

CAIRO AMMAN BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN

CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS FOR THE  
NINE-MONTH PERIOD ENDED  
SEPTEMBER 30, 2020  
TOGETHER WITH THE REVIEW REPORT

CAIRO AMMAN BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
SEPTEMBER 30, 2020

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## Review Report

AM/009489

To the Chairman and Members of the Board of Directors  
Cairo Amman Bank  
(A Public Shareholding Limited Company)  
Amman – The Hashemite Kingdom of Jordan

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Cairo Amman Bank (A Public Shareholding Limited Company) as of September 30, 2020 and the related condensed consolidated interim statements of income, comprehensive income, changes in owners' equity and cash flows for the three and nine-month period then ended September 30, 2020 and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard IAS (34) relating to interim financial reporting as adopted by Central Bank of Jordan. Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagement 2410 "Review of Condensed Interim Financial Information performed by an Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, 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 condensed consolidated interim financial information is not prepared, in all material aspects, in accordance with International Accounting Standards IAS (34) relating to condensed interim financial reporting as adopted by Central Bank of Jordan.

### **Other Matters**

The accompanying condensed consolidated interim financial statements are a translation of the condensed consolidated interim financial statements in the Arabic language to which reference is to be made.

Amman – The Hashemite Kingdom of Jordan  
October 28, 2020

*Deloitte & Touche*  
Deloitte & Touche (M.E.) – Jordan  
**Deloitte & Touche (M.E.)**  
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CAIRO AMMAN BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		September 30, 2020	December 31, 2019
	Note	(Reviewed not audited)	(Audited)
<b>Assets</b>		JD	JD
Cash and balances at Central Banks	5	303,127,336	332,657,295
Balances at banks and financial institutions	6	94,121,152	158,785,257
Deposits at banks and financial institutions	7	78,393,667	88,040,014
Financial assets at fair value through profit or loss	8	7,133,241	9,405,269
Financial assets at fair value through other comprehensive income	9	49,838,969	55,412,453
Financial assets at amortized cost - net	10	824,917,503	749,567,262
Direct credit facilities - net	11	1,776,278,592	1,599,075,578
Property and equipment - net		42,316,249	42,521,471
Intangible assets - net		4,877,177	6,085,563
Right of use assets - net		28,249,171	27,979,663
Deferred tax assets	15	11,022,630	9,325,649
Other assets	12	56,534,910	54,945,161
<b>Total Assets</b>		<b>3,276,810,597</b>	<b>3,133,800,635</b>
<b>Liabilities And Owners' Equity</b>			
<b>Liabilities:</b>			
Banks and financial institutions' deposits		284,109,810	296,058,936
Customers' deposits	13	2,099,326,780	2,050,955,995
Margin accounts		57,208,613	58,704,352
Borrowed funds	14	318,980,550	226,319,099
Subordinated Loans		18,540,350	18,540,350
Sundry provisions		15,428,000	15,069,457
Income tax provision	15	10,959,476	16,954,411
Lease liabilities		22,567,351	25,927,574
Deferred tax liabilities		755,133	804,942
Other liabilities	16	82,801,329	65,236,153
<b>Total Liabilities</b>		<b>2,910,677,392</b>	<b>2,774,571,269</b>
<b>Owners' Equity</b>			
<b>Bank's Shareholders' Equity</b>			
Authorized and paid-up capital		190,000,000	190,000,000
Statutory reserve		79,007,427	79,007,427
General banking risk reserve		3,854,197	3,854,197
Cyclical fluctuations reserve		10,894,653	10,894,653
Fair value reserve - net	17	(12,528,240)	(7,848,900)
Retained earnings	18	73,882,532	73,967,732
Profit for the period - after tax		12,243,769	-
<b>Total Bank's Shareholders' Equity</b>		<b>357,354,338</b>	<b>349,875,109</b>
Non-controlling interest		8,778,867	9,354,257
<b>Total Owners' Equity</b>		<b>366,133,205</b>	<b>359,229,366</b>
<b>Total Liabilities and Owners' Equity</b>		<b>3,276,810,597</b>	<b>3,133,800,635</b>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM  
AND WITH THE ACCOMPANYING REVIEW REPORT.



CAIRO AMMAN BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME  
(REVIEWED NOT AUDITED)

	Note	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2020	2019	2020	2019
		JD	JD	JD	JD
Interest income	19	42,287,635	46,360,372	128,535,695	137,121,400
Interest expense	20	14,956,379	20,940,943	50,317,880	61,710,030
<b>Net interest income</b>		<b>27,331,256</b>	<b>25,419,429</b>	<b>78,217,815</b>	<b>75,411,370</b>
Net commission income		4,825,023	4,930,586	13,390,268	14,443,686
<b>Net interest and commission income</b>		<b>32,156,279</b>	<b>30,350,015</b>	<b>91,608,083</b>	<b>89,855,056</b>
Gain from foreign currencies		1,078,083	1,185,384	3,363,439	3,419,372
(Loss) Gain from financial assets at fair value through profit or loss	21	18,313	(357,123)	(1,651,079)	(15,132)
Dividends from financial assets at fair value through other comprehensive income	9	-	92,414	2,152,730	2,902,829
Other income		1,624,838	1,585,018	4,326,675	4,857,595
<b>Gross profit</b>		<b>34,877,513</b>	<b>32,855,708</b>	<b>99,799,848</b>	<b>101,019,720</b>
Employees' expenses		10,423,158	10,442,522	31,480,564	31,893,318
Depreciation and amortization		2,325,855	2,374,577	6,901,348	7,036,028
Other expenses		9,215,722	8,634,244	26,951,702	24,883,305
Expected credit loss	22	2,770,055	1,480,364	13,000,000	8,311,394
Sundry provisions		193,794	291,323	889,965	349,887
<b>Total expenses</b>		<b>24,928,584</b>	<b>23,223,030</b>	<b>79,223,579</b>	<b>72,473,932</b>
<b>Profit for the period before tax</b>		<b>9,948,929</b>	<b>9,632,678</b>	<b>20,576,269</b>	<b>28,545,788</b>
Income tax expense	15	(3,994,776)	(3,892,872)	(8,907,890)	(10,981,677)
<b>Profit for the period</b>		<b>5,954,153</b>	<b>5,739,806</b>	<b>11,668,379</b>	<b>17,564,111</b>
<b>Attributable to:</b>					
Bank's shareholders		6,085,387	5,930,357	12,243,769	18,005,338
Non-controlling interest		(131,234)	(190,551)	(575,390)	(441,227)
<b>Profit for the period</b>		<b>5,954,153</b>	<b>5,739,806</b>	<b>11,668,379</b>	<b>17,564,111</b>
		JD/ Fils	JD/ Fils	JD/ Fils	JD/ Fils
Basic and diluted earnings per share (Bank's shareholders)	23	0/032	0/031	0/064	0/095

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CAIRO AMMAN BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
(REVIEWED NOT AUDITED)

	For the Three Months		For the Nine Months	
	Ended September 30,		Ended September 30,	
	2020	2019	2020	2019
	JD	JD	JD	JD
Profit for the period	5,954,153	5,739,806	11,668,379	17,564,111
<b>Other comprehensive income items:</b>				
<b>Items which will not be converted subsequently to the condensed consolidated statement of income:</b>				
change in fair value reserve after tax	971,808	3,120,884	(4,764,540)	1,814,855
<b>Total Comprehensive Income for the Period</b>	<b>6,925,961</b>	<b>8,860,690</b>	<b>6,903,839</b>	<b>19,378,966</b>
<b>Total Comprehensive income for the period attributable to:</b>				
Bank's shareholders	7,057,195	9,051,241	7,479,229	19,820,193
Non-controlling interest	(131,234)	(190,551)	(575,390)	(441,227)
<b>Total Comprehensive Income for the Period</b>	<b>6,925,961</b>	<b>8,860,690</b>	<b>6,903,839</b>	<b>19,378,966</b>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT

CAIRO AMMAN BANK

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN – THE HASHEMITE KINGDOM OF JORDAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY

(REVIEWED NOT AUDITED)

