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Instructions on the Implementation of Financial Accounting Standards Issued by the Accounting and Auditing Organization for Islamic Financial Institutions No (30) "Deterioration of Assets, Credit Losses and High-Risk Liabilities" (35) Risks Reserves (33) Investments of Islamic Banks in Stocks and Shares of Companies' Capitals Sukuk and (26) Investments In Real Estates
No 6/2020

Greetings,

In pursuit of the provisions of Article (99/B) of Banking Law no 28 of the year 2000 and its Amendment, we hereby attach a CD containing the instructions on the implementation of Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) no (30) "deterioration of assets, credit losses and high-risk liabilities" (35) risks reserves (33) Investments of Islamic banks in stocks and shares of companies' capitals Sukuk and (26) investments in real estates no 6/2020, noting the following:

First: the implementation of Financial Accounting Standard no (30) contains (in addition to the accounting framework) a methodology to manage risks, particularly managing credit risks in order to maintain the soundness and safety of the financial position of the bank, which requires the Board of Directors of the bank and its related committees to verify the existence and implementation of adequate policies to manage credit risks, entailing the existence and implementation of effective internal monitoring and credit classifications systems as well as an automated system to calculate expected credit losses and conducting adequate verification and examination procedures whereas this system is capable of reaching results guaranteeing adequate hedging against expected credit losses. Therefore, the Board of Directors must provide the adequate governance structure to ensure sound implementation of the requirements of these standards.

Second: Financial Accounting Standard no (35) aims to identify and place accounting and financial disclosure principles for risks reserves, in line with the best international practices for accounting and risks management to mitigate the varied risks faced by investment accounts holders and shareholders, including incurred losses and profits from investors in Islamic banks. It also provides guidelines to maintain reserves, evaluation and accounting of different risks as well as recognizing the need for different levels of reserves per risks' nature.

Third: Financial Accounting Standard no (33) identifies the main types of instruments for investments in line with Islamic Sharia, and sets the accounting treatment according to the characteristics of the business model of the bank upon which investments are managed. It also aims to place principles for classification, recognition, measurement, presentment and disclosure on investment in stocks and shares as well as other similar instruments.

Fourth: per Financial Accounting Standards no (26), the bank must place accounting rules that govern recognition, measurement, presentment and disclosure of investments by Islamic banks in real estates, which are owned for the purpose of obtaining a periodic income or for the purpose of predicting increase in its future value or both purposes.

Fifth:

1- Maintain the surplus of the general banking risks reserve balance (if any) restricted and should not be distributed as dividends to shareholders, and is not to be used for any other purposes unless with the prior approval of the central bank.
2- Calculate the regulatory capital (tier 2), taking into consideration the equivalent of the required provisions' balance against debt instrument/credit exposures listed in Stage (1), with no more than 1.25% of the total weighted credit risks, calculated per the standardized method, provided that the amount of these provisions is not deducted from the credit exposures amount (the denominator of the capital adequacy ratio), except for the amount which exceeds 1.25 % of the total weighted assets for credit risk calculated per the standardized method .
3- The instructors of central bank no (47/2009) of the year 2009 date 10/12/2009 and their amendments as well as our instructions no (60/2014) date 17/11/2014 will continue to be enforced, taking into consideration the severer outcomes (provided that the results for calculated provisions be compared for each of the second and third stages separately (the total of each) stage through a mapping between the second and third stages per the requirements of Standard (30) with the under monitoring credit requirements and requirements for non-performing credit facilities, consecutively, no (47/2009).
4- In case of any amendments to the expected credit losses balance, that results from a change in the applied methodology and systems of the bank, the difference will be credited within the retained earnings/equity for self-financing.
5- The accounts' external auditor is responsible for verifying the bank's procedures regarding the methodology and calculation of expected credit losses, and the Central Bank must be provided with a certificate by the external auditor regarding the safety of the procedures and the adequacy of the amount of expected credit losses calculated by the bank with each financial statement.
6- The total of real estates and lease to own estates as well as investments in real-estates should not exceed (50%) of the total clients' deposits in JOD, provided that this ratio is applied as of 1/1/2021
7- The total investments in real-estates should not exceed a percentage of 40% of the regulatory capital of the bank or 10% o of the total clients' deposits in JOD whichever is lesser.
8- The Central Bank will take the necessary procedures to verify the soundness of methods and systems applied by banks to calculate expected credit losses through on-site visits, whereas each blank will be notified of the arrangements to be followed.
9- The qualitative and quantitative disclosures attached to the instruction as well as any other required disclosures should be adhered to, in line with the standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, and the central bank should be provided with the forms attached in the instructions at hand, with every financial statement.

Governor
Dr. Ziad Fariz

Attachments:

- The instructions
- Required qualitative and quantitative disclosures
- A CD containing a the forms needed for the Central Bank's purposes

Instructions on the implementation of Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions no 6/2020

Erosion of Assets, Credit Losses and High-Risk Liabilities No (30)
Risks Reserves (35)
Investments of Islamic Banks in Stocks and Shares of Companies' Capitals Sukuk (33)
Investments in Real Estates (26)

Contents

Scope of Implementation

The instructions shall apply to all Islamic banks and at all levels as follows:

- Jordan branches.
- Cross- border branches (abroad) [standalone].
- Jordan and abroad branches.
- Subsidiaries [standalone].
- Consolidated Bank [banking group].

Item I: Governance requirements

The Financial Accounting Standards number (26, 30, 33, 35) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions present in essence one of the aspects of the risk management system at banks, (in addition to the accounting framework) in regards to the facets covered by these standards which are (classification and measurement) as well as expected credit loss and impairment.

- Standards (30) pertaining to impairment aims to measure the expected credit losses through a future outlook based on historical information, and current as well as expected information on credit exposures, unlike the previous methods which depended on incurring of losses to be recorded as in the Financial Accounting Standard no (11) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions .The implementation of new standards would have effects and intersections with other regulatory requirements (example: the requirements of the IFSB, capital adequacy, liquidity and ICAAP) as well as the mechanism for managing credit exposures at the bank in terms of products, pricing, guarantees and relation with customers, which requires an effective supervision by the Board of Directors of the bank and its related committees as well as from the executive management concerning the sound implementation of the new standard, and endeavoring to provide and protect the system used in the implementation.
- The Financial Accounting Standard no (33) “the investment of Islamic banks in stocks and shares in companies’ capitals Sukuk” replaces the Financial Accounting Standard no (25) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. It identifies the main types of instruments for investments in line with Islamic Sharia, and sets the accounting treatment according to the characteristics of the business model of the bank upon which investments are managed. It also aims to place principles for classification, recognition, measurement, presentment and disclosure on investment in stocks and shares as well as other similar instruments.
- Financial Accounting Standard no (35) “Risks Reserves” replaces Financial Accounting Standard no (11) and aims to identify and place accounting and financial disclosure principles for risks reserves, in line with the best international practices for accounting and risks management to mitigate the varied risks faced by investment accounts holders and shareholders, including incurred losses and profits from investors in Islamic Banks. It also provides guidelines to maintain reserves, evaluation and accounting of different risks as well as recognizing the need for different levels of reserves per risks’ nature.
- Financial Accounting Standard no (26) place accounting rules that govern recognition, measurement, presentment and disclosure of investments by Islamic banks in real estates, which are owned for the purpose of obtaining a periodic income or for the purpose of predicting increase in its future value or both purposes.

Therefore, the Board of Directors must provide the adequate governance structure to ensure sound implementation of the requirements of these standards, though setting the roles of committees, departments and working units at the bank, as well as ensure the integration of the work between them and provide needed infrastructure.

The Sharia Monitoring Board is responsible for monitoring the banks’ business and activities in terms of their abidance the with the Islamic Sharia, and should follow up and review operations to verify that no Islamic prohibitions exist. They are also required to approve the incurring of any losses resulting from the bank operations in relation to the investment accounts' holders and their equivalent.

In this framework, the bank should take into consideration the following:

1. The general framework for calculating expected credit losses requires a large amount of qualitative and quantitative information whether historical, presenting the current situation, future predictions, or overall economic indicators. Thus, the bank must work to develop the required systems needed to provide sufficient information and data accurately and safely, whereas it offers the bank the accurate ability for calculation, in cooperation with all the relevant working units at the bank and the supervision of the Board of Directors and its committees.
2. As demonstrated in the instructions at hand, the calculation of the expected credit loss per the requirements of standard (30) requires implementation of automated systems, and therefore they should be of high quality and reliable whether in terms of input data, operation processes on them, or extracted results.

Consequently, the bank's management many not conduct any amendments to the outcomes and results of the systems regarding the operations of calculating and measuring expected credit losses as well as calculated variable, except in line with a policy adopted by the by the Board of Directors which identify the exceptional and justifiable cases whereas the amendment is made to the systems' outputs. An independent entity should be appointed with the jurisdiction to make a decision for exceptions or amendments; these cases should be presented to the Board of Directors and it's committees during their first subsequent meeting and gain their approval.

3. the Board of Directors must adopt a forms for business through which the outcomes and pillars for ownership and classification of financial instruments is set, and in a way that guarantees integration with other work requirements and as clarified in the specific item within these instructions.
4. The Board of Directors must ensure that the supervisory units at the bank, specifically risks management, internal auditing and compliance management, are performing all required procedures to verify the accuracy and soundness of methodologies and systems used in the framework of implementing these standards and endeavor to provide them with the necessary support.

Item II: Classification and Measurement

First: Financial Assets

Financial Accounting Standard number (33) requires the classification of financial assets as follows:

A. equity instrument:

- ❖ equity instruments are always recorded in the fair value among the following two portfolios:

1. Financial assets in the fair value through the income statement whereas equity instruments are recorded within this portfolio in the fair value and subsequent changes in the fair value are recorded in the income statement.
2. Financial assets in the fair value through equity/investment accounts holders, whereas equity instruments are recorded within this portfolio in the fair value and subsequent changes in the fair value are recorded in fair value reserve item beside the equity/investment accounts holders.
3. The bank must comply with the requirements of standard (33) and the items below in minimum:

3.1. In case of actual disposal of equity instruments listed within the financial asset at the fair value through equity portfolio or in case they are no longer recognized, the change in fair value is not recycled to the income statement, and is transferred to the retained income within the equity (sales of financial assets earnings) and in case of effective disposal of equity listed within the financial asset in the fair value through the investment account holders portfolio, or cancellation of their recognition, they are them transferred to the income statement to be distributed to investment accounts.

3.2. The dividends distribution on equity instruments listed within any of the portfolios above will be recorded in the income statement.

3.3. The reclassification from and to the portfolios above is not allowed after the first classification of these financial assets (equity).

3.4. Classification of equity instruments within the portfolio of financial assets in the fair value portfolio through the income statement unless these instruments are traded in a viable market, and effective trading could be conducted on them. In this stage they should be traded within a period of no more than six months as of the date of ownership, otherwise these instruments are recorded with the portfolio of financial assets at the fair value through equity /investment accounts holders once they are owned for the first time.

3.5. The requirements of the International Standard for Financial Reporting no (13) (fair value) for the purposes of measuring their fair value the should be adhered to, whereas standard (33) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions imposes the measurement of financial assets at the fair value, including those that do not have a market price.

3.6. It should be noted that the cost does not express fair value except in very limited cases; for example, shares of newly founded companies. Therefore, a model for measuring fair value should be developed, and the Central Bank should be notified with the methods of measuring fair value of financial assets which do not have a market price, attached with the final financial statements. 3.7 exchange rates differences are recorded per international reporting financial reporting standards (policy of exchange rates prices)

3.8 The separation between the parts related to equity and investments accounts holders of these instruments should be taken into consideration.

