



Dear Shareholders,

March 3rd, 2020 marked the 60th Anniversary of Bank of Jordan. Unfortunately, it was only the night before when the first COVID-19 case was detected in Jordan.

Needless to say, it was a challenging year!

We started Year 2020 with the news of the pandemic, and we ended it with the loss of our beloved founder and Honorary Chairman, Mr. Tawfiq Fakhouri. We vow to continue in his steps and to carry forward his vision of "Excel," individually and collectively.

In these times of global uncertainty and hardship, it is your Board of Director's duty to assure you that we can stand to the challenge. And yes, we fared well, and will continue to do so.

The bank's business continuity planning prior to the onset of the crisis enabled us to run our operations remotely and to serve our clients fully during the multi-week full curfew earlier in the year. In several towns in Jordan, there were times when the only functioning ATMs, serving the larger community, were those of Bank of Jordan. Our contact center continued to fully serve our retail customers from day one. Our corporate and SME clients, who could not travel to our sites, received documents and cash at their locations. Our trade services did not stop, nor did any of our other operations.

Unfortunately, there was a significant toll on the larger economy. The prediction is that the global economy dropped by 3.5% in 2020. Similar numbers apply to the Jordanian economy. For the banking industry, curfews, boarder and sector closures, and the deteriorating retail and business environments, magnified the Expected Credit Loss (ECL) provisions that banks needed to book. This took a serious toll on banking sector profitability across the board.

Dear Valued Shareholders,

Our numbers in Year 2020 reflected these challenging local, regional, and global environments. Our net profit dropped to 35.8 million JOD, a 10.9% drop from a year earlier. The major culprit was the larger ECL provisions, which grew from 18.6 million in the year prior to 31.9 million in 2020. ECL accounts for expected credit losses in view of the challenging environment facing business and retail clients alike. We continue to maintain non-performing loan provisions (NPLs) above 107.2%, one of the highest ratios in the industry.



There were other significant pressures that affected our margins in 2020, mainly due to Central Bank of Jordan programs and initiatives. These included lowering interest rates across the board, with the CBJ overnight rate dropping by 150 basis points. Bank of Jordan also participated in CBJ business-support programs, offering loans at subsidized rates. As such, our return on assets (ROA) ratio dropped to 1.31%, with an 8.24% return on equity (ROE).

It is our judgment that a “New Norm” has emerged and that it is here to stay. We expect pressured margins to continue for the coming short years. And we expect an elevated risk environment, in business and retail, to continue for that period. We forecast unusual operational costs to persist beyond. We also see consumer behavioral changes lingering for the foreseeable future.

As such, we believe that improved risk management, enhanced operational efficiency, and functional digital mobility, combined with enhanced self-service capabilities, are the key for the bank to thrive in the future.

In response to our expectations for such systemic changes and challenges, and aligned with our view of what is needed, the bank took the decision to push ahead with certain strategic projects and initiatives. In particular, efforts to revamp our Enterprise Risk Management (ERM) framework moved full ahead and were actually expanded. Also, in 2020, we launched a program to redesign our Financial Performance management framework to better quantify costs and opportunities, and hence better manage them.

Further, we continued enhancing our mobility customer experience through improving the mobile banking platform and the Contact Center experience, such as by introducing Zoom-based services, including onboarding.

Also, we continue to drive other back-office initiatives for operations and finance that touch upon our operational model, including back-office automation and process and content reengineering. We are in the process of reflecting these operational model changes organizationally. And we continue to invest in the technical infrastructure such as Cloud-based computing and information security. We have also launched an information architecture design program to revamp our data infrastructure to allow us to better utilize the wealth of data available, internally and externally, to better conduct our business and serve our clients.

In conclusion, we are hopeful for the future. We do remain confident that we are addressing the needs of this new and changed environment. As importantly, we are seeing signs that the world, as a whole, continues to adapt



to this new norm. Between the plethora of vaccines made available in very short order, combined with the better understanding of the disease and its management, on one hand, and the huge fund-injections carried out by most central banks on the other, the expectations for global growth in 2021 has risen to 5.5%, with the expectations for Jordan standing at 2.5%. As such, macroeconomic models and related ECL forecasts have improved significantly from the Q2 bottom to reflect a much better overall outlook in Q4. We expect the picture to continue to improve due to these drivers, even in the face of the multiple variants of the COVID disease currently circulating.

Dear Esteemed Shareholders,

Your bank continues to command a strong financial standing. Shareholder equity grew by 9.8% to reach 454.8 million JOD, with our loan portfolio growing to 1.5 billion JOD (a 4.1% rise) and our customer deposit base staying rather steady at 1.9 billion. Our capital adequacy ratio stands at 19.08% and our legal liquidity ratio at 130.7%.

This strong standing allows the Board of Directors to recommend distributing 0.12 JOD/share as dividends, the maximum allowed by Central Bank of Jordan mandate.

Our continuing appreciation extends to you, our investors, for your support and continued patronship of the bank. We extend special thanks to the team in Jordan, Palestine, Syria, and Bahrain, for their hard work to keep the bank and its customers running during this difficult environment. Their drive to excel is well noted and appreciated.

Yours very truly,

Shaker Tawfiq Fakhouri