	Authorized and Paid-up Capital	Statutory Reserve	General Banking Risk Reserve *	Cyclical Fluctuations Reserve	Fair Value Reserve - Net	Retained Earnings	Profit for the Period	Total	
								Shareholders' Equity	Non-controlling Interests
	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>For The Nine Months Ended September 30, 2020</b>									
Balance at beginning of the period (Audited)	190,000,000	79,007,427	3,854,197	10,894,653	(7,848,900)	73,967,732	-	349,875,109	9,354,257
Total comprehensive income for the period	-	-	-	-	(4,764,540)	-	12,243,769	7,479,229	(575,390)
Loss from sale of financial assets at fair value through other comprehensive income	-	-	-	-	85,200	(85,200)	-	-	-
<b>Balance at September 30, 2019 (Reviewed)</b>	<b>190,000,000</b>	<b>79,007,427</b>	<b>3,854,197</b>	<b>10,894,653</b>	<b>(12,528,240)</b>	<b>73,882,532</b>	<b>12,243,769</b>	<b>357,354,338</b>	<b>8,778,867</b>
<b>For The Nine Months Ended September 30, 2019</b>									
Balance at beginning of the period (Audited)	180,000,000	74,578,456	3,230,765	10,891,362	(9,789,482)	77,486,036	-	336,357,137	9,942,932
Total comprehensive income for the period	-	-	-	-	1,814,855	-	18,005,338	19,820,193	(441,227)
Transferred to reserves	-	-	365,317	3,291	-	-	(368,608)	-	-
Increase in capital ***	10,000,000	-	-	-	-	(10,000,000)	-	-	-
Capital increase related expenses	-	-	-	-	-	(80,000)	-	(80,000)	-
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	278,095	(278,095)	-	-	-
Cash Dividends distributed **	-	-	-	-	-	(16,200,000)	-	(16,200,000)	-
<b>Balance at September 30, 2019 (Reviewed)</b>	<b>190,000,000</b>	<b>74,578,456</b>	<b>3,596,082</b>	<b>10,894,653</b>	<b>(7,696,532)</b>	<b>50,927,941</b>	<b>17,636,730</b>	<b>339,937,330</b>	<b>9,501,705</b>

\* The general banking risk reserve and the negative balance of the fair value reserve are restricted from use without a prior approval from the Central Bank of Jordan.

- As of September 30, 2020, the restricted retained earnings balance resulting from the early implementation of IFRS 9 amounted to JD 13,931,699.

- The retained earnings balance includes deferred tax assets amounting to JD 11,022,630 and is restricted from use in accordance with the instructions of the Central Bank of Jordan.

- The Bank cannot use a restricted amount of JD 12,528,240 which represents the negative fair value for the financial assets through other comprehensive income in accordance with the instructions of the Central Bank of Jordan and the Jordanian Securities Commission.

- The Bank cannot use a restricted amount of JD 1,155,916 which represents the remaining balance of the general banking risk reserve included in retained earnings in accordance with the instructions of the Central Bank of Jordan.

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CAIRO AMMAN BANK  
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AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
(REVIEWED NOT AUDITED)

	Note	For the Nine Months Ended September 30,	
		2020	2019
<b>Cash Flows from Operating Activities</b>		JD	JD
Profit before tax for the period		20,576,269	28,545,788
<b>Adjustments for:</b>			
Depreciation and amortization		6,901,348	7,036,028
Provision for expected credit loss	22	13,000,000	8,311,394
Sundry provisions		889,965	349,887
loss from valuation of financial assets at fair value through profit or loss		2,074,609	850,639
(Gain) Loss from sale of property and equipment		(3,038)	133,938
(Gain) from sale of repossessed assets		-	(344,818)
Effect of exchange rate changes on cash and cash equivalents		(3,185,380)	(3,288,239)
<b>Cash flow from operating activities before changes in net assets</b>		<b>40,253,773</b>	<b>41,594,617</b>
Decrease (increase) in deposits at banks and financial institutions		9,849,205	(871,783)
Decrease in financial assets at fair value through profit or loss		197,419	1,530,583
(Increase) decrease in direct credit facilities		(190,423,428)	3,762,358
(Increase) decrease in other assets		(337,081)	3,587,976
(Decrease) in banks and financial institution deposits (maturing after more than three months)		(17,955,000)	-
Increase in customers deposits		48,370,785	92,086,156
(Decrease) Increase in Cash margins		(1,495,739)	9,412,887
Increase in other liabilities		14,248,844	12,582,561
<b>Net cash flows (used in) from operating activities before income tax and sundry provisions</b>		<b>(97,291,222)</b>	<b>163,685,355</b>
Income tax paid	15	(15,500,933)	(15,113,957)
Sundry provisions paid		(531,422)	(838,085)
<b>Net cash flows (used in) from operating activities</b>		<b>(113,323,577)</b>	<b>147,733,313</b>
<b>Cash Flows from Investing Activities</b>			
Financial assets at fair value through other comprehensive income		(339,738)	(1,886,343)
(Purchase) of other financial assets at amortized cost		(151,540,099)	(249,157,423)
Maturity and sale of other financial assets at amortized cost		76,226,524	97,126,829
(Purchase) of property and equipment		(4,805,323)	(4,240,905)
(Transferred from) assets acquired by the bank		(1,522,176)	-
Sale of property and equipment - net		77,236	105,680
(Purchase) of intangible assets		(756,615)	(844,181)
<b>Net cash flows (used in) investing activities</b>		<b>(82,660,191)</b>	<b>(158,896,343)</b>
<b>Cash Flows from Financing Activities</b>			
Increase in borrowed funds		401,779,703	16,587,003
Borrowed funds settled		(309,118,252)	(27,103,170)
Dividends distributed to shareholders		-	(16,200,000)
Capital increase related expenses		-	(80,000)
<b>Net cash flows from (used in) financing activities</b>		<b>92,661,451</b>	<b>(26,796,167)</b>
Effect of exchange rate changes on cash and cash equivalents		3,185,380	3,288,239
Net (decrease) in cash and cash equivalents		(100,136,937)	(34,670,958)
Cash and cash equivalents - beginning of the period		287,803,962	159,785,124
<b>Cash and cash equivalents - End of the Period</b>	24	<b>187,667,025</b>	<b>125,114,166</b>
<b>Non-monetary Items</b>			
Right of use assets - net		28,249,171	27,098,159
Lease Liability		(22,567,351)	24,993,686

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.



CAIRO AMMAN BANK  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(REVIEWED NOT AUDITED)

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**1. General**

- Cairo Amman Bank was established as a public shareholding company, registered and incorporated in Jordan in 1960, in accordance with the Jordanian Companies Laws and Regulations No. (12) for the year 1964.
- The Bank provides its banking and financial services through its head office located in Amman and its 92 branches located in Jordan, 21 branches in Palestine, one in Bahrain and through its subsidiaries.
- The Bank's shares are listed on the Amman Stock Exchange.
- The condensed consolidated interim financial statements were approved by the Bank's Board of Directors on October 28, 2020.

**2. Basis of Preparation of the Condensed Consolidated Interim Financial Statements**

- The accompanying condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard No. (34) "Interim Financial Reporting" adopted by Central Bank of Jordan.
- The condensed consolidated interim financial statements are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities stated at fair value at the date of the condensed consolidated interim financial statements.

The major differences between the IFRS as they should be applied and what has been adopted at the Central Bank of Jordan are:

A. The expected credit loss provisions are configured in accordance with the IFRS (9) and in accordance with the instructions of the Central Bank of Jordan, whichever is aggressive, the fundamental differences are:

- The debt instruments issued by the Jordanian government or their guarantee, in addition to any other credit offers with the Jordanian government or guarantee, are excluded so that credit exposures are processed on the Jordanian government and guaranteed without credit loss.
- When calculating expected credit loss against credit exposures, the calculation results are compared in accordance with the IFRS Standard (9) with the instructions of the Central Bank of Jordan No. (47/2009) of 10 December 2009 for each stage at a time and the most severe results are taken.
- In some special cases the Central Bank of Jordan agrees on special arrangements to calculate expected credit loss for direct credit facilities agents during a period of time.

B. Interest, returns and commissions are suspended on non-active credit facilities and financing granted to customers in accordance with the instructions of the Central Bank of Jordan.



- C. Assets that have been acquired by the Bank in fulfilment of a debt in the consolidated financial position list are reflected in other assets by the value of the bank's ownership or fair value, whichever is lower, and any depreciation of the consolidated financial statements is recorded as a loss in the consolidated income list and the increase is not recorded as revenue where the subsequent increase in the consolidated income list is taken to the extent that the amount of decline recorded earlier is taken to the extent that the value of the decline recorded above is not exceeded. A provision is calculated against the owned real estate against debts Under the Central Bank's circular no. 10/1/16239 on November 21, 2019. (5%) Of the total book values of these properties as of 2021, the required 50% is reached. Of those properties by the end of 2029.
- A certain provisions has been taken based on the Central Bank of Jordan circulars against foreign investments in foreign countries.
  - The reporting currency of the condensed consolidated interim financial statements is the Jordanian Dinar, which is the functional currency of the Bank.
  - The condensed consolidated interim financial statements does not include all notes and information presented in the annual financial statements which is prepared in accordance with the IFRS and should be read with the Bank's annual report for the year ended December 31, 2019. The results of the nine months ended September30, 2020 do not indicate the expected results for the year ending December 31, 2020, as there was no appropriation of the profit of the nine months ended September 30, 2020 which is usually performed at year end.

