %13 |
| Deferred Sales Receivables | 1,324 | 1,065 | %51 | %46 |
| Ijarah | 613 | 534 | %24 | %23 |
| Property, Equipment and Other Asset | 56 | 53 | %2 | %2 |
| Total | 2,584 | 2,336 | %100 | %100 |



| Liabilities and Shareholders' Equity | JOD (Million) | | Weight | |
|---|---------------|--------------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Current Accounts | 300 | 290 | %12 | %12 |
| Unrestricted Investment Accounts, Term and CDs | 1,684 | 1,497 | %65 | %64 |
| Unrestricted Investment Accounts, Saving Accounts | 290 | 245 | %11 | %11 |
| Other Provisions and Liabilities | 138 | 142 | %5 | %6 |
| Shareholders' Equity | 172 | 163 | %7 | %7 |
| Total | 2,584 | 2,336 | %100 | %100 |



Financial Ratios

| | | 2022 | 2021 | 2020 | 2019 |
|----------------|---------------------------------|-------|-------|-------|-------|
| Profitability | Return on Average Equity | 9.1% | 8.9% | 6.8% | 7.1% |
| | Return on Average Assets | 0.6% | 0.7% | 0.6% | 0.7% |
| | Earning Per Share (fills/Share) | 0/151 | 0/141 | 0/102 | 0/100 |
| | Cost to Income | 44% | 44% | 50% | 50% |
| Assets Quality | Non-Performing Financing (NPL%) | 2.4% | 2.2% | 2.3% | 2.0% |
| | Coverage Ratio | 125% | 131% | 134% | 141% |
| | Equity / Assets | 7% | 7% | 8% | 9% |
| Efficiency | Operating Financial Leverage* | 1.21 | 1.23 | 1.26 | 1.29 |
| | Assets / Branch (JOD mn.) | 62.3 | 59.9 | 48.5 | 45.1 |
| | Assets / Employee (JOD mn.) | 3.8 | 3.6 | 2.9 | 2.6 |

Profitability

- Profitability indicators related to returns on assets and equity showed stable trend during 2022, ROE enhanced slightly while ROA declined slightly.
- Cost to income ratio reached optimum level at 44%, the bank targets continuous improvement for this vital ratio.

Portfolio quality and continuous follow up with clients were the drivers of the low NPL ratio

The bank maintained a competitive NPL coverage ratio compared to the market, while enhancing its financial position by taking extra provisions to encounter any impact resulting from economic challenges

Assets Quality

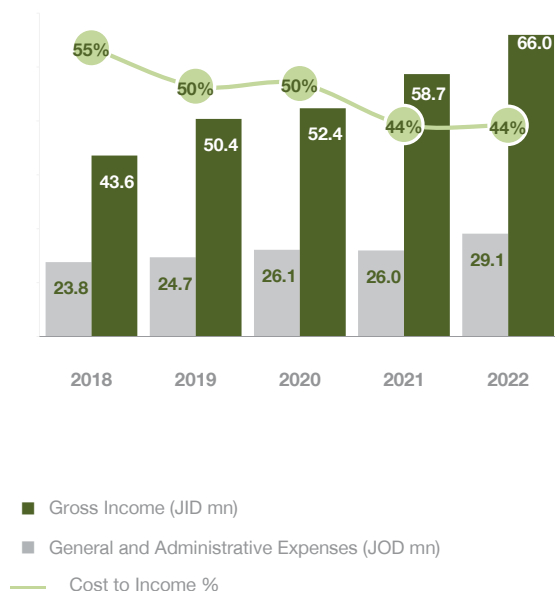
Productivity

- 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

Operating Financial Leverage

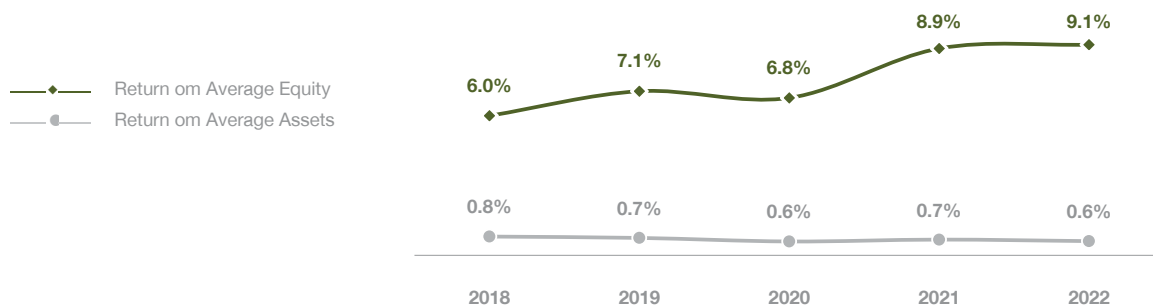
Measurement of the firm's ability to control the fixed costs, and calculated by dividing the total of gross revenues and other revenues by the same figure after subtracting the fixed costs

Cost to Income Ratio



- Stability of cost to income ratio at 44% as a result of similar growth rates of gross income (before expected credit loss provisions) on one side and general and administrative expenses on the other side
- 2022 witnessed a growth of gross income (before ECL provisions) by 12% driven by the growth of banks' volume, on the other side, general and administrative expenses had grown by 10% driven by the increase of business transactions and non-recurring items
- The ratio decreased by 11% since 2018, making it one of the best ratios in the banking sector, despite the Bank being relatively new in comparison to most banks operating in the banking sector.

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



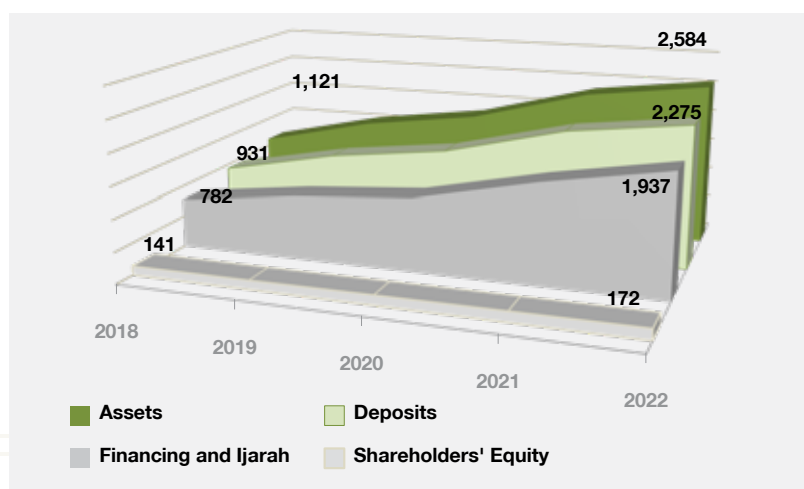
- 2022 showed slight improvement on ROE reaching 9.1% compared to 8.9% in the previous year, the ratio is expected to improve over the coming years
- Return on assets has been stable for a number of years, the stability in 2022 was a result of net improvement in nondirect income to total assets ratio and general and administrative expenses to total assets ratio, and decrease in spread to total assets ratio

Time Series for Realized Profits, Distributed Profits, Net Shareholders' Equity and Stock Price

Time Series (Financial Position)

Growth 2022

| | |
|-----------------------------|------------|
| Assets | 11% |
| Deposits | 12% |
| Financing and Ijarah | 21% |
| Shareholders' Equity | 6% |



| | JD mn | 2022 | 2021 | 2020 | 2019 | 2018 | Change In 2022 mn JDs | % |
|----------------------|-------|-------|-------|-------|-------|-------|--------------------------|-----|
| Assets | | 2,584 | 2,336 | 1,820 | 1,557 | 1,121 | 248 | 11% |
| Deposits | | 2,275 | 2,031 | 1,555 | 1,316 | 931 | 244 | 12% |
| Financing and Ijarah | | 1,937 | 1,599 | 1,178 | 1,025 | 782 | 338 | 21% |
| Shareholders' Equity | | 172 | 163 | 155 | 144 | 141 | 9 | 6% |

- The bank continued the upward trend in assets during 2022 by 11% with an amount of JOD 248 million.
- The CAGR since 2018, reached 23%
- The bank continued to reach advanced positions in the banking sector for growth since 2018

Assets

Deposits

- Outstanding results were achieved during 2022 after the bank had succeeded in attracting new deposits and expanding its clients base, the deposits increased 12% with amount of JOD 244 million
- JOD 145 million from this growth was attracted from retail and small business sectors (out of aggregate growth of JOD 244 million) representing a percentage of 60% which contributed in decreasing liquidity and concentration risks

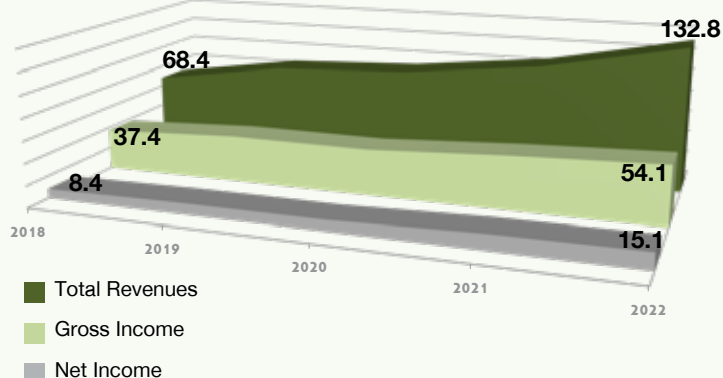
- Marketing Campaigns, promotions and extending facilities to GRE had a positive effect to increase financing by 21%

Financing and Ijarah

Shareholders' Equity

- The Bank's business results during 2022 contributed to an increase in the shareholders' equity by JOD 9 million.
- Despite that the bank had achieved record profits in 2022, the board of directors decided by majority not to pay dividends for this year to preserve the strong capital and support the expansion opportunities in the future

Time Series (Profit and Loss)



Growth 2022

| | |
|----------------|-------|
| Total Revenues | 24.0% |
| Gross Income | 9.9% |
| Net Income | 7.5% |

| JOD mn | 2022 | 2021 | 2020 | 2019 | 2018 | Change in 2022 | |
|----------------|-------|-------|------|------|------|----------------|-------|
| | | | | | | JOD | % |
| Total Revenues | 132.8 | 107.1 | 92.8 | 87.5 | 68.4 | 25.7 | 24.0% |
| Gross Income | 54.1 | 49.2 | 42.4 | 42.9 | 37.4 | 4.9 | 9.9% |
| Net Income | 15.1 | 14.1 | 10.2 | 10.0 | 8.4 | 1.1 | 7.5% |

- The total revenues had increased by 24% from JOD 107 million in 2021 to JOD 133 million in 2022 driven by earning assets growth 23% by JOD 374 million

Total Revenues

Gross Income

- Gross income increased 10% driven by net increase in average volume by JOD 382 million and decrease of spread from 3.1% to 2.8%

- Net income after tax increased by 7.5% reaching JOD 15.1 million compared to JOD 14.1 million in the previous year, beside above mentioned factors, the efficient use of resources had contributed in the net income growth

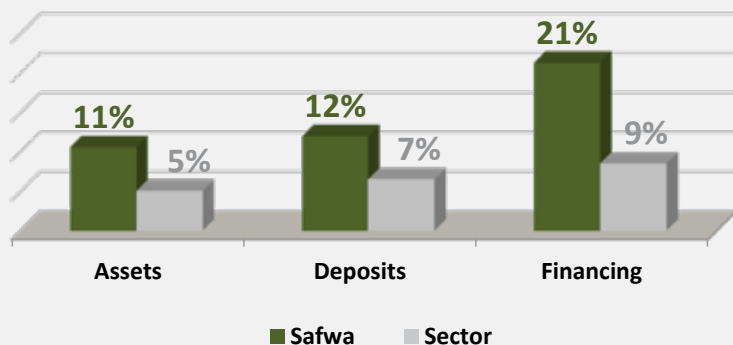
Net Income

Time Series (Share Price and Dividends)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|-------------|------|------------|------------|------|------------|
| Share Price | 1.92 | 1.91 | 1.41 | 1.36 | 1.12 |
| Dividends | - | %6 Cash | %6 Cash | - | %5 Cash |

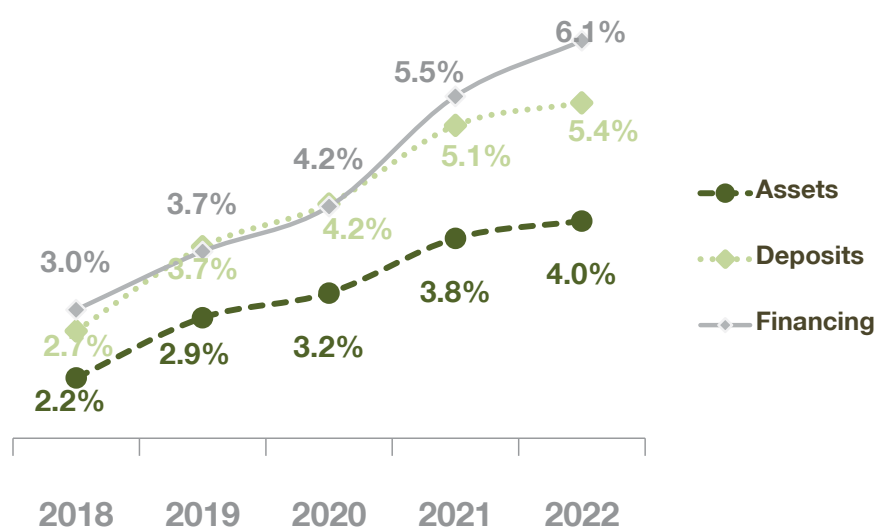
Bank's Competitive Position

Development of Safwa's Share in the Banking Sector



**Safwa's Growth
Compared With the
Banking Sector During
2022**

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 3.8% to 4.0% due to growth of assets by 11% compared to the sector growth of 5%

Deposits

Safwa bank succeeded to attract more deposits by JOD 244 million resulted it market share to increase from 5.1% to 5.4% with a growth rate of 12% compared to sector growth of 7%

Financing

Financing portfolio increased in 2022 by 21% compared to a growth of 9% in the sector

The financial effect of non-frequent operations, occurred during the financial year

In 2022, the Bank, as part of its non-recurring activities, sold repossessed assets by the Bank against debts. The selling process resulted in capital profit of JD 646 thousands.

Bank Capital Investment Volume

The volume of capital investment for the bank reached to JD23.3 million at the end of year 2022 (represent net fixed and intangible assets) compared with JD 24.3 million at the end of year 2021.

Future developments and strategic plan

The Bank has prepared and updated its strategic plan, based on the factors for success and achievements which was accomplished over the past few years, and after a thoughtful evaluation of the Bank's position from several aspects, the most important of which are external factors, the banking sector, competition, the internal evaluation of the Bank; and measuring the impact of all of these factors on the Bank's operations, and arranging them according to their relevance and importance, and the Bank's reliance on the main factors of success in order to build clear, achievable and measurable strategic goals linked to a specific time period for each goal.

In order to ensure the success of its strategic plan, Safwa Islamic Bank is keen on measuring the level of success that has been achieved, and setting action plans in order to rectify any delays, with a permanent review of the objectives for updating the plan based on the management's orientations, or any other emerging issues that could have an impact on the bank's business environment. Currently, and in the future, the Bank seeks to focus on the customer experience, and to gather all of the Bank's resources in order to ensure customer satisfaction in its endeavor to be ranked as the first community bank throughout the Kingdom.

Customers:

The Bank seeks to provide fair and responsible banking experience, and to ensure that all services and products are offered to customers in a manner that is fair, and to ensure that customers are not burdened with any additional fees or costs, in order to ensure that this is commensurate with the efforts exerted by the Bank, hence, the Bank has started to review all commissions and fees for all of the products and services that it offers

- Enhancing the customer experience by studying the customer journey for provided products and services, as well as shortening and accelerating procedures in order to ensure ease and smoothness in dealing with the Bank, and ensuring that customer satisfaction is the main objective to be reached, and to achieve the highest degree possible of success
- Continuing to expand the customer base by offering an integrated package of services and products in a competitive manner that takes into account the needs and requests of customers.
- Restudying the network of branches and ATMs, and expanding it in a thoughtful manner, with the aim of better serving all segments of customers, and looking towards external expansion, after paying adequate attention to the available opportunities.
- Expanding the range of Islamic Sharia compliant products and services offered to the corporate sector, and strengthening the network of relationships with corporate customers.
- Building new relationships with the network of correspondent banks and enhancing the role of the Bank as an accredited correspondent bank, both regionally and globally.
- Managing the Bank's resources efficiently and effectively, and setting a targeted operational leverage that improves from one year to the next.

Digital Transformation and Electronic Channels

Within its strategic plan, the bank has placed increasing interest in digital transformation and electronic channels, in line with the successive developments and changes in the needs of the increasing number of customers, and the bank seeks not only to keep pace with these developments, but also to excel in providing services without neglecting the factor of safety and confidentiality.

Many services have been added to the electronic channels, and the mobile banking service has been developed, and the bank is seeking later to add more services through its electronic channels to ensure the excellence of services

Human Resources

The Bank has been able to accomplish numerous successes through its reliance on a cooperative working team that works together with team spirit, and that is persistent and diligent. The Bank looks forward to enhance and take its successes further, and to develop them into an advantage that the Bank enjoys through:

- Maintaining competencies and developing programs for them.
- Designing new values that are aligned with the next phase and the strategic objectives of the Bank.
- Focusing on career paths and providing opportunities for professional advancement.
- Adopting serious incentive systems for the various business departments.
- Designing development programs for leaders that are considered as promising, and creating a new generation of leaders.

- Keeping abreast of developments in the banking labor market and conducting survey studies to develop a competitive system for employee benefits.
- Encouraging innovation and creativity and rewarding creators whose new and innovative ideas contribute to improving efficiency.
- Developing system of functional tests.
- Meeting the needs of employees in accordance with the best standards for transparency, clear procedures and advanced systems.

Risk management and internal control

The bank has developed a risk management system; the bank is constantly striving for the continuous improvement of all risk management tasks, whether by developing policies and current procedures, developing a risk measurement mechanism, updating liquidity plans and rate of return risks, and periodic monitoring of acceptable levels of risk while continuing to own evaluating for risk. This is in addition to developing corrective plans and reviewing the work environment to limit the effects of risks to which the Bank is exposed.

The risk management department is considered one of the internal audit departments, as well as one of the departments with a legislative capacity in developing control and auditing work and following up on breaches of acceptable risk levels and ensuring that they are addressed within a specified time frame.

Corporate Identity and Social Responsibility

The Bank's strategic plans aim to enhance the successes achieved over the past few years, and to market the Bank's brand and highlight its corporate image and identity, in addition to distinguishing it as an Islamic bank that competes with its counterpart Islamic and conventional banks in Jordan, along with building up advertising campaigns for various innovative products and services offered by the bank through traditional and modern media, in order to ensure that the bank is able to reach to the largest possible segment of customers.

When it comes to the domain of the Bank's social responsibility, we will seek to enhance the Bank's position in the local community, thus having a positive impact on building a bright image that is aligned with the principles of the true Islamic religion.

During the next stage, the Bank will continue to sponsor important events, publish advertisements for new campaigns, products and services, and to market the Bank through social media platforms, along with launching good will initiatives during the holy month of

Ramadan and religious occasions. The Bank also seeks to strengthen its role in charitable initiatives and to provide assistance for needy parties and charity organizations.

The Financial Axis

The Bank has formulated a strategy to preserve its successes in achieving growth rates that are considered as the best in the banking sector; whilst simultaneously maintaining the strength of the Bank's financial position, targeting healthy indicators of profitability, liquidity, asset quality, efficiency, continuous improvement in the structure of assets and deposits, and controlling operational and capital expenditures, especially fixed, in order to ensure an optimal utilization of resources.

Financial targets have also been set for many of the strategic objectives of the bank, and they are constantly monitored, with material deviations being analyzed, and noting that a corrective plan has been formulated and is continuously being monitored.

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: 20/12/1961

Educational qualifications:

- PhD in economics / Finance from the University of Surrey in the United Kingdom, 1997.
- Master's in economics from the University of Jordan, 1989
- BA in Economics from Yarmouk University, 1984

Professional experience and membership:

- Minister of Finance from 14 / 12 / 2009 – 17 / 10 / 2011
- Chairman of the Board of Directors for the Arab Potash Company from 01 / 11 / 2007 – 14 / 12 / 2009
- President of the Executive Commission for Privatization from 11 / 07 / 2005 – 20 / 11 / 2007.
- Minister of Finance from 25 / 10 / 2003 – 05 / 04 / 2005.
- Ministry of Industry and Trade, Minister, 21/7/2003-22/10/2003.
- Secretary General of the Ministry of Finance from 08 / 02 / 2000 – 21 / 07 / 2003.
- Advisor to HE. Minister of Finance from 08 / 11 / 1998 – 07 / 02 / 2000 and President of the Financial Oversight Unit and Deputy President of the Commission for Assessing the Economic, Financial and Monetary Situation.
- Part-time lecturer at the University of Jordan for students of the Master's in Economics program from 1998 - 2003.
- Member in the discussion on a number of Master's dissertations, 1998-1999.
- Held a number of administrative positions at the Central Bank of Jordan.
- Chairman of the Board of Directors for Al-Salam Transport Company.



