





## الثارك

زهرة المدائن – شمس فلسطين Al-Quds: The Rose of all Cities

ANNUAL REPORT



البنك العربي الاسلامي الدولي ISLAMIC INTERNATIONAL ARAB BANK

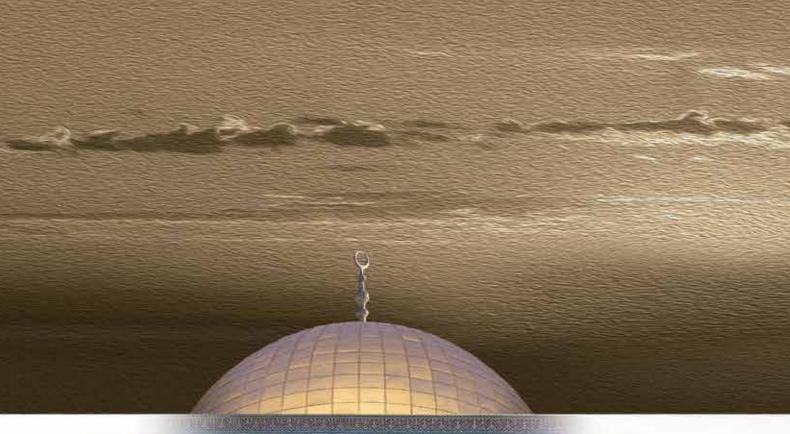




أمل العودة يزدهر والفلسطينيون يتوارثون الوجع وكوشان الأرض ومفتاح البيت



بسـم اللّه الرحمـن الرحيـم







# البنك العربي الأسلامي الدولي ISLAMIC INTERNATIONAL ARAB BANK

(Public Shareholding Limited Company) Amman – Hashemite Kingdom of Jordan

Tel: 569 4901 Fax: 569 4914 P.O. Box 925802, Amman 11190 - Jordan



#### Our Vision ...

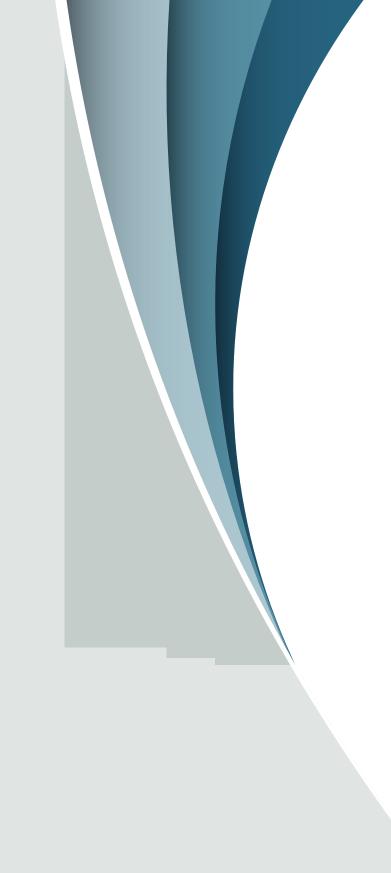
To be the leading Islamic Banking institution in the Arab world.

#### Our Mission ...

To achieve leadership in our chosen markets in accordance with Islamic Sharia rules as an organization dedicated to deliver highest quality products and the special services to the customer presented through a highly qualified staff in compliance with the best professional and ethical standards within a motivating environment, supported by advanced technologies and efficient distribution channels to achieve high and advanced financial results.

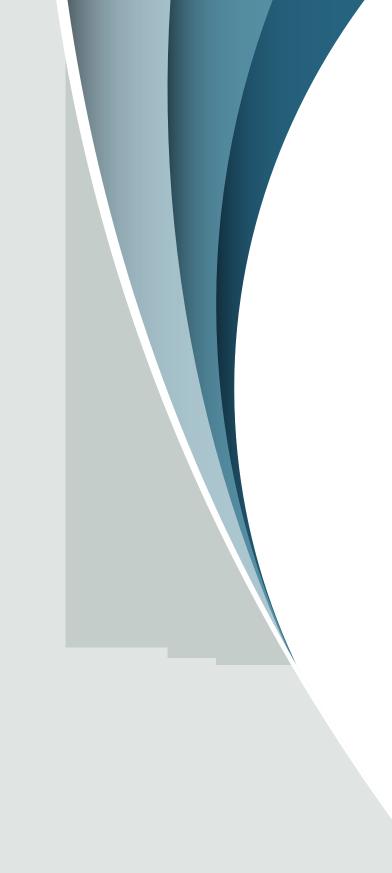
#### Our Core Values ...

- Honesty and decency with ourselves and others.
- Pursuit of excellence and fulfillment of our promises.
- Adherence to the principles and rules of the Islamic Sharia throughout all our operations.
  - Belief that there is always a better means and the challenge lies in discovering it.
    - Commitment to Corporate Governance.
      - Commitment to social responsibility.





His Majesty King Abdullah II Bin Al Hussein





HRH the Crown Prince Hussein Bin Abdullah II

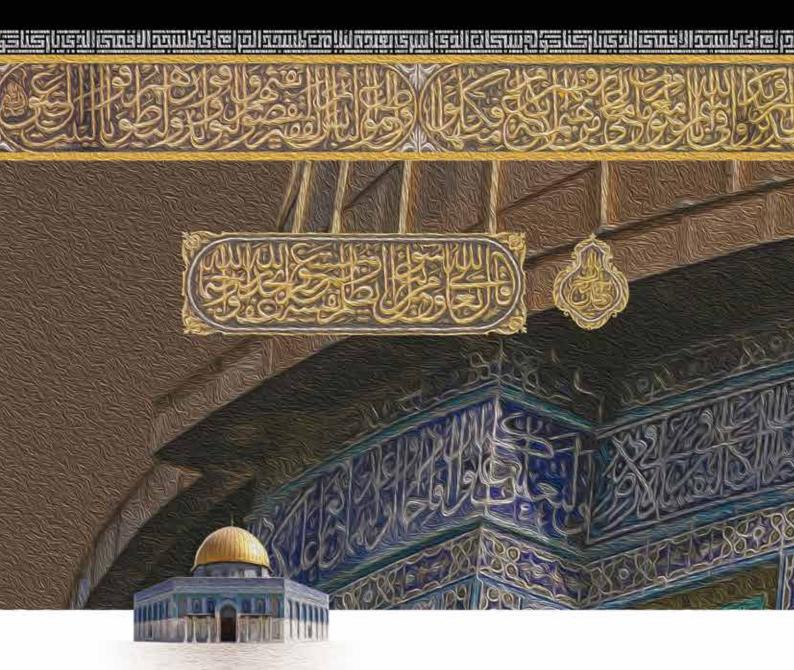
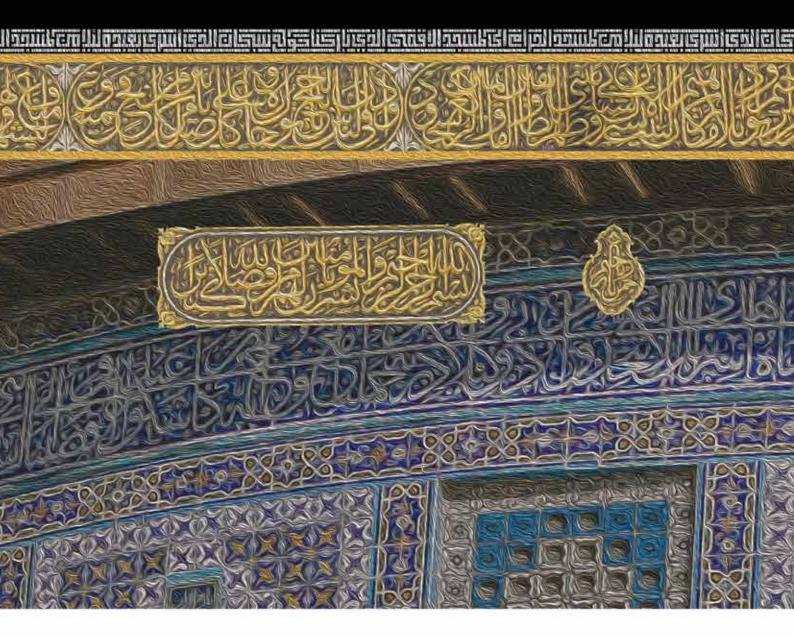
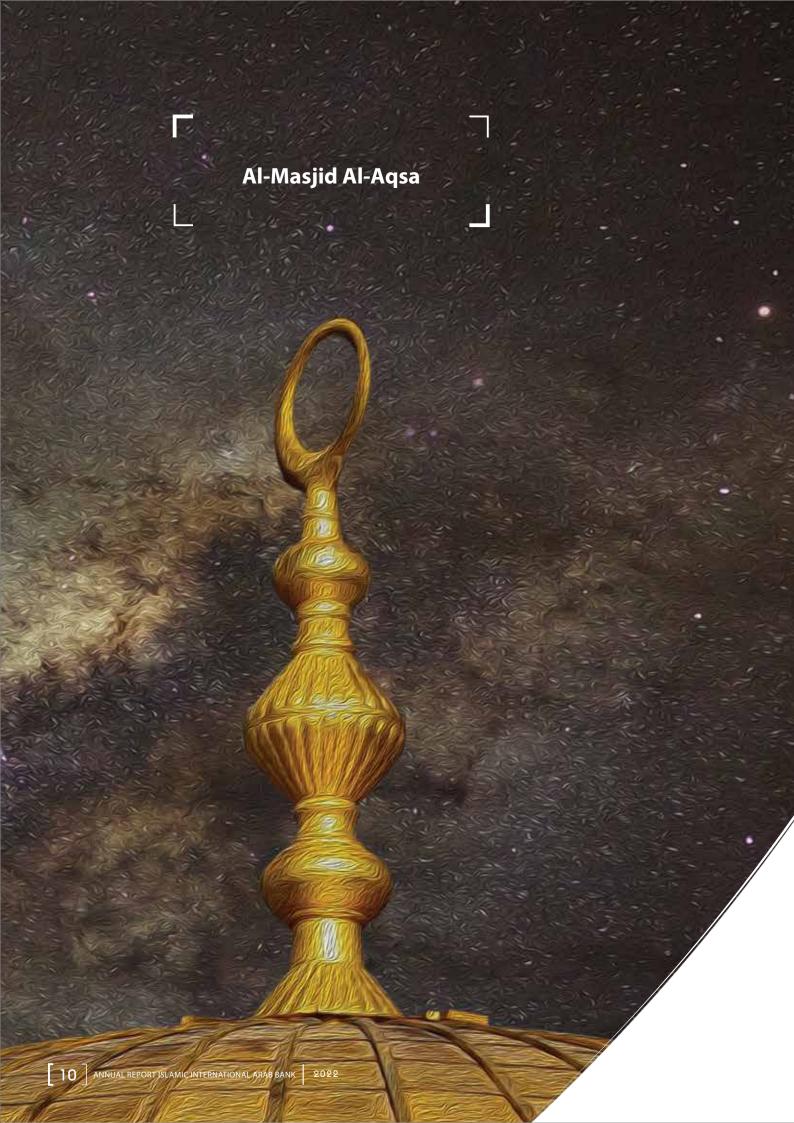
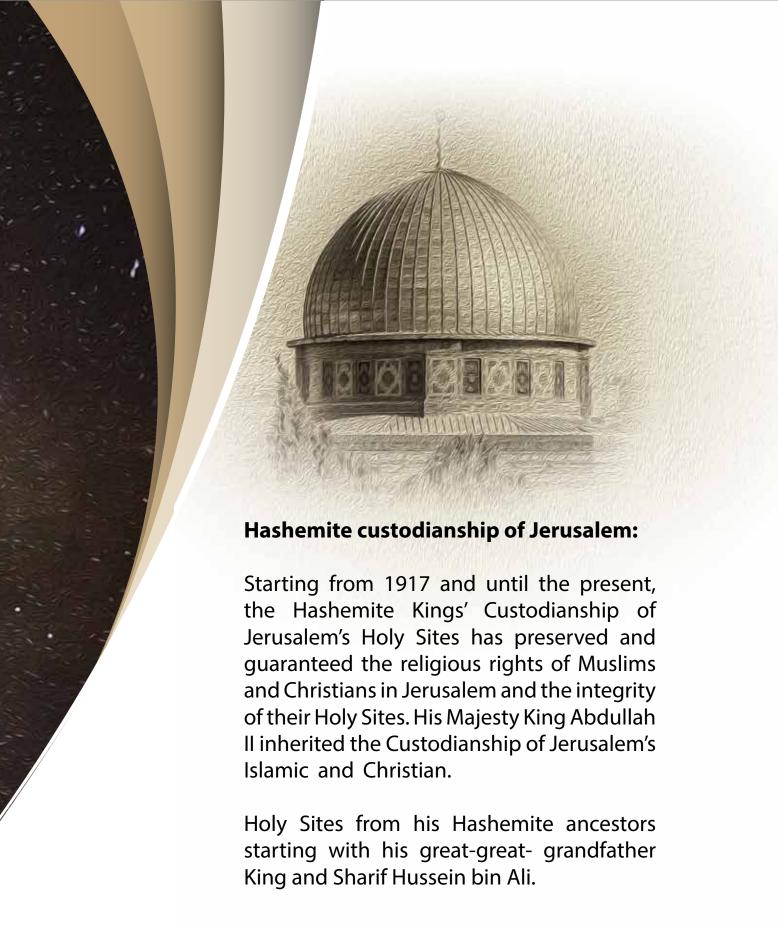


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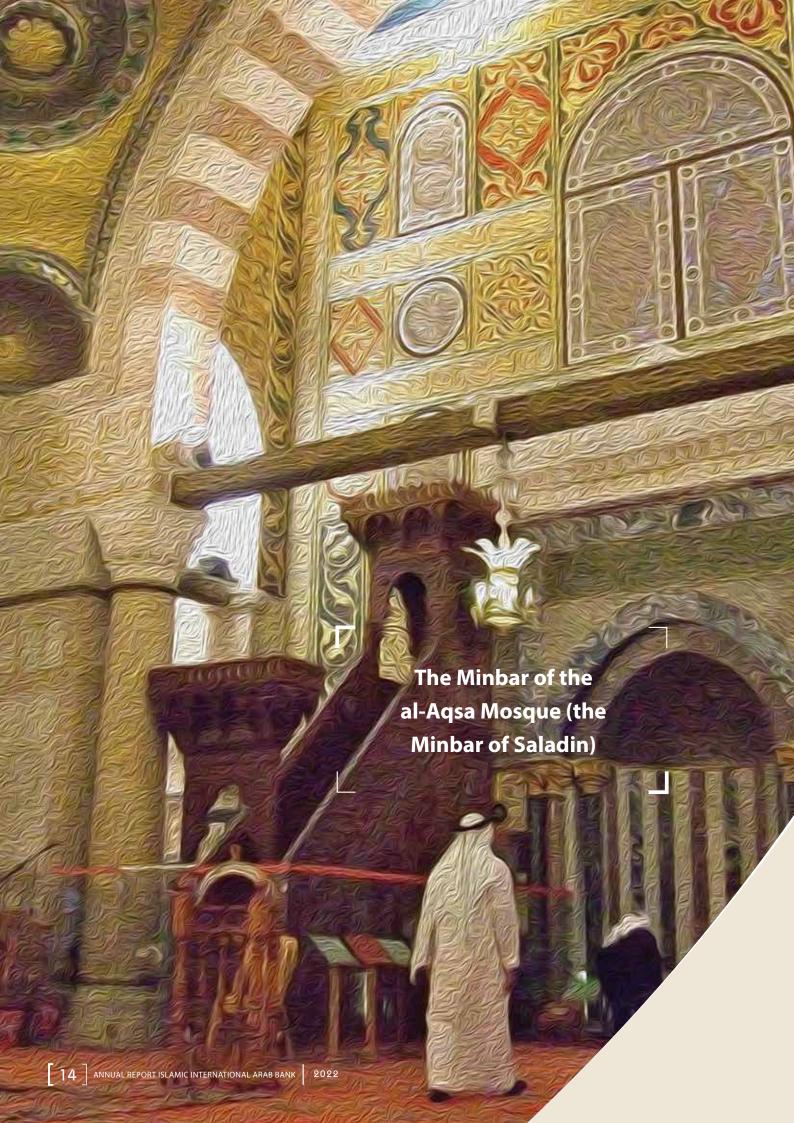




**Islamic International Arab Bank** (Public Shareholding Limited Co,)

Based on the conclusive verse differentiating between permitted and prohibited "Allah has permitted trading and forbidden usury" & our belief in the prominent message of Islam in economy being founded on equity and participation, and having the essential banking, commercial, investment and finance efficiency supported by distinguished banking expertise, IIAB commenced its banking operations on Shawwal 12, 1418 AH, February 9, 1998, Today, the Islamic International Arab Bank is one of the leading Islamic banking institutions in Jordan and the region.

The Bank was established as a public shareholding company in accordance with the Companies' ACT of 1989; IIAB was registered in the Public Shareholding Companies' Register under No. 327 on March 30, 1997.





## Shariah Supervisory Committee

Allah Almighty says in the Holy Qur'an:

"So ask the people of the message if you do not know"

(Surah Al-Anbya' Verse 7, Surah An-Nahl Verse 43)

His Eminence Dr, Ahmad Hlayel

**Committee Chairman** 

**Dr, Ahmad Ayade** 

**Committee Executive Member** 

**His Eminence Shaykh Saed Hejawe** 

**Committee Member** 

Considering the breadth of the field of Islamic Fiqh, and in light of the many developments and changes of the modern economy and its complexity, in addition to the need for a good judgment and deep honest diligence to understand the Figh rules to get the Shariah opinion in financial, transactions, and modern banking issues, the necessity of Shariah Supervisory Committee of The Bank emerged based on the Shariah principle: "who works hard and does it right, is rewarded twice and who works hard and does it wrong, is rewarded once".

The Committee performs a significant role in issuing fatwas based on existing Shariah principles or effort that cope with the contemporary need. The committee approves all the contracts and agreements needed by the Bank with other bodies and institutions before they are accredited, sets an array of Shariah-compliant standards to govern the banking operations and offers consultations in issues presented by other relevant bodies.

## Sharia Board Committee Annual Report

#### In the name of Allah, The All-Merciful, The Ever-Merciful

#### for the financial period ending in 31/12/2022

All praise is due to Allah, the Lord of all that exists, and may peace and blessings be upon our Prophet Muhammad and upon his family and his companions in their entirety.

#### Dear Shareholders,

Greetings,

The Sharia Board committee would like to provide you with its annual report for the financial period ending on 31/12/2022 based on the bank statute and according to the commitment signed between us.

The committee has inspected the used principles and contracts related to transactions proposed by the bank during the financial period ending in 31/12/2022, in addition to conducting the due control for expressing an opinion whether the bank is committing to the Islamic Sharia provisions and principles as well as Fatwa and guidelines issued by the committee.

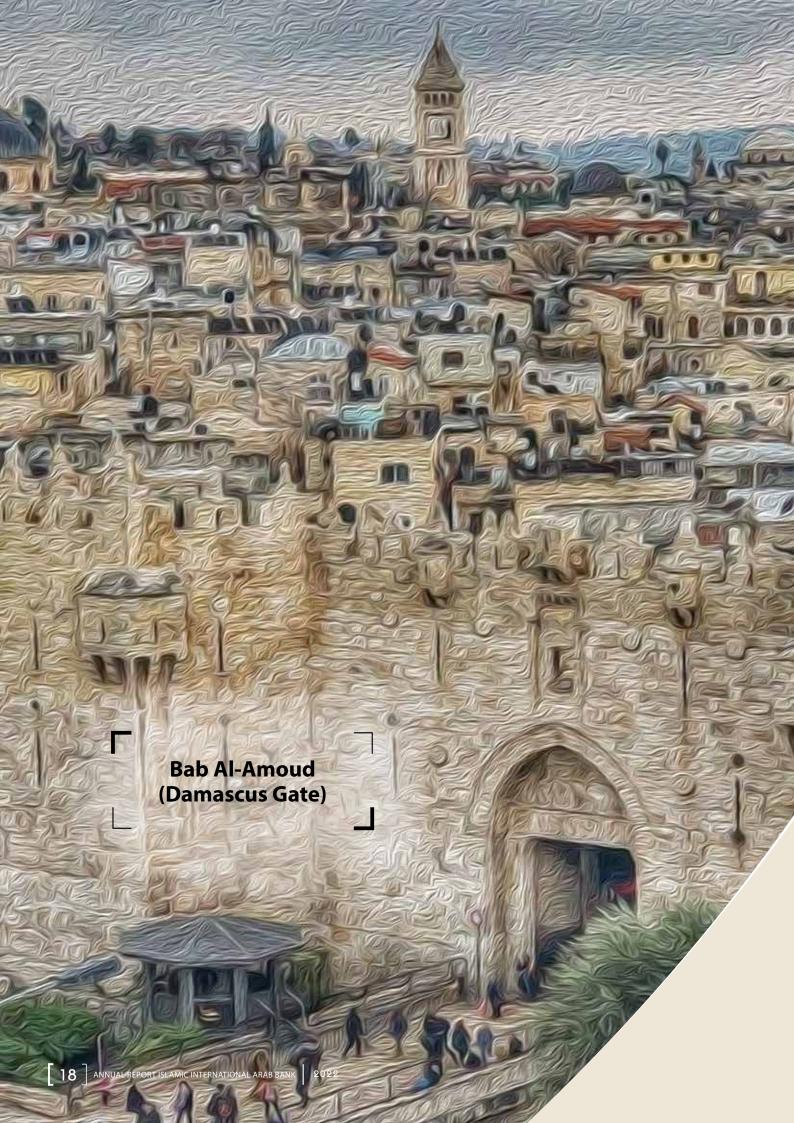
The committee has inspected the used principles and contracts related to transactions proposed by the bank during the financial period ending in 31/12/2022, in addition to conducting the due control for expressing an opinion whether the bank is committing to the Islamic Sharia provisions and principles as well as Fatwa and guidelines issued by the committee. The committee conducted an inspection that included checking documentation and procedures followed by the bank based on examining each type of transaction. It also planned and implemented control to obtain all information and explanations considered necessary for providing adequate proof that provides reasonable confirmation that the bank transaction did not breach the Sharia regulations of Islamic investment tools.

Through meetings; the committee continued setting the necessary basis and terms with the required processing in all aspects and matters needed by the nature of banking transactions in light of the developments that appeared through practical application and incompatible with the Sharia regulations, with clarifying some new banking issues and indicating their Sharia status.

The committee revised the bank balance sheet as in 31/12/2022, income statement for the period ending in 31/12/2022, and clarifications of financial statements as they provide a comprehensive illustration of bank works and required to be submitted to the concerned sections at the bank; and the committee did not find any Sharia breach within what was reviewed.

The committee reviewed the reports prepared by the Internal Sharia Audit Department for headquarters and branches transactions in addition to the remarks and suggestions provided and procedures undertaken by the executive administration in this regard.







- Basis of distributing profits and bearing loss by joining investment holders and Investment Risks Fund is compatible with the accredited rules and basis by

- The revenues achieved from doubted resources of being incompatible with the Sharia regulations of Islamic investments were spent on charity.

Hope Allah will guide the persons responsible for the bank towards more success and achievement, thanking them for their cooperation and commitment to the Islamic Sharia provisions.

This report is issued on Rajab 02/1444 AH, corresponding to January 24, 2023.

- Contracts, operations, and transactions implemented by the bank during the period ending in 31/12/2022 that we reviewed are done according to the Islamic investment tools and Sharia

Prof. Dr. Ahmad Hlayil

regulations.

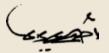
**Committee Chairman** 

Prof. Dr. Ahmad Ayadi

**Executive Member** 

Sheikh Saeed Al-Hijjawi

**Committee Member** 







### Chairman's Message

#### **Distinguished Shareholders,**

Peace, mercy, and blessing of Allah be upon you, and we pray upon the most honored, envoy of mercy to all, our master prophet Mohammed, and upon his progeny and his companions.

On my behalf and on behalf of the members of IIAB Board of Directors, I extend my appreciation and gratitude to all members of the Bank's family, including senior executive management and all functional levels, who have done everything in their power to sustain the Bank's business and continue to achieve the desired goals, and to the eminent and virtuous members of the Shariah Supervisory Board for their effective role in following up the bank's business to ensure its compliance with the principles of the Sharia.

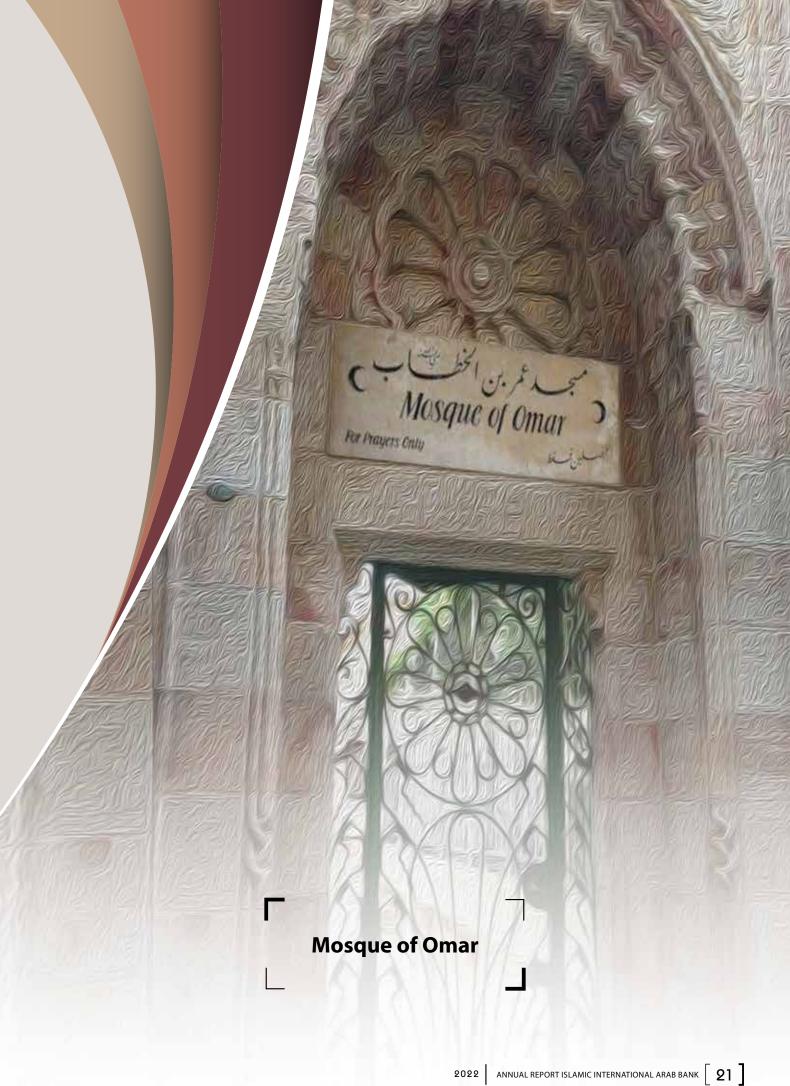
The financial results for the year 2022 show achieving profit before tax of 54 million JD with a growth rate of 12.5% compared to 2021, and profit after tax of 35 million JD, with a growth rate of 5.3% compared to 2021, the financing portfolio exceeded 1.919 billion JD, with a growth rate of 12.6% compared to 2021, and the value of customers deposits, including restricted deposits and cash margins, reached a value of (2.786) billion JD, an increase of 3.3% compared to last year, which confirms the success of the bank's executive management in applying best practices in managing both sides of assets, liabilities, and revenue from commissions and banking fees, in light of the strategic directions set by the Board of Directors regardless of the global and regional circumstances, and their impact on the local economy.

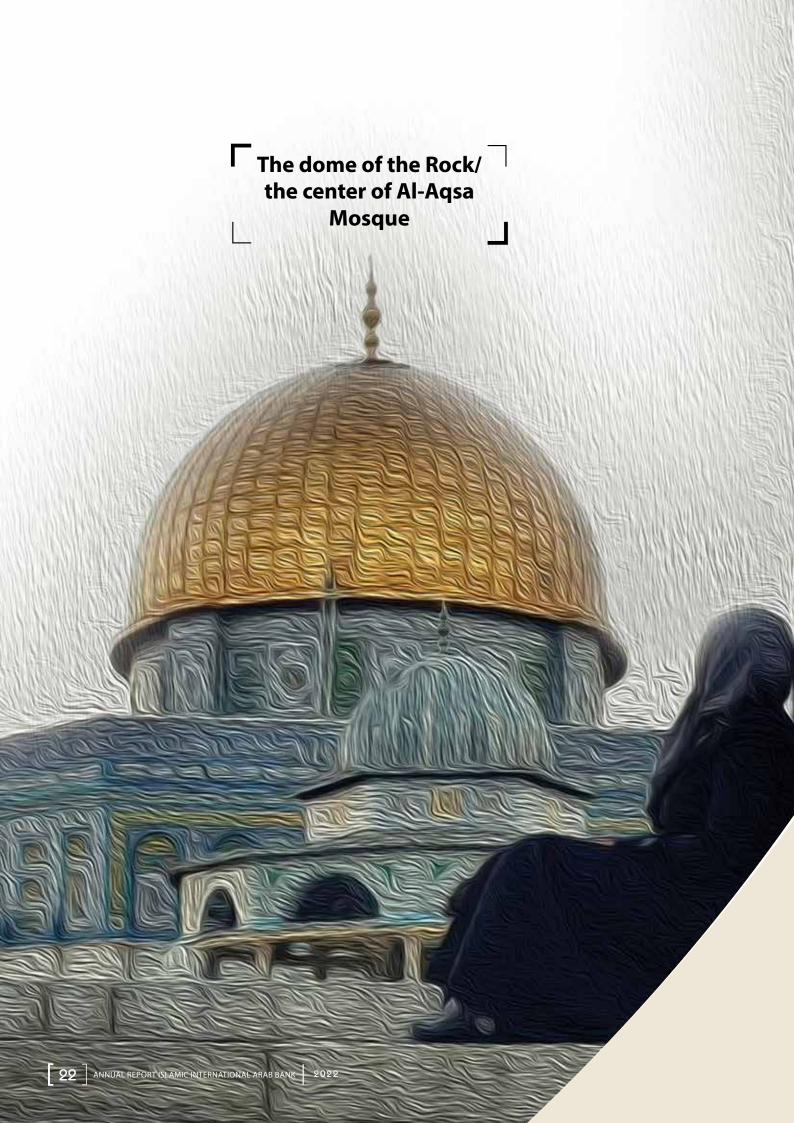


I am pleased to point out the achieved digital transformation milestones by the bank, which put the bank on the right path towards providing the best customer experience with the highest levels of cybersecurity.

In the end, I hope that through the annual report for the year 2022, we have succeeded in presenting the results of the bank's business in accordance with international standards of financial disclosure and all the requirements of transparency and integrity assuring our sincerity in maintaining the confidence of our customers to keep our promise of safe, trust, and halal profit.

> "Mohammed Said" Mohammed Shahin Chairman





## General Manager's Message



#### Distinguished Shareholders,

Peace, mercy and blessing of Allah be upon you, and we pray upon the most honored, envoy of mercy to all, our master prophet Mohammed (PBUH), and upon his progeny and his companions.

On behalf of the Executive management of the Islamic International Arab Bank, I would like to present to you the Annual Report for 2022. On this occasion, I would like to extend my thanks and gratitude to the Bank's Board of Directors and its esteemed general assembly for the high confidence they have entrusted in the team of the Islamic International Arab Bank, and seize this opportunity to thank The Sharia Supervisory Board for their active role in supervising, advising, and their guidance

aimed at keeping the essence of the Bank's work in compliance with the rules and principles of Islamic Sharia

#### **Resilient financial performance**

The financial results for 2022 show achieving profit before tax of 54 million JD with a growth rate of 12.5% compared to 2021, and profit after tax of 35 million JD with a growth rate of 5.3% compared to 2021, the financing portfolio exceeded 1.919 billion JD, with a growth rate of 12.5% compared to 2021, and the value of customers deposits, including restricted deposits and cash margins, reached a value of (2.786) billion JD, an increase of 3.3% compared to 2021. This reflects the bank's superiority in achieving the board of directors strategic plan and in desired goals.

#### Development of banking channels and digital transformation

During 2022, IIAB opened two new branches at Alraya Mall in Amman, and Ramtha in the north of Jordan, so the branch network expanded to 47 branches covering all governorates of the Kingdom, to ease the access to financial solutions. also the bank renewing selected branches with keep them up to best service standards. The ATM network continued to expand during 2022 to reach 114 ATMs in all governorates, offering state of the art services such as online banknote acceptance.

The digital transformation strategy continues to achieve its targets and has significantly improved customers' journeys. During 2022, many new services have been launched, especially through the Arabi Islami Mobile App, including sub-account opening, recurrent transfers, and more. Moreover, many digital banking-related projects are in progress to enable the infrastructure for upcoming digital services.

IIAB launched the "Thurya" program, which is tailored for VIP customers and offers exclusive privileges for them. A number of "Thurya" hubs opened in selected branches and were specially designed to cater VIPs' needs, and the objective is to open new hubs to reach 10 during 2023.

IIAB has an ambitious plan for regional expansion, capitalizing on the successful journey for more than 25 years in the local market, the reputation of the bank abroad, and being a member of the Arab Bank Group, which exists in the five continents.

#### **Talent management and human capital**

IIAB's investment in its individuals aims mainly to enhance commitment to the bank's values and prudent banking practices to provide services with the highest level of professionalism to its customers in a manner that achieves goals. (2,453) employees participated in (96) internal and external training courses.

#### **Active CSR**

Active Corporate Social Responsibility is an integral part of the bank's business, and this responsibility is reflected on all the bank's products and services to the benefit of both the economy and individuals through enhancing the economic added value and increase personal savings. IIAB applies responsible finance roles to protect its customers' rights and enhance their ability to meet their families' needs and their responsibility towards society.