The condensed consolidated interim financial statements include the condensed interim financial statements of the Bank and its subsidiaries under its control. Moreover, control is achieved when the Bank has the power to govern the financial and operating policies of its subsidiaries in order to obtain benefits from their activities, an example and not exclusive for the major differences between International Financial Reporting Standards and those which adopted by Central Bank of Jordan. Transactions, balances, income and expenses between the Bank and its subsidiaries are eliminated.

- The Bank owns the following subsidiaries as of September30, 2020:

Company's Name	Paid-up Capital JD	Ownership Percentage %	Nature of Operation	Country of Operation	Ownership Date
			Investment Brokerage and Portfolio Management	Jordan	1992
Al-Watanieh Financial Services Company	5,500,000	100	Investment Brokerage	Palestine	1995
Al-Watanieh Securities Company	1,600,000	100	Finance Leasing	Jordan	2013
Tamallak For Financial Leasing Company	5,000,000	100	Islamic Banking	Palestine	2016
Safa Bank	53,175,000	79			

- The most important financial information for the subsidiaries as of September 30, 2020 is as follows:

	Al-Watanieh Financial Services Company (Awraq)		Al-Watanieh Securities Company	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
	JD	JD	JD	JD
Total Assets	22,422,179	17,814,522	2,739,039	2,025,376
Total Liabilities	13,049,510	8,883,052	1,595,521	763,945
Net Assets	9,372,669	8,931,470	1,143,518	1,261,431
	For the Period Ended September 30,		For the Period Ended September 30,	
	2020	2019	2020	2019
	JD	JD	JD	JD
Total Revenues	1,113,246	828,396	108,118	122,574
Total Expenses	512,299	487,809	226,031	207,315
	Tamallak For Financial Leasing Company		Safa Bank	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
	JD	JD	JD	JD
Total Assets	36,943,710	38,340,142	208,624,602	168,214,244
Total Liabilities	31,116,167	31,731,852	166,795,556	123,643,611
Net Assets	5,827,543	6,608,290	41,829,046	44,570,633
	For the Period Ended September 30,		For the Period Ended September 30,	
	2020	2019	2020	2019
	JD	JD	JD	JD
Total Revenues	1,138,140	1,208,403	2,277,645	2,357,186
Total Expenses	2,216,336	741,944	5,019,232	4,459,520

### **3. Significant accounting policies:**

The accounting policies used in the preparation of this condensed consolidated interim financial information for the period ended September 30, 2020 are consistent with those used in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of certain new and revised standards, that became effective on or after January 1<sup>st</sup>, 2020 and did not have an impact on the bank's condensed consolidated interim financial information:

#### **Amendments to international accounting standards (1) and (8) relating to the definition of importance**

The amendments are intended to facilitate an understanding of the importance of IAS 1 and is not intended to change the basic concept of importance in the International Financial Reporting Standards. The concept of "blocking" of important information with non-critical information as part of the new definition.

The physical importance limit affecting users has been changed from "can affect" to "can reasonably be expected to affect".

The definition of importance in IFRS (8) has been replaced by a reference to the definition of importance in IFRS (1). In addition, the IASC has modified other standards and a conceptual framework that contains a definition of importance or refers to the term "importance" to ensure consistency.

The amendments were implemented with a future effect for annual periods starting on or after January 1, 2020.

### **Amendments to IAS No. 3 on business definition**

The amendments show that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to be eligible for work. In order to be considered a business, the set of activities and assets acquired must, at a minimum, include substantial input and process that contribute significantly together in the ability to create outputs.

Additional instructions have been provided to help determine whether a substantive process has been obtained.

The modifications are optionally provide a focus test that allows for a simplified assessment to see if a range of acquired activities and assets is not a business. Under the optional concentration test, the group of activities and assets acquired is not a business if all fair values of total assets purchased are substantially concentrated in one specific asset or set of similar assets.

The amendments apply with a future effect on all mergers and asset acquisitions for which the date of acquisition is in or after the first annual reporting period that begins on or after January 1<sup>st</sup>, 2020.

### **Amendments to conceptual framework references in the International Financial Reporting Standards**

Along with the revised conceptual framework, which came into effect on March 29, 2018, the IASC also issued amendments to the references to the conceptual framework in the International Financial Reporting Standards. The document contains amendments to IFRSs (2), (3), (6) and (14) and International Accounting Standards (IAS) (1), (8), (34) and (38), interpretation of the International Accounting Standards Interpretation Committee (IASIC) (12), (19), (20) and (22) and interpretation of the (IASIC) No. (32).

However, not all modifications update those statements with regard to references and quotations from the framework so that they refer to the amended conceptual framework. Some statements have been updated only to refer to the version of the framework they refer to (IASC framework adopted by the IASC in 2001, the IASC framework for 2010, or the revised new framework for 2018) or to indicate that the definitions in the standard have not been updated with the new definitions developed in the revised conceptual framework.

The modifications, where they are already updated, apply for annual periods that start on or after January 1<sup>st</sup>, 2020.



#### **4. Significant Accounting Judgments and key Sources of Uncertainty Estimates:**

Preparation of the condensed consolidated interim financial information and application of the accounting policies require management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities and to disclose potential liabilities. Moreover, these estimates and judgments affect revenues, expenses, provisions, in general, expected credit loss, as well as changes in fair value that appear in the consolidated statement of comprehensive income and within shareholders' equity. In particular, the Bank's management requires judgments to be made to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Meanwhile, the actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

We believe that the estimates used in the preparation of these condensed interim financial information are consistent with those used in the annual consolidated financial information for the year ended December 31, 2019 except for the changes highlighted below:

The Coronavirus (Covid-19) outbreak in early 2020 in many geographical regions around the world has caused widespread disruptions to business, with a consequential negative impact on economic activity. Also, this event is witnessing continuous and rapid developments, which required the Group's management to conduct an evaluation of the expected effects on the Group's business inside and outside the kingdom, perform a study to review and evaluate potential risks, in addition to providing additional disclosures in the interim consolidated financial statements as of September 30, 2020. Accordingly, the Bank has taken the following measures to contain the crisis:

##### **A. The Bank's plan to address the new Corona virus (COVID-19) pandemic**

Before announcing any case of infection in Jordan, the Supreme Committee for Emergency has taken all necessary measures to ensure business continuity and customer service in the event of any emergency, through the formation of a specialized team to manage the crisis of the Corona virus spread in coordination with various sector heads and executives to ensure the implementation of a set of procedures, the most important of which are the following:

- Providing alternative locations for staff distribution to ensure work continuity and to maintain social distancing among employees.
- Activating the remote work feature for sensitive jobs in order to ensure the continuity of the provision of customer service through electronic channels and ATMs.
- Maintaining the safety of both employees and clients by taking all measures related to the sterilization of branches and workplaces.
- The bank has developed a monitoring plan to respond to disruption data and available alternatives periodically.

##### **B. The impact of the new coronavirus (COVID-19) outbreak on the results of the Bank's operations**

- In order to assess the crisis expected impact on the expected credit loss calculation results, a set of assumptions were used that relied on two main pillars to enable the Bank to monitor the impact of the crisis on its business, these two pillars are the following:

- Global practices for calculating credit loss based on International Financial Reporting Standard No. (9), and amendment of the calculation models developed for this purpose in a manner that leads to taking into account the impact of (COVID-19) event, and reaching reasonable expectations for the expected outputs of the impact.
- Management's overlay in assessing the impact on specific sectors or specific clients based on the study of each sector or customer separately.

The affected sectors have been divided into three main levels:

- Unaffected sectors (low-risk)
- Moderately affected sectors (medium risk)
- Highly affected sectors (high risk)

Reference has been made to the historical global economic indicators according to data maintained by Moody's Co., relating to economic crises, including: The crisis related to the economic downturn that occurred in 2002, as a result of the events of September 11th, whose impact was of medium intensity. As such, this was relatively relied upon for the sectors moderately affected. In addition, the crisis related to the economic downturn that occurred in 2008, which had a significant impact and was relatively relied upon for the sectors that were highly affected. Accordingly the following proposals have been made:

#### **Impacting scenario ratios**

According to the instructions of the Central Bank of Jordan regarding the application of International Financial Reporting Standard No. (9), banks must conduct several scenarios when calculating the expected credit loss, so that the final outcome of the results represents the "expected weighted credit loss for the scenarios". In this respect, the Bank adopts three scenarios: Base Scenario, Upturn Scenario, and Downturn Scenario. The weights of these scenarios are determined based on the results of the Normal Distribution Curve.

