

JORDAN INSURANCE COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2023

**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF JORDAN INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY
AMMAN – JORDAN**

Introduction

We have reviewed the accompanying interim condensed financial statements of Jordan Insurance Company a public shareholding company (“the company”) as at 31 March 2023, comprising of the interim condensed statement of financial position as at 31 March 2023 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 three months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with accounting policies described in note (2). 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 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 the 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 accounting policies described in note (2).

Emphasis of matters

- Basis of accounting and restriction on use and distribution

We draw attention to Note (2) to the interim condensed financial statements, which describes the basis of preparation. These interim condensed financial statements have been prepared for the purposes of compliance with the reporting requirements of the Insurance Management Department and the Jordan Securities Commission, and therefore they may not be suitable for other purposes, and our report is intended for the use of the Company's management, the Insurance Management Department and the Jordan Securities Commission and should not be used by other parties. This matter does not modify the conclusion that we reached on the accompanying interim condensed financial statements.

- **Solvency ratio**

Without qualifying our conclusion, we draw attention to note (30) to the interim condensed financial statements, which describes the solvency ratio of the Company that reached 183% as of 31 March 2023, which is less than the determined rate by the Insurance management of 200%.

Other matter

The Company's interim condensed financial statements for the period ended 31 March 2022 were reviewed by another auditor who issued an unqualified conclusion on 28 April 2022.

The partner in charge of the review resulting in this auditor's report was Ali Hasan Samara; license number 503.

Amman – Jordan
1 May 2023

ERNST & YOUNG
Amman - Jordan

JORDAN INSURANCE COMPANY PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	31 March 2023 JD (Unaudited)	31 December 2022 JD (Audited)
<u>Assets</u>			
Investments -			
Bank deposits	3	22,354,103	22,207,347
Financial assets at fair value through profit or loss	4	2,857,709	2,848,284
Financial assets at fair value through other comprehensive income	5	20,971,814	19,917,394
Investment properties	6	15,513,276	15,587,294
Life policyholder's loans	7	26,739	26,739
Total Investments		61,723,641	60,587,058
Other Assets -			
Cash on hand and at banks	8	4,954,622	4,716,326
Notes receivable and checks under collection	9	2,353,645	1,963,710
Accounts receivable, net	10	18,814,181	15,523,659
Reinsurance receivables, net	11	4,628,177	4,031,222
Deferred tax assets	27/D	2,737,802	2,802,399
Property and equipment, net	12	1,163,851	1,066,887
Intangible assets, net	13	334,739	341,579
Other assets	14	3,327,258	2,476,525
Total Assets		100,037,916	93,509,365
<u>Liabilities and Equity</u>			
Insurance contract liabilities -			
Unearned premiums reserve, net		14,838,293	13,395,557
Outstanding claims reserve, net		16,534,758	16,450,627
Mathematical reserve, net	15	1,519,975	1,599,633
Premiums deficiency reserve		297,390	297,390
Total Insurance contract liabilities		33,190,416	31,743,207
Other liabilities -			
Due to banks	16	7,535,188	9,050,549
Accounts payable		3,536,884	2,691,195
Re-insurance payable	17	10,966,842	7,534,486
Other provisions		1,246,373	1,210,701
Income tax provision	27/A	942,524	627,524
Deferred tax liabilities	27/D	274,982	274,982
Other liabilities	18	1,036,313	697,949
Total insurance contract liabilities and other liabilities		58,729,522	53,830,593
Equity -			
paid-in capital	19	30,000,000	30,000,000
Statutory reserve		7,500,000	7,500,000
Fair value reserve	20	(3,463,494)	(4,374,701)
Retained earnings	21	6,553,473	6,542,768
Profit for the period / year		718,415	10,705
Total Equity		41,308,394	39,678,772
Total Liabilities and Equity		100,037,916	93,509,365

The attached notes from 1 to 32 form part of these interim condensed financial statements