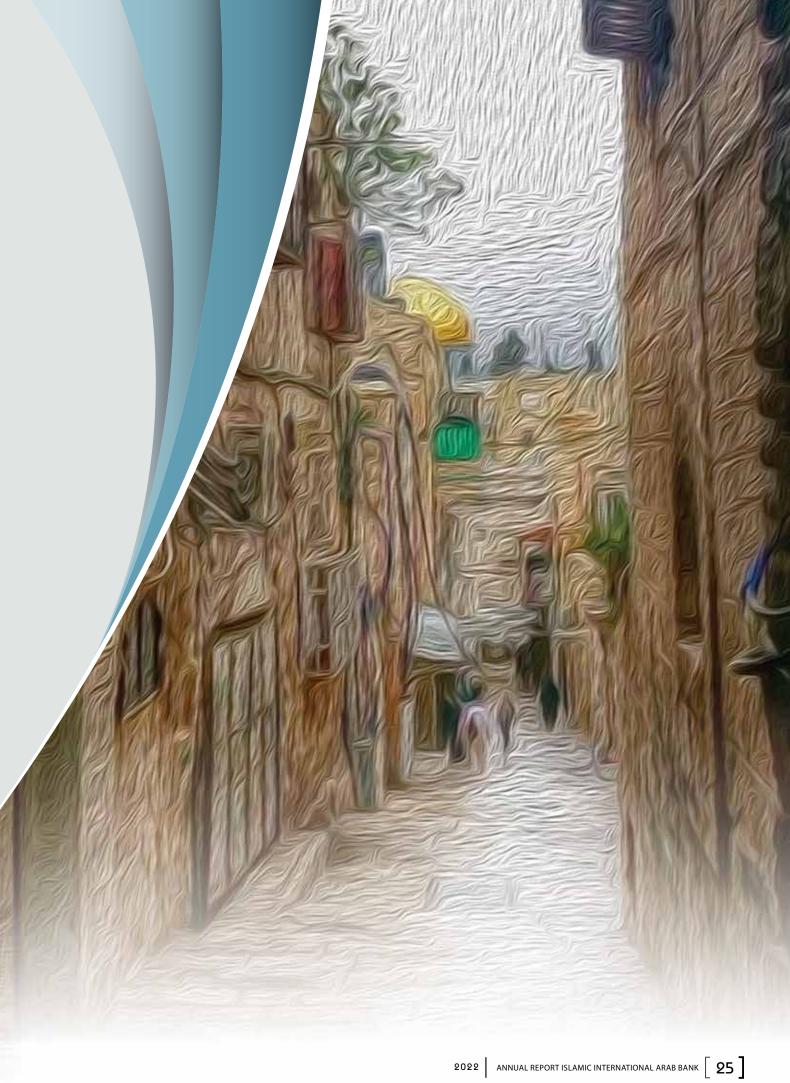
#### **Towards the future**

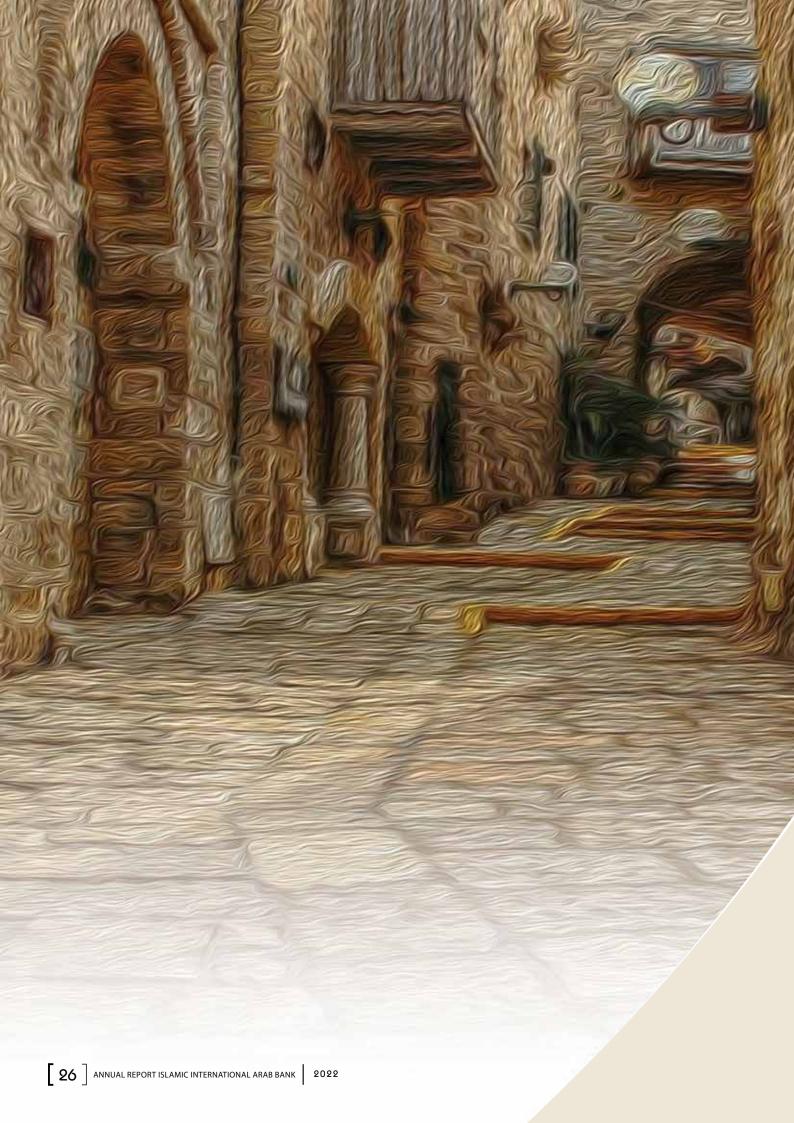
Finally, I cannot but thank you again for your generosity, hoping that we will succeed in this annual report for 2022 to present the results of IIAB's business in line with international standards for financial disclosures with all the required transparency and honesty, assuring our sincerity in maintaining the confidence of our customers to keep our promise of safe, trust, and halal profit.

Allah grants us success.

Peace and mercy of Allah be upon you.

**Iyad Ghasoub Asali General Manager** 







## Board of Directors

#### Chairman

■ "Mohamed Saed" Mohamed Shaheen

#### **Vice Chairman**

**■** Mr. Mohamed Ghanameh

#### **Board Members**

- Mr. Naim Al-Hussaini
- Mr. Jamal Tu'meh (starting from 2022/11/07)
- **Mr. Ziad Homsi**
- Mr. Basil Mousa (until 2022/11/06)

#### **Secretary of the Board of Directors**

■ Dr. Mohsen Abu Awad

#### Auditors

**■ Ernst and Young** - Jordan



## Top Management

Mr. Iyad Asali **General Manager** 

■ Dr. Mohsen Fayez Abu Awad-**Chief Business and Investment Officer** 

Mr. Belal Issa Mustafa Chief Support and Operations Officer-Starting from 5/6/2022

Dr. Nayef Mousa Abu Dheim Chief Support and Operations Officer- Until 26/5/2022

Mr. Ishaq Khalil Qandeel **Chief Credit Officer** 

Mr. Abbas Jamal Marei **Chief Finance Officer** 

■ Mr. Abed Al-Kareem Ersan Sukari **Head of Risk Division** 

■ Mr. Salim Asad Taber Head of Human Resources Division-Starting from 18/5/2022

Mr. Akef Hussein Hamam Head of Human Resources Division. - Until 2022/5/9.

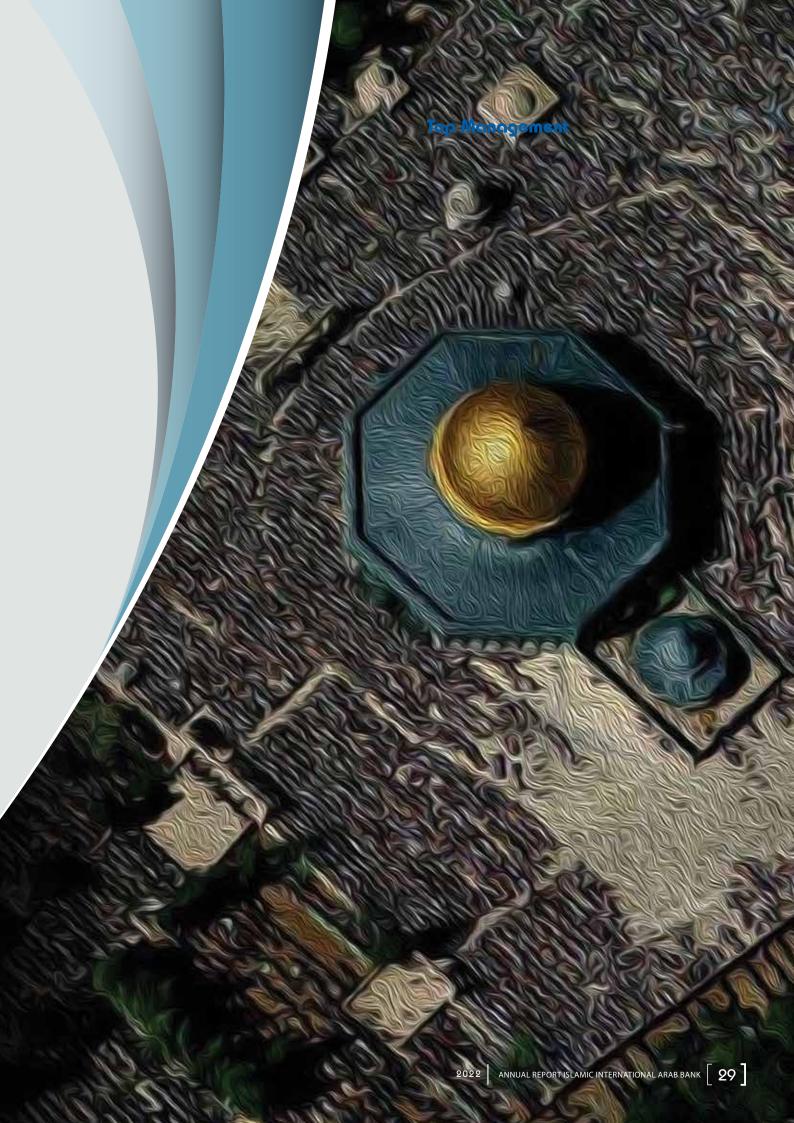
■ Mr. Husameddin Ahmad Salah **Legal Consultant/ Head of Legal Department** 

■ Mr. Hamdi T. Al-Mahmoud **Head of Audit Division** 

■ Mr. "Mohammad Bashar" "Mohammad Moner" Al-Sarraj **Head of Regulatory Compliance Dept.** 

■ Dr. Omar Mustafa Al-Sharif Sharia Audit Manager/ Sharia Board Secretary









### Disclosure of names of representatives of legal directors and determine whether representative is executive non-executive independent or non-independent

#### Chairman

#### ■ "Mohamed Saed" Mohamed Shaheen

- representing the Arab Bank plc / Independent, non-executive

#### Vice-Chairman

#### ■ Mr. Mohamed Ghanameh

- representing the Arab Bank plc / Non-independent, non-executive

#### **Board Members**

#### ■ Mr. Naim Al-Hussain

- representing the Arab Bank plc / Non-independent non-executive

#### ■ Mr. Jamal Tu'me

h– representing the Arab Bank plc / Non-Independent, non-executive (starting from 07/11/2022)

#### ■ Mr. Ziad Homsi

- representing the Arab Bank pl c/ Independent non-executive

#### ■ Mr. Basil Mousa

- representing the Arab Bank plc / Non-Independent, non-executive (until 06/11/2022)

#### Secretary of the Board of Directors

■ Dr. Mohsen Abu Awad

## Executive positions in the company and the names of the persons who occupy them

Position	Name of the person who occupy the position
General Manager	Mr. Iyad Asali
Chief Business and Investment Officer	Dr. Mohsen Fayez Abu Awad
Chief Support and Operations Officer	Mr. Belal Issa Mustafa - Starting from 5/6/2022
Chief Support and Operations Officer	Dr. Nayef Mousa Abu Dheim- Until 26/5/2022.
Chief Credit Officer	Mr. Ishaq Khalil Qandeel
Chief Financial Officer	Mr. Abbas Jamal Marei
Head of Risk Division	Mr. Abed Al-Kareem Ersan Sukari-
Head of Human Resources Division	Mr. Salim Asad Taber - Starting from 18/5/2022
Head of Human Resources Division	Mr. Akef Hussein Hamam -Until 9/5/2022.
Legal Consultant/ Head of Legal Division	Mr. Husameddin Ahmad Salah-
Head of Audit Division	Mr. Hamdi T. Al-Mahmoud
Head of Regulatory Compliance Division	Mr. "Mohammad Bashar" "Mohammad Moner" Al-Sarraj-
Sharia Audit Manager/ Sharia Board Secretary	Dr. Omar Mustafa Al-Sharif



#### **Board of Directors Members**

#### Mr."Mohammed Said" Mohammed Shahin - Chairman/Independent

Date of Membership: 31/03/2017

Date of Birth: 1948

**Qualifications:** M.A in Economic Development/ Harvard University.

#### **Previous & Current Experience:**

- Former Member of the Jordanian Senate.
- Former Chairman and Governor of the Central Bank of Jordan.
- · Former Deputy Governor of the Central Bank
- Former Chairman and CEO of the Jordan Deposit Insurance Corp.
- Served as a Director on several major local and global corporations.

#### Mr. Mohammad Abdel-Fattah Al Ghanamah - Vice Chairman/ Dependent

Date of Membership: 13/10/2015

Date of Birth: 1953 **Qualifications:** 

Bachelor's degree in Mathematics. Diploma in Computer Programming.

#### **Previous & Current Experience:**

- EVP Head of Credit, Arab Bank plc Head Office, Jordan.
- Chairman of the Supervisory Board of Arab national Leasing Company, Jordan
- Deputy of the Supervisory Board of AB Invest, Amman Jordan.
- Member of the Board of Directors of Arab National Bank, Riyadh Saudi Arabia
- · Member of the Board of Directors of Arab Bank Syria

#### Mr. Naim Rasim Al-Hussaini - Board Member/ Dependent

Date of Membership: 13/10/2015

Date of Birth: 1962

**Qualifications:** Bachelor's degree in Science, Industrial Management.

#### **Previous & Current Experience:**

- EVP Head of Consumer Banking, Arab Bank plc Head Office, Jordan.
- Member of the Board Arab Tunisian Bank Tunisia.



# Mr. Jamal Mahad Tuameh - Board Member/ Dependent (starting from 7/11/2022)

Date of Membership: 07/11/2022

Date of Birth: 1974

Qualifications: Bachelor's degree in Computer

**Previous & Current Experience:** 

• Head of Digital channels at Arab Bank Plc

# Mr. Ziad Bahjat Homsi - Board Member/Independent

Date of Membership: 1/2/2017

Date of Birth: 1954

Qualifications: Bachelor's degree in Business Administration

#### **Previous & Current Experience:**

- Former Member of the Jordanian Senate.
- Former Chairman of Amman Chamber of Industry (ACI)
- Participated in establishment of many of industrial, trading, and contracting companies.
- Memberships of many boards in public and private sector

# Mr. Basil F. Abdel Nabi - Board Member/ Dependent (until 6/11/2022)

**Date of Membership:** 30/10/2016-6/11/2022

Date of Birth: 1959 **Qualifications:** 

MBA from University of Leicester in United Kingdom

Bachelor's degree in Engineering from University (CSUF) in California, United States.

# **Previous & Current Experience:**

• EVP, Head of Information Technology at Arab Bank Plc since 2007.

# Dr. Mohsen Fayez Abu Awad - Secretary of the Board of Directors

**Date of Joining: 01/07/2007** 

Date of Birth: 1963

**Qualifications:** 

PhD. in Commercial Banks

### **Previous & Current Experience:**

- Chief Business officer in Islamic International Arab Bank Starting from (2014)
- Head of Corporate division in the Islamic International Arab Bank (2005-2013)

# **Executive Management**

# Mr. Iyad Asali - General Manager

Date of Appointment: 01/03/2011

Date of Birth: 1966 **Qualifications:** 

Master's degree in Management from the American University in Cairo

#### **Experience:**

- Over 31 years of bank experience in various managerial and executive positions
- Board member in INJAZ Jordan Board of Trustees.
- · Working member in the Jordan Strategy Forum.
- Member of the Jordanian Businessmen Association.
- Member of the Federation of Arab Businessmen.
- BOD member in the Postal Saving Fund of Jordan
- Member of CAFRAJ (the French Jordanian Chamber of Commerce)

# Dr. Mohsen Fayez Abu Awad-Chief Business and Investment Officer

Date of Appointment: 28/08/2005

Date of Birth: 1963 **Qualifications:** Ph.D. in Banking

#### **Experience:**

• Over 33 in the field of Banking Facilities in Islamic banks.

# Mr. Belal Issa Mustafa- Chief Support and Operations Officer- Starting from 5/6/2022

Date of Appointment: 01/12/2009

Date of Birth: 1970

**Qualifications:** 

Bachelor degree in Accounting.

#### **Experience:**

• Over 28 years of experience in Banking.

# Mr. Ishaq Khalil Qandeel- Chief Credit Officer

Date of Appointment: 15/07/2007

Date of Birth: 1972

**Qualifications:** 

Bachelor degree in Accounting.

#### **Experience:**

• Over 25 years of experience in the Banking field.



#### Mr. Abbas Jamal Marei- Chief Finance Officer

Date of Appointment: 02/05/2006

Date of Birth: 1975

**Qualifications:** 

Master's degree in Islamic Banking

**Experience:** 

• Over 26 years in the Financial and Accounting, and Financial Management in banks.

#### Mr. Abed Al-Kareem Ersan Sukari- Head of Risk Division

Date of Appointment: 06/11/2007

Date of Birth: 1976

**Qualifications:** 

Master's degree in Economics

**Experience:** 

Over 26 years of experience in Risk Management.

# Mr. Salim Asad Taber- Head of Human Resources Division- Starting from 18/5/2022

Date of Appointment: 05/08/2007

Date of Birth: 1978

**Qualifications:** 

Bachelor degree in Economy

**Experience:** 

• 23 years of experience in human resources

# Mr. Husameddin Ahmad Salah-Legal Consultant/ Head of Legal Department

Date of Appointment: 11/09/2005

Date of Birth: 1966 **Qualifications:** 

Bachelor's degree in Law with a license to practice law.

**Experience:** 

• 27 years of experience in Legal Consultation for public and private financial institutions.

# Mr. Hamdi T. Al-Mahmoud- Head of Audit Division

Date of Appointment: 05/07/2009

Date of Birth: 1965

**Qualifications:** 

Bachelor degree in Banking

**Experience:** 

• Over 32 years of experience in Credit Facilities, Banking Operations and Internal Auditing.

# Mr. "Mohammad Bashar" "Mohammad Moner" Al-Sarraj- Head of Regulatory Compliance Dept.

Date of Appointment: 02/09/2012

Date of Birth: 1963 **Qualifications:** 

Bachelor degree in Business Administration/ CAMS/CORE

#### **Experience:**

· Over 31 years of experience in Banking, Regulatory Compliance, Anti-money Laundry (AML), Terrorist Financing, and Operational Risk Management.

# Dr. Omar Mustafa Al-Sharif- Sharia Audit Manager/ Sharia Board Secretary

Date of Appointment: 11/05/2008

Date of Birth: 1978 **Qualifications:** Ph.D. In Figh **Experience:** 

- Over 19 years of experience in Auditing, Sharia and Academic Supervision, Scientific Research and Training.
- Member of the Sharia Standards Committee in Jordan of the Sharia Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)

# Dr. Nayef Mousa Abu Dheim- Chief Support and Operations Officer- Until 26/5/2022.

Date of Appointment: 01/12/1997

Date of Birth: 1962 **Qualifications:** Ph.D. in Finance

#### **Experience:**

• Over 31 years of experience in Banking Operations and the Internal Auditing field.

### Mr. Akef Hussein Hamam- Head of Human Resources Division. - Until 9/5/2022.

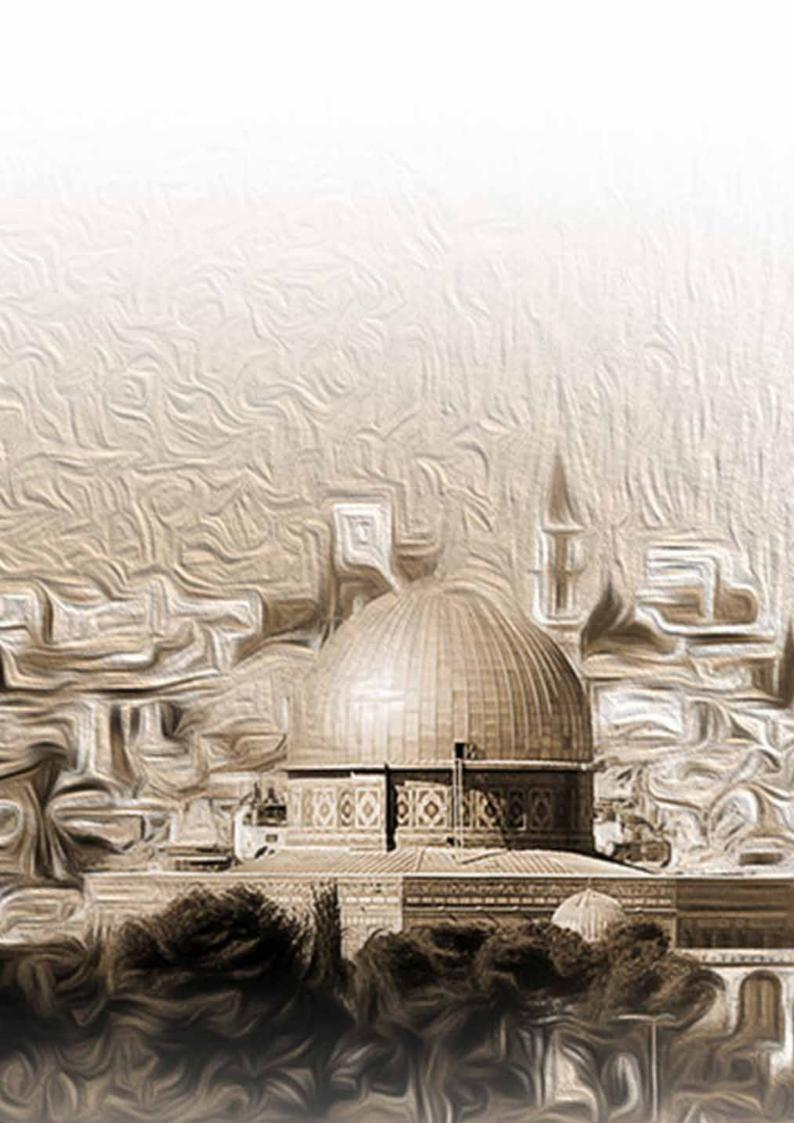
Date of Appointment: 05/08/2007

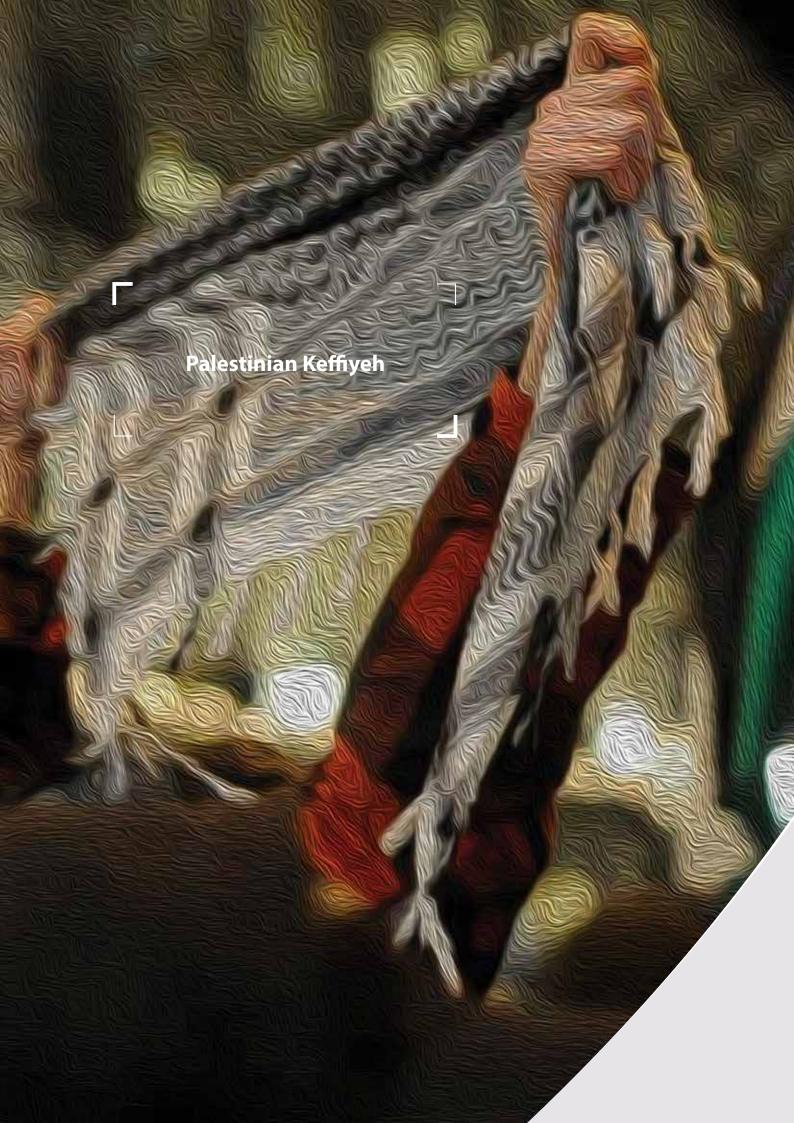
Date of Birth: 1963 **Qualifications:** 

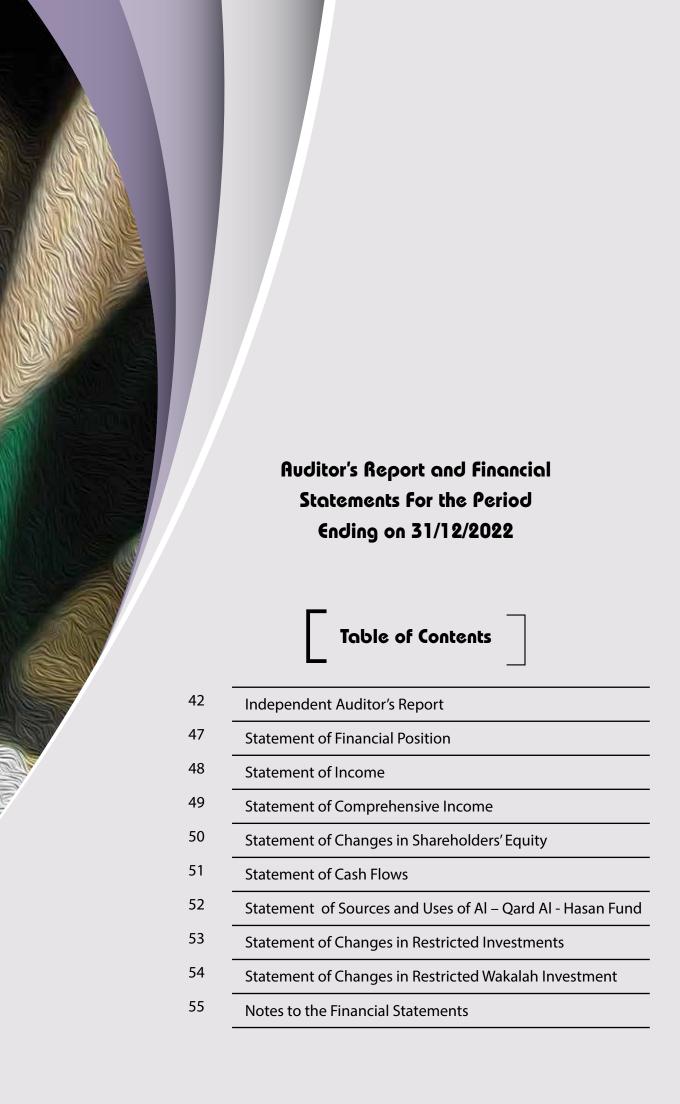
Bachelor degree in Business Administration

#### **Experience:**

• Skilled in various Administrative and Human Resources fields.







# Independent Auditor's Report



Ernst & Young Jordan P.O. Box 1140 300 King Abdulla Street Amman 11118 Jordan Tel:00962 6 580 0777 /00962 6552 6111 Fax:00962 6 5538 300

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Islamic International Arab Bank Public Shareholding Limited Company Amman - Jordan

www.ev.com/me

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

#### **Opinion**

We have audited the accompanying financial statements of Islamic International Arab Bank (Public Shareholding Limited Company) (the "Bank"), which comprise the statement of financial position as at 31 December 2022, and the statement of income, statement of other comprehensive income, statement of changes in equity, statement of cash flows, and statement of sources and uses of Al-Qard Al-Hasan fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and in accordance with Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

# **Basis for Opinion**

We conducted our audit in accordance with Auditing Standards as issued by the International Standards on Auditing (ISA). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

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





#### **Expected credit losses**

The process of estimating expected credit losses of customers' receivables and other receivables and Al-Qard Al-Hasan accordance with the Islamic Financial Accounting Standard No. (30) is important, complex and requires judgment and diligence.

Islamic Financial Accounting Standard No. (30) requires the use of the expected credit losses model. This requires the Bank's management to use several assumptions and estimates to determine the timing and value of expected credit losses as well as applying judgment to determine the inputs to the impairment measurement process including assessing collateral and determining the date of default.

Due to the importance of the governance applied in Islamic Financial Accounting Standard No. (30) and credit exposures that form a major part of the Bank's assets, the expected credit losses are considered a key audit matter.

Deferred sales receivables and other receivables, and Al-Qard Al-Hasan as of 31 December 2022 amounted to JD 1,179,732,768 and the provisions balance amounted to JD 34,836,586.

Our audit procedures included an understanding of the Bank's key credit processes comprising granting and booking and tested the operating effectiveness of key controls over these processes.

As part of the control testing procedures, we assessed whether the key controls in the above processes were designed, implemented and operated effectively, as well as procedures for assessing the following:

- The Bank's policy regarding the provision for expected credit losses in accordance with the Islamic Financial Accounting Standard No. 30.
- Studying and understanding the expected credit loss model used in calculating provisions and its compatibility with the requirements of Islamic Financial Accounting Standard No. (30) and the relevant regulatory guidelines and directives.
- Key assumptions and judgments related to the significant increase in credit risk, the definition of default, and the use of macroeconomic variables to verify that the ECL amounts recorded reflect the underlying credit quality and macroeconomic trends.
- The appropriateness of the classification of stages
- Appropriateness of determining exposure at default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations.
- Appropriateness of the PD, EAD, LGD and EIR used for different exposures at different stages.
- Appropriateness and objectivity of the internal rating.
- Soundness and mathematical integrity of the ECL Model.
- For exposures moved between stages, we have checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality.
- For exposures determined to be individually impaired we repreformed the ECL calculation we also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements.
- We inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral.

We also assessed whether the financial statement disclosures appropriately reflect the requirements of the Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI).



#### Other information included in the Bank's 2022 annual report.

Other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2022 annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and in accordance with the Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

· Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





- · Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- · Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Bank's to cease to continue as a going concern.
- · Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The Bank maintains proper books of accounts which are in agreement with the financial statements.

For and on behalf of Ernst & Young - Jordan.

Amman - Jordan

1 February 2023

Ernot + young



# STATEMENT OF FINANCIAL POSITION



	Notes	31 December 2022	31 December 202
		JD	JD
ASSETS			
Cash and balances with Central Bank of Jordan	4	709,456,182	889,168,217
Balances with Banks and financial institutions	5	4,272,764	18,227,011
Deferred sales receivables and other receivables – Net	6	1,006,906,403	923,980,243
Deferred sales receivables through the statement of income	7	-	-
Ijara Muntahia Bittamleek assets – Net	8	895,722,799	807,615,926
Financial assets at fair value through shareholders' equity – Self financed	9	5,813,534	5,842,911
Financial assets at fair value through joint investment accounts holders' equity	10	6,132,492	3,914,687
Financial assets at amortized cost – Net	11	173,302,637	26,732,789
Investments in real estate	12	18,758,571	18,988,674
Al-Qard Al-Hasan loans – Net		65,000,767	57,331,892
Property and equipment – Net	13	18,229,714	18,355,773
Intangible assets – Net	14	1,627,653	1,656,862
Right of use assets	15	7,520,961	7,005,940
Deferred tax assets	21	3,212,544	3,272,529
Other assets	16	35,188,903	27,445,363
TOTAL ASSETS		2,951,145,924	2,809,538,817
LIABILITIES			
Banks and financial institutions' accounts	17	388,381	1,645,562
Customers' current accounts	18	817,443,807	780,280,524
Cash margin	19	32,392,790	32,368,800
Other provisions	20	3,448,600	3,723,807
Provision for income tax	21	15,130,064	11,545,933
Deferred tax liabilities	21	366,260	377,424
Lease liabilities	15	6,276,041	5,941,126
Other liabilities	22	91,916,654	41,303,976
TOTAL LIABILITIES		967,362,597	877,187,152
Joint Investment Accounts Holders' Equity			
Unrestricted investment accounts	23	1,721,936,408	1,664,785,550
Fair value reserve - net	27	(127,766)	(398,306)
Total joint investment accounts holders' equity		1,721,808,642	1,664,387,244
Provision for future expected investment risks	24	-	1,468,691
		-	1,468,691
SHAREHOLDERS' EQUITY			
Paid-in capital	25	100,000,000	100,000,000
Statutory reserve	26	49,967,639	44,548,730
Voluntary reserve	26	4,262,322	4,262,322
Fair value reserve - net	27	597,583	615,796
Retained earnings	28	107,147,141	117,068,882
Total shareholders' equity		261,974,685	266,495,730
Total liabilities, joint investment accounts holders and shareholders' equity		2,951,145,924	2,809,538,817
Restricted investments		192,595,862	189,922,696
		21,485,444	30,727,457

# **STATEMENT OF INCOME**

		For the Year Ende	
	Notes	2022	2021
		JD	JD
Revenues			
Deferred sales revenues	29	50,770,642	45,690,644
Revenue from financial assets at amortized cost	30	2,667,147	1,200,868
Net income from investment in real estates	31	476,079	482,214
Revenue from Ijara Muntahia Bittamleek Assets	32	57,788,127	53,248,254
Ju'alah commissions	33	1,323,498	1,120,869
Other revenues	42	282,306	544,107
Recoveries from expected credit loss provision	34	1,464,591	7,361,509
Total Revenue from Joint Investments Accounts		114,772,390	109,648,465
Deposit insurance fees on joint investment accounts	35	(2,821,414)	(2,514,464)
Unrestricted investment accounts share	36	(36,712,496)	(33,944,961)
Banks' Share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)	37	75,238,480	73,189,040
Bank's self-financed revenues	38	71,737	48,865
Bank's share in restricted investment profit as Mudarib	39	590,137	48,842
Bank's share in restricted investment profit as agent (Wakeel)	39	486,037	208,361
Gains from foreign currencies	40	1,546,183	1,791,988
Banking services revenues	41	14,395,654	12,808,363
Other revenues	42	930,277	240,332
Deposit insurance fees on current accounts	35	(2,387,312)	(2,175,126)
Gross Income		90,871,193	86,160,665
Expenses			
Employees' expenses	43	26,773,952	22,820,053
Depreciation and amortization	13&14	2,976,135	2,554,236
Other expenses	44	11,333,176	10,248,313
Depreciation of Ijara Muntahia Bittamleek assets	8	40,813	9,076
Recoveried from Provisions for expected credit loss - self	6&7&56	(6,326,267)	300,000
Amortization of right of use assets	45	1,240,523	1,184,068
Lease liabilities discount / Finance costs	45	132,080	127,847
Rental expenses	45	374,726	342,193
Other provisions	20	136,958	422,530
Total expenses		36,682,096	38,008,316
Profit before income tax		54,189,097	48,152,349
Income tax	21	(18,691,929)	(14,434,603)
Profit for the year		35,497,168	33,717,746
Earnings per share for the year	46	0,355	0,337

# **Statement Of Comprehensive Income**



Note	2022	2021
	JD	JD
Profit for the year	35,497,168	33,717,746
Comprehensive income items:		
Items that will not be reclassified subsequently to statement of income		
Net change in fair value reserve 27	(18,213)	132,072
Total comprehensive income for the year - attributable to the Bank's shareholders	35,478,955	33,849,818

# Statement Of Changes In Shareholders' Equity

			Reserves	rves			
	Notes	Paid-in capital	Statutory	Voluntary	Fair value reserve - Net	Retained earnings *	Total
		Qſ	Qľ	Oľ	Qſ	Qſ	Qſ
For the year ended 31 December 2022							
Balance at beginning of the year		100,000,000	44,548,730	4,262,322	615,796	117,068,882	266,495,730
Profit for the year			ı		•	35,497,168	35,497,168
Net change in fair value reserve after tax	27		1	•	(18,213)	1	(18,213)
Total comprehensive income for the year		•	ı	•	(18,213)	35,497,168	35,478,955
Transferred to reserves		•	5,418,909	•	•	(5,418,909)	ı
Dividends**		•	r	ı	•	(40,000,000)	(40,000,000)
Balance at the end of the year		100,000,000	49,967,639	4,262,322	597,583	107,147,141	261,974,685
For the year ended 31 December 2021							
Balance at beginning of the year		100,000,000	39,733,495	4,262,322	483,724	100,166,371	244,645,912
Profit for the year		1	ī	•	1	33,717,746	33,717,746
Net change in fair value reserve after tax	27	-	ı	1	132,072	1	132,072
Total comprehensive income for the year		•	1	•	132,072	33,717,746	33,849,818
Transferred to reserves		•	4,815,235		•	(4,815,235)	1
Dividends**		•	i	•	-	(12,000,000)	(12,000,000)
Balance at the end of the year		100,000,000	44,548,730	4,262,322	615,796	117,068,882	266,495,730

Retained earnings include an amount of JD 3,212,544 as of 31 December 2022 that cannot be used based on the instructions of the Central Bank of Jordan. This amount represents the amount of deferred tax assets related to the Bank's self-financed operations (JD 3,272,529 as at 31 December 2021).