Abd Al-Rahim Al Hazaymeh / Independent

Deputy Chairman of the Board of Directors

Representation of: Orphans Funds Development Foundation

Date of joining the Board: 07 / 05 / 2020

Date of Birth: 1/6/1969

Educational qualification:

- BA in Jurisprudence and Legislation / Economics and Statistics from the University of Jordan, 1992.

Professional experience and membership:

- Acting Director General of the Orphans Funds Development Foundation from 02 / 03 / 2020 till this date.
- Assistant Director General of the Orphans Funds Development Foundation 2017
- Irbid Branch Manager for the Orphans Funds Development Foundation 2008
- Head of the Investment Department at the Orphans Funds Development Foundation 1995
- Appointed amongst the owners of the Orphans Funds Development Foundation in 1992.



Basem Salfiti

Representative of: Al Etihad Islamic for Investment Company

Date of joining the Board: 4/1/ 2017

Date of Birth: 29/4/1972

Educational qualifications

- Master's in Business Administration, Finance and Company Strategies from Columbia Business School in New York, 1998 – 2000
- BA in Electrical Engineering, Brown University, 1989 – 1993

Professional experience and membership:

- General Partner and Co-Director, Hummingbird Ventures, United Kingdom, 2013 – 2017
- Managing Director, Head of European Technology Investment Banking, Perella Weinberg Partners, London, United Kingdom, 2006 – 2013
- Executive Director, Technology Investment Banking, Stanley Morgan, London, United Kingdom, 2000 – 2006.
- Chief Operations Officer, Best IC Laboratories, California, 1994 – 1998
- Non-executive Board Member, Etihad Bank – Oman, Jordan, from 2009 till today.
- Non-executive Board Member for Delta for Insurance and Consultations Company.
- Member of King Hussein Foundation.
- Chairman of the Council for 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: 13/2/1968

Educational qualifications:

- Masters' in Business Administration, 2001, from Imperial College in London, United Kingdom.
- Master's in Financial Markets, 1998
- BA in Electrical Engineering, 1990

Professional experience and membership:

- Deputy General Manager at Etihad Bank since 01 / 2012
- Assistant General Manager of Etihad Bank for Risk and Compliance Management until 1/2012.
- Assistant General Manager / Director of Risk and Compliance at Ahli Bank Bank, 2005-2007.
- Head of Risk and Credit Policy Department at Housing Bank, 2004-2005..
- Credit Risk Manager at Arab Bank, 1990-2004.
- Member of the Board of Directors at Etihad Financial Brokerage Company
- Member of the Board of Directors at Etihad Leasing Company
- Member of the Board of Directors of Palestine Commercial Bank 09 / 2011 – 07/2013

**Khaled Algonsef**

Representative of: Al Etihad Islamic for Investment Co.

The date of joining the Board of directors: 4/1/2017 until 4/12/2022

Date of birth: 13/8/1971

Educational qualification:

- Master's in Banking and Financing, European University, 2003
- Master's in Financial Accounting from the Academy for Higher Studies – Libya, 1996
- BA in Financial Accounting, Department of Accounting, Gharyan, Libya, 1992.

Professional experience and membership:

- Member of the Board of Directors and General Manager of the Libyan Foreign Investment Company, (LIFCO, 2012 – 2018)
- Vice Chairman of the Board of Directors of the Arab Petroleum Investments Corp (APICORP, 2012 – 2018)
- Member of the Board of Directors for the International Hotel Investments Company, 2015 – 2018.
- Chairman of the Board of Directors of the Libya Investment Company – Egypt, 2012 – 2018.
- Chairman of the Board of Directors of Itran Company – Malta, 2015 – 2018.
- Director of the Department of Cash Operations and Financial Planning of the Libyan Foreign Investment Company. 2008 – 2012.
- Member of the Board of Directors of Kofrac – Ukraine
- Responsibilities and leadership positions in the subsidiaries of 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 until 4/12/2022

Date of birth: 28/12/1938

Educational qualification:

- PhD in Economics from the Cologne University, 1972
- BA in Economics from the University of Libya, 1963

Professional experience and membership:

- Chairman of the Council of Libyan Economists Association, 1990 - 1999.
- Chairman and General Manager of Al-Wahda Bank – Libya, 09 / 09 / 2000 – 23 / 03 / 2001.
- Central Bank of Libya Governor, 23 / 03 / 2001 – 03 / 03 / 2006.
- Secretary of the General People's Committee for Finance (Minister of Finance), 03 / 03 / 2006 – 03 / 01 / 2007
- Ambassador for Libya to Austria, 04 / 07 / 2007 – 04 / 04 / 2012.
- Professor at the Department of Economics in University of Benghazi – Libya, 1973 – 2001.



Dr. Nofan Alaqil

Representative of: Social Security Corporation*

Date of joining the Board: 03 / 08 / 2016

Date of Birth: 1/1/1971

*(As of 29 / 04 / 2021, whereby he had previously been a representative of the Governmental Investment Management Company since 03 / 08 / 2016)

Educational qualification:

- PhD in General Law (Administrative Law / Administrative Judiciary), Ain Shams University – Egypt, 2005.
- Master's in General Law (Administrative Law), Al Bayt University, 1997
- BA in Law, Mu'tah University, 1994.

Professional experience and membership:

- Head of the Legislation and Opinion Bureau – Council of Ministers from 30/6/2013 – 8/5/2019.
- Acting Head of the Board of Grievances from 31/12/2014 – 18/10/2015.
- Minister of State for Cabinet Affairs from 8/10/2012 – 30/3/2013.
- Minister of Political Development from 2/5/2012 – 7/10/2012.
- Associate Professor in Public Law at the University of Jordan from 2006 to this date.
- Lawyer and legal advisor from 2006 – 2012.
- Director of the Legal Department / Telecommunications Regulatory Authority from 8/1/2003 – 20/1/2004.
- Legal Researcher at the Audit Bureau of Jordan from 1/1/1999 – 8/12/1999.
- Member of Daman Company for Energy Investments.



Dr. Ibrahim Saif

Representative of: Al Etihad Islamic for Investment Company

Date of joining the Board: 22 / 10 / 2017

Date of birth: 10/8/1965

Educational qualification:

- PhD in Economics, London University, 2001
- Master's in Economics – London University, 1988
- BA in Economics and Accounting – Yarmouk University, 1986

Professional experience and membership:

- Minister of Planning and International Cooperation from the beginning of 2013 until 2015, and in March 2015, he took over as the Minister of Energy and Mineral Resources until June 2017.
- Researcher at the Carnegie Middle East Center, where his research focused on Middle Eastern Economics from 2012 – 2015.
- Secretary – General of the Economic and Social Council in Jordan, 2009 – 2012
- Professor of Economics and Director of the Center for Strategic Studies at the University of Jordan, 2002 – 2008.
- Executive Director of the Jordan Strategies Forum.



Samir Abu Lughod / Independent

Date of joining the Board: 13/4/2017

Date of Birth: 7/12/1951

Educational qualifications:

- BA in Accounting, 1976

Professional experience and membership:

- Member of the Audit Committee – International Criminal Court / The Hague, (March 2020 - December 2022).
- Chair of the Audit Committee – International Criminal Court / The Hague, (March 2017 - March 2020).
- Member of the Audit Committee – International Criminal Court / The Hague, (January 2016 - 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).



Salem Burqan / Independent

Date of joining the Board: 17/12/2018

Date of Birth: 1/1/1952

Educational qualifications:

- BA in Accounting / University of Jordan, Amman / Jordan
- Professional License / Jordanian Association of Certified Public Accountants.

Professional experience and membership:

- CEO and Chairman of the Board of Directors of the Islamic International Arab Bank.
- Numerous important managerial positions at Arab Bank, inside and outside of Jordan.
- Deputy Chairman of the Board of Directors – Arab National Leasing Company
- Member of the Board of Directors of Al Nisr Al-Arabi Insurance Company, and then he went on to become the Chairman of its Board of Directors
- Chairman of the Board of Directors – Jordan Group of Maritime Agencies
- Chairman of the Board of Directors of the Arab Investment Group / Palestine, and member of the Board of Directors of the Arab Investment Group, Jordan
- Financial and Administrative Director / Arab Insurance Company
- Auditor / Saba and Co.
- He has held membership at the Boards of Directors of several important companies in the Kingdom.



Dr. Khaled Zentuti / Independent

Date of joining the Board: 17/12/2018

Date of Birth: 24/12/1954

Educational qualifications:

- PhD in Financial Management and Organization and Marketing Management, Bosphorus University – Turkey, 1992
- MBA in Managerial Accounting, Hatford C.T. University, United States of America, 1982
- BA in Accounting – Faculty of Economics, University of Benghazi – Libya, 1976

Professional experience and membership:

- (1998 – 2000) Director / Deputy Director of various companies owned by the Libyan Company for Foreign Investments in Italy, Germany, Pakistan and Egypt.
- (2000 – 2002) Assistant Secretary of State for Investment and International Cooperation – Ministry of African Unity – Libyan Council of Ministers.
- (2002 – 2004) Chairman and General Manager of the Libyan Foreign Investment Company
- General Manager and Chairman of the Long-Term Investment Portfolio Management Committee / Libya – Tripoli, 2004 / 2012.
- Part-time faculty member, Academy of Graduate Studies – Tripoli.
- Financial, economic and investment advisor for long-term portfolio / Amman – Jordan, 2016 till now.
- Vice Chairman of the Board of Directors of the British Arab Bank, London / United Kingdom, 2004 / 2012.
- Vice Chairman of the Board of Directors / Etihad Bank / Amman – Jordan, 2007 / 2012.
- Vice Chairman of the Board of Directors of the Libyan External Bank / Tripoli, Libya, 2009 / 2012.
- Member of the Board of Directors of the Arab Banking Corporation, ABC, Manama, Bahrain, 2010 / 2012.
- Advisor to Union Bank, Amman / Jordan, 2012 – 2016.

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



His Eminence Prof. Ali Al Qaradaghi

Chairman of the Sharia Supervisory Board

Date of Birth: 01/01/1949

Date of appointment: 28/04/2018

Educational 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.

Professional experience:

- Expert at the International Islamic Fiqh Academy affiliated with the Organization of Islamic Cooperation in Jeddah.
- Vice Chairman of the European Council for Fatwa and Research.
- Professor and Head of the Department of Jurisprudence and Principles at the Faculty of Sharia, Law and Islamic Studies at Qatar University (formerly).
- Member of the Sharia Board for the Auditing Authority for Islamic Financial Institutions.
- Chairman and executive member of the Fatwa and Sharia Supervisory Board for a number of Islamic Banks and Islamic insurance companies inside Qatar, including Qatar Islamic Insurance Company, inside and outside of Qatar, Dubai Islamic Bank, Bahrain Investment Bank and First Investment in Kuwait.

Jobs that he currently holds outside of the Bank:

Chairman or Executive Member of the Fatwa and Sharia Supervisory Board of a number of Islamic banks outside Jordan.



His Excellency Dr. Ahmed Melhem

Deputy Chairman of the Sharia Supervisory Board

Date of birth: 15/02/1961

Date of appointment: 28/4/2018

Educational certificates:

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

Professional experience:

- Sharia advisor in the Sharia Supervisory Board affiliated with the World Federation for Islamic Takaful and Insurance Companies in Khartoum.
- Sharia advisor within the advisory board of North African Bank, Libya.
- Part-time lecturer at Al-Zaytoonah Private University.
- Sharia advisor at the Sharia Supervisory Board of the Islamic Insurance company – formerly.
- Sharia advisor in the Sharia Supervisory Board of the Jordanian Engineers Association.
- Sharia advisor in the Sharia Supervisory Board of the Orphans Funds Development Foundation.
- Board of Commissioners of the Securities Commission.

Jobs that he currently holds outside of the Bank:

- 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 Funds Development Foundation.



His Eminence Dr. Ali Musa

Member of the Sharia Supervisory Board

Date of Birth: 01 / 01 / 1948

Date of appointment: 29 / 04 / 2021

Educational certificates:

- PhD in Comparative Jurisprudence from Al Azhar University, 1978.

Professional experience:

- University professor at the University of Jordan since 1979.
- University professor at the King Saud University until 1991.
- University professor at Zarqa University until 1996.
- University professor at the University of Kuwait until 2004.
- Member of the Sharia Supervisory Board at the Islamic Insurance Company till 2012.
- Member of the Sharia Supervisory Board at First Financing Company till now.

Jobs that he currently holds outside of the Bank:

- Permanent member of the Association for Islamic Studies
- Permanent member of Jordanian Afaf Charity Organization.



His Eminence, Dr. Safwan Edibat

Member of the Sharia Supervisory Board

Date of Birth: 10/6/1975

Date of appointment: 29 / 04 / 2021

Educational certificates:

- PhD in Jurisprudence and its Principles, 2012.
- Master's in Jurisprudence and its Principles, 2005.
- BA in Jurisprudence and its Principles, 1997.

Professional experience:

- Director of Sharia Supervision and Inspection at the General Ifta' Department.
- Member of the Sharia Supervisory Board at Al-Namothajiyah for Islamic Microfinance.
- Member of the Sharia Supervisory Board at Bandar Trading and Investment Company.
- Representative of the General Ifta' Department, as a Sharia advisor to the Islamic Finance Department in the Cities and Villages Development Bank affiliated with the Ministry of Local Administration.
- Lecturer at the Al-Um International University / Turkey.
- Researcher and arbitrator in Al-Isbah Journal for International Strategic and Political Studies in France.
- Assigned to the National Center for Security and Crises Management, Media Response Unit.

Jobs that he currently holds outside of the Bank:

- Director of Sharia Supervision and Inspection at the General Ifta' Department.
- Member of the Human Resources Committee at the General Ifta' Department.
- Member of the Strategic Planning Committee at the General Ifta' Department.

Members of the Sharia Supervisory Board that resigned during 2022

* There are no resignations from the members of the Sharia Supervisory Board during the year 2022.

Members of the Executive Management and introduction to each of them



Samer «Al Saheb Al Tamimi» / General Manager, CEO

Date of Birth: 30 / 10 / 1966

Mr. Samer Al-Tamimi joined Safwa Islamic Bank at the beginning of 2018. He enjoys extensive banking and managerial experience in banks and financial institutions, spanning for more than 33 years, during which he worked with reputable financial institutions in the Hashemite Kingdom of Jordan, the United Arab Emirates, the State of Qatar and the United States of America, Australia and the United Kingdom.



Rami Al Khayyat /Deputy CEO, Chief of Corporate Banking

Date of Birth: 15 / 8 / 1973

Mr. Rami Al Khayyat joined the Bank on 01/03/2010 as Deputy CEO, Chief of Corporate Banking, with about 28 years of experience in corporate banking in reputable commercial and Islamic Jordanian and regional banks. Mr. Rami started his career as a Credit Officer at Cairo Amman Bank in 1995, Then he moved to Saudi Arabia as Head of Commercial Banking Division in the Western Region at the Arab National Bank. In 2008 he was the Head of Corporate Banking Division for Dubai and North Emirates at Abu Dhabi Islamic Bank in UAE. In addition to this, he worked as a part-time lecturer at the Arab Academy for Banking and Financial Sciences. Mr. Rami Al- Khayyat is a member of the Board of Directors of several companies. Mr. Rami holds a master's degree in Banking from the Arab Academy for Financial and Banking Sciences and a bachelor's degree in Accounting & Finance from Yarmouk University in Jordan.



Hani Al-Zrari / Deputy CEO, Chief of Operations

Date of Birth: 10 / 3 / 1963

Mr. Hani joined the Bank on 01 / 07 / 2010 as Deputy CEO and Head of Operations and Information Technology. He enjoys more than 29 years of experience in Central Operations and Information Technology. He started his career at Cairo Amman Bank, to become Head of the Remittances and Foreign Exchange Department, then moved on to work for Citibank, where he took on numerous jobs, such as central operations, compliance, and internal control. He then moved to the United Arab Emirates to work at Dubai Islamic Bank as the Head of the International Projects Support Unit. Mr. Hani obtained a BA in Economics from Yarmouk University in Jordan in 1985.



Ziad Kokash / Deputy CEO, Chief Credit Officer

Date of Birth: 31/ 8 /1970

Mr. Ziad joined the Bank on 16 / 09 / 2012 as Deputy CEO, Head of Risk Management. He enjoys extensive experience of up to 31 years in credit and risk management, and currently holds the position of Deputy CEO, Head of the Credit Department. He started his career at Cairo Amman Bank / Facilities Department, where he worked as Credit Facilities Officer. He then became the Director of Credit Facilities – Arab Banking Corporation; whereby he later moved to work at National Bank, where he held the title of Assistant General Manager, Head of the Risk Management Group. Mr. Ziad obtained a Master's degree in Financial Management from the Arab Academy for Banking and Financial Sciences in Jordan in 2006, and a BA in Banking and Financial Sciences from Yarmouk University in Jordan in 1992. Mr. Ziad is the Vice-Chairman of the Board of Directors for Misc for Financial Brokerage Company. He also serves as a member of the Board of directors at Jordan Fertilizer Supply Company, as a representative of the Bank.



Masoud Sakf Al-Hait / Chief of Legal and Board Secretary

Date of Birth: 16/7/1967

Mr. Masoud joined the Bank on 01 / 04 / 2012 as the Head of the Legal Department. He enjoys extensive experience of up to 30 years in the legal domain. Mr. Masoud started his career as a lawyer at Arab Bank, and then moved to work at Capital Bank as the Head of the Legal Department. He then worked as a lawyer at the Ali Sharif Al Zoubi Law Office. Mr. Masoud obtained a BA in Law from the University of Jordan in 1992.



Muneer Faroneyah / Head of Internal Sharia Audit

Date of Birth: 5/6/1971

Mr. Muneer joined the Bank on 01/08/2010 as a Sharia auditor, with experience of up to 27 years in Islamic banking and Sharia auditing. Mr. Muneer worked at Jordanian Islamic Bank in many locations and departments, whereby the last title that he held there was Senior Investigator, Internal and Forensic Audit. Mr. Muneer obtained a Master's degree in Banking and Finance, with a major in Islamic Banking in Islamic Banking from Arab Academy for Banking and Financial Sciences, in addition to a BA in Banking and Finance from Yarmouk University. He also carries a Certificate in Sharia Auditing and Oversight (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions – Bahrain (AAOIFI).



Wael Al-Bitar / Chief of Treasury and Investment

Date of Birth: 16/8/1973

Mr. Wael Al-Bitar joined the Bank on 03/01/2010 as Senior Manager / Head of Financial Institutions Relations, with more than 28 years of experience. He has worked in numerous fields, including corporate facilities, treasury and investment, credit and financial institutions with many Jordanian banks, the Arab Bank, Arab Banking Corporation (ABC) and Capital Bank (where he held several important positions in the banking business). Mr. Wael Al-Bitar obtained a Master's in Business Administration / Finance from the University of Jordan in 1999 and a BA in Economics and Finance from Yarmouk University in 1994. Mr. Wael Al-Bitar is a member of a number of companies: Vice Chairman of the Sukuk Ownership Committee at the National Electric Power Company, Vice Chairman of the Board of Sukuk Owners at the Ministry of Finance, member of the Board of Directors at the Islamic Banks Group Company for Joint Stock Company Contributions, (he holds a license for Issuance Management, from the Secretariat of Issuance and Safe Custody from the Securities Commission).



Nesfat Taha / Chief of Retail Banking

Date of Birth: 26/5/1970

Mr. Nesfat joined the Bank on 21 / 02 / 2010 as Head of the Branch Network, and with extensive experience of up to 29 years in Retail Banking. He started his career at Arab Bank, where his last designation was as Area Manager – Jordan Branches / Major Customers Department. Mr. Nesfat obtained a BA in Business Administration from the American University in Cairo in 1993.



Khaled Al-Issa / Head of Internal Audit

Date of Birth: 28/10/1979

Mr. Khaled joined the Bank on 20/02/2011, as Manager, Financial Audit and Operations, and with banking experience of up to 18 years. He began his career working in the Housing Bank in the Internal Audit Department, and his last job there was Operations Auditor. Mr. Khaled obtained a BA in Accounting from Al-Bayt University in 2004, in addition to the following international certifications: CIA, DIP-IFRS, CCSA, CGAP.