JORDAN INSURANCE COMPANY PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Notes	For the three months ended 31 March	
		2023	2022
		JD	JD
Revenues –			
Gross written premiums - general insurance		18,313,895	16,013,188
Gross written premiums - life		7,805,893	6,518,113
Less: reinsurance share - general insurance		(10,019,714)	(8,077,685)
Less: reinsurance share - life		(5,149,407)	(3,843,138)
Net written premiums		10,950,667	10,610,478
Net change in unearned premiums reserve		(1,442,736)	(1,949,637)
Net change in mathematical reserve		79,658	44,732
Net change in premiums deficiency reserve		-	(103,173)
Net earned premiums		9,587,589	8,602,400
Commissions received		870,115	789,516
Insurance policies issuance fees		440,840	440,450
Interest income		213,126	49,416
Net gain from financial assets and investments	22	341,786	375,837
Other revenues		78,887	(28,363)
Total revenues		11,532,343	10,229,256
Claims, losses and expenses –			
Paid claims		12,696,137	14,750,121
Less: recoveries		(964,658)	(980,805)
Add: Maturity and surrender of insurance policies		21,146	44,952
Less: reinsurance share		(5,267,853)	(8,045,182)
Net paid claims		6,484,772	5,769,086
Net change in outstanding claims reserve		84,131	269,981
Allocated employees' expenses		1,052,492	1,021,452
Allocated general and administrative expenses		689,025	593,704
Excess of loss premiums		193,150	104,489
Policies acquisition costs		783,547	730,788
Other expenses related to underwriting accounts		457,867	443,560
Net claims costs		9,744,984	8,933,060
Unallocated employees' expenses		183,663	178,292
Depreciation and amortization		85,001	69,452
Unallocated general and administrative expenses		124,483	122,245
Provision for expected credit losses		200,000	-
Bank interests and expenses		163,774	458,016
Other expenses		35,305	35,369
Gross expenses		792,226	863,374
Profit for the period before tax		995,133	432,822
Income tax expense	27/B	(276,718)	(175,217)
Profit for the period		718,415	257,605
Basic and diluted earnings per share for the period	23	0.024	0.009

The attached notes from 1 to 32 form part of these interim condensed financial statements

JORDAN INSURANCE COMPANY PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	For the three months ended 31 March	
	2023	2022
	JD	JD
Profit for the period	718,415	257,605
Add: Other comprehensive income items after tax not to be reclassified to profit or loss in subsequent periods		
Change in fair value of financial assets at fair value through other comprehensive income	911,207	(1,574,952)
Total comprehensive income for the period	<u>1,629,622</u>	<u>(1,317,347)</u>

The attached notes from 1 to 32 form part of these interim condensed financial statements

JORDAN INSURANCE COMPANY PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Paid-in capital	Statutory reserve	Fair value reserve	Retained earnings	Total
	JD	JD	JD	JD	JD
For the three months ended 31 March 2023 -					
Balance as at 1 January 2023	30,000,000	7,500,000	(4,374,701)	6,553,473	39,678,772
Profit for the period	-	-	-	718,415	718,415
Other comprehensive income items for the period, net	-	-	911,207	-	911,207
Total other comprehensive income for the period	-	-	911,207	718,415	1,629,622
Balance as at 31 March 2023	30,000,000	7,500,000	(3,463,494)	7,271,888	41,308,394
For the three months ended 31 March 2022 -					
Balance as at 1 January 2022	30,000,000	7,500,000	6,823,258	5,936,265	50,259,523
Profit for the period	-	-	-	257,605	257,605
Other comprehensive income items for the period, net	-	-	(1,574,952)	-	(1,574,952)
Total other comprehensive income for the period	-	-	(1,574,952)	257,605	(1,317,347)
Balance as at 31 March 2022	30,000,000	7,500,000	5,248,306	6,193,870	48,942,176

The attached notes from 1 to 32 form part of these interim condensed financial statements

JORDAN INSURANCE COMPANY PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Notes	For the three months ended 31	
		March	
		2023	2022
		JD	JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Profit for the period before tax -		995,133	432,822
Adjustments:			
Depreciation and amortization		85,001	69,452
Provision for expected credit losses	10,11	200,000	-
Gain from change in fair value of financial assets at fair value through profit or loss		(9,425)	-
Interest income		(132,235)	-
Gain from sale of investment properties		45,871	-
Gain from sale of property and equipment		(48,500)	-
Non-collected dividends on financial assets at fair value through profit or loss		(247,356)	-
Net change in unearned premiums reserve		1,442,736	1,949,637
Net change in outstanding claims reserve		84,131	269,982
Net change in mathematical reserve		(79,658)	(44,732)
Net change in premiums deficiency reserve		-	103,173
End of service indemnity expense		21,555	-
Cash flows from operating activities before change in working capital		2,357,253	2,780,334
Notes receivable and checks under collection		(389,935)	(207,561)
Financial assets at fair value through profit or loss		-	(135,713)
Accounts receivable		(3,390,522)	(4,183,893)
Reinsurance receivables		(696,955)	(827,199)
Other assets		(588,428)	(716,017)
Accounts payable		845,689	1,885,447
Reinsurance payable		3,432,356	2,005,869
Other provisions		100,532	(12,392)
Other liabilities		338,364	304,922
Cash flows from operating activities before income tax paid		2,008,354	893,797
Income tax paid		-	(13,596)
End of service indemnity paid		(86,415)	-
Net cash flows from operating activities		1,921,939	880,201
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Purchase of property and equipment and intangible assets	12,13	(146,978)	(9,726)
Investment properties	6	-	(25,148)
Purchase of financial assets at fair value through other comprehensive income		(40,334)	-
Proceeds from sale of property and equipment		48,500	-
Interest income received		117,286	-
Net cash flows used in investing activities		(21,526)	(34,874)
Net increase in cash and cash equivalents		1,900,413	845,327
Cash and cash equivalents at the beginning of the period		15,863,524	15,018,197
Cash and cash equivalents at the end of the period	24	17,763,937	15,863,524