Retained earnings include a restricted amount of JD 181,121 as of 31 December 2022 which represents the general Banking reserve surplus that resulted from Financial Accounting Standard (30) implementation.

<sup>\*\*</sup>On 30 March 2022, the General Assembly of Shareholders approved the distribution of cash dividends of JD 40,000,000 to the sole shareholder (Arab Bank plc.), representing 40% of the authorized and paid in capital from distributable retained earnings for the year 2022 (JD 12,000,000 which is 12% for the year 2021).

# **Statement Of Cash Flows**



	Notes	31 December 2022	31 December 2021
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		54,189,097	48,152,349
Adjustments to non - cash items:			
Depreciation and amortization	13 & 14	2,976,135	2,554,236
Depreciation of investments in real estate	12	194,503	172,836
Amortization of premium/discount on issuance of financial assets at amortized cost	11	138,365	98,000
(Recoveries from) Provision for expected credit loss - self	6 & 7 & 56	(6,326,267)	300,000
(Recoveries from) Provision for expected credit loss - joint	34	(1,464,591)	(7,361,509)
Other provisions Other provisions	20	136,958	422,530
Right of use assets amortization	45	1,240,523	1,184,068
Lease liabilities / Finance costs	45	132,080	127,847
Losses on the sale of fixed assets		16,911	-
Effect of exchange rate fluctuations on cash and cash equivalents	40	35,957	14,924
Net cash from operating activities before change in the working capital		51,269,671	45,665,281
Change in working capital items			
(Increase) in deferred sales receivables and other receivables		(84,174,297)	(84,962,785)
Decrease in deferred sales receivables through the income statement	7	6,513,267	-
(Increase) in Ijara Muntahia Bittamleek assets		(88,958,871)	(78,354,865)
(Increase) in other assets		(8,866,709)	(9,700,386)
(Increase) in Al-Qard Al-Hasan loans		(7,668,875)	(5,117,115)
Increase in customers' current accounts		37,163,283	59,085,945
Increase in cash margins		23,990	1,736,908
Increase in other liabilities		53,780,299	14,510,726
Net cash (used in) operating activities before Tax and provisions paid		(40,918,242)	(57,136,291)
Provisions paid	20	(412,165)	(244,567)
Tax paid	21 & 24	(16,459,891)	(15,757,595)
Net cash (used in) operating activities		(57,790,298)	(73,138,453)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Purchase) of financial assets at fair value through joint investments accounts holders' equity		(1,947,265)	(762,286)
(purchase) financial assets at amortized cost (net)	11	(149,929,091)	(7,520,257)
Maturity of financial assets at amortized cost (net)	11	3,545,000	18,073,201
Sale of investment in real estates	12	1,160,192	3,319,413
(Purchase) of property and equipment	13	(2,174,904)	(3,710,085)
(Purchase) of intangible assets	14	(841,102)	(1,073,114)
Proceed from sale of property and equipment		6,175	33,431
Net cash (used in) from investing activities		(150,180,995)	8,360,303
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in joint investment account holders' equity		57,150,858	172,701,138
Paid lease obligations	15	(1,552,709)	(1,418,984)
Distributed dividends	28	(40,000,000)	(12,000,000)
Net cash flows from financing activities		15,598,149	159,282,154
Effect of exchange rate fluctuations on cash and cash equivalents	40	(35,957)	(14,924)
Net (decrease) increase in cash and cash equivalents	-10	(192,409,101)	94,489,080
Cash and cash equivalents at the end of the year	47	905,749,666	811,260,586
Cash and cash equivalents at the end of the year	4/	713,340,565	905,749,666
Non-cash items:			
Increase in foreclosed assets resulted from termination of ijara contracts		1,771,791	167,290
Increase in foreclosed assets resulted from termination of ijara contracts Increase of investment in real estate resulted from transfer of foreclosed assets		1,771,791 1,027,386	-
Increase in foreclosed assets resulted from termination of ijara contracts Increase of investment in real estate resulted from transfer of foreclosed assets Increase of fixed assets resulted from transfer from investment in real estate		1,027,386	1,040,291
Increase in foreclosed assets resulted from termination of ijara contracts Increase of investment in real estate resulted from transfer of foreclosed assets			-

# Statement Of Sources And Uses Of Al - Qard Al - Hasan Fund

Note	es	31 December 2022	31 December 2021
		JD	JD
Balance at the beginning of the year		57,442,205	51,988,965
Sources of the fund:			
Shareholders' equity		(75,002.660)	(66,357,161)
Total sources of fund's assets during the year		(75,002,660)	(66,357,161)
Uses of the Fund:			
Personal advances		6,567,033	8,054,944
Revolving cards		75,478,118	63,755,457
Total used during the year		82,045,151	71,810,401
Balance at the end of the year		64,484,696	57,442,205
Current and overdrawn accounts		1,549,614	1,082,738
Less: expected credit loss provision 6		(1,033,543)	(1,193,051)
Balance at the end of the year – net		65,000,767	57,331,892

# **Statement Of Changes In Restricted Investments**



	Note	International Murabaha	Cash Balances	Total
		סנ	JD	JD
For the year ended 31 December 2022				
Investments at the beginning of the year		186,670,593	3,252,103	189,922,696
Add: Deposits		100,586,332	-	100,586,332
Less: Withdrawals		(97,313,010)	(3,229,307)	(100,542,317)
Less: Bank's fees as Mudarib	39	(590,137)	-	(590,137)
Add: Investment gains		3,219,288	-	3,219,288
Investments at the end of the year		192,573,066	22,796	192,595,862
Revenues for distribution		803	-	803
Total		803		803
For the year ended 31 December 2021				
Investments at the beginning of the year		240,732,504	3,789,152	244,521,656
Add: Deposits		51,804,229	-	51,804,229
Less: Withdrawals		(106,114,444)	(537,049)	(106,651,493)
Less: Bank's fees as Mudarib	39	(48,842)	-	(48,842)
Add: Investment gains		297,146	-	297,146
Investments at the end of the year		186,670,593	3,252,103	189,922,696
Revenues for distribution		73	-	73
Total		73		73

# **Statement Of Changes In Wakalah Investment**

	Note	Local financing	Cash Balances	Total
For the year ended 31 December 2022				
		JD	JD	JD
Investments at the beginning of the year		18,197,918	12,529,539	30,727,457
Add: Deposits		12,097,399	-	12,097,399
Less: Withdrawals		(12,939,459)	(8,399,953)	(21,339,412)
Add: Investments' gains		981,454	-	981,454
Less: Bank's fees as Agent (Wakeel)	39	(486,037)	-	(486,037)
Less: Client's share		(495,417)	-	(495,417)
Investments at the end of the year		17,355,858	4,129,586	21,485,444
Revenue received in advance		891,523	-	891,523
	Note	Local financing	Cash Balances	Total
For the year ended 31 December 2021				
		JD	JD	JD
Investments at the beginning of the year		19,161,290	13,598,003	32,759,293
Add: Deposits		10,522,725	-	10,522,725
Less: Withdrawals		(11,486,097)	(1,068,464)	(12,554,561)
Add: Investments' gains		413,576	-	413,576
Less: Bank's fees as Agent (Wakeel)	39	(208,361)	-	(208,361)
Less: Client's share		(205,215)	-	(205,215)
Investments at the end of the year		18,197,918	12,529,539	30,727,457

# NOTES TO THE FINANCIAL STATEMENTS



# 1. General

- Islamic International Arab Bank ("the Bank") was established as a Public Shareholding Limited Company on 30 March 1997 pursuant to the provisions of the company's law No. (22) of 1997.
- The Bank provides all Banking, financial, and investment activities that comply with Islamic Shari'a standards through its headquarters and its 47 branches inside the kingdom. The Bank's transactions are governed by the applicable Bank's law.
- The Islamic International Arab Bank is wholly owned by the Arab Bank and the financial statements are consolidated with the financial statements of the Arab Bank.
- The financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. (2) held on 25 January 2023 and its subject to the approval of the General Assembly and Central Bank of Jordan.
- The Bank's Shari'a Supervisory Board reviewed the financial statements on 24 January 2023 and issued their Shari'a report thereon.

# 2. Significant Accounting Policies

# Basis of preparation of the financial statements

- The Bank's financial statements have been prepared in accordance with the standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI), in conformity with applicable local laws and regulations, and with the Central Bank of Jordan's regulations. In the absence of Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions relating to financial statements items, the International Financial Reporting Standards and related interpretations are applied in conformity with the Shari'a standards, pending the promulgation of Islamic Standards, therefore.
- The financial statements are prepared on the historical cost basis except for financial assets at fair value and sales receivables through the statement of income, which are recognized at fair value at the date of the financial statements.
- The financial statements have been presented in Jordanian Dinar, which is the functional currency of the Bank.
- On 1 April 2019, a new law was issued that amends the Banks Law No. (28) of the year 2000, where Article (13) of the law states on the dissolution of Article (55) from the original law. It states that no less than 10% of net recognized investment revenue on different continuing operations during the period should be deducted, with twice the amount of the Paid-in Capital being the maximum. Also, in accordance with the Central Bank of Jordan's Circular No. 10/1/9173, setting aside the surplus of the Investment Risk Fund as a provision to encounter any future expected investment risks.
- The Bank adopted the principle of mixing owner's equity with the accounts of the holders of joint investment as from the beginning of May 2013, maintaining the existing investments financed by the holders of equity (self) until maturity.

#### Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's financial statements for the year ended 31 December 2021.

#### Sectors' Information

- The business sector represents a group of assets and operations, which jointly provides products or services subject to risks and returns different from those relating to other business sectors measured in accordance with the reports used by the Chief Operating Officer and key decision maker at the Bank.
- The geographical sector relates to providing products or services in a specific economic environment subject to risks and returns different from those relating to segments operating in other economic environments.

# Basis of distributing profits among shareholders equity and joint investment accounts holders.

	Rate	
Share of Joint Investment Accounts Holders According to the slides	30%- 63%	Which is 1,6% to 3,7% for the first half and from 1,5% to 5,2% for the second half of 2022, on the Jordanian Dinar (compared with 1,67% to 4,37% for the first half and from 1,84% to 4,81% for the second half of 2021) and 0,40% to 0,92% and 1,03% to 2,34% on the US Dollar for the first and second halves of 2022, respectively (compared with 0,294% to 0,737% and 0,292% to 0,730% for 2021).
Share of Shareholders' Equity According to the slides	37%-70%	

- The Bank donates a certain amount from its share in income from joint investment as Mudarib or fund owner (Rab Al-Mal) to raise the percentage of profit distributed to some/all unrestricted investment accounts holders (according to categories).
- The Bank grants priority in investment to the holders of the joint investment accounts. These accounts are charged with the advertisement and publicity expenses in respect of the products that the Bank releases. Such expenses are life insurance premiums in respect of those financed by Ijara Muntahia Bittamaleek contracts and the expenses related to investment in real estate, and other expenses approved by the Sharia Supervisory Board, which are invested from the deposits accounts that participate in profits.
- The rate of distributed profits to the holders of the restricted investment deposits in US Dollars ranged from 0,15% to 4,14% for the year 2022 (compared with 0.129% to 0.168% for the year 2021).
- The Bank decided to distrubute clients profits on January 2023 to raise the percantage of profit distrubution.

# Revenue, Earnings and Losses Not Compliant with Islamic Shari'a

The Bank's revenue, earnings, and losses not in compliance with Islamic Shari'a (if any) are recorded in a special account in the statement of financial position within other credit balances. They are not recorded in the statement of income and are disbursed as charity as determined by the Shari'a Supervisory Board.

#### **Zakah**

The responsibility for Zakah is assumed by the holders of deposits and shareholders separately.

#### **Deferred Sales Receivables**

#### **Murabaha Contracts**

- These are sale of a commodity at its first purchase price paid by the seller (the Bank) with known and an agreed upon markup. The sale may be on an ordinary Murabaha basis called (Simple Murabaha), in which the Bank practices trade. According to simple Murabaha, the Bank buys the commodities without reliance on a prior promise by a customer to buy them, and then the Bank offers such commodities for sale by Murabaha at an agreed upon price and profit. Otherwise, the sale could be Murabaha coupled with a promise from a customer, i.e., the Bank buys the commodity only after the customer determines his desires with the existence of a prior promise to buy, which is then called (Murabaha to purchase order).
- The Bank applies the commitment to the promise principle in Murabaha to the purchase orderers contracts in accordance with the standards issued by Accounting and Auditing Organization for Islamic Financial Institutions. However, in the event of abstention, the Bank sells the commodity and refers to the commander of purchase to compensate for the actual losses.



- Murabaha receivables are recorded upon their occurrence at their nominal value. They are measured at the end of the financial year at the net cash value expected to be realized.
- The profits are recorded upon concluding the cash Murabaha contracts or to a period not exceeding the financial year.
- Income of deferred sales for a period exceeding the financial year is recorded by distributing it over the future financial years for the term, whereby a share of the profits is allocated for each financial year regardless of whether or not it is a cash delivery.

#### Al Ju'alah

It is a contract in which one of the parties (the Ja'il) offers specified compensation (the Ju'alah / commission) to anyone who will achieve a determined result (the 'Amil) in a known or unknown period, (Remuneration for guaranteed work that has been done).

#### Al Istisna'

A sale contract described as a condition of the work. The price may be immediate or by installments (deferred).

- Cost of Istisna' includes direct and indirect costs related to Istisna' contracts. Such costs do not include general and administrative, marketing expenses and costs of research and development.
- The costs of Istisna' process and the costs prior to signing the contract are recorded in the financial year under the item Istisna' under process at the amounts disbursed by the Bank. The invoices sent to Al Mustasnee (the buyer) by the Bank are recorded under Istisna' receivables account and deducted from the account of Istisna' under process in the statement of financial position.
- Istisna' revenue is recorded upon concluding the contract either through completion of execution or expiry of the contract, whichever is earlier.
- If Al Mustasnee (the buyer) does not fully pay the agreed upon price and reach an agreement to pay in installments during the contract execution or after its completion, deferred profits are recorded and deducted from the balance of Istisna' receivables account in the Bank's statement of financial position. This is carried out whether the method followed in recording Istisna' revenues is the percentage of completion method or the completed contract method. Moreover, the deferred profits distribution is made over the future financial years whereby a share of the profits is allocated for each financial year, whether the settlement is made by cash or not.
- If the Bank retains the manufactured item for any reason, such assets are measured at the expected cash value to be realized or at cost, whichever is lower. The difference (if any) is recorded as a loss in the statement of income in the financial year in which it is realized.

# **Assets Available for Deferred Payment Sale**

- This item represents assets acquired by the Bank for the purpose of selling these assets on a deferred basis (instalments). This type of selling assets is also called instalment-bargain sale to distinguish it from Murabaha to the purchase orderer.
- The assets available for deferred payment sale are recorded at cost at the time of contracting and measured at cost basis (purchase value and any direct expenses which are acquisition-related).
- The assets available for deferred payment sale are measured at the end of the financial period at fair value. The amount of change resulting from the re-valuation process if any is measured on the basis of book value compared with fair value, and the unrealized profit (loss) is recorded in the investments fair value reserve.
- Profits of the deferred sales shall be recognized on an accrual basis and proportionally allocated over the period of the contract. Profits related to future financial periods shall be recognized in deferred sales profit account.
- Deferred sales receivables shall be recognized at contract inception and measured at their face value (contracted value).

#### **Financing Investments**

#### **Mudaraba Financing**

- It is a partnership in profit between two parties whereby one party provides the capital, and the other party provides the work, and it is instituted between the holders of investment accounts (Rab Al-Mal) and the Bank (Mudarib). The Bank and the division of gain as agreed, whereby losses are charged to Rab Al-Mal except in the events of infringement of the Bank (Al Mudarib), its default, or violation of the conditions. In such cases, the Bank bears the consequences arising therefrom. The partnership is also instituted between the Bank in its capacity as the capital holder in its own name or on behalf of the holders of investment accounts and craftsmen and other business owners such as farmers and industrialists. Such Mudaraba is different from the traditional speculation that involves adventure and taking risks in sale and purchase activities.
- Mudaraba finance is recorded upon delivering the capital to Al Mudarib or putting it under his control. The provided capital is measured by the paid amount or at fair value if in-kind. If a difference results from the valuation of the in-kind item between the fair value and the book value, it is recognized as a profit (loss) in the statement of income. At the end of the financial year, the amount the Bank redeems from the Mudaraba capital is deducted.
- The Bank's share of the gains (losses) arising and expiring during a financial year is recorded after the settlement of the Mudaraba process. In events where Mudaraba process continues for more than a financial year, the Bank's share of the profits is recorded upon realization of the profits by accounting for them, in whole or any part thereof, in the financial year in which the profits occur to the extent of distributed profits. Moreover, losses for that year are recorded to the extent of losses by which the Mudaraba capital is reduced.
- If losses are incurred due to Mudareb infringement or default, such losses are recorded as receivables debited to Mudareb's account.

#### Musharaka Financing

- It is the provision of funds by the Bank and customer equally or differently in order to set up a new project or participate in an existing one, whereby each of them would own a share in the capital either on a fixed or diminishing basis and would be entitled to its share of the gains. Losses are divided proportionate to the partner's share in capital, whereby it would be inappropriate to stipulate otherwise.
- The Bank's share in Musharaka capital is recorded upon delivery to the managing partner or when it is deposited in Musharaka account, as it is measured at the cash paid value or at fair value if in-kind. If a difference results from the evaluation of the in-kind item between fair value and book value, it is recognized as a profit (loss) in the statement of income.
- The capital in the diminishing Musharaka is measured at the end of the financial year at the historical value less the historical value of the share sold at the agreed upon fair value, and the difference between both values is recorded as a profit or loss in the statement of income.
- The Bank's share of the gains or (losses) of Musharaka financing which arises or expires during the financial year is recorded after settlement. In the event that Musharaka continues for more than a financial year, the Bank's share of the profits is recorded upon their realization by accounting for them, in whole or any part thereof, between the Bank and the partner in the financial year in which the profits occur to the extent of the distributed profits. Moreover, losses for a financial year are recorded in that year to the extent of the losses by which the Bank's share in the Musharaka capital is reduced.
- An additional provision of expected credit losses for Deferred Sale Receivable and Other Receivables in case there is an indication of a significant increase in credit risk.
- At the end of the financial year, the financing assets are recorded at cost or at cash value expected to be realized, whichever is lower, and the difference is recorded as a financing's impairment provision.
- The income from deferred sales and non-performing financing granted to customers is held in suspense in accordance with the Central Bank of Jordan instructions



- The deferred sales receivables and funding financed from the joint investment accounts are written off in case efforts relating to their collection are not successful against the Investment Risks Fund (except for what has been granted / financed and then written off from the deferred sales receivables and finances in the same year whereby they are recorded in the statement of income within investment income). Any amounts collected from the previously written-off receivables and finances are added to the Investment Risks Fund, except for what has been recorded in the statement of income within investment income. Moreover, deferred sales receivables and funding financed from the Bank's own funds for which an impairment provision is taken are written off, if the related collection procedures are not successful, and deducted from the impairment provision. Any surplus in the total impairment provision is transferred to the statement of income, and any amounts of the previously written-off receivables and finances collected are added to income.

# **Financial Assets Recognition Date**

Sales and purchase of financial assets are recognized on the trading date (the date the Bank is liable of selling or buying the financial assets)

#### **Financial Assets at Amortized Cost**

- These represent financial assets that the Bank's management aims to hold according to its business model to collect their contractual cash flows. Moreover, they represent fixed or determinable payments for their capital and gains.
- These assets are recorded at cost upon purchase plus acquisition costs, and they are re-valued at the end of the current period based on the effective profit method. Any profits or losses resulting from the amortization process are recognized in the statement of income, and any impairment in value is recorded in the statement of income.
- The amount of impairment in the value of these assets represents the difference between the book value and present value of the expected cash flows discounted at the original effective profit rate whereby any provisions resulting from impairment in the value of these assets are deducted. Moreover, any financial assets may not be reclassified to/ from this item.
- If any of these assets financed from the Bank's own funds is sold before maturity, the result of the sale is recorded in a separate item within the statement of comprehensive income and disclosed accordingly.

#### Financial Assets at Fair value through Shareholders' Equity - Self Financed

- These assets represent investments in equity instruments financed from the Bank's funds for retaining them for the long term.
- These assets are recorded upon purchase at fair value plus acquisition costs. Subsequently, these assets are re-valued at fair value. The change in fair value is recognized under the fair value reserve within shareholders' equity.
- If such assets or any part thereof is sold, gains or losses resulting therefore are recorded in retained earnings.
- Gains generated from such financial assets are recorded on the date of the declaration of their distribution in the statement of income.
- Gains or losses resulting from foreign currency exchange differences relating to these assets are recorded in the fair value reserve.

# Financial Assets at Fair value through joint investment accounts holder's equity

- These assets represent investments in equity instruments financed from joint investment account for retaining them for the long term.
- These assets are recorded upon purchase at fair value plus acquisition costs. Subsequently, these assets are re-valued at fair value. The change in fair value is recognized under the fair value reserve within joint investment account holder's equity.
- If such assets or any part thereof is sold, gains or losses resulting therefore are recorded in statement of income.

- The impairment loss previously recorded in the statement of income may be recovered if it is objectively found that the increase in fair value occurred in a period subsequent to recording the impairment losses through the fair value reserve recognized within joint investment accounts holders' equity.
- Gains generated from such financial assets are recorded on the date of the declaration of their distribution in the statement of income.
- Gains or losses resulting from foreign currency exchange differences relating to these assets are recorded in the fair value reserve within joint investment account holders' equity.
- Financial assets whose fair value cannot be reliably determined are recognized at cost, and the impairment test is carried out at the end of every financial period. Moreover, the impairment in their value is recorded in the statement of income and may not be recovered during subsequent periods.

# Deferred Sales Receivables through the Statement of Income / Self - Financed

- These are sale receivables (International Murabaha) due to the Bank's buying of commodities with the purpose of selling them in the near future.
- These receivables are recorded at fair value upon sale and subsequently re-valued at fair value through the market indicators of these receivables. Moreover, the change in fair value is recognized in the statement of income.
- The Bank may dispose of these receivables by a debt assignment to another person at their net nominal or book value, and the difference is recorded in the statement of income.

# Ijara Muntahia Bittamleek (Lease to Own)

- It is a benefit contract for a compensation which expires by the lessee's acquisition of the leased assets.
- The assets acquired for Ijara are measured, at the date of their acquisition, at historical cost, including direct costs to render them usable. The leased assets are depreciated according to the straight-line method over the life of Ijara contract.
- When the recoverable amount from any of the acquired Ijara assets is lower than their net book value, their value is reduced to the recoverable amount, and the impairment amount is recorded in the statement of income.
- The income from Ijara is distributed over the financial years covered by the Ijara contract.

# **Foreclosed Assets**

- They are the assets that are repossessed by the Bank to settle the debts and obligations of the borrowers without the Bank having any intention of owning them. In the future, if the Bank sees an investment opportunity, the Bank can transfer it to real estate investment in terms of calculating provisions.
- Assets that have been repossessed by the Bank in settlement of outstanding debts are shown in the balance sheet among other assets.
- The assets that have been repossessed by the Bank in settlement of the debts due to the value that it has transferred to the Bank or at the fair value whichever is lower, and are re-evaluated at the date of the financial statements at fair value and any decline in their value is subtracted from the income statement, taking into account the ownership of the funds invested in these assets.
- The value of the increase in its value is not recorded as revenue whereby the subsequent increase is recorded to the extent that it does not exceed the value of the decline that was previously established, taking into consideration the ownership of the funds invested in these assets, noting that it is subject to the instructions of the Central Bank of Jordan.

# **Investment in Real Estate**

It is the acquisition of real estate to obtain periodical income or in anticipation of the increase of value thereof or both. Initially, the investment in real estate is recognized at cost plus direct cost, and it is subsequently measured depending on its application whether for utilization (cost or fair value model) or for sale. When the Bank approves either model, it has to apply it to all investments in real estate.



#### a. Investment in Real Estate Held-for-Use

The cost or fair value model is applied as follows:

#### - Cost Model:

Investments in real estate are recorded at cost less accumulated depreciation and impairment (if any). In the event that the Bank decides to apply this model, it has to apply it to all investments in real estate.

#### - Fair Value Model:

Investments are measured at fair value, and the increase in value is recorded in the fair value reserve. Moreover, any decrease in fair value is deducted from previously recorded increase. If there is no increase in the previously recorded value, the difference is recognized in the statement of income. Furthermore, if the Bank decides to apply this model, it has to apply it to all investments in real estate.

Noting that the Bank follows the cost model.

#### b. Investments in Real Estate Held-for-Sale

- Investments in real estate are recorded at the book value or fair value less costs of sale, whichever is lower. Moreover, these investments are not depreciated. The difference is recorded in the statement of income.
- Real estates may be transferred from the investment portfolio to the property and equipment portfolio or vice versa if the change in the purpose of their utilization can be established. The transfer is made at cost less deprecation if the Bank uses the cost model in measuring the portfolio's real estates. If the Bank uses the fair value model, real estates are transferred at their fair value at the date of transfer.
- If real estate is transferred from the Bank's property and equipment to the investment in real estate portfolio, the transfer is made at the cost of the real estate less depreciation and impairment provision (if any) as at the date of cessation of use.

#### Fair value of financial assets

- The closing prices (selling price) on the date of the financial statements in active markets represent the fair value of financial instruments that have market prices. If there are no actual prices or no active trading of some financial instruments or the market is inactive, the fair value is estimated by comparing it with the current market value of a similar instrument.
- Valuation methods aim at obtaining a fair value that reflects market expectations and considers market factors and any expected risks or benefits when assessing the value of financial assets If there are financial assets whose fair value cannot be reliably measured, they are shown at cost after deducting any impairment in their value.

# Impairment of financial assets

The Bank reviews the recorded values of the financial assets at the date of the financial position to determine whether there are indicators that indicate a decline in their value individually or in the form of a group, and in case of such indicators, the recoverable value is estimated in order to determine the impairment loss.

#### **Provisions**

Provisions are recognized when the Bank has obligations at the date of the statement of financial position arising from past events and settlement of these obligations is probable and can be measured reliably.

#### **Investment Risk Fund**

- On 1 April 2019, a new law was issued that amends the Banks Law No. (28) of the year 2000, where Article (13) of the law had provisions on the dissolution of Article (55) from the original law. It states that no less than 10% of net recognized investment revenue on different continuing operations during the period should be deducted, with twice the amount of the Paid-in Capital being the maximum. Also, in accordance with the Central Bank of Jordan's Circular No. 10/1/9173, setting aside the surplus of the Investment Risk Fund as a provision to encounter any future expected investment risks.
- According to Central Bank of Jordan instructions No. 10/1/9173, the Bank allocated the balance of 30 April 2019 from the Investment Risk Fund to the provisions for projected investment losses calculated as at 30 April 2019 and the surplus in the allocations was transferred to the account for future investment losses provisions in the side of liabilities.
- In the case that the required provisions are calculated as at 31 December 2022 and the following years, the surpluses in the side of the liabilities will be used until the completion of these surpluses, and in case that there is an increase in the required allocations, they will be refunded to the revenues and not transferred to the surpluses.

### **Property and Equipment**

Property and equipment are stated at cost after deducting accumulated depreciation and any impairment in their value. Property and equipment (except for lands) are depreciated when ready for use according to the straight-line method over their expected useful lives at the following annual rates:

	Depreciation rate
Buildings	2%
Furniture, fixture and equipment	2%-15%
Vehicles	20%
Computers	25%
Improvements and decorations	15%

- The useful lives of property and equipment are reviewed at the end of each financial year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimates.
- When the recoverable amount of any property and equipment is less than their net carrying value, their value is reduced to the recoverable amount, and the impairment loss is recorded in the statement of income.

# **Intangible Assets**

- Intangible assets acquired through a method other than merger are recorded at cost.
- Intangible assets are classified based on the estimation of their useful life for a definite or an indefinite period. Intangible assets with definite useful economic lives are amortized over their useful lives, and amortization is recorded in the statement of income. Furthermore, the impairment in the value of intangible assets with indefinite useful lives are reviewed at the date of the financial statements, and any impairment in their value is recorded in the statement of income.
- Intangible assets resulting from the Bank's operations are not capitalized but included in the statement of income in the same year.
- Indications of impairment of intangible assets are reviewed at the date of the financial statements, their useful lives are reassessed, and any adjustments are made in the subsequent years.
- Software and systems are stated in the statement of financial position at cost after deducting accumulated amortization. They are amortized when ready for use based on the straight-line method over their expected useful lives at an annual rate of 25%.



# **End of Service Indemnity Provision**

Annual indemnities paid to the employees who leave employment are recorded in the end-of-service indemnity provision when paid. Indemnity paid in excess of the provision is taken in the statement of income upon payment, and a provision for the Bank's obligations in respect of staff end-of-service indemnity is taken in the statement of income in accordance with the Bank's personnel by-laws and the provisions of the Labor Law.

# **Income Tax**

- Tax expenses represent accrued taxes and deferred taxes.
- Tax expenses are accounted for based on taxable income which differs from income declared in the financial statements because the latter includes non-taxable revenue or taxable expenses disallowed in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to
- Taxes are calculated on the basis of the tax rates according to the prevailing Laws, Regulations and Instructions of the Hashemite Kingdom of Jordan.
- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount. Deferred taxes are calculated, using the financial position liability method. Moreover, these deferred taxes are calculated according to the tax rates expected to be applied upon settling the tax liability or the realization of the deferred tax assets.
- Deferred tax assets are reviewed at the date of the financial statements and reduced when it is no longer probable to benefit from these tax assets partially or totally.

#### **Accounts Managed on Behalf of Customers (restricted accounts)**

These represent the accounts managed by the Bank on behalf of its customers but do not represent part of the Bank's assets. The fees and commissions for managing these accounts are recognized in the statement of income.

#### **Accounts Managed by Wakalah**

These represent accounts managed by the Bank as Wakalah according to a program with the Central Bank of Jordan. The funds invested by Wakalah are recognized off-the statement of financial position whereas the Bank's share from the Wakalah (returns) is recorded in the statement of income.

#### **Realization of Income and Recognition of Expenses**

- Realization of income and recognition of expenses are recognized on the accrual basis, except for revenue from deferred sales and non-performing finances that are not recognized as revenue but recorded in the suspense income accounts.
- Commissions are recorded as a revenue upon rendering the related services. Dividend income is recognized when earned (when approved by the General Assembly of Shareholders).

# **Foreign Currencies**

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transactions.
- Financial assets and financial liabilities are translated based on the average exchange rates declared by the Central Bank of Jordan on the date of the financial position.
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.
- Gains and losses resulting from foreign currency translation are recorded in the statement of income.

#### Lease contracts

- The Bank recognizes right-of-use assets and corresponding lease liabilities in respect of all lease arrangements in which the lessee is, except for short-term leases (defined as leases of 12 months or less) and leases of low-value assets and for these contracts, the Bank recognizes lease payments as an operating expense on a straight-line basis over the term of the lease.
- The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date of the lease, discounted using a discount rate of 2%.
- Lease liabilities are presented as a separate line item in the statement of financial position.
- Right-of-use assets are amortized over the lease term, which ranges from 5-10 years. Right-of-use assets are presented as a separate line item in the statement of financial position.

# **Cash and Cash Equivalents**

This item represents cash and cash balances that mature within three months and comprise cash and balances at the Central Bank, and balances at Banks and financial institutions less Banks and financial institutions' accounts that mature within three months and restricted balances.

# 3. Accounting Estimates

Preparation of the financial statements and application of accounting policies require the Bank's Management to perform estimates and assumptions that affect the amounts of financial assets and financial liabilities, fair value reserve and disclosure of contingent liabilities. These estimates and assumptions also affect the revenue, expenses and provisions as well as the changes in fair value reported in the statement of comprehensive income. In particular, the Bank's Management is required to make significant judgements for estimating the amounts and timing of future cash flows. Moreover, the mentioned estimates are necessarily based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes resulting from the conditions of such estimates in the future. In the opinion of management, the estimates used in the financial statements are reasonable.

We believe that the estimates within the financial statements are reasonable and are detailed as follows:

- A provision for lawsuits raised against the Bank is taken based on a legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.
- Determining the provision for impairment of financial assets requires the Bank's management to issue judgments to estimate the amounts of future cash flows and their timing, in addition to estimating any significant increase in the credit risk of financial assets after their initial recognition, in addition to taking into consideration future measurement information for expected credit losses.

# Methodology for applying International Accounting Standard No. 30 (Financial Instruments): Inputs, mechanisms and assumptions used to calculate expected credit losses

The key concepts with a fundamental impact that require a high degree of management diligence that have been considered by the Bank when applying the standard include:

# Assessing the substantial increase in credit risk:

To assess whether the credit risk on a financial asset has increased significantly since the date of its inception, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

Our assessment of significant increases in credit risk will be performed once every three months and separately for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:



- 1. We have set limits to measure the substance of credit risk based on the change in the risk of a financial instrument stumble compared to the date of its inception.
- 2. In addition to using qualitative factors to assess the results of the change in the classification stages or make adjustments to reflect the situation of the significant increase in credit risk.
- 3. IAS 30 (financial instruments) includes an assumption of a significant increase in the credit risk of financial instruments that have defaulted and matured for more than 30 days. Within the instructions of the Central Bank of Jordan, it is assumed that there is a significant increase in the credit risk of financial instruments that have defaulted and are due for more than 30 days.

# Macroeconomic Factors, Forward Looking Information and Use of Multiple Scenarios

- The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about historical events and current situations as well as reasonable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require management's significant judgment.
- Probability of default (PD), loss given default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are designed based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in relation to the portfolio.
- Each of the macroeconomic scenarios used in calculating the expected credit loss is associated with variable macroeconomic factors.
- In our estimates used in calculating stage 1 and stage 2 ECLs, discounted weighted scenarios that include future macroeconomic information for the next three years are used.
- The base scenario depends on the macroeconomic reality (such as: GDP, inflation, stock prices, unemployment rate...). The ups and downs changes in economic factors will be prepared on the basis of possible alternative economic conditions.

#### **Definition of default**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. There is the rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Defaults are defined by the Bank if in the event that is it ascertained that the customer may not fully pay his obligations or if the customer is due on a substantial value from the facilities for a period of 90 days or more.

#### **Expected Life**

When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management.

# Useful lives of property, equipment, intangible assets and real estate within the real estate investment portfolio:

Management estimates the useful lives of tangible and intangible assets upon initial recognition. Moreover, Management periodically re-assesses the useful lives of tangible and intangible assets to calculate annual depreciation and amortization based on the general condition of those assets and estimates of the productive activities expected in the future. The impairment loss (if any) is charged to the statement of income. The factors that affect the estimated useful lives of tangible and intangible assets include Management's estimates for the period in which the Bank is expected to use these assets as well as technological development and obsolescence.