Ahmad Tarteer / Head of Compliance

Date of Birth: 11/12/1985

Mr. Ahmad joined the Bank on 21 / 06 / 2015 as a Senior Manager, Head of Compliance and Anti-Money Laundering. He enjoys experience of up to 16 years in banking. He started his career at the Arab Banking Corporation as an Internal Auditor, and then became an Assistant Manager – Compliance and Anti-Money Laundering Department at the Arab Bank. His last designation was as Head of Compliance and Anti-Money Laundering at the National Bank of Kuwait – Jordan. Mr. Ahmad obtained a BA in Accounting and Commercial Law from the Hashemite University in 2007, and certified Anti-Money Laundering Specialist Certificate from the ACAMS institute in Miami – USA. He also holds the following international certificates: CAMS, CAMS AUDIT, CCM, CCOS, CPT, CGSS. Mr. Ahmad is a member of the Board of Directors at Misc for Financial Brokerage Co.



Mohammad Hawari / Head of Human Capital Management

Date of Birth: 13/7/1981

Mr. Mohammad joined the Bank on 18 / 01 / 2010 as a manager, Human Resources Operations, with banking experience of up to 19 years. He started his career working in Jordan Kuwait Bank in the Finance Department, and his last job was as Assistant Manager of the Finance Department. Mr. Mohammad obtained a BA in Accounting from Mu'tah University in 2003, and a Master's in Accounting from Amman Arab University for Graduate Studies in 2005. He also holds the CHRM professional certificates, accredited Human Resources Manager and (CIPTM) Certified International Professional Training Manager.



Ahmad Jafer / Head of Risk Management

Date of Birth: 20/9/1978

Mr. Ahmad joined the Bank on 06/02/2011 as Senior Manager, Head of Risk Policies, Portfolio Management and Market Risks, with 22 years of banking experience. He began his career working in the Islamic International Arab Bank from 2000 to 2005 within the Banking Regulations and Laws Department, where he later became supervisor of Banking Policies and Laws. He then joined Al-Jazira Bank – Saudi Arabia from 2005 – 2011 as Senior Manager of the Credit Risk Management Department and Basel Decisions. Mr. Ahmad Jaafar holds a bachelor's degree in Accounting from Al-Ahliyya Amman University, 2000, and a master's degree from Amman Arab University in Accounting, 2003, and holds a professional certificate in International Risk Management Legislation.



Ahmad Ghnaim/ Chief Financial & Corporate Strategies Officer

Date of Birth: 8/1/1979

Mr. Ghnaim joined the bank on 15/3/2022, as Chief Financial & Corporate Strategies Officer, with more than 19 years of banking experience in finance. He began his career at Citibank – Jordan to become Assistant Chief Financial Officer, and then moved to the UAE to work at Samba Financial Group as a Financial Controller, then returned to Jordan to occupy the position of Chief of Finance in several banks and companies (ABC Bank, Bank Audi, Tamweelcom), and held the position of Chief Business Intelligence Officer at Capital Bank. Mr. Ghnaim holds a Master's degree in Business Administration (MBA) from Western Michigan University – USA, and a Bachelor's degree in Business Administration (Accounting) from Western Michigan University – USA. He is also a Certified Management Accountant (CMA) and a Fellow Chartered and Certified Accountant (FCCA). Mr. Ahmad Ghnaim is a member of the Board of Directors at Misc for Financial Brokerage Company.

Names of Executive Management members that resigned during 2022:

Rami Al-Kilani / Head of Information Technology

- Mr. Rami joined the Bank on 01 / 10 / 2012 as a Senior Manager, Deputy Head of Information Technology and resigned on 23/3/2022.

Number of Securities owned by Members of the Board of Directors, Top Management, Their relatives or Companies owned by Them as of year 2022 compared to the previous year

| 31/12/2022 | | | | | | | |
|--|-------------|---|--|--|-------------|---|---|
| Member's Name legal entity) | Nationality | Executive/ Non-Executive member | Independent / non-independent member | Member's Name (representative of legal entity) | Nationality | Number of shares held by the legal entity | Direct participation in capital % |
| Dr. "Mohammed Naser" Abu Hammour | Jordanian | Non-executive | Non-independent | Al Ethnad Islamic for Investment Co. | Jordanian | 62,370,249 | 62.370% |
| Bassem Salfiti | Jordanian | Non-executive | Non-independent | | | | |
| Deema Agel | Jordanian | Non-executive | Non-independent | | | | |
| Khaled Algonsel until 4/12/2022 | Libyan | Non-executive | Non-independent | | | | |
| Dr. Ahmed Menezi until 4/12/2022 | Libyan | Non-executive | Non-independent | Representative of Social Security Corporation | Jordanian | 9,383,037 | 9.383% |
| Dr. Ibrahim saif | Jordanian | Non-executive | Non-independent | | | | |
| Dr. Nofan Alaqi | Jordanian | Non-executive | Non-independent | | | | |
| Abd Al Rahim Al Hazaymeh | Jordanian | Non-executive | Independent | Orphans Fund Development Foundation | Jordanian | 4,925,000 | 4.925% |
| Name of the board member (representing his personal capacity) | Nationality | Executive/ Non-Executive member | Independent / non-independent member | The number of shares owned by a member of the Board of Directors | | The percentage of shares held in the bank's capital% | |
| Samir Abu-Lughod | Jordanian | Non-executive | Independent | 1,500 | | 0.0015% | |
| Salem Burqan | Jordanian | Non-executive | Independent | 2,000 | | 0.002% | |
| Dr.Khaled Zentuti | Libyan | Non-executive | Independent | 1,000 | | 0.001% | |
| Board member who owns shares in the bank in his personal capacity | Nationality | The number of shares owned by a member of the Board of Directors | | The percentage of shares held in the bank's capital% | | | |
| Dr. Nofan Alaqi | Jordanian | 1,000 | | 0.001% | | | |
| Dr. "Mohammed Naser" Abu Hammour | Jordanian | 65,000 | | 0.065% | | | |
| Dr.Ibrahim saif | Jordanian | 1,500 | | 0.0015% | | | |
| Bassem Salfiti | Jordanian | - | | - | | | |
| Deema Agel | Jordanian | - | | - | | | |
| Khaled Algonsel until 4/12/2022 | Libyan | - | | - | | | |
| Dr. Ahmed Menezi until 4/12/2022 | Libyan | - | | - | | | |
| Abd Al Rahim Al Hazaymeh | Jordanian | - | | - | | | |

| 31/12/2021 | | | | | | | |
|---|-------------|--|--------------------------------------|--|-------------|--|-----------------------------------|
| Member's Name (legal entity) | Nationality | Executive/Non-Executive member | Independent / Non-independent member | Member's Name (representative of) | Nationality | Number of shares held by the legal entity | Direct participation in capital % |
| Dr. "Mohammed Naser" Abu Hammour | Jordanian | Non-executive | Non independent | Al Eftihad Islamic for Investment Co. | | | |
| Bassem Salfiti | Jordanian | Non-executive | Non independent | | | | |
| Deema Agel | Jordanian | Non-executive | Non independent | | Jordanian | 62,370,249 | 62.370% |
| Khaled Algonsel | Libyan | Non-executive | Non independent | | | | |
| Dr. Ahmed Menesi | Libyan | Non-executive | Non independent | | | | |
| Dr.Ibrahim saif | Jordanian | Non-executive | Non independent | Representative of Social Security Corporation | | | |
| Dr. No'fan Alaqi | Jordanian | Non-executive | Non independent | | Jordanian | 9,383,037 | 9.383% |
| Abd Al-Rahim Al-Hazaymeh | Jordanian | Non-executive | Independent | Orphans Fund Development Foundation | Jordanian | 4,925,000 | 4.925% |
| Name of the board member (representing his personal capacity) | Nationality | Executive/Non-Executive member | Independent / Non-independent member | The number of shares owned by a member of the Board of Directors | | The percentage of shares held in the bank's capital% | |
| Samir Abu-Lughod | Jordanian | Non-executive | Independent | 1,500 | | 0.0015% | |
| Salem Burqan | Jordanian | Non-executive | Independent | 2,000 | | 0.002% | |
| Dr.Khaled Al-Zentuli | Libyan | Non-executive | Independent | 1,000 | | 0.001% | |
| Board member who owns shares in the bank in his personal capacity | Nationality | The number of shares owned by a member of the Board of Directors | | The percentage of shares held in the bank's capital% | | | |
| Dr. No'fan Alaqi | Jordanian | 1,000 | | 0.001% | | | |
| Dr. "Mohammed Naser" Abu Hammour | Jordanian | 65,000 | | 0.065% | | | |
| Dr.Ibrahim saif | Jordanian | 1,500 | | 0.002% | | | |
| Bassem Salfiti | Jordanian | - | | - | | | |
| Deema Agel | Jordanian | - | | - | | | |
| Khaled Algonsel | Libyan | - | | - | | | |
| Dr. Ahmed Menesi | Libyan | - | | - | | | |
| Abd Al-Rahim Al-Hazaymeh | Jordanian | - | | - | | | |

Ownerships of Executive Management and their relatives or companies controlled by them as at the end of 2022

| Name | Position | Nationality | No. of Shares at the end of 2022 | No. of shares at the end of 2021 |
|----------------------------|--|-------------|----------------------------------|----------------------------------|
| Samer "Al Saheb Al Tamimi" | General Manager / CEO | Jordanian | 23,139 | 20,000 |
| Rami Al khayyat | Deputy CEO, Chief of Corporate Banking | Jordanian | - | - |
| Hani Al-Zrari | Deputy CEO, Chief of Operations | Jordanian | - | - |
| Ziad Kokash | Deputy CEO, Chief Credit Officer | Jordanian | - | - |
| Nesfat Taha | Chief of Retail Banking | Jordanian | - | - |
| Wael Al-Bitar | Chief of Treasury and Investment | Jordanian | - | - |
| Ahmad Tarteer | Head of Compliance | Jordanian | - | - |
| Masoud "Sakf Al-Hait" | Chief of Legal and Board Secretary | Jordanian | - | - |
| Muneer Faroneyah | Head of Internal Shari'a Audit | Jordanian | - | - |
| Mohammad Hawari | Head of Human Capital Management | Jordanian | - | - |
| Khalid Al-Issa | Head of Internal Audit | Jordanian | - | - |
| Ahmad Jafar | Head of Risk Management | Jordanian | - | - |
| Ahmad Ghnaim | Chief Financial & Corporate Strategies Officer | Jordanian | - | - |

- There are no other ownerships by individuals from the Executive Management, their relatives or the companies controlled by them, with the exception of what has been mentioned in the table above.
- There are no ownerships by relatives of the Board of Directors' members, except for the ownerships of the sons of Dr. Nofan Alaqil (Abdullah, Nour, Nouf and Omar), with a total of 1,000 shares owned by each in Safwa Islamic Bank as at the end of 2022 and 2021.
- There are no companies controlled by members of the Board of Directors, or Senior Management individuals with executive authority, nor any of their relatives.

Financing granted by the Bank to and any other operations that have been executed between the Bank and members of the Board of Directors or any parties affiliated with them

| Current Board of Directors Members | Direct Financing (JOD) | Indirect Financing (JOD) |
|--|------------------------|--------------------------|
| Dr. Nofan Al Aqil/ / representative of Social Security Corporation | 488,060 | - |
| Abd Al-Rahim Al-Hazaymeh /Representative of Orphans Fund Development Foundation/ independent | 10,971 | 1,500 |

- There is no other financing or operations that were executed between the Bank and Board of Directors members, with the exception of what has been mentioned in the table above.

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

| name | Nationality | 31/12/2022 | | name | Nationality | 31/12/2021 | |
|--|-------------|--------------------|------------------|---|-------------|--------------------|------------------|
| | | Percentage share % | Number of Shares | | | Percentage share % | Number of Shares |
| Al Etihad Islamic for Investment Co. | Jordanian | 62.370% | 62,370,249 | Al Etihad Islamic for Investment Co. | Jordanian | 62.370% | 62,370,249 |
| Social Security Corporation | Jordanian | 9.383% | 9,383,037 | Social Security Corporation | Jordanian | 9.383% | 9,383,037 |
| Government Investment Management Company | Jordanian | 5.550% | 5,550,000 | Government Contributions Management Company | Jordanian | 5.550% | 5,550,000 |

Names of shareholders owning 1% or more in the Bank's capital, and the ultimate beneficial owners of these shares as at 31 / 12 / 2022

| Shareholder Name | Nationality | No. of shares owned | Percentage of direct contribution in the capital | Percentage of indirect contribution in the capital | Ultimate Beneficial Owner | No. of pledged shares | Percentage of pledged shares from the total contribution | Party to which the shares are pledged |
|--|----------------|---------------------|--|--|--|-----------------------|--|---------------------------------------|
| 1 Al Ethnad Islamic for Investment Company | Jordanian | 62,370,249 | 62.370% | - | - | - | - | - |
| 1.1 Bank al Ethnad | Jordanian | 36,174,744 | 36.175% | 58.00% | - | - | - | - |
| 1.1.1 BANQUE BANORIENT FRANCE | French | 14,635,967 | 3.306% | 9.140% | A branch of BLOM Bank in France: | - | - | - |
| | | | | | Bank of NEWYORK 34.37% Rest Shareholders 26.68% Banorabe S.A SPF 18.73 Azharl Family 7.53% Shaker Family 4.83% Saade Family 2.55% Jaroudi Family 2.17% Actionnaires- Unis 1.83% Knoury Family 1.8% | | | |
| 1.1.2 Libyan Foreign Investment Company | Libyan | 32,413,763 | 7.329% | 20.259% | Libyan Government | - | - | - |
| 1.1.3 RS FINANCE | Cayman Islands | 24,021,599 | 5.430% | 15.010% | Rajal Saliti Holding 100% | 21,312,307 | 88.72% | Housing Bank for Trade and Finance |
| | | | | | TRHS Holding 25% ownership (Tareq Rajai Saliti) 100% | | | |
| | | | | | ZPS Holding 25% ownership (Zaid Rajai Saliti) 100% | | | |
| | | | | | FFS Holding 25% ownership(Faisal Rajai Saliti)100% | | | |
| 1.1.4 Essam Halim Jeris Saliti | Jordanian | 15,067,886 | 3.404% | 9.410% | DPS Holding 12.5% ownership (Dina Rajai Saliti) 100% | 8,127,223 | 53.97% | Capital Bank of Jordan |
| | | | | | SPHS Holding 12.5%ownership (Samia Farah Issa Fraih)100% | | | |
| | | | | | Same | | | |
| | | | | | Government of the Hashemite Kingdom of Jordan | | | |
| 1.1.5 Social Security Corporation | Jordanian | 17,645,358 | 3.986% | 11.020% | Tareq Rajai Saliti 25% Faisal Rajai Saliti 25% Zaid Rajai Saliti 25% Dina Rajai Saliti 12.50% Samia Farah Issa Fraih 12.50% | - | - | - |
| 1.1.6 Houria Al Moheet Investment Company | Jordanian | 6,449,981 | 1.458% | 4.030% | Same | - | - | - |
| 1.1.7 Wedad Ayoub Odeh Aliah Al Khouri | Jordanian | 4,427,300 | 1.009% | 2.790% | Same | - | - | - |
| 1.1.8 Bank Al Ethnad Employees Provident Fund | Jordanian | 4,332,482 | 1.000% | 2.700% | Bank Al Ethnad Employees | - | - | - |
| 1.2 Libyan Foreign Investment Company | Libyan | 26,195,505 | 26.194% | 42% | Libyan Government | - | - | - |
| 2 Social Security Corporation | Jordanian | 9,383,037 | 9.383% | - | Government of the Hashemite Kingdom of Jordan | - | - | - |
| 3 Government Investment Management Company | Jordanian | 5,550,000 | 5.550% | - | Government of the Hashemite Kingdom of Jordan | - | - | - |
| 4 Orphans Fund Development Corporation | Jordanian | 4,925,000 | 4.925% | - | Government of the Hashemite Kingdom of Jordan | - | - | - |
| 5 Al Mahssen Jordanian Real Estate Development Company | Jordanian | 1,738,595 | 1.738% | - | Haya Akel Mithqal Al Favez 100% | - | - | - |
| 6 Bank AL Ethnad | Jordanian | 1,570,000 | 1.570% | - | Please revert to point 1.1 | - | - | - |
| 7 Zeina Saad Khalaf Al Tai | Jordanian | 1,029,342 | 1.029% | - | Same | - | - | - |
| 8 Tamara Saad Khalaf Al Tai | Jordanian | 1,029,341 | 1.029% | - | Same | - | - | - |

Benefits and remunerations enjoyed by the Chairman and members of the Board of Directors

| Board of Directors Members | Mobility Allowances & attending BOD meetings | Committee membership | Accrued and unpaid bonuses for 2022 | Total |
|----------------------------------|--|----------------------|-------------------------------------|----------------|
| Dr. "Mohammed Naser" Abu Hammour | 175,000 | 9,500 | 5,000 | 189,500 |
| Abd Al-Rahim Al-Hazaymeh | 24,000 | 9,800 | 5,000 | 38,800 |
| Basem Salfiti | 24,000 | 9,500 | 5,000 | 38,500 |
| Deema Aqel | 24,000 | 13,500 | 5,000 | 42,500 |
| Social Security Corporation | 24,000 | 2,000 | 5,000 | 31,000 |
| Dr. Ibrahim Saif | 24,000 | 8,000 | 5,000 | 37,000 |
| Dr. Khaled Zentuti | 34,000 | 19,800 | 5,000 | 58,800 |
| Samir Abu Lughod | 34,000 | 11,300 | 5,000 | 50,300 |
| Salem Burqan | 34,000 | 13,000 | 5,000 | 52,000 |
| khaled ALgonsel until 4/12/2022 | 22,000 | 3,000 | 5,000 | 30,000 |
| Dr. Ahmad Menesi until 4/12/2022 | 22,000 | 3,000 | 5,000 | 30,000 |
| Total | 441,000 | 102,400 | 55,000 | 598,400 |

Board of Directors Declaration

The Board of Directors that there are no material issues that could have an impact on the continuity of the Bank in the subsequent fiscal year of 2023.

The Board of Directors declares its responsibility for the financial statements and providing an effective control system in the Bank.



Chairman of the Board of Directors

Dr. "Moh'd Naser" Salem Abu Hammour



Vice Chairman of the Board of Directors

Abd Al-Rahim Al Hazaymeh



Basem Isam Halim Salfiti



Deema Mefleh Mohammed Aqel



Dr. Nofan Mansour Ageel Alaqil



Khaled Amr Algonsel



Dr. Khaled FM Zentuti



Dr. Ahmad Menesi Menesi



Salem Abdel-Monem Salem Burqan



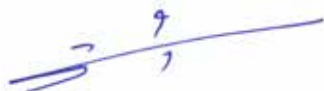
Samir Hasan Ali Abu Lughod



Dr. Ibrahim Hasan Mustafa Saif

Board of Directors Declaration

The Board of Directors declares that none of its members have obtained any undeclared benefits from the Bank through their respective memberships of the Board, whether these benefits are of a material or in-kind nature, and whether these benefits are for their own personal use or anyone related to them, during the year 2022.



Chairman of the Board of Directors

Dr. "Moh'd Naser" Salem Abu Hammour



Vice Chairman of the Board of Directors

Abd Al-Rahim Al Hazaymeh



Basem Isam Halim Salfiti



Deema Mefleh Mohammed Aqel



Dr. Nofan Mansour Ageel Alaqil



Khaled Amr Algonsel



Dr. Khaled FM Zentuti



Dr. Ahmad Menesi Menesi



Salem Abdel-Monem Salem Burqan



Samir Hasan Ali Abu Lughod



Dr. Ibrahim Hasan Mustafa Saif

Declaration

We, the undersigned, hereby declare the accuracy, validity and completeness information and data mentioned with the Annual Report of 2022.



Chairman of the Board of Directors

Dr. "Moh'd Naser" Salem Abu Hammour



CEO

Samer "Al Saheb Al Tamimi"



Chief Financial

& Corporate Strategies Officer

Ahmad Ghnaim

Benefits and remunerations enjoyed by the Chairman and members of the Sharia 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 | Annual Bonus | Total |
|---|--|---|---------------|---------------|
| His Eminence Professor Dr. Ali Al Qaradaghi | 7,700 | 6 | 31,100 | 38,800 |
| His Eminence Dr. Ahmad Melhem | 7,700 | 7 | 7,100 | 14,800 |
| His Eminence Professor Dr. Ali Musa | 7,700 | 7 | 7,100 | 14,800 |
| His Eminence Dr. Safwan Edibat | 7,700 | 7 | 7,100 | 14,800 |
| Total | 30,800 | | 52,400 | 83,200 |

- No. of Sharia Supervisory Board meetings held during 2022 was (7) meetings
- The Sharia Supervisory Board met with the Board of Directors twice during the year 2022
- The Sharia Supervisory Board met with the Audit Committee of the Board of Directors twice during the year 2022
- The Sharia Supervisory Board met with the external auditor twice during the year 2022

Declaration on not obtaining benefits

may peace, mercy and blessing of Allah be upon you

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 2022.



