

JORDAN COMMERCIAL BANK

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (REVIEWED NOT AUDITED)

30 JUNE 2022



Building a better
working world

Ernst & Young Jordan

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**REPORT ON THE REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF JORDAN COMMERCIAL BANK
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed financial statements of Jordan Commercial Bank (a public shareholding limited company) (the "Bank") as at 30 June 2022, comprising the interim condensed statement of financial position as at 30 June 2022 and the related interim condensed income statement, interim condensed statement of comprehensive income, interim condensed statement of changes in equity, and interim condensed statement of cash flows for the six months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 (Interim Financial Reporting) as adopted by the Central Bank of Jordan (CBJ). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the Central Bank of Jordan.

Amman – Jordan
31 July 2022

ERNST & YOUNG
Amman - Jordan

JORDAN COMMERCIAL BANK
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	30 June 2022 JD (Reviewed not audited)	31 December 2021 JD (Audited)
ASSETS			
Cash and balances with central banks	4	75,627,645	90,710,577
Balances at banks and financial institutions	5	66,970,999	54,106,136
Direct credit facilities, net	6	729,893,600	773,903,799
Financial assets at fair value through statement of income	7	1,606,683	1,778,210
Financial assets at fair value through other comprehensive income	8	34,995,272	31,942,672
Financial assets at amortized cost, net	9	361,544,447	362,409,154
Property and equipment, net		21,459,173	21,857,844
Intangible assets, net		2,219,575	2,266,649
Right-of-use assets		6,246,718	5,429,733
Deferred tax assets		9,496,974	10,322,457
Other assets	10	83,545,656	90,190,277
Total Assets		1,393,606,742	1,444,917,508
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Banks' and financial institutions' deposits	11	76,045,312	111,313,020
Customers' deposits	12	927,444,978	969,388,894
Cash margins		42,785,815	40,829,127
Borrowed funds	13	159,648,454	140,483,737
Provision for income tax	14/a	2,168,270	3,126,294
Sundry provisions	15	871,476	883,049
Deferred tax liabilities		464,858	124,612
Lease liabilities		5,852,777	5,361,113
Other liabilities	16	25,133,228	26,235,937
Total Liabilities		1,240,415,168	1,297,745,783
SHAREHOLDERS' EQUITY			
Authorized and paid in capital	17	120,000,000	120,000,000
Statutory reserve	18	17,208,213	17,208,213
Fair value reserve, net	19	476,779	(973,100)
Retained earnings	20	10,946,025	10,936,612
Profit for the period		4,560,557	-
Total Shareholders' Equity		153,191,574	147,171,725
Total Liabilities and Shareholders' Equity		1,393,606,742	1,444,917,508

The accompanying notes from 1 to 35 form part of these interim condensed financial statements and should be read with them

JORDAN COMMERCIAL BANK
INTERIM CONDENSED INCOME STATEMENT
FOR THE THREE AND SIX-MONTHS ENDED 30 JUNE 2022 (REVIEWED NOT AUDITED)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022	2021	2022	2021
		JD	JD	JD	JD
Interest income	21	18,247,622	17,440,262	35,894,875	34,878,613
Interest expense	22	(8,415,367)	(8,615,276)	(16,976,658)	(17,158,224)
Net interest income		<u>9,832,255</u>	<u>8,824,986</u>	<u>18,918,217</u>	<u>17,720,389</u>
Net commission income		<u>1,015,359</u>	<u>871,935</u>	<u>2,031,434</u>	<u>1,948,008</u>
Net interest and commission income		<u>10,847,614</u>	<u>9,696,921</u>	<u>20,949,651</u>	<u>19,668,397</u>
Foreign exchange income		288,045	227,482	545,789	468,856
(Loss) gain from financial assets at fair value through statement of income	24	(75,713)	(1,982)	(8,494)	107,447
Dividends from financial assets at fair value through other comprehensive income	8	77,243	196,417	152,243	196,417
Other income	25	893,844	739,955	2,806,042	2,091,855
Gross income		<u>12,031,033</u>	<u>10,858,793</u>	<u>24,445,231</u>	<u>22,532,972</u>
Employees' expenses		3,753,041	3,643,796	7,198,770	7,055,598
Depreciation and amortization		723,486	895,138	1,614,795	1,766,558
Provision for expected credit losses, net	23	1,739,355	1,648,824	3,602,029	2,713,824
Provision for assets seized by the Bank against due debts		(698,304)	668,092	226,897	1,746,089
Other provisions	15	4,238	70,000	14,836	129,450
Other expenses	26	2,336,284	2,222,363	4,781,979	4,814,070
Total expenses		<u>7,858,100</u>	<u>9,148,213</u>	<u>17,439,306</u>	<u>18,225,589</u>
Profit for the period before income tax		<u>4,172,933</u>	<u>1,710,580</u>	<u>7,005,925</u>	<u>4,307,383</u>
Income tax for the period	14/b	(1,365,549)	(606,878)	(2,445,368)	(1,572,325)
Profit for the period		<u>2,807,384</u>	<u>1,103,702</u>	<u>4,560,557</u>	<u>2,735,058</u>
Earnings per share for the period attributable to the Bank's shareholders	27			JD / Fils	JD / Fils
Basic and diluted				<u>0/038</u>	<u>0/023</u>

The accompanying notes from 1 to 35 form part of these interim condensed financial statements and should be read with them

JORDAN COMMERCIAL BANK
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX-MONTHS ENDED 30 JUNE 2022 (REVIEWED NOT AUDITED)

	For the three months ended		For the six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	JD	JD	JD	JD
Profit for the period	2,807,384	1,103,702	4,560,557	2,735,058
<u>Other comprehensive income items:</u>				
Items that are not transferable subsequently to income statement				
Change in fair value reserve of financial assets through other comprehensive income, net	1,381,945	506,627	1,459,292	53,256
Total comprehensive income for the period	4,189,329	1,610,329	6,019,849	2,788,314

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JORDAN COMMERCIAL BANK
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022 (REVIEWED NOT AUDITED)

	Authorized and paid in capital		Reserves		Fair value, net	Retained earnings	Profit for the period	Total shareholders' equity
	JD	JD	Statutory	JD				
For the six months ended 30 June 2022								
Balance at the beginning of the period	120,000,000	-	17,208,213	(973,100)	10,936,612	-	147,171,725	
Profit for the period	-	-	-	-	-	4,560,557	4,560,557	
Other comprehensive income items	-	-	-	1,459,292	-	-	1,459,292	
Total comprehensive income for the period	-	-	-	1,459,292	-	4,560,557	6,019,849	
Fair value reserve released from sale of financial assets at fair value through other comprehensive income	-	-	-	(9,413)	9,413	-	-	
Balance as at 30 June 2022	120,000,000	-	17,208,213	476,779	10,946,025	4,560,557	153,191,574	
For the six months ended 30 June 2021								
Balance at the beginning of the period	120,000,000	-	15,953,618	(2,020,984)	5,534,153	-	139,466,787	
Profit for the period	-	-	-	-	-	2,735,058	2,735,058	
Other comprehensive income items	-	-	-	53,256	-	-	53,256	
Total comprehensive income for the period	-	-	-	53,256	-	2,735,058	2,788,314	
Balance as at 30 June 2021	120,000,000	-	15,953,618	(1,967,728)	5,534,153	2,735,058	142,255,101	

The Central Bank of Jordan had issued a Circular No. 10/1/7702 on the 6th of June 2018 requesting the offsetting of the General Banking Risk Reserve against the retained earnings' opening balance as of the 1st of January 2018 for offsetting with the impact of International Financial Reporting Standard No (9).

- The retained earnings balance includes JD 9,032,116 restricted against net deferred tax assets as of 30 June 2022 according to the instructions of the Jordan Securities Commission and Central Bank of Jordan.
- Use of retained earnings for an amount to the unrealized gain of financial assets through statement of income which amounted JD 511,939 as of 30 June 2022 (703,174 JD as of 31 December 2021) is restricted to the instructions of Jordan Securities Commission and Central Bank of Jordan.
- Use of retained earnings for an amount equal to the change in the fair value of financial assets which amounted to JD 476,779 as of 30 June 2022 (Negative JD 973,100 as of 31 December 2021) is restricted (including JD 311,112 against the implementation of International Financial Reporting Standard No (9)) according to the instructions of the Jordan Securities Commission and Central Bank of Jordan.

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JORDAN COMMERCIAL BANK
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022 (REVIEWED NOT AUDITED)

	Notes	For the six months ended 30 June	
		2022	2021
		JD	JD
Cash flows from operating activities:			
Profit for the period before tax		7,005,925	4,307,383
Non-cash Adjustments:			
Depreciation and amortization		1,303,143	1,290,697
Provision for expected credit losses, net	23	3,602,029	2,713,824
Loss (gain) from valuation of financial assets at fair value through statement of income	24	11,869	(107,447)
Other provisions	15	14,836	129,450
Loss from sale of property and equipment		1,965	-
Provision for assets seized by the Bank against due debts	10	226,897	1,746,089
Amortization of right-of-use assets		311,652	475,861
Finance costs paid for lease obligations		41,449	190,699
Dividends from financial assets at fair value through other comprehensive income		(152,243)	(196,417)
Effect of exchange rate fluctuations on cash and cash equivalents		(489,747)	(258,687)
Profit for the period before changes in assets and liabilities		11,877,775	10,291,452
Changes in assets and liabilities-			
Increase in banks and financial institutions' deposits maturing within a period of more than three months		-	1,000,000
Decrease (Increase) in direct credit facilities		40,286,361	(42,944,187)
Decrease in financial assets at fair value through statement of income		159,658	-
Decrease in other assets		6,433,381	4,185,082
(Decrease) Increase in customers' deposits		(41,943,916)	27,525,922
Increase in cash margins		1,956,688	728,530
(Decrease) Increase in other liabilities		(1,021,187)	2,545,922
Net change in assets and liabilities		5,870,985	(6,958,731)
Net cash flows from operating activities before income tax and provisions		17,748,760	3,332,721
Sundry provisions paid	15	(26,409)	(2,277)
Lease contracts paid		(678,417)	(575,980)
Income tax paid	14/a	(3,126,294)	(174,758)
Net cash flows from operating activities		13,917,640	2,579,706
Cash flows from investing activities			
(Increase) in financial assets at fair value through other comprehensive income		(704,682)	(137,091)
Decrease (Increase) in financial assets at amortized cost		889,681	(43,905,392)
Dividends from financial assets at fair value through other comprehensive income		152,243	196,417
Purchase of property and equipment and intangible assets		(863,053)	(1,302,085)
Proceeds from sale of property and equipment		3,690	-
Net cash flows used in investing activities		(522,121)	(45,148,151)
Cash flows from financing activities			
Increase in borrowed funds		19,164,717	27,110,553
Net cash flows from financing activities		19,164,717	27,110,553
Effect of exchange rate fluctuations on cash and cash equivalents		489,747	258,687
Net increase (decrease) in cash and cash equivalents		33,049,983	(15,199,205)
Cash and cash equivalents at the beginning of the period		75,506,558	119,020,119
Cash and cash equivalents at the end of the period	28	108,556,541	103,820,914

The accompanying notes from 1 to 35 form part of these interim condensed financial statements and should be read with them

**JORDAN COMMERCIAL BANK
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2022 (REVIEWED NOT AUDITED)**

(1) GENERAL

Jordan Commercial Bank (the "Bank") was established as a Jordanian Public Shareholding Limited Company on 3 May 1977 in accordance with the Jordanian Companies Law No. (12) for the year 1964 with paid-up capital of JD 5 million divided into 5 million shares at par value of one Jordanian Dinar per share. The Bank's Head Office address is Amman, Tel. +962 (6) 5203000, P.O. Box 9989, Amman 11191 - The Hashemite Kingdom of Jordan.