The difference between the useful lives of tangible and intangible assets and Management's estimates significantly affect the depreciation expense which in return will significantly affect the statement of income.

The management evaluates the real estate within the real estate investment portfolio periodically, and an allowance is taken for any decrease in its value within the provision for future expected credit losses, as the portfolio is within the joint investment and the Bank follows the cost model, and the buildings are depreciated using a straight-line method within this portfolio at a rate of 2% annually.

#### **Financial assets:**

The management conducts a periodic review of the financial assets, which are shown at cost, to estimate any decline in their value, and this decline (if any) is included in the income statement for the period.

#### Fair value levels:

The standard requires identification and disclosure of the level in the fair value hierarchy at which fair value measurements are categorized in their entirety and separation of fair value measurements into levels defined in IFRS. The difference between level (2) and level (3) fair value measurements means evaluating whether the information or inputs are observable and the significance of the unobservable information, which requires careful judgment and analysis of the inputs used to measure fair value, including consideration of all factors of origin or liability.

# Significant estimates related to determining the duration of the lease contract for contracts that include the option to renew the contract

The Bank determines the duration of the lease contract as a non-cancellable period, considering the periods covered by the option to extend the lease if this option is certain to be exercised, or any periods related to the option to terminate the lease, if it is certain that the Bank does not exercise this option.

Under some lease contracts, the Bank has the right to lease the assets for additional periods. The Bank makes some estimates when assessing whether it is certain to exercise the renewal option.

Average life of lease contracts: 5-10 years

Discount rate: 2%

# 4. Cash and Balances with Central Bank of Jordan

This item consists of the following:

	31 December 2022	31 December 2021
	JD	JD
Cash in vaults	50,990,817	45,493,000
Balances with Central Bank of Jordan		
Current accounts	556,691,777	745,687,438
Statutory cash reserve	101,773,588	97,987,779
Total	709,456,182	889,168,217

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



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

	Stag	ge 1
	31 December 2022	31 December 2021
	JD	JD
Balance at the beginning of the year	843,675,217	754,107,509
New balances during the year	2,572,559,464	2,203,774,259
Paid balances	(2,757,769,316)	(2,114,206,551)
Balance at the end of the year	658,465,365	843,675,217

# 5. Balances with Banks and Financial Institutions

The details for this item as follow:

	financial ir	nks and nstitutions ember	institu	and financial utions ember	Total 31 December	
	2022	2021	2022	2021	2022	2021
	JD	JD	JD	JD	JD	JD
Current accounts	2,016,723	16,883,148	2,256,041	1,343,863	4,272,764	18,227,011
	2,016,723	16,883,148	2,256,041	1,343,863	4,272,764	18,227,011

- There are no restricted cash balances as at 31 December 2022 and 2021.
- The balances with Banks and financial institutions are all current account to cover the operations of the Bank and there is no need to calculate a provision for expected credit loss according to the FAS (30).
- The movement on the balances with Banks and financial institutions is as follows:

	Stag	ge 1
	31 December 2022	31 December 2021
	JD	JD
Balance at the beginning of the year	18,227,011	15,555,154
New balances during the year	5,363,884,648	5,035,128,558
Paid balances	(5,377,838,895)	(5,032,456,701)
Balance at the end of the year	4,272,764	18,227,011

# 6. Deferred Sales Receivables and other Receivables - Net

The details for this item as follow:

	Joi	nt	Self-fir	nanced	Tot	al
	31 Dec	ember	31 Dec	ember	31 Dece	ember
	2022	2021	2022	2021	2022	2021
	JD	JD	JD	JD	JD	JD
Retail						
Murabaha to the purchase orderer	385,117,371	340,448,734	-	-	385,117,371	340,448,734
Receivables – Ijara Muntahia Bittamleek	1,366,310	1,874,999	-	-	1,366,310	1,874,999
Ju'alah guarantees	14,232,294	10,989,783	-	-	14,232,294	10,989,783
Real estate financing	178,210,777	150,131,758	-	-	178,210,777	150,131,758
Corporates						
International Murabaha	155,551,402	177,262,662	438,313	459,160	155,989,715	177,721,822
Murabaha to purchase order	301,555,491	249,902,852	2,407,400	2,496,485	303,962,891	252,399,337
Receivables – Ijara Muntahia Bittamleek	1,702,463	1,627,943	-	-	1,702,463	1,627,943
Paid receivables- guarantees	-	-	57,490	5,579	57,490	5,579
Ju'alah guarantees	-	-	-	-	-	-
Small and Medium Enterprises						
Murabaha to purchase order	71,521,143	79,418,047	2,753	2,935	71,523,896	79,420,982
Receivables – Ijara Muntahia Bittamleek	1,487,863	1,239,333	11,395	16,972	1,499,258	1,256,305
Paid guarantees	-	-	17,154	67,535	17,154	67,535
Ju'alah guarantees	18,839	21,666	-	-	18,839	21,666
Total	1,110,763,953	1,012,917,777	2,934,505	3,048,666	1,113,698,458	1,015,966,443
Less: deferred revenue	(70,613,420)	(59,705,751)	(6)	(41)	(70,613,426)	(59,705,792)
Expected credit loss provision	(30,891,187)	(26,857,888)	(2,911,856)	(3,020,643)	(33,803,043)	(29,878,531)
Revenues in suspense	(2,358,323)	(2,383,159)	(17,263)	(18,718)	(2,375,586)	(2,401,877)
Net deferred sales receivables and other receivables	1,006,901,023	923,970,979	5,380	9,264	1,006,906,403	923,980,243



# Expected credit loss Provision for Deferred Sales Receivables, and Al-Qard Al-Hasan - Self

The following is the movement on the expected credit losses:

2022	Retail	Corporates	Small and Medium Enterprises	Total
	JD	JD	JD	JD
Balance at the beginning of the year	737,877	3,233,833	241,984	4,213,694
Expected credit losses provision	220,368	20,646	11,384	252,398
Recoveries from ECL	(30,791)	(468,325)	(21,577)	(520,693)
Balance at the end of the year	927,454	2,786,154	231,791	3,945,399
Provision for ECL of non- performing sales receivables stage3 on individual customer basis	802,186	2,748,676	227,732	3,778,594
Provision for ECL of watch-list sales receivables- stage2 on individual customer basis	45,626	24,845	318	70,789
Provision for ECL on performing sales receivable- stage1 on individual customer basis	79,642	12,633	3,741	96,016
Balance at the end of the year	927,454	2,786,154	231,791	3,945,399
2021				
Balance at the beginning of the year	663,835	3,195,754	170,521	4,030,110
Expected credit losses provision	-	489,723	-	489,723
Recoveries from ECL	-	(302,676)	-	(302,676)
Bad debts	-	(3,463)	-	(3,463)
Settlements during the year	74,042	(145,505)	71,463	-
Balance at the end of the year	737,877	3,233,833	241,984	4,213,694
Provision for ECL of non- performing sales receivables stage3 on individual customer basis	673,391	2,944,045	241,186	3,858,622
Provision for ECL of watch-list sales receivables- stage2 on individual customer basis	15,728	2,493	77	18,298
Provision for ECL on performing sales receivable- stage1 on individual customer basis	48,758	287,295	721	336,774
Balance at the end of the year	737,877	3,233,833	241,984	4,213,694

- The total provisions prepared for debts calculated on individual customer basis have been disclosed.
- Provisions no longer required due to settlements or re-payment of debts and transferred against receivables and other finances amounted to JD 520,693 as at 31 December 2022 (JD 302,676 as at 31 December 2021).
- Subsequent to the issuance of the amending Law of Banking Law No. 28 of 2000 on April 1, 2019, Article 13, which rejected Article 55 of the deduction for the Investment Risks Fund and to keep the Fund's surplus as a provision for facing expected future investment risks, all provisions that were no longer needed as a result of settlements or payments were released Debt for Debt - Joint to Revenue.

Direct facilities at amortized cost according to Bank's internal rating as at 31 December 2022 as follows:

		Joint	te			Š	Self			Total	re;		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	Qſ	۵ſ	۵r	۵r	۵r	Oľ	Or	۵r	۵r	۵r	۵r	۵r	Qſ
Low risk	9,494,526			9,494,526					9,494,526			9,494,526	7,209,860
Acceptable	975,928,810 8,896,599	8,896,599		984,825,409	64,609,702	522,738	-,	65,132,440	1,040,538,512	9,419,337		1,049,957,849	947,384,308
Watch list		21,589,331		21,589,331		40,512		40,512	,	21,629,843		21,629,843	31,003,804
Non-performing			24,241,267	24,241,267			3,795,857	3,795,857	•	•	28,037,124	28,037,124	29,187,622
Substandard			983,836	983,836			23,337	23,337	-		1,007,173	1,007,173	1,035,918
Doubtful			1,989,845	1,989,845			58,738	58,738	-,		2,048,583	2,048,583	1,919,862
Bad debts			21,267,586	21,267,586			3,713,782	3,713,782	-		24,981,368	24,981,368	26,231,842
Total	985,423,336 30,485,930		24,241,267	1,040,150,533 64,609,702	64,609,702	563,250	3,795,857	68,968,809	1,050,033,038 31,049,180	31,049,180	28,037,124	<b>1,109,119,342</b> 1,014,785,594	1,014,785,594

The movement on balances of direct facilities loans at amortized cost as at 31 December 2022:

		Joi	Joint			Self	Į			Total	le:		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	۵r	Or	Oľ	۵r	Qſ	Oľ	Oľ	Qſ	۵r	Or	Oľ	Or	Oľ
Balance at the beginning of the year	866,367,948	61,533,899	25,310,179	953,212,026	57,374,169	321,956	3,877,443	61,573,568	923,742,117	61,855,855	29,187,622	3,877,443 61,573,568 923,742,117 61,855,855 29,187,622 1,014,785,594	924,659,276
New facilities granted during the year 650,061,632 18,673,186	650,061,632	18,673,186	2,165,077	670,899,895	26,911,170	215,882	669,864	27,796,916	27,796,916 676,972,802 18,889,068 2,834,941 698,696,811	18,889,068	2,834,941	698,696,811	615,159,200
Settled facilities	(534,991,605) (42,301,719)	(42,301,719)	(6,668,064)	(6,668,064) (583,961,388) (19,392,345) (239,369)	(19,392,345)	(239,369)	(769,961)	(20,401,675)	(554,383,950)	(42,541,088)	(7,438,025)	(769,961) (20,401,675) (554,383,950) (42,541,088) (7,438,025) (604,363,063) (525,032,882)	(525,032,882)
Transferred to stage 1	10,809,731	10,809,731 (10,612,605)	(197,126)	-	100,180	(84,034)	(16,146)		10,909,911	10,909,911 (10,696,639) (213,272)	(213,272)		
Transferred to stage 2	(5,238,713)	5,347,288	(108,575)	·	(258,864)	385,792	(126,928)		(5,497,577)	5,733,080	(235,503)	,	
Transferred to stage 3	(1,585,657) (2,154,119)	(2,154,119)	3,739,776	-	(124,608)	(36,977)	161,585		(1,710,265)	(1,710,265) (2,191,096) 3,901,361	3,901,361		
Total balance at the end of the year	985,423,336 30,485,930	30,485,930	24,241,267	24,241,267 1,040,150,533 64,609,702	64,609,702	563,250	3,795,857	68,968,809	1,050,033,038	31,049,180	28,037,124	3,795,857 68,968,809 1,050,033,038 31,049,180 28,037,124 1,109,119,342 1,014,785,594	1,014,785,594



Following is the movement on expected credit loss provision as at 31 December 2022:

		٦	Joint			Š	Self			=	Total		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	1,725,577	1,623,183	23,509,128	26,857,888	336,774	18,298	3,858,622	4,213,694	2,062,351	1,641,481	27,367,750	27,367,750 31,071,582	35,893,972
Provision for expected credit loss		502,414	491,283	993,697	67,653	50,078	134,667	252,398	67,653	552,492	625,950	1,246,095	489,723
Recoveries from expected credit loss provision			(2,458,288)	(2,458,288)	(312,512)	(114,974)	(93,207)	(520,693)	(312,512)	(114,974)	(2,551,495)	(2,551,495) (2,978,981)	(7,329,997)
Bad debts			•	•							•	•	(3,463)
Transferred to stage 1	460,163	(424,300)	(35,863)	•	5,126	(3,226)	(1,900)		465,289	(427,526)	(37,763)	•	
Transferred to stage 2	(19,250)	61,551	(42,301)	•	(789)	123,365	(122,576)	•	(20,039)	184,916	(164,877)	•	
Transferred to stage 3	(2,273)	(132,364)	134,637	•	(236)	(2,752)	2,988	•	(2,509)	(135,116)	137,625	•	
Adjustments during the year	4,276,028	3,872,885	(2,651,023)	5,497,890		•	•	•	4,276,028	3,872,885	(2,651,023)	5,497,890	2,021,347
Total balance at the end of year	6 440 245	2 203 360	19 0/7 573	30.891.187	96.016	70 780	3 770 504	3 005 300	6 536 361	5,574,158	<b>22,726,167 34,836,586</b> 31,071,582	34.836.586	31.071.58

Direct credit facilities at amortized cost according to Bank's internal rating – Large corporates as at 31 December 2022 as follows:

		Joint	nt			Se	Self			Total	a		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	DL	JD	JD	JD	DL	JD	JD	JD	JD	JD
Low risk	2,168,967	•		2,168,967	-	•	•	-	2,168,967	•	•	2,168,967	2,501,955
Acceptable	416,910,879 2,230,109	2,230,109		419,140,988	1,448,759	139,580		1,588,339	418,359,638	2,369,689		420,729,327	386,145,100
Watch list		14,444,054		14,444,054		300		300		14,444,354	•	14,444,354	19,846,661
Non-performing debt		•	12,906,235	12,906,235			2,765,939	2,765,939		•	15,672,174	15,672,174	17,248,256
Substandard	-		6,149	6,149	-		34	34		•	6,183	6,183	
Doubtful													25,890
Bad debts			12,900,086	12,900,086			2,765,905	2,765,905			15,665,991	15,665,991	17,222,366
Total	419,079,846	419,079,846 16,674,163	12,906,235	12,906,235 448,660,244 1,448,759	1,448,759	139,880	2,765,939	4,354,578	420,528,605	16,814,043	15,672,174	<b>15,672,174 453,014,822</b> 425,741,972	425,741,972

Following is the movement on direct credit facilities at amortized cost – large corporates as at 31 December 2022:

		Joint	Ħ			Š	Self			Total	le		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	۵r	Qſ	Qſ	۵r	Oľ	۵ſ	Oľ	Oľ	۵r	۵r	Qſ	۵r	Oľ
Balance at the beginning of the year	362,515,585	44,648,322	14,286,942	421,450,849	1,255,812	73,997	2,961,314	4,291,123	363,771,397	44,722,319	17,248,256	425,741,972	353,375,467
New facilities granted during the year 384,117,828 11,677,195	384,117,828	11,677,195	798,654	396,593,677	209,167	10,315	478,971	698,453	384,326,995	11,687,510	1,277,625	397,292,130	363,314,122
Settled facilities	(333,015,304) (33,020,999)	(33,020,999)	(2,179,361)	(368,215,664)	(18,657)	(76,420)	(999'859)	(648,743)	(333,033,961) (33,097,419) (2,733,027) (368,864,407)	(33,097,419)	(2,733,027)	(368,864,407)	(290,947,617)
Transferred to stage 1	7,201,907	(7,201,907)		-	2,951	(2,951)	•		7,204,858	(7,204,858)		•	
Transferred to stage 2	(571,552)	571,552	,		(168)	121,256	(121,088)		(571,720)	692,808	(121,088)		
Transferred to stage 3	•	-	-	-	(408)		408		(408)	-	408		
Adjustments during the year	(1,168,618)	,	,	(1,168,618)	62	13,683	r	13,745	(1,168,556)	13,683	,	(1,154,873)	
Total balance at the end of year	419,079,846 16,674,163	16,674,163	12,906,235	448,660,244	1,448,759	139,880	2,765,939	4,354,578	4,354,578 420,528,605	16,814,043 15,672,174 453,014,822	15,672,174	453,014,822	425,741,972

Following is the movement on expected credit loss-large corporates as at 31 December 2022:

		JC	Joint			Self	If			To	Total		2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	۵r	۵r	۵r	۵r	۵ſ	Qſ	۵r	۵ſ	۵ſ	۵r	۵ſ	۵r	Qſ
Balance at beginning of the year	866,125	971,273	16,666,756	18,504,154	287,295	2,493	2,944,045	3,233,833	1,153,420	973,766	19,610,801	21,737,987	25,299,103
Provision for expected credit loss		502,414	491,283	993,697	12,235	2,539	5,872	20,646	12,235	504,953	497,155	1,014,343	489,723
Recoveries from expected credit loss provision	•	•	(1,384,299)	(1,384,299)	(286,897)	(101,675)	(79,753)	(468,325)	(286,897)	(101,675)	(1,464,052)	(1,852,624)	(5,218,953)
	•	•	•	•	•		•		•	•			(3,463)
	203,901	(203,901)	•		•				203,901	(203,901)			
	(1,521)	1,521	•		•	121,488	(121, 488)		(1,521)	123,009	(121,488)		
	•	•	•	•	•	•	•		•	•			
Adjustments during the year	3,729,507	3,209,817	(3,862,155)	3,077,169	-	-	-	-	3,729,507	3,209,817	(3,862,155)	3,077,169	1,171,577
Total balance at the end of year	4,798,012	4,481,124	11,911,585	21,190,721	12,633	24,845	2,748,676	2,786,154	4,810,645	4,505,969	14,660,261	23,976,875	21,737,987



Direct credit facilities at amortized cost according to Bank's internal rating – Small and Medium Enterprises as at 31 December 2022 as follows:

	ı	ı	ı	ı	ı	ı		ı	ı	ı
Total	Bad debts	Doubtful	Substandard	Non-performing debt	Watch list	Acceptable	Low risk		ltem	
57,647,400		•				53,402,039	4,245,361	JD	Stage 1	
7,313,538					3,415,510	3,898,028		JD	Stage 2	Jo
5,314,599	3,801,867	1,277,866	234,866	5,314,599				JD	Stage 3	Joint
70,275,537	3,801,867	1,277,866	234,866	5,314,599	3,415,510	57,300,067	4,245,361	JD	Total	
154,497						154,497		۵L	Stage 1	
52,618					10,748	41,870		JD	Stage 2	S
227,732	218,714	7,298	1,720	227,732				JD	Stage 3	Self
434,847	218,714	7,298	1,720	227,732	10,748	196,367		JD	Total	
57,801,897		1				53,556,536	4,245,361	JD	Stage 1	
7,366,156		1			3,426,258	3,939,898		JD	Stage 2	īo
5,542,331	4,020,581	1,285,164	236,586	5,542,331				JD	Stage 3	Total
70,710,384	4,020,581	1,285,164	236,586	5,542,331	3,426,258	57,496,434	4,245,361	JD	Total	
78,045,198	3,827,829	121,305	355,010	4,304,144	7,899,487	62,624,354	3,217,213	JD	Total	2021

Following is the movement on direct credit facilities at amortized cost – Small and Medium Enterprises as at 31 December 2022:

		Joint	n <del>t</del>			Self	if I			Total	111		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	62,764,487	10,838,905	4,061,406	77,664,798	127,756	9,906	242,738	380,400	62,892,243	10,848,811	4,304,144	78,045,198	100,883,200
New facilities granted during the year	44,340,334	5,041,948	739,437	50,121,719	221,574	30,151		251,725	44,561,908	5,072,099	739,437	50,373,444	49,746,160
Settled facilities	(49,094,349)	(7,227,021)	(1,068,741)	(49,094,349) (7,227,021) (1,068,741) (57,390,111) (131,602)	(131,602)	(12,064)	(18,377)	(162,043)	(49,225,951)	(7,239,085)	(1,087,118)	<b>(49,225,951) (7,239,085) (1,087,118) (57,552,154) (72,584,162)</b>	(72,584,162)
Transferred to stage 1	1,980,754	(1,980,754)			2,039	(2,039)			1,982,793	(1,982,793)			
Transferred to stage 2	(1,991,300)	2,028,360	(37,060)	•	(48,329)	48,329			(2,039,629)	2,076,689	(37,060)	•	
Transferred to stage 3	(231,657)	(1,387,900)	1,619,557	•	(1,677)	(1,694)	3,371		(233,334)	(1,389,594)	1,622,928	•	
Adjustments during the year	(120,869)			(120,869)	(15,264)	(19,971)		(35,235)	(136,133)	(19,971)		(156,104)	
Total balance at the end of year	57,647,400 7,313,538		5,314,599 70,275,537	70,275,537	154,497	52,618	227,732	434,847	57,801,897	7,366,156	5,542,331 70,710,384		78,045,198

Following is the movement on expected credit loss – Small and Medium Enterprises as at 31 December 2022:

		ol	Joint			**	Self			OT	Total		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	Oľ	Qſ	Oľ	Qſ	Oľ	Oľ	Qſ	Oľ	Oľ	Oľ	Oľ	Oľ	Oľ
Balance at beginning of the year	242,129	267,055	2,526,133	3,035,317	721	7.1	241,186	241,984	242,850	267,132	2,767,319	3,277,301	4,519,376
Provision for ECL	-	,	-	-	3,555	7,829		11,384	3,555	7,829		11,384	
Recoveries from expected credit loss	-	-	(421,894)	(421,894)	(223)	(2,900)	(13,454)	(21,577)	(223)	(006'2)	(435,348)	(443,471)	(1,273,065)
Transferred to stage 1	6,607	(96,607)							96,607	(66,607)			
Transferred to stage 2	(13,742)	32,979	(19,237)	-	(312)	312	•		(14,054)	33,291	(19,237)		
Transferred to stage 3	(652)	(36,563)	37,215						(652)	(36,563)	37,215		
Adjustments during the year	250,451	101,680	596,538	948,669					250,451	101,680	596,538	948,669	30,990
Total balance at the end of year	574,793	268,544	2,718,755	3,562,092	3,741	318	227,732	231,791	578,534	268,862	2,946,487	3,793,883	3,277,301

Direct credit facilities at amortized cost as internal rating of the Bank – Real estates as at 31 December 2022 as follows:

		Joint	t			Self	H.			Total	al		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	Qr	۵ſ	Qſ	Qſ	Qſ	Qſ	Qſ	Qſ	۵r	۵r	Qſ	۵r	Qſ
Low risk		•	•			•					•	•	
Acceptable	151,725,342	1,216,478	-	152,941,820	•	-	-		151,725,342	1,216,478	•	152,941,820	127,450,664
Watch list		2,577,855	•	2,577,855		•				2,577,855		2,577,855	2,141,204
Non-performing debt		-	2,601,322	2,601,322	•	-	-		-	•	2,601,322	2,601,322	3,669,904
Substandard	•	-	196,194	196,194	•	•	-		•	-	196,194	196,194	175,200
Doubtful		-	237,911	237,911	•	•	•		•	-	237,911	237,911	1,318,082
Bad debts			2,167,217	2,167,217							2,167,217	2,167,217	2,176,622
Total	151,725,342	3,794,333	2,601,322	158,120,997					151,725,342	3,794,333	2,601,322	158,120,997	133,261,772



Following is the movement on direct credit facilities at amortized cost – Real estates as at 31 December 2022:

133,261,772	<b>2,601,322 158,120,997</b> 133,261,772	2,601,322	3,794,333	151,725,342					158,120,997	2,601,322	3,794,333	151,725,342 3,794,333	Total balance at the end of year
		582,239	(247,476)	(334,763)						582,239	(247,476)	(334,763)	Transferred to stage 3
	r	(26,315)	819,562	(793,247)						(26,315)	819,562	(793,247)	Transferred to stage 2
	ı	(27,577)	(772,504)	800,081						(27,577)	(772,504)	800,081	Transferred to stage 1
(52,395,948	(37,425,448) (1,041,521) (1,789,251) (40,256,220) (52,395,948)	(1,789,251)	(1,041,521)	(37,425,448)			•	•	(40,256,220)	(1,789,251)	(37,425,448) (1,041,521) (1,789,251) (40,256,220)	(37,425,448)	Settled facilities
53,087,780	65,115,445	192,322	1,109,333	63,813,790 1,109,333			•	•	65,115,445	192,322	1,109,333	63,813,790	Facilities granted during the year
132,569,94	<b>133,261,772</b> 132,569,940	3,669,904	3,926,939	125,664,929					133,261,772	3,669,904	3,926,939	125,664,929	Balance at beginning of the year
JD	JD	JD	JD	JD	ם	JD	JD	JD	JD	JD	JD	JD	
Total	Total	Stage 3	Stage 2	Stage 1	Total	Stage 3	Stage 2	Stage 1	Total	Stage 3	Stage 2	Stage 1	Item
2021		<u> ක්</u>	Total			Self	Ş.			int	Joint		

# Following is the movement on expected credit loss – Real estates as at 31 December 2022:

Total balance at the end of year	Adjustments during the year	Transferred to stage 3	Transferred to stage 2	Transferred to stage 1	Recoveries from expected credit loss	Provision for expected credit loss	Balance at beginning of the year		ltem	
331,676	148,817	(120)	(1,241)	28,442			155,778	JD	Stage 1	
227,688	140,806	(6,220)	11,765	(28,030)			109,367	JD	Stage 2	Jo
1,663,488	198,311	6,340	(10,524)	(412)	(420,944)		1,890,717	JD	Stage 3	Joint
2,222,852	487,934				(420,944)		2,155,862	JD	Total	
								JD	Stage 1	
							•	JD	Stage 2	S
							•	JD	Stage 3	Self
							•	JD	Total	
331,676	148,817	(120)	(1,241)	28,442			155,778	JD	Stage 1	
227,688	140,806	(6,220)	11,765	(28,030)			109,367	JD	Stage 2	7.
1,663,488	198,311	6,340	(10,524)	(412)	(420,944)		1,890,717	JD	Stage 3	Total
2,222,852	487,934				(420,944)		2,155,862	JD	Total	
2,155,862	(263,817)						2,419,679	JD	Total	2021

Direct credit facilities at amortized cost according to Bank's internal rating – Retail as at 31 December 2022 as follows:

		Joint	±			Self	<u>+</u>			Total	_		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	۵r	۵r	۵r	۵r	۵r	۵r	۵r	۵r	۵r	۵r	Qſ	۵r	Qſ
Low risk	3,080,198			3,080,198	-				3,080,198	-		3,080,198	1,490,692
Acceptable	353,890,550	1,551,984	-	355,442,534	63,006,446	341,288		63,347,734	416,896,996	1,893,272		418,790,268	371,164,190
Watch list		1,151,912		1,151,912		29,464		29,464		1,181,376		1,181,376	1,116,452
Non-performing debt		-	3,419,111	3,419,111		•	802,186	802,186	-	-	4,221,297	4,221,297	3,965,318
Substandard			546,627	546,627		•	21,583	21,583	-	-	568,210	568,210	505,708
Doubtful			474,068	474,068	-		51,440	51,440		-	525,508	525,508	454,585
Bad debts			2,398,416	2,398,416	•	-	729,163	729,163	•	•	3,127,579	3,127,579	3,005,025
Total	356,970,748	356,970,748 2,703,896	3,419,111	363,093,755	63,006,446	370,752	802,186	64,179,384	419,977,194	3,074,648	4,221,297	427,273,139	377,736,652

Following is the movement on direct credit facilities at amortized cost – Retail as at 31 December 2022:

		Joint	int			Self	JI.			Total	le:		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	Q	Q	Qſ	Qſ	Q	9	Q	Qſ	Qſ	Qſ	Qſ	Qſ	Qſ
Balance at beginning of the year	315,422,947 2,119,733	2,119,733	3,291,927	320,834,607	55,990,601	238,053	673,391	56,902,045	371,413,548	2,357,786	3,965,318	377,736,652	337,830,669
Granted facilities during the year	157,789,680	844,710	434,664	159,069,054	26,480,429	175,416	190,893	26,846,738	184,270,109	1,020,126	625,557	185,915,792	149,011,138
Settled facilities	(115,456,504) (1,012,178) (1,630,711)	(1,012,178)		(118,099,393)	(19,242,086)	(150,885)	(197,918)	(19,590,889)	(19,590,889) (134,698,590) (1,163,063)	(1,163,063)	(1,828,629)	(1,828,629) (137,690,282)	(109,105,155)
Transferred to stage 1	826,989	(657,440)	(169,549)		95,190	(79,044)	(16,146)	-	922,179	(736,484)	(185,695)		
Transferred to stage 2	(1,882,614)	1,927,814	(45,200)		(210,367)	216,207	(5,840)	-	(2,092,981)	2,144,021	(51,040)		
Transferred to stage 3	(1,019,237)	(518,743)	1,537,980	·	(122,523)	(35,283)	157,806		(1,141,760)	(554,026)	1,695,786	-	
Adjustments during the year	1,289,487			1,289,487	15,202	6,288		21,490	1,304,689	6,288		1,310,977	
Total balance at the end of year	356,970,748 2,703,896	2,703,896	3,419,111	363,093,755	63,006,446	370,752	802,186	64,179,384	419,977,194	3,074,648	4,221,297	427,273,139	377,736,652



Following is the movement on expected credit loss – Retail as at 31 December 2022:

Total balance at the end of year 735,764 526,013 2,653,745	Adjustments during the year 147,253 420,582 416,283	Transferred to stage 3 (1,501) (89,581) 91,082	Transferred to stage 2 (2,746) 15,286 (12,540)	Transferred to stage 1 131,213 (95,762) (35,451)	Recoveries from expected credit loss - (231,151)	Provision for expected credit loss	Balance at beginning of the year 461,545 275,488 2,425,522		ltem Stage 1 Stage 2 Stage 3	Joint
3,915,522	984,118				(231,151)		3,162,555	JD	Total	
79,642		(236)	(477)	5,126	(25,392)	51,863	48,758	JD	Stage 1	
45,626		(2,752)	1,565	(3,226)	(5,399)	39,710	15,728	JD	Stage 2	Self
802,186		2,988	(1,088)	(1,900)		128,795	673,391	JD	Stage 3	f
927,454					(30,791)	220,368	737,877	JD	Total	
815,406	147,253	(1,737)	(3,223)	136,339	(25,392)	51,863	510,303	JD	Stage 1	
571,639	420,582	(92,333)	16,851	(98,988)	(5,399)	39,710	291,216	JD	Stage 2	Total
3,455,931	416,283	94,070	(13,628)	(37,351)	(231,151)	128,795	3,098,913	JD	Stage 3	tal
4,842,976	984,118				(261,942)	220,368	3,900,432	JD	Total	
3,900,432	1,082,597				(837,979)		3,655,814	JD	Total	2021

### **Revenue in Suspense**

The following is the movement on the revenue in suspense:

			Self			
	Small and Med	ium Enterprises	Corpo	orates	То	tal
	31 Dec	cember	31 Dec	ember	31 Dec	ember
	2022	2021	2022	2021	2022	2021
	<b>JD</b> JD		JD	JD	JD	JD
Balance at the beginning of the year	1,490	-	17,228	17,085	18,718	17,085
Add: Revenue suspended during the year	-	1,490	35	143	35	1,633
Less: Revenue in suspense transferred to income	(1,490)	-	-	-	(1,490)	-
Balance at the end of the year		1,490	17,263	17,228	17,263	18,718

			Joint	:	
2022		Real estate		Corporates	_
	Retail	finances	Large	Small and medium enterprises	Total
	JD	JD	JD	D	JD
Balance at the beginning of the year	614,365	279,117	784,424	705,253	2,383,159
Add: Revenue suspended during the year	140,813	90,229	105,697	216,718	553,457
Less: Revenue in suspense transferred to income	(278,539)	(27,160)	(124,088)	(148,506)	(578,293)
settlements	87	(105)	18	-	-
Balance at the end of the year	476,726	342,081	766,051	773,465	2,358,323
2021					
Balance at the beginning of the year	492,250	279,380	964,276	585,969	2,321,875
Add: Revenue suspended during the year	256,784	52,160	18,886	173,215	501,045
Less: Revenue in suspense transferred to income	(134,669)	(52,423)	(153,719)	(98,950)	(439,761)
settlements	-	-	(45,019)	45,019	-
Balance at the end of the year	614,365	279,117	784,424	705,253	2,383,159

- Non-performing Deferred sales receivables, other receivables and Al-Qard Al-Hasan loans amounted to JD 28,270,923 which represents 2.4% of deferred sales receivables, other receivables and Al-Qard Al-Hasan loans balance for the year 2022 compared to (JD 29,187,622, which represents 2.7% of the granted balance as at 31 December 2021).
- Non-performing deferred sales receivables, other receivables and Al-Qard Al-Hasan loans after deducting the suspended revenues amounted to JD 25,940,433 which represents 2.2% of deferred sales receivables, other receivables and Al-Qard Al-Hasan loans balance after deducting the suspended revenue for the year 2022 (compared to JD 26,785,745 which represents 2.5% of the granted balance as at 31 December 2021).



The movement on expected credit loss as at 31 December 2022 as follows:

			Self			2021
Item (JD)	Corporates	Small and medium enterprises	Retail	Real estate finances	Total	Total
Balance at the beginning of the year	3,233,833	241,984	737,877	-	4,213,694	4,030,110
ECL for new facilities during the year	20,646	11,384	220,368	-	252,398	489,723
Recoveries from ECL for settled facilities	(468,325)	(21,577)	(30,791)	-	(520,693)	(302,676)
Bad debts	-	-	-	-	-	(3,463)
Transferred to stage 1	-	-	5,126	-	5,126	7,519
Transferred to stage 2	121,488	312	1,565	-	123,365	556
Transferred to stage 3	-	-	2,988	-	2,988	19,604
Effect on provision – as at end of year as a result of reclassification between three stages during a year	121,488	312	9,679	-	131,479	27,679
adjustments during the year	(121,488)	(312)	(9,679)	-	(131,479)	(27,679)
Balance at the end of the year	2,786,154	231,791	927,454		3,945,399	4,213,694

The movement on segmented expected credit loss as at 31 December 2022 – joint as follows:

			Joint			
Item (JD)	Corporates	Small and medium enterprises	Retail	Real estate finances	Total	2021
Balance at the beginning of the year	18,504,154	3,035,317	3,162,555	2,155,862	26,857,888	31,863,862
ECL for new facilities during the year	993,697	-	-	-	993,697	-
Recoveries from ECL for settled facilities	(1,384,299)	(421,894)	(231,151)	(420,944)	(2,458,288)	(7,027,321)
Transferred to stage 1	203,901	96,607	131,213	28,442	460,163	503,289
Transferred to stage 2	1,521	32,979	15,286	11,765	61,551	361,627
Transferred to stage 3	-	37,215	91,082	6,340	134,637	170,167
Effect on provision – as at end of year as a result of reclassification between three stages during a year	205,422	166,801	237,581	46,547	656,351	1,035,083
adjustments during the year	2,871,747	781,868	746,537	441,387	4,841,539	986,264
Balance at the end of the year	21,190,721	3,562,092	3,915,522	2,222,852	30,891,187	26,857,888

### 7. Deferred Sales Receivables through the Statement of Income

In 2022 the sales receivables through the statement of income-self amounted to JD 6,513,267 and an impairment provision for sales receivables of JD 6,513,267 was taken.