B. debt instruments:

Debt instruments are recorded within one of the following three portfolios, per the requirements of Standard (33):

B/1 First Portfolio: Amortized Cost:

1. The financial assets (debt instruments) are recorded within this portfolio per the cost and are not subject to the requirements of fair value measurement.

2. The instruments listed within this portfolio should meet all the condition stated in the standard (33) which are summarized as follows:

2.1 Contractual cash inflows: the purpose of obtaining instruments listed in this portfolio should solely be collecting contractual cash flows consisting of the debt principal and return on this principle.

2.2 Business model test: instrument should be in line with the model of business available at the bank and adopted by its Board of Directors.

3. The bank must comply with the requirements of the standard (33) and the items below in minimum:

3.1 The bank should not have an intention of disposing of these instruments before contracted maturity, except for limited cases such as insignificant, infrequent or close to maturity dates sales.

3.2 If the Issuance Bulletin includes the existence of a right for the issuer to reclaim debt instruments before their maturity, whether fully or partially, as the existence of these conditions prevent the ability to list the instruments within the amortized cost portfolio.

3.3 It should be noted in this regard that the concept of risks management and working to avoid them is considered an integral part of the requirements (30 and 33), and so, in cases the banks faces a rise in the credit risk levels in these instruments as per the methodology of risk management applied by the bank, it is possible to be disposed of them before maturity without being considered a violation of the business model.

3.4 The instruments listed in this portfolio are subject to the impairment calculation (expected credit loss) per what is stated in the requirements of Standard (30) and the instructions at hand. The measured expected credit loss is recorded in the income statement.

3.5 The debts instruments issued by the Jordanian government or with it guarantee as stated in the paragraph on default possibility measurement are excluded.

3.6 The realized returns from these instruments are recorded in the income statement.

3.7 The changes in exchange rate on these instruments are subject to the accounting policy related to exchange rates per the requirements of international financial reporting standards.

3.8 When a bank disposes of any of the debt instruments within this portfolio before contracted maturity, the bank must attach a form with the financial statements that clarify the details of these cases including clarification of reasons of disposal.

B/2 the second portfolio: non-cash debt instruments through Equity/investment accounts holders

The bank must comply with the requirements of standard (33) and the items below in minimum:

1- In this portfolio, debt instruments which the bank intends to either maintain until maturity to collect its contracted cash inflows or for sale (liquidity management portfolio) are listed per the model of business applied at the bank in this regard.
2- These instruments are measured at the fair value and subsequent changes in the fair value are recorded within the fair value reserves item.
3- The return realized on these instruments is recorded in the income statement and so is the case for changes in exchange rates connected with these instruments (exchange rate policy).
4- The instruments in this portfolio are subject to impairment calculation (expected credit loss) per what is stated in the requirements of implementing Standard (30) and per instructions at hand, as the expected credit loss will be recorded in the income statement.
5- Considering that these instruments are recorded in the fair value of these instruments, and are subject at the same time to the calculation of the expected credit loss, a settlement is conducted between the change in the fair value and the expected credit loss, whereas the impairment (the protected credit loss) has the priority in recognition/recording.
6- It has been noted that the subsequent changes in the fair value of these instruments are recorded within the item of the fair value reserve, but when they are disposed of or no longer recognized, the registered value balance is recycled within the fair value to income statement reserves item.

B/3 The third portfolio:

The bank must comply with the requirements of standard (33) and the items below in minimum:

1. The instruments in this portfolio are recorded per the model(s) of business applied at the bank in this regard.
2. Subsequent changes in the fair value of these instruments are recorded within the income statements.
3. The return realized on these instruments is recorded in the income statement and so is the case for changes in exchange rates connected with these instruments (exchange rate policy).
4. The instruments within this portfolio are not normally subject to measuring expected credit loss.
5. Per the business model(s) of this portfolio, the instrument recorded are traded in a viable market and should be traded with a period of no more than (6) months as of the date of ownership.

- Business Model(s) Provisions:

The bank must comply with the requirements of standards (30 and 33) and the items below in minimum:

1- As mentioned before it is possible for the bank to obtain more than one business model, provided that each of them meet the conditions stated in the requirements of these standard and be adopted by the Board of Directors of the bank.
2- Per the requirements of Standards (30 and 33), there are other factors (inside and outside the bank) that affect the effectiveness of

the business model(s) of the bank and these factors may need conducting changes on the business model(s) of the bank. In this case, which should be limited and infrequent, an amendment could be made to the business model(s).

3- It is possible to conduct a reclassification of instruments listed in various portfolios per the business model(s) at the bank, provided that the reclassification is done in the financial year following the financial year during which the business model has been amended.
4- Upon preparing business model(s), the bank must include the activities and outcomes of within these models in advance, including taking into consideration cases of stress, unusual circumstances, liquidity management circumstances, and capital adequacy ratio as well as other regulatory requirements.
5- Upon conducting reclassifications per what is previously mentioned, a summary demonstrating the cases of reclassification and their accounting effect should be attached with the interim or final financial statements presented to the central bank, clarifying the reasons for reclassification and amendment process done to the business model(s) of the bank.
6- It is possible to list instruments issued from the same entity or carries the same characteristics within more than one portfolio, per the business model(s) of the bank.
7- The separation between the parts related to equity and investments accounts holders of these instruments should be taken into consideration.

When preparing the business model and classifying financial instruments to different portfolios, the impacts resulting from each option should be studied from various aspects of the bank's business, as well as the requirements of the IFSB, capital adequacy, liquidity and ICAAP.

Second: Financial Liabilities:

- Recording and measuring financial liabilities is done generally in the amortized cost.
- Should the bank choose to measure financial liabilities in the fair value through income statement, then this type of liabilities is calculated in the fair value, and subsequent changes are recorded at fair value through equity/ shared investment accounts holders. They are not recycled to the income statements amounts are realized or these liabilities are disposed of. As for financial liabilities through shared investment accounts holders, they are recycled to the income statement.

Item III: Expected Credit Loss

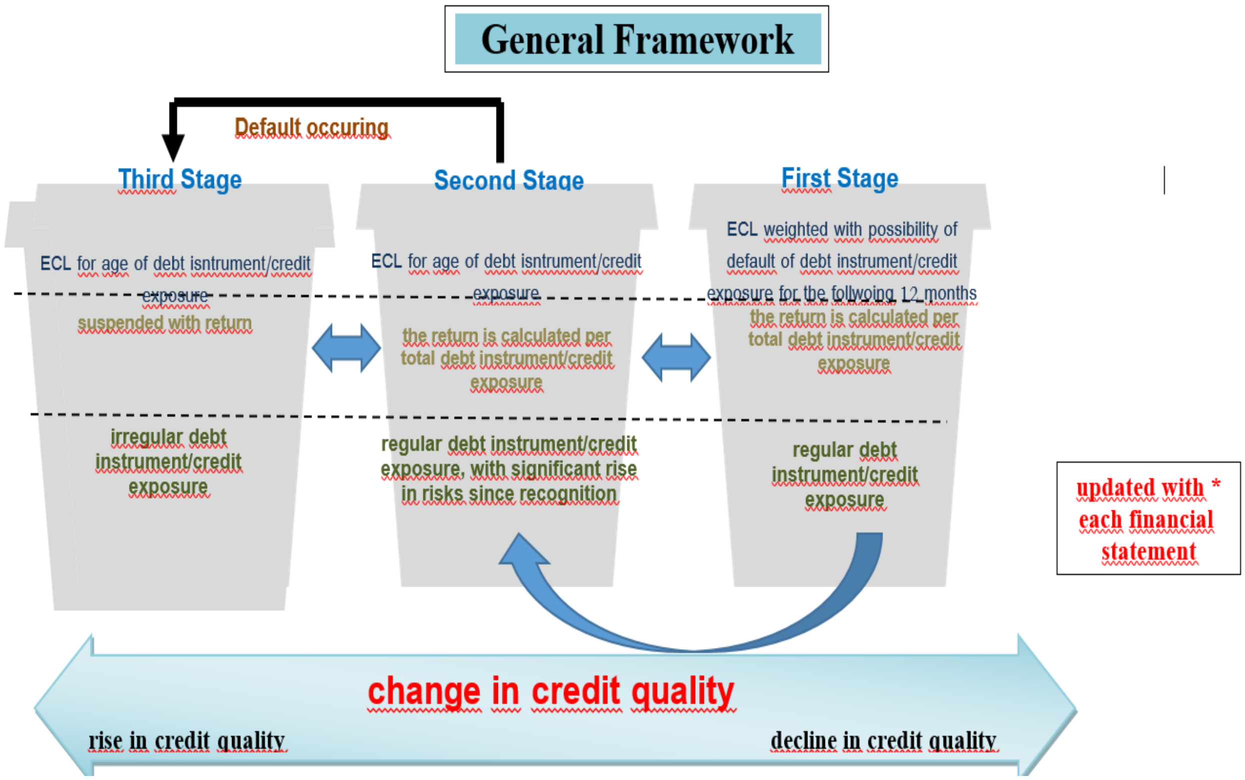
- This item presents the requirements of Standard (30) and the requirements of the Central Bank pertaining to expected credit loss (impairment credit loss/ provisions), for credit exposures which are within the scope of standard (30) in terms of the mechanisms of listing of debt instruments/ credit exposure as well as in terms of calculating expected credit loss and as follows:

First: scope of application /expected credit loss

Per the requirements of Standard (30) the model for measuring expected credit loss is applied within the following framework (except for what is measured in the fair value through the income statement)

- Deferred sales accounts and loans without interests (qard hasan).
- Debt instruments recorded in the amortized cost.
- Non-cash debt instruments recorded in the fair value through equity/ investment account holders.
- Financial guarantees contracts and off-sheets liabilities which were not recorded in the fair value as stated with the requirements of Standard (30).
- Payable leasing.
- Credit exposures on banks and financial institutions (except for current balances which are used to cover the banks' operations such as remittances, guarantees, credit during a very short period (days)).
- Other debt balances which are not measured in the fair value.

General Framework for ECL measurement per Financial Accounting Standard (30)



Second: The general framework for applying Financial Accounting Standard (30)

A- Per the general framework, all credit exposures/debt instruments subject to measurement and calculation of expected credit loss should be listed within one of the three stages clarified below:

(noting that this process should be fully updated with each interim and final financial statement preparation)

Stage 1:

1. This stage includes credit exposures/debt instruments that did not witness significant increase in risks since the preliminary recognition of exposure/instrument (taking into consideration that credit risks occur gradually over time not all at once), or when they have low credit risks as of the date of preparation of financial statements. Credit risks are considered low if they meet the following criteria:

1.1 Low default risks

1.2 The debtor has a high capability on the short term to meet their liabilities.

1.3 The creditor (bank) does not expect adverse effects on the economy and the working environment on the long term that would negatively affect the debtor's ability to meet their liabilities (macroeconomic indicators and stress testing).

2. The expected credit loss represents the possible loss resulting from default events that may occur during the 12 months following the date financial statement preparation (note: it is not the deficiency in cash inflows expected over the upcoming 12 months i.e. the credit exposure and amount of loss from the debt are for the whole duration of the credit exposure/debt instrument).
3. For the purpose of recognizing the returns on credit exposures listed in this stage, the return is calculated on the basis of the total amount of credit exposure/debt instrument recorded in the books.