During the year 1993, Al Mashrek Bank (Jordan branches) was merged into Jordan and Gulf Bank. Consequently, Jordan and Gulf Bank replaced Al Mashrek Bank (Jordan branches) in terms of its rights and obligations.

At the beginning of the year 2004, the Bank was restructured after taking the necessary measures specified by the concerned governmental parties and on 28 June 2004, procedures relating to changing the Bank's name from Jordan and Gulf Bank to Jordan Commercial Bank were completed.

The Bank's capital was increased gradually, and the last increase took place during 2017. In its extraordinary meeting held on 30 April 2017, the Bank's General Assembly resolved to approve the increase in the Bank's capital by 7.125 million JD/share, so that authorized and paid-up capital would become 120 million JD/share through capitalizing part of the retained earnings and distributing the amount to shareholders as stock dividends. The procedures for the capital increase were completed on 7 June 2017.

Jordan Commercial Bank is a Public Limited Shareholding Company listed on Amman Stock Exchange.

The Bank is engaged in banking and related financial operations through its (34) branches inside Jordan.

The interim condensed financial statements were approved by the Bank's Board of Directors in its 7th meeting held on 28 July 2022.

(2-1) BASIS OF PREPARATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting) as adopted by the Central Bank of Jordan.

The interim condensed financial statements are prepared on a historical cost basis, except for financial assets and liabilities at fair value which are measured at fair value as of the date of the interim condensed financial statements.

The interim condensed financial statements have been presented in Jordanian Dinars ("JD"), which is the functional currency of the Bank.

The interim condensed financial statements do not contain all information and disclosures required for financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Bank's annual report as of 31 December 2021. In addition, results for the six months ended 30 June 2022 do not necessarily indicate the expected results for the financial year ending 31 December 2022. No appropriation of the profit has been made for the six months ended 30 June 2022 which is made at the end of the financial year.

(2-2) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021 except for the adoption of new amendments on the standards effective as of 1 January 2022 shown below:

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no material impact on the interim condensed financial statements of the Bank.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no material impact on the interim condensed financial statements of the Bank.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no material impact on the interim condensed financial statements of the Bank.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendments is not applicable to the Bank.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments had no material impact on the interim condensed financial statements of the Bank.

(3) USE OF ESTIMATES

Provision for impairment of direct credit facilities:

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

The Bank computes the provision for impairment of financial assets according to the International Financial Reporting Standards (IFRSs) and compares the outcome to the instructions of the Central Bank of Jordan. Moreover, the strictest outcome that conforms to the (IFRSs) is used.

The methodology of implementing International Financial Reporting Standard No (9): Inputs, and methods used in calculating expected credit loss:

Risk management

In light of the importance of managing the various risks surrounding the Bank's business activities that it is exposed to or may be exposed to in the future, the Bank has continued its work by following a risk management strategy in line with the directives of the Board of Directors, executive management, legislation and laws issued by the Central Bank of Jordan, where best practices have been applied and the latest means and methods used in risk management.

The risk management process includes identifying, measuring, evaluating and monitoring financial and non-financial risks that can negatively affect the overall performance of the Bank, and the risk department evaluates, and controls risks and recommends mitigating them and submitting the necessary reports to executive management and independently of other Bank departments that perform other banking activities.

The Risk Department is responsible for managing risks (credit, operational, market, liquidity and information security) within the framework of the Bank's organizational structure and is directly linked to the Risk Management and Compliance Committee of the Board of Directors. The Risk Department reports directly to this Committee as well as the General Manager with work to provide the relevant departments and committees within the Bank with the necessary risk reports. A risk culture is also strengthened through internal and external educational courses and workshops for all employees.

Executive management is responsible for defining the main principles of risks and the level of risks that can be accepted, as well as an optimal distribution of risks according to the various activities and segment of the Bank. Executive management exercises its role in ensuring that the Bank manages various risks and adopts policies and procedures governing risk management in the Bank through the "Risk and Compliance Committee".

The Risk Department also performs the Internal Capital Adequacy Assessment Process (ICAAP) which includes assessing the level of internal capital adequacy based on the Bank's business expansion strategy expected for future years.

The Bank's risk management provides independent oversight and support that aims to establish and spread the concept of risk management as a whole on all levels of management and helps proactively in realizing potential losses and sets out the plan and procedures to take to confront these risks in the event of their occurrence. The risk management is part of a general risk management policy that enables the Bank to define and set risk limits, and it forms the general framework for managing the main risks expected by the Bank. In addition to a number of separate policies for each type of risk.

The Bank management also gives great importance to the requirements of Basel and best international practices for risk management, as it is considered a framework to enhance the Bank's ability to improve the control environment and confront various types of risks.

Acceptable risks level (Risk Appetite)

The Bank's philosophy in determining the level of acceptable risks is the method by which the Bank has determined the levels of acceptable risks, given that capital planning is the basis for determining the levels of acceptable risks.

The bottom-up approach methodology is used to determine acceptable levels of risk through the concerned departments within the Bank from the bottom of the organizational structure and then raises it to the top organizational structure for each of the risks (credit, concentrations, liquidity, interest rates, reputation, strategy, operation, market, governance Institutionalism, compliance, capital structure).

The objectives of risk appetite

The Bank aims to determine the acceptable levels of risk to the following:

- 1- Knowing the acceptable level of risk for each type of risk to which the Bank is exposed.
- 2- Protecting the Bank from risks that it might face and negatively affect its business.
- 3- Achieving strategic goals.
- 4- Ensuring that acceptable ratios of capital adequacy are maintained.
- 5- Control risks and work to reduce them.
- 6- Determining the capital needed to face all kinds of risks (economic capital).
- 7- Developing measures to monitor the acceptable level of risks in addition to the capital, asset quality, liquidity and fluctuation in profits.

Stress testing

In accordance with the instructions issued by the Central Bank of Jordan related to stress testing, the Bank has prepared a methodology for applying these stress tests and adopting a policy and work procedures by the Risk Committee from the Board of Directors where stress tests are an integral and essential part of the institutional governance and risk management system of the Bank as it has an impact on decision-making at the appropriate administrative level, including strategic decisions of the Board of Directors and Executive Management. To ensure this, the Board of Directors and Executive Management must have a key role in these tests, including setting test goals, defining scenarios, evaluating results, and defining measures to take based on the results of these tests.

The tests at various levels are considered:

- A key tool to understand the Bank's risk matrix and its ability to withstand shocks and the high risks it may face.
- It is considered an important part of the capital planning process through the internal evaluation process of the capital adequacy (ICAPP) and improving the Bank's management of its capital.
- It helps the bank in estimating the size of future capital that must be available in the coming years, in accordance with its strategy.
- An important part in the process of identifying, measuring and controlling liquidity risk, in order to assess the Bank's liquidity and the adequacy of liquidity shock mitigators and improve the Bank's liquidity.

The mechanism by which stress situations are chosen

Scenarios of stressful situations are chosen to cover all the risks which the Bank is exposed to in accordance with the instructions issued by the Central Bank of Jordan. A different set of scenarios are applied that range from the least influential to the most influential but are possible to occur are selected and identified by the Bank according to the different risks which it is exposed to such as (size, type, repetition and importance) in coordination with the various departments where these tests aim to assess the Bank's financial position and adequacy. Necessary reports are prepared and applied to stress tests and presented to the Risk Committee from the Board of Directors, which in turn approves assumptions and scenarios used and discusses the results of the tests and approves the measures to be taken based on these results. The impact of stress testing on different financial assets is measured, whether at the level of the facilities or investment portfolio, as follows:

Measuring the impact of stress testing on the Bank's credit portfolio in terms of the increase of non-performing loans as a result of several factors, including the concentration in credit granting, the decline of economic sectors as a result of financial crises, the quality of the credit portfolio, the decrease in the value of guarantees provided and other factors. The impact of these scenarios is assessed for these risks on the income statement and the capital adequacy.

Measuring the impact of stress testing on the Bank's investments in terms of low liquidity of the markets invested in and a decrease in the value of investments due to financial and economic crises. The impact of scenarios for these risks is assessed on the income statement and the capital adequacy.

Measuring the impact of stress testing on the Bank's assets and liabilities in the event of changing the Jordanian Dinar exchange rates against foreign currencies.

Measuring the impact of stress testing on the Bank's liquidity as a result of several factors, including the loss of our deposits with correspondent banks, the concentration of Bank customer deposits and bank deposits with us, extensive withdrawals of deposits, change of the Jordanian Dinar exchange rates against foreign currencies and other factors. The impact of the scenarios of these risks is assessed based on statutory and liquidity ratios and based on a maturity scale.

Measuring the impact of stress testing on the operating risks of the Bank's operations. The impact of scenarios on these risks is assessed on the capital adequacy.

Governance of stress testing

Stress tests are an integral and essential part of corporate governance with the Bank by enhancing the Bank's ability to identify and control its risks and its major role in providing both the Board and Executive Management with indicators on the amount of capital required to meet the resultant losses on shocks or changes that affect the Bank's financial position and solvency.

Board of Directors' responsibility:

- Ensuring that there is an effective framework for stress testing to assess the Bank's ability to withstand shocks and face high risks, as the Board has the ultimate responsibility for the stress testing program, and the adoption of work policies in this regard.
- Ensure that the Risk Department conducts stress tests on a regular basis, and that the Board has a key role in approving the assumptions and scenarios used, analyzing the results of the tests, and adopting the procedures to be taken based on these results.

Senior executive management responsibility:

- Implementing and monitoring the stress testing program, and in accordance with the methodology approved by the Board of Directors, which was originally based on the specific stress tests according to the instructions of the Central Bank of Jordan.
- Ensure that qualified personnel are available in the Risk Management Department to conduct stress tests and that the department has the appropriate tools and means for that.
- Ensuring that an appropriate number of possible scenarios related to the Bank's business are available, provided that these scenarios are understood and documented.
- Use the results of stress testing in setting and determining the degree of risk tolerance of the Bank and in the process of planning for capital and liquidity.
- Setting the appropriate remedial procedures based on the results of the tests carried out by the Executive Management and submitting them to the Risk and Compliance Committee and presenting them to the Board of Directors.

Responsibility of the audit department:

The Internal Audit Department is responsible for reviewing and evaluating the framework of stress testing, at least annually, and for evaluating and reviewing results to be submitted to the Board of Directors.