#### **Probability of Default (PD) Ratios Scenarios**

The Bank's sectors have been divided into the above-mentioned three levels, according to the Bank's estimates by the Business Sectors Division for the sectors most affected by the crisis and the severity of the impact according to the current conditions.

In coordination with the Business Sectors Department, the sectors most affected by the current crisis have been determined in order to reflect the impact of the crisis on the calculation models.



During the nine months ending September 30, 2020 in coordination with the Bank's external consultants, the Bank's proposed methodology is to be discussed, and the best practices adopted by various banks in this regard are to be reviewed. The recommendation was that the effects of the crisis at the level of many countries have included all sectors due to its overlapping impact within several sectors. Therefore, all economic sectors have necessarily been greatly affected by the crisis. Accordingly, based on this recommendation, the following scenario has been adopted at the level of all economic sectors of the components of the portfolio, and the following weights have been applied:

	<b>Weighted Average Retail Portfolio</b>	<b>Weighted Average Corporate Portfolio</b>
Upturn Scenario	10%	30%
Base Scenario	20%	40%
Downturn Scenario	70%	30%

#### **Loss Given Default (LGD)**

During the period, the bank Calculate the loss given default percentage for all scenarios and stages related to all accounts based on the historical data approved by the bank regarding default conditions and the volume of recovery that were obtained by Moody's, noting that the cash flow Expected from the guarantees in exchange for the facilities granted have been reassessed.

#### **Management Overlay**

The Bank's management has reached logical expectations regarding the outputs of this event, in addition to reflecting the Bank's management overlay in assessing the impact on some sectors or some clients based on the study of each sector or customer separately.

#### **Deferred installments and customer credit ratings**

Based on the Central Bank of Jordan Circular number 10/3/4375 issued on March 15, 2020, to the banks operating in Jordan, the Bank postponed the installments due or that would be due on some customers without considering this as a restructuring, during the period ended September 30, 2020 and without affecting the customer credit rating.

#### **C. The effect of the coronavirus (COVID-19) outbreak on the Bank's liquidity levels**

The Bank has prepared all scenarios related to stressful situations, and it enjoys comfortable levels that enable it to respond to market conditions. In addition, the measures adopted by the Central Bank of Jordan have significantly enhanced the liquidity of the Jordanian banking system.

## 5. Cash and Balances at Central Banks

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
Cash on hand	126,813,712	140,843,945
<b>Balances at Central Banks:</b>		
Current and demand accounts	60,867,702	31,117,768
Time and notice deposits	16,635,000	49,465,000
Statutory cash reserve	98,819,417	111,234,561
<b>Total Balances at Central Banks:</b>	176,322,119	191,817,329
Provision for expected credit loss (central banks)	(8,495)	(3,979)
<b>Net Balances at Central Banks:</b>	176,313,624	191,813,350
<b>Total</b>	303,127,336	332,657,295

- Restricted balances amounted to JD10,635,000 as of September 30, 2020 (JD 10,635,000 as of December 31, 2019).

In addition to the statutory cash reserve as stated above.

- There are no balances that mature in a period more than three months as of September 30, 2020 and December 31, 2019

- All balances at the Central Bank of Jordan are classified within first stage in accordance with the requirements of IFRS (9) and there are no transfers between stages 1, 2 and 3 or any written off balances as of September 30, 2020.

Movement on the provision for expected credit loss during the period/ year:

	September 30, 2020	December 31, 2019
	JD	JD
Balance- beginning of the period /year	3,979	1,582
Provision for the expected credit loss during the period / year	4,516	2,397
<b>Total</b>	8,495	3,979

## 6. Balances at Banks and Financial Institutions

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
<u>Local Banks and Financial Institutions:</u>		
Current and demand accounts	923,265	93,368
Deposits maturing within 3 months or less	29,050,383	76,035,381
<b>Total</b>	<b>29,973,648</b>	<b>76,128,749</b>
<u>Foreign Banks and Financial Institutions:</u>		
Current and demand accounts	48,730,386	36,856,493
Deposits maturing within 3 months or less	15,526,970	45,851,382
<b>Total</b>	<b>64,257,356</b>	<b>82,707,875</b>
	94,231,004	158,836,624
<u>Less: provision for expected credit loss (balances at banks)</u>	<u>(109,852)</u>	<u>(51,367)</u>
<b>Total</b>	<b>94,121,152</b>	<b>158,785,257</b>

- Non-interest bearing balances at banks and financial institutions amounted to JD 49,653,651 as of September 30, 2020 (JD 35,204,542 as of December 31, 2019).

- All balances at banks and financial institutions are classified within the first stage in accordance of IFRS (9), moreover, there is no any transactions between stages (First, second and third) or zero balances as of September 30, 2020.

- There are no restricted balances as of September 30, 2020 and December 31, 2019.

Movement on the provision for expected credit loss during the period/ year:

	September 30, 2020	December 31, 2019
	JD	JD
Balance- beginning of the period /year	51,367	27,250
Provision for the expected credit loss during the period / year	58,485	24,117
<b>Total</b>	<b>109,852</b>	<b>51,367</b>

## 7. Deposits at Banks and Financial Institutions

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
Deposit maturing within:		
More than 3 to 6 months	35,607,762	1,860,986
More than 6 to 9 months	1,183,323	29,231,645
More than 9 to 12 months	-	1,289,259
More than 12 months	41,638,800	55,897,200
Total	78,429,885	88,279,090
<u>Less:</u> provision for expected credit loss (deposits at banks)	(36,218)	(239,076)
Total	78,393,667	88,040,014

- All deposits at banks and financial institutions are classified within the first phase according to IFRS (9), moreover, there is no any transactions between phases (First, second and third) or zero balances as of September 30, 2020.

- There are no restricted deposits as of September 30, 2020 and December 31, 2019

Movement on the provision for expected credit loss during the period/ year:

	September 30, 2020	December 31, 2019
	JD	JD
Balance- beginning of the period /year	239,076	240,263
(Released from) provision for the expected credit loss during the period / year	(202,858)	(1,187)
<b>Total</b>	36,218	239,076

## 8. Financial Assets at Fair Value through Profit or Loss

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
Corporate shares	7,133,241	9,405,269
	7,133,241	9,405,269

#### 9. Financial Assets at Fair Value through Other Comprehensive Income

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
Quoted shares	43,812,037	49,901,170
Unquoted shares *	6,026,932	5,511,283
	<u>49,838,969</u>	<u>55,412,453</u>

- Dividends on investments amounted to JD2,152,730 for the nine months ended September 30, 2020 (JD 2,902,829 for the nine months ended September 30, 2019).

\* Fair value calculation for unquoted investments are based on the most recent financial data available.

#### 10. Financial Assets at Amortized Cost - Net

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
<b>Quoted Investments</b>		
Foreign government treasury bills	-	5,160,869
Foreign government treasury bonds	2,705,226	2,559,170
Corporate debt securities	<u>24,693,066</u>	<u>18,001,206</u>
Total quoted investments	<u>27,398,292</u>	<u>25,721,245</u>
<b>Unquoted Investments</b>		
Governmental treasury bills	25,969,493	-
Governmental treasury bonds *	709,273,338	669,242,997
Governmental debt securities	-	1,113,306
Corporate debt securities	<u>63,000,000</u>	<u>54,250,000</u>
Total unquoted investments	<u>798,242,831</u>	<u>724,606,303</u>
<b>Total</b>	<b>825,641,123</b>	<b>750,327,548</b>
<b>Less: Provision for expected credit loss</b>	<b>(723,620)</b>	<b>(760,286)</b>
	<u>824,917,503</u>	<u>749,567,262</u>
<b>Analysis of bonds:</b>		
Fixed income rate	<u>825,641,123</u>	<u>750,327,548</u>
Total	<u>825,641,123</u>	<u>750,327,548</u>

This item includes Financial Assets Pledged as Collateral of JD131,167,000 as of September 30, 2020 (JD73,714,000 as of December 31, 2019). These bonds were collateralized against the borrowed funds obtained from the Central Bank of Jordan for financing industrial loans, short-term financing SMEs and repurchasing agreements with Central Bank of Jordan.