Stage 2:

1. This stage includes credit exposures/debt instruments that witnesses significant increase in risks since its preliminary recognition, but have not yet reached the default stage considering the lack of material evidence confirming default.
2. The expected credit loss is calculated for the whole duration of the credit exposure/debt instrument, as it represents the possible loss resulting from all possible default events that may occur during the remaining duration of the credit exposure/debt instrument (the weighted average of credit losses, taking into consideration the default risks that occur, whereas the three variables are calculated which are: probability of default, default on exposure and loss ratio assuming the default for the whole duration of the credit exposure/debt instrument).
3. For the purpose of recognizing the returns on credit exposures listed in this stage, the return is calculated on the basis of the total amount of credit exposure/debt instrument recorded in the books.
4. Standard (30) entails that on the date of final financial statement preparation, banks assess whether credit risks have significantly increased, and some of the indicators below, to name a few, are deemed adequate to assess whether credit risks have increased (indicators of significant negative changes in credit risks):

4.1 Lowering the actual or expected internal credit rating of the client or credit exposure/debt instrument according to the internal rating system adopted at the bank.

4.2 Actual or expected decline of the external credit rating of the credit exposure/debt instrument.
4.3 Significant negative changes in the client’s performance and attitude such as delay in payments or lack of wish to respond with the bank.
4.4 Need to reorganize the liabilities of he debtor (structuring of liabilities) due to inability to meet payments, declining cash inflows or need to amend the contractual conditions with the creditor or cancellation (or waiving) some of the current contractual conditions due to actual/expected violations of the current conditions resulting from the debtor’s inability to continue with the bank within the current contractual framework. An example of such would be granting the debtor grace period whether on return or the principle of credit exposure/debt instrument, which was not previously agreed upon.
4.5 Information on presence of dues on the debtor, whether at the bank or with another creditor.
4.6 Actual or expected negative changes in the client’s operational activity such as (low returns/actual or expected profit margin, rise in operational risks, deficiency in working capital, decline in quality of assets, decline and weakness in liquidity, administrative problem, termination of a part of the client’s activity among others) which could affect the client’s ability to meet payments.
4.7 Change in the credit management methodology at the bank regarding the credit exposure/debt instrument due to negative changes and indicators in the credit risks of the exposure/instrument, whereas it is expected that credit management regarding the credit/instrument more incessant and focused as well as kept under monitoring, or in case the bank interferes with the debtor in managing the exposure/instrument.
4.8 Significant changes in the rates or terms of the credit exposure/debt instrument, which would have been placed differently had such exposure/instrument been issued recently or on the date of financial statement preparation such as (tightening conditions, increasing guarantees and collaterals, increase of coverage from income) due to the increase in credit risks of the exposure/instrument as of the preliminary exposure.
4.9 Significant increase in other credit risks of the exposure/instrument of the same client for other creditors.
4.10 Negative changes in the value of any of the guarantees or collateral presented by a third party or credit enhancements and presented against liabilities which might lead to decline in the client's economic incentive to meet their liabilities, or have a negative impact on the probability of default (an example of such is the decline of the mortgaged real estate’s value against the financing of homes’ purchase).
4.11 Negative changes in the quality of guarantees presented from shareholders or the mother company, should they have the incentive or financial ability to prevent default through increase of capital or injecting cash.
4.12 Negative changes resulting from lowering financial support from the mother company or subsidiaries, or actual or expected negative changes in the quality of credit enhancements which are predicted to negatively impact the economic incentive of the debtor to meet their contractual credit liabilities, taking into consideration the financial conditions of the in regards to credit enhancements).
4.13 Significant negative changes in the external market indicators of the credit risks of a particular debt instrument/credit exposure or a similar exposure/instrument with the same term. (example of such, the widening of credit spread/credit margin, the timeline for the decline of the fair value of the non-cash debt instrument from its amortized cost, taking into consideration the amount of this decline, decrease in the

prices of financial instruments issued by the client, such as to Sukuks and shares as well as other negative information in the market about the client).

4.14 Negative changes in the internal indicators of credit risks' prices, resulting from rise in credit risk since the beginning of the relationship (establishment/ purchase), which include the rise in the credit spread which would have resulted in case a new credit exposure is issued with the same conditions and the same debtor, or issued on the date of preparation of financial statements.

4.15 Actual or expected negative changes in the working environment or the financial and economic conditions, which are expected to negatively impact the client's ability to meet their liabilities; such as actual or expected rise in interest rates, actual or expected significant rise in unemployment rates).

4.16 Actual or expected negative changes in the legislative, economic or technological environment where are the client is active, which might result in a significant negative decline in the client's ability to pay dues, such as decline in the size of demand of the client's product due to technological changes.

4.17 Gradation in the overdraft current and on demand accounts, if the period of lack of payments exceeds (30) days and is less than (90) days.

* In addition to the above mentioned, Central Bank Instructions no (47/2009) date 10/12/2009 included a set of indicators (Item Second/C) that show an effective rise in credit risks that should also be abided with (provided that the period of lack of payments of dues for (60) days exist as a clear indicator of listing within this stage, noting that this period will be lowered by 15 days annually to become (30) days during two years as of the date of implementation). In case the bank started to lower the period per our instructions no (47/2009) date 10/12/2009, the mentioned instructions will continue to be enforced.

In case one of the conditions above indicates a significant rise in credit risks, the debt instrument/credit exposure is listed in the second stage. Should the available indicators overlap (Items 1-17) and Items in Instructions no (47/2009) date 10/12/2009 (Item Second/C), the more stringent is applied.

Stage Three:

1. It includes the debt instruments that have evidence(s) of becoming impaired (irregular), where the expected credit loss for the entire duration of the credit exposure/ debt instrument is calculated.
2. Returns of the accounts in this stage are suspended and the bank shall continue this suspension as long as the accounts remain in this stage.
3. Factors that affect and provide evidences of credit default, include but are not limited to, the following:

3.1 The debtor is experiencing significant financial difficulties (severe weakness in the financial statements).

3.2 Lack of commitments for the contractual conditions such as having past dues equal to or greater than (90) days.

3.3 The bank amortizes part of the obligations incurred by the debtor for reasons of financial difficulties facing the debtor and of his inability to pay the full amount of the obligations on time.

3.4 There are clear indications that the debtor is nearing bankruptcy.

3.5 Lack of an active market for a financial instrument due to financial difficulties faced by the debtor (source of credit exposure/ non-cash debt instrument).

3.6 Acquisition (purchase or creation) of debt instrument with a large discount that represents a credit loss.

*In addition to the above, the Central Bank of Jordan instructions No. (47/2009) dated on 10/12/2009 (second clause/D) included a number of indicators indicating that there is a default situation which must also be adhered to. If one or more of the above conditions is met in an indication of a significant increase in credit risk (default), debt instrument/ credit exposure shall be included in Stage Three.

In case there is an overlap between the available indicators (items 1-6) and items in the Central Bank of Jordan instructions No. 18 (47/2009) dated on 10/12/2009 (second clause/D), the more stringent of them shall be taken.

C. General Provisions:

1. Any credit exposures classified as Stage Three or any part thereof may not be paid by granting the client any new exposures or increase the existing exposures, or grant the same to the parties related to the client or has an influential interest with him/ her or his/ her relatives up to the third degree.
2. No new credit exposures or increased exposure shall be granted to any client whose account is included in Stage Three.
3. No credit exposure may be granted to a client whose credit exposure has been partially or totally canceled unless he pays the amount.
4. The bank shall study, evaluate, and estimate credit risk for all accounts of the client whose either credit exposures have been included under Stage Three, in a way that the bank gets sufficient knowledge of the size of such risks and considers that the classification of such accounts is consistent. If the bank ensures that all the client's accounts are interrelated (in terms of sources of payment/ cash flow, guarantees, financed for the same project (s) ...), it should classify them as Stage Three as long as the conditions apply to one of them.
5. The bank shall study, evaluate, and estimate credit risk for all accounts of the client whose either credit exposure have been included under Stage Three, in a way that the bank gets sufficient knowledge of the size of such risks and takes into consideration the consistency of the classification of other exposures of the client (in Stage Two (at least)) as well as sets adequate impairment loss against them. It is to be noted that this procedure is only permitted if the other exposures of the client are not directly related to Stage Three exposures [such as accounts for the execution of projects that have independent accounting and are secured by specific entitlement remittances or repayment sources and sufficient cash flows].
6. Any collections for any credit exposure included in Stage Three is used to settle the source of exposure first, and after collecting the full amount of exposure, subsequent collections are recorded as received interest.
7. New credit exposures may be increased/ granted for no more than 25% of the outstanding exposure balance of the client whose exposure has been classified as Stage Two, provided that this happens only after an in-depth study for risks of the exposure/ client. Furthermore, the increase/ grant shall not be used for paying the outstanding/ due exposures on the client or clients related to them.
8. The Audit Committee (or who is with similar responsibilities for non-Jordanian banks) shall verify the adequacy of the expected credit loss (impairment loss) provided by the bank and ensure that it is adequate in all financial statements.
9. When an improvement in the quality of credit is made and sufficient and documented reasons are provided to make it possible to transfer credit exposures from Stage three to Stage Two or from Stage Two to Stage One, the transfer should only take place

after the credit status of the exposure is proven to be improved and committed to repay (3) monthly installments or two quarterly installments or one semi-annual installment at least on time; that is, the early payment of the installments for the purpose of transferring the debt to a better stage is not considered. This applies to the provisions of the "rescheduling" in instructions No. (47/2009) and their amendments; after so, the transfer can take place.

10. According to the requirements of Standard (30), the principal to settle the obligations of any debtor is the cash flow from the client's activity. Accordingly, the credit studies should clarify the expected cash flows in a professional and carefully considered manner and based on fundamental financial statements that reflect the debtor's ability to provide these cash flows and as stated in circular No. (10/1/1271) dated 25/1/2016 and circular No. (10/1/14233) dated 18/11/2015.

In this regard, and where exposures grant a grace period, the bank shall prepare a detailed study of cash flows that demonstrate the debtor's ability to repay so that the bank can determine the credit risk for such exposures.

11. The assessment of credit risk and the ability to meet obligations of the debtor must be made regardless of the guarantees or the risk mitigations provided by the debtor.
12. The credit risk of certain debt instruments should not be considered low because they have lower credit risk than those found in other instruments of the bank, the business environment, or the countries in which the bank operates.
13. If there is evidence of a significant increase in credit risk -regardless of the current stage of the credit exposure/ debt instrument- the bank must reclassify the exposure/ instrument within either Stage Two or Stage Three in a 20 manner consistent with the degree of its risk and to monitor the impairment losses against it. Standard (30) requires the adoption of absolute standards (such as credit classification) and relative standards (decline in credit classification) for the purpose of determining a significant increase in credit risk and the banks shall determine the important increase according to whichever is worse (change in the classification degree or the decline in classification).

(A decline for 2 degrees in credit classification for credit exposure/ credit instrument, on the credit classification system consisting of 10 degrees, since the date of initial recognition is usually considered as a sign of significant credit risk decline).

Third: Measurement of Credit Risk and Expected Credit Loss (ECL)

A. Mathematical model for calculating expected credit loss:

(ECL)= PD% × EAD (JOD) × LGD%

PD: Probability of Default

EAD: Exposure at Default

LGD: Loss Given Default

The Standard (30) did not provide a certain accounting methodology for the calculation of (ECL) variables. However, the Standard presented directions and guidance for the possible methods of calculating ECL.

B. Measurement on an individual or collective basis (portfolio):

1. Credit risk and expected credit loss can be measured on an individual basis (credit exposure/ debt instrument) or on a collective basis (portfolio of credit exposure/ debt instruments). Therefore, if the bank chooses to measure credit risk and the expected credit loss on a collective basis (portfolio), the credit exposures/ debt instruments

included in the same portfolio should have similar credit risk. For instance, credit instruments have to share several elements, including but not limited to:

- Type of credit product (exposure/ instrument type).
- Internal credit classification.
- Quality of guarantees (risk mitigations).
- Date of acquisition.
- The remaining lifetime.
- Sector.
- Geographical area.
- Interest/ return rate.