Risk Department responsibility:

- 1- Designing a program of stress testing and using models and methodologies to test its impact on the Bank, so that it covers and is not limited to the following aspects:
 - Stress testing includes scenarios that range from least to most severe.
 - Covering all complex financial products, if any.
 - It considers potential changes in market conditions that may negatively affect the Bank's exposure to concentration risk.
 - Including stress tests to some scenarios related to reputation risks, by reflecting the results of risks that affect the Bank's reputation, which may be reflected on the Bank's liquidity and liquid assets through customers withdrawing their deposits.
 - The tests used are consistent with the degree of risk tolerance that the Bank has set for itself, so that the chosen scenarios are commensurate with the size, nature and complexity of the Bank's business and the risks associated with it.
 - The stress testing program includes quantitative and qualitative methods to improve the comprehensiveness of these tests and make them supportive and complementary to the models and methods of risk management used in the Bank.
 - It includes different types of tests, such as the simple sensitivity analysis based on changes in one risk factor and between scenarios based on statistical methods that take into account the relationships between the causes of systemic risks in times of crisis, knowing that the part related to these scenarios is determined by the Central Bank of Jordan on an annual basis.

- 2- Organizing an appropriate line of communication between the various parties concerned to take their views on the shocks and potential stressful situations if they occur with the aim of identifying assumptions and scenarios that are appropriate to the internal and external risks that the Bank may be exposed to so that all the parties involved with the Bank participate in this line of communication when determining these tests annually.
- 3- Submitting the results of the tests to the Basel Committee, an internal evaluation of the capital adequacy, and then to the Risk and Compliance Committee from the Bank's Board of Directors annually.

The Bank's application for defaulting and the defaulting mechanism

The Bank follows and applies the instructions of the Central Bank of Jordan (the regulatory body) related to the International Financial Reporting Standard No. (9) to classify credit facilities in three stages.

1. The Bank's application to default:

The instructions of the Central Bank of Jordan regarding the classification of defaulting loans and the suspension of interest are applied according to the requirements of IFRS (9). As for provisioning, instructions No. (47/2009) and (13/2018) related to the International Financial Reporting Standard (9) are adopted. The most conservative and severe results are taken, except in special cases and with prior approval by the Central Bank of Jordan.

2. The defaulting recovery mechanism:

The Bank follows up with a client before their default with the aim of not reaching the stage of classifying the facilities granted to them. In case the classification is made, a provision is recorded against this loan in accordance to the adopted standards, among the mechanisms used to treat default by the Bank as following:

- 1- Debt scheduling according to the scheduling principles as per the instructions of the Central Bank of Jordan.
- 2- Taking legal measures to collect what is owed to the Bank.

The internal credit rating system of the Bank and its mechanism:

The Bank has implemented a credit risk rating system based on Standard and Poor's (S&P) classification models to measure the credit risk of large companies, small and medium-sized companies which would positively reflect on the quality of the credit portfolio and help in making appropriate credit decisions as the following is extracting through the system:

Obligor Risk Rating (ORR) is divided into measuring the activity standards (qualitative) and the financial standards (quantitative) by:

Qualitative standards:

- 1- Measuring the risks of the countries in which the client practices their activity
- 2- Measuring the risks of the economic sectors that represent the client's activities
- 3- Measuring the client's competitive position in detail

Quantitative standards:

- 4- Measuring the client's financial risks by assessing cash flows, payables, capital structure, and others.

Classification models include (modifier's) quality rates that enhance credit rating accuracy as follows:

- 1- The impact of the various activities of the client.
- 2- The capital structure.
- 3- Approved financing policy.
- 4- Liquidity assessment.
- 5- Management and governance.

Clients are classified on the system to ten levels, where the classification grades are distributed from (1) high quality clients (few risks) to (10) high risk customers.

As a result of assessing the client's credit rating through the system, the probability of default (PD) is determined.

The approved mechanism for calculating expected credit losses on financial instruments:

1- The basic components of calculating the credit loss of financial instruments:

- * Clients' staging
- * Probability of default ratio Stage 1 (12-month projected credit losses) and stage 2 (expected credit losses over the life of the financial instrument).
- * Loss Given Default (LGD).
- * Exposure at Default (EAD).

2- Criteria for classifying client according to the stages:

The criteria for classifying the stages is one of the important parameters used to determine the expected credit losses according to the International Financial Reporting Standard No. (9), where financial instruments were classified into three stages in addition to a statement of the credit limitations for the transfer of the financial instrument / exposures between the stages according to the instructions issued by the Central Bank of Jordan No. (13/2018).

3- Probability of default – PD:

Corporate portfolio

Based on the probability of default resulting from the analysis of all quantitative and qualitative data of the client through the credit rating system as this is done through the approved models of the company (S&P) and based on historical data, a future probability of default is calculated and linking it to the macroeconomic indicators, following the stress tests and its results.

Individual portfolio

Individual risk is measured at the level of each product separately (personal loans / housing loans / credit cards / car loans) through the evaluation of the product through customer behavior records and their commitment to pay on the agreed upon times for the last 5 years. The approach roll rate methodology is used in measuring risks of individual customers to link them to all variables of economic factors (gross domestic product, unemployment, inflation) to determine the future risks of individuals' portfolio.

Debt portfolio and money market

The default probability of debt instruments classified under the amortized cost portfolio (AC) and other comprehensive income statement (OCI) is calculated on an individual basis based on the probability of default according to external classification.

Debt instruments issued by the Jordanian government, or guaranteed by it, and current accounts are excluded from calculating the expected credit losses.

4- Loss Given Default – LGD

- For clients of Corporate, SMEs (stage one and stage 2)

The Bank has implemented a system based on (S&P) Company models to calculate the Loss Given Default.

- Retails customers (all stages) and Corporates (stage 3)

The loss given default percentage is measured on the assumption of default, based on the present value of the guarantees provided by the client based on historical ratios of financial recoveries and converting the guarantees into cash as a result of implementation of the guarantees due to default, taking into account the time dimension and credit dilution, which includes the part covered and not covered by the guarantees according to the requirements of the Central Bank of Jordan.

5- Exposure at Default – EAD

It is defined as the size of the indebtedness to which the Bank may be exposed to the possibility of non-payment if the customer defaults as follows:

- It is the current balance in relation to direct and indirect facilities.

- In the case of ceilings, the value of the amount exposed to default: it is the used balance in addition to a percentage of the unutilized ceiling (direct and indirect) based on a historical study of the extent of utilization of these ceilings.

Governance of implementing the requirements of IFRS 9:

The Bank is adherent to the instructions of institutional governance, including the instructions of the Central Bank of Jordan and the best international practices that were included in the Basel Committee in this regard in a manner that achieves the rule of implementation of the International Financial Reporting Standard. The following are the responsibilities of the Board of Directors, the Executive Management, the concerned committees and departments to ensure the appropriateness of applying the financial reporting standard:

Board of Directors responsibilities:

- Approving the policies, assumptions and models used for the application of the standard.

- Approving the expected credit losses in the Bank's financial statements.

- Ensuring proper application of the standard by defining the roles of committees, departments and work units in the Bank and ensuring complementarity of work among them and providing the appropriate infrastructure.

- Overseeing, through the committees of the Board, the Executive Management to develop the necessary systems to provide adequate information in an accurate and safe matter so that it provides the accurate capability of the Bank to record through the participation of all relevant business units in the Bank and under the supervision of the Bank's Board of Directors and its related committees.

- Approving of amendments that could affect the business model, the Bank's strategy, measurement and evaluation methodologies for the credit process, pricing and guarantees mechanism for credit products or assets that fall within the standard.

- Ensuring that the Bank manages its credit risk within the appropriate best practices, including effective control systems within the credit process that includes a clear determination of the amount of provisions required for all of its risks.
- Ensuring that the supervisory units in the Bank, specifically risk management, manage the internal audit of all necessary processes to verify the validity and integrity of the methodologies and systems used within the framework of the application of IFRS (9) and work to provide the necessary support for these control units.

Executive management responsibilities:

- Providing the appropriate infrastructure and providing recommendations regarding required changes or improvements that help to implement the standard in an accurate and comprehensive manner that includes qualified personnel and an adequate database in terms of accuracy and comprehensiveness.
- Reviewing the policies, work procedures, regulations and any other relevant standards and explaining their suitability for implementing the standard.
- Distributing tasks and responsibilities and ensuring the participation of all relevant business units in the proper application of the standard.
- Monitoring the periodic reports related to the results of calculating and applying the standard and determine the impact of the application of the standard on the financial position of the Bank.
- Applying corrective measures approved by the Board of Directors.
- Reflecting the impact of the application of the standard on the Bank's strategy and pricing policy.
- It is responsible for any exceptions of the results of the system outputs, the specific procedures and the documented forms of the calculation process.
- Reviewing the staging rules process and make the necessary recommendations.
- View the calculation of expected credit losses and recommend their approval.
- Recommend any exception or amendment to the results of calculating the expected credit losses required and in accordance with clear and documented justifications.

Risks and compliance committee responsibilities:

- Reviewing the framework and assumptions for calculating expected credit losses and recommend their approval.
- Supervising the efficiency and effectiveness of the process of calculating the expected credit losses.

Responsibilities of the audit committee:

- Ensuring that the Internal Audit Department has verified that the methodologies and systems used in the application of IFRS (9) have been applied.
- Monitoring the compliance with the framework for calculating expected credit losses in accordance with IFRS (9) and ensuring that the internal audit fulfils its duty in this regard.
- Reviewing the financial statements after implementing the standard, in particular verifying the implementation of the instructions of the Central Bank of Jordan regarding the adequacy of provisions and expressing an opinion on the Bank's non-operating loans before submitting them to the Board of Directors.
- Reviewing the observations in the Central Bank's reports and the external auditor's reports and following up on the measures taken in their regard.
- Reviewing the accounting issues that have a material impact on the Bank's financial statements and ensure the accuracy of the accounting and control procedures and its safety and adherence to them.
- Ensuring through the Internal audit department that all financial instruments/ credit exposures have been measured for expected credit losses.

Compliance department responsibilities:

Ensuring compliance with applicable laws and instructions related to preparing the financial statements and applying the required standard and disclosures.

Risk department responsibilities

- Calculating the expected credit losses ECL.
- Reviewing the models and assumptions used for calculating the provision and recommending any required adjustments
- Evaluating the credit rating systems, their parameters, and results.
- Preparing periodic, qualitative and detailed quantitative disclosures required by the Central Bank of Jordan for the purposes of complying with the requirements of the standard.
- Reviewing the transferring process between the different stages and comparing it with the policy of transferring requirements between stages and reviewing these limitations periodically.

Finance department responsibilities:

- Participating with departments in developing and building the business model, including the classification of the Bank's financial assets in accordance with the principles of IFRS (9).
- Make the necessary accounting adjustments and restrictions after approving the results and verifying that all financial instruments have been accounted for.
- Reviewing the necessary disclosures in cooperation with the relevant departments of the Bank in accordance with the requirements of the standard and the instructions of the Central Bank of Jordan.

Determinants of significant change in credit risk:

All credit exposures / financial instruments are subject to the measurement of expected credit losses to specific determinants as an indicator to be considered a significant increase in credit risk, so that the financial instrument / credit exposure is transferred between the three stages:

Stage (1): Includes financial assets on initial recognition which have not been exposed to a significant increase in credit risk since the initial recognition or with low credit risks at the date of preparing the financial statements. For these assets, the expected credit losses for the 12-month period that result from potential irregularities within the next 12 months are recognized.