## 8. Jjara Muntahia Bittamleek Assets - Net

The details of this item are as follows:

		Joint			Self-financed			Total	
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
31 December 2022	Qſ	Qſ	Qſ	Qſ	Qr	Qr	Qſ	Qſ	Qſ
Ijara Muntahia Bittamleek Assets – Real estate	1,122,437,914 (233,326,509) 889,111,405 322,882 (49,889)	(233,326,509)	889,111,405	322,882	(49,889)	272,993	272,993 1,122,760,796 (233,376,398) 889,384,398	(233,376,398)	889,384,398
Ijara Muntahia Bittamleek Assets – Machinery	9,143,260	(2,804,859) 6,338,401	6,338,401			,	9,143,260	(2,804,859)	6,338,401
Total	1,131,581,174	1,131,581,174 (236,131,368) 895,449,806 322,882 (49,889) 272,993 1,131,904,056 (236,181,257) 895,722,799	895,449,806	322,882	(49,889)	272,993	1,131,904,056	(236,181,257)	895,722,799

31 December 2021									
Ijara Muntahia Bittamleek Assets – Real estate	1,019,278,629	(220,683,749)	(220,683,749) 798,594,880 322,882	322,882	(9,076)	313,806	313,806 1,019,601,511 (220,692,825) 798,908,686	(220,692,825)	798,908,686
Ijara Muntahia Bittamleek Assets – Machinery	9,215,272	(508,032)	8,707,240		ı		9,215,272	(508,032)	8,707,240
Total	1,028,493,901	(221,191,781) 807,302,120 322,882	807,302,120	322,882	(9/0/6)	313,806	313,806 1,028,816,783 (221,200,857) 807,615,926	(221,200,857)	807,615,926

Total due Ijara installments amounted to JD 4,568,031 as at 31 December 2022 (JD 4,759,247 as at 31 December 2021). Moreover, due Ijara balances were disclosed within the deferred sales receivables and other receivables (Note 6).

Non-performing Ijara Muntahia Bittamleek amounted to JD 2,075,223 which represents 0,23% of Ijara Muntahia Bittamleek balance as at 31 December 2022 (JD 2,341,131 which represents 0,3% as at 31 December 2021).



### 9. Financial Assets at Fair Value Through Shareholders' Equity-self

The details for this item as follow:

21	Decem	h۸
<b>ગ</b> 1	Decem	υe

	2022	2021
	JD	JD
Quoted financial assets		
Investment portfolios managed by other parties *	5,813,534	5,842,911
Total financial Assets at fair value throughshareholders' equity	5,813,534	5,842,911

<sup>\*</sup> This item represents the investment portfolios managed by Al-Arabi Investment Group Company and includes external shares, Islamic Sukuk and International Murabaha.

### 10. Financial Assets at Fair Value Through Joint Investment Accounts Holder's **Equity**

The details for this item as follow:

	31 Dec	cember
	2022	2021
	JD	JD
Unquoted financial assets		
Companies shares *	6,132,492	3,914,687
Total	6,132,492	3,914,687

<sup>\*</sup> This represents Bank's share in establishing the following companies:

- Jordan payment and clearing company.
- Jordanian Islamic Banks Co. for Investment.
- Islamic Banks group Co. for SMEs contribution.
- Jordan investment fund co.

<sup>-</sup> There was no transfer to retained earnings under shareholders' equity related to financial assets through shareholders' equity - self.

### 11. Financial Assets at Amortized Costs - Net

The details for this item as follow:

	Jo	int
	31 Dec	cember
	2022	2021
	DL	JD
Islamic Sukuk - quoted	34,421,911	27,478,185
Islamic Sukuk - unquoted	139,302,000	-
Expected credit loss	(421,274)	(745,396)
Total	173,302,637	26,732,789

The above assets have fixed and determinable payments and mature within 5 years.

The investments at amortized cost according to the Bank's internal rating as at 31 December 2022 are as follows:

Item	Stage 1	Stage 2	Stage 3	Total	2021
	JD	JD	JD	JD	JD
Low risk	157,200,096	-	-	157,200,096	14,420,785
Acceptable	7,111,878	9,411,937	-	16,523,815	13,057,400
Under watch debt	-	-	-	-	-
Non-working debt	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Bad debts	-	-	-	-	-
Total	164,311,974	9,411,937		173,723,911	27,478,185

The movement on investments as at end of year:

Item	Stage 1	Stage 2	Stage 3	Total	2021
	JD	JD	JD	JD	JD
Balance at the beginning of the year	17,966,111	9,512,074	-	27,478,185	38,129,129
New investments	149,929,091	-	-	149,929,091	7,520,257
Matured investments/ amortization during the year	(3,583,228)	(100,137)	-	(3,683,365)	(18,171,201)
Transferred to stage 1	-	-	-	-	-
Transferred to stage 2	-	-	-	-	-
Transferred to stage 3	-	-	-	-	-
Balance at the end of the year	164,311,974	9,411,937	-	173,723,911	27,478,185



The movement on expected credit loss provision in aggregation form as at end of year was as follows:

		2022				
Item	Stage 1	Stage 2	Stage 3	Total	Total	
	JD	JD	JD	JD	JD	
Balance at the beginning of the year	217,945	527,451	-	745,396	765,218	
New investments	-	-	-	-	-	
Recoveries from ECL on matured Investments	-	-	-	-	(121,418)	
Transferred to stage 1	-	-	-	-	-	
Transferred to stage 2	-	-	-	-	-	
Transferred to stage 3	-	-	-	-	-	
Adjustments during the year	(41,722)	(282,400)	-	(324,122)	101,596	
Balance at the end of the year	176,223	245,051	-	421,274	745,396	

### 12. Investments in Real Estate

The details for this item as follow:

Investment in real estate for using purposes:

	Jo	int
	31 Dec	ember
	2022	2021
	JD	JD
Investments in real estate	26,525,972	26,767,652
Accumulated depreciation	(3,022,251)	(2,936,622)
Impairment provision	(4,745,150)	(4,842,356)
Total	18,758,571	18,988,674

The movement on the investment in real estate portfolio during the year was as follows:

2022	Land	Buildings	Total
	JD	JD	JD
Cost			
Balance at the beginning of the year	13,597,362	13,170,290	26,767,652
Additions / Capitalization	-	1,027,386	1,027,386
Disposals	(962,166)	(306,900)	(1,269,066)
Balance at the end of the year	12,635,196	13,890,776	26,525,972
Accumulated Depreciation			
Accumulated depreciation at the beginning of the year	-	(2,936,622)	(2,936,622)
Depreciation of the year	-	(194,503)	(194,503)
Disposals	-	108,874	108,874
Accumulated depreciation at the end of the year	-	(3,022,251)	(3,022,251)
Impairment provision for real estate			
Impairment provision at the beginning of the year	(4,481,850)	(360,506)	(4,842,356)
Impairment of the year	66,140	31,066	97,206
Impairment provision at the end of the year	(4,415,710)	(329,440)	(4,745,150)
Net investment at the end of the year	8,219,486	10,539,085	18,758,571
2021	Land	Buildings	Total
	JD	JD	JD
Cost			
Balance at the beginning of the year	16,059,918	15,295,320	31,355,238
Additions / Capitalization	-	462,543	462,543
Disposals	(2,462,556)	(2,587,573)	(5,050,129)
Balance at the end of the year	13,597,362	13,170,290	26,767,652
Accumulated Depreciation			
Accumulated depreciation at the beginning of the year	-	(2,991,668)	(2,991,668)
Depreciation of the year	-	(172,836)	(172,836)
Disposals	-	227,882	227,882
Accumulated depreciation at the end of the year	-	(2,936,622)	(2,936,622)
Impairment provision for real estate			
Impairment provision at the beginning of the year	(4,655,507)	(176,873)	(4,832,380)
Impairment of the year	173,657	(183,633)	(9,976)
Impairment provision at the end of the year	(4,481,850)	(360,506)	(4,842,356)
Net investment at the end of the year	9,115,512	9,873,162	18,988,674

- The buildings within the above real estate portfolio are depreciated on a straight-line basis, at a depreciation rate of 2%.
- The fair value of investments in real estate portfolio amounted to JD 21,746,940 as at 31 December 2022 (JD 22,257,996 as at 31 December 2021).
- The fair value for investment in real estate based on the average of valuations which was performed by independent valuators which has professional qualifications and proper experience to evaluate the place and value of a real estate as at 31 December 2022 and 31 December 2021, the fair value has been determined depending on new market dealings also the valuations of the valuators and their professional judgement.
- There are no burdens, pledges, or restrictions on the title deeds related to the real estate.
- The real estate within a portfolio is evaluated separately and an impairment provision is calculated for the real estates that is impaired.



### 13. Property and Equipment - Net

The details for this item as follow:

2022	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Improvements & Decorations	Total
	JD	JD	۵ľ	JD	JD	JD	JD
Cost							
Balance at the beginning of the year	7,474,233	5,881,633	8,002,894	336,508	8,436,060	12,265,531	42,396,859
Additions			393,146		2,135,726	171,957	2,700,829
Disposals	-		(232,510)		(619,234)	(137,664)	(989,408)
Balance at the end of the year	7,474,233	5,881,633	8,163,530	336,508	9,952,552	12,299,824	44,108,280
Accumulated Depreciation							
Accumulated depreciation at the beginning of the year	-	1,794,606	5,724,540	234,391	6,497,233	10,433,934	24,684,704
Depreciation of the year	•	116,484	526,955	51,854	1,278,544	452,098	2,425,935
Disposals	-	•	(215,788)		(613,669)	(136,867)	(966,324)
Accumulated depreciation at the end of the year		1,911,090	6,035,707	286,245	7,162,108	10,749,165	26,144,315
Net Book value for property and equipment	7,474,233	3,970,543	2,127,823	50,263	2,790,444	1,550,659	17,963,965
Projects under process					8,120	257,629	265,749
Net Property and Equipment at the end of the year	7,474,233	3,970,543	2,127,823	50,263	2,798,564	1,808,288	18,229,714
2021	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Improvements & Decorations	Total

2021	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Improvements & Decorations	Total
Cost							
Balance at the beginning of the year	7,152,508	4,818,668	7,462,300	336,508	7,428,679	11,364,509	38,563,172
Additions	321,725	1,062,965	765,721		1,286,701	1,246,059	4,683,171
Disposals			(225,127)		(279,320)	(345,037)	(849,484)
Balance at the end of the year	7,474,233	5,881,633	8,002,894	336,508	8,436,060	12,265,531	42,396,859
Accumulated Depreciation							
Accumulated depreciation at the beginning of the year		1,688,752	5,362,014	182,537	5,860,100	10,244,843	23,338,246
Depreciation of the year		105,854	563,867	51,854	906,909	534,027	2,162,511
Disposals			(201,341)		(269,776)	(344,936)	(816,053)
Accumulated depreciation at the end of the year		1,794,606	5,724,540	234,391	6,497,233	10,433,934	24,684,704
Net Book value for property and equipment	7,474,233	4,087,027	2,278,354	102,117	1,938,827	1,831,597	17,712,155
Projects under process		81,640			483,729	78,249	643,618
Net Property and Equipment at the end of the year	7,474,233	4,168,667	2,278,354	102,117	2,422,556	1,909,846	18,355,773
annual consumption rates		2	2-15	20	25	15	

The cost of fully depreciated property and equipment amounted to JD 16,118,911 as at 31 December 2022 (JD 14,898,398 as at 31 December 2021).

### 14. Intangible Assets – Net

The details for this item as follow:

	Systems ar	nd Software
	2022	2021
	JD	JD
Balance at the beginning of the year	1,656,862	975,473
Additions	520,991	1,073,114
Amortization for the year	(550,200)	(391,725)
Balance at the end of the year	1,627,653	1,656,862
Amortization rate %	25	25

The above balance contains the amount of JD 517,583 which represent under constructions projects as 31 December 2022).

### 15. Right of use assets and lease liability

The movement of right of use assets and lease liability – long term was as follows:

	31 Decemi	ber 2022	31 Decemb	per 2021
	Right of use assets	Lease liability	Right of use assets	Lease liability
	JD	JD	JD	JD
Balance at the beginning of the year	7,005,940	5,941,126	5,630,216	4,752,471
Addition during the year	1,755,544	1,755,544	2,559,792	2,479,792
Amortization during the year (note 45)	(1,240,523)	-	(1,184,068)	-
Finance costs (note 45)	-	132,080	-	127,847
Paid during the year	-	(1,552,709)	-	(1,418,984)
Balance as at the end of the year	7,520,961	6,276,041	7,005,940	5,941,126

### 16. Other Assets

The details for this item as follow:

	31 Dec	ember
	2022	2021
	JD	JD
Clearing cheques	11,892,075	5,317,194
Prepaid expenses	2,434,047	1,984,424
Accrued revenue	2,538,590	243,939
Foreclosed Assets – Net *	17,991,819	18,913,549
Others	332,372	986,257
Total	35,188,903	27,445,363



The following is a summary of the movement on the foreclosed assets:

		31 Decemb	er 2022		31 December 2021
	Land	Buildings	Other	Total	2021
	JD	JD	JD	JD	JD
Balance at the beginning of the year	13,137,001	7,194,381	194,000	20,525,382	19,498,165
Additions	18,603	1,753,188	-	1,771,791	2,746,891
Disposals	(376,186)	(2,033,252)	-	(2,409,438)	(1,719,674)
Total	12,779,418	6,914,317	194,000	19,887,735	20,525,382
Repossessed assets / Impairment provision **	(1,516,836)	(379,080)	-	(1,895,916)	(1,611,833)
Balance at the end of the year *	11,262,582	6,535,237	194,000	17,991,819	18,913,549

<sup>\*</sup>The balance of assets owned by the Bank represents expropriated real estate in repayment of bad debts, which the Bank is prohibited from disposing of for a period of one year from the date of registering the property in the name of the Bank.

The instructions of the Central Bank of Jordan require the disposal of real estate whose ownership has been transferred to the Bank within a maximum period of two years from the date of transfer, and the Central Bank of Jordan may, in exceptional cases, extend this period for a maximum of two consecutive years.

The instructions of the Central Bank were issued on 10/10/2022, which stipulate the abolition of deductions for expropriated real estate in violation of the provisions of Banking Law No. (28) of 2000 and its amendments, with the need to maintain the allocations for expropriated real estate in violation of the provisions of the Banking Law, provided that only releasing the allotted allowance against any of the infringing real estate that is disposed of .

### 17. Banks and Financial Institutions Accounts

The details for this item as follow:

			31 Dec	ember		
		2022			2021	
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current and call accounts	86,197	302,184	388,381	-	1,645,562	1,645,562
Total	86,197	302,184	388,381	-	1,645,562	1,645,562

### 18. Customers' Current Accounts

The details for this item as follow:

	Retail	Corporates	Small and medium enterprises	Government and public sector	Total
31 December 2022	JD	JD	JD	JD	JD
Current accounts	628,737,126	57,876,026	127,077,832	3,752,823	817,443,807
Total	628,737,126	57,876,026	127,077,832	3,752,823	817,443,807
31 December 2021	JD	JD	JD	JD	JD
Current accounts	614,724,098	47,814,272	114,321,749	3,420,405	780,280,524
Total	614,724,098	47,814,272	114,321,749	3,420,405	780,280,524

Government of Jordan and public sector deposits inside Jordan amounted to JD 3,752,823 as at 31 December 2022, representing 0,46% of the total customers' current accounts (JD 3,420,405 as at 31 December 2021, representing 0,43%). Restricted deposits amounted to JD 3,885,594 as at 31 December 2022, representing 0,5% of the total customers' current accounts (JD 4,000,649 as at 31 December 2021, representing 0,5%).

Dormant accounts amounted to JD 16,309,016 as at 31 December 2022 (JD 19,667,156 as at 31 December 2021).

<sup>\*\*</sup>Impairment losses of expropriated real estate include an impairment provision against expropriated real estate against debts of JD 324,331 as on 31 December 2022 (JD 253,553 as on 31 December 2021) according to the Central Bank of Jordan letter No. 2510/1/10 dated 14 February 2017 and its amendments.

### 19. Cash Margins

The details for this item as follow:

	31 December		
	2022 2021		
	JD	JD	
Cash margins against sales receivables and financings	22,815,691	19,777,436	
Cash margins against indirect credit facilities	6,550,227	8,795,492	
Other cash margins	3,026,872	3,795,872	
Total	32,392,790	32,368,800	

 $The \ Bank\ distributed\ an\ amount\ of\ JD\ 62,889\ to\ the\ insurance\ account\ holders\ participating\ in\ the\ profit\ as\ at\ 31\ December$ 2022 (JD 394,815 as at 31 December 2021).

### **20. Other Provisions**

The movement on other provisions is as follows:

	Balance at the beginning of the year	Provision for the year	Paid during the year	Balance at the end of the year
2022	JD	JD	JD	JD
Provision for end-of-service indemnity	3,641,807	136,958	(412,165)	3,366,600
Provision for lawsuits against the Bank	82,000	-	-	82,000
Total	3,723,807	136,958	(412,165)	3,448,600
2021				
Provision for end-of-service indemnity	3,463,844	422,530	(244,567)	3,641,807
Provision for lawsuits against the Bank	82,000	-	-	82,000
Total	3,545,844	422,530	(244,567)	3,723,807

### 21. Income Tax

### a. Provision for Income Tax

The movement on income tax provision is as follows:

	2022	2021
	JD	JD
Balance at the beginning of the year	11,545,933	11,359,095
Income tax paid during the year	(15,001,649)	(14,337,412)
Income tax paid for previous years	(46,164)	-
Income tax payable for the year	18,631,944	14,524,250
Balance at the end of the year	15,130,064	11,545,933



### b. Income tax appearing in the Statement of Income represents the following:

	2022	2021
	JD	JD
Income tax payable for the year	18,631,944	14,524,250
Deferred tax assets for the year	(425,317)	(337,771)
Amortization of deferred tax assets	485,302	248,124
Total	18,691,929	14,434,603

A final settlement was reached with the Income and Sales Tax Department until the end of the year 2020. Moreover, the tax returns for the year 2021 was submitted and has not yet been reviewed by the Income and Sales Tax Department.

The accrued income tax for the year ended 31 December 2022 and 2021 was calculated in accordance with the Income Tax Law in force.

In the opinion of the Management and the tax consultant, no additional provisions are required for the year ended 31 December 2022 and 2021.

### c. Deferred Tax Assets / Liabilities - Self

		31 December 2022				
	Beginning balance	Released amounts	Added amounts	End of year balance	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
Deferred Tax Assets – Self						
Provision for end-of-service indemnity	3,641,807	(412,165)	136,958	3,366,600	1,279,308	1,383,887
Provisions for expected credit loss - self	1,459,538	(864,945)	982,298	1,576,891	599,218	554,624
Provision for fees for lawsuits against the Bank	82,000	-	-	82,000	31,160	31,160
impairment in the financial assets at fair value through shareholders' equity	2,727,786	-	-	2,727,786	1,036,559	1,036,559
Effect of the implementation of expected credit loss provision standard	700,788	-	-	700,788	266,299	266,299
	8,611,919	(1,277,110)	1,119,256	8,454,065	3,212,544	3,272,529

Self-financed deferred tax assets of JD 3,212,544 as at 31 December 2022 resulted from time differences of the provision for end-of-service indemnity, provision for impairment in self – financings, provision for fees on lawsuits against the Bank, impairment in financial assets, and unacceptable tax expenses and deferred for years to come. These deferred tax assets were calculated at a tax rate of 35% in addition to 3% national contribution with a total of 38% and In the management's opinion, these tax benefits from profits will be utilized in the future.

### d- Deferred Tax Liabilities - Self

		31 December 2022				
	Beginning balance	, 1)6				Deferred Tax
	JD	JD	JD	JD		
Financial assets at fair value through shareholders' equity	993,220	(29,377)	-	963,843	366,260	377,424
	993,220	(29,377)	-	963,843	366,260	377,424

The deferred tax liabilities of JD 366,260 as at 31 December 2022 (JD 377,424 as at 31 December 2021) resulted from gains from valuation of financial assets presented within the fair value reserve of shareholders' equity.

The movement on the deferred tax assets and liabilities – self is as follows:

	31 Decen	nber 2022	31 December 2021		
	Assets	Assets Liabilities		Liabilities	
	JD	JD	JD	JD	
Balance at the beginning of the year	3,272,529	377,424	3,182,882	296,477	
Additions during the year	425,317	425,317 -		80,947	
Amortized during the year	(485,302)	(11,164)	(248,124)	-	
Balance at the end of the year	3,212,544	366,260	3,272,529	377,424	

### e. Summary of the Reconciliation between Accounting Income with Taxable Income:

	31 December 2022	31 December 2021
	JD	JD
Accounting Income	54,189,097	48,152,349
Add: Non-deductible tax expenses	136,958	422,529
Less: Tax-exempt Income	(7,432,651)	(11,149,903)
Other adjustments	5,533,757	4,361,478
Taxable Income	52,427,161	41,786,453
Declared income tax rate	38%	38%
Income Tax Provision - Net	19,922,321	15,878,852
Actual income tax rate	34,38%	30,1%
Attributable to:		
Declared provision – Bank	18,631,944	14,524,250
Declared provision – Mutual insurance fund *	1,290,377	1,354,602
	19,922,321	15,878,852

<sup>\*</sup> The mutual insurance fund has been established to cover defaults on repayments due to death or total disability of the customers of sales receivables and financing as per the Fund's Articles of Association approved by the Central Bank of Jordan.



### 22. Other Liabilities

	31 December		
	2022	2021	
	JD	JD	
Certified cheques	11,837,054	8,518,668	
Promissory notes, bills of collection and inward transfers	8,939,789	6,483,488	
Accrued and unpaid expenses	227,279	708,093	
Customers' share of revenue from joint investments (saving and term deposit)	28,309,954	1,518,621	
Customers' share of revenues from joint investments (cash margin)	295,342	1,611	
Commissions received in advance	325,844	301,013	
Temporary deposit's and others *	39,185,716	21,501,268	
Expected credit loss (off Balance sheet)- self (note 56)	1,301,333	846,038	
Expected credit loss (off Balance sheet)- joint (note 56)	435,815	244,947	
Income tax of mutual insurance fund (Note 24/d)	1,033,528	1,155,229	
Board of Directors' remunerations	25,000	25,000	
	91,916,654	41,303,976	

<sup>\*</sup> This item includes intermediate accounts amounting to JD 28,336,832 as at 31 December 2022, (JD 13,416,642 as at 31 December 2021) representing accepted L/C's and deferred customers' bills that will be paid at their maturity date.

<sup>-</sup> The bank took a decision at the end of the year 2022 to postpone the distribution of profits to customers' deposits in dinars, so that it takes place during January 2023.

### 23. Unrestricted Investment Accounts

The details of this item are as follows:

	31 December 2022					
	Retail	Corporates	Small and medium enterprises	Government and public sector	Central Bank deposits *	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	257,693,527	129,420	1,724,078	429	23,845,894	283,393,348
Term deposits *	917,443,496	104,802,669	58,985,404	320,260,840	27,192,377	1,428,684,786
Total	1,175,137,023	104,932,089	60,709,482	320,261,269	51,038,271	1,712,078,134
Depositors' share of the investment returns	6,255,595	249,944	356,176	2,988,362	8,197	9,858,274
Total Joint Investment Accounts	1,181,392,618	105,182,033	61,065,658	323,249,631	51,046,468	1,721,936,408

	31 December 2021					
	Retail	Corporates	Small and medium enterprises	Government and public sector	Central Bank deposits *	Total
	JD	JD	JD	JD	JD	JD
Saving accounts	249,960,228	643,830	2,138,158	426	34,603,688	287,346,330
Term deposits *	851,604,519	113,821,207	70,203,610	280,186,434	27,141,860	1,342,957,630
Total	1,101,564,747	114,465,037	72,341,768	280,186,860	61,745,548	1,630,303,960
Depositors' share of the investment returns	20,990,556	3,911,789	2,018,846	7,550,041	10,358	34,481,590
Total Joint Investment Accounts	1,122,555,303	118,376,826	74,360,614	287,736,901	61,755,906	1,664,785,550

<sup>\*</sup> Two investment agreements were signed with the Central Bank of Jordan on February 21, 2019, whereby cash funds are deposited by the Central Bank in two separate accounts, for savings and on behalf of the Central Bank of Jordan with the Bank, with participation rates agreed upon with the Central Bank of Jordan, so that these amounts are granted as financing to the clients of the sectors Specified within the two agreements with preferential returns under the approval of the Central Bank of Jordan and within its parameters stipulated in the agreement.

The joint investment accounts participate in profits based on the following:

- 30% from the monthly balance of saving accounts.
- 100% of the balance of the term accounts with a balance of more than 5 million dinars.
- 100% of the balance of the term accounts with a balance of one million dinars and more, and the period of linking them annually.
- 95% of the balance of term accounts with a balance of less than one million dinars, and the period of linking them is annually.
- 90% of the lowest balance of other term accounts.
- The general rate of profit on the Jordanian Dinar was from 1,6% to 3,7% for the first half and from 1,5% to 5,2% for the second half for the year 2022, (1,67% to 4,37% and 1,84% to 4,81% in the previous year).
- The general rate of profit on USD for the first and second halves of the year 2022 was 0,40% to 0,92% and 1,03% to 2,34% respectively (0,294% to 0,737% and 0,292% to 0,730% in the previous year).
- -The restricted accounts amounted to JD 1,527,640 as at 31 December 2022 (JD 1,240,414 as at 31 December 2021).
- The joint investment accounts of the Government of Jordan and Public Sector inside the Jordan amounted to JD 323,249,631as at 31 December 2022 at 18,7% of the total joint investment accounts (JD 287,736,901 as at 31 December 2021 17%).
- Dormant accounts amounted to JD 10,413,575 as at 31 December 2022 (JD 9,331,248 as at 31 December 2021).
- -The bank took a decision at the end of the year 2022 to postpone the distribution of profits to customers' deposits in dinars to take place during January 2023, as the bank decided to donate from its own funds to raise the general percentage.



### 24. Investment Risk Fund

### a-The movement on the Investment Risk Fund is as follows:

	2022	2021
	JD	JD
Balance at the beginning of the year	1,468,691	4,036,823
Add: transferred from investment risk fund – previous years	-	1,164,543
Less: released from provisions for expected credit losses	(1,468,691)	(3,732,675)
Balance at the end of the year	-	1,468,691

### **b** - The movement of the expected credit losses provision is as follows:

	2022	2021
	JD	JD
Balance at the beginning of the year	34,302,419	39,095,796
Less:		
Released from provision for hedging - previous years	-	(1,164,543)
Released from provisions against expected credit losses that are no longer needed - Phase III	(2,458,288)	(7,361,509)
Released from provisions against expected credit losses that are no longer needed - financial assets at amortized cost Note-11	(324,122)	-
Released from provisions for expected credit losses that are no longer needed - off-balance sheet items - Note 56	(4,530)	-
Released from provision for real estate investment portfolio Note 12	(97,206)	-
Released against debts covered by the Mutual Insurance Fund	(3,656,965)	-
Add:		
Released from provision for facing expected investment risks - third stage	1,468,691	-
Provision for expected credit losses - first stage	3,603,342	479,449
Provision for expected credit losses - second stage	502,414	573,034
Provision for expected credit losses - third stage	491,283	2,347,857
Provision for expected credit losses - off-balance sheet items - Note 56	195,398	9,976
Provision against expropriated properties - Note 16	284,083	322,359
Additive from the mutual insurance fund, first stage	773,333	-
Additive from the mutual insurance fund, second stage	502,078	-
Additive from the mutual insurance fund, third stage	2,807,412	-
Total	38,389,342	34,302,419

### c- Mutual Insurance Fund

The movement on the mutual insurance fund is as follows:

	2022	2021
	JD	JD
Balance at the beginning of the year	22,425,494	18,661,901
Add: Fund investment profits for the year	-	808,741
Insurance installments received during the year	5,657,246	5,621,331
Less: fund income tax for the year	(1,290,377)	(1,354,602)
Administrative Expenses	(1,800)	(1,800)
Subscribers' compensation during the year	(823,403)	(1,253,582)
Financial stamp and professional consulting expenses during the year	(77,318)	(56,495)
Provision for expected credit losses for the Fund's clients	(4,082,823)	-
Balance at the end of the year	21,807,019	22,425,494

### d-The movement on the income tax of the mutual Insurance Fund is as follows:

	2022	2021
	JD	JD
Balance at the beginning of the Year	1,155,229	1,220,810
Less: Income tax paid	(1,412,078)	(1,420,183)
Add: Accrued income tax for the year	1,290,377	1,354,602
Balance at the end of year	1,033,528	1,155,229

- The balance of Income tax of Mutual Insurance Fund is included in other liabilities (Note 22).
- A final settlement was reached with the Income and Sales Tax Department until the end of the year 2020. Moreover, the tax returns for the years and 2021 were submitted and have not yet been reviewed by the Income and Sales Tax Department.
- The Mutual Insurance Fund were prepared in accordance to paragraph No. (D/3) of article (54) of the Banking Law No. 28 for the year 2000.
- The Central Bank of Jordan's approval is required in case of any amendment to the Mutual Insurance Fund.
- In case the Mutual Insurance Fund ceases its activities, the funds shall be disbursed to the Zakat Banks according to the opinion of the Authority.
- During the year 2022, the approval of the Central Bank was obtained to include cases of customers' defaulting and their inability to pay, to be covered by the Mutual Insurance Fund, after verifying that all means available to the bank to collect its rights from the defaulting customer have been exhausted, including legal means, and after obtaining the approval of the Debt Settlement Committee. The Sharia Supervisory Board and the Mutual Insurance Fund Committee and considering the Mutual Insurance Fund as a risk mitigator.
- Compensation for participants to the fund is made as follows:
  - Participant's death.
  - Participant's total and permanent physical disability.

  - The balance of the Mutual Insurance Fund is shown under the unrestricted investment accounts.



### 25. Paid-in Capital

The authorized and paid-in capital at the end of the fiscal year amounted to JD 100 million divided into 100 million shares, at a par value of JD 1 per share as at 31 December 2022 (100 million shares at a par value of JD 1 per share as at 31 December 2021).

### 26. Reserves and Dividends

### **Statutory Reserve**

The accumulated amounts in this account are appropriated from the annual net income before tax at 10% in accordance with the Banks Law. This reserve may not be distributed to shareholders.

### **Voluntary Reserve**

The accumulated amounts in this account represent appropriations from annual net income before tax during the previous years at a rate not exceeding 20%. This reserve is used for the purposes of determined by the Board of Directors. Moreover, the General Assembly is entitled to distribute it in whole or in part as dividends to shareholders.

The restricted reserves are as follows:

31 December			
	2022	2021	Nature of restriction
	JD	JD	
Statutory reserve	49,967,639	44,548,730	Requirement of the Law

### **Proposed Dividends to Shareholders**

The Board of Directors recommended during its meeting No. (2) on 25 January 2023, to distribute JD 24 million to the sole shareholder (Arab Bank), equivalent to 24% of the authorized and paid-up capital from distributable retained earnings, subject to the approval of the Shareholders' General Assembly.

### 27. Fair Value Reserve - Net

	Joint		S	elf
31		31 December		cember
	2022 2021		2022	2021
	JD JD		JD	JD
Financial assets at fair value	(127,766)	(127,766) (398,306)		615,796
Balance at the end of the year	(127,766)	(398,306)	597,583	615,796

The movement on the fair value reserve was as follows:

	Joint		So	elf
	2022 2021		2022	2021
	JD	JD	JD	JD
Balance at the beginning of the year	(398,306)	(311,461)	615,796	483,724
Unrealized (losses) gains	270,540	(86,845)	(29,377)	213,019
Deferred tax liabilities	-	-	11,164	(80,947)
Balance at the end of the year	(127,766)	(398,306)	597,583	615,796

The fair value reserve is stated at net (after deducting deferred tax liabilities-self) amounted to JD 597,583 as at 31 December 2022 (JD 615,796 as at 31 December 2021).

The negative fair value reserve for financial assets at fair value through joint investment account holder's equity amounted to JD 127,766 as at 31 December 2022 (JD 398,306 as at 31 December 2021).

### 28. Retained Earnings

The movement on retained earnings is as follows:

	31 December 2022	31 December 2021
	סנ	JD
Balance at the beginning of the year	117,068,882	100,166,371
Profit for the year	35,497,168	33,717,746
Transferred to the statutory reserve	(5,418,909)	(4,815,235)
Dividends profit *	(40,000,000)	(12,000,000)
Balance at the end of the year	107,147,141	117,068,882

The General Assembly of Shareholders, in its meeting held on March 30, 2022, approved the distribution of cash dividends to the sole shareholder (Arab Bank Limited) in the amount of JD 40,000,000 which represents 40% of the subscribed and paid-up capital, from the retained earnings that can be distributed for the year 2022 (JD 12,000,000). 12% for the year 2021.



### 29. Deferred Sales Revenue

The details of this item are as follows:

	Joint		
	2022	2021	
	JD	JD	
Retail			
Murabaha to purchase order	19,627,874	18,768,565	
Real estate financings	9,269,585	9,038,298	
Large Corporate			
International Murabaha	2,553,063	236,386	
Murabaha to purchase order	15,083,074	13,264,480	
Small and Medium Enterprises			
Murabaha to purchase order	4,237,046	4,382,915	
Total	50,770,642	45,690,644	

### 30. Revenue from Financial Assets at Amortized Costs

The details of this item are as follows:

	Joint	
	2022 2021	
	JD	JD
Islamic Sukuk	2,667,147	1,200,868
	2,667,147	1,200,868

### 31. Net Income from Investment in Real Estate

The details of this item are as follows:

	Jo	Joint		
	2022	2021		
	JD	JD		
Acquired for Utilization				
Real estate rents	437,042	420,712		
Gain from sale of real estate	416,974	490,059		
Other expenses				
Rental income generating expenses	(172,822)	(251,681)		
Non-Rental income generating expenses	(10,612)	(4,040)		
Depreciation of buildings	(194,503)	(172,836)		
	476,079	482,214		

Buildings within the real estate portfolio are depreciated according to the straight-line method at a rate of 2%.

### 32. Revenue from Ijara Muntahia Bittamleek Assets

The details of this item are as follows:

	Joint		Self	
	2022	2021	2022	2021
	JD	JD	JD	JD
ljara Muntahia Bittamleek – Real estate	128,712,295	115,593,649	63,730	42,445
ljara Muntahia Bittamleek – Machinery	3,095,906	1,928,563	-	-
Depreciation of Ijara Muntahia Bittamleek assets	(74,020,074)	(64,273,958)	-	-
Total	57,788,127	53,248,254	63,730	42,445

### 33. Ju'alah commissions

The details of this item are as follows:

	Joint	
	2022 2021	
	JD	JD
Ju'alah commissions (Bargaining)	1,323,498	1,120,869
	1,323,498	1,120,869

### 34. Recoveries from expected credit losses provision

	Joint		
	2022 2021		
	JD	JD	
Provisions recovered to revenues from expected future losses (formerly the Investment Risk Facility Fund)	2,458,288	11,094,184	
Provisions for future losses expected	(993,697)	(3,732,675)	
Net recovered provisions	1,464,591	7,361,509	



### 35. Deposit insurance fees

The details of this item are as follows:

	Joint		Self	
	2022	2021	2022	2021
	JD	JD	JD	JD
Deposit insurance fees on Joint investment accounts	2,821,414	2,514,464	-	-
Deposit insurance fees on current accounts	-	-	2,387,312	2,175,126
Total	2,821,414	2,514,464	2,387,312	2,175,126

On 1 April 2019, amended law of the Deposits Insurance Corporation was issued, which included Islamic Banks under the Deposit Guarantee Corporation, noting that Islamic Banks were not previously covered by the law, and the amended law stated that the deposits accounts which are classified within the Bank consignment (credit accounts and equivalent, the part that does not participate in the profits from the joint investment accounts) will entail deposits quarantee fees that the Bank will bear from its own funds, whereas the joint investment accounts will bear the participation fees of the joint investment accounts for these accounts.