2. It is to be noted that it is practically possible to have more than one portfolio of certain exposures/ instruments or certain credit products. For example, car loans can be distributed on more than one portfolio, each of which is convincingly expressed and similar in its risks and credit specifications.
3. The principle of measuring the credit risk and expected credit loss may be applied on a collective basis for one or more credit exposures, provided that the size of the credit exposure for each component of the portfolio does not exceed JD 250,000 (or equivalent) in the bank.

[In limited cases, where the bank has certain credit products/ exposures and their ECL's are calculated on a portfolio basis and the amount of any individual exposure/ component exceeds 250,000 JD; the bank shall apply to the Central Bank for its approval].

C. Measurement of Credit Quality and Decline of Credit Quality:

1. As mentioned above, and while preparing the financial statements, the level of credit risk at the reporting date (the date of financial statements) is compared to those since the initial recognition of each credit exposure/ debt instrument, and this is done within the scope of Standard (30) in order to calculate the expected credit loss as the credit risk is usually presented gradually and built over time and not at once.

2. Credit exposure/ debt instrument, which is subject to expected credit loss measurement, should be of good quality at initial recognition and recorded in the First Stage, unless there is objective evidence of a significant decline in credit quality (at initial recognition) (For example, the purchase or acquisition of a debt instrument/ credit exposure at a significant discount).

D. Unclassified credit debts:

Standard (30) requires the comparison of the risk degree of each debit/ credit exposure at the date of financial statements with the risk degree since the grant (first recognition). In practice, this requires a reliable internal credit classification system. Otherwise, and in case of having no information about the performance of the debt, it is supposed to be in Stage Two (taking into account the materiality of its impact), the matter that requires the documentation of historical information about the risks of each exposure if it is not available or it is not reliably reflected by the system and otherwise it should be included in Stage Two. In this regard, it is worth noting that in the case of debts granted years ago, and the bank did not have an internal credit classification system covering previous periods; it shall be sufficient to document the information regarding the risks and performance of the exposure for the last 5 years, and in a manner that the quality of these debts on the date of the financial statements can be historically compared.

E. Probability of Default (PD):

1. According to Standard (30) regarding the credit exposures/ debt instruments included in Stage One, and for measuring the expected credit loss; the Probability of Default of the

exposure/ instrument is considered for the next 12 months from the date of the financial statements.

2. In order to measure the expected credit loss of credit exposures/ debt instruments included in Stage Two and Stage Three, the Probability of Default on the remaining lifetime of the credit exposure/ debt instrument is considered as from the date of the financial statements.

3. As mentioned above, the implementation of Standard (30) regarding the measurement of expected credit loss is considered to be a future outlook [unlike requirements of Standard (11) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions]. Therefore, when developing systems, banks should consider the following factors:

3.1 Historical data: which reflect the historical default rates to which the relation with macroeconomic indicators is added.

3.2 Modify the historical data on the current status of credit exposures/ debt instruments (quantitative and qualitative indicators, financial and non financial).

3.3 Modify the historical and current data with macro and micro future forecasts (macroeconomic indicators and credit exposure indicators) including the impact of stress testing and their results as mentioned in (G) below.

3.4 Address the credit exposures of the Jordanian government and those under its guarantee without credit loss.

3.5 Address the credit exposures of the governments in the host countries to the external presence of Jordanian banks according to the instructions of the regulatory authorities in those countries provided that they are in the local currency of those countries. Otherwise, or in the absence of instructions issued by the host regulatory authority, the expected credit loss against such exposure is calculated according to these instructions.

F. Exposure within the banking group:

Upon preparing the financial statements at the bank/ branch level in Jordan, credit exposures within the banking group shall be addressed as follows:

- Exception of exposures of external branches.
- Addressing exposures of subsidiaries according to the requirements of these instructions.

G. Stress Tests: According to the requirements of these instructions, stress tests are considered as a requirement and should be treated as part of the calculation process to measure the expected credit loss. Therefore, banks are required to conduct at least three scenarios to study future forecasts and their impact on the variables of the expected credit loss measurement model; where these scenarios represent a normal (basic) scenario, a worse scenario, and a better scenario.

Furthermore, the calculated expected credit loss must reflect an Unbiased and Probability-Weighted Amount, which is determined based on an assessment of a set of expected results rather than on the best or worst- case scenarios.

H. Deficiency in cash flows:

The cash flow deficit represents the difference between the cash flow to be received by the bank under contractual terms with the debtor and the cash flows expected to be received from the debtor. Therefore, expecting that the debtor will not be obliged to make any payment or repay it at a later date to its original payment date by contract should be reflected/ captured by the expected credit loss.

I. Exposure At Default (EAD):

For the purpose of calculating expected credit loss and according to the requirements of Standard (30), EAD may not necessarily represent the current balance, but consideration should be given to amounts that may be used in the future by the debtor, for example:

1. The granted unused ceilings: the amounts that may be withdrawn by the debtor in the future shall be taken into consideration. This is based on a study carried out by the bank

to determine the size of utilizing the limits such as current receivable account. Otherwise, the entire limit is considered to represent the balance at default as well as for other credit limits available to clients such as financing credit limits and the like.

2. Indirect facilities and obligations: According to the requirements of Standard (30), indirect (unfunded) credit exposures are considered to be credit exposures. Thus, the ECL of such exposures shall be calculated by taking into account the probability of funding, the timing of such funding, and their amounts, in addition to the probability of default. This shall be done using the same methodology applied to direct liabilities and exposures.

J. Time value for money:

According to the requirements of Standard (30), the expected credit loss represents the present value of the entire expected deficit in cash flows over the life of the credit exposure/ debt instrument. Therefore, the discount factor used to calculate the current value (until the date of the financial statements) represents the actual interest rate (EIR) granted to the credit exposure/ debt instrument at the date of calculation.

K. Loss Given Default (LGD) (Guarantees / Risk Mitigations):

1. Upon calculating the expected credit loss, the bank shall consider the loss assuming that the default occurred after calculating the recoverable value from the credit exposure/ debt instrument and the timing of the recovery, and the most important part represents the guarantees provided against granting the credit exposure/ debt instrument which are legally documented in the credit contracts and there is no legal impediment for the bank to access the guarantee.

2. To reach the expected credit loss calculation, the stages of accessing the guarantee (timing) and converting it to cash (to calculate the present value) shall be considered (expected cash flow and its timing, minus any expenses related to the transaction). It is to be noted that according to the requirements of Standard (30) any guarantee that is enforced due to default is recorded as an asset only if the conditions for recognizing the asset were met according to the requirements of International Financial Reporting Standards.

3. The deduction rates specified in the Debt Classification Instructions No. (47/2009) on 10/12/2009 shall be applied as a minimum. The time period and the time value of the money shall be taken into account for the purposes of calculating the expected credit loss by adding additional deduction rates representing the duration of transferring the guarantee to cash, provided that the bank has sufficient in formation to document and support the accounting process.

Fourth Item: Leasing assets/impairment calculation

1. The bank shall calculate impairment on lease to own assets by deducting the recoverable amount from the value registered book value of the said asset.
2. in case of leasing to own per gradual transfer (discounted musharaka), the bank shall calculate the impairment provision on leased to own assets, per the net recovery value (NRV).
3. Reflect the impairment on the income statement/investment vessel returns against transferred leased to own assets, should an impairment occurs on these assets whose installments were classified as non-performing dues, when the classification conditions apply to the account upon preparing financial

statements; provided that any impairment against transferred leased to own assets is reflected on the income statement/investment vessel returns should their prices depreciate.

4. The bank shall evaluate leasing assets as follows:

4.1 In case these assets are for credit exposures classified within Stage 1 or Stage 2, the leasing assets are evaluated in case of a general fall in real estates prices as a whole, with a rate exceeding 10% per the benchmark for real estates prices in the Kingdom.

4.2 In case these assets are for credit exposures classified within Stage 3, the banks shall evaluate these assets when leasing dues accumulate for a period of more than (360) days.

4.3 In case of a general fall in these assets prices as a whole, they are evaluated, regardless of their annual classification, for two consecutive years.

Fifth Item: Inventory (financing assets)

1. They are the assets kept for sale in the standard work market or production processes for this kind of sale. Various Islamic-based transactions are based on a structure built on trading, and therefore these transactions, at different levels of structure, include recording the inventory in the bank's books. In some cases, the bank may keep this inventory as part of its assets in the history of preparing financial assets.
2. After the initial recognition, the whole inventory is measured at cost or net realizable value, whichever is lesser, and these cases include cases where there is a possible indicator for decrease in the value of this inventory.
3. In cases where there is a binding obligation to purchase the inventory amount with a value that equals or exceeds the cost, the bank shall retain the inventory at cost, regardless of fluctuations in the fair value of the inventory, if any.
4. In cases where is not a binding obligation, the settlement in the book value will be decreased to the realizable value (if it is lesser than cost), and is recognized through impact viable to decrease in the period when this impact is identified.
5. The net realizable value might include the net of recoverable value against losses incurred from use of the inventory through collaterals, if any, provided that the bank holds the legal right and positive intention as well as great possibility of recovering them against these collaterals.
6. The settlement of the net realizable as a discount from the total book value of the intended inventory, and is deemed as expenditure on the income statement during the period it emerges in. The incurred expenses should be attributed to the income statement/investment vessel returns.

Sixth Item: Required Disclosures

Standard (30) contains a set of quantitative and qualitative disclosures to be complied with, which requires banks, in cooperation with the external auditors, to comply with these disclosures while preparing their financial statements, and as specified in Attachment (1) regarding quantitative and qualitative disclosures.

Seventh Item: Forms for the Central Bank Purposes

The bank shall provide the Central Bank with the forms set forth in Attachment (2) attached to each financial statement, provided that they are audited (reviewed) by the auditor and comply with circular No. (10/1/16153) dated on 28/12/2015.
Eighth Item: Risks Reserves per Financial Accounting Standard (35)

Eighth Item: Risks reserves per Financial Accounting standard (30):

In pursuit of the provisions of article (55/A) of Banking Law no 28 of the year 2000 and its Amendment, the bank may form a Profit Equalization Reserve per our Circular no (10/1/9173) date 27/6/2019, as follows:

1- The Board of Directors of the Bank shall adopt a policy to maintain a Profit Equalization Reserve, whereas it includes risks management, reporting risks, risks assessment methodologies, and the adequate timeline to realize the sufficient level for reserves by the Bank in the scope of applying these policies, in a way that ensures the following:

1.1 Ensure the same accounting treatment.

1.2 Maintain a Profit Equalization Reserve at a sufficient level per the policy of the risks management policy and contractual arrangements.

1.3 Provide a specific plan to raise the Profit Equalization Reserve to a sufficient level per the accounting policy adopted at the bank.

2- Frequent assessment of the Profit Equalization Reserve:

The bank shall assess the adequacy of the Profit Equalization Reserve, periodically upon preparing financial statements, using the quick update method which entails the comprehensive reconsideration in all estimations and accounts, as well as the rapid analysis of the significant changes in previously identified estimations and indicators.

3- The Profit Equalization Reserve is considered sufficient if it is adequate to absorb the shared cash impact of the returns equalizer risks and transferred commercial risks. The mentioned cash impact is calculated per the guideline form attached in Appendix (3), and the bank may adopt a calculating method per the best practices in risks management.