Stage (2): Includes financial assets that have experienced a significant increase in credit risk since the initial recognition but there is no objective evidence of a decrease in their value. For these assets, expected credit losses are recognized for the entire life of the debt, which is the expected credit losses that result from all potential irregularities over the expected life of the financial instrument.

Stage (3): Includes financial assets for-which there is objective evidence of a decrease in value at the date of the financial statements in accordance with the indicators specified in the instructions of the Central Bank of Jordan. For these assets, expected credit losses for the entire life are recognized and treated with the calculated interest on them.

The following are the most prominent determinants used to measure the significant change in credit risk:

- There is a decrease or a decline in the actual internal credit rating of the borrower according to the internal evaluation system applied by the Bank compared to the degree of the internal rating of the borrower at the time of granting.
- The presence of unpaid dues on a client or borrower account exceeding a certain period.
- Knowing that the borrower faces difficulties affecting the cash flow
- Violating debt covenants or conditions in a manner that affects the obligation to repay.
- The market value of collaterals declines significantly.
- The possibility of a borrower entering bankruptcy procedures.

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The main economic indicators that were used by the Bank in calculating the expected credit losses

When measuring the probability of default for different segments, historical information and current conditions are taken into consideration in addition to expected future events in accordance with substantial information that can be relied upon by the Bank.

Economic factors and their expectations have been used for the next five years in three scenarios for each of the ratios (GDP, unemployment, Amman Financial Market Index (local Index), energy index, other indicators (non- energy index), and historical PD ratios) by relying on data issued by the World Bank with regard to Jordan and based on historical data issued by the Amman Financial Market and the Bank's indicators for default.

(4) CASH AND BALANCES WITH CENTRAL BANKS

The details of this item are as follows:

	30 June 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Cash in vaults	25,080,528	24,833,610
Balances at central banks:		
Current and call accounts	10,499,907	33,473,239
Time and notice deposits	8,000,000	-
Statutory cash reserve	32,047,210	32,403,728
Total balances at central banks	50,547,117	65,876,967
Total cash and balances at central banks	75,627,645	90,710,577

- Except for cash reserves with central banks, there are no restricted cash balances as at 30 June 2022 and at 31 December 2021.
- There are no balances maturing within a period of more than three months as of 30 June 2022 and 31 December 2021.

The movement on cash and balances with central banks is as follows:

	Stage 1	Stage 2	Stage 3	Total	
	JD	JD	JD	June 30 2022	31 December 2021
				JD (Reviewed not audited)	JD (Audited)
Balance at the beginning of the period	65,876,967	-	-	65,876,967	72,869,348
New balances during the period	8,000,000	-	-	8,000,000	-
Settled balances	-	-	-	-	(25,000,000)
Changes due to adjustments	(23,329,850)	-	-	(23,329,850)	18,007,619
Balance at the end of the period	50,547,117	-	-	50,547,117	65,876,967

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(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Item	Banks and financial institutions						Total
	Local			Foreign			
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	
	JD	JD	JD	JD	JD	JD	
	(Reviewed (not audited)	(Audited)	(Reviewed (not audited)	(Audited)	(Reviewed (not audited)	(Audited)	(Reviewed (not audited)
Current and call accounts	29,671	29,671	9,131,980	7,738,873	9,161,651	7,768,544	
Deposits maturing within a period of 3 months or less	27,784,200	16,307,000	28,357	33,457	27,812,557	16,340,457	
Deposits maturing more than one year	-	-	30,000,000	30,000,000	30,000,000	30,000,000	
Total	27,813,871	16,336,671	39,160,337	37,772,330	66,974,208	54,109,001	
Less: Provision for expected credit losses	(3,190)	(2,853)	(19)	(12)	(3,209)	(2,865)	
	27,810,681	16,333,818	39,160,318	37,772,318	66,970,999	54,106,136	

- The non-interest-bearing balances held at banks and financial institutions amounted to JD 9,161,651 as at 30 June 2022 and (JD 7,768,544 as at 31 December 2021).

- Balances held at banks and financial institutions that mature in three months amounted to JD 30 million as at 30 June 2022 and (JD 30 million as at 31 December 2021).

- There are no restricted balances as at 30 June 2022 and 31 December 2021.

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

Item	Total			
	Stage 1 (Individual) JD	Stage 2 (Individual) JD	Stage 3 (Individual) JD	31 December 2021 JD (Audited)
Balance at the beginning of the period/year	54,109,001	-	-	79,861,506
New deposits and balances during the period /year	18,567,200	-	-	3,545,000
Settled balances	(88,947)	-	-	(25,024,000)
Changes resulting from adjustments	(5,613,046)	-	-	(4,273,505)
Balance at the end of the period/year	66,974,208	-	-	54,109,001
				30 June 2022 JD (Reviewed not audited)

The movement on the provision for expected credit losses for balances with banks and financial institutions is as follows:

	Total			
	Stage 1 (Individual) JD	Stage 2 (Individual) JD	Stage 3 (Individual) JD	31 December 2021 JD (Audited)
Balance at the beginning of the period	2,865	-	-	543,233
ECL for new balances during the period	1,631	-	-	620
Recovered from impairment loss on paid deposits	-	-	-	(11,651)
Changes resulting from adjustments	(1,287)	-	-	(529,337)
Total balance at the end the period	3,209	-	-	2,865
				30 June 2022 JD (Reviewed not audited)

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(6) DIRECT CREDIT FACILITIES, NET

The details of this item are as follows:

	30 June 2022 JD (Reviewed not audited)	31 December 2021 JD (Audited)
Individuals (Retail):		
Overdrafts	659,327	597,771
Loans and bills *	199,529,299	205,792,443
Credit cards	6,403,101	6,253,546
Real Estate Loans	121,149,203	120,038,373
Corporate Customers:		
A- Large corporations:		
Overdrafts	59,498,902	94,984,676
Loans and bills *	317,086,242	329,888,285
B- Small and Medium Enterprises "SMEs":		
Overdrafts	12,428,664	12,758,308
Loans and bills *	47,075,447	47,521,484
Governmental and Public Sector	30,730,810	43,717,809
Total	794,560,995	861,552,695
(Less): Provision for expected credit losses	(49,344,865)	(63,793,141)
Suspended interests	(15,322,530)	(23,855,755)
Direct credit facilities, net	729,893,600	773,903,799

- * Net after deducting interest and commissions received in advance amounting to JD 549,098 as of 30 June 2022 (JD 761,369 as at 31 December 2021).
- Non-performing credit facilities amounted to JD 81,334,604 representing 10.24% of total direct credit facilities as at 30 June 2022 (JD 101,929,585 as at 31 December 2021 representing 11.83% of total direct credit facilities).
 - Non-performing credit facilities, net of suspended interests and commissions, amounted to JD 66,043,574 representing 8.48% of total direct credit facilities excluding the suspended interests and commissions as at 30 June 2022 (JD 78,235,931 as at 31 December 2021 representing 9.34% of total direct credit facilities excluding the suspended interests and commissions).
 - During the first half of the year 2022, non-performing credit facilities amounted to JD 29,889,241 has been transferred to off financial position items, based on Board of Directors' decision regarding this matter, to reach the amount of JD 160,265,273 as at 30 June 2022 (JD 128,607,030 as at 31 December 2021). These credit facilities are fully covered with the suspended interests and provisions.
 - Direct Credit Facilities include facilities granted that are guaranteed by the Government of Jordan amounting to JD 22,500,000 as of 30 June 2022 (JD 26,250,000 as at 31 December 2021).

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The movement on direct credit facilities collectively is as follows:

Item	Total				
	Stage 1 JD	Stage 2 JD	Stage 3 JD	30 June 2022 JD (Reviewed not audited)	31 December 2021 JD (Audited)
Total exposures at the beginning of the period/year	632,935,885	126,687,225	101,929,585	861,552,695	791,482,236
New exposures during the period/year	42,879,501	282,511	56,664	43,218,676	84,858,979
Settled exposures during the period/year	(53,724,765)	(10,220,801)	(1,156,369)	(65,101,935)	(31,767,580)
Transferred to stage 1	23,775,381	(20,311,664)	(3,463,717)	-	-
Transferred to stage 2	(45,116,065)	46,372,013	(1,255,948)	-	-
Transferred to stage 3	(2,361,235)	(11,123,256)	13,484,491	-	-
Changes resulting from adjustments Listed in the regularly accounts off statement of financial position	(20,225,098)	3,376,759	1,713,141	(15,135,198)	17,668,667
Written-off credit facilities	-	-	(29,889,241)	(29,889,241)	-
Total exposures at the end of period/year	578,163,604	135,062,787	81,334,604	794,560,995	861,552,695

The movement on the provision for expected credit losses is as follows:

30 June 2022 (Reviewed not audited)	Retail		Real estate		Corporate		SMEs		Governmental and public		Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period	12,664,216	3,277,734	42,930,898	4,851,941	68,352	63,793,141						
ECL for new facilities during the period	92,437	3,087	27,923	1,913	3	125,363						
Recoveries from ECL related to settled facilities	(251,777)	(61,043)	(443,138)	(41,965)	(37,877)	(835,800)						
Transferred to stage 1	(43,589)	(2,433)	(52,303)	(18,931)	-	(117,256)						
Transferred to stage 2	(195,933)	(2,076)	118,844	14,193	-	(64,972)						
Transferred to stage 3	239,522	4,509	(66,541)	4,738	-	182,228						
Effect on provision resulting from reclassification among three stages	481,358	34,033	1,412,337	626,043	-	2,553,771						
Changes resulting from adjustments	597,980	505,222	570,294	207,955	(947)	1,880,504						
Expected credit losses provision transferred to off statement of financial position regulatory accounts	(316,570)	-	(17,366,111)	(460,347)	-	(18,143,028)						
Written-off facilities	(29,086)	-	-	-	-	(29,086)						
Balance at the end of the period	13,238,558	3,759,033	27,132,203	5,185,540	29,531	49,344,865						
Re- allocation:												
Provisions on an individual basis	13,238,558	3,759,033	27,132,203	5,185,540	29,531	49,344,865						
Total	13,238,558	3,759,033	27,132,203	5,185,540	29,531	49,344,865						

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	Retail		Real Estate		Corporate		SME's		Governmental and Public		Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2021 (Audited):												
Balance at the beginning of the year	10,511,271	3,292,945	39,763,877	5,127,101	37,260	58,732,454						
ECL for new facilities during the year	624,540	45,632	174,420	38,789	18	883,399						
Recoveries from ECL related to settled facilities	(245,884)	(525,699)	(464,194)	(85,884)	(83)	(1,321,744)						
Transferred to stage 1	(40,049)	(8,081)	(411,724)	1,070	-	(458,784)						
Transferred to stage 2	(110,750)	(367,882)	(2,061,362)	(7,641)	-	(2,547,635)						
Transferred to stage 3	150,799	375,963	2,473,086	6,571	-	3,006,419						
Effect on provision resulting from reclassification among the three stages	1,509,313	172,634	5,072,578	87,721	-	6,842,246						
Changes resulting from adjustments	271,641	329,409	(1,536,541)	(315,500)	31,157	(1,219,834)						
Written-of credit facilities	(6,665)	(37,187)	(79,242)	(286)	-	(123,380)						
Balance at the end of the year	<u>12,664,216</u>	<u>3,277,734</u>	<u>42,930,898</u>	<u>4,851,941</u>	<u>68,352</u>	<u>63,793,141</u>						
Re-allocation:												
Provision on an individual basis	<u>12,664,216</u>	<u>3,277,734</u>	<u>42,930,898</u>	<u>4,851,941</u>	<u>68,352</u>	<u>63,793,141</u>						
Total	<u>12,664,216</u>	<u>3,277,734</u>	<u>42,930,898</u>	<u>4,851,941</u>	<u>68,352</u>	<u>63,793,141</u>						