The attached notes from 1 to 32 form part of these interim condensed financial statements

(1) GENERAL

Jordan Insurance Company was established in 1951 and registered as a Jordanian public shareholding limited Company under number (11) with an authorized capital of JD 100 thousand, On 12 July 1981, the Company's capital was increased to JD 1,1 million. On 1 May 1988, General Insurance Society for Near East Company (Al - Ittihad Al - Watani) in Jordan was merged with Jordan Insurance Company after revaluating both companies' assets, Consequently, the Company's capital was increased to JD 5 million, divided into 5 million shares at JD 1 per share. Furthermore, the Company's capital was increased in stages, the latest of which was during the year 2006. Accordingly, the Company's authorized and paid-up capital was increased by JD 10 million to become JD 30 million, divided into 30 million shares of JD 1 per share, The Company's address is Amman - Prince Mohammed Street, P,O, Box 279 Amman 11118, The Hashemite Kingdom of Jordan.

The Company conducts all types of insurance activities inside the Hashemite Kingdom of Jordan and has branches in Abu Dhabi, Sharja, and Dubai, It also markets insurance policies in Kuwait through an agency.

The interim condensed financial statements were approved for issuance by the board of directors in its meeting held on 26 April 2023.

(2-1) BASIS OF PREPARATION

The interim condensed financial statements for the three months ending on 31 March 2023 were prepared in accordance with the instructions of the Insurance Management Department of Central Bank of Jordan in their letter No. 17/1/6983 dated 12 April 2023 and the instructions of the Jordan Securities Commission in their letter No. 2/3/01292/23 dated 25 April 2023 and in accordance with the accounting policies followed by the Company set out below, as the company did not apply IFRS No. (17) effective as of 1 January 2023, and continued to prepare financial statements in accordance with IFRS No. (4) as instructed by the regulatory authorities referred to above.

The Jordanian Dinar is the functional and reporting currency of the interim condensed financial statements.

The interim condensed financial statements have been prepared on historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value at the date of the interim condensed financial statement.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements and should be read in conjunction with the Group annual report as of 31 December 2022. In addition, results for the three - months period ended 31 March 2023 are not necessarily indicative to the results that may be expected for the financial year ending 31 December 2023.

(2-2) ACCOUNTING POLICIES

Segmental Information

Business sector represents a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business segments. which were measured according to the reports used by the CEO and the decision maker.

Geographical sector relates to providing products or services in an economic environment subject to specific risks and returns different from those operating in other sectors of other economic environments.

Financial Assets at Fair Value through Other Comprehensive Income

These financial assets represents the investments in equity instruments held for the long term, These financial assets are recognized at fair value plus transaction costs at purchase date and are subsequently measured at fair value, The change in fair value is reflected in the statement of comprehensive income and within equity, including the change in fair value resulting from differences in the conversion of items of non-cash assets in foreign currencies, and in the event of the sale of these assets or part thereof, the resulting gains or losses are recorded in the statement of comprehensive income and within equity, and the balance of the reserve for the valuation of sold assets is transferred directly to rounded profits and losses and not through the income statement.

No financial assets may be reclassified from/to this item except in the cases specified in IFRS.

These assets are not subject to impairment loss testing.

Dividends distributed are recorded in the income statement.

Date of recognition of financial assets

The purchase and sale of financial assets is recognized at the date of trading (the date of the company's obligation to sell or purchase financial assets).

Fair Value

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements in active markets. In case declared market prices do not exist active trading of some financial assets and derivatives is not available or the market is inactive fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.
- Evaluation of long-term assets and liabilities that bear no interest through discounting cash flows and amortizing premium / discount using the effective interest rate method within interest revenue / expense in the consolidated statement of income.