Ninth Item: Investment in real estates per Financial Accounting Standards (26, 30)

First: Recognition:

The initial recognition of investment in real estates is recorded in cost, with the addition of the direct cost incurred by the bank in owning the investment, including the cost resulting from addition to the estate, replacing part of it and its maintenance; the cost of frequent maintenance which is recorded in the income statement when incurred is excluded.

Second: Measurement:

1. The investments in real estates are measured upon hold (under establishment/purchase) are measured per cost, with the addition of expenses, that could be directly identified and possibly attributed to the principle, for the purposes of subsequent measurement the bank must distinguish between those held for use or for sale.
2. An accounting policy for owned investments is adopted, either on the basis of the fair value model or the cost model.
3. The bank must not change the followed accounting policy for owned investments for use, unless this change would lead to more reliable and adequate information in financial statements, and provide the Central Bank with the necessary verification.

Third: Investments in real estates held for use, as the following models are used:

A- Fair value model:

1. The bank that relies on this on this model should measure all its investments in estates at the fair value.
2. The investments in real estates held for expected rise in value are recorded per cost, with the addition of ownership expenses upon purchase, and they are later re-evaluated at fair value. The change in the fair value shall show within the Item of Fair Value Reserve, in the rights of obsolete investment account holders.
3. The unrealized losses resulting from investment in real estates held for expected rise in value evaluation are recorded in the Fair Value Reserve, to the extent allowed by that reserve's balance. In cases these losses exceed the mentioned reserve's balance; the surplus is recorded in the income statement under unrealized losses resulting from investment in real estates held for expected rise in value evaluation.
4. In the case of presence of unrealized losses which were recorded in a previous financial period, and a profit from the evaluation (unrealized) occurs in subsequent financial period, the said profit shall be recorded in the income statement to the extent that equals the unrealized losses which were previously recorded in the income statement and any surplus in these profit is added to the fair value reserve.
5. The returns (losses) realized from sales of any of real estates held for expected rise in value on the basis of the difference between the book value and the net of the amount incurred from sale. The result is recorded, in addition to the previous share of this investment in fair value reserve, if any, in the income statement for the current financial period.

C. Cost Model:

1. The bank which relies on this model shall measure all its investments per cost, deducting depreciation and impairment, if any.
2. the investments in real estates held for obtaining regular income are recorded per cost, with the addition of any expenses related to its ownership. These real estates are depreciated per the depreciation policy adopted at the bank. When the recoverable value of these estates become lesser than its net book value, its value would be lowered to the recoverable value and the impairment would be recorded in the income statement.

Fourth: Investment in real estates held for sale:

1- Should the bank expects to sell the invested real estate within a period of no more than (12) months as of the end of the financial period, this investment would be classified in the financial position statement under "investments in real estates held for sale item".

2- The calculation of the depreciation of the investment recorded per cost is stopped as of the date of its reclassification. The investment is recorded at the book value or expected fair value, whichever is lesser, minus the costs of sale. The modification resulting from reclassification in the income statement, if any, is recorded, and the bank must continue to use the fair value to measure investments in real estates recorded at the fair value.

3- If the sale is not completed in the (12) months as of the reclassification date, or sale is dismissed, the asset should be reclassified to its original state. The asset recorded per cost is re-measured according to the recovered amount or book values, which the asset would have been recorded as such, had it not been classified for sale, whichever is lesser. The resulting modification is recorded in the income statement for the period during which the reclassification occurred.

Fifth: when transferring from/to investment in real estate, the bank must take into consideration the paragraphs mentioned in the Financial Accounting Standard issued by the Accounting and Auditing Organisation for Islamic Financial Institutions no (26) from 5/1 to 5/7, and in case of reclassification from/to fixed assets, the prior Central Bank's approval should be obtained.

Sixth: Required Disclosures:

1. These instructions contain a set of qualitative and quantitative disclosures in regards to investment in real estates that the bank should adhere to, requiring cooperation with external auditors to comply with these disclosures upon preparing financial statements, as demonstrated in attached Appendix (4) relating to qualitative and quantitative disclosures.

Seventh: the bank shall comply with Financial Accounting Standard no (26), and the items below, in minimum:

1- The impairment of investment registered per cost shall be recorded, as well as the decreasing value of investment registered at fair value, for each investment separately.

2- Under-construction estates are not to be measured at fair value, unless construction is completed.

3- The real estate is classified as investment in real estates in separate bank's statements, if it is leases or occupied by the mother company or other subsidiary, should the definition of investment in real estates applies, even if the real estate is unqualified for classification in consolidated statements.

4- The total of real estate and lease to own estates as well as investments in real estates should not exceed (50%) of the total clients' deposits in JOD, provided that this ratio is applied as of 1/1/2021

5- The total investments in real estates should not exceed a percentage of 40% of the regulatory capital of the bank or 10% o of the total clients' deposits in JOD whichever is lesser.

6- The total investments in one real- estate should not exceed a percentage of 1% of the regulatory capital of the bank.

7- The real estate is appraised by two real estate experts (licensed and adopted by the bank) and one appraisal from the bank annually. The average of appraisals is certified, and in case of fluctuation in one of them that exceeds (20%), it will be eliminated from the average.

8- Estates acquired against debt or cases where lease to own contracts are terminated should not be recorded in the Investments in Real estates Portfolio, unless they align with the bank's policy regarding investments in real- estates.
9- In case indicators appear to show a possible decline in the value of the real estate, the bank must identify the recoverable value of this asset in the date of financial statements, which is higher than the fair value, deducting the cost of sale and depreciation value.
10- Should the bank be unable to identify the fair value of the asset, deducting the cost of sale-due to lack of data-the value of the depreciated assets is deemed the recoverable value.
11- In case of "real estates held for sale" the fair value of the asset can be used, deducting the cost of sale as a recoverable amount, in case the depreciated value of the asset exceeds the fair value, deducting depreciation costs.
12- When calculating the depreciating cost, the bank should take the following factors into consideration:

12.1 Estimations of the expected future cash inflows, taking into consideration the expectations regarding the possible changes in the amount or timing of future cash inflows.

12.2 The period expected for future cash inflows, using the actual returns equalizer method.

12.3 Other factors such as shortage in liquidity.

13- The bank must provide the Central Bank with the forms attached in Appendix (5) with every financial statement, provided that they are audited (reviewed) by accounts' auditor.

Eighth: investment in real estates policy:

The bank shall provide the Central Bank with an investment in real estates policy, adopted by its Board of Directors, after review by its Sharia Monitoring Board as well as the departments of risks management and compliance during (90) days as of the date of issuance of these instruction, provided that the policy includes the following in minimum:

1- Department assigned with the policy.
2- Policy objectives.
3- Business model adopted by the Board of Directors.
4- Types of the bank's real estates' investments.
5- Limits of investments in real estates.
6- Limits of loss control.
7- Minimums of the annual returns from investments in real estates, entailing the procedures and measures to be taken by the bank regarding real estates that do not attain the targeted return.
8- Geographic distribution of investments.
9- Setting regulatory departments' role at the bank.
10- The conditions of the investment in the real estates.
11- Governance for taking the investment decision, which sets the clear jurisdictions and responsibilities at the bank to implementing the policy, ensuring lack of conflict of interest.
12- Mechanism for dealing with risks related to investment in the real estates.
13- Mechanism for dealing with related parties at the bank.
14- Mechanism for marketing real estates.
15- That the investment is based on duly feasibility study.

16- Setting a reasonable period for maintaining invested estates (held for rise in value)
17- Setting a reasonable period for real estates under-construction and/or under development whereas they are ready for investment.
18- The management related to investments in real estates should prepare a study that includes the assessment of achievement levels, execution mechanisms, and deviation rates for real estates under-construction and/or under development, semi-annually, and the study is submitted to the Executive Director.
19- The management related to investments in real estates and other regulatory departments must prepare periodic reports on these investments, in addition to any notes or recommendations submitted to the Board of Directors and the Executive Director. These reports shall include all data and information on investments, and at minimum show the following:

(details of the real estate, cost, real estates' estimations and their date, average of real estates' estimations, impairment in value, change in fair value, returns on real estates, leases and non-leased real estates, operational rates, annual returns, due leases, classification of the real estates held for expected rise in value/obtaining a periodic income.

20- This policy should be reviewed annually and when needed.
21- The policies related to this policy are set clearly.
22- The Board of Directors should approve any exceptions to this policy.

Tenth Item: Islamic Banks' Owning of Stocks and Capital Shares in Companies and Sukuks:

Pursuant to the provisions of Articles (3, 37/B, 38, 51,52,54 and 88/B/B) of the Banking Law No. (28) of 2000 and its amendments, the bank must prepare a sound policy related to investments in stocks and capital Shares in companies and Sukuks. The policy should be adopted and any amendments on it by the Board of Directors, after review by its Sharia Monitoring Board as well as the departments of risks management and compliance during (90) days as of the date of issuance of these instruction, as well as any amendments thereto, whereas the policy and its amendments are in line with the provisions of the banking law, and the bylaws, regulations, and circulars issued in its virtue, and with the items below:

First: Investments in Stocks and Capital Shares in Companies and Sukuks, financed by the bank's own funds:
Investments in Stocks and Capital Shares in Companies
Instructions for Banks' Owning of Stocks and Capital Shares in Companies No. (12/2002) date 27/3/2002 apply to these investments.

Second: Investments in stocks and capital shares in companies and Sukuks, financed by shared investment accounts holders:
The following ratios apply to these investments:

A- The bank ownership of stocks and capital Shares in one company and one issue of Sukuks, financed by shared investment accounts holders, whether directly or indirectly, should not exceed (5%) of regulatory capital (except for the issues by the Jordanian government or with its guarantee).

B- The bank ownership of stocks and capital Shares in companies and Sukuks, financed by shared investment accounts holders, whether directly or indirectly, should not exceed (75%) of regulatory capital (except for the issues by the Jordanian government or with its guarantee).

Third: Financial Penalties stated in Instructions for Financial Penalties No. (21/2005) date 7/8/2005 apply in case the back violates any of the limits in First and Second above.

Fourth: The bank must include in its policy the following as minimum:

1- Department assigned with the policy.
2- Policy objectives.
3- Business model adopted by the Board of Directors.
4- Governance for taking the investment decision, which sets the clear jurisdictions and responsibilities at the bank to implementing the policy, ensuring lack of conflict of interest.
5- Conditions of the financial instrument.
6- Minimums of the annual returns from investments in real estates, entailing the procedures and measures to be taken by the bank regarding real estates that do not attain the targeted return.
7- limitations/controls of investments.
8-Mechanism for risks management of these investments.
9-Regulatory reports, forms, periodicity, the entity preparing it and the entity to which they are submitted, with the need to include cases of exceeding limits and procedures to correct them.
10-Limits of loss control, including the maximum level of permitted losses on level of each portfolio and on the level of each type, whereas the total portfolio is liquidated, and/or every type of investments should the investments reached the maximum level of loss, immediately and per the authorizations.
11-Investement ratios in term of geographic distribution, economic sectors, currency and allowed deviations.
12-Ratio of investment in each portfolio to total portfolios (financial assets at the fair value through income statement, financial assets at the fair value through equity, financial assets at the fair value through equity of shared investment accountholders, financial assets at the amortized cost).
13- The policies should be related to this policy are set clearly.
14- Setting regulatory departments’ role at the bank.
15- Mechanism for dealing with related parties at the bank.
16- This policy should be reviewed annually and when needed.