JORDAN COMMERCIAL BANK
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Suspended Interests

The movement on suspended interests is as follows:

	<u>Companies</u>					Governmental and public sectors	Total
	Retail	Real estate	Corporate	SME's	JD		
<u>30 June 2022 (Reviewed not audited)</u>	JD	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period	2,746,786	1,446,419	16,592,779	3,069,771	-	-	23,855,755
Add: Interests in suspense for the period	710,003	414,405	2,183,544	565,128	-	-	3,873,080
Less: Interests transferred to revenues during the period	(161,535)	(126,099)	(272,790)	(44,752)	-	-	(605,176)
Interests in suspense written-off	(5,971)	-	-	(48,945)	-	-	(54,916)
Interests in suspense transferred to off statement of financial position regulatory accounts	(43,525)	-	(10,997,708)	(704,980)	-	-	(11,746,213)
Balance at the end of the period	<u>3,245,758</u>	<u>1,734,725</u>	<u>7,505,825</u>	<u>2,836,222</u>	<u>-</u>	<u>-</u>	<u>15,322,530</u>
	<u>Companies</u>						
	Retail	Real estate	Corporate	SME's	JD	Governmental and public sectors	Total
	JD	JD	JD	JD	JD	JD	JD
<u>31 December 2021 (Audited)</u>							
Balance at the beginning of the year	1,953,475	1,535,102	12,789,066	2,571,114	-	-	18,848,757
Add: Interests in suspense for the year	1,150,608	565,748	4,259,985	925,844	-	-	6,902,185
Less: Interests transferred to revenues	(261,678)	(442,719)	(284,069)	(341,124)	-	-	(1,329,590)
Interests in suspense written-off	(95,619)	(211,712)	(172,203)	(86,063)	-	-	(565,597)
Balance at the end of the year	<u>2,746,786</u>	<u>1,446,419</u>	<u>16,592,779</u>	<u>3,069,771</u>	<u>-</u>	<u>-</u>	<u>23,855,755</u>

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(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

The details of this item are as follows:

	30 June 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Quoted shares in active markets	1,606,683	1,778,210
	<u>1,606,683</u>	<u>1,778,210</u>

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The details of this item are as follows:

	30 June 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Quoted shares in active markets	29,287,131	26,622,099
Unquoted shares in active markets	5,708,141	5,320,573
	<u>34,995,272</u>	<u>31,942,672</u>

- Realized profit from the sale of shares at fair value through other comprehensive income amounted to JD 9,413 for the period ended 30 June 2022. The profit was directly recorded in retained earnings within owners' equity (30 June 2021: nil).
- Cash dividends distributions for the above-mentioned financial assets amounted to JD 152,243 for the period ended 30 June 2022 (JD 196,417 for the period ended 30 June 2021).

(9) FINANCIAL ASSETS AT AMORTIZED COST, NET

The details of this item are as follows:

	30 June 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Treasury bonds and bills	357,722,574	358,612,255
Companies' bonds and debentures	4,794,294	4,741,348
Total	<u>362,516,868</u>	<u>363,353,603</u>
Less: Provision for expected credit losses	(614,127)	(639,101)
Interests in suspense	<u>(358,294)</u>	<u>(305,348)</u>
Financial assets at amortized cost, net	<u>361,544,447</u>	<u>362,409,154</u>
Fixed rate	361,544,447	362,409,154
Total	<u>361,544,447</u>	<u>362,409,154</u>

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The movement of financial assets at amortized cost is as follows:

	30 June 2022 (Reviewed not audited)				31 December 2021 (Audited)
	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the period/year	361,448,255	-	1,905,348	363,353,603	282,976,786
New investments during the period/year	127,243,397	-	-	127,243,397	114,299,916
Matured investments	(128,135,070)	-	-	(128,135,070)	(34,098,009)
Changes due to adjustments	1,992	-	52,946	54,938	174,910
Balance at the end of the period/year	<u>360,558,574</u>	<u>-</u>	<u>1,958,294</u>	<u>362,516,868</u>	<u>363,353,603</u>

The movement on the provision for expected credit losses for financial assets at amortized cost is as follows:

	30 June 2022 (Reviewed not audited)				31 December 2021 (Audited)
	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the period/year	53,906	-	585,195	639,101	633,545
Changes resulting from adjustments	(24,974)	-	-	(24,974)	5,556
Balance at the end of period/year	<u>28,932</u>	<u>-</u>	<u>585,195</u>	<u>614,127</u>	<u>639,101</u>

(10) OTHER ASSETS

The details of this item are as follows:

	30 June 2022 JD (Reviewed not audited)	31 December 2021 JD (Audited)
Assets seized by the Bank against debts, net **	51,451,566	63,485,568
Accrued interest and commissions	13,352,521	10,991,118
Receivables from assets sold on installments	6,553,941	6,553,941
Prepaid expenses	2,630,533	1,009,119
Purchase of time withdrawals and letters of credit, net *	2,326,286	2,310,629
Refundable deposits	1,987,800	1,760,573
Clearing checks	779,713	38,500
Others	4,463,296	4,040,829
Total	<u>83,545,656</u>	<u>90,190,277</u>

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* Movement on the balances of time withdrawals and letters of credit:

	30 June 2022				31 December 2021
	Stage 1	Stage 2	Stage 3	Total	Total
	Individual	Individual	Individual		
	JD	JD	JD	JD	JD
Balance at the beginning of the period/ year	2,507,988	-	-	2,507,988	15,213,365
Settled balances	-	-	-	-	(10,862,969)
Changes resulting from adjustments	-	-	-	-	(1,842,408)
Balance at the end of the period/year	2,507,988	-	-	2,507,988	2,507,988

- Movement on the provision for expected credit losses for time withdrawals and letters of credit is as follows:

	30 June 2022				31 December 2021
	Stage 1	Stage 2	Stage 3	Total	Total
	Individual	Individual	Individual		
	JD	JD	JD	JD	JD
Balance at the beginning of the period/year	197,359	-	-	197,359	183,555
Settled balances	-	-	-	-	(107,973)
Changes resulting from adjustments	(15,657)	-	-	(15,657)	121,777
Balance at the end of the period/year	181,702	-	-	181,702	197,359

** Movements on assets seized by the Bank against debts is as follows:

	30 June 2022			31 December 2021
	Seized Properties	Seized Properties sold on installments	Seized Stocks	Total
	JD	JD	JD	
Balance at the beginning of the period/year, net	62,066,943	1,228,735	189,890	63,485,568
Additions during the period/year	153,346	-	-	153,346
Disposals during the period/year	(11,960,451)	-	-	(11,960,451)
Impairment effect for the period/year	(129,995)	-	(96,902)	(226,897)
Balance at the end of the period/year	50,129,843	1,228,735	92,988	51,451,566

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* Movement on the impairment on assets seized by the bank against debts is as follows:

	30 June 2022				30 June 2021
	Seized Properties	Seized Properties sold on instalments	Seized Shares	Total	Total
	JD	JD	JD	JD (Reviewed not audited)	JD (Audited)
Balance at the beginning of the period	7,455,351	97,231	178,277	7,730,859	8,688,726
Booked Provision during the period	133,828	-	89,092	222,920	1,268,457
Released from provision during the period	(3,833)	-	-	(3,833)	(361,240)
Loss from valuation of seized shares	-	-	7,810	7,810	838,872
Utilized from provision during the period	-	-	-	-	(20,471)
Balance at the end of the period	<u>7,585,346</u>	<u>97,231</u>	<u>275,179</u>	<u>7,957,756</u>	<u>10,414,344</u>

- According to the Banks Law, buildings and plots of land seized by the bank against debts due from customers should be sold within two years from the seizure date. For exceptional cases, the Central Bank of Jordan may extend this period for two additional years.
- There was an impairment loss of around JD 7.9 million against seized assets as of 31 December 2018. Pursuant to Letter No. 10/1/43 dated 31 December 2018, the Central Bank of Jordan approved to allocate the impairment amount over five years in equal amounts starting from the year 2019. During 2020 and 2021 and 2022, the Bank has revaluated the seized assets after two years passed on its evaluation, and resulted in an increase in its fair value by JD 1.1 million and JD 141 thousand and JD 531 thousand respectively, bringing the value of the deferred provision as at 30 June 2022 JD 1.3 million.

(11) BANKS AND FINANCIAL INSTITUTIONS' DEPOSITS

The details of this item are as follows:

	30 June 2022 (Reviewed not audited)			31 December 2021 (Audited)		
	Inside the Kingdom	Outside the Kingdom	Total	Inside the Kingdom	Outside the Kingdom	Total
	JD	JD	JD	JD	JD	JD
Current and call accounts	-	4,045,312	4,045,312	-	3,281,020	3,281,020
Time deposits	40,000,000	32,000,000	72,000,000	70,487,000	37,545,000	108,032,000
Total	<u>40,000,000</u>	<u>36,045,312</u>	<u>76,045,312</u>	<u>70,487,000</u>	<u>40,826,020</u>	<u>111,313,020</u>

- Bank deposits maturing within a period of more than three months amounted to JD 72,000,000 as of 30 June 2022 and 31 December 2021.

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(12) CUSTOMERS' DEPOSITS

The details of this item are as follows:

	30 June 2022 (Reviewed not audited)				
	Companies			Governmental and Public sectors	Total
	Retail	Corporate	SME's		
JD	JD	JD	JD	JD	
Current and call accounts	40,805,358	42,133,017	35,779,933	7,190,020	125,908,328
Saving deposits	212,857,553	350,501	3,424,878	211,451	216,844,383
Certificates of deposit	31,569,011	-	30,000	-	31,599,011
Time and notice deposits	356,542,065	50,571,734	95,122,714	50,856,743	553,093,256
Total	641,773,987	93,055,252	134,357,525	58,258,214	927,444,978

	31 December 2021 (Audited)				
	Companies			Government and Public sectors	Total
	Retail	Corporate	SME's		
JD	JD	JD	JD	JD	
Current and call accounts	33,722,870	37,950,749	35,536,422	6,490,325	113,700,366
Savings deposits	222,947,549	215,440	3,026,434	1,040,878	227,230,301
Certificates of deposit	27,352,855	-	30,000	-	27,382,855
Time and notice deposits	367,555,032	72,189,398	97,890,192	63,440,750	601,075,372
Total	651,578,306	110,355,587	136,483,048	70,971,953	969,388,894

- The Government of Jordan's and the public sector's deposits inside the Kingdom amounted to JD 58,258,214, representing 6.28% of total customers' deposits as of 30 June 2022 (JD 70,971,953 representing 7.32% of total customers' deposits as of 31 December 2021).
- Non-interest-bearing deposits amounted to JD 120,717,104, representing 13.02% of total customers' deposits as of 30 June 2022 (JD 111,655,552 equivalent to 11.52% of total customers' deposits as of 31 December 2021).
- Reserved deposits (restricted withdrawals) amounted to JD 2,416,854 representing 0.26% of total customers' deposits as of 30 June 2022 (JD 1,839,394 representing 0.19% of total deposits as of 31 December 2021).
- Dormant deposits amounted to JD 11,612,420 as of 30 June 2022 representing 1.25% (JD 11,587,667 representing 1.20% as of 31 December 2021).