The valuation methods aim to provide a fair value reflecting the market's expectations taking into consideration the market expected risks and expected benefits when the value of the financial assets. When the financial assets fair value can't be reliably measured. they are stated at cost less any impairment.

Investment properties

Investment Properties are measured by cost, which includes the costs of completing the purchase process.

Investment Properties are depreciated based on their productive life using the productive straight-line method ranging from 2% to 12%. The lands are not depreciated.

The book value of investment properties is reviewed for impairment, when events or changes in circumstances indicate that the book value cannot be recovered. When such indicators exist and when the book value exceeds the recoverable value, the value of these investments is reduced to their recoverable value, and the impairment provision is recorded in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash and balances at banks and balances with banks and financial institutions maturing within three months less balances due to banks and restricted funds.

Trade receivables

Trade receivables are stated at original invoice amount less any provision for expected credit loss. The company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a provision based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Receivables of reinsurers

Reinsurance quotas shall be calculated from insurance premiums, compensation paid, technical provisions and all rights and obligations arising from reinsurance based on contracts concluded between the company and reinsurers and in accordance with the accrual basis.

Reinsurance

Within the company's normal activity, it carries out incoming and outgoing reinsurance operations with other insurance and reinsurance companies and is exposed to certain levels of risks in many areas with insurance and reinsurance companies. Reinsurance operations include quota, loss excess agreements, optional reinsurance and other forms of reinsurance in a way that basically covers all types of insurance. Reinsurance contracts do not exempt the company from its obligations to policyholders, as the failure of reinsurers to fulfill their obligations may lead to losses for the company, and therefore provisions are made for uncollectible amounts. The amounts recoverable from the reinsurer are estimated in a manner commensurate with the company's commitment to each claim.

The impairment of reinsurance assets

If there is any indication of a decrease in the value of the reinsurance assets of the company that owns the reinsured contracts, then the company must reduce the current value of those contracts and record the impairment loss in the income statement. An understatement is recognized only in the following cases:

- 1- The presence of objective evidence as a result of an event that occurred after the registration of the reinsurance assets confirms the inability of the company to collect all the amounts due under the terms of the contracts.
- 2- This event has an impact that can be measured clearly and reliably on the amounts that the company will collect from the reinsurer.

Costs of purchasing insurance policies

Acquisition costs represent the costs incurred by the company for selling, underwriting or starting new insurance contracts. Acquisition costs are recorded in the income statement.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value. Moreover, Property and Equipment (except for land) are depreciated according to the straight-line method over the estimated useful lives when ready for use of these assets using the following annual rates.

	<u>%</u>
Buildings	2
Equipment furniture and fixtures	7-25
Vehicles	15

Depreciation is recognized for property and equipment when they are ready for use for their intended use. Property and equipment under construction for the Company's use are stated at cost after deducting any impairment losses.

When the recoverable amount of any property and equipment is less than its net book value, its value is reduced to the recoverable value and the impairment value is recorded in the income statement. The useful life of property and equipment is reviewed at the end of each year. If the expected useful life differs from the previously prepared estimates, the change in the estimate for subsequent years is recorded as a change in the estimates.

Gains or losses resulting from the disposal or deletion of any property and equipment, which represent the difference between the amount received from the sale and the book value of the asset, are shown in the income statement. Property and equipment are derecognised upon disposal or when no future benefits are expected from their use or disposal.

Intangible assets

Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the consolidated statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the consolidated financial statements date. and impairment loss is recorded in the consolidated statement of income.

Any indications of impairment of intangible assets are reviewed at the date of the financial statements. The chronological life estimate for those assets is also reviewed and any adjustments are made to subsequent periods.

Intangible assets include computer systems and programs, and the company's management estimates the life span of each item, as these assets are amortized using the straight line method.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Pledged financial assets

They are those financial assets that are mortgaged in favor of other parties with the right of the other party to dispose of them (sale or re-mortgaging). These assets continue to be evaluated according to the accounting policies used to evaluate each according to its original classification.

Provisions

Provisions are recognized when the company has an obligation on the date of the financial statement arising from a past event and the costs to settle the obligation is probable and can be reliably measured.

The amounts recognized as provisions are the best estimate of the amounts required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When the amount of a provision is determined on the basis of the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When it is expected that some or all of the economic benefits required from other parties to settle the provision will be recovered, the receivable is recognized as assets if the actual receipt of compensation is certain and its value can be measured reliably.