Chairman of the Body

Name: Prof. Dr. Ali Al Qaradaghi



Vice Chairman

Name: Prof. Dr. Ahmad Melhem



Member

Name: Prof. Dr. Ali Musa



Member

Name: Dr. Safwan Edibat

Benefits and remunerations enjoyed by members of the Executive management

| Name | Job | Salaries and bonuses for the year | Transportation expenses | Total |
|----------------------------|--|-----------------------------------|-------------------------|------------------|
| Samer "Al Saheb Al Tamimi" | General Manager / CEO | 709,040 | 0 | 709,040 |
| Rami Al Khayat | Deputy CEO, Chief of Corporate Banking | 193,690 | 3,300 | 196,990 |
| Hani Al Zrari | Deputy CEO, Chief of Operations | 181,506 | 3,300 | 184,806 |
| Ziad Kokash | Deputy CEO, Chief Credit Officer | 190,392 | 3,300 | 193,692 |
| Masoud (Sakf Al-Hait) | Chief of Legal and Board Secretary | 158,251 | 3,300 | 161,551 |
| Rami Al Kilani* | Head of Information Technology | 101,338 | 825 | 102,163 |
| Muneer Faroneyah | Head of Internal Sharia Auditing | 81,755 | 2,900 | 84,655 |
| Wael Al Bitar | Chief of Treasury and Investment | 151,385 | 3,300 | 154,685 |
| Nesfat Taha | Chief of Retail Banking | 159,433 | 3,100 | 162,533 |
| Khalid Al Issa | Head of Internal Audit | 75,245 | 2,900 | 78,145 |
| Ahmad Tartir | Head of Compliance | 102,639 | 2,900 | 105,539 |
| Mohammad Hawari | Head of Human Resources Management | 82,229 | 2,900 | 85,129 |
| Ahmad Jafar | Head of Risk Management | 103,787 | 2,900 | 106,687 |
| Ahmad Ghnaim** | Chief Financial & Corporate Strategies Officer | 104,442 | 2,308 | 106,750 |
| Total | | 2,395,132 | 37,233 | 2,432,365 |

*Mr. Rami Al Kilani resigned on 23/3/2022

**Mr. Ahmad Ghnaim has been appointed as of 15/3/2022

Number of bank employees according to their academic qualifications as of 31/12/2022

| Educational Qualification | No. of Employees | The number of employees in the subsidiary company / MISC for Financial Brokerage Co. |
|----------------------------|------------------|--|
| PhD | 4 | - |
| Master's | 60 | 3 |
| Higher Diploma | 3 | - |
| Bachelors | 598 | 4 |
| Diploma | 15 | - |
| Secondary School | 3 | 1 |
| Less than Secondary School | 12 | - |
| Total | 695 | 8 |

Qualification and training programs for the Bank's employees during 2022

| Program Name | Number of Programs | Number of Participants | General description of program objectives |
|--|--------------------|------------------------|---|
| Sharia education programs | 4 | 754 | These programs aim to develop the employees' skills in Sharia banking and giving them Sharia banking foundations. This will enable them to properly serve customers, and avoid Sharia violations while executing transactions. |
| Education programs on approved policies, laws and work procedures | 4 | 720 | The bank's management is keen to comply with all approved policies and laws, which contributes to follow-up on compliance with relevant regulations and legislation |
| Developing managerial and personal skills, and adopting positive behaviors | 12 | 807 | These programs aim to develop the administrative skills of the employees to assist leadership in achieving the bank's goals. It provides them with the necessary skills that enable them to perform their work in a professional manner. |
| Best practices programs in customer service | 4 | 22 | These programs aim to develop the employees' skills in customer service excellence, customer retention, and handling complaints. It emphasizes the bank's mission to provide distinguished and innovative services aimed at building a lasting partnership, and introducing them to the foundations of proper sales at the highest quality standards. |
| Specialized programs in banking | 74 | 2,416 | These programs aim to reiterate and empower employees' knowledge of their specialized fields of work. They learn latest developments in their field, in a way that increases efficiency and effectiveness in carrying out various tasks. |
| Training and qualification programs for new employees | 3 | 114 | Qualifying new employees and providing them with all the necessary information and support to ensure their integration into the work environment, to perform well and achieve what's expected of them. |
| Specialized professional certificates | 13 | 19 | Qualifying employees, empowering their knowledge and enhancing their skills by obtaining specialized professional certificates. |
| Conferences and seminars | 44 | 81 | Attending a number of conferences and seminars. |
| Total | 158 | 4,933 | |

The geographical locations of the Bank HQ and branches and the number of employees working at each as of 31/12/2022

| No. | Branch / Administration Name | District / Area Name | Street | Building No. | Telephone | Fax | No. of employees |
|--------------|-------------------------------|--|-----------------------------------|--------------|-----------|---------|------------------|
| 1 | Main Headquarters | Abdali / Boulevard project | Finance | 38 | 4602100 | 4647821 | 302 |
| 2 | Headquarters - Jabal Amman | Second Circle | Islamic Scientific College | 31 | 4602100 | 4602184 | 54 |
| 3 | Al-abdali | Abdali / Boulevard project | Finance | 38 | 4602100 | 4602728 | 9 |
| 4 | Jabal Amman | Zahran area | Islamic Scientific College | 31 | 4602100 | 4602723 | 7 |
| 5 | Al-Bayader | Al Rawnaq / Wadi Sir | Hosny Suber | 33 | 4602100 | 4602711 | 9 |
| 6 | Al Madina AlMunawwarah | Al Salam neighborhood / Tla' Al Ali area | Al Madina AlMunawwarah | 121 | 4602100 | 4602712 | 9 |
| 7 | Shmeisani | Shmeisani district / Abdali area | Ilya Abu Madi | 6 | 4602100 | 4602713 | 8 |
| 8 | Al Wehdat | Alawda / Yarmouk area | Prince Al Hassan | 313 | 4602100 | 4602714 | 7 |
| 9 | Sweifiyeh | Sweifieh district /Wadi al-Sir area | Abdul Rahim Al-Haj Mohammed | 70 | 4602100 | 4602718 | 7 |
| 10 | Al Khaldi | Al-Radwan neighborhood / Zahran area | Ibn Khaldun | 38 | 4602100 | 4602719 | 5 |
| 11 | Khalda | Khalda District /Tlaa Al Ali Area | Wasfi Al-Tal | 302 | 4602100 | 4602720 | 9 |
| 12 | Taj Mall | Southern Abdoun district / Zahran area | Saad Abdo Shammout | 2 | 4602100 | 4620721 | 11 |
| 13 | Al Jubaiha | Al-Fadila neighborhood /Sweileh area | Queen Rania Al Abdullah | 329 | 4602100 | 4602722 | 8 |
| 14 | Al Hashemi | Raghadan district / Basman area | Batha | 97 | 4602100 | 4602725 | 7 |
| 15 | Jabal Al - Hussein | Jabal Al Hussein neighborhood /Abdali area | Khalid ibn al-Walid | 170 | 4602100 | 4602726 | 7 |
| 16 | Gardens | Baraka District / Tla' Al Ali Area | The Martyr Wasfi al - Tal | 110 | 4602100 | 4602109 | 9 |
| 17 | Dabouq | Al-Bashaer district / Sweileh area | King Abdullah II | 149 | 4602100 | 4602734 | 7 |
| 18 | Istiklal Mall | Jabal Al Nozha /Basman area | Istiklal | 1 | 4602100 | 4602730 | 10 |
| 19 | Abu Nseir | Al-Amana neighborhood / Abu Nseir area | Abu Nseir | 145 | 4602100 | 4602731 | 7 |
| 20 | Tabarbour | Tarek area | Tarek | 78 | 4602100 | 4602733 | 8 |
| 21 | Mecca Mall | Tla Al-ali area / Um Alsummaq neighborhood | Abdullah Al-Daoud | 20 | 4602100 | 4602737 | 12 |
| 22 | Al Hureyye Street | Mqablain | Al Hureyye | 150 | 4602100 | 4604770 | 9 |
| 23 | Marka | Al Zahraa district | King Abdullah | 440 | 4602100 | 4602739 | 9 |
| 24 | Sports City | Al Hussein Youth City neighborhood | Sarh Al Shaheed | 90 | 4602100 | 4604774 | 6 |
| 25 | Sahab | King Abdullah II City | Banks | 254 | 4602100 | 4660724 | 7 |
| 26 | Marj Al Hamam | Marj Al Hamam area | Princess Taghreed Mohammed | 47 | 4602100 | 4602729 | 7 |
| 27 | Madaba | West District | Al Yarmouk | - | 4602100 | 4604773 | 7 |
| 28 | Al Zarqa - Saadeh Street | The first area | Saadeh | 74 | 4602100 | 4602735 | 8 |
| 29 | Zarqa | New Zarqa / Fifth Area | Street 36 | 36 | 4602100 | 4602716 | 8 |
| 30 | Salt | Al-Kharabsheh neighborhood | Amreya Bridge | - | 4602100 | 4604772 | 8 |
| 31 | Jerash | Kairouan | Kairouan roundabout | - | 4602100 | 4604771 | 7 |
| 32 | Irbid | Hashemi | Al Hashemi | 84 | 4602100 | 4602715 | 10 |
| 33 | Irbid City Center | City Center Mall | Prince Hassan | - | 4602100 | 4602727 | 11 |
| 34 | Aqaba | Hotel Area | Al Nahda | 722 | 4602100 | 4602738 | 9 |
| 35 | Al-Karak | Al-Thaniah | Karak | - | 4602100 | 4604775 | 9 |
| 36 | Queen Rania Street | Haj Fund | Queen Rania | 19 | 4602100 | 4604776 | 5 |
| 37 | Abu-Alanda | Abu - alanda / Alnahar commercial complex | Ibrahim Rashed Alhnadi | - | 4602100 | 4604777 | 8 |
| 38 | Al rawnaq district | International Group Complex/ 7th circle/ Alrawnaq district | maen bin odai street | 1 | 4602100 | 4604778 | 7 |
| 39 | Ramtha | Street / Damascus RouteWasfi Al Tal Martyr | Wasfi Al Tal Martyr | - | 4602100 | 4604777 | 8 |
| 40 | Bab Al Madinah Market / Zarqa | Holy Mosques City Custodian of the Two | king abdullah bin abdul aziz city | - | 4602100 | 4602735 | 10 |
| 41 | Mecca Street | Mecca Street Safwat Complex | Mecca Street | 82 | 4602100 | 4602735 | 8 |
| 42 | Marka Autostrad | Marka | Marka Autostrad | | 4602100 | 4602735 | 7 |
| 43 | Mafraq Branch | Mafraq | Jerash Main Street | | 4602100 | 4602735 | 7 |
| 44 | Quba Circle / Irbid | Al Quba Circle | Rateb Al Batayneh | - | 4602100 | 4604773 | 8 |
| total | | | | | | | 695 |

Bank bonus policy

The Bank has adopted a clear policy when it comes to granting bonuses with the aim of generating distinguished results, by promoting a culture of excellence and high performance amongst employees, which contributes to attracting distinguished competencies with high expertise and qualifications, in addition to maintaining, supporting and developing the existing competencies, thus allowing the institution to progress and be more competitive.

Bonuses are distributed to employees on an annual basis, and are based on the annual evaluation performance and how far the goals that were set at the beginning of the year have been achieved. Accordingly, the bonus system is transparent and fair, and is in line with the Human Resources policies and corporate governance instructions.

Subsidiaries Misc for Financial Brokerage Company

- The company commenced operations in 2011, with a capital of JOD 750,000.
- The Company's capital amounted to JOD 2 million at the end of 2022.
- The main activity of the Company is financial brokerage in Amman Stock Exchange.
- The Bank owns 100% of the Company.
- The Company's address is Jabal Amman, next to the Islamic Scientific College.
- Number of employees: 8
- Company objectives: buying and selling securities for commission, on behalf of others and as a broker.

Fees of the external auditor at the Bank and its subsidiaries and the additional fees for 2022

The fees of the Bank's and its subsidiary company auditor amounted to JOD 138,446 for 2022 (including the fees for the Sharia audit).

The fees for additional services offered to the Bank and its subsidiary amounted to JOD 23,844 during 2022, the details of which are as follows:

- Fees for researching the determinants for calculating Expected Credit Losses, amounting to JOD 7,024.
- Tax advisory fees for the Bank and its subsidiary amounting to JOD 13,340.
- Ensuring that Misk Brokerage Company implements the provisions of the law and the instructions for anti-money laundering, as issued by the Securities and Exchange Commission, and the decisions issued pursuant therewith, along with the adequacy of the policies and procedures in this regard, amounting to JOD 3,480

The Audit Committee of the Board of Directors have reviewed the engagement letters, along with the contracts signed with the External Audit Firm for independence and to ensure necessary measures have been taken for the independence of the Bank's external auditor.

The level of dependance on specific suppliers or major customers (locally and abroad) in the event this constitutes 10% or more of the total purchases and / or sales or revenues, respectively

- There is no dependence on local or foreign major customers or suppliers who make up 10% or more of the total purchases, sales and / or revenues, respectively.

Description of government protective measures or privileges enjoyed by the Bank or any of its products under laws, regulations or others, and there are no patents or franchises owned by the Bank

- There are no government protection measures or privileges enjoyed by the Bank or any of its products under the laws, regulations or others, and there are no copyrights owned by the Bank.

Description of any decisions issued by the government, international organizations or others that have a material impact on the Bank's business, products or competitiveness

- There are no decisions that have been issued by the government or any international organizations, or others, which could have a material impact on the Bank's business, its products or competitiveness.

A statement of the contracts, projects and engagements that the Bank has concluded with subsidiaries, sister or affiliated companies, the Chairman of the Board of Directors, members of the Board, the General Manager or any employee of the Bank, or their relatives

- There are no existing contracts, projects or obligations made by the Bank, its subsidiaries, sister or affiliated companies, the Chairman of the Board of Directors, the General Manager, or any employee of the Bank, and their relatives.

The Bank's implementation of international quality standards:

- PCIDSS Global Standard Certification for implementing the best international practices related to information security in bank card transactions, and to providing the highest levels of data protection and confidentiality related to electronic payment cards, in accordance with the latest version, V3.2.1.

Donations and grants provided during 2022

| Item | Amount |
|--|----------------|
| Support initiatives | 531,000 |
| Waqf Thareed | 35,000 |
| Tkiyet Um Ali | 33,295 |
| The King Hussein Cancer Center | 15,000 |
| Supreme Judge Department | 7,500 |
| Jordan Hashemite Charity Organization | 6,020 |
| Educational Society | 3,000 |
| Zakat Fund | 2,032 |
| Ministry Awqaf Jordan | 2,032 |
| Jordanian Ministry of Education | 2,032 |
| Prince Ali Bin Al-Hussein Club Deaf | 1,305 |
| Medical Aid For Palestinians | 1,000 |
| Islamic Studies & Research Association | 1,000 |
| Sukaina Charity Association for Social Support | 500 |
| Total | 640,716 |

Most prominent legal cases filed by the Bank and filed against it

First: most prominent legal cases filed against the Bank

| Court | Claim Value | Lawsuit Classification | Lawsuit No. |
|--------------|-------------------------|---|-------------|
| Amman Court | JD 200,000 for the fees | Financial claim and accountability measure | 342/2020 |
| Jarash Court | JD 200,000 for the fees | Invalidation of measures for executing debt promissory notes and financial claim and accountability measure | 243/2021 |
| Amman Court | JD 200,000 for the fees | Proof of ownership | 8088/2021 |

Second: Most prominent legal cases filed by the bank

There are no prominent legal cases filed by the Bank

Risks to which the bank is exposed

The risks to which Safwa Islamic Bank is exposed to, are considered within the acceptable levels by the Board of Directors. The Risk Management Committee emanating from the Board Management defines the general framework for risk management strategies and policies that are approved by the Board of Directors. A specialized department handles the technical aspect of risk management. They are equipped with qualified personnel, in line with the directives of the Board and the general strategy of the bank. This department works to implement international best practices in risk management (Basel III Decisions) in line with the requirements and directives of the Central Bank of Jordan.

Description of the risk management department, its structure and the nature of its operations

The Risk Management Department is the department responsible for managing the risks that the bank is exposed to. It prepares and reviews policies and work procedures documents, and the controls and limits of the bank's activities related to managing all types of risks (such as credit risk, operational risk, market risk, liquidity risk, rate of return risk, reputation risk, non-compliance risk, non-compliance risk with the provisions of Islamic law and other risks). It analyzes, measures, and develops appropriate measurement methods to hedge against these risks, which in turn affect the bank's profitability and the adequacy of its capital. Work is in line with the approved general framework for risk management, and the comprehensive policy that forms the basis for these policies, in addition to other policies related to the acceptable level of risk. The general framework of risk management and related risk policies are the main references for preparing the Internal Capital Adequacy Assessment Plan (ICAAP) and conducting stress tests (Stress Testing). The department prepares the acceptable levels of risk (Risk Appetite) for all the bank's activities and approves them from the Board of Directors, and are periodically compared to actual exposure levels.

In addition, the Risk Management Department prepares periodic reports and presents them to the Board of Directors through the Risk Management Committee. The purpose is to inform them of the latest developments related to risk management in the bank, to evaluate them and obtain their recommendations in this regard.

The Risk Management Department consists of the following departments:

1. Credit Risk Department.
2. Department of Operational Risks, Information Security and Cybersecurity.
3. Market Risk Department.

Updates and Developments of the Risk Management Department

Updating and developing systems for evaluating customers of various credit portfolios in the bank will have a positive impact on the bank's ability to evaluate bank credit portfolios. It will contribute to the development of the credit decision-making methodology, in addition to taking a step forward in applying advanced methods in calculating credit risks according to Basel Decisions. The bank uses the credit rating system (Credit Lens) provided by Moody's company to evaluate and classify corporate clients, and the credit rating system Credit Rating (RSS) provided by Loxon company to assess the rating of small business and individual dealers.

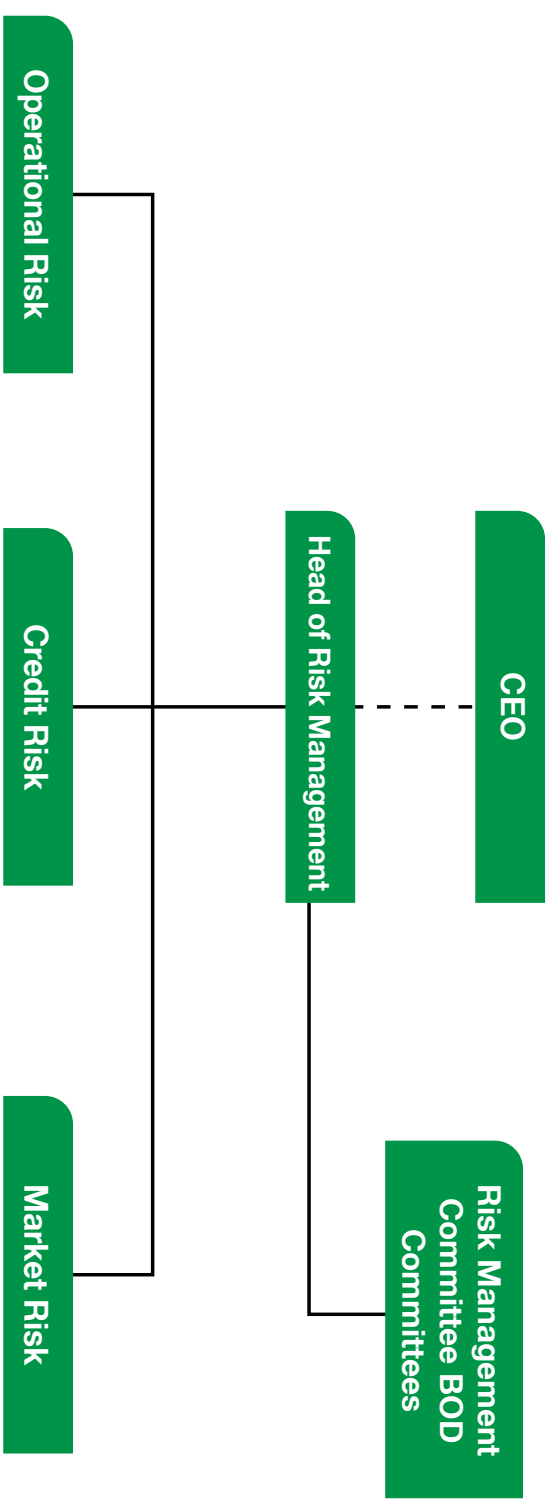
The Risk Management Department also continued the implementation of methodologies related to operational risk management in terms of completing the application of self-assessment workshops for risks and controls RCSA (Risk & Control Self-Assessment) with the various departments and work units of the bank and the departments created according to the organizational structure of the bank. The department follows up on the extent to which departments are committed to applying corrective measures related to control gaps and follow-up examination of regulatory controls by coordinating roles with the control and review departments to ensure that the controls checks carried out by the departments are documented as part of the risk self-assessment process. The department has also updated risk files to a number of departments and providing files to the internal audit department and the internal control departments in the bank, which provides the basis for applying audit methodologies and risk-based auditing. The department collects data on operations losses and operational events, analyzes this data, and links it with risk files identifying control gaps and addressing them as appropriate.