### 36. Unrestricted Investment Accounts Share

The details of this item are as follows:

	2022	2021
	JD	JD
Customers:		
Revenue of investments saving accounts	1,130,152	1,181,621
Revenue of term deposit accounts	35,201,265	32,375,245
Revenue of cash Margin accounts	381,079	388,095
Total	36,712,496	33,944,961

### 37. Bank's Share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)

	2022	2021
	JD	JD
Bank's share as Mudarib	42,281,139	40,591,179
Bank's share as (Rab Al-Mal)	32,957,341	32,597,861
Total	75,238,480	73,189,040

### 38. Bank's Self-Financed Revenue

The details of this item are as follows:

	2022	2021
	JD	JD
Income from Ijara Muntahia Bittamleek assets (Note 32)	63,730	42,445
Returns of distributions of financial assets at fair value through shareholders' equity	8,007	6,420
Total	71,737	48,865

### 39. Bank's Share in Restricted Investment Profit as Mudarib and as agent (Wakeel)

### a. Bank's Share in Restricted Investment profit as Mudarib:

	2022	2021
	JD	JD
Income from restricted investments	3,219,288	297,146
Less: Share of holders of restricted investments accounts	(2,629,151)	(248,304)
Bank's share as Mudarib *	590,137	48,842

### b. Bank's share in restricted investment profit as agent (Wakeel)\*:

	2022	2021
	JD	JD
Income from sales receivables	981,454	413,576
Less: Muwakel's share	(495,417)	(205,215)
Bank's Share as (Wakeel)	486,037	208,361

<sup>\*</sup> This item represents revenue from Murabaha to Purchase order for small enterprise within the Wakaleh investment agreement signed with the Central Bank of Jordan.

### **40. Gains from Foreign Currencies**

	Self		
	2022 2021		
	JD	JD	
Resulted from trading / dealing	1,582,140	1,806,912	
Resulted from revaluation	(35,957)	(14,924)	
Total	1,546,183	1,791,988	



### 41. Banking Services Revenue

The details of this item are as follows:

	2022	2021
	JD	JD
Commissions on certified cheques	36,362	39,848
Commissions on letters of credit and bills	1,034,011	964,311
Commissions on guarantees	601,596	602,100
Commissions on transfers	997,057	935,250
Commissions on Visa	4,105,155	3,188,807
Commissions on cheques	288,643	315,970
Commissions on electronic services	1,746,744	1,659,445
Commissions on execution of financings	2,210,396	1,912,442
Commissions on transferred salaries	2,105,855	1,912,334
Other commissions	1,269,835	1,277,856
Total	14,395,654	12,808,363

### 42. Other Revenues

The details of this item are as follows:

	Self		joint	
	2022	2021	2022	2021
	JD	JD	JD	JD
Revenues from customers services (post, telephone, custody)	235,514	219,248	-	-
Other income	694,763	21,084	-	-
Revenues from the sale of foreclosed real estate against debt	-	-	309,801	519,277
Rentals from the sale of foreclosed real estate against debt	-	-	20,000	24,830
Expenses of expropriated real estate for debts	-	-	(47,495)	-
Total	930,277	240,332	282,306	544,107

### 43. Employees' Expenses

	2022	2021
	JD	JD
Salaries, bonuses and employees benefits	22,728,763	19,129,387
Bank's contribution in social security	2,542,978	2,379,935
Medical expenses	1,287,316	1,143,270
Staff training	82,275	34,196
Others	132,620	133,265
Total	26,773,952	22,820,053

### 44. Other Expenses

The details of this item are as follows:

	2022	2021
	JD	JD
Stationery and printing	803,001	776,694
Postage and telephone	474,721	517,586
Maintenance and cleaning	696,568	805,747
Advertising	535,619	392,988
Insurance expenses	211,124	171,845
Electricity and water	853,200	863,297
Donations	354,947	285,816
Subscriptions and fees	937,802	769,405
Transportation and travel expenses	371,672	292,432
Consultancy and professional fees	408,466	419,359
Information systems expenses	3,565,524	3,065,242
Board of Directors' remunerations	25,000	25,000
Paid commissions	1,940,603	1,734,732
Others	154,929	128,170
Total	11,333,176	10,248,313

### 45. Amortization of right of use assets / Lease liability discount / rental expenses:

The details of this item are as follows:

	Right of use assets amortization		Lease liability disc	ount/ finance cost	Rental expenses		
	2022	2021	2022	2021	2022	2021	
	JD	JD	JD	JD	JD	JD	
	1,240,523	1,184,068	132,080	127,847	374,726	342,193	
Total	1,240,523	1,184,068	132,080	127,847	374,726	342,193	

### 46. Earnings Per Share

	2022	2021
	JD	JD
Profit for the year	35,497,168	33,717,746
Weighted-average number of shares	100,000,000	100,000,000
Earnings per share for the year - Basic \ Diluted	0,355	0,337



### 47. Cash and Cash Equivalent

The details of this item are as follows:

	31 De	cember
	2022	2021
	JD	JD
Cash and balances with the Central Bank of Jordan maturing within three months	709,456,182	889,168,217
Add: Balances at Banks and financial institutions maturing within three months	4,272,764	18,227,011
Less: Banks and financial institutions' accounts maturing within three months	(388,381)	(1,645,562)
	713,340,565	905,749,666

### 48. Balances and Transactions with Related Parties

The Bank conducts transactions with shareholders, members of the Board of Directors, Executive Management, and Sister Companies in the ordinary course of its business using the Murabaha and commercial commissions rates.

The following is a summary of the transactions with related parties:

	Arab Bank (Parent Company)	Board Members	Parent Company's subsidiaries	Shari'a Supervisory, board members	Executive Management	Total 31 December	
						2022	2021
Statement of Financial Position Items:	JD	JD	JD	JD	JD	JD	JD
Balances with Banks and financial institutions	2,016,723	-	600,360	-	-	2,617,083	17,471,851
International Murabaha (commodities investment)	-	-	126,482,402	-	-	126,482,402	121,960,663
Banks' and financial institutions accounts	-	-	260,746	-	-	260,746	517,257
Joint investment accounts and current accounts	-	37,894	-	170,319	1,776,183	1,984,396	1,638,253
Financial assets at fair value through shareholders' equity managed by sister company	-	-	5,813,534	-	-	5,813,534	5,842,911
Sales receivables	-	269,725	-	-	417,181	686,906	777,486
ljara	-	-	-	-	1,598,003	1,598,003	1,713,387
Off – Statement of Financial Position Items:							
Guarantees	10,000	-	-	-	-	10,000	10,000
International Murabaha (Investment in Commodity)	-	-	149,919,919	-	-	149,919,919	150,481,359

or the Year Ended	3
December	

Statement of Income Items:						2022	2021
						JD	JD
Distributed profit – deposits' accounts	-	22	-	285	3,751	4,058	39,113
Received profit - receivables	-	19,939	-	-	69,278	89,217	101,846
Shares' dividends	-	-	8,007	-	-	8,007	6,420
Received- Commission Off – Statement of Financial Position Items	212	-	-	-	-	212	212
Salaries and remunerations *	-	25,000	-	84,000	2,716,067	2,825,067	1,776,904
Transportation – Committees Membership	-	116,400	-	-	-	116,400	116,400

- The lowest Murabaha rate that the Bank received was 3% and the highest Murabaha rate was 5,8%. Meanwhile, the lowest dividends distribution rate was 1,5%, and the highest rate of dividends distribution was 5,2% according to the slides.
- All financings granted to related parties are performing, and consequently, no related provisions have been booked.
- \* The Bank has applied corporate governance instructions for Islamic Banks No. (64/2016) dated 25/9/2016 regarding the definition of executive management.

### 49. Risk Management

Islamic International Arab Bank deals with the challenges related to Banking risks comprehensively within an overall risk management framework according to the best Banking standards, conventions, and practices, reinforced by a governance structure at the level of the Board of Directors, in particular the committees emanating from the Board and Executive management level.

Risk management represents one of the main control levels within the institutional structural framework of the Bank's risk management. Moreover, Risk management is responsible for developing an effective and secured system to identify the risks by the Bank is exposed to, and its tasks include the following:

- Reviewing Bank's risk management framework before approval by the Board of Directors.
- Implementing risk management strategy as well as developing policies and work procedures to manage whole risk types.
- Developing methodologies for identifying, measuring, controlling and detecting each type of risks.
- Submitting reports to the Board members through the risk management committee and a copy of the reports to senior executive management, including information about the actual risk profile compared with accepted risk appetite, and following up and resolving negative deviations.
- Checking the integration of the risk measurement mechanism with management information systems.
- Studying and analyzing all risk types the Bank is exposed to.
- Submitting recommendations to the risk management committee about the Bank's risk exposure, as well as registering the exceptions in the risk management policy.
- Providing the necessary information about the Bank's risks for disclosure purposes.
- Reinforcing and raising awareness about risks through the best Banking practices and standards.

Risk Management at the Bank is divided into the following sections:

### 1.Credit Risk

The Islamic international Arab Bank adopts initiative and a dynamic approach and implements a conservative strategy in managing this type of risk. This is a key factor to achieving its strategic objective in respect of continuous improvement and maintenance of the quality of assets and credit portfolio components. The Bank also relies on well-established, conservative, and prudent credit standards. Furthermore, the Bank implements policies, procedures, methodologies, and general frameworks to manage risks, taking into consideration all the developments in the legislative and Banking environment. Additionally, the Bank has in place clear organizational structures and technical systems, close follow-up, and effective controls that enable it to deal with probable risks and challenges arising from the changing environment at a high level of confidence and determination.

Credit management decisions are based on the adopted strategy and the accepted levels of risk. Furthermore, periodic review and analysis of the credit portfolio type and quality are performed periodically based on specific performance indicators. These decisions also focus on diversity, which is considered key to mitigating and diversifying risks on the individual customers' level and sectors levels.

### **First: Descriptive Disclosures**

- 1. The Bank's risk management system, risk management procedures and the main units responsible for it: The Islamic International Arab Bank deals with the challenges related to banking risks comprehensively within a holistic risk management framework based on the best banking standards, norms and practices, especially corporate governance. Risk management is the department responsible for developing an efficient and effective system to identify the risks to which the bank is exposed. Its tasks include the following matters:
- Reviewing the Bank's risk management framework before approval by the Board of Directors.
- Implementing risk management strategy as well as developing policies and work procedures to manage whole risk types.
- Developing methodologies for identifying, measuring, controlling and detecting each type of risks.



- Submitting reports to the Board members through the risk management committee and a copy of the reports to senior executive management, including information about the actual risk profile compared with accepted risk appetite, and following up and resolving negative deviations.
- Submitting recommendations to the risk management committee about the Bank's exposure to risk, as well as registering the exceptions in the risk management policy.
- Providing the necessary information about the Bank's risks for disclosure purposes.
- Reinforcing and raising awareness about risks through the best Banking practices and standards.

### The risk management in the Bank is divided into the following sections:

### **Credit risk:**

The Bank applies a strategy commensurate with this type of risk to ensure the achievement of its strategic objectives in developing its market share and maintaining the quality of assets and the composition of the credit portfolio.

The Bank also relies on well-established, conservative and prudent credit standards, policies, procedures, methodologies and general frameworks for risk management that take into account all developments in the Banking and legislative environment, in addition to clear organizational structures and automated systems, in addition to diligent follow-up and effective control that enables the Bank to deal with potential risks and challenges the changing environment with a high level of confidence and determination.

Credit decisions are based on the Bank's business strategy and acceptable levels of risk. A review and analysis of the quality and quality of the credit portfolio is carried out periodically according to performance indicators. They also focus on diversity, which is essential to mitigate and diversify risks at the individual customer level, as well as at the sectoral and geographical level. The stress testing mechanisms are used and applied periodically, which include strict and conservative assumptions as a tool for managing the credit portfolio, along with capital planning.

### The fiduciary process in the Bank is an institutional and well-built process that is based on the following main pillars and principles:

- Clear and specific limits for the level of credit risk are determined at the highest administrative levels and then sent to the various business units. These limits are reviewed, monitored, and any necessary adjustments are made periodically.
- Adopting the principle of credit committees to ensure that credit decisions are not individual, but rather taken by the committees.
- Separating the tasks between the business sector management, the credit review department and the credit control department to achieve the principle of independence.
- Graduated fiduciary powers according to the levels of risk for each credit committee at the level of regions and public administration, which are subject to periodic review.
- Clear criteria for the target customer / market and the acceptable level of credit assets.
- An integrated and in-depth financial and credit analysis covering the different aspects of risk for each customer and / or credit operation.
- Providing senior management, credit committees and the risk management committee emanating from the board of directors with periodic reports on credit risk, the quality of the credit portfolio and the quality of the assets.
- Continuous evaluation and follow-up of any credit concentrations and strategies for dealing with them.
- Ensure the effectiveness and capacity of the early warning system on an ongoing basis to identify and detect potential
- Effective management of the legal documentation process, the management of collateral, and its preservation and follow-up to ensure that it covers the corresponding obligations and establish appropriate mechanisms for continuous follow-up.
- The periodic and annual review of the credit facilities granted, with the aim of identifying any negative indicators related to these facilities

- Adopting and applying strict control methods and controls based on continuous monitoring of credit facilities accounts.
- The Bank offers several programs for the retail sector, and they are managed at the portfolio level for each product through product programs that are prepared to cover homogeneous categories of customers. These programs are subject to review and approval on an annual basis or when needed by the relevant committees.
- The Bank has applied IFRS 9 since the beginning of 2018, whereby a model was used to calculate expected losses based on a future outlook closely related to the customer's credit position, indicators of deteriorating credit performance and high credit risks for customers, taking into account macroeconomic factors based on The three stages according to the requirements of the standard, and the Bank approves the credit allocations resulting from the calculation of expected credit losses according to the standard and the instructions of the Central Bank of Jordan in particular.
- A conservative mechanism in calculating provisions and collecting non-performing debts within the highest applicable accounting and oversight standards, by analyzing trends and indicators of late maturities, and this mechanism is subject to periodic credit and legal review on which results are based on non-performing debt management strategies to reduce the ratios and levels of non-performing debts and raise Levels of recovery and coverage.
- To apply stress tests periodically at the level of the portfolio and on major accounts that represent credit concentrations, and to assess the impact of these tests on capital and profits.
- The Bank is continuously improving and developing all of the above aspects in line with the changes and developments in the business environment and the Banking industry and taking advantage of what modern technologies provide in terms of automated systems in this field.
- The Bank continuously attaches great importance to developing skills and raising the level of competencies and experiences by focusing on the involvement of its cadres working in the field of credit with specific and selected training courses and programs to qualify them to perform their duties and responsibilities efficiently and competently.

### **Operational risk:**

It is the risk arising from inadequate or failed policies and procedures for internal processes, people, systems, or risks resulting from external events.

This definition includes legal risks and excludes reputational and strategic risks (as they are evaluated and managed within special policies).

In order to determine the operational risks that the Bank is exposed to, the risk management uses several tools according to international best practices, including:

- - CRSA self-assessment workshops for controls and risks on various Bank operations.
- Defining risk indicators on KRI's various operations and products.
- Connecting the various Bank operations, clarifying the reliability relationships between these processes, Process Mapping, and defining and evaluating the risks inherent to these operations and the controls applied to them.
- Analyzing internal audit reports and internal control reports in order to discover any potential gaps and address them.

The Islamic International Arab Bank classifies operational risk events according to the best practices for "managing and controlling operational risks" issued by the Basel Committee on Banking Supervision.

### **Liquidity Risk:**

It is the ability of the Bank to finance the increase of its assets and face its liabilities when due without incurring unacceptable losses, according to the definition of the Islamic Financial Services Board, and the objective of the framework for liquidity risk management is to ensure the Bank's ability to meet its financial obligations due at all times and to manage liquidity risks in a consistent manner.

Within the framework of monitoring the liquidity situation, the Director of the Treasury Department and the Director of Risk Management receive daily reports on the actual, expected and optimal liquidity position of the Bank.



These reports help the Director of the Treasury Department to provide the Asset and Liability Management Committee with all necessary administrative information on the liquidity position.

The Bank uses various methods to measure and analyze liquidity that help the Bank to plan and manage its financial resources in addition to determining mismatches in assets and liabilities, which may expose the Bank to liquidity risk. These measures include day and month liquidity ratios, cumulative liquidity gap model, liquidity coverage ratio analysis (LCR), The concentrations of major depositors and the liquidity ratios according to the requirements of the Central Bank and stress testing.

The framework for testing liquidity stress conditions is one of the main tools for assessing liquidity risk within hypothetical events inspired by the Bank's experience, regulatory requirements and external events related to the Bank's financial statement.

### **Market Risk:**

Market risk is the probable loss arising from the change in value of the Bank's portfolios due to fluctuation in stock prices, profit rates, foreign exchange rates, and commodity prices. Moreover, market risks are managed on the trading portfolio and Banking portfolio in a manner consistent with Islamic Sharia. In addition, three main activities expose the Bank to market risk: trading in cash market instruments, foreign currencies, and capital market instruments; trading in the Banking portfolio; and trading in the trading portfolio.

The essential tools in measuring and managing market risk include:

- Net open position for foreign currencies.
- Stress testing.

### Compliance with Shari'a Standards Risk:

The Islamic International Arab Bank fully adheres to Shari'a Standards in force in all of its deals. For this purpose, IIAB provides its employees from all managerial levels with Shari'a Banking courses to reinforce their abilities and efficiencies and enhance their knowledge and understanding of all Shari'a Standards.

In order to ensure its compliance with Shari'a Standards, the Bank established three Shari'a control units:

- 1) Sharia supervision associated with implementation.
- 2) Sharia compliance of the Compliance Control Department.
- 3) The Sharia Internal Audit Department, which is directly supervised by the Sharia Supervisory Board and as stipulated in the corporate governance instructions of Islamic banks.

### Information security and business continuity:

The Department of Information Security and Business Continuity in Risk Management is the department concerned with following up, developing and applying international standards and internal and external laws related to information security (or cyber security) and the continuity of work in all aspects of the Bank's work, and it works permanently and continuously to develop plans, projects and policies necessary to ensure the continuity of the Bank's business If it is exposed to any interruption as a result of accidents or disasters, and periodic follow-up to conduct checks of the technological infrastructure to protect the Bank from external and internal threats.

One of the most important projects undertaken by the department is the application and implementation of the periodic versions of the PCI-DSS standard. This project has been started since 2013 and has obtained an ISO 27001 standard for the application of security controls necessary to protect data and obtain a certificate of (ISO 22301) for the application of requirements Business continuity.

Among the most important procedures and periodic plans that are implemented, and which are of the interest of the top management are the annual examination of Business Alternative Site and Disaster Recovery Site.

### **Other Risks:**

Islamic international Arab Bank is exposed to other types of risks, which it manages proactively and prudently.

### 1. The Bank's risk management culture and the role of risk management policies and strategies in supporting and consolidating the Bank's risk culture management.

Islamic International Arab Bank concerns great importance to the process of establishing a conscious environment for the "risk culture in the Bank" which translates into a set of common values, concepts, objectives and behaviors based on the best practices and standards leading in the Banking sector, where the employee must be known that the risks are the result of choices and decisions and not by chance. Each employee has the role, functions and responsibilities to carry out within limited powers governed by accountability and accountability policies.

Therefore, the Bank within its training and development plans, provides its employees with specialized courses in risk management.

### 2. The risk limits accepted by the Bank and in line with the Bank's business model.

The Bank determines annually acceptable risk limits for each type of risk and within the Bank's strategic planning where the Bank's ability to withstand risks is determined, assessed and measured effectively and within the levels that the Bank wishes to meet in order to achieve the objectives set.

The Bank's risk tolerance reflects the desired risk levels and non-quantitative risk quality measures within an institutional governance based on global best practices.

### 3. Stress tests

Stress tests are an important tool used to measure the Bank's ability to withstand shocks and risks as these tests aim to assess the Bank's financial position and within extreme scenarios that can occur, taking into account that these tests have a future dimension and include sensitivity analysis tests and scenario analysis testing where stress tests are an essential part of risk government.

Believing in the importance of risk governance, the Bank has established a specialized committee of experts to identify and develop scenarios where the committee will make its recommendations so that risk management can implement these scenarios.

The results of the stress tests are used in decision-making and strategic planning as they are part of the implementation of the Bank's strategic plan.

The stress tests are part of the expected credit loss calculation, with the Bank conducting three scenarios (best/downside// base) and determining their impact on the expected credit loss model.

The projected credit loss is calculated based on the weighted probability value (An Unbiased and - Probability Weighted Amount) for the three scenarios and based on specific weights approved in advance by the relevant committee.

### 4. Definition of the Bank's application for default and the processing of default

The definition of default used to measure expected credit losses used to assess the change between stages is consistent with the definition of default used by the Bank's internal credit risk management, and there is an assumption that the default occurs when payment is stopped for 90 days or more.

The relationship officer communicates with the client and alerts to any negative indicators that may lead to a decrease in the quality of finances where these indicators arise from the following aspects: management, financial situation, environment, guarantees as described in the credit policy.

In order to identify the problem in advance to review the structure of the financings and re-evaluate the client credit and thus the possibility of finding a solution to avoid the classification of the client or default, the Credit Control Department issues a statement of accounts due and this list is reviewed on a daily basis by business and credit sector officials, where the official of the development of the customer relationship prepares a detailed report due to any of his clients and presents the report to the relevant authorities and committees according to the approved business procedures.



### 5. The Bank's internal credit rating system and its operating machinery

The approved internal classification system consists of (10) levels to describe the level of risk for each element of the risk facing the client. The risks are identified on an ascending basis (the higher the degree, the higher the level of risk).

Risk Levels	Risk Degree
Exceptional	1
Excellent	2
Strong	3
Average	4
Acceptable	5
Marginal	6
Watch	7
Substandard	8
Doubtful	9
Loss	10

Ratings (1-6) represent acceptable risk levels in credit and ratings (7-10) represent high risk levels and are managed prudently.

The Bank's credit audit and evaluation process is governed by the credit rules and policies set out in the credit facilities policies where the borrower's credit rating is an essential element in the credit review and evaluation of credit, and for this purpose the Bank has developed and implemented an internal credit rating methodology for customers" "Bank Rating System", which evaluates the companies according to the customer's quality and quantity standards, and in parallel the Bank has implemented the Moody's Risk Analysis Classification System (MRA), a credit rating system issued by Moody's Credit Rating Agency, which is based on quality and quality standards. It should be noted that moody's rating system complements the Bank's internal credit rating system and provides a mechanism that complies with Basel's instructions, the Moody's credit rating system is centrally managed in the public administration by the Department of Corporate Business and The Credit Review Department representing the departments used for the system, and the rating of customers is reviewed either using the Bank's rating system or Moody's analysis system. Annual risk when reviewing individual customer facilities.

### 6. The mechanism approved to calculate the expected credit losses ECL on financial instruments and each item separately.

The Bank calculates projected credit losses based on the weighted average of three scenarios to measure the expected cash deficit, discounted at the actual rate of return (APR).

Cash deficits are the difference between cash flows due to the Group in accordance with the contract and the cash flows expected to be collected.

Therefore, the mechanism for calculating the expected credit loss and the key elements are as follows:

- Probability of Default (PD): An estimate of the probability of a customer defaulting within a certain time horizon. A stumble can occur in a specific period during the evaluation period.

- Exposure at Default (EAD): Is the estimation of the existing balance subject to default at the moment of reporting plus any amounts expected to be exploited in the future by the client such as granted credit limits and indirect obligations where the probability of withdrawal and timing of withdrawal or payment of all amounts is calculated and the probability of default according to the methodology applied to direct obligations and exposures.
- Loss Given Default (LGD): An estimate of the amount of potential loss on default, In the case where the default occurs at a certain time. It represents the difference between contractual cash flows and those that the Bank expects to collect, including the collateral provided.

When estimating expected credit losses, the Bank takes into account three scenarios (the baseline scenario, the upside scenario, and the downside scenario) and each of them is associated with different weights of the probability of default, exposure at default, and the loss given default.

The assessment of various scenarios also includes how to recover the non-performing facilities, including the possibility of remediation of the non-performing facilities and the value of the guarantees or the amounts expected to be collected from the sale of the guarantees.

With the exception of credit cards and other revolving facilities, the maximum period for which credit losses are determined is the contractual life of the financial instruments unless the Bank has the legal right to cancel them in advance.

### 7. The mechanisms for calculating expected credit losses are summarized as follows:

For the purposes of calculating expected credit losses, credit exposures are distributed according to the rating stages according to Standard No. (9) as follows:

### Stage 1

This stage includes credit exposures/debt instruments that have not been significantly increased or influenced by their credit risk since the initial recognition of exposure/instrument or have low credit risk on the date of the preparation of financial statements, including exposures and instruments that meet the following conditions:

- Low-risk exposures/debt instruments
- The debtor has a high ability to meet its short-term obligations
- The Bank does not expect adverse changes in the economy or working environment in the long term that may adversely affect the debtor's ability to meet its obligations

The expected credit loss at this stage represents the potential loss resulting from the stumble that may occur within the next 12 months of the date of the preparation of the financial statements.

This stage includes exposures that have been obtained by an impressive (significant) increase in their credit risk since the initial recognition, but they have not reached the stage of default yet due to the lack of objective evidence to confirm the default.

The Bank will assess on the financial statement preparation date whether credit risk has increased significantly and above the indicators specified in according to the relevant Central Bank of Jordan instructions.

The expected credit loss of credit exposures is calculated within this phase for the full life of credit exposure/debt instrument and represents the expected credit loss resulting from all probability of default during the remaining period of the credit/ debt instrument exposure life.

For the purposes of establishing income for credit exposures listed at this stage, the return is calculated on the basis of the total value of credit exposure/debt instrument recorded in the books.



### Stage 3

This stage includes debt instruments where there is evidence that it has become a default (irregular) and in this case the expected credit loss for the entire life of credit exposure/debt instrument is calculated according to the factors and indicators specified according to the Central Bank of Jordan instructions where the return is suspended on the accounts listed at this stage.

The Bank will consider all the requirements and limitations of the Central Bank of Jordan to deal with exposures within this phase.

### 8. Governing the application of the requirements of financial accounting standard No. 30, including the responsibilities of the Board of Directors and executive management to ensure compliance with the requirements of the application of the standard.

The Bank shall take the institutional governance as a platform for action to make the necessary decisions within the proper foundations to develop performance and plans and adopt the necessary measures to ensure the accuracy of the results and the validity and integrity of the methodologies and systems used.

In order to achieve the above objectives, the Bank has established an internal committee comprising all relevant departments and departments, which develop the mechanisms of application, develop policies and procedures of work, and define tasks and responsibilities to be part of the governance of the application of this standard, where the tasks of departments and responsibilities are distributed as follows:

### - Committee functions:

The Committee has a role in the management process and approval of the following policies:

- The Bank's business model
- The methodology for applying the standard and related policies.
- Scenarios and future assumptions used to calculate expected credit losses.
- Certification of ECL results/allocation.
- Submit the results to the General Manager and the Board of Directors.
- Make the necessary recommendations in the topics related to the implementation of the resolution.
- Develop and agree with the Board of Directors.

### - Board of Directors:

- Adopting the methodology for applying the standard and related policies.
- · Adopt a business model through which the objectives and foundations for the acquisition and classification of financial assets are defined.
- Ensure that effective control systems are in place and that the roles of the relevant entities are determined.
- Ensure that the infrastructure is in place to ensure the application of the standard, which includes (human resources/ internal credit rating systems / automated systems for calculating credit losses, etc.), so that they are able to reach the results that ensure adequate hedging against expected credit losses.
- · Ensure that the Bank's supervisory units, specifically risk management, internal audit management and compliance management, do all the work to verify the validity and integrity of the methodologies and activities used and provide support to these units.

### - The Shariah Oversight Authority

- Monitoring the Bank's activities in terms of compatibility and non-violation of Islamic law
- Follow-up and review of operations to verify that they are free of any legitimate prohibitions
- · Agree to bear any losses resulting from the Bank's operations in relation to the owners of investment accounts.

### 9. Definition and the process of calculating and monitoring the probability of default and credit exposure when it defaults and the percentage of loss assuming defaults.

The Bank calculates projected credit losses based on the weighted average of three scenarios to measure the expected cash deficit, discounted at the actual rate of return (APR).

Cash deficits are the difference between cash flows due to the Group in accordance with the contract and the cash flows expected to be collected.

Therefore, the mechanism for calculating the expected credit loss and the key elements are as follows:

- Probability of Default (PD): An estimate of the probability of a customer defaulting within a certain time horizon. A stumble can occur in a specific period during the evaluation period.
- Exposure at Default (EAD): Is the estimation of the existing balance subject to default at the moment of reporting plus any amounts expected to be exploited in the future by the client such as granted credit limits and indirect obligations where the probability of withdrawal and timing of withdrawal or payment of all amounts is calculated and the probability of default according to the methodology applied to direct obligations and exposures.
- Loss Given Default (LGD): An estimate of the amount of potential loss on default, In the case where the default occurs at a certain time. It represents the difference between contractual cash flows and those that the Bank expects to collect, including the collateral provided.
- When estimating expected credit losses, the Bank takes into account three scenarios (Base scenario, Upside scenario, Downside scenario) and is linked to different weights of probability of default, credit exposure when you default, and the loss ratio assuming the default.

The evaluation of multiple scenarios also includes how to recover distressed facilities, including the possibility of handling distressed facilities and the value of guarantees or amounts expected to be collected from the sale of guarantees.

With the exception of credit cards and other revolving facilities, the maximum period in which credit losses are determined is the contractual age of financial instruments unless the Bank has the legal right to cancel them in advance.

### 10. Significant change in credit risk parameters on which the Bank relied on in calculating expected credit losses.

The Central Bank of Jordan instructions have been relied upon to implement standard (9) to set parameters of significant changes in credit risk which includes the following but not limited to:

- · Reducing the borrower's internal/external or expected credit rating or credit/debt instrument exposure according to the Bank's internal valuation system.
- · Fundamental negative changes in the performance and behavior of the borrower, such as late payment of installments or unwillingness to respond to the Bank.
- The need to reorganize the debtor's obligations (structuring obligations) due to poor repayment capacity, declining cash flows, the need to modify contractual terms with the debtor party or to cancel (waive) some existing contractual terms due to actual/foreseeable breaches of current terms.
- · Information on the existence of dues on the debtor party either with the Bank or with any other creditor party.
- · Information about the existence of dues from the debtor party, either with the Bank or with any other creditor party.
- The actual or expected negative changes in the operating activity of the borrower such as (decrease in revenues / actual or expected profit margin, increase in operating risks, deficit in working capital, decline in the quality of assets, increase in financial leverage, weakness and decline in liquidity, administrative problems, stopping part of Customer activities and others) which may materially affect the borrower's ability to repay.



- · The change in the credit management methodology in the Bank for the credit exposure / debt instrument due to the emergence of negative indicators and changes in the credit risk of the exposure / instrument, so that the credit risk management of exposure / the instrument is expected to become more focused and vigorously and keep it under control or that the Bank will intervene with the party Debtor to manage exposure / instrument.
- · Significant increase in credit risk of exposure to credit / other debt instruments attributable to the same borrower from other lenders.

### 11. The Bank's policy in identifying the common elements (specifications) on which credit risk and expected credit loss are measured on an aggregate basis.

The Bank's policy is based on individual basis and not on aggregate basis.

### 12.Key economic indicators used by the Bank in calculating expected credit loss (PD)

With many dynamic macroeconomic factors, particularly GDP, government spending, unemployment rates, oil prices, exports... The Bank conducts the necessary statistical analysis to identify important factors of "statistical significance" affecting the non-working debt rate (NPL) according to the following model:

NPL = f (GDP, Government spending, unemployment rates, oil price, exports ... etc.)