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(13) BORROWED FUNDS

The details of this item are as follows:

<u>30 June 2022 (Reviewed not audited)</u>	<u>Amount</u>	<u>Utilized</u>	<u>Repayment method</u>	<u>Guarantees</u>	<u>Interest Rate</u>
	JD	JD			%
Loan from World Bank	2,000,000	1,100,000	20 years including 5 years grace period settled in semi-annual instalments	-	2.5
Loan from Arab Monetary Funds	2,100,000	630,000	10 years including 3 years grace period settled in semi-annual instalments	-	2.5
Advances from Central Bank of Jordan	34,581,431	34,581,431	Settled in different instalments	-	0- 2.25
Jordanian Mortgage Refinance Company	10,000,000	10,000,000	One payment on 5 February 2024	property mortgage	4.8
Jordanian Mortgage Refinance Company	10,000,000	10,000,000	One payment on 16 August 2028	property mortgage	5.1
Jordanian Mortgage Refinance Company	10,000,000	10,000,000	One payment on 26 September 2024	property mortgage	4.55
International Fund for Agricultural Development	750,000	693,363	18 years including 3 years grace period settled in semi-annual instalments	-	2.35
European Investment Bank	23,007,759	23,007,759	7 years settled in semi-annual instalments	-	2.95
Central Bank of Jordan for Mortgage bonds/ repurchase agreements	69,635,901	69,635,901	Between 24 July 2022 and 11 November 2023	Mortgage bonds	2-2.75
		<u>159,648,454</u>			

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<u>31 December 2021 (Audited)</u>	<u>Amount</u> JD	<u>Utilized</u> JD	<u>Repayment method</u>	<u>Guarantees</u>	<u>Interest Rate</u> %
Loan from the World Bank	2,000,000	1,200,000	20 years, including a 5-year grace period; to be settled in semi-annual installments	-	2.5
Loan from the Arab Monetary Fund via Central Bank of Jordan	2,100,000	777,000	10 years, including a 3-year grace period; to be settled in semi-annual installments	-	2.5
Advances from the Central Bank of Jordan	30,765,822	30,765,822	Settled in different instalments	-	0-2.25
Jordan Mortgage Refinance Company	10,000,000	10,000,000	One payment dated 5 February 2024	Transfer of property mortgage	4.8
Jordan Mortgage Refinance Company	10,000,000	10,000,000	One payment dated 16 August 2028	Transfer of property mortgage	5.1
Jordan Mortgage Refinance Company	10,000,000	10,000,000	One payment dated 26 September 2024	Transfer of property mortgage	4.55
International Fund for Agricultural Development through the Central Bank of Jordan	750,000	722,637	18 years, including a 3-year grace period; to be settled in semi-annual installments	-	2.35
The Central Bank of Jordan against mortgaged bonds / repurchase agreement	77,018,278	<u>77,018,278</u>	Between 3 January and 16 May 2022	Mortgage bonds	2
Total		<u>140,483,737</u>			

- Reborrowed funds amounted to JD 38,640,009 as at 30 June 2022 (JD 34,598,905 as at 31 December 2021) with an interest rate ranging between 2% and 10% as at 30 June 2022 and 31 December 2021

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(14) PROVISION FOR INCOME TAX

A. Income tax provision

The movement on the income tax provision is as follows:

	30 June 2022	31 December 2021
	JD	JD
	(Reviewed not audited)	(Audited)
Balance at the beginning of the period/year	3,126,294	174,758
Income tax incurred on current period/year profit	2,168,270	3,781,013
Prior year income tax expense	-	1,384,390
Income tax paid	(3,126,294)	(2,213,867)
Ending balance for the period/ year	<u>2,168,270</u>	<u>3,126,294</u>

B. Income Tax Expense:

- Income tax expense in the interim income statement is as follows:

	30 June 2022	30 June 2021
	JD	JD
Income tax incurred on current period profits	2,168,270	1,302,911
Deferred tax assets for the period	229,066	265,771
Deferred tax liabilities for the period	48,032	3,643
	<u>2,445,368</u>	<u>1,572,325</u>

C. Tax Status:

- The Bank has reached a final settlement with the Income and Sales Tax Department until the end of the years 2016 and 2018.
- Regarding the year 2017: the income tax return for the year was reviewed by the Income and Sales Tax Department. A decision was made that required the Bank to pay an additional amount of JD 1.9 million and the Bank has appealed the decision, the Court of Tax Trial and Court of Appeal issued a decision in favor of the bank, the Income and Sales Tax Department has raised the Lawsuit to the Court of Cassation. In the opinion of the Bank's management and tax advisors, no additional provision is needed. Subsequent to the date of the interim condensed financial statements, the decision of the Court of Cassation was issued in favor of the Bank.
- Regarding the years 2019 and 2020 and 2021, the income tax return was submitted within the legal period, but it has not been reviewed up to the date of preparation of the interim condensed financial statements by the Income and Sales Tax Department.

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(15) SUNDRY PROVISIONS

The details of this item are as follows:

	Balance at the beginning of the period	Expense for the period	Paid during the period	Balance at the end of the period
<u>30 June 2022 (Reviewed not audited)</u>	JD	JD	JD	JD
Provision for lawsuits against the Bank	267,690	14,836	(26,409)	256,117
Provision for end of services indemnity	359	-	-	359
Other provisions	615,000	-	-	615,000
Total	883,049	14,836	(26,409)	871,476

	Balance at the beginning of the year	Expense for the year	Paid during the year	Balance at the end of the year
<u>31 December 2021 (Audited)</u>	JD	JD	JD	JD
Provision for lawsuits against the Bank	207,152	233,203	(172,665)	267,690
Provision for end of service indemnity	359	-	-	359
Other provisions	615,000	-	-	615,000
Total	822,511	233,203	(172,665)	883,049

(16) OTHER LIABILITIES

The details of this item are as follows:

	30 June 2022	31 December 2021
	JD	JD
	(Reviewed not audited)	(Audited)
Refundable and various deposits	8,545,812	7,343,057
Unpaid accrued interests	6,439,955	4,950,193
Accepted checks	3,099,391	3,615,498
Unpaid accrued expenses	1,377,720	1,242,738
Provision for expected credit losses for items off the condensed interim statement of financial position *	1,240,275	1,321,797
Received amounts from sale of assets seized by the Bank	1,117,059	1,005,237
Commissions received in advance	681,590	789,227
Income tax and social security deposits	326,343	346,262
Inward transfers	206,570	1,043,627
Safe deposits boxes	102,750	100,665
Shareholders' deposits	10,995	11,579
Transactions in transit between branches	-	1,122,849
Board of Directors' remuneration	-	55,000
Others	1,984,768	3,288,208
Total	25,133,228	26,235,937

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* The movement on provision for expected credit losses is as follows:

	30 June 2022 (Reviewed not audited)				31 December
	Stage 1	Stage 2	Stage 3	Total	Total
	JD	JD	JD	JD	JD
Balance at the beginning of the period/year	493,631	147,605	680,561	1,321,797	1,386,964
New facilities during the period/year	63,052	107	158	63,317	31,326
Matured facilities during the period/year	(10,220)	(8,289)	(19,476)	(37,985)	(102,563)
Transferred to stage 1	9,961	(9,932)	(29)	-	-
Transferred to stage 2	(14,121)	14,131	(10)	-	-
Transferred to stage 3	(599)	(119)	718	-	-
Changes resulting from adjustments	(107,126)	(104,766)	(83,173)	(295,065)	4,983
Effect on provision due to reclassification between the three stages	-	(1,527)	189,738	188,211	1,087
Balance at the end of the period/year	434,578	37,210	768,487	1,240,275	1,321,797

- The movement on indirect facilities is as follows:

	30 June 2022 (Reviewed not audited)				31 December
	Stage 1	Stage 2	Stage 3	Total	Total
	(Individual) JD	(Individual) JD	JD	JD	JD
Balance at the beginning of the period	209,585,906	30,938,962	5,467,646	245,992,514	257,265,044
New facilities during the period	38,920,703	104,695	1,199	39,026,597	16,537,981
Settled facilities during the period	(10,555,670)	(6,362,233)	(80,218)	(16,998,121)	(30,905,412)
Transferred to stage 1	7,979,352	(7,956,779)	(22,573)	-	-
Transferred to stage 2	(5,166,990)	5,167,984	(994)	-	-
Transferred to stage 3	(632,830)	(1,598,868)	2,231,698	-	-
Changes resulting from adjustments	4,652,246	6,030,929	(13,994)	10,669,181	3,094,901
Total exposures at the end of period	244,782,717	26,324,690	7,582,764	278,690,171	245,992,514

(17) AUTHORIZED AND PAID IN CAPITAL

The Bank's authorized and paid in capital is JD 120 million across 120 million shares (1JD/share) as at 30 June 2022 (31 December 2021: JD 120 million).

(18) RESERVES

The Bank has not deducted the statutory reserve according to the Jordanian Companies Law given that these financial statements are interim. Normally it is done at the end of the financial year.

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(19) FAIR VALUE RESERVE, NET

The movement on this item is as follows:

	30 June 2022	31 December 2021
	JD	JD
	(Reviewed not audited)	(Audited)
Balance at the beginning of the period/ year	(973,100)	(2,020,984)
Unrealized Profit, net	1,459,292	700,163
Released from selling financial assets at fair value through other comprehensive income	(9,413)	347,721
Balance at the end of the period/ year	<u>476,779</u>	<u>(973,100)</u>

- The fair value reserve includes JD 311,112 as at 30 June 2022 and 31 December 2021 as an impact related to the implementation of the International Financial Reporting Standard No. (9).

(20) RETAINED EARNINGS

	30 June 2022	31 December 2021
	JD	JD
	(Reviewed not audited)	(Audited)
Balance at the beginning of the period / year	10,936,612	5,534,153
Profit for the period/year	-	7,004,775
Transferred to reserves	-	(1,254,595)
Realized profit from selling financial assets at fair value through other comprehensive income	9,413	(347,721)
Balance at the end of the period/ year	<u>10,946,025</u>	<u>10,936,612</u>

- The Central Bank of Jordan issued circular No. 10/1/7702 dated 6 June 2018, requesting the transfer of the general banking risk reserve balance to the retained earnings to offset the effect of IFRS 9 on the opening balance of the retained earnings account as of 1 January 2018. The circular also instructed that the balance of the general banking risk reserve should be restricted and may not be distributed as dividends to the shareholders or used for any other purposes without prior approval from the Central Bank of Jordan.
- As at 30 June 2022, an amount of JD 9,032,116 from retained earnings is restricted against net deferred tax assets in accordance with the instructions of the Central Bank of Jordan.