In the field of information security and cybersecurity, the bank has been granted renewal for compliance with the payment card data security standard (DSS PCI) within the third edition (1, 2, 3). In addition, an integrated strategy on information security and cybersecurity was developed in the Bank by updating information security policies within best practices and management of related projects. This aims to improve the control system in the technical environment of the Bank and in line with the instructions of the Central Bank of Jordan and global information security and cybersecurity standards, as well as the requirements of the Central Bank regarding the governance of information security. The Information and Cybersecurity Unit continuously monitors security event records for systems and networks from the Security Operations Center (SOC). A project to comply with the instructions of cyber security risks issued by the Central Bank of Jordan, with the participation of the relevant departments of the bank, and protection systems supplied to contain related risks. In the field of security breach checks, several checks were conducted for networks and systems, and specialized checks for banking applications were conducted. As for spreading banking awareness of information security and business continuity, the department holds annual training workshops for bank employees and branches on a regular basis, as well as sending security awareness messages to employees and customers periodically.

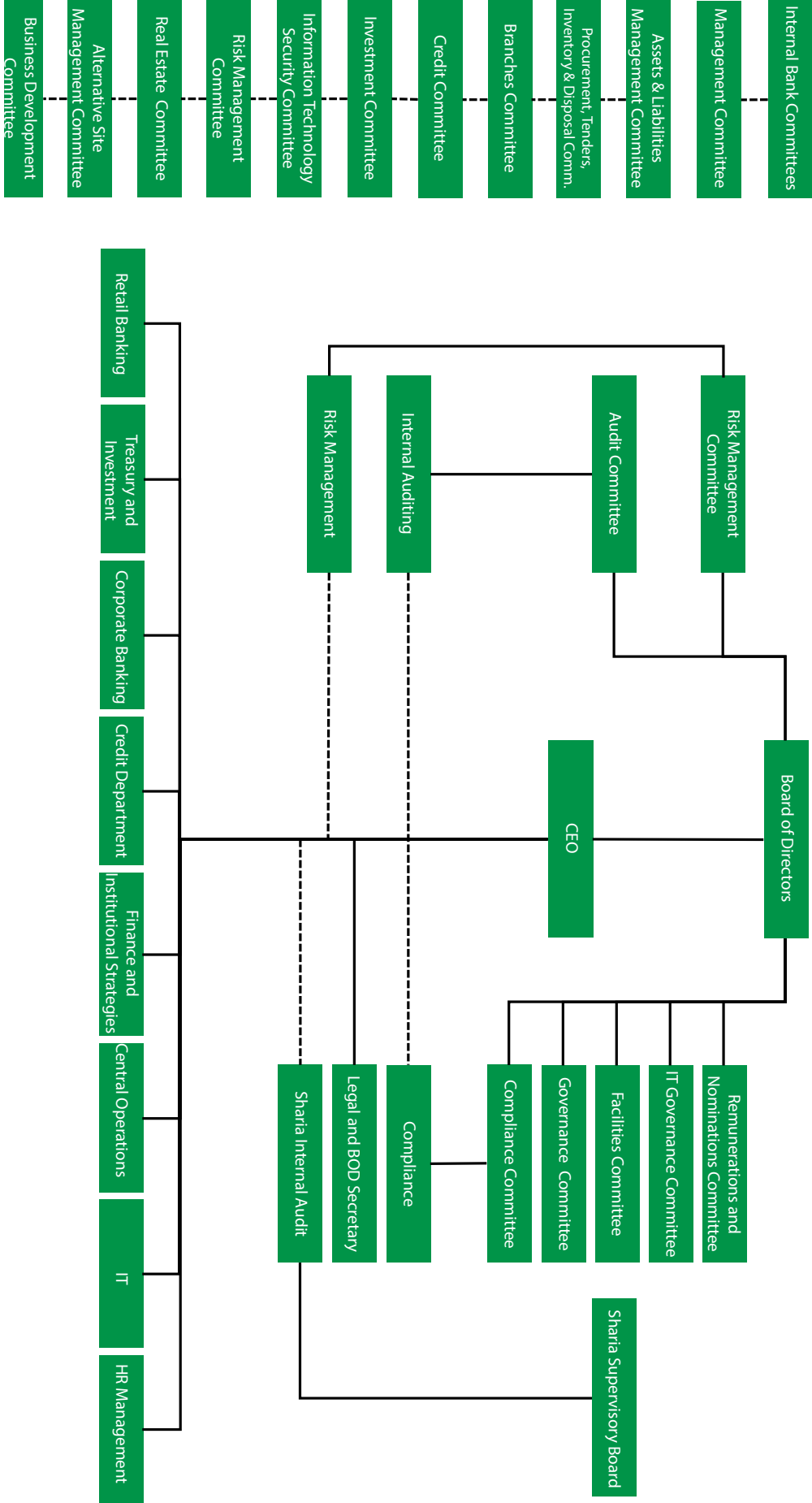
As for business continuity plans, the department has updated business continuity plans in response to external risk factors, and examinations are being conducted and tests to ensure the level of readiness at alternative sites. Recently, the alternative website of the Bank was upgraded by modernizing computers and offices to match the number of employees present in the bank in case of emergencies. The remote work mechanism has been adopted as part of business continuity strategies.

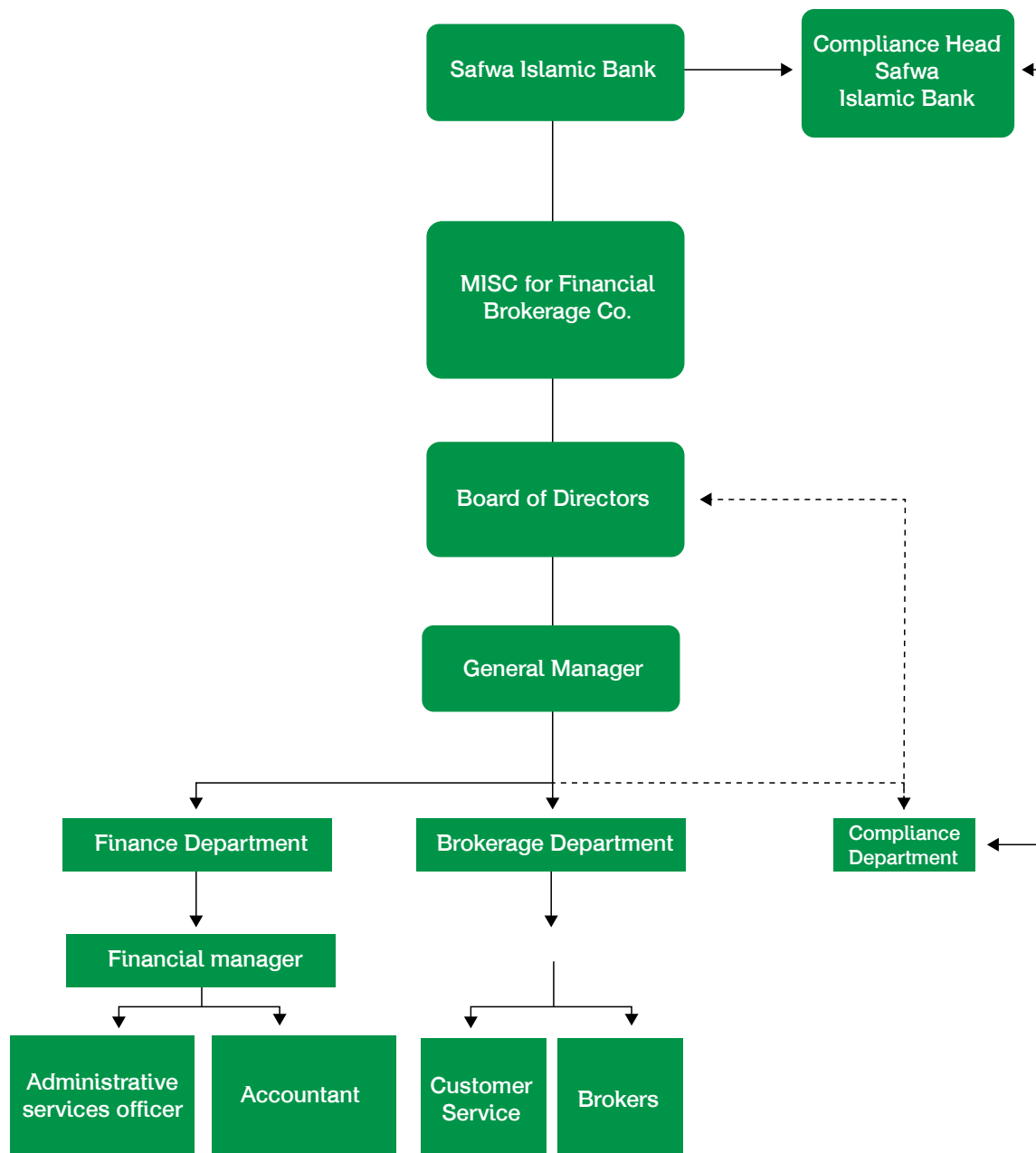
In the area of market risk, the department has developed reports on rate of return risks that are being sent periodically, and the department has prepared a methodology for the Liquidity Coverage Ratio (LCR) within the liquidity risk management policy and the liquidity crisis contingency plan, which have been approved by the relevant authorities, in addition to updating the market risk policies.

Risk Management Structure



Organizational Structure





Executive Management's Evaluation of the Effectiveness of Internal Controls Systems

Executive Management Assessment of Internal Control and Monitoring System Effectiveness

The bank's strategy and operational plans emanating from it and related policies in various fields (credit, risks, human resources, information technology) are approved by the Board of Directors. The bank's executive management prepares work procedures that govern all the bank's operations, and works to implement the approved policies with high efficiency. It conducts a periodic review of these procedures to ensure their compatibility with the work environment and requirements, and to ensure their ability to implement policies optimally.

The Board of Directors of Safwa Islamic Bank and the executive management of the bank are responsible for developing, implementing and maintaining the bank's internal control and monitoring systems capable of ensuring and achieving the following:

- Accuracy of the information contained in the annual report.
- The accuracy and integrity of the financial and operational data issued by the Bank.
- Efficient and effective performance of the bank's operations.
- The effectiveness of procedures to protect the bank's assets and properties.
- Compliance with internal work policies and procedures, laws, legislation and instructions in force.
- Adequacy of Sharia controls systems.

This stems the bank's belief in the importance of having appropriate and effective internal control systems and monitoring them continuously, as they are among the most important elements of good management. They are the basis for the safety and quality of the bank's operations, as the bank has adopted a number of control and internal control systems, which are the responsibility of the executive management to put them in place, and to implement and verify their effectiveness after being approved by the Board of Directors. In addition, the Bank's executive management prepares and develops strategies, policies, and works to apply them after being approved by the Board. This is also in addition to preparing and updating work procedures in a way that guarantees identification, measurement, control and monitoring of the risks facing the Bank and the implementations of these procedures. The Board of Directors of the Bank continuously monitors and evaluates the efficiency and effectiveness of these systems and their ability to achieve the desired objectives.

In this context, the Board of Directors has drawn up the strategic objectives of the Bank, in addition to supervising its executive management, which is responsible for operations. The board also approves the internal auditing and control systems and ensures their effectiveness and the extent to which the bank adheres to the strategic plan and policies. Also, the procedures approved or required by the laws and instructions issued pursuant thereto, in addition to making sure that all the Bank's risks have been properly managed.

Internal control and monitoring procedures are implemented through the following references:

Internal Sharia Audit Department

The internal Sharia audit is an essential part of the internal audit systems within the organizational structure of the Bank, as the internal Sharia audit department based within the Bank examines and evaluates the Bank's compliance with the provisions and principles of Islamic Sharia, fatwas, guidelines, and instructions issued by the Bank's Sharia Supervisory Board and standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI, and the Sharia Supervisory Board issues a report attached to the bank's annual report about the legal opinion on the work and activities of the bank.

Note that the Internal Sharia Audit Department submits all inquiries to the Sharia Supervisory Board, which studies all activities, topics, inquiries, and the financing formulas that the bank deals with. It then provides the relevant departments with the answer and decision of the esteemed Sharia Supervisory Board.

Human Capital Management

Human capital management activities include preparing and activating all controls to place each employee in the appropriate position, according to his qualifications and work requirements. In addition to monitoring its performance continuously and evaluating it on a semi-annual basis. This is achieved by preparing a job description for each employee that is compatible with the bank's organizational structure, and human capital management policy. In addition to what is being achieved through continuous training for all bank employees to raise their competencies to ensure they possess the required qualifications to perform their work in a highly professional manner.

Internal Audit

The message of the Internal Audit Department at Safwa Islamic Bank is to seek to improve and protect the institutional value of the bank, by adopting the audit method based on risks and provide assurance and objective advisory services in addition to providing advice and guidance to the concerned parties at the bank, and the audit department follows administratively, to the General Manager, functionally, and directly to the Audit Committee emanating from the Board of Directors. The Audit Department is subject to the direct supervision of the Audit Committee. It reports directly to the Executive Management and the Audit Committee. The department also has a Charter Audit Internal, which is approved by the Board Management, as this charter includes the tasks, responsibilities, powers and work methodology of the Audit Department, and it was circulated within the Bank in accordance with the amended instructions. The Institutional Governance of Islamic Banks No. (64/2016) issued by the Central Bank of Jordan on 09/25/2016, and reviewed annually.

The department's work activity includes all work centers, activities and operations of the Bank and its subsidiaries in a way that enables the department to evaluate the suitability and effectiveness of the Internal control systems, risk management and corporate control processes, and verification of compliance with the Bank's internal policies, international standards and relevant legislation according to the annual risk-based audit plan approved by the Audit Committee, the Internal Audit Department prepares an annual report on the adequacy of the systems control, and internal control in accordance with the instructions of internal control and control regulations 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 risk management operations in the Bank, as an integrated set of risk management policies emerges from this framework.

The Risk Management Department is the department responsible for developing a robust and effective system for identifying and measuring risks and then managing them efficiently and effectively. The most important roles of the Risk Management Department are to prepare relevant risk policies and to prepare acceptable levels of risks on a regular basis and in accordance with the Bank's strategy, submitting reports of abuses and ensuring that they are addressed, in addition to evaluating the extent of the Bank's ability to face unusual risks through conducting compressive conditions tests. The Risk Department also analyzes and studies all the risks to which the Bank is exposed, and raises the level of risk awareness based on the best practices related to the banking sector.

The implementation of Islamic Financial Accounting Standard No. (30) Within an integrated automated system has contributed to enhancing the ability to predict and determine expected losses periodically evaluating the variables that are relied upon in calculating expected credit losses by expanding the historical database that includes defaults values, guarantees and refunds for the purposes of reflecting the current reality of the economy in general and the bank in particular and increasing accuracy in the process of calculating and predicting expected credit losses. As for the accounts that show signs of default, the early warning and follow-up procedures provide for corrective and preventive measure to be taken, as an effective attempt to reduce risks and not exceed the acceptable limits and levels.

Finance and Corporate Strategies Department:

The Bank's consolidated financial statements are prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, in addition to the applicable local laws and the instructions of the Central Bank, as well as Sharia regulations. This aims to show the financial position of the Bank in a fair and realistic manner, and to provide decision

makers with the necessary and relevant information required to take the appropriate decision. The quarterly performance of the Bank is evaluated objectively and impartially based on the objectives set out in the work plans and the estimated budget.

The Finance Department also follows-up on the application of the approved policy for controlling current and capital expenditures at the Bank, which includes all relevant aspects in terms of authorities, limits, approval, exceptions, methods of measurement and analysis, and monitoring compliance with action plans and the estimated expenditures for all departments, whether related to new projects or ongoing projects.

Support Departments (Central Operations / Institutional Services / Real Estate and Engineering Evaluation / Total Quality Management)

The support departments provide many services to many different departments of the bank, either through the implementation of various financial operations related to corporate clients or Individuals or operations of the Treasury Department. It also implements new branch projects, through the Engineering Department. The Real Estate Evaluation Unit also performs evaluations necessary for real estate to be financed or taken as mortgages. All the aforementioned businesses involve the execution of financial transactions with a significant financial impact on the customers of the bank and on the bank itself. Therefore, it was necessary to start working on applying many principles that ensure the proper implementation of these operations and obtaining actual value of the real estate market. The implementation of this depends on developing tight work policies and procedures that guarantee the principle of dual implementation of financial transactions with guarantee of no conflict of interests and should be compatible with banking, accounting and legal principles. Many daily, monthly and quarterly reports are relied upon which aim to ensure that those operations are implemented according to the approved policies and procedures. The departments of Internal Audit, Sharia Supervision, Compliance and the Control Unit in the Central Operations Department conduct reviews and on-site visits to study the implemented operations to ensure full compliance with policies and procedures.

Information Technology Department

The methodology adopted by the Information Technology Department, which determines the ownership of each system, contributes to the realization of the direct communication process and the limitation of responsibilities. In turn, it leads to ensuring the use of these systems with high efficiency and within the highest standards of control and safety. The continuous and uninterrupted maintenance process has contributed to continuity of the work of the systems in accordance with strict work procedures that guarantee the protection of these systems and the protection of data and its continued availability at all times.

Compliance Department

The Compliance Department ensures that the Bank and its internal policies comply with all regulations, laws, instructions, orders, rules of conduct, and sound banking practices issued by the local and international regulatory authorities, through setting and developing a compliance policy, an anti-money laundering policy, Sharia compliance policy, and holding the necessary training

courses, as well as submitting reports in this regard to the Compliance Committee and the Corporate Governance Committee emanating from 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 the main activities of the Bank and the most important services and products offered by Safwa Islamic Bank

Description of the Main Activities and the Most Important Services and Products offered by Safwa Islamic Bank

Corporate Banking Services:

Safwa Islamic Bank offers various financing products that are compatible with the provisions of Islamic Sharia, including direct financing such as Murabaha, Murabaha's power of attorney, and rents. In addition to indirect financing, such as letters of credit and letters of guarantee of all kinds. We also make special products for some customers based on their financing needs and the nature of their business.

The focus of our team working in corporate banking services is still the customer, and we are keen that the needs, goals and success of the customer is our concern. Therefore, we at Safwa Islamic Bank are keen to be the customer's only banking station that meets all his needs and for different sizes and types 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 for any customer according to his needs and expectations, all of this with professionalism, high service, and a personal touch of attention. Accordingly, we have provided an integrated set of products and services for unique companies.

Safwa Islamic Bank also expanded this year in corporate internet banking service and cash management service, noting that this service is the only one provided from an Islamic bank in Jordan in a modern and distinct way, in addition to the investment savings account product for companies, which is the only one of its kind in Jordan. In addition, providing innovative financial solutions to customers under the umbrella of Islamic banking systems, which include financing large and medium companies in various economic sectors, as the Corporate Banking Services Department is keen to focus on establishing strategic and comprehensive relationships with customers centered around outstanding service, and understanding their special financing needs.

On the other hand, and because we are keen to provide all our customers with the best types of services, the Deposits Department and the Corporate Operations Services Department have been strengthened. The tasks of the COSO department have been developed, which is a department concerned with completing all corporate transactions related to financing, opening credits, issuing guarantees, making remittances, and others without the need to reach for the account manager, as this was reflected in customer service quickly, efficiently, and high service that satisfied customers.

A specialized employee for this task was appointed, which in turn led to the speedup of service provided compared to what was done previously.

Recently, an engineer was assigned to the Corporate Banking Department, and he serves small companies and retail department, where he visits funded projects and prepares reports periodically on them, which will also reflect positively on the portfolio of contractors and the real estate development sector in the bank.

In the same context, and in order to establish strategic relationships with our customers, the focus continued cross selling with the business departments and other services of the Bank, from the Personnel and Treasury Department, in order to serve corporate clients in the best way and to serve the employees of these companies through special offers for them.

Retail Banking Services:

The Retail Banking Department provides the following services:

VIP Bank Clients (Safwa Gold):

Safwa Islamic Bank is distinguished for being the first Islamic bank in the Kingdom to provide distinguished services to major customers that are compatible with the provisions of Islamic Sharia. The bank is keen to provide a package of special and quality services, designed to meet the aspirations of major customers, through Safwa Gold centers designed and configured to provide the highest standards of convenience and speed of service. This service also provides a special customer relationship manager to help customers complete their transactions, and providing advice and guidance through banking consultations related to all the Bank's products and services.