The results showed a statistical indication of the following factors:

- 1. GDP
- 2. Equity prices
- 3. Unemployment

**50.Credit Risk** 

1. Distribution of credit exposures according to the degree of classification as of 31 December 2022:

		Self					
Bank's Internal classification	Classification as CBJ Total of exposures Expected credit Loss probability regulations value losses level (PD)	Total of exposures value	Expected credit losses	Loss probability level (PD)	Classification as Rating entities	Classification at Default (EAD)	Average loss at Default (LGD)
		Оľ	۵r			Оľ	
First: Performing exposures	•	65,172,952	166,805	•	•	65,172,952	-
A- Financial assets at amortized cost							
Low risk	Low risk	-	-	•	•	•	-
Acceptable risks	Acceptable risks	-	•	•	•	•	-
B- Deferred sales receivables and other receivables							
Low risk	Low risk	•	•	•	•	•	-
Acceptable risks	Acceptable risks	65,132,440	96,016	0,10% to 10%	N/A	65,132,440	16,5% to 55,8%
Watchlist	Watchlist	40,512	70,789	0,113% to 93%	N/A	40,512	10% to 57,7%
Second: Non-performing exposures		3,795,857	3,778,594			3,795,857	
Substandard	Substandard	23,337	23,337	100%	N/A	23,337	<b>%89</b>
Doubtable	Doubtable	58,738	58,738	100%	N/A	58,738	<b>%89</b>
Bad debts	Bad debts	3,713,782	3,696,519	100%	N/A	3,713,782	20% to 72,14%
Total		68,968,809	3,945,399			68,968,809	
Off balance sheet items – self							
Unclassfieid	Unclassified	143,886,650	1,301,333	0,23% to 100%	N/A	143,886,650	0% to 67,5%

Another Branch	

unclassified	Off balance sheet items – joint	Total	Bad debts	Doubtable	Substandard	Second: Non-performing exposures	Watchlist	Acceptable risks	Lowrisk	B- Deferred sales receivables and other receivables	Acceptable risks	Lowrisk	A- Financial assets at amortized cost	First: Performing exposures		Bank's Internal classification
unclassified			Bad debts	Doubtable	Substandard		Watchlist	Acceptable risks	Low risk		Acceptable risks	Low risk				Classification as CBJ regulations
136,543,369		1,213,874,444	21,267,586	1,989,845	983,836	24,241,267	21,589,331	984,825,409	9,494,526		16,523,815	157,200,096		1,189,633,177	JD	Total of exposures value
435,815		31,312,461	17,848,232	730,381	368,960	18,947,573	5,503,369	6,440,245			256,393	164,881		12,364,888	JD	Expected credit losses
1,5% to 100%			100%	100%	100%		4% to 91%	0,07% to 15,5%	0,04% to 10%		0,04% to 15,5%	3%		-		Loss probability level (PD)
N/A			N/A	N/A	N/A		N/A	N/A	N/A		BBBBB-	AA-TOBB-		-		Classification as Rating entities
136,543,369		1,213,874,444	21,267,586	1,989,845	983,836	24,241,267	21,589,331	984,825,409	9,494,526		16,523,815	157,200,096		1,189,633,177	۵ľ	Classification at Default (EAD)
0% to 52,4%			2,8% to 85%	2,8% to 96,9%	9,6% to 70,8%		3% to 58%	0% to 61,5%			31% TO 45,2%	0% TO 30,9%		1		Average loss at Default (LGD)

2. Distribution of credit Risk according to the Economic sector:

A. Exposure Distribution according Financial instruments (Net) as at 31 December 2022

	Retail	Industrial	Trade	Real Estate	Agriculture	Agriculture Constructions	Tourism	Transportation	Public services and facilities	Financial	Government and public sector	Total
	Oľ	Oľ	Qſ	Qſ	Qſ	۵ſ	Qſ	Qſ	Oľ	Qſ	۵r	Qſ
Balances with Central Bank of Jordan					,						658,465,365	658,465,365
Balances with Banks and financial institutions			1	ı		1		1	1	4,272,764		4,272,764
Deferred sales Receivables, Other receivables, financings and Qard Al-Hasan	421,953,437	106,913,849	284,989,151	155,556,064	45,007,031	13,835,916	881,492	3,962,503	38,807,727	,	,	1,071,907,170
Sukuk:												
Within financial assets at amortized cost										7,100,536	166,202,101	173,302,637
Other Assets												
Accrued revenues			892,179			,	,			75,640	1,570,771	2,538,590
Pre paid expenses			2,136,098			,	,			288,285	9,664	2,434,047
Total	421,953,437	106,913,849	288,017,428	155,556,064	45,007,031	13,835,916	881,492	3,962,503	38,807,727	11,737,225	826,247,901	1,912,920,573
Off- statement of financial position:												
Guarantees	982,646	4,708,078	10,713,976		215,521	17,279,095	556,738	672,559	3,827,589	,	ı	38,956,202
Letters of credit		20,185,946	7,585,498		927,465	2,597,744		1,219,153	156,235			32,672,041
Acceptances	123,564	2,936,543	6,604,784		231,412				157,919			10,054,222
Unutilized limits	15,291,809	41,889,645	71,871,456		7,497,483	49,994,740	198,830	633,091	9,633,352		ı	197,010,406
Total of financial position items	16,398,019	69,720,212	96,775,714		8,871,881	69,871,579	755,568	2,524,803	13,775,095			278,692,871
Total as at 31 December 2022	438,351,456	176,634,061	384,793,142	155,556,064	53,878,912	83,707,495	1,637,060	6,487,306	52,582,822	11,737,225	826,247,901	2,191,613,444
Total as at 31 December 2021	386,260,487	146,908,014	412,238,604	130,826,793	60,375,491	81,294,846	2,488,836	3,693,563	28,965,335	22,166,222	867,037,259	2,142,255,450



### B. Distribution of exposures by stages according to FAS (30) and IFRS (9) (Net) as at 31 December 2022:

Item (JD)	Stage 1	Stage 2	Stage 3	Total
Retail	435,290,179	2,768,637	292,640	438,351,456
Industrial	174,680,529	1,669,350	284,182	176,634,061
Trade	353,359,929	29,602,238	1,830,975	384,793,142
Real Estate	151,393,666	3,566,645	595,753	155,556,064
Agriculture	51,101,580	2,756,180	21,152	53,878,912
Constructions	73,429,843	10,241,189	36,463	83,707,495
Tourism	1,490,947	131,916	14,197	1,637,060
Transportation	6,444,607	40,366	2,333	6,487,306
Public services and facilities	51,658,515	903,756	20,551	52,582,822
Financial	11,737,225	-	-	11,737,225
Government and public sector	816,985,770	9,262,131	-	826,247,901
Total	2,127,572,790	60,942,408	3,098,246	2,191,613,444

### 3. Distribution of exposures by geographical region:

Distribution of exposures according to geographical region (Net) as at 31 December 2022:

	Jordan	Other Middle East countrie	s Europe	America	Australia	Other	Asia	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank of Jordan	658,465,365							658,465,365
Balances with Banks and financial institutions	2,016,723	210,456	845,709	522,039	87,573	233,520	356,744	4,272,764
Deferred sales Receivables, other Receivables, financings and Qard Al-Hasan:	916,363,684	103,786,486	44,667,000	-	-	-	7,090,000	1,071,907,170
Within financial assets at amortized cost	139,302,000	34,000,637	-	-	-	-	-	173,302,637
Other Assets								
Accrued revenues	1,400,354	595,549	522,352	-	-	-	20,335	2,538,590
Prepaid expenses	2,434,047	-	-	-	-	-	-	2,434,047
Total	1,719,982,173	138,593,128	46,035,061	522,039	87,573	233,520	7,467,079	1,912,920,573
Guarantees	38,956,202	-	-	-	-	-	-	38,956,202
Letters of credit	32,672,041	-	-	-	-	-	-	32,672,041
Acceptances	10,054,222	-	-	-	-	-	-	10,054,222
Other obligations	197,010,406	-	-	-	-	-	-	197,010,406
Total Off-Balance sheet	278,692,871	-	-	-	-	-	-	278,692,871
Total as at 31 December 2022	1,998,675,044	138,593,128	46,035,061	522,039	87,573	233,520	7,467,079	2,191,613,444
Total as at 31 December 2021	1,936,693,375	145,321,100	46,305,540	128,068	62,843	92,373	13,652,151	2,142,255,450
Distribution of exposures by s	tages accord	ling to IFRS (9) (Net)	as at 31 De	cember 2	2022:			
Item (JD)	9	Stage 1	Stage 2		Stage	3		Total
Jordan	1,94	3,896,521	51,680,277		3,098,2	246	1,998	3,675,044
Other Middle East countries	129	9,330,997	9,262,131		-		138,	593,128
Europe	46	,035,061	-		-		46,0	035,061
America	5	22,039	-		-		52	22,039
Asia	7,	467,079	-		-		7,4	67,079
Australia		87,573	-		-		8	7,573
Other countries	2	33,520	-		-		23	3,520
Total	2,12	7,572,790	60,942,408		3,098,2	246	2,191	,613,444



## 4 - Total credit exposures and fair value of collaterals as at 31 December 2022:

A. Total exposures of the Bank's portfolio as at 31 December 2022:

ה וכנמו באלסטמורט כו מוב סמוואים לכן נוסווס מם מנים ו סברברוווסבו בסבר					) = -	-				
					Collaterals fair value	/alue			Net exposures	
Item (JD)	Total Exposures	Cash margins	Quoted Shares	Banks guarantees	Real estate	Vehicles and equipment	Other	Total collaterals	after collaterals	(ECL)
Balances with Central Bank of Jordan	658,465,365				-	-			658,465,365	,
Balances with Banks and financial institutions	4,272,764	,		1	•	•	ı		4,272,764	•
Deferred sales Receivables and other Receivables:										
Retail	427,273,139	3,080,198			17,509,061	69,696,150		90,285,409	336,987,730	4,842,976
Real estate financing	158,120,997	,			5,356,716	3,446,923		8,803,639	149,317,358	2,222,852
Corporates:										
Large Companies	453,014,822	2,168,967			80,278,337	1,592,142		84,039,446	368,975,376	23,976,875
Small and medium enterprises	70,710,384	4,245,361			5,300,345	4,110,966	,	13,656,672	57,053,712	3,793,883
Sukuk:										
Within financial assets at amortized cost	173,723,911	,							173,723,911	421,274
Accrued revenues	2,538,590								2,538,590	
Prepaid expenses	2,434,047						,	,	2,434,047	
Total	1,950,554,019	9,494,526			108,444,459	78,846,181		196,785,166	1,753,768,853	35,257,860
Off- statement of financial position items:										
Guarantees	39,493,313	3,894,366						3,894,366	35,598,947	537,111
Letters of credit	33,054,201	2,252,476						2,252,476	30,801,725	382,160
Acceptances	10,215,869								10,215,869	161,647
Unutilized limits	197,666,636				20,425,271		2,285,568	22,710,839	174,955,797	656,230
Total off- statement of financial position items	280,430,019	6,146,842			20,425,271		2,285,568	28,857,681	251,572,338	1,737,148
Total as at 31 December 2022	2,230,984,038	15,641,368			128,869,730	78,846,181	2,285,568	225,642,847	2,005,341,191	36,995,008

B. Credit exposures within stage 3 as at 31 December 2022:

				S	Collaterals fair value	alue			Net exposures	
Item (JD)	Total exposures	Cash margins	Quoted	Bank guarantees	Real estate	Vehicles and equipment	Other	Total collaterals	after collaterals	(ECL)
Retail	4,221,297				78,224	10,000		88,224	4,133,073	3,455,931
Real estate financing	2,601,322	-	-	-	-	-		-	2,601,322	1,663,488
Corporates:										
Large Companies	15,672,174	-	-	-	505,200	-		505,200	15,166,974	14,660,261
Small and medium enterprises	5,542,331	-	-	-	4,886,496	476,250		5,362,746	179,585	2,946,487
Total	28,037,124				5,469,920	486,250		5,956,170	22,080,954	22,726,167
Off-statement of financial position items										
Guarantees	256,399	41,997			•	•		41,997	214,402	138,620
Total off- statement of financial position items	256,399	41,997	-	-	-	-		41,997	214,402	138,620
Total	28,293,523	41,997			5,469,920	486,250		5,998,167	22,295,356	22,864,787

## 5-Total reclassified credit exposures and total expected credit losses:

A. Total reclassified credit exposure as at 31 December 2022:

	5	Stage 2	51	Stage 3	Legional and Later	3
Item (JD)	Total exposures	Reclassified exposures	Total exposures	Total exposures Reclassified exposures	exposures	rercentage or reclassified exposures
Deferred sales Receivables and other Receivables	31,049,180	5,733,080	28,037,124	3,901,361	9,634,441	16%
Financial assets at amortized cost	ı			ı	•	r
Total	31,049,180	5,733,080	28,037,124	3,901,361	9,634,441	16%
Off- statement of financial position items:						
Guarantees	3,119,562	1,713,772	256,399	47,700	1,761,472	52%
Letters of credit	481,470	•		ı	•	ı
Acceptances	43,318	44,452	•	-	44,452	103%
Unutilized limits	22,897,434	14,981,529	•	-	14,981,529	<b>%29</b>
Total off- statement of financial position items	26,541,784	16,739,753	256,399	47,700	16,787,453	63%
Total	57,590,964	22,472,833	28,293,523	3,949,061	26,421,894	31%



### B. The amount of expected credit losses as at 31 December 2022:

	St	Stage 2	St	Stage 3	T	
Item (JD)	Total ECL	Reclassified ECL	Total ECL	Reclassified ECL	- Total reclassined ECL	Percentage of ECL
Deferred sales Receivables and other Receivables	5,574,158	184,916	22,726,167	137,625	322,541	1%
Financial assets at amortized cost					•	
Total	5,574,158	184,916	22,726,167	137,625	322,541	1%
Off-statement of financial position items:						
Guarantees	42,396	11,544	138,620	947	12,491	7%
Letters of credit	31,465			-	ı	
Acceptances	2,672	437		-	437	16%
Unutilized limits	214,900	24,159		•	24,159	11%
Total off- statement of financial position items	291,433	36,140	138,620	947	37,087	9%
Total	5,865,591	221,056	22,864,787	138,572	359,628	1%

OII- statellient of illiancial position items.								
Guarantees	42,396	11,544	138,620	947	7	12,491		7%
Letters of credit	31,465	•	•	-		-		•
Acceptances	2,672	437				437		16%
Unutilized limits	214,900	24,159	•	-		24,159		11%
Total off- statement of financial position items	291,433	36,140	138,620	947	7	37,087		9%
Total	5,865,591	221,056	22,864,787	138,572	572	359,628		1%
C. Reclassified credit losses:								
	R	Reclassified exposures	o,		ECL for I	ECL for Reclassified exposures	osures	
Item (JD)	Total exposures reclassified from stage 2	Total exposures reclassified from stage 3	Total exposure reclassified	Stage 2 (individual)	Stage 2 (collective)	Stage 3 (individual)	Stage 3 (collective)	Total
Deferred sales Receivables and other Receivables	12,887,735	448,775	13,336,510		562,642		202,640	765,282
Total	12,887,735	448,775	13,336,510		562,642		202,640	765,282
Off- statement of financial position items:								
Guarantees	1,271,472	523,318	1,794,790		47,572		772	48,344
Letters of credit	1	1	1					
Acceptances		1						
Unutilized limits	12,581,056	1,592,806	14,173,862		106,655			106,655
Total off- statement of financial position items	13,852,528	2,116,124	15,968,652		154,227		772	154,999
Total	26,740,263	2,564,899	29,305,162	÷	716,869	·	203,412	920,281

### 51\A. Credit Risk

### 1. Exposures to Credit Risk (after provision for expected credit losses and before collateral held and other risk mitigating factors)

	Joi	nt	Se	elf	To	tal
	31 Dec	ember	31 Dec	cember	31 Dec	ember
	2022	2021	2022	2021	2022	2021
Statement	JD	JD	JD	JD	JD	JD
Financial position items:						
Balances with Central Bank	-	-	658,465,365	843,675,217	658,465,365	843,675,217
Balances with Banks and financial institutions		-	4,272,764	18,227,011	4,272,764	18,227,011
Deferred Sales Receivables and Other Receivables:						
Retail	358,701,507	317,057,687	63,251,930	56,164,168	421,953,437	373,221,855
Real estate financings	155,556,064	130,826,793	-	-	155,556,064	130,826,793
Corporates:						
Large companies	426,703,472	402,162,271	1,551,161	1,040,062	428,254,633	403,202,333
Small and medium enterprises	65,939,980	73,924,228	203,056	136,926	66,143,036	74,061,154
Sukuk:				-		
Within financial assets at amortized cost	173,302,637	26,732,789	-	-	173,302,637	26,732,789
Other assets:						
Accrued revenue	2,538,590	243,939	-	-	2,538,590	243,939
Prepaid expenses	-	-	2,434,047	1,984,424	2,434,047	1,984,424
Off – Statement of Financial Position:						
Letters of Guarantee	-	-	38,956,202	35,270,554	38,956,202	35,270,554
Letters of credit	-	-	32,672,041	31,961,171	32,672,041	31,961,171
Acceptances	-	-	10,054,222	17,798,604	10,054,222	17,798,604
Unutilized limits	136,107,554	122,404,899	60,902,852	62,644,707	197,010,406	185,049,606
Total	1,318,849,804	1,073,352,606	872,763,640	1,068,902,844	2,191,613,444	2,142,255,450



# 2. Distribution of Credit Risk Exposure according to the degree of risk, Central Bank of Jordan regulations, and the International Financial Reporting Standards.

The credit exposure is distributed according to the degree of risk according to the following table:

Net	Provision for impairment	Revenues in suspense	Deferred revenue	Less:	Total	Bad debts	Doubtful	Sub-standard	Non-performing:	Watch list	From 31 to 59 days (stage 2)	Up to 30 days	Past due	Acceptable risk	Low risk	31 December 2021	Net	Provision for impairment	Revenues in suspense	Deferred revenue	Less:	Total	Bad debts	Doubtful	Sub-standard	Non-performing:	Watch list	From 31 to 59 days (stage 2)	Up to 30 days	Past due	Acceptable risk	Low risk		31 December 2022	
317,057,687	3,162,555	614,365	32,478,909		353,313,516	2,401,944	404,204	485,779		1,106,675	1,782,307	169,260		345,472,655	1,490,692		358,701,507	3,915,522	476,726	37,622,220		400,715,975	2,426,667	496,066	582,548		1,247,117	1,273,032	15,338		391,595,009	3,080,198	Þ	Retail	
130,826,793	2,155,862	279,117	16,869,986		150,131,758	2,176,622	1,318,082	175,200		2,141,204	114,112	45,687		144,160,851			155,556,064	2,222,852	342,081	20,089,780		178,210,777	2,232,813	252,459	223,611		2,724,537	499	41		172,776,817		ъ	Real estate	
402,192,684	18,504,154	784,424	7,342,608		428,823,870	14,261,052	25,890			19,795,309	2,716,633	856,943		388,666,088	2,501,955		427,595,651	21,190,721	766,051	10,149,112		459,701,535	12,900,128		6,149		14,844,199	1,591,799	2,936,040		425,254,253	2,168,967	ъ	Large companies	
73,924,228	3,035,317	705,253	3,014,248		80,679,046	3,592,462	114,215	354,729		7,899,214	217,153	125,900		65,158,160	3,217,213		65,939,980	3,562,092	773,465	2,752,308		73,027,845	3,808,722	1,309,189	236,708		3,469,868	234,691	120,071		59,603,235	4,245,361	ъ	Medium enterprises	Joint
3,593,793	947				3,594,740									3,594,740			7,176,176	11,342				7,187,518									7,187,518		ъ	Banks and other financial institutions	
23,352,522	744,449				24,096,971									9,607,318	14,489,653		167,772,872	409,932				168,182,804									9,507,182	158,675,622	ъ	Government and public sector	
950,947,707	27,603,284	2,383,159	59,705,751		1,040,639,901	22,432,080	1,862,391	1,015,708		30,942,402	4,830,205	1,197,790		956,659,812	21,699,513		1,182,742,250	31,312,461	2,358,323	70,613,420		1,287,026,454	21,368,330	2,057,714	1,049,016		22,285,721	3,100,021	3,071,490		1,065,924,014	168,170,148	Þ	Total	
56,164,168	737,877				56,902,045	603,081	50,381	19,929		9,777				56,218,877			63,251,930	927,454				64,179,384	729,163	51,440	21,583		29,464				63,347,734		ъ	Retail	
3,014,966	3,233,833	17,228	41		6,266,068	2,961,314				51,352				3,253,402			3,687,259	2,786,154	17,263	6		6,490,682	2,765,911		34		300				3,724,437		5	Large companies	
136,926	241,984	1,490			380,400	235,367	7,090	281		273				137,389			203,056	231,791				434,847	218,714	7,298	1,720		10,748				196,367		ъ	Medium enterprises	Self
18,227,011					18,227,011									18,227,011			4,561,049					4,561,049									4,561,049		ъ	Banks and other financial institution	f
843,684,737					843,684,737										843,684,737		658,475,029					658,475,029							•		•	658,475,029	Þ	Government and public sector	
921,227,808	4,213,694	18,718	41		925,460,261	3,799,762	57,471	20,210		61,402				77,836,679	843,684,737		730,178,323	3,945,399	17,263	6		734,140,991	3,713,788	58,738	23,337		40,512				71,829,587	658,475,029	ъ	Total	
1,872,175,515	31,816,978	2,401,877	59,705,792		1,966,100,162	26,231,842	1,919,862	1,035,918		31,003,804	4,830,205	1,197,790		1,034,496,491	865,384,250		1,912,920,573	35,257,860	2,375,586	70,613,426		2,021,167,445	25,082,118	2,116,452	1,072,353		22,326,233	3,100,021	3,071,490		1,137,753,601	826,645,177	ъ	Total	

Fair value of collaterals against deferred sales receivables, other receivables and financings:

	)				)						
			Joint					Self			
2022	Retail	Real estate financing Large companies	Large companies	Small and medium enterprises	Total	Retail	Real estate financing	Large companies	Small and medium enterprises	Total	Total
	9	Qſ	۵r	۵۲	۵۲	q	Qſ	Qſ	Q.	q	Qſ
Collaterals against:											
Low risk	3,080,198	-	2,168,967	4,245,361	9,494,526		-	-	-		9,494,526
Acceptable risk	83,936,157	7,024,387	76,892,469	8,198,887	176,051,900		-	-			176,051,900
Watch list	963,078	902,716	3,157,987	167,820	5,191,601		-	-	•		5,191,601
Non-performing:											
Sub-standard	327,492	6,236	-	250,669	584,397		-	•			584,397
Doubtful	149,838	30,675	-	311,100	491,613		-	-	-		491,613
Bad debts	1,828,646	839,625	1,204,924	482,835	4,356,030		-	615,099	-	615,099	4,971,129
Total	90,285,409	8,803,639	83,424,347	13,656,672	196,170,067			615,099		615,099	196,785,166
Of which:											
Cash margins	3,080,198	•	2,168,967	4,245,361	9,494,526	,	•	•		1	9,494,526
Real estate	17,509,061	5,356,716	79,663,238	5,300,345	107,829,360	,	•	615,099	,	615,099	108,444,459
Quoted shares		•	•		•		•	-			-
Vehicles and equipment	69,696,150	3,446,923	1,592,142	4,110,966	78,846,181		-	-	•		78,846,181
Accepted Bank guarantees		•	•		•						
	90,285,409	8,803,639	83,424,347	13,656,672	196,170,067			615,099		615,099	196,785,166
2021											
Collaterals against:											
Low risk	1,490,692		2,501,955	3,217,213	7,209,860						7,209,860
Acceptable risk	69,435,383	9,759,182	75,248,638	7,134,811	161,578,014		•				161,578,014
Watch list	1,221,744	641,752	8,516,492	546,702	10,926,690		-				10,926,690
Non-performing:											
Sub-standard				100,000	100,000						100,000
Doubtful	73,194	416,846	628,783	44,787	1,163,610		•			,	1,163,610
Bad debts	1,844,794	432,667	2,547,534	446,197	5,271,192		,	615,099		615,099	5,886,291
Total	74,065,807	11,250,447	89,443,402	11,489,710	186,249,366			615,099		615,099	186,864,465
Of which:											
Cash margins	1,490,692		2,501,955	3,217,213	7,209,860						7,209,860
Real estate	14,771,160	8,338,438	83,918,980	4,778,266	111,806,844			615,099		615,099	112,421,943
Quoted shares		1	'	·	'		'	·	•		1
Vehicles and equipment	57,803,955	2,912,009	3,022,467	3,494,231	67,232,662						67,232,662
Accepted Bank guarantees					,		,				,
	74,065,807	11,250,447	89,443,402	11,489,710	186,249,366			615,099		615,099	186,864,465



### 3- Sukuk: The following table shows the classification of Sukuk according to external rating agencies:

Rating grade	Rating agency	Within financial assets at amortized cost
		JD
A-	Fitch	7,111,878
В	S & P	9,411,937
BB	Fitch	17,898,096
Unrated	<del>-</del>	139,302,000
Total		173,723,911

### Deferred Sales Receivables and Other Receivables and Re-Scheduled Financings:

These are the receivables previously rated as non-performing receivables/financings and excluded from the non-performing receivables and financings framework by virtue of Re-scheduling. These receivables have been classified within watch-list receivables/financings and amounted to JD 5,213 thousand as at 31 December 2022, regardless of whether they remain in the watch list or are transferred to the performing receivables (JD 1,516 thousand as at 31 December 2021).

### Deferred Sales Receivables and Other Receivables and Re-structured Financings:

Restructuring means re-arranging receivables/financings in terms of amending installments, extending their life of receivables/financings, deferring some installments, or extending their grace period. They are classified as watch-list receivables/financings and amounted to JD 11,365 thousand as at 31 December 2022 (JD 41,426 thousand as at 31 December 2021).

### 4. Concentration of Credit Risk Exposures as per Geographical Distribution is as follows:

Item Geographical Area	Jordan	Other middle eastern countries	Europe	America	Australia	Other	Asia	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances with Central Bank of Jordan	658,465,365	-	-	-	-	-	-	658,465,365
Balances with Banks and financial institutions	2,016,723	210,456	845,709	522,039	87,573	233,520	356,744	4,272,764
Deferred Sales Receivables: other Receivables and Financings:								
Retail	421,953,437	-	-	-	-	-	-	421,953,437
Real estate financings	155,556,064	-	-	-	-	-	-	155,556,064
Corporates:								
Large companies	272,711,147	103,786,486	44,667,000	-	-	-	7,090,000	428,254,633
Small and medium enterprises	66,143,036	-	-	-	-	-	-	66,143,036
Within financial assets at amortized cost	139,302,000	34,000,637	-	-	-	-	-	173,302,637
Other Assets:								
Accrued revenue	1,400,354	595,549	522,352	-	-	-	20,335	2,538,590
Prepaid expenses	2,434,047	-	-	-	-	-	-	2,434,047
Total as at 31 December 2022	1,719,982,173	138,593,128	46,035,061	522,039	87,573	233,520	7,467,079	1,912,920,573
Total as at 31 December 2021	1,666,613,440	145,321,100	46,305,540	128,068	62,843	92,373	13,652,151	1,872,175,515

5. Concentration of Credit Risk Exposures as per Economic Concentration is as follows:

ltem Sector	Retail	Industrial	Trading	Real Estate	Agriculture	Agriculture Constructions Tourism		Transportation	Services and public utilities	Finance	Government and public sector	Total
	Q	Q	Qſ	Qſ	Qſ	Qſ	Q	Qſ	q	Qſ	Qſ	Q
Balances at Central Bank of Jordan	ı		,	,	,	,		,	,	,	658,465,365	658,465,365
Balances at Banks and financial institutions	,		,	,	,	1		1	1	4,272,764	1	4,272,764
Deferred sales Receivables, other 421,953,437 106,913,849 receivables, and Financings	421,953,437	106,913,849	284,989,151	155,556,064	45,007,031	13,835,916	881,492	3,962,503	38,807,727		1	1,071,907,170
Sukuk												
Within financial assets at amortized cost		,	,	,	,	,		,	,	7,100,536	166,202,101	173,302,637
Other assets	,	,	,	,	,	,				,	,	
Accrued revenues	-	-	892,179	•	•	•	-	•	•	75,640	1,570,771	2,538,590
Prepaid expenses	,	,	2,136,098	,	,	ı				288,285	9,664	2,434,047
Total as at 31 December 2022	421,953,437	421,953,437 106,913,849	288,017,428	155,556,064	45,007,031	13,835,916	881,492	3,962,503	38,807,727	11,737,225	826,247,901	1,912,920,573
Total as at 31 December 2021	373,221,855	93,060,189	309,925,927	130,826,793	36,203,457	18,628,008	1,698,694	2,429,573	16,977,538	22,166,222	867,037,259	1,872,175,515



### 51\B- Market Risk

The Bank adopts financial policies for managing various risk within a defined strategy. Moreover, the Bank's assets and liabilities management committee monitors, and controls risks and carries out the optimal strategic distribution for assets and liabilities, whether on- or off-the statement of financial position. These risks include:

- Updating the Bank's investment policies; presenting them periodically to the Board of Directors for approval; reviewing the implementation of the investment policies and evaluating their results in comparison with the market indicators and Banking competitiveness.
- Forming investment decision-making committees and vesting authority's inconformity with the Bank's investment policy.
- Setting-up an annual investment plan, taking into consideration projections of the Assets and Liabilities Committee in respect of the expected returns and market rate fluctuations. The plan has to include the investment instruments available in the low-risk market.
- Preparing reports on the market rates and presenting them to the Assets and Liabilities Committee to monitor any sudden drop in the prices of the invested financial instruments to avoid the risks of market rates fluctuations.

### 1. Rate of Return Risks

- Rate of return risks arise from the increase in long-term fixed rates in the market, which do not correspond immediately with the emerging changes in the high return index. The necessary steps must be taken to ensure availability of administrative measures related to renewal, measurement and follow-up of the average return risk. Moreover, reports should be prepared on rate of return risks. They should also be monitored, and the soundness of their structure should be verified.
- The Bank is exposed to the average return risks due to a gap in the amounts of assets and liabilities as per the multiple maturity times or due to re-pricing of the average return over the subsequent transactions during a specific period. The Bank manages such risks by determining the future profit rates in accordance with the projections of market conditions and developing new instruments that are Shari'a compliant through the Bank's risk management strategy.
- Obtaining the best possible returns available in the market based on the International Market Index (LIBOR) and (JODIBOR) as a standard and benchmark for both the portfolio and investments managed by the Bank.
- Observing the risks arising from these investments based on the diversity option based on countries, institutions, and regions; and ensuring mitigation of the risk effects arising from managing investment.
- Complying with management of investments by matching the Bank's liabilities, represented by deposits, and assets in foreign currencies comprised of investments in foreign currencies. Accordingly, term restricted deposits are invested on a short-term investment basis while the long- term deposits are invested on a medium- or long- term investment basis.

### 2. Foreign Exchange Risk

Foreign currencies are managed on a spot basis rather than on a forward basis. Accordingly, the foreign currency positions are monitored daily, and so are the limits for the positions for every currency. Moreover, the Bank's general policy for managing foreign currencies is based on liquidating the position on time and covering the required positions as per the customers' needs. In respect of open foreign currency positions held against each other, the Bank relies on the instructions of the Central Bank of Jordan. These instructions prescribe that licensed Banks should hold open positions (long and short) in foreign currencies, not exceeding 5% of the shareholders' equity for each currency separately. This percentage does not apply to the US Dollar, as it is a base currency. As such, the total position for all currencies may not exceed 15% of the shareholders' equity of the Bank.

2022	Change in Currency Exchange Rate	Effect on Profit and Loss	Effect on Shareholders' Equity
	(%)	JD	JD
USD	5%	35,716	-
EUR	5%	2,838	-
GBP	5%	2,308	-
Other currencies	5%	30,804	-

2021	Change in Currency Exchange Rate	Effect on Profit and Loss	Effect on Shareholders' Equity
	(%)	JD	JD
USD	5%	248,949	<del>-</del>
EUR	5%	883	<del>-</del>
GBP	5%	2,676	-
Other currencies	5%	39,767	-

### 3. Change in Share Prices Risk

The policy adopted by the Bank regarding the management of stocks and securities is based on analyzing the financial indicators of these prices and evaluating them fairly based on stock valuation models, taking into account the risks of change in the fair value of investments that the Bank works to manage by diversifying investments and diversifying economic sectors.

2022	Change in the Index	Effect on Profit and Loss	Effect on Shareholders' Equity	Effect on joint investments accounts holders
Indicator	(%)	JD	JD	JD
Financial Markets	%5	-	290,677	306,625

2021	Change in the Index	Effect on Profit and Loss	Effect on Shareholders' Equity	Effect on joint investments accounts holders
Indicator	(%)	JD	JD	JD
Financial Markets	%5	-	292,146	195,734

### 4. Commodities' Risks

The commodities' risks arise from the fluctuations in the prices of tradable or leasable assets. Moreover, they are associated with the present and future fluctuations in the market values of specific assets. In this respect, the Bank is exposed to the fluctuations in the prices of commodities bought and fully paid for after signing sales contracts and during the year of acquisition. It is also exposed to the fluctuations in the residual value of the leased premises as at the end of the lease period.



### **Concentration of Foreign Currency Risk**

					(To the nea	rest 000 JDs
31 December 2022	US Dollar	Euro	Sterling Pound	Japanese Yen	Others	Total (JD
Assets:						
Cash and Balances with Central Bank	15,763	370	16	-	90	16,239
Balances with Banks and financial institutions	593	405	170	458	1,236	2,862
Sales receivables, other receivables, financings and Ijara	163,064	16,340	4,969	1	5,759	190,133
Financial assets at fair value through shareholders' equity	5,633	-	-	-	-	5,633
Financial assets at amortized cost	34,001	-	-	-	-	34,001
Other assets	1,178	7	9	-	10	1,204
Total assets	220,232	17,122	5,164	459	7,095	250,072
Liabilities:						
Banks and financial institutions' account	86	-	-	-	41	127
Customers' deposits (current, savings and long term)	208,012	14,581	5,070	456	6,379	234,498
Cash margins	3,866	1,448	39	3	3	5,359
Other liabilities	8,176	1,036	9	1	55	9,277
Total Liabilities	220,140	17,065	5,118	460	6,478	249,26
Net concentration within the statement of financial position for the current year	92	57	46	(1)	617	811
Contingent liabilities off- statement of financial position for the current year	40,723	5,109	130	270	204	46,436
31 December 2021						
Total Assets	236,829	13,699	4,031	184	8,318	263,061
Total Liabilities	230,998	13,683	3,977	183	7,523	256,364
Net Concentration within the Statement of Financial Position	5,831	16	54	1	795	6,697
Contingent Liabilities off- Statement of Financial Position	46,961	5,467	-	124	-	52,552

### 51\C- Liquidity Risk

Management of cash liquidity is a clear expression of the Bank's ability to meet its cash obligations in the short and long terms within its general strategic framework that aims at realizing an optimal return on its investments. Moreover, the Bank's cash liquidity is reviewed and studied over many years .At the branches, the branch's management and Treasury review and study the cash obligations and the available funds daily. On the Bank's level in general, cash liquidity is studied by the Financial Control Department and General Treasury Department daily. Moreover, the cash liquidity and the Bank's assets and liabilities are studied and analyzed on a monthly basis. The cash liquidity review includes analyzing the maturity dates of assets and liabilities as a whole to ensure that they match properly. Their view also includes analyzing the sources of funds in accordance with the nature of their sources and uses.

First: The following table summarizes the distribution of liabilities (not discounted) on the basis of the remainder of the contractual maturity at the date of the financial statements:

							(To the n	earest 000JDs)
31 December 2022	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to one year	Up to 3 years	More than 3 years	Without maturity	Total
Liabilities								
Banks and financial institutions accounts	388	-	-	-	-	-	-	388
Customers' current accounts	304,601	120,884	96,361	71,837	223,761	-	-	817,444
Cash margins	14,796	469	4,786	12,637	-	-	-	32,688
Other provisions	-	-	-	120	118	3,211	-	3,449
Income tax provision	4,140	-	10,990	-	-	-	-	15,130
Deferred tax liability	-	-	-	-	-	-	366	366
Lease liability	108	216	325	649	2,597	2,381	-	6,276
Other Liabilities	49,607	9,398	2,570	-	-	<u>-</u>	1,737	63,312
Joint investment accounts	229,552	244,594	146,356	1,057,693	72,051	-	-	1,750,246
Joint fair value reserve - Net	-	-	-	-	-	-	(128)	(128)
Provision of future expected investment risks	-	-	-	-	-	-	-	-
Total	603,192	375,561	261,388	1,142,936	298,527	5,592	1,975	2,689,171
Total Assets (according to expected maturities)	931,282	119,082	162,345	214,168	1,163,498	290,632	70,139	2,951,146
31 December 2021								_
Liabilities								
Banks and financial institutions accounts	1,646	-	-	-	-	-	-	1,646
Customers' current accounts	290,836	115,635	92,227	68,818	212,765	-	-	780,281
Cash margins	16,258	625	3,216	12,272	-	-	-	32,371
Other provisions	-	-	-	-	219	3,505	-	3,724
Income tax provision	2,899	-	8,647	-	_	-	-	11,546
Deferred tax liability	-	-	-	-	-	-	377	377
Lease liability	67	177	229	363	836	4,269	-	5,941
Other Liabilities	21,031	1,480	16,181	-	-	-	1,091	39,783
Joint investment accounts	247,327	266,145	150,875	921,430	80,527	-	-	1,666,304
Joint fair value reserve - Net	-	_	-	-	-	-	(398)	(398)
Provision of future expected investment risks	-	-	-	-	-	-	1,469	1,469
Total	580,064	384,062	271,375	1,002,883	294,347	7,774	2,539	2,543,044
Total Assets (according to expected maturities)	1,161,449	148,332	141,021	195,610	622,962	470,877	69,288	2,809,539

### **Liquid Coverage Ratio (LCR)**

The liquidity ratio reached 372% as on 31 December 2022, compared to 427% as on 31 December 2021, noting that the minimum liquidity coverage ratio according to the liquidity coverage ratio instructions No. (15/2021) issued by the Central Bank of Jordan is 100%.

### **Second: Off-Statement of Financial Position Items**

	Up to C	Up to One Year			
	2022	2021			
	JD	JD			
Letters of credit and acceptances	43,270,070	50,146,866			
Unutilized limits	197,666,636	185,424,670			
Letters of Guarantees	39,493,313	35,599,384			
Total	280,430,019	271,170,920			



### 52. Information about the Bank's Business Sectors

### A. Information about the Bank's Activities

The Bank is organized, for administrative purposes, whereby the sectors are measured in accordance with the reports used by the Bank's executive manager and decision-maker through the following four major sectors:

### **Retail Banking**

This includes following up on the joint investment accounts, deferred sales receivables, financings, credit cards and other services.

### **Corporate Banking**

This includes following up on the joint investment accounts, deferred sales receivables, financing and other Banking services related to corporate customers.

This sector includes providing trading and treasury services and management of the Bank's funds.

It includes any unusual matters not belonging to the above sectors.