Fifth: General Provisions:

1. The Board of Directors should approve any exceptions to this policy.
2. High-risk investments and investments whose risks are difficult to predict should be avoided.
3. Each bank shall provide the Central Bank with statements of Investments in stocks and capital shares in companies and Sukuks and investment funds, according to the annexed forms:

- Statements for the bank’s branches in Jordan monthly.
- Statements for each of bank’s subsidiary companies monthly.
- Consolidated statements for the bank monthly.

- The bank consolidated (branches in Jordan, foreign branches, foreign subsidiary companies), quarterly at a date of no latter than the 15th of the following month to the statements' date.

4. Stress the following:
    - Instructions of bank' ownership of insurance companies no. (5 /2000) dated 5/12/2000.
    - Circular No. (10/2/1909) dated 14/ 2/ 2010, regarding the need to obtain the prior written approval by the Central Bank, before any subsidiary establishes or owns a subsidiary.
5. The bank must provide the Central Bank with the forms attached in Appendix (5) with every financial statement, provided that they are audited (reviewed) by accounts' auditor.
6. Circular No. (10/8810) dated 10/8/2005.

Appendix no (1): qualitative and quantitative disclosures required to compliance to the implementation of Financial Accounting Standard no (30) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions

- The banks must amend their accounting policies, in line with the requirements of Financial Accounting Standard no (30).
- The banks must disclose information that assist financial data users in evaluating the nature and degree of the risks the banks faces, and emerging from financial instruments as of the financial data's date as follows:

First: quantitative disclosures

Reference to our Circular no (10/1/371) date 9/1/2008, attached with the adopted forms for the final financial data for Islamic banks, and prepared per the standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and international financial reporting standards, especially the requirements of Standard (7) related to disclosure on financial instruments, the disclosures are amended as follows:

1. System for risk management at the bank, and related procedures and departments.
2. culture of risk management at the bank, and the role of the policies and strategies of risks management in solidifying and supporting the culture of risk management at the bank.
3. limits of risks appetite at the bank, in line with the business model(s) adopted by the bank.
4. stress testing:
    - Methodologies of these tests
    - Role and integration of these tests with the risks management governance, risks culture, and capital plans.
    - Mechanism for choosing the scenario analysis, including hypotheses related to macroeconomic changes.
    - Mechanism for using the tests' results in making decisions on the adequate managerial level, including the strategic decisions of the Board of Directors and the Senior Executive Management.

5. Definition of the default and mechanism for treatment at the bank.
6. detailed explanation of the internal credit rating at the bank and its mechanism.
7. the mechanism adopted to calculate the expected credit loss on financial instruments, for each item separately.
8. governance for applying the Financial Accounting Standard (30), including what ensures the responsibilities of the Board of Directors and the Senior Executive Management to guarantee compliance to the standard.
9. definition and mechanism for calculating and monitoring the probability of default, and exposure at default as well as the loss given default ratios.
10. identifiers of the significant change in credit risks relied on by the bank in calculating expected credit losses.
11. the bank's policy in identifying the shared factors (characteristics) upon which the credit risks and expected credit risks were measures on the collective basis.
12. the key economic indicators used by the bank in calculating probable loss.
13. amending the required quantitative disclosures per the Circular above to be in line with what is implemented in reality after applying Financial Accounting Standard (30), and as follows:
    - Disclosures related to policies and procedures at the bank regarding accepting, measuring, monitory and controlling risks.
    - Disclosures related to policies and procedures at the bank to avoid risks concentrations.

    (changes in the quantitative disclosures above is disclosed for the previous period and their reasons, which might result from change in size of exposure to risks or management method).

Second: Quantitative Disclosures:

Taking into consideration the separation between the part related to equity and the part related to equity of investment accountholders, Islamic banks must disclose the following:

- Disclose the credit exposures per the classification instructors of central bank no (47/2009) of the Year 2009 date 10/12/2009, and Instructions For Classification and Treating Lease-to Own no(60/2014), in comparison with the Financial Accounting Standard (30) (Mapping) and compared to the previous year:

Item	Per classification instructors no (47/2009) of the Year 2009 and Instructions For Classification and Treating Lease-to Own no(60/2014)				Per Financial Accounting Standard (30)								
					Stage 1			Stage 2			Stage 3		
	Total*	Suspended income	principle	provision	Total*	ECL	Suspended income	Total*	ECL	Suspended income	Total*	ECL	Suspended income
Performing loans													
watchlist loans													
Non-performing loans, including:													
Substandard													
Doubtful													
loss													

Total													

*deducting suspended earnings

- Fair Value Reserve:

Item	Financial assets at fair value through equity/shared investment accountholders	Real estate investments	Total
Balance as of 31/12/2019			
Unrealizable returns (losses) on financial instruments			
Net change in amount of expected credit loss reserve for debt instruments			
Returns (losses) on financial instruments at fair value through equity/shared investment accountholders, transferred to retained income due to sale.			
Unrealizable returns (losses) on stocks			
Returns (losses) on equity at fair value through equity/transferred to retained income due to sale			
Deferred tax assets			
Deferred tax liabilities			
Balance as of the end of the year			

The fair value reserve is shown in the net after deferred tax with the amount of …JOD

- Change in equity:

	Shareholders equity at the bank														Stakeholders' equity	Total equity
	Paid up capital	Issuance discount	Treasury stocks	Reserves						Exchange rates differences	Fair value reserve	Shareholders' share Sukuks to stocks	Retained income (accumulated losses)	Total		
				legal	Optional	private		Foreign branching								
1/2020																
ne bank for the year																
e fair value of debt instruments ncial assets at fair value through																
eturns (losses) on financial le at fair value through equity																
pected credit loss provision for debt ed under financial assets at fair value thro																
lifferences																
ir value for debt instruments listed ssets at fair value through																
sive income																
om reserves																
lends																
e end of the year																

- Financial assets at fair value though income statement:

Item	As of the end of the period/year
Companies' stocks	
Islamic Sukuks	
Investment Funds	
Other (details)	
Total	

- Financial assets at fair value through equity/investment accountholders

Item	As of the end of the period/year
Financial assets with a market price	
Companies' stocks	
Islamic Sukuks	
Other investments	
Total of financial assets with a market price	
Financial assets without a market price	
Companies' stocks	
Islamic Sukuks	
Other investments	
Total of financial assets without a market price	
Deducting: EXC impairment provision	
Total of financial assets at fair value through equity/investment accountholders	

Analysis of non-cash debt instrument through equity/investment accountholders:

Item	As of the end of the period/year
Fixed income	
Variable income	
Total	

- Financial assets at amortized cost:

Item	As of the end of the period/year
Financial assets with a market price	
Islamic Sukuks	
Other investments	
Total of financial assets with a market price	
Financial assets without a market price	
Islamic Sukuks	
Other investments	
Total of financial assets without a market price	
Deducting: EXC impairment provision	
Total of financial assets at amortized cost	

Analysis of non-cash debt instrument at amortized cost:

Item	As of the end of the period/year
Fixed income	
Variable income	
Total	

- Provide us with a detailed form, demonstrating the transfers on debt instruments between securities portfolios (Financial assets at fair value though income statement, financial assets at fair value through equity/investment accountholders, financial assets at amortized cost) which occurred during the year, whereas the minimum of the following is stated (each instrument separately, the transferred amount, ECL amount on each instrument, the portfolio in which it existed, and the portfolio that it was transferred to).
- Provide us with a form demonstrating debt instruments within the financial assets at fair value though income statement, which were traded during the period/year.
- Provide us with a form demonstrating the debt instruments sold before maturity.
- Provide us with the mechanisms of measuring the fair value for financial assets without a market price.
- Under the financial position statement, the bank should show financial assets in the net value after deducting the relevant expected credit loss. As for the expected credit loss for other instruments and credit ceilings, they are shown under other liabilities, in an independent item, and the bank should provide us with the relevant details.
- Expected Credit Loss

1. Calculate the impairment provision for due from central banks:

The bank must disclose the impairment provision amount by which the balance was lowered, provided that the disclosure is also conducted on the exposure distribution bases on credit risks, per the internal ratings system adopted by the bank, as follows:

Item	Balance (JOD)
Balances with central banks	
Deducting impairment provision	
Net of balances with central banks	

❖ Disclosure by distributing the total balances with central banks per the classifications of the internal ratings system adopted by the bank:

Item	2020				2019
	Stage 1 individual	Stage 2 individual	Stage 3 individual	Total	Total
classifications of the internal ratings system adopted by the bank					

Total					

❖ Disclosure on the transaction on balances with central banks:

Item	Stage 1 individual	Stage 2 individual	Stage 3 individual	Total
Total of balance as of the beginning of the period/year				
New balances during the year				
Repaid balances				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

❖ Disclosure on transaction on impairment provision:

Item	Stage 1 individual	Stage 2 individual	Stage 3 individual	Total
Total of balance as of the beginning of the period/year				
Impairment loss on new balances in the year				
The recovered from repaid balance of impairment loss				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

2. Calculate the impairment provision for due from banks and financial institutions:

The bank must disclose the impairment provision amount by which the balance was lowered under item "balances and deposits with banks and financial institutions , provided that the disclosure is also conducted on the exposure distribution bases on credit risks, per the internal credit ratings system adopted by the bank, as follows:

Item	Balance (JOD)
Balances with banks and financial institutions	
Deducting impairment provision	
Net of balances with banks and financial institutions	

❖ Disclosure on distribution of balances with banks and financial institutions per the internal credit ratings system adopted by the bank:

Item	2020				2019
	Stage 1 individual	Stage 2 individual	Stage 3 individual	Total	Total
Classifications of the internal credit ratings system adopted by the bank.					
Total					

❖ Disclosure on transaction on balances with banks and financial institutions:

Item	Stage 1 individual	Stage 2 individual	Stage 3 individual	Total
Total of balance as of the beginning of the period/year				
Impairment loss on new balances in the year				
The recovered from repaid balance of impairment loss				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year				
Changes resulting from				

modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

❖ Disclosure on transaction on impairment provision:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Total of balance as of the beginning of the period/year				
Impairment loss on new balances in the year				
The recovered from repaid balance of impairment loss				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

3. Impairment Provision for Loans and Advances to Customers:

A- Regarding corporate lending, the bank must disclose exposures within the three stages (Stage1, Stage2, Stage3), based on their quality and the internal credit ratings systems at the bank.

Example: (Performing, High Grade, Standard Grade, Sub-standard Grade, Past Due but not Impaired, Non- Performing).