Financing Services and Products:

The bank continued to develop new banking services and products and develop existing ones in an effort to further improve customer experience and simulate their aspirations on the one hand, and to achieve their ambitions on the other. Through the implementation of projects and programs aimed at simplifying its procedures and developing the flow of operations and completing them quickly and for the purposes of facilitating various banking transactions, including personal financing products and others, that are compatible with Islamic Sharia regulations

Financing products according to the Murabaha format:

- Personal financing includes financing commodities, goods, stocks, motorcycles, land, cell systems and solar heaters in Murabaha format.
- The service of financing shares in the form of Murabaha, which provides the option to purchase assets (shares) in companies with permissible activity and in accordance with the financial Sharia analysis standards established by Sharia Supervisory Board.
- The financing of new and used cars was granted with quick procedures and minimal requirements, as the bank succeeded in building strategic relationships with suppliers and presenting offers competitive financing on easy terms.
- Financing travel expenses to perform the rituals of Hajj and Umrah, in addition to financing tourist trips, covering the costs of wedding halls and study expenses. An ownership contract is concluded between the bank and the customer.
- Goods financing product in the form of Musawameh, which allows dealers to finance their purchases of goods at the same cash price and without profits through a network of merchants approved by the bank
- Al Yusr product, which allows customers to pay various financial obligations with traditional banks (payment of personal loans, cars and credit cards).

Financing Products According to Ijara Muntahia Bittamleek Format:

- Financing the purchase of ready-made apartments and houses, in addition to the possibility of financing with the lowest requirements.
- Financing the purchase of lands with the aim of building on them and financing farms and residential lands.
- Financing commercial offices such as clinics and engineering offices.
- Refinancing the real estate owned by the customer.
- The product of financing new vehicles according to Ijara Muntahia Bittamleek format, in cooperation with leading car dealers in the Jordanian market.

An agreement has been re-signed with the Ministry of Energy and Mineral Resources / Fund for Encouraging Renewable Energy and Energy Rationalization, according to which the customers will receive support from the Energy Fund for one of the systems (a system of solar cells or a system of solar heaters being mirrors or tubes types) in case he or she wishes to benefit from Renewable energy systems and/or energy efficiency and rationalization. As the Fund subsidizes 30% of the value of the systems.

An agreement was also signed to design websites, "Makani Platform", due to the bank's keenness to support and empower the role of women in society. The company designs integrated websites and assists startups, small companies and entrepreneurs to sell their products electronically, while running their business from home.

The bank provided many services and offers, most notably the following:

- An amendment to the refinancing of an existing property, so that the financing period becomes 10 years
- Extending the repayment period of a financed shares product to 10 years
- Reducing the commission for foreign transfers in foreign currencies
- Several marketing campaigns have been conducted to activate and encourage real estate financing with several real estate developers
- Several marketing campaigns have been launched for vehicles financing product

Account and deposit services:

These include current and savings accounts, children's savings accounts (Kenzi), women's savings accounts (Harir), and corporate savings accounts for lawyers and doctors. The bank is renowned in the Islamic banking sector by providing the time investment deposits product in a competitive manner in terms of price and product characteristics, as the bank allows customers have the possibility of linking deposits on a monthly basis, and paying profits quarterly, which represents a competitive advantage for the bank, in addition to the product of Islamic certificates of deposit for individuals, and financial institutions, for customers who wish to obtain an good returns in the Hajj instruments product, as it provides an opportunity to perform Hajj at an early age by saving and investing in the Hajj Fund of the Ministry of Awqaf and Islamic Affair. Safes rental service is also available in several branches and in different sizes to enable customers to save their valuables.

Electronic Banking Services:

As part of the bank's digital transformation strategy to provide exceptional solutions to its customers, the bank has developed a range of services through its electronic channels. In addition to working on updating existing services to improve the quality of service provided to our customers.

The banking application allows the bank's customers to complete their banking transactions with the utmost safety and ease. The services varied, starting from opening an account at any time, linking an investment deposit and providing various payment services such as: money transfers, bill payment, in addition to the immediate payment system CLIQ. It includes requesting a cash payment or returning cash payments. Safwa Bank launched the payment service via the QR code made available for our

customers to dispense with cards and pay at POS points of sale through mobile phones.

Safwa Bank was the first bank to replace the verification of payment transactions through OTP with the Authentication Biometric feature, which facilitated the conduct of any a financial transaction through a fingerprint or a face. All these characteristics contributed to an increase in the number of active customers on the banking application and the internet banking by 60%.

With regard to the bank's website www.safwabank.com, we are working hard at Safwa Bank to update the website and its continuous development in a way that helps customers to choose the service and product according to his needs, and the website witnessed an increase in visitors by up to 55%.

With regard to the call center, which represents a basic invest between the bank and customers, the updates made allowed the quality of service provided to reach to 93%.

Bank Cards:

Several promotional campaigns were launched during the year to meet the needs of customers on all religious and social occasions, as a part of our communal responsibility, which the Bank has adopted as an integral part of its values as a major and active player in Jordanian society.

As a result, Safwa Islamic Bank recorded an increase in the number of electronic Murabaha card issuances by 19% over what was achieved in 2021. Work has been completed this year to enrich the number of Musawameh dealers to contain more than 100 approved dealers, and to add 30 merchants with regard to the campaign of instant discount, and a campaign was worked on to encourage the issuance, which included electronic Murabaha cards with a new design that bears the Champions League and MasterCard logos. In addition, the implementation of the secure online shopping service through direct debit cards was completed.

Small Business Banking:

The most important services and products provided by the bank are banking services for small companies

Small Business Banking Services:

The Small Business Banking Department of the Bank provides banking and financing services to institutions and small companies operating in different sectors through the following products:

- Financing foreign and local purchases (working capital / goods, raw materials).
- The product of financing internal and external purchases with the guarantee of POS sales.
- Services rental (tourism and travel offices).
- Murabaha financing of fixed assets (vehicles, machinery, machinery, production lines, and various equipment).
- Financing real estate (lands, offices, commercial complexes) in the form of lease ending with ownership and Murabaha.
- Financial leasing for real estate developers.
- Letters of credit and financing.
- Collection and financing policies.
- Guarantees of various kinds (payment guarantees, bid entry guarantees, performance guarantees, maintenance guarantees, external guarantees).
- Working capital and fixed assets financing products within the programs of the Central Bank (investment agreement) as follows:
 - ✓ Financing renewable energy.
 - ✓ Fixed assets and equipment financing.
 - ✓ Financing the tourism sector (tourism financing).
 - ✓ Financing the agricultural sector (EFAD program).
 - ✓ Inhad financing (self-employment program).

Treasury and Investment Department

Safwa Islamic Bank continues to expand its portfolio to include a wide range of Sharia-compliant products to enhance sources of income. The treasury and investment department of Safwa Islamic Bank continued to build and implement strategies with effective visions to enhance the bank's market share of services provided to customers. Therefore, the Treasury and Investment Department has developed many products and hedging solutions that serve corporate and individual clients at the highest level to meet their investment aspirations and development, as these services and products include the following:

- Real-time foreign currency exchange.
- Exchanging forward foreign currencies based on a product for an exchange promise that aims to hedge the risk of exchange rate fluctuations.

- Investing in international agencies and Murabaha.
- Investing in international and local instruments.
- Investing in local, regional and foreign stocks.
- Providing the service of arranging and managing instruments issuances for local companies and institutions, especially governmental ones.
- Providing the instruments issuance secretariat service that takes into account the rights of instruments holders.
- Providing safe custody, trading and clearing services for instruments.
- Investing in investment certificates of deposit issued by the Bank to customers and financial institutions.
- Reporting and promotion of incoming credits.
- Facilitating the issuance / re-issuance and strengthening of credits issued to correspondent banks.
- Sharia-compliant buying and selling of shares through Misc for Financial Brokerage Company, fully owned by the bank.

Statistics of the complaints received from the clients during 2022 through different channels

| Classification of Complaints | Number of Complaints |
|--------------------------------|----------------------|
| Electronic services | 75 |
| Commissions and fees | 37 |
| Profit / return rates | 28 |
| Professional conduct behavior | 193 |
| Bank cards | 60 |
| Contracts and terms of dealing | 148 |
| Work environment | 143 |
| Transfers | 20 |
| Credit inquiries | 16 |
| Account classification | 19 |
| Other | 2 |
| Total | 741 |

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 regulating the relationship between the Bank (the Mudarib) and investment account holders (owners of funds)

Safwa Islamic Bank

Preamble This policy regulates the relationship between the Bank (the Mudarib) and the investment account holders (owners of the funds).

This policy and any amendments to its are subject to the approval of the Sharia Supervisory Board of the Bank, the Bank's Board of Directors and the Central Bank of Jordan.

First: Defining Investment Accounts

Investment Accounts (Investment Deposits)

These are sums of money that the Bank receives from investors on the basis of Mudarabah, whereby the fund owners will authorize the Bank to invest them on the basis of Mudarabah. Investment accounts are divided into investment accounts managed on the basis of absolute Mudarabah, in which the Mudarib is authorized to invest the money as he sees fit; and investment accounts that are managed on the basis of restricted Mudarabah, in which the Mudarib will be restricted to a specific type or method of investment

appointed by the funds owner. The relationship between the owners of these funds and the institution is that of the owner of the money with the Mudarib, and there is a commonality between the Mudaribeen and the multiple owners of funds. This relationship is subject to the provisions and regulations of joint Mudarabah.

Joint Investment Accounts:

These are amounts that the Bank receives from investors whereby the owners will authorize the Bank to invest them on the basis of absolute Mudarabah, without linking this to a specific investment project or program. Account holders and the Bank will share the profits, if any, based on the ratios determined for each party either within the Mudarabah contract or in the account opening request submitted by the depositor and approved by the Bank. The account holder will be liable for all losses in proportion to their respective shares in the capital, except for what may result from infringement, negligence, or violation of conditions, in which case these losses are to be borne by the Bank (Mudarib).

Restricted Investment Accounts:

These are amounts whose owners will authorize the Bank invest on the basis of Mudarabah that is restricted to a specific project or investment program. The Bank and the account owner will share the profits – if any – according to the percentages determined for

each party in the Mudarabah contract or the account opening request submitted by the depositor and approved by the Bank.

The owner of the account will be liable for the losses incurred up to his / her share in the capital belonging to his account, except for losses resulting from infringement, negligence, or violation of conditions, in which case, such losses are to be borne by the institution.

Second: Investment Priority / Equality in Investment Opportunities

The principle of equality in investment opportunities between shareholders' funds and the funds of investment account holders in joint Mudarabah will be applied, and the Bank's own investments will be shown in separate accounts from the joint investment accounts.

Third: Elements / Basics for Profit Distribution

- Allocating the Mudarib's share in the profits in the common pool of funds.
- Determining the points (assigning weights to the average balances).
- Determining the amounts of shareholders (fund owner) invested in the common pool of funds.
- Determining the amounts of unrestricted investment account holders (investors) in the common pool of funds.
- Calculating the net profit of the common pool of funds.

Fourth: Zakat

The responsibility for paying Zakat rests with the shareholders and owners of unrestricted / restricted investment accounts, as there

is no authorization for the Bank to pay it directly, and there is no law for collecting it, in addition to the Bank's articles of association,

the decisions of the General Assembly, or authorization from the shareholders do not stipulate this. Therefore, the shareholder and the owner of the unrestricted / restricted investment account must pay Zakat on their shares and funds when the conditions and Sharia regulations for Zakat have been fulfilled.

Fifth: Profit Equalization Reserve

This reserve will be released in order to distribute appropriate and competitive rates of return for the unrestricted investment account holders, as well as shareholders in the event of exceptional circumstances and sharp fluctuations in the market.

Sixth: Points (assigning weights to average balances):

This is a method for calculating the investor's share from the revenues of the joint investment pool, as it is implicitly agreed that the return on deposits and investment deposit certificates is paid on the average balance of the value of the deposit and the investment deposit certificates; whereby the weighting is allocated based on the size or value of the deposit (according to a pre-prepared schedule that specifies these weights and makes them clear to customers), the term of the deposit, investment deposit certificate and the frequency of payment of profits to the customer.

Seventh: Allocating Mudarib's share in the profits of the joint funds pool

The value of the Mudarib's share of the profits is calculated by applying a pre-specified percentage of the net profit, and with the approval of the Sharia Supervisory Board of the Bank, after calculating the profit share for each category of deposits and each issuance of investment deposit certificates, and making transfers to / from the credit loss allowance for the financial period.

Eighth: Transfer to or from the profit rate reserve

The management of the Bank may, after obtaining approval from the Sharia Supervisory Board, deduct part of the revenues of the joint funds before deducting the share of the Mudarib and will transfer it to the so-called profit rate reserve. The objective of this reserve is to equalize the rate of return for holders of unrestricted / restricted investment accounts and for shareholders in a certain profit distribution with market rates of return for the same period.

Ninth: Income tax for unrestricted / restricted investment account holders "Withholding Tax"

Income tax is deducted from all profits of unrestricted / restricted investment account holders based on the decision of the concerned department in this regard (the Jordanian Income and Sales Tax Department), unless these deposits are exempted by law.

Tenth: Realization of Profits:

In order to realize distributable profits, the following conditions are required:

1. Safety of the capital, as profit is not realized in investment accounts until after the capital has been protected.
2. Actual or judgmental liquidation, whereby profit on investment accounts is only achieved after liquidation Mudarabah assets, whether this is actual liquidation by converting all assets into cash and collecting all debts, or judgmentally by evaluating nonmonetary assets and assessing the debt in terms of collectability and forming provisions for doubtful debts. As for cash, this is recorded at value.
3. Covering the expenses related to the investment

Eleventh: Due profits

The Bank will announce all types of accounts and investment deposit certificates managed within the joint funds portfolio, along with the declared percentages for distribution for each of these accounts and investment deposit certificates at all the Bank's branches, and in a prominent place that is clear for public customers, and on the Bank's website.

Unrestricted investment account holders are entitled to profits upon distribution and sharing on the basis of the percentage, and this may not be specified in the form of a lumpsum. The Bank may set different rates between it and the various segments of investment

account holders, and the profit rate may be standard between it and all investment account holders. The profit percentages among investment account holders may be standard, or they may differ, based on known weights.

It is permissible to agree upon a mechanism or method for distributing the profit, such as on a quarterly basis or upon maturity.

If the Bank was to mix Mudarabah funds with its own funds (idiomatically), then it will become a partner and a Mudarib in the funds of others, and will therefore divide the profit obtained between the two sources of funds, whereby the Bank will retrieve the profit for its work and funds, and will apply to its share in the profit the same rate that has been applied to the rest of the investment account holders.

Twelfth: Mutual Withdrawal / Mubara'a

It is permissible for one of the account holders to withdraw all or part of his funds. This represents a reconciliation of his share in the Mudarabah assets, not a recovery of the cash amount (deposited in the account) in whole or partially. If the Bank were to determine the amount of the exit in a way that it does not gain anything, or if the amount is less than what it is entitled to, this is permissible, and should be considered as a denial of profits, rather, it is a mutual withdrawal based on supply and demand. Accordingly, the joint investment account holder will be cleared from the mutual withdrawal from the rest of the investors (investment account holders) of any profits that have not been distributed or that has not been shown, and the remaining investment risk reserves and the profit rate reserve, and the remaining amount shall be donated to the Zakat Fund when the investment has been liquidated. Investors who hold investment accounts (withdrawn / mutually withdrawn) will bear the losses

to the extent of the period during which the amount had remained in the investment account prior to being retained, and will not bear the losses for the remaining period of the year after its retention.

Thirteenth: New Products within the Common Pool

In the event that the Bank were to introduce any new products (obligations) that fall within the framework of the concept of joint investment deposits, and that may have an impact on the profitability of the unrestricted investment accounts holders, such as Islamic

Certificates of Deposit, or others, this shall require prior approval from the Sharia Supervisory Board, in order to ensure that these products are offered within the limits and conditions approved by the Bank's Sharia Supervisory Board.







Corporate Governance Guide and Governance Report

Outstanding Service

Our services exceed expectations
to meet all aspirations

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

Corporate Governance Manual

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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

- a. The number of the Board Members should not be less than eleven.
- b. None of the members may be an executive director.
- c. The number of independent directors may not be less than four.
- d. The conditions to be met and satisfied by the independent directors are as follows:
 1. The member was/is not an executive director in the Board during the three years preceding his election,
 2. The member was not employed by the Bank or by any of its subsidiaries during the last three years preceding his election.
 3. 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.
 4. 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.
 5. 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.
 6. 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.
 7. 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.
 8. 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.
 9. The member is highly qualified and experienced in financial and banking matters.

Article 4: Meetings of the Board of Directors

- a. The Board of Directors shall hold their meetings by written invitation from the Chairman of the Board of Directors or his deputy, Or by a written request to the Chairman of the Board of Directors from at least the quarter of its members, In the attend of the absolute majority of its members.
- b. The board shall take its decisions by the absolute majority of the members. If the votes are equal, the side voted by the head of meeting shall prevail.
- c. The Board of Directors shall hold at least one meeting every two months, in total six meetings at least through financial year.
- d. The bank's board of directors' members may attend the meetings via virtual means to discuss the meeting's agenda, provided that the board's chairman and the board's secretary approve and sign the minutes of the meeting and its quorum.
- e. The top executive management, in an adequate time prior to the Board's meeting, shall provide the Board's members with complete and accurate information about the items of the meeting's agenda; the Chairman shall verify such action.

Article 5: General Assembly Meeting

- a. The General Assembly shall consist of all shareholders entitled to vote.
- b. The General Assembly of the Bank should hold an ordinary meeting at least once a year, the meeting must be held within the four months following the end of the bank's financial year, also the General Assembly of the Bank may hold an abnormal meeting at any time in accordance with the applicable regulations.
- c. The Board of Directors should invite the Jordanian Securities Commission and each shareholders to attend the General Assembly meeting by hand or by registered mail or e-mail of the shareholder at least 21 days before the date of the meeting, Providing the appropriate arrangements and procedures for holding the meeting, including the choice of place and time, must be will prepared to encourage the invited attendance as many shareholders as possible.
- d. The date and place of the meeting should be mentioned in the invitation with the General Assembly agenda as attachment, including the points that will be discussed during the meeting in a detailed and clear manner, in addition to any documents or attachments related to these subjects.
- e. To include any new topics during the General Assembly meeting that is not mentioned in the agenda of the General Assembly, which has been sent previously to the shareholder
- f. The shareholder who desires to be nominated to the Board of Directors shall provide the Bank with a brief identification before the end of the financial year of the Bank which precedes the year in which the meeting of the General Assembly to elect the Board of Directors, In this case, the Board of Directors should attach this brief identification with the invitation to shareholders who will attend the meeting of the General Assembly, The Bank should inform all those who desires to be nominate that there is evidence that the Central Bank of Jordan has non-objection to their candidacy, The Bank shall obtain

the non-objection of the Central Bank of Jordan to nominate them before the date of the General Assembly meeting of the shareholders of the Bank for a period of not less than two weeks.

- g. The Board of Directors should announce the date and place of the General Assembly meeting in two daily local newspapers and at least two times and on the Bank's website.
- h. The shareholder may delegate another shareholder to attend the meeting of the General Assembly on his behalf by a power of attorney or to appoint another person under legal Power of attorney, in accordance applicable regulations.
- i. The meeting of the General Assembly must be leaded by the Chairman of the Board of Directors or his Deputy in the absence of him, or by any delegate member by the board of director in their absence, The members of the Board of Directors must also attend the General Assembly meeting at no less than the limit which achieves the quorum for any Board meeting.
- j. The General Assembly must be managed in a manner that allows shareholders to actively participate and express their views freely, to receive answers to their questions and to provide sufficient information to enable them to make their decisions.

Article 6: Duties and Responsibilities of the Board

- 1. The Board shall oversee and follow-up the top executive management's performance and ensure integrity of the Bank's financial situations and its solvency. It shall adopt proper policies and procedures to oversee and control the Bank's performance.
- 2. The Board shall define the strategic objectives of the Bank and instruct the executive management to set a strategy to achieve these objectives, approve it together with any business plan in line with that strategy.
- 3. The Board shall endorse a policy to monitor and review the executive management's performance through setting the key performance indicators (KPIs) to determine, measure, and monitor the performance and progress towards achieving corporate objectives.
- 4. The Board shall ensure that the Bank has policies, procedures and action plans which include all the activities. The policies, procedures and action plans should be in line with the related regulations, circulated to all administrative levels, and regularly reviewed.
- 5. The Board shall determine the corporate values of the Bank; set clear lines of responsibility and accountability to all Bank's activities, and shall establish a high culture of ethical, impartial, and professional conduct standards among the managers of the Bank.
- 6. The Board shall assume liability for integrity of all the operations of the Bank, including the financial situation; liability for implementing requirements set forth by the Central Bank as well as the requirements of the other regulatory and control authorities, and shall observe the stakeholders and that the Bank is managed and governed under the framework of regulations and policies of the Bank and the effective control is in place at all times over the Bank's activities including those outsourced to external parties.
- 7. The Board shall, based on recommendations submitted to it by the competent committee, appoint the internal audit manager, the head of the risk management, and compliance officer and accepts their respective resignations or service termination. (Regarding the internal 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:

- a. None of the shareholders who possess an influential interest may hold a job in the top executive management.
 - b. 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:
 - a. 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.
 - b. Determines the dates of the Board's meetings in coordination with the Chairman.
 - c. Ensures that the members of the Board sign the minutes of meetings and decisions.
 - d. 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.
 - e. Keeps records and documents of the Board's meetings.
 - f. Takes necessary procedures to ensure that the draft decisions intended to be passed by the Board are in harmony with the legislations.
 - g. Prepares for the ordinary general meetings and cooperates with the Board's committees.
 - h. 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. 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.