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

	September 30, 2020	December 31, 2019
	JD	JD
Balance- beginning of the period /year	760,286	947,477
(Released from) provision for the expected credit loss during the period / year	(36,666)	(187,191)
<b>Total</b>	<b>723,620</b>	<b>760,286</b>

#### 11. Direct Credit Facilities - Net

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
<b>Consumer lending</b>		
Overdrafts	12,923,417	11,131,454
Loans and bills *	688,347,861	629,284,371
Credit cards	14,662,526	14,031,062
Others	7,652,017	6,157,559
<b>Real-estate mortgages</b>	<b>239,338,122</b>	<b>220,455,636</b>
<b>Corporate lending</b>		
Overdrafts	80,215,976	73,345,451
Loans and bills *	436,713,679	381,126,208
<b>Small and medium enterprises lending "SMEs"</b>		
Overdrafts	19,216,047	22,552,466
Loans and bills *	144,422,616	121,935,186
<b>Lending to public and governmental sectors</b>	<b>225,449,339</b>	<b>197,379,839</b>
<b>Total</b>	<b>1,868,941,600</b>	<b>1,677,399,232</b>
<u>Less:</u> Suspended interest	(12,070,746)	(11,088,805)
<u>Less:</u> Provision for expected credit loss	(80,592,262)	(67,234,849)
<b>Net- Direct Credit Facilities</b>	<b>1,776,278,592</b>	<b>1,599,075,578</b>

\* Net after deducting the amount of interest received in advance amounting to JD 3,599,655 as of September 30, 2020 (JD 5,629,872 as of December 31, 2019).

- Non-performing credit facilities, in accordance with the instructions of the Central Bank of Jordan, amounted to JD 107,586,743 as of September 30, 2020 (JD 91,543,362 as of December 31, 2019), representing 5.76% (December 31, 2019: 5.46%) of gross direct credit facilities granted.
- Non-performing credit facilities, net of suspended interest, amounted to JD95,761,090 as of September 30, 2020 (JD 80,631,264 as of December 31, 2019), representing 5.16% (December 31, 2019: 4.84%) of gross direct credit facilities granted after excluding the suspended interest.
- Credit facilities granted to the Government of Jordan amounted to JD 60,947,652 as of September 30, 2020 (JD 84,591,574 as of December 31, 2019), representing 3.26% (December 31, 2019: 5.04%) of gross direct credit facilities granted.
- Credit facilities granted to the public sector in Palestine amounted to JD 76,983,250 as of September 30, 2020 (JD 69,697,758 as of December 31, 2019), representing 4.12% (December 31, 2019: 4.16%) of gross direct credit facilities granted.

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

	Residential		Corporates		Government and	
	Consumer	Loans	Large	SMEs	Public Sector	Total
<u>For the Nine Months Ended September 30, 2020</u>	JD	JD	JD	JD	JD	JD
Gross Balance - beginning of the period / year	39,225,885	6,648,056	9,139,787	9,209,613	3,011,508	67,234,849
Credit loss on new facilities during the period	7,156,412	1,340,237	949,454	988,418	201,455	10,635,976
Reversed from credit loss on settled facilities	(1,493,463)	(380,893)	(1,128,272)	(859,815)	(83,834)	3,946,277-
Transferred to stage 1	3,799,499	384,735	973,672	72,915	4,111	5,234,932
Transferred to stage 2	2,456,172	728,335	(550,444)	124,914	1,544,104	4,303,081
Transferred to stage 3	(6,255,671)	(1,113,070)	(423,228)	(197,829)	(1,548,215)	9,538,013-
Effect on the provision at the end of the period - resulting from the reclassification between the three stages during the period	(1,136,391)	500,934	3,841,069	3,568,500	(1,439,008)	5,335,104
Changes resulting from adjustments	(678,769)	(293,450)	2,272,128	1,040,610	(1,144,908)	1,195,611
Valuation differences	136,999	-	-	-	-	136,999
Gross Balance - End of the Period	43,210,673	7,814,884	15,074,166	13,947,326	545,213	80,592,262
<u>For the Year Ended December 31, 2019</u>						
Gross Balance - beginning of the period / year	40,799,652	5,120,597	7,072,595	6,843,433	1,679,470	61,515,747
Credit loss on new facilities during the year	4,668,975	957,196	1,205,426	1,108,636	575,557	8,515,790
Reversed from credit loss on settled facilities	(1,651,466)	(1,009,412)	(1,287,848)	(880,419)	(109,067)	(4,938,212)
Transferred to stage 1	3,408,626	334,341	124,466	32,882	150,229	4,050,544
Transferred to stage 2	559,283	268,353	(62,002)	810,523	(150,229)	1,425,928
Transferred to stage 3	(3,967,909)	(602,694)	(62,464)	(843,405)	-	(5,476,472)
Effect on the provision at the end of the year - resulting from the reclassification between the three stages during the year	2,521,774	1,634,964	3,061,977	2,711,365	(144,622)	9,785,458
Changes resulting from adjustments	(4,864,119)	(82,404)	(1,111,595)	(608,399)	1,010,170	(5,656,347)
Written off facilities	(2,348,355)	-	-	(43,163)	-	(2,391,518)
Valuation differences	99,424	27,115	199,232	78,160	-	403,931
Gross Balance - End of the Period / Year	39,225,885	6,648,056	9,139,787	9,209,613	3,011,508	67,234,849

## Suspended Interest

The movement on the suspended interest during the period/ year is as follows:

	Consumer	Residential Loans	Corporates Large	SMEs	Government and Public Sector	Total
<u>For the period ended September 30, 2020</u>	JD	JD	JD	JD	JD	JD
Gross Balance at the beginning of the period/ year	2,205,107	411,444	6,584,343	1,688,756	199,155	11,088,805
Suspended interest on new exposures during the period	504,966	185,171	658,766	573,032	3	1,921,938
Suspended interest on settled exposures transferred						
to revenue during the period	(428,317)	(36,076)	(56,432)	(220,017)	(199,155)	(939,997)
Transferred to stage 1	74,630	6,019	-	109	-	80,758
Transferred to stage 2	66,104	17,825	(24,075)	1,329	-	61,183
Transferred to stage 3	<u>(140,734)</u>	<u>(23,844)</u>	<u>24,075</u>	<u>(1,438)</u>	<u>-</u>	<u>(141,941)</u>
Gross Balance at the End of the Period/ Year	<u>2,281,756</u>	<u>560,539</u>	<u>7,186,677</u>	<u>2,041,771</u>	<u>3</u>	<u>12,070,746</u>

## For the year ended December 31, 2019

Gross Balance at the beginning of the period/ year	1,996,485	278,066	6,411,115	1,314,025	288,857	10,288,548
Suspended interest on new exposures during the year	587,193	187,196	558,266	655,717	-	1,988,372
Suspended interest on settled exposures transferred						
to revenue during the year	(346,678)	(53,818)	(385,038)	(280,986)	-	(1,066,520)
Transferred to stage 1	67,420	8,191	(24,190)	1,581	-	53,002
Transferred to stage 2	13,554	11,691	24,187	53,296	-	102,728
Transferred to stage 3	(80,975)	(19,882)	3	(54,877)	-	(155,731)
Suspended interest on written off exposures	(25,943)	-	-	-	(89,702)	(115,645)
adjustments resulting from change in exchange rates	<u>(5,949)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,949)</u>
Gross Balance at the End of the Period/ Year	<u>2,205,107</u>	<u>411,444</u>	<u>6,584,343</u>	<u>1,688,756</u>	<u>199,155</u>	<u>11,088,805</u>

## 12 Other Assets

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
Accrued income	18,789,700	19,741,336
Prepaid expenses	8,246,844	5,757,071
Reposessed Assets – net	10,807,752	11,938,836
Accounts receivable – net	7,758,614	5,995,981
Clearing checks	6,790,398	7,318,391
Settlement guarantee fund	25,000	31,000
Refundable deposits	609,531	891,713
Deposits at Visa International	1,999,401	1,999,401
Others	<u>1,507,670</u>	<u>1,271,432</u>
Total	<u>56,534,910</u>	<u>54,945,161</u>

Movement on repossessed assets is as follows:

	September 30, 2020	December 31, 2019
	JD	JD
Balance - beginning of the year	13,624,736	10,361,210
Additions	391,092	3,364,608
Transferred to property & equipment *	(1,522,176)	-
Disposals	-	(101,082)
<b>Total</b>	<b>12,493,652</b>	<b>13,624,736</b>
Impairment of repossessed assets	(469,994)	(469,994)
Impairment of repossessed assets as per the Central Bank of Jordan instructions	(1,215,906)	(1,215,906)
<b>Balance - End of the Year</b>	<b>10,807,752</b>	<b>11,938,836</b>
A summary of the movement on repossessed assets previous:		
Balance-beginning of the year	1,685,900	1,685,900
<b>Balance - End of the Year</b>	<b>1,685,900</b>	<b>1,685,900</b>

As per the Central Bank of Jordan instructions the repossessed assets should be sold within two years of under exceptional circumstances by the Central Bank of Jordan for a maximum of four years. In addition, the Bank has started to book a gradual provision for the repossessed assets which are being held for more than four years in accordance to the central Bank of Jordan circular number 10/1/4076 dated March 27, 2014, and 10/1/7096 dated June 8, 2014, the bank started to book provision gradually for those sized asset with aging more than 4 year. In light of IFRS (9) adoption and its direct impact on the consolidated financial statements of the Bank, it was decided to stop the Circular rules mentioned above for the year 2018 and continue on booking provisions in the year 2021 according to the Central Bank of Jordan circular number 10/1/13967 dated October 25, 2018.