Furthermore, the bank must disclose the transaction on the total loans and impairment, including bad debts and modifications due to change in exchange rates, noting that the calculation of the expected credit loss will be on the individual level:

Item	2020				2019
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
Classifications of the internal credit ratings system adopted by the bank.					
Total					

❖ Disclosure on loans:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Total of balance as of the beginning of the period/year				
New loans				
repaid loans				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

❖ Disclosure on transaction on impairment provision:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Total of balance as of the beginning of the period/year				
Impairment loss on new loans				
The recovered from repaid loans				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year				
Changes resulting from modifications				
Bad debts				

Modifications due to change in exchange rates				
Total of balance as of the end of the year				

B- Regarding SMEs lending, the bank must disclose exposures within the three stages (Stage1, Stage2, Stage3), based on their quality and the internal credit ratings systems at the bank.
Furthermore, the bank must disclose the transactions on the total loans and impairment for each stage, including bad debts and modifications due to change in exchange rates, noting that the calculation of the expected credit loss may be on the individual or collective levels:

Item	2020						2019
	Stage 1		Stage 2		Stage 3	Total	Total
	individual	collective	individual	collective			
Classifications of the internal credit ratings system adopted by the bank.							
Total							

❖ Disclosure on transaction on loans:

Item	Stage 1		Stage 2		Stage 3	Total	Total
	individual	collective	individual	collective			
Total of balance as of the beginning of the period/year							
New loans							
repaid loans							
What is transferred to stage 1							
What is transferred to stage 2							
What is transferred to stage 3							
Changes resulting from modifications							
Bad debts							
Modifications due to change in exchange rates							
Total of balance as of the end of the year							

- Disclosure on transaction on impairment provision:

Item	Stage 1		Stage 2		Stage 3	Total	Total
	individual	collective	individual	collective			
Total of balance as of the beginning of the period/year							
Impairment loss on new loans							
The recovered from repaid loans							
What is transferred to stage 1							
What is transferred to stage 2							
What is transferred to stage 3							
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year							
Changes resulting from modifications							
Bad debts							
Modifications due to change in exchange rates							
Total of balance as of the end of the year							

C- Regarding consumer lending, the bank must disclose using the same method for SMEs, noting that the calculation of the expected credit loss may be on the individual or collective levels:

Item	2020				2019
	Stage 1 collective	Stage 2 collective	Stage 3 collective	Total	Total
Classifications of the internal credit ratings system adopted by the bank.					
Total					

❖ Disclosure on loans:

Item	Stage 1 collective	Stage 2 collective	Stage 3	Total
Total of balance as of the beginning of the period/year				
New loans				
repaid loans				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

❖ Disclosure on transaction on impairment provision:

Item	Stage 1 collective	Stage 2 collective	Stage 3	Total
Total of balance as of the beginning of the period/year				
Impairment loss on new loans				
The recovered from repaid loans				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year				
Changes resulting from modifications				

Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

D- Regarding residential mortgages portfolio: the bank must disclose using the same method for SMEs, noting that the calculation of the expected credit loss may be on the individual or collective levels:

Item	2020				2019
	Stage 1 collective	Stage 2 collective	Stage 3	Total	Total
Classifications of the internal credit ratings system adopted by the bank.					
Total					

❖ Disclosure on loans:

Item	Stage 1 collective	Stage 2 collective	Stage 3	Total
Total of balance as of the beginning of the period/year				
New loans				
repaid loans				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

❖ Disclosure on transaction on impairment provision:

Item	Stage 1 collective	Stage 2 collective	Stage 3 collective	Total
Total of balance as of the beginning				

of the period/year				
Impairment loss on new loans				
The recovered from repaid loans				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

E- Regarding loans granted to the government and the public sector:

F- the bank must disclose exposures within the three stages (Stage1, Stage2, Stage3), based on their quality and the internal credit ratings systems at the bank.
Example: (Performing, High Grade, Standard Grade, Sub-standard Grade, Past Due but not Impaired, Non- Performing).
Furthermore, the bank must disclose the transaction on the total loans and impairment, including bad debts and modifications due to change in exchange rates, noting that the calculation of the expected credit loss will be on the individual level:

Item	2020				2019
	Stage 1 individual	Stage 2 individual	Stage 3 individual	Total	Total
Classifications of the internal credit ratings system adopted by the bank.					
Total					

❖ Disclosure on loans:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Total of balance as of the beginning				

of the period/year				
New loans				
repaid loans				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

- Disclosure on transaction on impairment provision:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Total of balance as of the beginning of the period/year				
Impairment loss on new loans				
The recovered from repaid loans				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

- Disclosure on transactions on loans at the collective level at the end of the period:

Item	Stage 1		Stage 2		Stage 3	Total	Total
	individual	collective	individual	collective			
Total of balance as of the beginning of the period/year							
New loans							
repaid loans							
What is transferred to stage 1							
What is transferred to stage 2							
What is transferred to stage 3							
Changes resulting from modifications							
Bad debts							
Modifications due to change in exchange rates							
Total of balance as of the end of the year							

- Disclosure on transactions on impairment at the collective level at the end of the period:

Item	corporate	SMEs	consumer	Mortgage loans	government and the public sector	Total
Total of balance as of the beginning of the period/year						
Impairment loss on new loans						
The recovered from repaid loans						
What is transferred to stage 1						
What is transferred to stage 2						
What is transferred to stage 3						
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year						
Changes resulting from						

modifications						
Bad debts						
Modifications due to change in exchange rates						
Total of balance as of the end of the year						
Redistribution:						
Provisions on the individual level						
Provisions on the individual level						

4. Impairment on financial investment:

A- Regarding non-cash debt instruments recorded in the fair value through equity/ investment account holders: the bank will disclose credit risks of these instruments (adjusted at fair value) within the three stages (Stage1, Stage2, Stage3) at the end of the year, based on their quality and the internal credit ratings systems at the bank.

Furthermore, the bank must disclose the transactions on the total loans and impairment for each stage, including bad debts and modifications due to change in exchange rates, noting that the calculation of the expected credit loss may be on the individual or collective levels.

- ❖ Disclosure on the distribution of the total investments per the internal credit ratings classifications at the bank:

Item	2020				2019
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
Classifications of the internal credit ratings system adopted by the bank.					
Total					

- ❖ Disclosure on investments transactions:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Total of balance as of the beginning of the period/year				
New investments				
Matured investments				
Change in fair value				
What is transferred to stage 1				

What is transferred to stage 2				
What is transferred to stage 3				
Changes resulting from modifications				
Bad investments				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

❖ Disclosure on transaction on impairment provision:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Total of balance as of the beginning of the period/year				
Impairment loss on new investments				
The recovered from matured investments				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

B- Debt Instruments at Amortized Costs: the bank will disclose them with the same method for non-cash debt instruments recorded in the fair value through equity/ investment account holders, whereas the amounts will be on gross level.

❖ Disclosure on the distribution of the total investments per the internal credit ratings classifications at the bank:

Item	2020				2019
	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
Classifications of the internal credit ratings system adopted by the bank.					
Total					

❖ Disclosure on investments transactions:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Fair value at the beginning of the year				
New investments during the period/year				
Matured investments				
Change in fair value				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Changes resulting from modifications				
Bad investments				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

❖ Disclosure on transaction on impairment provision:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Total of balance as of the beginning of the period/year				
Impairment loss on new investments				
The recovered from matured investments				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year				

Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

- ❖ Disclosure on investments transactions on the collective level at the end of the period/year:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Fair value at the beginning of the year				
New investments during the period/year				
Matured investments				
Change in fair value				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Changes resulting from modifications				
Bad investments				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

- ❖ Disclosure on transaction on impairment provision on the collective level at the end of the period/year:

Item	Stage 1 individual	Stage 2 individual	Stage 3	Total
Total of balance as of the beginning of the period/year				
Impairment loss on new investments during the period/year				
The recovered from matured investments				
What is transferred to stage 1				
What is transferred to stage 2				
What is transferred to stage 3				
Impact on provision as of the end of				

period/year-due to change in classification between the three stages during the period/year				
Changes resulting from modifications				
Bad debts				
Modifications due to change in exchange rates				
Total of balance as of the end of the year				

5. Impairment Losses on Guarantees and Other Commitments: the bank will disclose maximum exposures of these loans within the three stages (Stage1, Stage2, Stage3) at the end of the year, based the internal credit ratings systems at the bank.
   Furthermore, the bank must disclose the transactions on the total loans and impairment for each stage, including bad debts and modifications due to change in exchange rates, noting that the calculation of the expected credit loss may be on each of the type of indirect credit facilities (guarantees, letter of credit, others).
   - ❖ Disclosure on the distribution of indirect credit facilities per the internal credit rating system at the bank (for each type separately):

Item	2020						2019
	Stage 1		Stage 2		Stage 3	Total	Total
	individual	collective	individual	collective			
Classifications of the internal credit ratings system adopted by the bank.							
Total							

   - ❖ Disclosure on transactions of indirect credit facilities (for each type separately):

Item	Stage 1		Stage 2		Stage 3	Total	Total
	individual	collective	individual	collective			
Total of balance as of the beginning of the period/year							
New exposures							
Matured exposures							
What is transferred to stage 1							
What is transferred to stage 2							
What is transferred to stage 3							
Changes resulting from modifications							
Bad debts							
Modifications due to change in exchange rates							
Total of balance as of the end of the year							

- Disclosure of transactions on impairment provision (for each type separately):

Item	Stage 1		Stage 2		Stage 3	Total	Total
	individual	collective	individual	collective			
Total of balance as of the beginning of the period/year							
Impairment loss on new exposures							
The impairment loss on matured exposures							
What is transferred to stage 1							
What is transferred to stage 2							
What is transferred to stage 3							
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year							
Changes resulting from modifications							
Bad debts							
Modifications due to change in exchange rates							
Total of balance as of the end of the year							

❖ Disclosure on transactions of indirect credit facilities on the collective level as of the end of the year:

Item	Stage 1		Stage 2		Stage 3	Total	Total
	individual	collective	individual	collective			
Total of balance as of the beginning of the period/year							
New exposures							
Matured exposures							
What is transferred to stage 1							
What is transferred to stage 2							
What is transferred to stage 3							
Changes resulting from modifications							
Bad debts							
Modifications due to change in exchange rates							
Total of balance as of the end of the year							

❖ Disclosure on transactions of impairment provision for indirect credit facilities on the collective level as of the end of the year:

Item	Stage 1		Stage 2		Stage 3	Total	Total
	individual	collective	individual	collective			
Total of balance as of the beginning of the period/year							
Impairment loss on new exposures							
The impairment loss on matured exposures							
What is transferred to stage 1							
What is transferred to stage 2							
What is transferred to stage 3							
Impact on provision as of the end of period/year-due to change in classification between the three stages during the period/year							
Changes resulting from modifications							
Bad debts							
Modifications due to change in exchange rates							
Total of balance as of the end of the year							

- Risks management disclosures:

1. Credit exposures' distribution:

Internal rating at the bank	Rating per classification instructors of central bank no (47/2009) of the Year 2009 date 10/12/2009, and Instructions For Classification and Treating Lease-to Own no(60/2014)	Total exposure value	ECL	PD	Rating per external ratings institutions	EAD (in million JOD)	LGDaverage%
Performing exposures							
Non-performing exposures							

2. Credit exposures' distribution per economic sectors:
   A- The total distribution of exposures per financial instruments:

	Financial	industry	commerce	Real estates	agriculture	stocks	individuals	Government and the public sector	total
Balances at central banks									
Balances at banks and financial institutions									
Deposits at banks and financial institutions									
Credit facilities									
Islamic Sukuks:									
Within financial assets at fair value through the income statement									
Within financial assets at fair value through equity/investment account holders									
Within financial assets at amortized cost									
Pledged financial assets (debt instruments)									
Other assets									
Total/current year									
Financial bonds									
Letters of credit									

Other liabilities									
Overall total									

B- Distribution of exposures per ratings stages according to standard (30):

Item	Stage 1 individual	Stage 1 collective	Stage 2 individual	Stage 2 collective	Stage 3	Total
Financial						
industry						
commerce						
Real estates						
agriculture						
stocks						
individuals						
Government and the public sector						
total						

3. The distribution of exposures per geographic locations:

A- The total distribution of exposures per geographic locations:

	Inside the Kingdom	Other Middle Eastern Countries	Europe	Asia	Africa	America	Other countries	total
Balances at central banks								
Balances at banks and financial institutions								
Deposits at banks and financial institutions								
Credit facilities								
Islamic Sukuks:								
Within financial assets at fair value through the income statement								
Within financial assets at fair value through equity/investment								

account holders								
Within financial assets at amortized cost								
Pledged financial assets (debt instruments)								
Other assets								
Total/current year								
Financial bonds								
Letters of credit								
Other liabilities								
Overall total								