The following represents information about the Bank's business sectors distributed according to activities (amounts in 000 JD):

					Total		
					31 Dec	ember	
	Retail	Corporates	Treasury	Others	2022	2021	
	JD	JD	JD	JD	JD	JD	
Gross income (Joint and Self)	61,614	17,788	9,971	(7)	89,366	78,790	
ECL of sales receivables and other receivables - self	-	(187)	6,513	-	6,326	(300)	
Recoveries from ECL - joint	-	1,464	-	-	1,464	7,362	
Business Sector Results	61,614	19,065	16,484	(7)	97,156	85,852	
Undistributed expenses	(19,176)	(2,215)	(332)	(21,244)	(42,967)	(37,699)	
Income before Tax	42,438	16,850	16,152	(21,251)	54,189	48,153	
Income tax	(14,640)	(5,811)	(5,572)	7,331	(18,692)	(14,435)	
Income for the Year	27,798	11,039	10,580	(13,920)	35,497	33,718	
Segment's Assets	1,371,396	491,235	1,003,977	-	2,866,608	2,732,814	
Sector's Undistributed Assets	-	-	-	84,538	84,538	76,725	
Total Segment's Assets	1,371,396	491,235	1,003,977	84,538	2,951,146	2,809,539	
Segment's Liabilities, Joint Investment Equity and ECL provision	1,825,231	746,542	388	-	2,572,161	2,480,549	
Undistributed Liabilities, Joint Investment Equity and ECL provision	-	-	-	117,010	117,010	62,494	
Total Segment's Liabilities, Joint Investment Equity and Investment Risk Fund	1,825,231	746,542	388	117,010	2,689,171	2,543,043	
					2022	2021	
					JD	JD	
Capital expenses	-	-	-	3,016	3,016	4,783	
Depreciation and Amortization	1,527	3	1	1,445	2,976	2,554	
Right of use assets	7,521	-	-	-	7,521	7,005	
Right of use assets-amortization	1,241	-	-	-	1,241	1,184	

### **B.** Information on the Geographical Distribution

This note represents the geographical distribution of the Bank's operations. The Bank performs its operations mainly in the Hashemite Kingdom of Jordan, and these operations represent the local activities.

The following is the distribution of the Bank's income, assets and capital expenditures as per geographical sector based on their measurement method in accordance with the reports used by the Bank's Executive Manager and decision-maker at the Bank:

		(To the nearest 000 JDs)							
	Inside l	Kingdom	Outside	Kingdom	Total				
	2022	2021	2022	2021	2022	2021			
Gross income	83,807	84,473	7,023	1,679	90,830	86,152			
Total assets	2,757,770	2,603,518	193,376	206,021	2,951,146	2,809,539			
Capital expenses	3,016	4,783	-	-	3,016	4,783			

### 53. Capital Management

The Bank's management takes into consideration the requirements of the Central Bank of Jordan. These requirements necessitate making available sufficient self-funds to cover a specific rate of the risk-weighted assets consistent with the nature of the granted financing and direct investment for this purpose. Moreover, capital consists of what the Central Bank has determined as regulatory capital (being the primary capital and the supplementary capital).

The capital's Management aims at investing the funds in financial instruments with various risks (high risk and low risk) in order to realize a good return as well as to realize the capital adequacy ratio of 12% required by the Central Bank.

The most significant reason for the change in regulatory capital during the year is that profits realized during the year were not distributed but rather capitalized in shareholders' equity through the statutory, voluntary and special reserves.

The Capital Adequacy ratio is calculated based on the Central Bank of Jordan regulations and the (IFSB). The following represents the Capital Adequacy ratio compared to prior year:

	(to the near	est 000 JDs)
	31 December 2022	31 December 2021
	JD	JD
Common equity Tier 1 – net (CET1)	233,253	221,553
Common equity Tier 1 – (CET1)	261,909	266,286
Authorized and paid up capital	100,000	100,000
Statutory reserve	49,968	44,549
Voluntary reserve	4,262	4,262
Retained earnings	107,147	117,069
Fair value reserve	598	616
Bank's share from fair value reserve – joint	(66)	(210)
Less:		
Intangible assets	(1,628)	(1,657)
Proposed profit for distribution	(24,000)	(40,000)
Retained earnings restricted to use	(181)	(181)
Deferred tax assets – self and joint (After deducting deferred tax liabilities)	(2,847)	(2,895)
Tier 2	4,695	2,038
Expected credit losses provisions against direct and indirect facilities, self and joint	4,695	2,038
Total Regulatory Capital	237,948	223,591
Total Risk-weighted Assets	1,237,728	1,090,143
Capital Adequacy Ratio (%)	19,22%	20,51%
CET1 (%)	18,85%	20,32%
Tier1 (%)	18,85%	20,32%
Tier2 (%)	0,38%	0,19%
Leverage Ratio (%)	14,69%	13,31%



### **54. Assets and Liabilities maturity analysis**

The following table analyzes assets and liabilities in accordance with the expected period of their recoverability or settlement:

	(to the nearest 000 JDs)					
	Up to 1 Year	Over 1 Year	Without Maturity	Total		
31 December 2022	JD	JD	JD	JD		
Assets:						
Cash and balances with Central Bank of Jordan	709,456	-	-	709,456		
Balances with Banks and financial institutions	4,273	-	-	4,273		
Deferred sales receivables and other receivables – Net	481,291	525,615	-	1,006,906		
Deferred sales receivables through the statement of income	-	-	-	-		
Ijara Muntahia Bittamleek Assets - Net	150,260	745,463	-	895,723		
Financial assets at fair value through shareholders' equity – Self	-	-	5,814	5,814		
Financial assets at fair value through joint investment – Accounts' holders	-	-	6,132	6,132		
Financial assets at amortized cost	-	173,303	-	173,303		
Investments in real estate - Net	-	-	18,758	18,758		
Al-Qard Al-Hasan loans - Net	63,406	1,595	-	65,001		
Property and equipment - Net	-	-	18,230	18,230		
Intangible assets - Net	407	1,221	-	1,628		
Right-of-use Assets	1,311	6,210	-	7,521		
Deferred tax assets	-	-	3,212	3,212		
Other assets	16,473	724	17,992	35,189		
Total Assets	1,426,877	1,454,131	70,138	2,951,146		
Liabilities and Joint Investment Accounts' Holders						
Banks and financial institutions accounts	388	-	-	388		
Customers' current and demand account	593,683	223,761	-	817,444		
Cash margins	32,688	-	-	32,688		
Other provisions	120	3,329	-	3,449		
Income tax provision	15,130	-	-	15,130		
Deferred tax liability	-	-	366	366		
Lease liability	1,298	4,978	-	6,276		
Other liabilities	61,575	-	1,737	63,312		
Joint investment accounts	1,678,195	72,051	-	1,750,246		
Joint fair value reserve - Net	-	-	(128)	(128)		
Provision for future expected investment risks	-	-	-	-		
Total Liabilities and Joint Investment Accounts Holders	2,383,077	304,119	1,975	2,689,171		
Net	(956,200)	1,150,012	68,163	261,975		

	(to the nearest 000 JDs)				
	Up to 1 Year	Over 1 Year	Without Maturity	Total	
31 December 2021	JD	JD	JD	JD	
Assets:					
Cash and balances with Central Bank of Jordan	889,168	-	-	889,168	
Balances with Banks and financial institutions	18,227	-	-	18,227	
Deferred sales receivables and other receivables – Net	538,971	385,009	-	923,980	
Deferred sales receivables through the statement of income	-	-	-	-	
Ijara Muntahia Bittamleek Assets - Net	131,045	676,571	-	807,616	
Financial assets at fair value through shareholders' equity – Self	-	-	5,843	5,843	
Financial assets at fair value through joint investment – Accounts' holders	-	-	3,915	3,915	
Financial assets at amortized cost	3,545	23,188	-	26,733	
Investments in real estate	-	-	18,989	18,989	
Al-Qard Al-Hasan loans	55,679	1,653	-	57,332	
Property and equipment - Net	-	-	18,356	18,356	
Intangible assets	414	1,243	-	1,657	
Right-of-use Assets	1,273	5,733	-	7,006	
Deferred tax assets	-	-	3,273	3,273	
Other assets	8,090	442	18,912	27,444	
Total Assets	1,646,412	1,093,839	69,288	2,809,539	
Liabilities and Joint Investment Accounts' Holders					
Banks and financial institutions accounts	1,646	-	-	1,646	
Customers' current and demand account	567,516	212,765	-	780,281	
Cash margins	32,371	-	-	32,371	
Other provisions	-	3,724	-	3,724	
Income tax provision	11,546	-	-	11,546	
Deferred tax liability	-	-	377	377	
Lease liability	836	5,105	-	5,941	
Other liabilities	38,692	-	1,091	39,783	
Joint investment accounts	1,585,777	80,527	-	1,666,304	
Joint fair value reserve - Net	-	-	(398)	(398)	
Provision for future expected investment risks	-	-	1,469	1,469	
Total Liabilities and Joint Investment Accounts Holders	2,238,384	302,121	2,539	2,543,044	
Net	(591,972)	791,718	66,749	266,495	



### 55. Fair Value Measurement

 $The standard \ requires \ determining \ the \ level \ and \ disclosure \ of \ the \ fair \ value \ hierarchy \ into \ which \ the \ fair \ value \ measurements$ are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. The difference between level (2) and level (3) of the fair value measurements, i.e., assessing whether the inputs are observable and whether the unobservable inputs are significant. This may require judgement and careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

### a. The Bank's Fair Value of Financial Assets and Financial Liabilities Measured at Fair Value on a **Recurring Basis:**

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each financial period. The following table gives information about the method of determining the fair value of such financial assets and financial liabilities (valuation techniques and key inputs).

	Fair Value						
Financial Assets / Financial Liabilities	2022	2021	Fair Value Hierarchy				
	JD	JD					
Financial Assets at Fair Value:							
Financial Assets at Fair Value through Shareholders' Equity - self							
Quoted shares	5,813,534	5,842,911	Level 1				
Financial Assets at fair value through joint investment accounts holder							
Unquoted shares	6,132,492	3,914,687	Level 2				
Total	11,946,026	9,757,598					

There were no transfers between Level (1) and Level (2) during 2022 and 2021.

### b. The Bank's Fair Value of Financial Assets and Financial Liabilities Not Measured at Fair Value on a **Recurring Basis:**

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

	31 Decen	nber 2022	31 Decen	Level	
	Book Value	Fair Value	Book Value	Fair Value	
	JD	JD	JD	JD	
Financial Assets not measured at Fair Value					
Deferred sales receivables	1,006,906,403	1,007,798,582	923,980,243	924,010,656	Level 2
Investments in real estate	18,758,571	21,746,940	18,988,674	22,257,996	Level 2
Financial assets at amortized cost	34,000,637	34,246,694	26,732,789	26,946,315	Level 1
Financial assets at amortized cost – unquoted	139,302,000	140,702,354	-	-	Level 2
Total financial assets not measured at fair value	1,198,967,611	1,204,494,570	969,701,706	973,214,967	
Financial Liabilities not measured at Fair Value					
Customers' current and unrestricted accounts	2,539,380,215	2,567,690,169	2,445,066,074	2,446,584,695	Level 2
Cash margins	32,392,790	32,688,132	32,368,800	32,370,411	Level 2
Total Financial Liabilities not measured at Fair Value	2,571,773,005	2,600,378,301	2,477,434,874	2,478,955,106	

Regarding the items shown above, the fair value of the financial assets and liabilities has been determined for Levels (1) and (2) in accordance with the generally accepted pricing models which reflect the credit risk with the parties dealt with.

### 56. Commitments and Contingent Liabilities (Off – Statement of Financial **Position**)

### Contingent credit commitments:

	2022	2021
	D	JD
Letters of credit	33,054,201	32,158,948
Acceptances	10,215,869	17,987,918
Letters of Guarantee:		
Payment	15,821,931	15,071,558
Performance	12,073,135	9,977,616
Others	11,598,247	10,550,210
Unutilized limits – self	61,123,267	62,774,824
Unutilized limits – joint	136,543,369	122,649,846
Total	280,430,019	271,170,920



Total off-balance sheet items according to the internal classification of the bank as of 31 December 2022 is as follows:

Total	Unclassified		ltem	
122,164,866	122,164,866	JD	Stage 1	
122,164,866 14,378,503	122,164,866 14,378,503	JD	Stage 2	Joint
		JD	Stage 3	nt
136,543,369	136,543,369	JD	Total	
136,543,369 131,466,970 12,163,281 256,399 143,886,650 253,631,	136,543,369 131,466,970 12,163,281	JD	Stage 1	
12,163,281		ъ	Stage 2	S
256,399	256,399	JD	Stage 3	Self
143,886,650	256,399 143,886,650 253,631,8	JD	Total	
253,631,836	253,631,836	JD	Stage 1	
26,541,784	26,541,784 256,399	JD	Stage 2	Total
256,399	256,399	JD	Stage 3	al
<b>836 26,541,784 256,399 280,430,019</b> 271,170,920	<b>280,430,019</b> 271,170,920	D	Total	
271,170,920	271,170,920	JD	Total	2021

The movement on the total off-balance sheet items as of 31 December 2022 is as follows:

	Transferred to stage 3 (197,146) (736,815) 933,961 - (64,270) (59,569) 123,839	Transferred to stage 2 (8,998,466) 8,998,466 - (5,651,116) 7,741,287 (2,090,171)	Transferred to stage 1 8,855,775 (8,855,775) - 4,226,322 (4,200,369) (25,953)	Settled facilities (30,596,625) (4,979,233) (933,961) (36,509,819) (62,554,301) (2,110,483) (203,221) (64,868,005) (93,150,926) (7,089,716) (1,137,182) (101,377,824) (115,082,529)	New facilities granted during the year 45,588,665 4,814,677 - 50,403,342 57,664,302 1,052,612 1,516,667 60,	Total balance as at beginning of the year 107,512,663 15,137,183 - 122,649,846 137,846,033 9,739,803 935,238 148	al a	Item Stage 1 Stage 2 Stage 3 Total Stage 1 Stage 2 Stage 3	Joint Self
	3,839 -	90,171) -	5,953) -	3,221) (64,868,005	1	935,238 148,521,074 245,358,696 24,876,986 935,238 271,170,920 263,289,769	ar ar	tage 3 Total	
0 253.631.836	(261,416)	(14,649,582) 16,739,753 (2,090,171)	13,082,097	5) (93,150,926)	60,233,581 103,252,967	4 245,358,696	JD	Stage 1	
26,541,784	(796,384) 1,057,800	16,739,753	13,082,097 (13,056,144) (25,953)	(7,089,716)	5,867,289	24,876,986	JD	Stage 2	Total
256,399	1,057,800	(2,090,171)	(25,953)	(1,137,182)	1,516,667	935,238	JD	Stage 3	3
136,543,369 131,466,970 12,163,281 256,399 143,886,650 253,631,836 26,541,784 256,399 280,430,019 271,170,920				(101,377,824)	5,867,289 1,516,667 110,636,923	271,170,920	JD	Total	
271,170,920				(115,082,529)	122,963,680	263,289,769	JD	Total	2021

The movement on the expected credit losses for the total off-balance sheet items as of 31 December 2022 is as follows:

Total balance at the end of year	Adjustments during the year	Transferred to stage 3	Transferred to stage 2	Transferred to stage 1	Recoveries from profits / ECL	Deducted from profits / ECL	Balance at beginning of the year		ltem	
309,632	116,038	(206)	(7,490)	76,951			124,339	JD	Stage 1	
126,183	79,360	(4,324)	7,490	(76,951)			120,608	ъ	Stage 2	Jo
	(4,530)	4,530						JD	Stage 3	Joint
435,815	190,868						244,947	JD	Total	
997,463		(589)	(27,878)	71,867	(390,989)	733,351	611,701	JD	Stage 1	
165,250		(1,157)	28,650	(71,795)	(38,042)	133,464	114,130	'n	Stage 2	Self
138,620		1,746	(772)	(72)	(7,068)	24,579	120,207	'n	Stage 3	if
1,301,333	,				(436,099)	891,394	846,038	b	Total	
1,307,095	116,038	(795)	(35,368)	148,818	(390,989)	733,351	736,040	b	Stage 1	
291,433	79,360	(5,481)	36,140	(148,746)	(38,042)	133,464	234,738	JD	Stage 2	Total
138,620	(4,530)	6,276	(772)	(72)	(7,068)	24,579	120,207	ъ	Stage 3	al .
1,737,148	190,868				(436,099)	891,394	1,090,985	JD	Total	
1,090,985	112,853				(277,805)	177,989	1,077,948	JD	Total	2021

Off – Statement of Financial Position as internal rating for the Bank – Letters of Guarantee - Self:

		31 Decen	nber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Unclassified	36,117,352	3,119,562	256,399	39,493,313	35,599,384
Total balance as at end of the year	36,117,352	3,119,562	256,399	39,493,313	35,599,384

The movement on guarantees as at end of year – self is as follows:

		31 Decem	ber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Total balance as at beginning of the year	31,610,387	3,053,759	935,238	35,599,384	39,187,351
New Exposures during the year	14,658,723	419,649	-	15,078,372	11,605,056
Matured exposures	(10,185,076)	(796,146)	(203,221)	(11,184,443)	(15,193,023)
Transferred to stage 1	1,225,772	(1,225,772)	-	-	-
Transferred to stage 2	(1,190,454)	1,713,772	(523,318)	-	-
Transferred to stage 3	(2,000)	(45,700)	47,700	-	-
Total balance as at end of the year	36,117,352	3,119,562	256,399	39,493,313	35,599,384

The movement on ECL provision for guarantees as at end of year – self is as follows:

		31 Decen	nber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Total balance as at beginning of the year	130,768	77,855	120,207	328,830	375,533
Expected credit loss provision	221,564	26,561	24,579	272,704	11,888
Recoveries from ECL provision	(32,090)	(25,992)	(6,341)	(64,423)	(20,714)
Transferred to stage 1	46,625	(46,625)	-	-	-
Transferred to stage 2	(10,772)	11,544	(772)	-	-
Transferred to stage 3	-	(947)	947	-	-
Changes resulted from transfer	-	-	-	-	(37,877)
Total balance as at end of the year	356,095	42,396	138,620	537,111	328,830



### Off – Statement of Financial Position as internal rating for the Bank – Letters of credit – Self

		31 Decen	nber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Unclassified	32,572,731	481,470	-	33,054,201	32,158,948
Total balance as at end of the year	32,572,731	481,470	-	33,054,201	32,158,948

### The movement on Letters of credit as at 31 December – self is as follows:

		31 Decem	ber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Total balance as at beginning of the year	32,048,041	110,907	-	32,158,948	25,980,043
New exposures during the year	30,967,989	481,470	-	31,449,459	32,158,948
Matured exposures	(30,443,299)	(110,907)	-	(30,554,206)	(25,980,043)
Transferred to stage 1	-	-	-	-	-
Transferred to stage 2	-	-	-	-	-
Transferred to stage 3	-	-	-	-	-
Total balance as at end of the year	32,572,731	481,470		33,054,201	32,158,948

### The movement on ECL provision for Letters of credit as at 31 December – self is as follows:

		31 Decen	nber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Total balance as at beginning of the year	194,494	3,283	-	197,777	204,559
Expected credit loss provision	350,695	31,465	-	382,160	25,542
Recoveries from ECL provision	(194,494)	(3,283)	-	(197,777)	(32,324)
Transferred to stage 1	-	-	-	-	-
Transferred to stage 2	-	-	-	-	-
Transferred to stage 3	-	-	-	-	-
Changes resulted from transfer	-	-	-	-	-
Total balance as at end of the year	350,695	31,465	-	382,160	197,777

Off – Statement of Financial Position as internal rating for the Bank – Acceptance:

		31 Decen	nber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Unclassified	10,172,551	43,318	-	10,215,869	17,987,918
	10,172,551	43,318		10,215,869	17,987,918

The movement on Acceptance as at end of year – self is as follows:

		31 Decen	nber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Total balance as at beginning of the year	17,940,828	47,090	-	17,987,918	6,965,759
New exposures during the year	3,978,395	-	-	3,978,395	17,216,882
Matured exposures	(11,702,220)	(48,224)	-	(11,750,444)	(6,194,723)
Transferred to stage 1	-	-	-	-	-
Transferred to stage 2	(44,452)	44,452	-	-	-
Transferred to stage 3	-	-	-	-	-
Total balance as at end of the year	10,172,551	43,318		10,215,869	17,987,918

The movement on ECL provision for Acceptance as at end of year – self is as follows:

		31 Decen	nber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Total balance as at beginning of the year	188,348	966	-	189,314	28,560
Expected credit loss provision	95,932	2,235	-	98,167	122,877
Recoveries from ECL provision	(124,868)	(966)	-	(125,834)	-
Transferred to stage 1	-	-	-	-	-
Transferred to stage 2	(437)	437	-	-	-
Transferred to stage 3	-	-	-	-	-
Changes resulted from transfer	-	-	-	-	37,877
Total balance as at end of the year	158,975	2,672		161,647	189,314

### Off – Statement of Financial Position as internal rating for the Bank – Indirect limits:

		31 Decen	nber 2022		2021
Item (JD)	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Unclassified	174,769,202	22,897,434	-	197,666,636	185,424,670
Total balance as at end of the year	174,769,202	22,897,434		197,666,636	185,424,670



The movement on the direct credit limits as at 31 December 2022 is as follows:

Item		Stage 2 JD	Stage 3	Total JD	Stage 1 JD	Stage 2 JD	Stage 3	Total  JD	Stage 1 JD		Stage 3 JD	Total JD	Total JD
Total balance as at beginning of the year	107,512,663 15,137,183	15,137,183		122,649,846	56,246,777	6,528,047		62,774,824	163,759,440	21,665,230		<b>185,424,670</b> 191,156,616	191,156,
New facilities granted during the year	45,588,665	4,814,677		50,403,342	8,059,195	151,493	1,516,667	9,727,355	53,647,860	4,966,170	1,516,667	<b>53,647,860 4,966,170 1,516,667 60,130,697 61,</b> 982,794	61,982,7
Settled facilities	(30,596,625)	(30,596,625) (4,979,233)	(933,961)	(933,961) (36,509,819) (10,223,706) (1,155,206)	(10,223,706)	(1,155,206)		(11,378,912)	(40,820,331)	(6,134,439)	(933,961)	(11,378,912) (40,820,331) (6,134,439) (933,961) (47,888,731) (67,714,740)	(67,714,7
Transferred to stage 1	8,855,775	(8,855,775)	•		3,000,550	(2,974,597)	(25,953)		11,856,325	(11,830,372) (25,953)	(25,953)		
Transferred to stage 2	(8,998,466)	8,998,466			(4,416,210)		5,983,063 (1,566,853)		(13,414,676)	13,414,676) 14,981,529 (1,566,853)	(1,566,853)		
Transferred to stage 3	(197,146)	(736,815)	933,961		(62,270)	(13,869)	76,139		(259,416)	(259,416) (750,684) 1,010,100	1,010,100		
Total balance at the end of vear	122,164,866	122,164,866 14,378,503		136,543,369	52,604,336	8,518,931		61,123,267	174,769,202	74,769,202 22,897,434		<b>197,666,636</b> 185,424,670	185,424,6

The movement on expected credit losses for the direct credit limits as at 31 December 2022 is as follows:

		Jo	Joint			ς	Self			Total	ä		2021
ltem	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	124,339	120,608		244,947	98,091	32,026		130,117	222,430	152,634		375,064	469,296
ECL Provision	•	•		•	65,160	73,203		138,363	65,160	73,203		138,363	17,682
Recoveries from profits / ECL	•	•	-	-	(39,537)	(7,801)	(727)	(48,065)	(39,537)	(7,801)	(727)	(48,065)	(224,767)
Transferred to stage 1	76,951	(76,951)	-	-	25,242	(25,170)	(72)	-	102,193	(102,121)	(72)	-	
Transferred to stage 2	(7,490)	7,490	-	-	(16,669)	16,669	-	-	(24,159)	24,159			
Transferred to stage 3	(206)	(4,324)	4,530		(589)	(210)	799		(795)	(4,534)	5,329		
Adjustments during the year	116,038	79,360	(4,530)	190,868					116,038	79,360	(4,530)	190,868	112,853
Total balance at the end of year	309,632	126,183		435,815	131,698	88,717		220,415	441,330	214,900		656,230	375,064

The provision for expected credit losses for off-balance sheet items for self and joint is within other liabilities (Note 22) in accordance with International Financial Reporting Standard No. 9 and the instructions of the Central Bank of Jordan.

### 57. Lawsuits against the Bank

The lawsuits filed against the Bank amounted to JD 219,800 with a provision of JD 82,000 as at 31 December 2022 (lawsuits amounting to JD (230,100) with a provision of JD 82,000 as at 31 December 2021). Based on the opinion of the legal consultant, no additional amounts will be claimed from the Bank in respect to those lawsuits.

### 58. Standards issued but not yet effective

### Financial Accounting Standard 1 - Amended 2022 (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 issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Financial Accounting Standard No. 1 - Amended 2022 is aligned with the amendments to the "Conceptual Framework for Financial Reporting of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)" (Amendment 2021) (Conceptual Framework). Amended Financial Accounting Standard No. 1 – 2022 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 from 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"

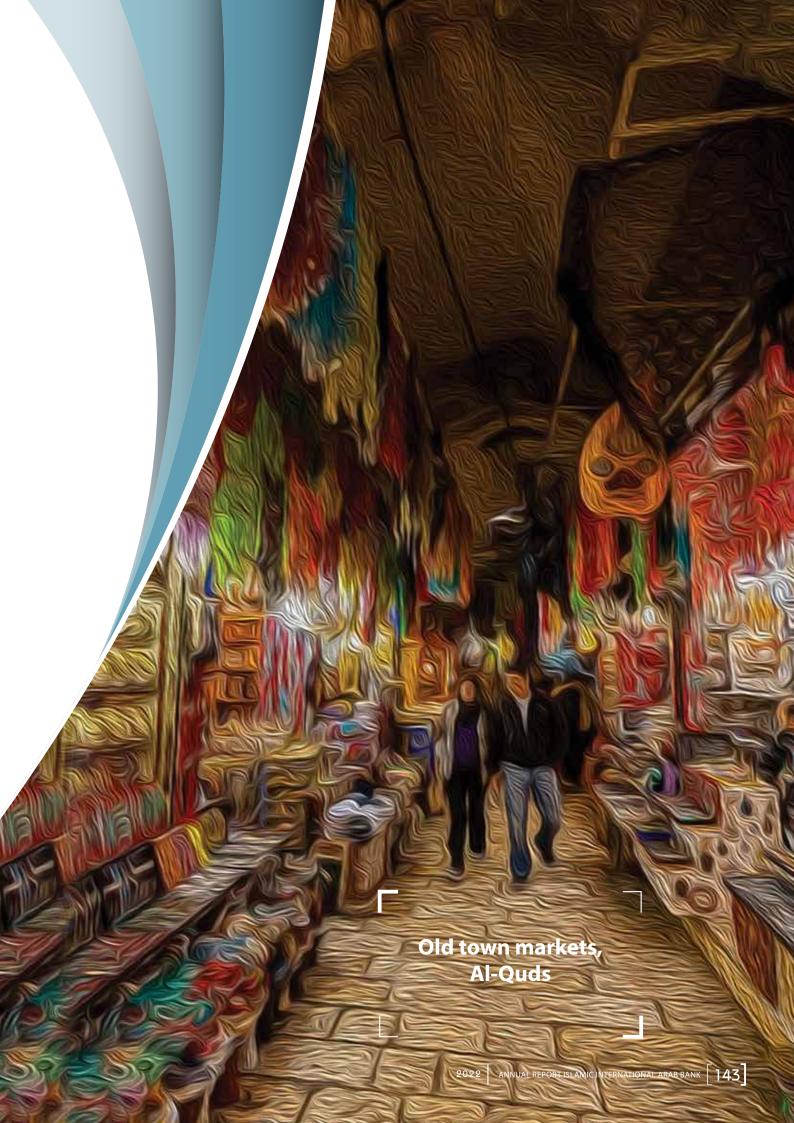
This standard improves and replaces FAS 18 "Islamic financial services provided by conventional financial institutions" and specifies financial reporting requirements applicable to conventional financial institutions that provide Islamic financial services.

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".

### 59. Comparative Figures

Some of the comparative figures of 2021 have been reclassified to correspond to those of 2022.



### **Branches and ATMs**

### ■ Capital's Governorate

- Gardens Branch
- **Amman Branch**
- Wehdat Branch
- Marka Branch
- Bayader Wadi Seer Branch
- Jabal Hussein Branch
- Jubeiha Branch
- Sweifieh Branch
- Shmeisani Branch
- Yasameen Branch
- Khalda Branch
- Abu Alanda Branch
- North Hashimi Branch
- Istiklal Mall Branch
- **Tareq Branch**
- Marj Al Hamam Branch
- City Mall Branch
- Madina Munawara Branch
- Abu Nsair Branch
- Huriya Branch
- Al Khalidi Branch
- Izmir Mall Branch
- Mecca Plaza Branch
- Jabal Al-Naser Branch
- Areefa Mall Branch
- Al Raya Mall

### Central Governorates

- Zarka Branch
- Zarka University Branch
- Ruseifa Branch
- New Zarka Branch
- Rusaifa-Jabal Shamli Branch
- **Madaba Branch**
- **Salt Branch**
- Dair Alla Branch

### North Governorates

- Irbid Branch
- Irbid Hashmi St. Branch
- Al Qaselah Branch
- Arabella Mall Branch
- **Mafraq Branch**
- **Ajloun Branch**
- Jerash Branch
- **Ramtha Branch**

### South Governorates

- Aqaba Branch
- Karak Branch
- Mu'ta Branch
- **Tafileh Branch**
- Ma'an Branch

To Contact any of our Branches Please Contact the Arab Islamic Center Customer Service: 06/5003300 or Toll Free: 080022224

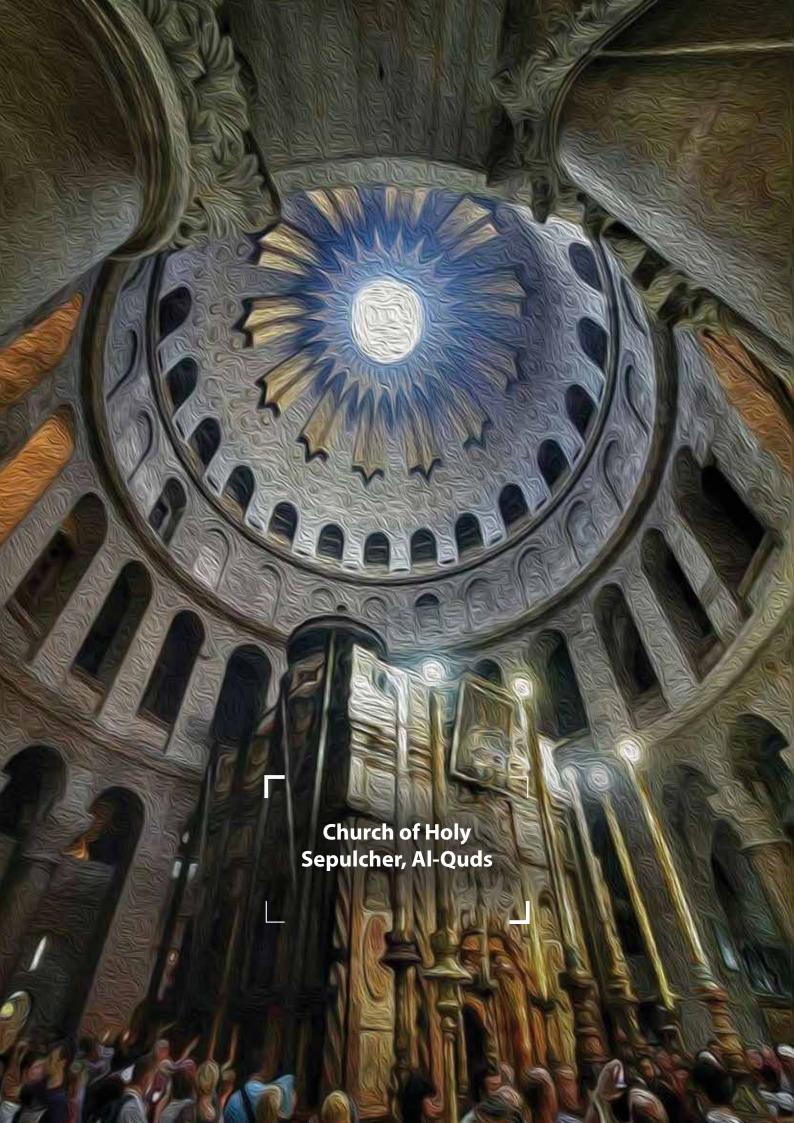


### **Location of ATMs Network Outside the Bank's Branches**

- ATM List (Amman):
- Government entities:
- Jordan Customs Al Abdali King Hussein Street
- Greater Amman Municipality Greater Amman Municipality Building Ras El Ain
   Total Station Hakma
- Supreme Judgement Department Tla'a Al Ali Musa Al Saket Street
- Ministry of Awaaf and Islamic Affairs Al Abdali Al Razi Street
- Al Ifta'a Office Al Ordon Street
- The Royal Court The Royal Court Raghdan
- Hospitals and pharmacies
- Orange Pharmacy Al Dakhilyeh Circle Khaled Bin Al Waleed Street
- Ibn Al Nafees Pharmacy Al Ashrafiyeh Osama Bin Yazeed Street
- Al Istishari Hospital Zahran Wadi Zaqra Al Kindi Street
- Al Hussein Cancer Center Queen Rania Street (Next to University of Jordan)
- Rawhi Pharmacy Khalda
- Jordan Finland Modern Hospital Arjan Al Dakhilyeh Circle
- Malls and Commerical complexes
- Haidar Murad Complex Leaders Center King Abdullah II Street
- Mecca Mall Mecca Mall ATM Area
- Abu Saha'era Complex Jabal Al Nasr Al Nadi Street
- Rawan Cake Queen Rania Street
- Abu Hassan Complex Abu Alanda Al Mahkama Street
- Al Daoud Complex Daheit Al Rasheed Al Wifaq Street
- Emirates Complex Yadoudeh Madaba Street
- Aswaq Abu Odeh Marj Al Hamam Princess Taghreed Street
- Plaza Complex Mecca Street
- Al Luweibdeh- Sharia College St.
- Service providers
- Islamic Science University Tabarbour Prince Nayef Bin Asem Street
- Professional Associations Complex Al Shmeisani Abdul Hameed Sharaf Street
- Abu Sheikha Al Wehdat Madaba Street
- Abu Sheikha Al Abdali Suleiman Al Nabulsi Street
- King Hussein Business Park Al Sha'ab Street
- Abu Sheikha Gardens Street
- Abu Sheikha Tabarbour Al Shaheed Street
- Gas stations
- Total Station Mecca Street
- Go Gas Station Al Shmeisani Shaker Bin Zaid
- Total Station Al Mugabalin Al Quds Street
- Total Station Al Jubeiha Queen Rania Street
- Total Station Wadi Sagra
- Total Station Al Abdali
- Al Manaseer Station Airport Road
- Al Subuh Station

- ATM List (Governates):
- North District

- Beit Yafa Municipality
- Mafraq
- Al Hussein Bin Ali Street
- Nabe' Al Fawar Pharmacy Souf
- Ajloun
- Ibbin
- Middle District
- Balgaa
- Ain Al Basha Municipality
- Total Station- Salt
- Al Idafa Pharmacy- Salt
- Zarga
- Al Zarqa for Education Crop.
- Total Station New Zarga Al Jeish Street
- Zarqaa Schools King Abdullah Bin AbdelAzeez
- South District
- Karak
- Al Marj
- Maan
- Military Consumer Establishment (Soug Al Wafa'a)
- Tafila
- Tafila Technical University
- Municipality of Tafila
- Total Station- Al Baydaa
- Aqaba
- Aqaba Gate Complex
- Shwiekh Mall





البنك الحربي الاسلامي الحولي ISLAMIC INTERNATIONAL ARAB BANK