\* This item represents the part that has been transferred from repossessed assets at cost to the property and equipment during the period ending on September 30, 2020.

### 13. Customers Deposits

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
Current and demand accounts	520,245,048	479,847,529
Saving deposits	527,674,139	516,093,388
Time and notice deposits	1,051,407,593	1,055,015,078
<b>Total</b>	<b>2,099,326,780</b>	<b>2,050,955,995</b>

- The Government of Jordan and the public sector deposits inside the Kingdom amounted to JD 279,986,656, equivalent to 13.34% of total deposits as of September 30, 2020 (JD 273,518,953, equivalent to 13.34% of total deposits as of December 31, 2019).

- There are no restricted deposits as of September 30, 2020 and December 31, 2019.

- Non-interest bearing deposits amounted to JD 482,881,842 as of September 30, 2020 (JD 417,426,268 as of December 31, 2019) representing 23% (December 31, 2019: 20.35%) of total deposits.

- Dormant accounts amounted to JD 53,320,155 as of September 30, 2020 (JD 35,166,834 as of December 31, 2019).



#### 14 Borrowed Funds

This item consists of the following:

	Amount	No. of Installments		Payable	Maturity	Collaterals	Interest Rate
		Total	Outstanding				
<u>September 30, 2020</u>	JD						
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.845%-4.895%
Amounts borrowed from French Development Agency	1,772,500	20	10	Semi- annually	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan*	6,650,000	10	5	Annually	2028	None	2.700%
Amounts borrowed from Central Bank of Jordan**	51,289,690	197	197	At maturity / per Loan	2020 - 2030	Treasury bonds	1% - 2%
Amounts borrowed from Central Bank of Jordan*	1,391,968	14	8	Semi- annually	2028	None	2.500%
Amounts borrowed from European Bank for Reconstruction and Development	1,011,428	7	2	Semi- annually	2021	None	4.750%
Amounts borrowed from European Bank for Reconstruction and Development	12,154,286	7	6	Semi- annually	2025	None	5.500%
Amounts borrowed from Central Bank of Jordan*	3,895,000	20	19	Semi- annually	2031	None	2.8%
Jordan Mortgage Refinance Company ***	30,000,000	1	1	At maturity	2024	None	5.750%
Amounts borrowed from Central Bank of Jordan	3,941,315	34	34	Semi- annually	2039	None	3.000%
Jordan Mortgage Refinance Company ***	10,000,000	1	1	At maturity	2022	None	5.900%
Jordan Mortgage Refinance Company ***	10,000,000	1	1	At maturity	2024	None	5.900%
Amounts borrowed from Central Bank of Jordan	16,666,667	1	1	At maturity	2020	Treasury bonds	2.000%
Amounts borrowed from Central Bank of Jordan	14,204,545	1	1	At maturity	2020	Treasury bonds	2.000%
Amounts borrowed from Central Bank of Jordan	21,293,706	1	1	At maturity	2020	Treasury bonds	2.000%
Amounts borrowed from Central Bank of Jordan	14,285,714	1	1	At maturity	2020	Treasury bonds	2.000%
Amounts borrowed from Central Bank of Jordan	8,258,926	1	1	At maturity	2020	Treasury bonds	2.000%
Amounts borrowed from Central Bank of Jordan	23,789,063	1	1	At maturity	2020	Treasury bonds	2.000%
Amounts borrowed from Central Bank of Jordan	33,582,090	1	1	At maturity	2021	Treasury bonds	2.000%
Amounts borrowed from Central Bank of Jordan	27,828,318	81	81	At maturity / per Loan	2022 - 2024	None	0.000%
Societe Generale Banque de Jordanie	244,444	45	11	Monthly	2020	None	7.000%
Amounts borrowed from International Financial Markets	1,074,224	1	1	-	None	None	-
Amounts borrowed from French Development Agency	7,516,523	20	19	Semi- annually	2031	None	1.683%
Amounts borrowed from European Bank for Reconstruction and Development	2,532,143	7	5	Semi- annually	2023	None	4.047%
Total	<u>318,980,550</u>						
<u>December 31, 2019</u>							
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.895%-4.845%
Amounts borrowed from French Development Agency	1,949,750	20	11	Semi- annually	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan*	7,600,000	10	7	Annually	2028	None	2.700%
Amounts borrowed from Central Bank of Jordan**	34,163,765	184	184	At maturity / per Loan	2018 - 2026	Treasury bonds	2.5% - 1%
Amounts borrowed from Central Bank of Jordan*	1,559,984	14	9	Semi- annually	2028	None	2.500%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	3,034,286	7	3	Semi- annually	2021	None	4.750%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	1,012,857	7	1	Semi- annually	2020	None	3.25%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	14,180,000	7	7	Semi- annually	2025	None	5.500%
Amounts borrowed from Central Bank of Jordan*	4,100,000	20	20	Semi- annually	2031	None	2.8%
Jordan Mortgage Refinance Company ***	30,000,000	1	1	At maturity	2024	None	5.750%
Jordan Mortgage Refinance Company ***	5,000,000	1	1	At maturity	2020	None	5.750%
Amounts borrowed from Central Bank of Jordan	2,857,982	34	34	Semi- annually	2039	None	3.000%
Jordan Mortgage Refinance Company ***	10,000,000	1	1	At maturity	2020	None	5.900%
Amounts borrowed from Central Bank of Jordan	70,000,000	1	1	At maturity	2019	Treasury bonds	4.000%
Jordan Mortgage Refinance Company ***	10,000,000	1	1	At maturity	2020	None	5.900%
Amounts borrowed from French Development Agency	7,498,807	20	20	Semi- annually	2031	None	1.433%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	3,545,000	7	7	Semi- annually	2023	None	4.047%
Etihad Bank	2,700,000	32	32	Quarterly	2023	None	6.000%
Societe Generale de Banque Jordanie	444,444	45	-12	Monthly	2021	None	7.000%
Amounts borrowed from International Financial Markets (FMI)	1,074,224	1	1	-	None	None	-
Total	<u>226,319,099</u>						

\* The borrowed funds from Central Bank of Jordan for SMEs loans were re-lent on an average interest rate of 8.5%

\*\* The borrowed funds from Central Bank of Jordan for industrial, energy, agriculture and tourism financing loans were re-lent on an average interest rate from 3.5% to 4%.

\*\*\* Residential loans acquired from Jordan Mortgage Refinance Company amounted to JD 44,688,688 as of September 30, 2020 at a fixed rate of 7%.



## 15 Income Tax

### A. Income Tax Provision

The movement on income tax provision during the period/ year is as follows:

	September 30, 2020	December 31, 2019
	JD	JD
Balance - beginning of the period/ year	16,954,411	15,202,732
Income tax paid	(15,500,933)	(15,198,995)
Income tax expense	9,505,998	16,950,674
<b>Balance - End of the Period/ Year</b>	<b>10,959,476</b>	<b>16,954,411</b>

### B. Income tax appearing in the income statement represents the following:

	For the Nine Months Ended September 30,	
	2020	2019
	JD	JD
Income tax for the period	9,505,998	11,281,758
Deferred tax assets	(7,439)	(240,741)
Deferred tax liabilities	(590,669)	(59,340)
Income tax for current period profit	<b>8,907,890</b>	<b>10,981,677</b>

- The income tax rate on banks in Jordan is 38% and varies between 0%-31% in countries that the bank has branches and companies in. Banks in Palestine are subject to an income tax rate of 15% and VAT of 16%.
- The Bank has reached a final settlement with the Income and Sales Tax Department up to the end of the year 2018 for the Bank's branches in Jordan. The Income and Sales Tax Department did not review 2019 records up to the date of these condensed consolidated interim financial statements.
- A final settlement was reached with the tax authorities for the Bank's branches in Palestine up until the end of the year 2017.
- A final settlement has been reached with the Income and Sales Tax Department up to the end of the year 2014 for Al-Watanieh Financial Services Company. In addition, the Sales and Income Tax Department reviewed the Company's records for the years 2015, 2016 and 2017, and estimated the accrued tax amount for these years at JD 1,361,990 for the amounts paid. The Company objected this estimate in specialized courts and it is still visible in the primitive court in initiating data phase. Whereas the income and sales tax department has accepted the self assessment tax return for the year 2018.
- Al-Watanieh Securities Company - Palestine has reached a final settlement with the Income and Sales Tax Department up to the year 2018.
- Tamallak for Financial Leasing Company had reached a final settlement with the Income and sales tax Department until the year 2017. Furthermore, the Income Tax Department did not review 2018 records, up to the date of these condensed consolidated interim financial statements.
- In the opinion of the Bank's management, income tax provisions as of September 30, 2020 are sufficient to meet any future tax obligations.