33. 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.
34. 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.
35. 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.
36. 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.
37. 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. A mechanism to present any related topics to Sharia Supervision Board for Sharia Fatwa and/or decisions thereabout.
 - b. Manual/procedures of the Sharia Supervision Board business.
 - c. Mechanism to ensure compliance with the Sharia Fatwas or decisions issued by the Sharia Supervision Board.
 - d. A mechanism to facilitate the communication between the different units of the Bank and the clients with the Sharia Supervision Board.
38. 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.
39. 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.
40. Ensures compliance with the control standards issued by the accounting and auditing organization for the Islamic financial Institutions.
41. Approving the bank's strategic plan and continuous follow-up of the actual achievement.
42. Making decisions related to the approval of the bank's estimated annual budget and continuous follow-up of the actual achievement.
43. Making decisions regarding requests for overrides on determinants of the investment policy for amounts and abuses that overrun the powers of the executive management.
44. Making decisions regarding investment applications in the initial public offering (IPO) or unlisted shares that overrun the powers of the executive management.
45. Making decisions in the underwriting of new companies as the founder of all amounts.
46. Recommending to the general assembly of shareholders the decisions related to amending the bylaw and the articles of association and updating them in line with the requirements of the laws in force in the Hashemite Kingdom of Jordan.
47. The Chairman of the Board shall, at minimum, undertake the following:
 - a. Be keen to establish constructive relations between the Board and the executive management within the Bank.
 - b. 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.
 - c. Encourages constructive criticism of issues addressed in general and those having different viewpoints between the members, and encourages discussions and voting on such issues.
 - d. 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.
 - e. Ensures a charter regulating the Board business is in place and identified.
 - f. Discusses exhaustively the strategic and important issues in the Board's meetings.
 - g. 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.
 - h. Provides every member of the Board with an adequate summary of the Bank's businesses upon appointment or upon request.

- i. 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.
 - j. 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:
 - 1. The Bank's organizational structure, corporate governance, and the professional code of conduct and ethics.
 - 2. Corporate objectives and the Bank's strategic plan and approved policies.
 - 3. The financial situation of the Bank
 - 4. The Bank's risk structure and its risk management framework.
 - 5. Sharia controls.
48. Each member of the Board shall undertake, as minimum, the following:
- a. Be familiar with the Islamic banking business-related regulations and principles, and the Bank's operating environment; keep abreast of the developments taking place as well as the external updates that are related to its business including recruitment requirements for of the top executive management of the Bank.
 - b. Attends meetings of the Board and its committees, as the case may be, along with the general assembly meetings.
 - c. Not to disclose any confidential information of the Bank or use it for his/her own interest or the interest of others.
 - d. In all transactions made with any other company in which he/she has a personal interest, the interest of the Bank shall prevail. Never take the business opportunities of the Bank for his/her own interest. Avoid conflict of interests and disclose any conflict of interest to the Board in details if happened while committing not to be present or not to take part in the decision passed during the meeting in which this subject is discussed and deliberated. Such disclosure should be recorded in the minutes of the Board's meeting.
 - e. Have enough time to undertake his tasks as a member of the Board.

The nomination and remuneration committee shall set in place a clear methodology to verify the above-mentioned including (for example) the members' relations and membership in other boards/authorities/forums...etc.

Article 7: Limits of liability and accountability

- a. The Board of Directors should adopt a clear limits of liability, accountability, and commitment. All managerial levels of the Bank shall abide by those limits.
- b. The Board must ensure that the organizational structure clearly reflects lines of responsibility and authority provided that it includes at least the following regulatory levels:
 - 1. Board of Directors and its committees.
 - 2. Sharia Supervision Board.
 - 3. Separate departments of risks, compliance, internal audit, and Sharia internal audit which do not perform daily executive activities.
 - 4. Units/employees that do not participate in the daily operations of the Bank activities (such as credit audit officers and Middle Office employees).
- c. The Board must ensure that the top executive management assumes their responsibilities pertaining to the daily operation management of the Bank and contributes the implementation of the corporate governance, it delegates authorities to the officers, establishes an effective managerial structure that would enhance accountability, and implements tasks and missions of the various business activities and fields in conformity with the policies and procedures approved by the Board as well as the resolutions and Sharia Fatwas issued by the Sharia Supervision Board.
- d. The Board shall adopt regulatory and Sharia controls to hold accountable the top executive management.
- e. Despite the provisions of the Companies' Law, the combination between the positions of Chairman and general manager shall be prohibited, and the Chairman or any of the Board's directors or major shareholders may not have kinship with the general manager below the fourth degree.
- f. The general manager shall, in addition to the provisions of regulations, undertake the following:
 - 1. Develop the strategic orientation of the Bank
 - 2. Implement the Bank's strategies and policies
 - 3. Carry out the decisions of the Board of Directors

4. Implement and comply with the resolutions and Sharia Fatwas issued by the Sharia Supervision Board.
5. Provide guidance to implement short and long term business plans.
6. Communicate vision, mission and strategy of the Bank to the staff members
7. Notify the Board of all the important aspects of the Bank's operations
8. 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 relieve the Board as whole from assuming its Commitments each committee shall take its decisions and recommendations by the absolute majority of the members. If the votes are equal, the side voted by the Chairman of the Committee shall prevail The Board shall form, as minimum, the following committees:

a. Corporate Governance Committee:

1. The committee must be composed at least of three members (most of the members shall be independent members) including the Chairman.
2. The Committee must meet at least twice a year or at the request of its Chairman.
3. The committee must assume guiding and overseeing the preparation of the corporate governance manual, and updates and controls its implementation, and prepare and submit a governance report to the board, And studying the Jordanian Securities Commission's observations regarding the implementation of governance in the Bank and following up on what has been done

b. Audit Committee (AC)

1. Subject to the provisions of the Banking Law, The committee must be composed at least of three members (most of the members shall be independent members) including the Chairman of the Committee, shall be independent members and the Chairman of the Committee shall not be the Chairman of the Board of Directors or the Chairman of any other Off the Board Committees.
2. The Committee must meet periodically, with at least four meetings a year.
3. All members of the committee should be holders of academic qualifications and have proper practical experience in accounting or finance or any other discipline or related similar fields. In case of lack of the proper Islamic Bank-related experience, they shall join the suitable training programs in accounting, audit and controls standards, and Islamic standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the standards issued by the Islamic Financial Services Board (IFSB).
4. Subject to the provisions of the Banks Law concerning the duties and authorities of the committee, the Audit Committee shall review the following matters:
 - a. Scope, results, and adequacy of internal and external audit of the Bank.
 - b. Accounting issues of material impact on the Bank's financial statements.
 - c. The internal control systems in the Bank
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. The committee must make decisions regarding the requests of writing off debts partially or totally for all the facilities.
11. 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.
12. The work of any other committee may not be combined with the work of this committee.

c. Nomination & Remuneration Committee (NRC)

1. This Committee shall consist of at least three members, with the majority of the members of the Committee including the Chairman of the Committee being independent members.
2. The Committee shall meet periodically, with at least two meetings a year.
3. The NRC assumes the following tasks:
 - a. Identifies the persons qualified to enroll in the Board's membership taking into account the abilities and qualifications of the nominated persons. Further, in case of nomination for several times, the member's number of attendance cases and his/her effective participation in the Board's meetings shall be taken into consideration.
 - b. Identifies the persons qualified to join the 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.
 - c. Nominates the qualified persons to the Board to join the top executive management.
 - d. 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.
 - e. Defines whether the member satisfies the independent member's capacity taking into account the least conditions prescribed herein, and review the same annually, The Jordanian Securities Commission shall be notified in the event of the absence of independence status from any member of the Board.
 - f. Follows specific and approved bases in evaluating the performance of the Board, Sharia Supervision Board and the general manager so that the performance evaluation standard is objective.
 - g. The Committee should conduct an annual evaluation of the performance of the Board and its committees, provided that the Committee shall notify the Jordan Securities Commission of the outcome of this evaluation.
 - h. Provides information and briefs about the background of certain important Bank topics to the Board members and Sharia Supervision Board members, upon request. Ensures that they continuously identify the latest subjects relating to the Islamic banking business.
 - i. Ensures the existence of a remuneration policy to the Bank's Employees and that this policy is revised periodically and applied according to the committee recommendations to determine the salary of the general manager and the remaining top executive management along with other remuneration and benefits.
 - j. The committee should set a policies of replacement, Career progression, human resources, and training at the bank and monitor its implementation, and review it annually.

d. Risk Management Committee

1- This committee shall be formed of at least 3 Board members, with one independent member. Members of the top executive management may join the committee as members.

The committee shall assume the following tasks:

- a. Setting the Risk Management Framework (Risk Management Policy) at the Bank and review it annually.
- b. Review the Bank's risk management strategy before being endorsed by the Board.
- c. Keep abreast of developments that would affect the risk management in bank and submit periodic reports thereabout to the Board.
- d. Verify absence of variations between actual risks taken by the Bank and risk appetite approved by the Board.
- e. Set up the proper circumstances to identify Substantial Risks and any activities carried out by the Bank that would expose it to greater risks than the risk appetite; submit reports to the Board accordingly and follow manipulation thereof.
- f. To monitor and evaluate the various types of risks that the Bank might face

It is prohibited for any member of the Board to be a Chairman for more than one committee of the above-mentioned committees. It is also prohibited for him/her to be a Chairman for more than two committees of all the Board's committees.

e. Facilities Committee:

1. The committee must be formed from five board member, one of the members may be an independent member provided that he/she is not a member in the audit committee,
2. The Committee's Permissions authority must be limited to taking the appropriate decision regarding the facilities recommended for approval by the highest committee of the Executive Management Committee. Members of the top

executive management may participate in the committee's meetings to present their recommendations.

3. High limits must be set for the powers vested in this Committee in respect of granting, modifying, renewing or structuring the credit facilities, so that the Board has clear powers in particular.
4. The quorum of the Committee meeting must be at least four members and take its decisions by a majority of its members, regardless of the number of those present.
5. A periodic report must be submitted to the Board with details of the facilities approved by the Committee.
6. Members of the Committee must personally attend their meetings and vote on their decisions. In the absence of personal attendance, the Member may express his opinion through video or telephone and shall have the right to vote and to sign the minutes of the meeting, duly documented.
7. The Board may delegate some or all of the powers of this Committee to amend the conditions or structure of the facilities for the Executive Management Committee mentioned above, with the need to inform the Facilities Committee of the decisions taken within these powers.

f. Compliance Committee:

1. The Committee consist of at least three board members, Provided that the majority of them are independent members.
2. The Committee meet quarterly or at the request of the Chairman.
3. The Committee undertake the following tasks:
 - A. Supervise to ensure the independence of the Compliance Department and anti-money laundering, and that the Compliance and AML Department shall include a Shari'a Compliance division, and ensure that they continuously provided with adequate and trained staff.
 - B. Supervise the compliance and anti-money laundering reporting process to the committee, And to the Shari'a Supervisory Board with respect to Shari'a compliance, with a copy sent to the CEO.
 - C. Approving the compliance policy (including the duties and responsibilities of the Compliance department), Shari'a Compliance, Anti-Money Laundering and any other policy relating to the Compliance and Anti-Money Laundering department and recommending to the Board for approval.
 - D. Evaluate effectiveness degree whereby the Bank manages the (noncompliance risks and anti-money laundry) at least once a year and review them when making any related changes.
 - E. Supervising and monitoring compliance with AML / CFT standards in the Bank through reports prepared and / or submitted by the Committee Secretary.
 - F. Ensure compliance in accordance with the policies and procedures and requirements of the Central Bank of Jordan and other regulatory bodies, including the requirements of anti-money laundering and financing of terrorism.
 - G. Ensure that there is an effective internal control system to implement compliance policies, and verify it in the best performance.
 - H. Follow-up the disclosure reports issued by the Compliance and Anti-Money Laundering Department of the Bank.
 - I. Work and coordinate with other Board committees to raise compliance in the Bank.
 - J. Keeping up with the rapid developments and increasing complexity that arise on the management of compliance and anti-money laundering and submit periodic reports to the board on these developments.
 - K. Recommend to the board of director within the scope of the Committee's responsibilities if it deems that is necessary to improve its work, or if the instructions so require.
 - L. Recommend to provide resources for compliance activities and with the necessary requirements.

g. IT governance committee

1. The committee must consist at least three members that will be elected based on their experience and strategic knowledge in the IT area.
2. The committee must hold meetings on a quarterly basis at least.
3. The committee shall assume the following tasks:
 - a. The committee shall approve the strategic objectives of IT and the appropriate organizational structure including the steering committees, specifically on top executive management level (the steering IT committees) in order to guarantee the achievement of the Bank's strategic objectives and the best value added from the projects and IT resources investment. The committee shall use the tools and needed measures to supervise and ensure the achievement of these objectives, such as IT Balance Scorecards, and the return on investment (ROI). The committee shall measure the impact of contributions made to enhance the financial and operational efficiency.
 - b. The committee shall approve the general framework of managing, regulating, and supervising IT resources and projects that simulates the best approved international practices in this regard especially (Control Objectives for Information and related Technology-COBIT) that conform with and achieve the objectives and the requirements of our instructions through the

continuous fulfilment of the institutional objectives, along with the achievement of the accompanying IT objectives' matrix, and covering the processes of IT governance.

- c. The committee shall approve the institutional objectives matrix and the accompanying IT objectives and considers its given as minimum requirements, and describes the sub-objectives needed to achieve them.
- d. The committee shall approve the (RACI chart) matrix regarding the main processes of IT governance along with the secondary processes related to: the entity/s or person/s or party/s primarily (responsible), and those who are ultimately responsible (accountable), and those who are (consulted), and those who are (informed) for all processes in light of (COBIT5 Enabling Processes) in this regard.
- e. The committee shall ensure that a general framework for IT risk management is in place. And will be consistent and integrated with the overall framework of the risk management in the Bank considering and achieving all IT governance processes.
- f. The committee shall approve the IT projects and resources' budget in accordance with the Bank's strategic objectives.
- g. The committee shall undertake the general supervision and monitoring of IT processes, projects, and resources to ensure their sufficiency and effective contribution in achieving the Bank's requirements and works.
- h. The committee shall monitor IT auditing reports and take the necessary actions to handle deviations.
- i. The committee shall give recommendations to the Board to take the necessary actions to correct any deviations.

Article (9): 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:
 - a. 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.
 - b. The Sharia Supervision Board members may attend the meetings via virtual means to discuss the meeting's agenda, provided that the chairman of Sharia Supervision and the Sharia Supervision secretary approve and sign the minutes of the meeting and its quorum.
 - c. The member may lose this right in any of the following cases:
 - d. If failed to attend personally without acceptable excuse.
 - e. 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:
 - a. The member has not received any funding whether to him/her or to his/her family members up to the second degree from the Bank or from any of its subsidiaries.
 - b. The member must not be employed by the Bank or by any of its subsidiaries during the two years preceding the appointment date.
 - c. The member has not been a member in any 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.

- d. The member must not be a member in the bank's Board of Directors, or is not an owner of a company with which the Bank is dealing, except for the transactions arising due to services and/or normal business that the Bank renders to its clients, provided that they are governed by and subject to the same conditions of similar transactions with any other party and without any preferential terms.
 - e. The member must not be related to any of the members in the Bank's Board, or the top executive management in any kinship up to the second degree. He/she does not receive any salary or amount or remuneration or benefits or gifts from the Bank except the remuneration received in consideration of his/her membership in the Sharia Supervision Board or in consideration of any additional works assigned to him/her but does not affect his/her independence.
 - f. The member must not be a shareholder in the Bank or proxy of a major shareholder or a shareholder in one of the Bank's subsidiaries or a shareholder in the group owning the Bank.
8. The Sharia Supervision Board member should strive to achieve the following:
 - a. Establishes justice and fairness among the stakeholders.
 - b. Acts in a manner allowing him/her to preserve his/her honesty and integrity.
 - c. Takes into account, while making any decisions, the legal and sharia aspects, in addition to the technical aspects for sharia commitment.
 - d. 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:
 - a. Monitoring the Bank's business and activities in terms of conformity and non-contravention with the Islamic provisions, and follows-up and reviews operations to verify they are free of any Sharia prohibitions.
 - b. Expresses opinion and approves all contracts, transactions, agreements, products, services and investment policies and the policy that regulates the relationship between the shareholders and the investment account holders including dividend distribution, loss charging, set aside revenues on the investment account and mechanism to dispose of Islamic noncompliant income.
 - c. Approves the charging of any losses resulting from any Bank operations concerning the investment account holders.
 - d. Makes and expresses opinion on the extent of the Bank's compliance with the Islamic provisions and principles. The Sharia Supervision Board also:
 1. Reviews and adopts the annual Sharia audit report and reports it to the audit committee
 2. 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.
 - e. Reviews and approves the policies and guidance relating to the Islamic provisions.
 - f. Provides advice to the parties rendering services to the Bank such as the auditors, certified public accountants and consultants.
 - g. Ensures adequacy and effectiveness of the internal Sharia control in the Bank.
 - h. 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.
 - i. Coordinates with the (corporate governance and compliance committee) and the audit committee to ensure compliance of the Bank to the Islamic provisions and principles.
 - j. Proposes any necessary Sharia training to the Bank's staff members.
 - k. Identifies all reports including review of compliance with the Islamic provisions and principles including the reports by the Central Bank, auditor and responses of the management thereon.
 - l. Attends meetings of the shareholders general assembly, and the Chairman of the Authority reads the Authority's report or chooses one of the members to do so.
 - m. Makes opinion on the Bank's memorandum of association and articles of association and ensure they are in harmony with the Islamic provisions and principles.
 - n. Makes submissions to the Board of Directors on appointment/dismissal of the 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:
 - a. 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.

- b. 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.
 - c. Prepares the Sharia Supervision Board meetings; receives Sharia inquiries from all organizational units paving the way for submitting them to the Sharia Supervision Board.
 - d. Ensures that all members have signed the minutes of meeting and decisions.
 - e. 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.
 - f. Keeps meetings' records and documents of the Sharia Supervision Board.
 - g. Document the name/s of member/s who absence the meeting and clarifying whether excused or not and state the same in the minutes of meeting.
 - h. Provides the Central Bank with the suitability declarations signed by the 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

- a. The Board shall adopt an effective policy to ensure Suitability of its members provided that such policy encompasses the minimum standards, requirements and conditions to be met by the nominated and appointed member. This policy should be reviewed when needed. Adequate procedures and regulations should be set to ensure all members satisfy the appropriate standards at all times. The Bank should provide the Central Bank with a copy of the policy approved by the Board.
- b. The Chairman or member of the Board of Directors shall meet the following conditions:
 - 1. Not less than 25 years old
 - 2. He/she is not a member of the Board of Directors of another Bank within the Kingdom or is not its general manager or regional manager or employed by it unless such other Bank is a subsidiary.
 - 3. He/she is not a lawyer or legal counsel or auditor of the Bank.
 - 4. Holding the first university degree as minimum whether in economy or finance or accounting or business administration or any other similar discipline. The NRC may consider addition of other disciplines if coupled with bank-related business experience.
 - 5. He/she is not a government employee or any other public official institution unless he/she is its representative.
 - 6. He/she is not a member in the Board of directors of more than five public joint stock companies within the Kingdom in his/her personal capacity in some and representative of a legal person in the others.
 - 7. He has experience in the Bank business, finance or similar fields of no less than five years. He is familiar with the banking activities compliant with the Islamic provisions.
- c. The Central Bank may make objections to the nomination of any person to the membership of the bank's Board of Directors should it find that he/she doesn't meet any of the conditions set forth in clause (b) above.
- d. The Chairman or members of the Board shall sign a declaration (in accordance with the annexed form No. (1)) to be kept with the Bank copied to the Central Bank along with the member's C.V.
- e. The Chairman of the Board shall make sure that the Central Bank was notified with any material information that may negatively affect the consistency of the members.

Article 12: Suitability of Top Executive Management Members

- a. The Board must adopt a policy to ensure suitability of members of the top executive management in the Bank if such policy encompasses the minimum standards, requirements, and conditions to be met by the member. The Board shall review this policy from time to time. Adequate procedures and regulations should be set to ensure all members satisfy the Suitability standards at all times. The Bank shall provide the Central Bank with a copy of the policy
- b. The Board must appoint a general manager characterized by integrity, technical competence, and banking experience. The prior consent of the Central Bank should be obtained before such appointment.