B- Distribution of exposures per ratings stages according to standard (30):

Item	Stage 1 individual	Stage 1 collective	Stage 2 individual	Stage 2 collective	Stage 3	Total
Inside the Kingdom						
Other Middle Eastern Countries						
Europe						
Asia						
Africa						
America						
Other countries						
total						

4. Distribution of the fair value of collateral against credit exposures:
   The disclosure below is prepared in two stages (the first for total credit exposures and the second for exposures listed within Stage 3 per the requirements of Financial Accounting Standard (30)):

item	Fair value of assets							Net of exposures after collaterals	ECL
	Cash insurances	Traded stocks	Acceptable banking guarantees	Cars and automobiles	Real estates	Other	Total collateral value		
Balances at central banks									
Balances at banks and financial institutions									
Deposits at banks and financial institutions									
Credit facilities									
Individual									
Companies									
Large corporates									
SMEs									
Government and public sector									
Islamic Sukuks:									
Within financial assets at fair value through the income statement									
Within financial assets at fair value through equity/investment account holders									
Within financial									

assets at amortized cost										
Pledged financial assets (debt instruments)										
Other assets										
Total										
Financial bonds										
Letters of credit										
Other liabilities										
Overall total										

5. Reclassified credit exposures:

The disclosure below is prepared in two stages (the first for total credit exposures and the second for amount of expected credit loss:

a- Total reclassified credit exposures:

Item	Stage 2		Stage 3		Total reclassified credit exposures	Ratio of reclassified credit exposures
Balances at central banks						
Balances at banks and financial institutions						
Deposits at banks and financial institutions						
Credit facilities						
Islamic Sukuks:						
Within financial assets at fair value through the income statement						
Within financial						

assets at fair value through equity/investment account holders						
Within financial assets at amortized cost						
Pledged financial assets (debt instruments)						
Other assets						
Total						
Financial bonds						
Letters of credit						
Other liabilities						
Overall total						

b- ECL for reclassified credit exposures:

Item	reclassified credit exposures			ECL for reclassified credit exposures:				
Balances at central banks	Total of exposures reclassified from Stage 2	Total of exposures reclassified from Stage 3	Total reclassified credit exposures	Stage 2 individual	Stage 2 collective	Stage 3 individual	Stage 3 collective	Stage 3 collective
Balances at banks and financial institutions								
Deposits at banks and financial institutions								
Credit facilities								
Islamic Sukuks:								
Within financial assets at fair value through the income statement								
Within financial assets at fair								

value through equity/investment account holders								
Within financial assets at amortized cost								
Pledged financial assets (debt instruments)								
Other assets								
Total								
Financial bonds								
Letters of credit								
Other liabilities								
Overall total								

Appendix (2)

Forms to be completed with the financial statements for the purposes of the Central Bank

Attached CD

Appendix (3) Quantitative and quantitative disclosures on risks reserves

First: Quantitative disclosures:

In financial statements, the bank must disclose the following:

1. Accounting policies adopted for the profit equalizer reserve and any changes on them.
2. In regards to the balance remaining from the profit equalizer reserve, when it no longer needed, the Sahria Compliance Board's decision must be adhered to, in terms of returning it to the obsolete investment accountholders and shareholder, each per their share, or donating the amount to charity.

Second: quantitative disclosures:

A- The model form for calculation of the adequate profit equalizer reserve:

The model form for calculation of the adequate profit equalizer reserve		
	The best qualitative impact of the returns average risks, entailing change in the average of return on assets ratio	A
Added to:	The best qualitative impact of the returns average risks, entailing change in the average of return on investment account holders (deposits) ratio	B
Added to:	The additional impact of transferred trading risks (including liquidity, if any)	C
D:	Total expected impact	A+B+C=D
	The level of expected absorbance by (A), if any, from the investment risks reserve of the related relevant parties, which is subject to the maximum level equal to the actual investment risks reserve.	E
Added to:	The level of expected absorbance by (A), through collected amounts of credit risks provisions, as well as erosion of assets, and adjusting the realizable value and provisions set per the Financial Accounting Standard (30), (the erosion of	F

	assets, credit risks and liabilities).	
G:	The total expected level of absorbance by (E) and (G) (restricted to a high value that equals (A))	G=E+F (no more than the value of A)
	the adequate profit equalizer reserve	D-G

B- Transaction on the balance of profit equalizer reserve:

	Current period/year		Past period/year	
	shareholders	obsolete investment accountholders	shareholders	obsolete investment accountholders
Balance at the beginning of the period/year				
Profits on the investment reserve				
Deducted from the returns of year/period				
Balance at the end of the period/year				

Appendix (4): Quantitative and quantitative disclosures on:

First: quantitative disclosures:

A- Disclosure requirements:

The bank takes the following into consideration, upon disclosure:

1- Whether the bank applies the fair value or cost value Valium mantra models.

2- The basis used in classifying investments in real estates.

3- The primary methods and assumptions applied in identifying the fair value of the investment in real estates.

4- The extent to which the fair value of the investment in real- estates depends on the evaluation by an independent and certified appraiser by the bank, who holds sufficient expertise and qualifications in this field, and in case such assessment is unavailable, that should be disclosed.

5- The contractual obligations or pledges of purchase, construction, developing the investment or maintenance operations and improvements.

B- disclosures upon applying the cost model:

The bank applying the cost model should disclose the following:

1- Used depreciation method

2- The productive economic age of assets or used consumption levels.

3- Change in consumption methods and the assets economic age, or depreciation levels are the requirements mentioned in the Financial Accounting Standard no (1): “ General disclosures and presentment of financial statements of Islamic Banks and financial institutions”

4- The fair value of investments recorded at cost and the basis of identifying fair values. In exceptional cases in which the bank cannot reliably identify the fair value of investments and estate, it should disclose the following:

4.1- description of the investment

4.2 the reasons why the fair value of the investment cannot be reliably identified.

4.3 the scope of assessment under which the fair value is listed, if possible.

Second: quantitative disclosures

Disclosure requirements:

The bank takes the following into consideration, upon disclosure:

1- The book value of the investment under construction and changes that occur on it in a year.
2- Amounts listed in the income statement which includes leasing income and the direct operational expenses (generating and non generating of leasing income) during the financial period.
3- Available restrictions and their amount on realizing economic return on the investment or on the income and the returns of disposal of the investment.
4- The presence of any burdens, pledges or restrictions on the investment title deed.
5- The contractual obligations or pledges of purchase, construction, developing the investment or maintenance operations and improvements.

B- The bank's disclosure upon applying the fair value model:

The bank applying the fair value model must also disclose the settlements between the book value of the investment at the beginning and the end of the period, whereas the following is shown:

1- Additions during the period, separately for each subsequent purchase and expenses operations that were recorded in the book value of the asset.
2- Net returns or losses resulting from the adjustments of the fair value.
3- In case of assets of the foreign currency operations, the net exchange rate exchange differences, resulting from the appraisal converted to the financial statements' currency, if any.
4- Addition to real estate held for sale or that were sold.
5- Other changes
6- In case of conducting significant modification on the appraisal of the investment, for the purpose of preparing financial statements, the back must disclose the settlement between the appraisal and the significant modifications.

C- the bank disclosure upon applying the cost model:

1- The total book value and accumulated depreciation at the beginning and the end of the period
2- The book value of the investment in real estates at the beginning and end of the period, while showing the following:

2.1. additions during the period, separately for each purchase and subsequent expenses which you are recorded as assets.

2.2 depreciation

2.3 The recorded impairment loss amount and the recovered value amount impairment during the period.

2.4 In case of assets of the foreign currency operations, the net exchange rate exchange differences, resulting from the appraisal converted to the financial statements' currency, if any.
2.5 Addition to real estate held for sale or that were sold.
2.6 Other changes.

D: General disclosures:

❖ The disclosure on the book value of the investment under construction and changes that occur on it in a year:

Item	Year numbers	Comparison numbers
Total of book value of the investment under construction as of the beginning of the period/year		
Any modification during the period/year		
Total of balance as of the end of the period/year.		

❖ Disclosures on amounts listed in the income statement which include leasing income and the direct operational expenses (generating and non generating of leasing income) during the financial period:

Item	Year numbers	Comparison numbers
Total of leasing income in real estates		
Deducting operational expenses:		
Generating leasing income		
Non-generating of leasing income		
Net of leasing income in real estates		

❖ Disclosure on restrictions' amount on realizing economic return on the investment or on the income and the returns of disposal of the investment:

Item	Year numbers	Comparison numbers
Total of restrictions' amount on realizing economic return on the investment		
Any restrictions on investments' returns		
Any restrictions on disposal of the investment's returns		

❖ Contractual obligations or pledges of purchase, construction, developing the investment or maintenance operations and improvements.

Item	Year numbers	Comparison numbers
Total of Contractual obligations or pledges of purchase, construction, developing the investment or maintenance operations and improvements:		
Resulting from purchase		
Resulting from development		
Resulting from construction		
Resulting from maintenance operations and improvements		

Second: Bank's disclosure upon applying the fair value model:

- ❖ Transactions on the real estate investments during the year, in comparison with the previous year:

As of 31/12	Lands	Buildings	Other	total
Cost	Jod	Jod	Jod	Jod
Balance at the beginning of the year				
Additions				
Exclusions				
Balance at the end of the year				
Accumulated depreciation				
Exclusions				
Accumulated depreciation at the end of the year				
Impairment				
Impairment of the year				
Exclusions				
Impairment at the end of the year				
Exchange conversion rates differences				
Any other changes				
Net of investments at the end of the year				

- ❖ Disclosures in case of conducting significant modification on the appraisal of the investment, for the purpose of preparing financial statements, the back must disclose the settlement between the appraisal and the significant modifications:

Item	Year numbers	Comparison numbers
Appraisal at the beginning of the period/year		
Modification during the period/year		
Final settlement between appraisal at the beginning of the period/year and modification		

Third: Bank's disclosure upon applying the cost model:

- ❖ The total book value and accumulated depreciation at the beginning and end of the period:

Item	Year numbers	Comparison numbers
Cost		
Accumulated depreciation		
Impairment		
Net of real estates investments		

- ❖ Transactions on the real estate investments during the year, in comparison with the previous year:

As of 31/12	Lands	Buildings	Other	total
Cost	Jod	Jod	Jod	Jod
Balance at the beginning of the year				
Additions				
Exclusions				
Balance at the end of the year				
Accumulated depreciation				
Exclusions				
Accumulated depreciation at the end of the year				
Impairment				
Impairment of the year				
Exclusions				
Impairment at the end of the year				
Exchange conversion rates differences				
Any other changes				
Net of investments at the end of the year				

- ❖ Disclosure on the change in the economic age of the investment, description of modification, its reason, and impact on net of income/loss:

Item	Impact on retained earnings
Retained earnings balance at the beginning of the year	
Impact in the depreciation accounting policy	
Adjusted balance of retained earnings at the beginning of the year.	
Net income for the year……adjusted	
Retained earnings balance at the end of the year	
Net income for the year…	
Others	
Retained earnings balance as of 31/12	

- The fair value of real estates investments reached () JOD as of 31/12 …(…JOD as of 31/12)
- The fair value of real estates is based on the average of appraisals conducted by independent appraisers who have professional qualifications and expertise to appraise on location and classification of real estates subject to appraisal as of 31/12…. and 31/12….. The fair value was identified based on recent dealings in the market as well as the information of independent appraisers and their professional judgments.

Appendix (5): Forms to be completed with the financial statements for the purposes of the Central Bank, regarding investments in real estates, stocks, shares on companies' capitals and Sukuks.

- Attached CD.