The movement on the deferred tax assets is as follows:

	September 30, 2020	December 31, 2019
	JD	JD
Balance - beginning of the period / year	9,325,649	8,699,628
Additions	2,227,227	1,105,993
Disposal	(530,246)	(479,972)
Balance - End of the Period / Year	<u>11,022,630</u>	<u>9,325,649</u>

- Deferred tax is calculated using the tax rates that are expected to be applied when the deferred tax assets will be realized or the deferred tax liabilities will be settled.

#### 16. Other Liabilities

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
Accrued interest	12,113,581	20,169,502
Accrued income	450,076	343,600
Accounts payable	15,518,043	7,105,983
Accrued expenses	11,097,727	8,014,790
Temporary deposits	32,378,231	20,067,495
Checks and withdrawals	6,892,081	4,607,949
Others	<u>2,020,753</u>	<u>2,552,106</u>
	80,470,492	62,861,425
Provision for expected credit loss on indirect credit facilities	<u>2,330,837</u>	<u>2,374,728</u>
Total	<u>82,801,329</u>	<u>65,236,153</u>

Disclosure of movement on the provision of expected credit loss and other liabilities:

	September 30, 2020	December 31, 2019
	JD	JD
Balance - beginning of the period / year	2,374,728	2,129,980
(Released from) Provision for expected credit loss on indirect credit facilities	(43,891)	244,748
Total	<u>2,330,837</u>	<u>2,374,728</u>

#### 17. Fair Value Reserve - Net

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
<b>Balance - beginning of the period / year</b>	(7,848,900)	(9,789,482)
Unrealized (loss) gain	(5,913,220)	1,207,435
Loss from sale financial assets at fair value through other comprehensive income transferred to retained earnings	85,200	278,095
Deferred tax assets	1,106,310	437,204
Deferred tax liabilities	42,370	17,848
<b>Balance - end of the Period / Year</b>	<u>(12,528,240)</u>	<u>(7,848,900)</u>

- The fair value reserve - net is presented after deducting the deferred tax assets of an amount of JD 3,932,287 and after deducting the deferred tax liabilities of an amount of JD 169,697.

#### 18. Retained Earnings

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
<b>Balance - beginning of the period / year</b>	73,967,732	77,486,036
Profit for the year	-	28,095,485
Transferred to statutory reserve	-	(4,428,971)
Transferred from (to) general banking risk reserve	-	(623,432)
Transferred to cyclical fluctuations reserve	-	(3,291)
Cash dividends	-	(16,200,000)
Transferred to capital increase	-	(10,000,000)
Capital increase related expenses	-	(80,000)
Transfers resulted from sale of financial assets at fair value through other comprehensive income	(85,200)	(278,095)
<b>Balance - end of the Period / Year</b>	<u>73,882,532</u>	<u>73,967,732</u>

- Retained earnings balance include unrealized gains amounting to JD 13,931,699 resulting from the early implementation of IFRS 9. This amount is not available for distribution in accordance with the Securities Commission instructions, except for the amounts realized through the sale of the financial assets.
- Retained earnings include deferred tax assets amounted to JD 11,022,630 as of September 30, 2020 against JD 9,325,649 as of December 31, 2019 which is not available for distribution in accordance with the Central Bank of Jordan instructions.
- The Bank cannot use a restricted amount of JD 12,528,240 which represents the negative fair value for the financial assets through other comprehensive income in accordance with the instructions of the Central Bank of Jordan and the Jordanian Securities Commission.
- The Bank cannot use a restricted amount of JD1,155,916 which represents the remaining balance of the general banking risk reserve included in retained earnings in accordance with the instructions of the Central Bank of Jordan.

## 19. Interest Income

This item consists of the following:

	For the Nine Months Ended September 30,	
	2020	2019
	JD	JD
Direct Credit Facilities:		
Overdrafts	14,735,136	15,687,184
Loans and bills	79,357,028	89,053,479
Credit cards	1,988,921	2,041,662
Balances at Central Banks	175,797	1,349,123
Balances and deposits at banks and financial institutions	2,726,723	4,149,633
Financial assets at amortized cost	29,283,900	24,633,570
Other	268,190	206,749
	<u>128,535,695</u>	<u>137,121,400</u>

## 20. Interest Expense

This item consists of the following:

	For the Nine Months Ended September 30,	
	2020	2019
	JD	JD
Banks and financial institutions deposits	6,490,294	10,655,935
<b>Customers' deposits:</b>		
Current accounts and demand deposits	1,557,401	2,096,683
Saving accounts	1,864,308	2,967,669
Time and notice deposits	30,470,108	37,886,662
Certificates of deposit	-	73
Cash margins	583,947	639,528
Loans and borrowings	6,951,355	4,779,649
Deposits guarantee fees	2,400,467	2,683,831
<b>Total</b>	<u>50,317,880</u>	<u>61,710,030</u>



**21. Gains from Financial Assets at Fair Value through Profit or Loss**

This item consists of the following:

	Realized Gain	Unrealized (Loss)	Stock Dividends	Total
	JD	JD	JD	JD
<b>For the Nine Months Ended September 30, 2020</b>				
Companies shares	(92,674)	(2,074,609)	93,283	(2,074,000)
Bonds	422,921	-	-	422,921
<b>Total</b>	<u>330,247</u>	<u>(2,074,609)</u>	<u>93,283</u>	<u>(1,651,079)</u>
<b>For the Nine Months Ended September 30, 2019</b>				
Companies shares	127,765	(850,639)	707,742	(15,132)
<b>Total</b>	<u>127,765</u>	<u>(850,639)</u>	<u>707,742</u>	<u>(15,132)</u>

**22. Expected Credit Loss**

This item consists of the following:

	For the Nine Months Ended September 30,	
	2020	2019
	JD	JD
Balances at central banks	4,516	16,396
Balances at banks and financial institutions	58,485	4,477
Deposits at banks and financial institutions	(202,858)	(78,749)
Financial assets at amortized cost	(36,666)	(390,648)
Direct credit facilities	13,220,414	8,263,990
Indirect credit facilities	(43,891)	495,928
<b>Total</b>	<u>13,000,000</u>	<u>8,311,394</u>

### 23. Earnings per Share for the period - (Bank's Shareholders)

This item consists of the following:

	For the Nine Months Ended September 30,	
	2020	2019
	JD	JD
Profit for the period attributable to shareholders (JD)	12,243,769	18,005,338
Weighted average number of shares (share)	190,000,000	190,000,000
	(JD/ Fils)	(JD/ Fils)
Basic and diluted earnings per share for the period - (Bank's Shareholders)	0.064	0.095

- The weighted average number of shares was calculated on the basic and diluted profit attributed to the shareholders of the Bank based on the authorized number of shares for the nine months ended September 30, 2020 and 2019.

### 24. Cash and Cash Equivalents

This item consists of the following:

	For the Nine Months Ended September 30,	
	2020	2019
	JD	JD
Cash and balances at Central Banks maturing within three months	303,135,831	326,777,284
<u>Add:</u> Balances at banks and financial institutions maturing within three month	94,231,004	101,115,719
<u>Less:</u> Banks and financial institutions' deposits maturing within three months	(199,064,810)	292,143,837
Restricted balances	(10,635,000)	10,635,000
<b>Total</b>	<b>187,667,025</b>	<b>125,114,166</b>

## 25. Balances and Transactions with Related Parties

The accompanying consolidated financial statements of the Bank include the following subsidiaries:

Company Name	Ownership	Paid in Capital	
		2020	2019
	%	JD	JD
Al-Watanieh Financial Services Company Limited Liability	100	5,500,000	5,500,000
Al-Watanieh Securities Company private shareholding	100	1,600,000	1,600,000
Tamallak for Financial Leasing Company	100	5,000,000	5,000,000
Safa Bank	79	53,175,000	53,175,000

The Bank entered into transactions with subsidiaries, major shareholders, board of directors members, senior management in the ordinary course of business at commercial interest and commission rates. All the credit facilities to related parties are performing facilities and are free of any provision.