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(21) INTEREST INCOME

The details of this item are as follows:

	30 June 2022	30 June 2021
	JD	JD
<u>Direct Credit Facilities</u>		
<u>Individuals (Retail)</u>		
Overdraft	40,010	45,644
Loans and bills	7,029,885	7,742,501
Credit cards	583,320	415,992
Real estate loans	4,292,001	4,095,589
<u>Corporations</u>		
<u>Corporate</u>		
Overdrafts	1,668,600	2,054,158
Loans and bills	10,551,400	9,997,960
<u>Small and Medium Enterprises "SMEs"</u>		
Overdrafts	573,314	556,102
Loans and bills	1,713,688	1,290,328
Governmental and Public Sector	978,075	1,450,849
Balances at Central Banks	321,534	52,932
Balances and deposits at banks and financial institutions	235,462	257,029
Financial assets at amortized cost	7,907,586	6,919,529
	<u>35,894,875</u>	<u>34,878,613</u>

(22) INTEREST EXPENSE

The details of this item are as follows:

	30 June 2022	30 June 2021
	JD	JD
Banks and financial institutions' deposits	1,590,262	1,704,889
Customers' deposits:		
Current and call accounts	22,634	18,945
Saving accounts	973,182	733,707
Time and notice deposits	10,902,656	11,327,765
Certificates of deposit	638,907	654,676
Cash margins	346,589	430,722
Deposit insurance fees	681,440	658,531
Lease contract obligations	41,449	190,699
Borrowed funds	1,779,539	1,438,290
	<u>16,976,658</u>	<u>17,158,224</u>

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(23) PROVISION FOR EXPECTED CREDIT LOSSES, NET

The details of this item are as follows:

	30 June 2022	30 June 2021
	JD	JD
Balances and deposits at banks and financial institutions	344	(540,858)
Direct credit facilities	3,723,838	2,964,485
Debt instruments within a portfolio of financial assets at amortized cost	(24,974)	8,852
Indirect credit facilities and unutilized limits	(81,522)	276,286
Purchased guarantees and withdrawals	(15,657)	5,059
	<u>3,602,029</u>	<u>2,713,824</u>

(24) (LOSS) GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

The details of this item are as follows:

	Realized Gains	Unrealized (losses) gain	Dividends	Total
	JD	JD	JD	JD
<u>30 June 2022</u>				
Companies' quoted shares in active markets	<u>-</u>	<u>(11,869)</u>	<u>3,375</u>	<u>(8,494)</u>
<u>30 June 2021</u>				
Companies' quoted shares in active markets	<u>-</u>	<u>107,447</u>	<u>-</u>	<u>107,447</u>

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(25) OTHER INCOME

The details of this item are as follows:

	30 June 2022	30 June 2021
	JD	JD
Credit cards income, net	14,380	178,590
Rental income of safe deposit boxes	28,018	24,369
Transfers income	311,013	217,323
Checks income	163,964	188,699
Telecommunication income	13,998	10,185
Recovery of debts previously written-off*	1,014,869	547,366
Gain from sale of seized real estate	409,549	437,446
Seized real state recoveries	6,754	6,754
Income from account services	400,691	350,606
Income from reversal of miscellaneous provisions	300,000	-
Insurance income	10,079	12,640
Others	132,727	117,877
Total	2,806,042	2,091,855

* This item represents amounts recovered from written - off debts and suspended interest taken during the previous years to off financial position items but recovered during the period ended 30 June 2022 and 30 June 2021.

(26) OTHER EXPENSES

The details of this item are as follows:

	30 June 2022	30 June 2021
	JD	JD
Rent	78,307	65,778
Stationery and publications	202,698	228,989
Water, electricity, swift, and telecommunication expenses	579,022	450,741
Legal and lawyer fees	283,954	479,284
Maintenance, repair, and car expenses	297,992	314,519
Insurance expenses	432,513	296,838
Programs and computers maintenance	660,671	847,031
Board of Directors' transportation and attendance of meeting allowance	168,175	178,200
Fees, licenses, and taxes	280,441	246,447
Advertisement	660,000	537,500
Subscriptions	393,415	467,745
Professional and consultancy fees	172,868	212,870
Collection incentives	20,918	-
Donations and gratuity	107,963	99,648
Cleaning and security services	264,623	268,249
Hospitality	24,673	9,955
Cash management fees	79,049	46,065
Others	74,697	64,211
Total	4,781,979	4,814,070

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(27) EARNINGS PER SHARE FOR THE BANK'S SHAREHOLDERS

The details of this item are as follows:

	30 June	
	2022	2021
	JD	JD
Profit for the period	4,560,557	2,735,058
Weighted average number of shares	120,000,000	120,000,000
Earnings per share attributable to the Banks' shareholders: Basic and diluted	JD / Share 0/038	JD / Share 0/023

(28) CASH AND CASH EQUIVALENTS

The details of this item are as follows:

	30 June	
	2022	2021
	JD	JD
Cash and balances with central banks maturing within three months	75,627,645	78,820,785
Add: Balances at banks and financial institutions maturing within three months	36,974,208	43,428,980
Less: Banks and financial institutions' deposits maturing within three months	(4,045,312)	(18,428,851)
	108,556,541	103,820,914

(29) CAPITAL MANAGEMENT

Through the management of its paid-up capital, the Bank seeks to achieve the below goals:

- * Compliance with the Central Bank capital related requirements
- * Maintaining the Bank's ability to continue as a going concern
- * Ensuring a strong capital base for supporting the Bank's expansion and development.

Capital adequacy is continuously monitored by the Bank's management and reported quarterly to the Central Bank of Jordan.

According to the Central Bank Instructions, the minimum requirement for capital adequacy is 12%. Banks are classified into 5 categories, the best of which is having an average capital adequacy equal to or more than 14%.

The Bank manages the capital structure and makes the necessary adjustments with respect to changes in business conditions. The Bank has not made any adjustments to the objectives, policies and procedures related to the capital structure during the period.

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Capital Adequacy

The Bank manages its capital in a way that ensures the continuation of its operating activities and achieving the highest possible return on equity, and capital is defined according to BASIL III as shown in the below table:

	30 June 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Core capital items:		
Subscribed and Paid-up capital	120,000,000	120,000,000
Retained earnings	10,946,025	10,936,612
Other comprehensive income items		
Fair value reserve - net	476,779	(973,100)
Statutory reserve	17,208,213	17,208,213
Profit for the Period	4,560,557	-
Total core capital before regulatory amendments	153,191,574	147,171,725
Less:		
Intangible assets - net	(2,219,575)	(2,266,649)
Deferred tax assets -net	(9,032,116)	(10,197,845)
Deferred provisions with the approval of the Central Bank	(4,048,468)	(5,082,011)
Investing in the capital of banks and financial companies outside the scope of consolidation, in which the bank owns more than 10%	(8,904,212)	(8,024,586)
Total regulatory amendments	(24,204,371)	(25,571,091)
Net core capital	128,987,203	121,600,634
Supplementary capital items:		
Provision required against credit facilities in stage 1	2,432,579	3,298,082
Total supplementary capital	131,419,782	124,898,716
Assets weighted by risks-continuous operations		
Credit risk	959,867,543	974,158,199
Market risk	11,590,443	6,205,394
Operation risk	80,068,879	80,068,879
Total assets weighted by risks	1,051,526,865	1,060,432,472
Ratio of regulatory capital	12.50 %	11.78%
Core capital ratio	12.27%	11.47%

Liquidity Coverage Ratio (LCR):

	30 June 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Total high quality liquid assets after adjustments	404,552	420,146
Net cash outflow	114,500	153,990
Liquidity Coverage Ratio (LCR)	353.3%	272.8%
Liquidity Coverage according to the average end of each Month	337.6%	277.5%

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(30) SEGMENT INFORMATION

A. Information on Main Operating Segments:

The Bank is organized for managerial purposes whereby sectors are measured according to reports used by the General Manager and key decision makers at the Bank, through the following major operating segments:

- Individual accounts: includes following up on individual customers deposits, and granting them credit, credit cards and other services
- Corporate accounts: includes following up on deposits, credit facilities, and banking services related to corporate
- Treasury: This segment includes providing dealing services and managing the Banks' funds.
- Others: This segment includes the activities which do not meet the definition of the above Banks' business segments.

	Individuals		Corporations		Treasury		Others		30 June 2022		30 June 2021	
	JD		JD		JD		JD		JD		JD	
Gross income for the period	5,691,440		14,390,909		3,920,817		442,065		24,445,231		22,532,972	
Provision for expected credit losses	(873,406)		(2,808,358)		79,735		-		(3,602,029)		(2,713,824)	
Segment results	4,818,034		11,582,551		4,000,552		442,065		20,843,202		19,819,148	
Distributed segment expenses	(8,157,326)		(4,078,663)		(1,359,555)		(241,733)		(13,837,277)		(15,511,765)	
Profit before income tax for the period	(3,339,292)		7,503,888		2,640,997		200,332		7,005,925		4,307,383	
Income tax for the period	-		-		-		(2,445,368)		(2,445,368)		(1,572,325)	
Profit for the period	(3,339,292)		7,503,888		2,640,997		(2,245,036)		4,560,557		2,735,058	
Other information												
Capital expenditures									863,053		1,302,085	
Depreciation and amortization									1,614,795		1,766,558	
									30 June 2022		31 December 2021	
									JD		JD	
									(Reviewed not audited)		(Audited)	
Total segment assets	285,089,581		505,123,179		497,150,184		106,243,798		1,393,606,742		1,444,917,508	
Total segment liabilities	682,439,556		378,326,698		154,061,342		25,587,572		1,240,415,168		1,297,745,783	

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1- Geographical distribution information
This sector represents the geographical distribution of the Bank's operation. The Bank operates mainly in Jordan.