- c. The approval of the Board must be obtained before appointing any member of the top executive management in the Bank.
- d. The Board must approve a succession plan to the members of the top executive management. The Board shall review the plan once a year at least.
- e. The Board must notify the Central Bank of any material information that may negatively affect Suitability of the members of the top executive management.
- f. Top executive managers shall meet the following conditions:
 - 1. He/she is not a member in the Board of Directors of any other Bank inside the Kingdom unless it is a subsidiary.
 - 2. Should be full time dedicated to the Bank business.
 - 3. Holder of the first university degree as a minimum in economics or finance or accounting or business administration or any other similar discipline that is related to the bank business.
 - 4. He/she has experience in bank's business and related businesses of no less than five years except for the position of the general manager for which experience is not less than ten years.
 - 5. Among the experiences set out in the previous clause, at least two years in the Islamic banks field, otherwise the member of the top executive management shall undergo a comprehensive qualifying program in the Islamic banks field, accounting standards, audit and legal controls, and standards issued by the Accounting and Auditing Organization for the Islamic financial institutions and the standards issued by the Islamic Financial Services Board (IFSB) for no less than three months.
- g. No objection letter should be obtained from the Central Bank prior to the appointment of any member in the top executive management and thus the Bank should, before appointment of any member in the top executive management, have the C.V of the nominated person annexed with the scientific documents and certificates, experience certificates and good conduct certificate and other supporting documents. The candidate is asked to sign the declaration exhibit No.2 and the Bank should provide the Central Bank with a copy of the declaration together with the relevant C.V.

Article 13: Suitability of the Sharia Supervision Board

- a. 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.
- b. The Chairman or member of the Board shall meet the following conditions:
 - 1. He/she is a holder of the bachelor degree in Islamic Sciences, Islamic jurisprudence, principles or Islamic economy or Islamic financing.
 - 2. He/she has experience of no less than 3 years in issuing Sharia Fatwas and Islamic provisions and/or experience in teaching or scientific research of no less than four years following graduation.
- c. The Central Bank may object on the nomination of any person to the membership of the Board of Directors of the Bank if found not meeting any of the conditions outlined in clause (b) above.
- d. The Chairman or members of the Supervision board shall sign the declaration in exhibit 3 to be kept with the Bank copied to the Central Bank and annexed with the members' C.V.
- e. The Chairman of the Board shall notify the Central Bank of any material information that may negatively affect the Suitability of the Sharia Supervision Board members.
- f. 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

- a. The Board shall create a system for appraisal of its works and members provided that it encompasses as a minimum the following:
 - 1. Sets specific objectives and determines role of the Board in achieving the measurable objectives.
 - 2. Determines the key performance indicators (KPIs) that may be deduced from the strategic plans and goals and use them to measure the Board 's performance
 - 3. Periodic communication between the Board of Directors and the shareholders
 - 4. Periodic meetings of the Board of Directors with the top executive management.
 - 5. Role of the member in the Board's meetings; compare its performance to that of other members' performance. Feedback should be obtained from the concerned member with a view to improve the appraisal process.
- b. The NRC shall evaluate annually the Board's business as whole and its committees and members if the NRC shall notify the Central Bank of the results of such evaluation.

- c. The Board must evaluate the 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.
- d. The Board shall evaluate performance of the general manager on annual basis in accordance with the predetermined evaluation by the NRC and encompasses setting the KPIs. The performance evaluation standards of the general manager include the financial and admin performance of the Bank, commitment to apply the legal controls approved by the Bank, extent of achievement of the Bank's medium and long term strategies and plans, provided that the committee notifies the Central Bank of the evaluation results.
- e. The Board shall adopt a system to measure performance of the Bank members other than the members of the Board of Directors and the general manager provided that such system should include, at minimum, the following:
 1. The system provides proper weighing to measure the commitment by the risks management framework and application of the internal controls and the regulatory requirements.
 2. Total income or profit is not the only element to measure performance; however, other elements to measure performance of members like the risks associated with the basic operations and customer's satisfaction wherever applicable should be taken into consideration.
 3. Not to exploit influence and conflict of interests.

Article 15: Financial Remunerations of Directors and 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:
 - a. Set and prepared to maintain the members of experience, skills and competency and keep them stimulated motivated and to upgrade their performance.
 - b. Designed to make sure it will not be utilized in a way that adversely affects the solvency and reputation of the Bank.
 - c. It takes into account the risks, liquidity, and profits situation and timing.
 - d. Granting remuneration may not be based only on the current year's performance but also on the performance in the medium and long term (3-5 years)
 - e. It reflects the Bank's goals, values and strategy
 - f. Remunerations type is defined in the form of fees, salary, allowances, bonuses or share options or any other benefits
 - g. It compasses possible postponement of payment of reasonable rate of remuneration, such rate together with the postponement period are determined based on the nature of business, risks and activities of the concerned member.
 - h. No financial remuneration to the members of the regulatory and control departments will be granted (risk management, audit, compliance and others) based on results of departments' activities under control.

Article 16: Conflict of Interests

1. Administrators and members of 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:
9. None of the administrators may use the internal information of the Bank for their own personal benefit.
10. Rules and procedures regulating transactions with the stakeholders.
11. Cases from which conflict of interest may arise.
12. The Board shall ensure that the executive management enjoys high level of integrity in exercising its business and avoids conflict of interest.

Article 17: Internal Audit

1. The Board must ensure that the internal audit department in the Bank is able to undertake the following tasks, as minimum:
 - a. Check for the availability of enough internal control systems for monitoring the activities of the Bank and its subsidiaries.
 - b. Verify compliance with the Bank's internal policies and international standards and related regulations.
 - c. Perform financial and administrative audit to ensure the accuracy, timing, and reliability of the main financial and admin information.
 - d. Review compliance to the corporate governance manual
 - e. Review validity and comprehensiveness of the (Stress Testing) in line with the methodology approved by the Board.
 - f. Ensure the accuracy of the applicable procedures for the Internal Capital Adequacy Assessment Process (ICAAP).
2. The Board ensures and enhances the independence of the internal auditors giving them a suitable position in the career hierarchy of the Bank. It ensures they are qualified enough to undertake their duties including the right of access to all records and information and communication with any employee in the Bank to enable them to perform the tasks vested in them and to prepare their reports without any external interference.
3. The Board must take necessary actions to enhance effectiveness of internal audit through the following:
 - 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:
 - a. Check and evaluate adequacy and effectiveness of the Sharia internal control system of the Bank.
 - b. Monitor the compliance of the Bank's management with the legal aspects, Sharia Fatwas, and decisions issued by the Sharia Supervision Board.
 - c. Set the annual Sharia audit plan to be approved by the Sharia Supervision Board and implement its items.
 - d. Check receivables and finances that are classified under non-operating facilities or those decided to be written off which are funded by the joint investment accounts in order to verify absence of encroachment or default on the part of the Bank.
 - e. Determine the earnings contravening the Islamic principles and dispose them in accordance with the decisions of the Sharia Supervision Board.
 - f. Verify that executive management complies with the policy that regulates relations between the shareholders and investment account holders, in particular distribution bases of dividends.
2. The Board shall ensure and enhance independence of 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:
 - a. Give due importance to the Sharia audit process and establish the same in the Bank.
 - b. 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.
 - b. 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:
 - a. Review the risk management framework before the Board's approval.
 - b. Implement the risk management strategy in addition to setting the risk management policies and procedures to manage all types of risks.
 - c. Setting methodologies to determine, measure, and control each type of the risks.
 - d. Submit reports to the Board through the risk management committee copied to the top executive management including information about the actual risk profile for all the Bank's activities compared to the risk appetite; and monitor the addressing of the negative deviations.
 - e. Verify that the risk measurement mechanisms are integrated with the adopted management information systems
 - f. Study and analyze all risk types faced by the Bank
 - g. Make recommendations to the risk management committee about the Bank's exposures to risks; record exemptions from the risk appetite levels.
 - h. Provide necessary information about the Bank's risks to be used for disclosure purposes.

Article 21: Compliance Department

1. The Board shall ensure the independence of the compliance department whereas it includes the 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:
 - a. General assembly meetings
 - b. Annual report
 - c. Quarterly reports containing financial information, in addition to reports of the Board about the Bank's stock exchange, and its financial position during the year.
 - d. The Bank's website.
 - e. Shareholders' relation division.
1. 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.
2. 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:
 - a. Summary of the organizational structure of the Bank
 - b. Summary of the tasks and responsibilities of the Board committees and any authorities delegated to the committees by the Board.
 - c. The information that concerns the stakeholders set out in the corporate governance manual of the Bank and the extent of compliance with the manual.
 - d. Information about each member of the Board in terms of respective qualifications, experience and his/her share in the Bank's capital and whether he/she is independent or not, and his/her membership in the Board's committees, date of appointment and any other memberships in the Boards of other companies, remuneration of all forms received from the Bank for the previous year as well as the funding granted to him/her from the Bank and any other operations made between the Bank and the member or the parties related to him/ her.
 - e. Information about each member of the Sharia Supervision Board in terms of qualifications, experience, date of appointment, positions held currently outside the Bank.
 - f. Information about the risk management department including structure, nature of operations, and developments made to it.
 - g. Frequency of meetings of the Board, committees, and the Sharia Supervision Board and the number of meetings attended.
 - h. Names of independent members of the Board, top executive management, and Sharia Supervision Board during the year.
 - i. Summary of the Bank's remuneration policy showing and disclosing all forms of remunerations granted to each member of the Board, fees paid to each member of the Sharia Supervision Board, remunerations of all forms paid to each member of the top executive management for the previous year.
 - j. Names of shareholders holding 1% or more of capital while determining the ultimate beneficial owners of these shares or any part thereof and demonstrating whether any of these contributions are mortgaged wholly or partly.
 - k. Declarations by all Board members and 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.
1. 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).

Governance Report

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Names of the Board of Directors members 2022

| name | date of re-election | Trait of independence / Representative |
|----------------------------------|--|--|
| Dr. "Mohammed Naser" Abu Hammour | Chairman of the Board since 29/4/2021 | Non-independent Representative of Al Etihad Islamic for Investment Co |
| Abd Al-Rahim Al Hazaymeh | Deputy Chairman of the Board Since 29/4/2021 | Independent Orphans Fund Development Foundation |
| Basem Salfiti | Since 29/4/2021 | Non-independent Representative of Al Etihad Islamic for Investment Co. |
| Deema Aqel | Since 29/4/2021 | Non-independent Representative of Al Etihad Islamic for Investment Co. |
| Dr. Noufan Alaql | Since 29/4/2021 | Non-independent Representative of Social Security Corporation |
| Dr. Ibrahim Saif | Since 29/4/2021 | Non-independent Representative of Al Etihad Islamic for Investment Co. |
| Dr. Khaled Zentuti | Since 29/4/2021 | Independent |
| Samir Abu Lughod | Since 29/4/2021 | Independent |
| Salem Burqan | Since 29/4/2021 | Independent |

All board members are non-executives.

Names of the Board of Directors members/ Representatives Board of Directors member resigned during 2022

| name | Resignation date | Trait of independence / Representative |
|------------------|------------------|---|
| Khaled Algonsel | 4/12/2022 | Non-independent Representative of Al Etihad Islamic for Investment Co |
| Dr. Ahmed Menesi | 4/12/2022 | Non-independent Representative of Al Etihad Islamic for Investment Co |

Names of the Members of Shari'a Supervisory Board 2022

| | | |
|---|---------------------|--|
| His Eminence Prof. Dr. Ali Al Qaradaghi | Since 22/9/2020 * | Chairman of the Shari'a Supervisory Board |
| His Eminence Dr. Ahmad Melhem | Since 22/11/2020 ** | Deputy Chairman of the Shari'a Supervisory Board |
| His Eminence Dr. Ali Musa | Since 29/4/2021 | Member of the Shari'a Supervisory Board |
| His Eminence Dr. Safwan Edibat | Since 29/4/2021 | Member of the Shari'a Supervisory Board |

* The Sharia Supervisory Board approved the appointment of Prof. Dr. Ali Al Qaradaghi as Chairman of the Sharia Supervisory Board and an executive member of it on 22/9/2020, noting that Prof. Dr. Ali Al Qaradaghi held the position of Vice President from 28/4/2018 until 21/9/2020.

** The Sharia Supervisory Board approved the appointment of His Eminence Dr. Ahmad Melhem Deputy as Vice-Chairman of the Sharia Supervisory Board on 22/11/2020, knowing that His Eminence Dr. Ahmad Melhem Deputy held the position of a member of the Sharia Supervisory Board from 28/4/2020 until 21/11/2020.

Resigned Shari'a Supervisory Board members during 2022

There are no resignations among the members of the Bank's Sharia Supervisory Board during the year 2022

Executive Management of Safwa Islamic Bank

| | |
|-----------------------------------|--|
| Samer “Al Saheb Al Tamimi” | General Manager/ Chief Executive Officer |
| Rami Al khayyat | Deputy CEO, Chief of Corporate Banking |
| Hani Al-Zrari | Deputy CEO, Chief of Operations |
| Ziad Kokash | Deputy CEO, Chief Credit Officer |
| Nesfat Taha | Chief of Retail Banking |
| Wael Al-Bitar | Chief of Treasury and Investment |
| Ahmad Tarteer | Head of Compliance |
| Masoud “Sakf al-Hait” | Chief of Legal and Board Secretary |
| Muneer Faroneyah | Head of Internal Shari’a Audit |
| Mohammad Hawari | Head of Human Capital Management |
| Khalid Al-Issa | Head of Internal Audit |
| Ahmad Jafar | Head of Risk Management |
| Ahmad Ghnaim | Chief Financial & Corporate Strategies Officer |

Resigned Executive Management members during 2022

| Rami Al-Kilani | 23/3/2022 | Head of Information Technology |
|-----------------------|-----------|--------------------------------|

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
- 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)
- Dr. Khaled Zentuti (Deputy Chairman)
- Khaled Algonsel Until 4/12/2022
- Salem Burqan
- Dr. Ahmad Menesi Until 4/12/2022

Name of the Audit Committee Members and a brief profile on their relative qualifications and experiences concerning financial and accounting affairs:

Samir Abu Lughod (Chair of the Committee)

Qualifications:

- Bachelor's Degree in Accounting 1976.

Professional experience and membership:

- Member of The Audit Committee – The International Criminal Court / The Hague, Netherlands March 2020-December 2022.
- Chair of the Audit Committee - The International Criminal Court / The Hague, Netherlands March 2017-March 2020.
- Member of the Audit Committee - The International Criminal Court / The Hague, Netherlands January 2016-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

Qualifications:

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

Professional experience and membership:

- 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 3/8/2008
- Head of Investment Department / Orphans Fund Development Foundation since 1995
- 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.

Professional experience and membership:

- (1988 – 2000) Different positions , as Manager and DM in different companies owned by Libyan Arab Foreign Investment Company (LAFICO) in Turkey, Italy, Germany, Pakistan, Egypt.
- (2000 – 2002) State Secretary – Investment and International Cooperation – Libyan Cabinet.
- (2002 – 2004) Chairman and General Manager Libyan Arab Foreign Investment Co. (LAFICO).
- (2012 – 2016) Full time Ass. Proff. Of Finance and Accounting at PUST University.
- (2004 – 2012) General Manager and Chairman of the Management Committee / Long Term Investment Portfolio /Libya - Tripoli.
- (2012 - 2016) Advisor to Bank Al-EtiHAD Amman / Jordan.
- (2004 - 2012) Vice Chairman of the Board of Directors of the British Arab Bank London / Britain.
- (2007 - 2012) Vice Chairman / Union Bank Amman Jordan 2007/2012.
- (2009 - 2012) Vice Chairman of the Board / Libyan Foreign Bank / Tripoli Libya.
- (2010 - 2012) Member of the Board of Directors of the Arab Banking Corporation ABC Manama Bahrain.

Number of BOD Meetings and its Committee's during 2022

| Board / Committee | NRC Committee | Governance Committee | Compliance | Audit Committee | Risk Committee | IT Steering Committee | Facilities Committee | Board of Directors Meetings |
|--|---------------|----------------------|------------|-----------------|----------------|-----------------------|----------------------|-----------------------------|
| Number of Meetings | 3 | 3 | 4 | 9 | 7 | 3 | 16 | 8 |
| BOD Number Name | | | | | | | | |
| Dr. "Mohammad Naser" Salem Abu Hammour | - | 3/3 | - | - | - | - | 16/16 | 8/8 |
| Abd Al-Rahim Al-Hazaymeh | - | 3/3 | 4/4 | 9/9 | - | - | - | 8/8 |
| Dr. Nofan Alaql | - | - | 4/4 | - | - | 3/3 | - | 8/8 |
| Deema Aqel | - | - | 4/4 | - | 7/7 | - | 15/16 | 8/8 |
| Basem Slfiti | 3/3 | - | - | - | - | 3/3 | 14/16 | 8/8 |
| Khaled Algonsel (since 4/12/2022) | - | - | - | - | 6/7 | 0/2* | - | 8/8 |
| Dr. Ahmed Menesi(since 4/12/2022) | - | - | - | - | 6/7 | - | - | 8/8 |
| Samir Abu Lughod | 3/3 | 3/3 | 4/4 | 9/9 | - | - | - | 8/8 |
| Dr. Ibrahim Saif | - | - | - | - | - | 3/3 | 16/16 | 8/8 |
| Dr. Khaled Zentuti | - | - | 4/4 | 9/9 | 7/7 | - | - | 8/8 |
| Salem Burqan | 3/3 | - | - | - | 7/7 | - | 16/16 | 8/8 |

* The third meeting of the Information Technology Governance Committee was held after the date of Mr. Khaled Algonsel resignation from the Board of Directors.

* The Audit Committee met with the Bank's external auditor 4 times during the year 2022

* The Audit Committee met with the external auditor, the internal auditor and the compliance officer once during the year, without the presence of any members of the senior executive management.

* The Board of Directors of the Sharia Supervisory Board met twice during the year 2022

Membership of the Board of Directors, which is occupied by a member of the Board of Directors in other companies

Dr. "Mohammed Naser" 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

- Member of the Board of Directors, Bank Al-Etihad.
- Member of the Board of Directors, Al-Al Etihad Islamic for Investment Co..
- Member of the Board of Directors, 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
- Member of the Board of Directors, Innovative Startups and SMEs Fund

Deema Aqel

- Member of the Board of Directors, Etihad company for lease financing.
- Member of the Board of Directors, AL Etihad Brokerage Company.

Dr. Nofan Alaqil

- No membership.

Khaled Algonseel

- 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 Corporation.
- Member of the Board of Director of the Jordanian National Shipping Lines Company.
- Member of the Board of Directors of Manaseer Group for Industrial & Commercial Investments.
- Member of the Board of Directors of Jordan Institute of Maritime Studies.
- Member of the Board of Directors of Jordan Maritime Complex Real Estate Investments.
- Member of the Board of Directors of Doha Al Adab Educational Investment.
- Member of the Board of Directors of Blue Diamond Company for Trading Oil Derivatives.

Samir Abu Lughod

- No membership.

Salem Burqan

- Member of the Board of Directors, Jerusalem Insurance Company

Chairman of the Board

Dr. "Moh'd Naser" Salem Abu Hammour





Information Governance and Management with Associated Technology Guide

Keeping Pace with Development

Our ambition exceeds expectations to
provide the best services with the latest technologies

IT Governance Guide for Information Management and Associated Technology

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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.

1. General Policies & Procedures

1. 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.

1. 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.

2. 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.

3. 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:
 1. 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.
 2. 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.
 3. 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.
 4. 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.
 5. 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.
 6. Adopting the budget of IT resources and projects in accordance with the Bank strategic goals.
 7. General control of IT operations, resources and projects (to emphasize their) adequacy and effective contribution to achieving the Bank business program.
 8. Reviewing IT auditing reports and taking any necessary measures to address the troubles.
 9. Recommending the Bank board to take any necessary measures to fix any errors.
 10. Adopt the importance and prioritization of objectives (Government and Management Objects) and their correlation to the six institutional objectives (Enterprise Goals 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.

D. The reports of performance and compliance with the management's general framework; setting and controlling IT resources and enterprises.

11. Periodically providing the IT Governance Committee with the minutes of its meetings, along with obtaining an indication that these minutes have been reviewed.

4. 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.

5. 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. 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.

6. 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.

7. 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.

8. Knowledge, skills and experience

- A. The Board or any of its authorized committees shall approve HR Competencies and human resources policies which are necessary for achieving the requirements of IT governance of and the requirements of these instructions in general along with ensuring assigning the right man in the right place or to ensure that the appropriate human resources are in place.
- B. The Bank Management shall recruit qualified and trained personnel from persons with experience in the fields of Information Technology resources management, Risk Management, Information Security Management and Internal & External Information Technology Audit Management based on the criteria of academic and professional knowledge in addition to the practical experience recognized by qualified international associations under accreditation criteria ISO / IEC 17024 (and / or any other parallel standards in accordance with its competence, With the re-qualification and training of staff who are currently employed to meet these requirements within two years of the date of these instructions.

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.

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

9-System of Values, Morals and Behaviour

- A. The Board or its delegate committees shall adopt a code of conduct that reflects professional behaviour related to the management of information and its related technology that clearly define the desired behavioural rules and consequences.
- B. The Board and the Top Executive Management shall hire different mechanisms to encourage the application of desirable behaviors and avoidance

Unwanted behaviours by following the methods of governance