The following related party transactions took place during the period/ year:

	Related Parties			Total	
	Board of Directors and Relatives	Executive Management	Other *	September 30, 2020	December 31, 2019
	JD	JD	JD	JD	JD
<b><u>Statement of Financial Position Items:</u></b>					
Direct credit facilities	35,852,183	3,231,378	33,699,612	72,783,173	52,033,532
Deposits at the Bank	44,381,105	2,979,246	5,720,408	53,080,759	61,565,392
Cash Margins	195,031	24,076	103,090	322,197	176,186
<b><u>Off Statement of Financial Position Items:</u></b>					
Indirect credit facilities	1,349,249	20,300	217,717	1,587,266	2,026,181
				For the Nine Months Ended September 30,	
				2020	2019
<b><u>Income Statements Items:</u></b>					
Interest and commission income	969,687	176,436	2,849,987	3,996,110	5,421,265
Interest and commission expense	1,162,845	62,168	254,502	1,479,515	638,131

\* Others include the rest of bank employees and their relatives up to the third degree.

- Credit interest rates on credit facilities in Jordanian Dinar range between 3.75% -13.54%
- Credit interest rates on credit facilities in foreign currency range between 4% - 4.75%
- Debit interest rates on deposits in Jordanian Dinar range between zero% - 5.75%
- Debit interest rates on deposits in foreign currency range between zero% - 2.1%

Salaries, wages and bonuses of executive management amounted to JD 2,583,113 as of September 30, 2020 (JD 3,165,952 as of September 30, 2019).

## 26. Segmental analysis

### A. Information on the Bank's Segments:

For management purposes the Bank is organized into three major business segments which are measured according to reports used by the general manager and key decision makers at the Bank, through the following major sectors:

- Retail banking: Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;
- Corporate banking: Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Treasury: Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations

Following is the Bank's segment information:

	Retail Banking	Corporate Banking	Treasury	Other	Total	
					For the Nine Months Ended September 30,	
					2020	2019
	JD	JD	JD	JD	JD	JD
<b>Gross income</b>	70,573,712	41,769,233	36,049,478	1,725,305	150,117,728	162,729,750
Expected credit loss	(5,014,618)	(8,205,797)	220,415	-	(13,000,000)	(8,311,394)
Segment result	47,424,612	16,286,061	21,363,870	1,725,305	86,799,848	92,708,326
Unallocated costs					66,223,579	64,162,538
<b>Profit before taxes</b>					<b>20,576,269</b>	<b>28,545,788</b>
Income tax					(8,907,890)	(10,981,677)
<b>Profit for the period</b>					<b>11,668,379</b>	<b>17,564,111</b>
<b>Other information</b>						
Capital expenditure					5,561,938	5,085,086
Depreciation and amortization					6,901,348	7,036,028
					September 30,	December 31,
					2020	2019
					JD	JD
Total segment assets	909,056,090	867,222,502	1,368,554,498	131,977,507	3,276,810,597	3,133,800,635
Total segment liabilities	978,018,563	1,029,415,789	771,486,884	131,756,156	2,910,677,392	2,774,571,269

### B. Geographical Information:

The following table shows the distribution of the Bank's profit assets and capital expenditure by geographical segment, the Bank operates in Jordan and Palestine.

Below is the distribution of the revenues, assets and capital expenditures as per the geographical information:

	Inside Jordan		Outside Jordan		Total	
	September 30,		September 30,		September 30,	
	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD
Total revenue	119,566,204	131,851,248	30,551,524	30,878,502	150,117,728	162,729,750
Capital expenditures	2,532,017	3,151,563	3,029,921	1,933,523	5,561,938	5,085,086
	Inside Jordan		Outside Jordan		Total	
	September 30,	December 31,	September 30,	December 31,	September 30,	December 31,
	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD
Total assets	2,479,014,084	2,350,514,591	797,796,513	783,286,044	3,276,810,597	3,133,800,635



## **27. Contingent Liabilities and Commitments**

This item consists of the following:

	September 30, 2020	December 31, 2019
	JD	JD
Letters of credit	49,561,300	35,507,245
Acceptances	4,723,993	1,529,834
<b>Letters of guarantee:</b>		
- Payments	24,940,247	22,512,325
- Performance	18,531,184	19,014,375
- Other	16,024,824	11,003,640
Irrevocable commitments to extend credit	158,923,450	143,410,544
<b>Total</b>	<b>272,704,998</b>	<b>232,977,963</b>

## **28. Lawsuits**

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 39,378,738 and 40,687,643 as of September 30, 2020 and December 31, 2019 respectively. In the opinion of the Bank's management and legal counsel, the Bank maintains adequate provisions against the lawsuits.

Provisions against the cases amounted to JD 1,339,397 and JD 1,354,397 as of September 30, 2020 and December 31, 2019, respectively.

On January 1, 2019 multiple civil lawsuits have been filed at US courts against multiple banks and financial institutions claiming financial compensation using the US antiterrorism law for damages allegedly resulting from attacks by groups listed under the US sanctions list in 2001. These lawsuits have been filed at courts hours before their filing deadline, and have been filed by an attorney office which has filed several similar complaints against other banking institutions on behalf of the same plaintiffs claiming the damages. Cairo Amman Bank is one of the banks the aforementioned lawsuit has been filed against. The lawsuit is still in the preliminary phase.

In the opinion of management and legal counsel, no provisions should be recorded for the lawsuits filed at US courts against the Bank as of September 30, 2020 as the Bank has consulted with legal consultants specialized in US courts and concluded that the legal status of the lawsuits is in favor of the Bank and that there are no legal or judicial grounds for the lawsuits. As the Legal specialist attorney believe that the legal status of the bank is favorable in regards to this lawsuit.

## **29. Statutory Reserve**

The Bank did not deduct the statutory reserves during the period due to the fact that these statements are condensed consolidated financial statements.

### 30. Fair value levels

#### A. The fair value of financial assets and financial liabilities of the Bank specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Bank are measured at fair value at the end of each fiscal period. The following table shows information about how the fair value of these financial assets and liabilities is determined (valuation methods and used inputs).

Financial Assets / Financial Liabilities	Fair Value		The Level of Fair Value	Valuation Method and Inputs Used	Important Intangible Inputs	Relation between Fair Value and Significant Intangible Inputs
	September 30, 2020	December 31, 2019				
	JD	JD				
<b>Financial Assets at Fair Value in Through Profit or Loss</b>						
Companies shares	7,133,241	9,405,269	Level I	Prices issued in market values	Not Applicable	Not Applicable
Total	7,133,241	9,405,269				
<b>Financial Assets at Fair Value in Other Comprehensive Income</b>						
Quoted shares	43,812,037	49,901,170	Level I	Prices issued in market values	Not Applicable	Not Applicable
Unquoted shares	6,026,932	5,511,283	Level II	Prices issued in market values Comparing the market value with a similar financial instrument	Not Applicable	Not Applicable
Total	49,838,969	55,412,453				
Total Financial Assets at Fair Value	56,972,210	64,817,722				

There were no transfers between the first level and second level during period.

#### B. The fair value of financial assets and financial liabilities of the Bank (non-specific fair value on an ongoing basis):

Except as set out in the table below, we believe that the carrying value of financial assets and financial liabilities in the financial statements of the Bank approximates their fair value, as the Bank's management believes that the carrying value of the items listed below approximate their fair value, due to either their short-term maturity or repricing of interest rates during the year.

	September 30, 2020		December 31, 2019	
	Book Value	Fair Value	Book Value	Fair Value
	JD	JD	JD	JD
<b>Financial Assets with an Unspecified Fair Value</b>				
Balances at Central Banks	176,313,624	176,314,510	191,813,350	191,824,797
Balances at Banks and other Financial Institutes	94,121,152	94,130,707	158,785,257	158,907,531
Deposits at Banks and other Financial Institutes	78,393,667	78,935,437	88,040,014	90,527,092
Loans, bills and other	1,776,278,592	1,784,751,054	1,599,075,578	1,606,401,830
Financial assets at amortized costs	824,917,503	834,682,530	749,567,262	759,361,547
Total Financial Assets with an Unspecified Fair Value	2,950,024,538	2,968,814,238	2,787,281,461	2,807,022,797
<b>Financial Liabilities with an Unspecified Fair Value</b>				
Banks and financial institutes deposits	284,109,810	285,266,556	296,058,936	300,866,027
Customer Deposits	2,099,326,780	2,109,103,376	2,050,955,995	2,065,021,148
Cash margin	57,208,613	57,209,263	58,704,352	58,707,804
Borrowed funds	318,980,550	320,160,139	226,319,099	227,612,905
Total Financial Liabilities with an Unspecified Fair Value	2,759,625,753	2,771,739,334	2,632,038,382	2,652,207,884

For the above-mentioned items, the second and third level financial liabilities and financial assets have been determined at fair value according to the agreed-upon pricing model, which reflects the credit risk of the parties dealt with.