The following table shows the distribution of the Bank's assets by geographical area:

	Inside Jordan		Outside Jordan		Total	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	JD	JD	JD	JD	JD	JD
	(Reviewed not audited)	(Audited)	(Reviewed not audited)	(Audited)	(Reviewed not audited)	(Audited)
Bank's Assets	1,318,769,189	1,358,174,323	74,837,553	86,743,185	1,393,606,742	1,444,917,508

Following is the geographical distribution of the Bank's profit and capital expenditures:

	Inside Jordan		Outside Jordan		Total	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	JD	JD	JD	JD	JD	JD
	(Reviewed not audited)					
Gross income	24,461,666	23,045,696	(16,435)	(512,724)	24,445,231	22,532,972
Capital expenditures	863,053	1,302,085	-	-	863,053	1,302,085

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(31) Risk Management:

1. Distribution of credit exposures according to economic sectors:

A- Distribution of credit exposures by financial instruments as at 30 June 2022 (Reviewed not audited):

	Financial		Industrial		Trading		Construction		Real estate		Agricultural		Shares		Individual		Governmental and public sector		Others		Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances with central banks	50,547,117	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,547,117
Balances at banks and financial institutions	66,970,999	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,970,999
Direct credit facilities	56,045,220	84,031,554	132,788,244	28,890,598	115,655,445	5,816,042	4,963,244	189,250,852	30,701,276	81,751,125	729,893,600											
Financial assets at amortized cost	3,821,873	-	-	-	-	-	-	-	-	-	357,722,574	-	-	-	-	-	-	-	-	-	-	361,544,447
Other assets	-	-	2,326,286	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,326,286
Total current year	177,385,209	84,031,554	135,114,530	28,890,598	115,655,445	5,816,042	4,963,244	189,250,852	388,423,850	81,751,125	1,211,282,449											
Letters of guarantee	2,405,027	3,400,622	11,941,215	-	55,970,902	274,989	9,960,033	7,495,632	-	24,818,598	116,267,018											
Letters of credit	-	9,068,735	9,720,360	-	4,241,059	-	-	-	-	9,671,895	32,702,049											
Other obligations	9,363,953	8,302,594	26,571,774	-	38,627,133	520,270	2,177,488	26,011,128	-	16,906,489	128,480,829											
Total	189,154,189	104,803,505	183,347,879	28,890,598	214,494,539	6,611,301	17,100,765	222,757,612	388,423,850	133,148,107	1,488,732,345											

B- Distribution of credit exposures according to IFRS 9 stages and economic sector as at 30 June 2022 (Reviewed not audited):

	Stage 1		Stage 2		Stage 3		Total	
	JD	JD	JD	JD	JD	JD	JD	JD
Financial	186,668,128	1,406,389	1,079,672	189,154,189				
Industrial	83,109,610	18,189,630	3,504,265	104,803,505				
Trading	114,723,827	64,441,067	4,182,985	183,347,879				
Construction	10,335,043	14,708,509	3,847,046	28,890,598				
Real estate	178,467,287	28,113,341	7,913,911	214,494,539				
Agricultural	1,801,191	4,811,323	(1,213)	6,611,301				
Shares	16,255,882	104,803	740,080	17,100,765				
Individuals	212,356,995	7,037,979	3,362,638	222,757,612				
Governmental and public sector	388,423,818	2	30	388,423,850				
Others	108,959,849	19,354,017	4,834,241	133,148,107				
Total	1,301,101,630	158,167,060	29,463,655	1,488,732,345				

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2- Adjusted Credit Exposures:

The following disclosures are prepared in two stages (first: the gross credit exposure and second for the balance of expected credit losses) as at 30 June 2022:

A- Gross Adjusted Credit Exposures:

Item	Stage 2		Stage 3		Total		Percentage of exposure modified %
	Gross Exposure	Modifications	Gross Exposure	Modifications	Modifications	Modifications	
	JD	JD	JD	JD	JD	JD	
Balances with central banks	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-
Direct credit facilities	135,062,787	46,372,013	81,334,604	13,484,491	59,856,504	7.53	
Financial assets at amortized cost	-	-	1,958,294	-	-	-	
Other assets	-	-	-	-	-	-	
Total exposure for items within statement of financial position	135,062,787	46,372,013	83,292,898	13,484,491	59,856,504		
Total exposure for items off statement of financial position	26,324,690	5,167,984	7,582,764	2,231,698	7,399,682	2.66	
Total	161,387,477	51,539,997	90,875,662	15,716,189	67,256,186		

B- Expected credit losses on exposures with modified classification as of 30 June 2022 (Reviewed not audited):

Item	Gross exposure with modified classification		Gross exposure reclassified from stage 2		Gross exposure reclassified from stage 3		Expected credit losses on exposure with modified classification		Percentage of exposure modified %
	Gross exposure reclassified from stage 2	Gross exposure reclassified from stage 3	Gross exposure reclassified from stage 2	Gross exposure reclassified from stage 3	Stage 2 (Individual)	Stage 3 (Individual)	Total		
	JD	JD	JD	JD	JD	JD	JD		
Balances at central banks	-	-	-	-	-	-	-	-	-
Balances at banks and financial institutions	-	-	-	-	-	-	-	-	-
Direct credit facilities	46,372,013	13,484,491	13,484,491	59,856,504	364,813	338,898	703,711	0.01	
Financial assets at amortized cost	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total exposure for items within statement of financial position	46,372,013	13,484,491	13,484,491	59,856,504	364,813	338,898	703,711		
Total exposure for items off statement of financial position	5,167,984	2,231,698	2,231,698	7,399,682	14,131	718	14,849	1.2	
Total	51,539,997	15,716,189	15,716,189	67,256,186	378,944	339,616	718,560		

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3- Distribution of credit exposures according to geographic sectors

A. The table shows geographical distribution of credit risk exposure as at 30 June 2022 (Reviewed not audited):

	Inside Jordan	Middle East	Europe	Asia	Africa	America	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances with central banks	50,547,117	-	-	-	-	-	-	50,547,117
Balances at banks and financial institutions	27,810,683	31,743,636	3,920,918	9,548	28,338	3,021,741	436,135	66,970,999
Direct credit facilities	722,592,672	-	7,300,928	-	-	-	-	729,893,600
Financial assets at amortized cost	361,544,447	-	-	-	-	-	-	361,544,447
Other assets	2,326,286	-	-	-	-	-	-	2,326,286
Total items within Statement of Financial Position	1,164,821,205	31,743,636	11,221,846	9,548	28,338	3,021,741	436,135	1,211,282,449
Letters of guarantee	116,267,018	-	-	-	-	-	-	116,267,018
Letters of credit	756,694	439,931	12,298,584	13,336,301	-	461,914	5,408,625	32,702,049
Other obligations	128,480,829	-	-	-	-	-	-	128,480,829
Total	1,410,325,746	32,183,567	23,520,430	13,345,849	28,338	3,483,655	5,844,760	1,488,732,345

B. Distribution of credit exposures according to IFRS 9 stages and geographic sector as at 30 June 2022 (Reviewed not audited):

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
Inside Jordan	1,222,794,765	158,067,326	29,463,655	1,410,325,746
Middle East	32,083,833	99,734	-	32,183,567
Europe	23,520,430	-	-	23,520,430
Asia	13,345,849	-	-	13,345,849
Africa	28,338	-	-	28,338
America	3,483,655	-	-	3,483,655
Other	5,844,760	-	-	5,844,760
Total	1,301,101,630	158,167,060	29,463,655	1,488,732,345

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(32) RELATED PARTIES TRANSACTIONS AND BALANCES

The Bank entered into transactions with major shareholders, Board of Directors and executive management. Within the normal banking practices according to the commercial interest and commission rates. The provision for expected credit losses was calculated in accordance with IFRS 9 requirements.

The following related party transactions took place during the period:

	Companies				Total	
	BOD Members	represented by the BOD	Executive Management	Others	30 June 2022	31 December 2021
	JD	JD	JD	JD	JD	JD
					(Reviewed not audited)	(Audited)
<u>Statement of Financial Position Items:</u>						
Deposits with us	7,561,587	1,854,209	584,016	32,619,879	42,619,691	57,459,468
Direct credit facilities	977,901	19,012,603	1,347,188	4,521,959	25,859,651	25,455,631
Deposits with other	-	-	-	30,000,000	30,000,000	30,000,000
Cash margins	-	143,878	-	-	143,878	720,454
<u>Off- Statement of Financial Position</u>						
<u>Items:</u>						
Letters of guarantee	-	1,660,517	-	354,500	2,015,017	1,679,600
Letter of Credit	-	426,818	-	-	426,818	426,818
					Total	
					30 June 2022	30 June 2021
					JD	JD
<u>Income statement items:</u>						
Interest and commission income **	18,063	721,473	51,470	280,866	1,071,872	761,003
Interest and commission expense ***	358,243	7,945	1,834	497,100	865,122	826,490

** Credit interest rate ranges from 0% to 21%.

*** Debit interest rate ranges from 0% to 4.5%.

Salaries and compensation of executive management of the Bank and incentives paid

The salaries and bonuses of the bank's executive management amounted to JD 1,471,009 for the six months ended 30 June 2022. (JD 1,125,920 for the six months ended 30 June 2021.)

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(33) COMMITMENTS AND CONTINGENT LIABILITIES

The details of this item are as follows:

	30 June 2022	31 December 2021
	JD (Reviewed not audited)	JD (Audited)
Letter of credit	4,339,826	9,183,125
Acceptances	28,378,180	15,000,587
Letter of guarantees:		
Payment	28,292,390	26,430,752
Performance bonds	40,420,923	40,208,141
Others	48,529,647	47,827,206
Unutilized direct credit facilities ceilings	74,046,880	55,562,702
Total	<u>224,007,846</u>	<u>194,212,513</u>

(34) LITIGATION AGAINST THE BANK

Lawsuits raised against the Bank amounted to JD 2,459,378 as at 30 June 2022 (31 December 2021: JD 2,366,663). In the opinion of the Bank's management and the legal advisor, there are no further liabilities that exceed the provision of JD 256,117 as at 30 June 2022 (31 December 2021: JD 267,690).

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(35) FAIR VALUE MEASUREMENT

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

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period, and the following table gives information about how the fair value of these financial asset and financial liabilities are determined (valuation techniques & key inputs):

	Fair value		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	30 June 2022	31 December 2021				
	JD (Reviewed not audited)	JD (Audited)				
Financial Assets						
<u>Financial assets at fair value through statement of income:</u>						
Quoted shares	1,606,683	1,778,210	Stage 1	Quoted shares	Not applicable	Not applicable
Total	<u>1,606,683</u>	<u>1,778,210</u>				
<u>Financial assets at fair value through other comprehensive income:</u>						
Quoted shares	29,287,131	26,622,099	Stage 1	Quoted shares Through comparison to the market price of a similar financial instrument	Not applicable	Not applicable
Unquoted shares	<u>5,708,141</u>	<u>5,320,573</u>	Stage 2		Not applicable	Not applicable
	<u>34,995,272</u>	<u>31,942,672</u>				

There were no transfers between Level 1 and Level 2 during the period.

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

	30 June 2022		31 December 2021		Fair value hierarchy
	(Reviewed not audited)		(Audited)		
	Book value	Fair value	Book value	Fair value	
<u>Financial assets not calculated at fair value</u>	JD	JD	JD	JD	
Deposits at central banks	50,547,117	50,549,418	65,876,967	65,876,967	Stage 2
Balances and deposits at banks and financial institutions	66,970,999	67,440,003	54,106,136	54,425,709	Stage 2
Loans and bills and others	729,893,600	739,606,238	773,903,799	781,736,617	Stage 2
Financial assets at amortized cost	361,544,447	364,635,511	362,409,154	365,247,611	Stage 2
Total financial assets not calculated at fair value	<u>1,208,956,163</u>	<u>1,222,231,170</u>	<u>1,256,296,056</u>	<u>1,267,286,904</u>	
<u>Financial liabilities not calculated at fair value</u>					
Banks and financial institutions' deposits	76,045,312	79,441,667	111,313,020	113,417,946	Stage 2
Customers' deposits	927,444,978	929,685,178	969,388,894	971,479,718	Stage 2
Cash margins	42,785,815	42,970,199	40,829,127	41,062,990	Stage 2
Borrowed funds	159,648,454	160,267,474	140,483,737	141,004,320	Stage 2
Total financial liabilities not calculated at fair value	<u>1,205,924,559</u>	<u>1,212,364,518</u>	<u>1,262,014,778</u>	<u>1,266,964,974</u>	

For the items listed above, the fair value of the financial assets and liabilities classified as level one and level two have been determined in accordance with generally accepted pricing models that reflect the credit risk of counterparties.