A. Technical provisions

Technical provisions are monitored and kept in accordance with the instructions of the Insurance Department, as follows:

- 1- The provision for unearned premiums for general insurance business is calculated on the basis of the number of days remaining for the expiration of the insurance policy period, given that the number of days in a year is (365) days, with the exception of marine and transport insurance licenses. Where it is calculated on the basis of the written premiums for the documents in force on the date of the financial statements submitted in accordance with the provisions of the law and the regulations and instructions issued pursuant thereto.
- 2- The provision for (notified) claims under settlement is calculated by determining the value of the expected total costs for each claim separately.
- 3- The provision for unreported claims is calculated based on the company's experience and estimates.
- 4- The provision for unearned premiums for life insurance business is calculated based on the company's experience and estimates.
- 5- The computational allowance for life insurance policies is calculated in accordance with the provisions of the instructions and decisions issued by the Insurance Department in this regard.

B. Provision for expected credit losses

The company applied the simplified method for recording expected credit losses on all debt instruments and calculated expected credit losses over the entire life of the debt instruments. The company has prepared a study based on the historical experience of credit loss, taking into account the future factors specific to the debtors and the economic environment.

C. Provision for end of service compensation

The provision for end of service compensation for employees is calculated according to the company's policy that is in accordance with the Jordanian Labor Law. The annual compensations paid to employees who leave the service are recorded on the account of the provision for end of service compensation when paid, and a provision is taken for the company's obligations for employees' end of service compensation in the income statement.

Compliance adequacy test

At the date of the financial statements, the adequacy and suitability of insurance liabilities is assessed by calculating the present value of future cash flows related to existing insurance contracts.

If the assessment shows that the present value of the insurance liabilities is insufficient compared to the expected future cash flows, then the entire value of the deficiency is included in the income statement.

Income Tax

Income tax expenses represent accrued taxes and deferred taxes.

A. Accrued taxes

Income tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the financial statements because the latter includes non-taxable revenues or taxable expenses disallowed in the current year but deductible in subsequent years accumulated losses acceptable by the tax law and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws regulations and instructions of the countries where the bank operates.

B. Deferred taxes

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount.

Deferred tax is calculated on the basis of the liability method in the statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.

Deferred tax assets and liabilities are reviewed as of the date of the financial statements and reduced in case it is expected that no benefit will arise from payment or the elimination of the need for deferred tax liabilities partially or totally.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

Realization of Income

A. Insurance contracts

Insurance premiums resulting from insurance contracts are recorded as revenue for the year (earned insurance premiums) on the basis of due time periods and in proportion to the period of insurance coverage. Unearned insurance premiums through insurance contracts as at the date of the financial statements are recorded in liabilities as unearned insurance premiums.

Claims and expenses for adjusting losses incurred are recorded in the income statement on the basis of the value of the expected liability for compensation belonging to insurance contract holders or to other affected parties.

B. Dividend and interest income

Dividend income from investments is realized when shareholders have the right to receive dividend payments, when approved by the General Assembly of Shareholders.

Interest income is accounted for on an accrual basis, based on the time periods due, principal amounts and the interest rate earned.

C. Rental Income

Rental income from real estate investments under operating lease contracts are recognized on a straight-line basis over the term of those contracts. Other expenses are recognized on an accrual basis.

Recognition of Expenses

All commissions and other costs for obtaining new or renewed insurance policies are amortized in the income statement in the year in which they occur. Other expenses are recognized on an accrual basis.

Insurance compensation

Insurance compensation represents claims paid during the year and the change in the claims provision.

Debris and waiver compensation

The expected return from the wreck and waiver damages are taken into account when measuring the liability to meet the claims.

General and Administrative Expense

All distributable administrative expenses are charged to each insurance branch separately, and 80% of the non-distributable administrative expenses are distributed to the various insurance departments on the basis of the premiums received for each department in proportion to the total premiums.

Employee Expense

The distributable staff expenses are charged to each insurance branch separately, and 80% of the non-distributable staff expenses are distributed to the various insurance departments on the basis of the premiums received for each department in proportion to the total premiums.

Commission costs

It represents commission costs incurred by the company against selling, underwriting or starting new insurance contracts. Acquisition costs are recorded in the income statement.

Foreign Currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transactions.

Financial assets and financial liabilities are translated to Jordanian Dinar based on the average exchange rates declared by the Central Bank of Jordan on the date of the financial statements.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.

Gains or losses resulting from foreign currency translation are recorded in the statement of income.

Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as equity securities) are recorded as part of the change in fair value.

(2-3) USE OF ESTIMATES

The preparation of the interim condensed financial statements requires Company's management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions and the changes in fair value that shows in the equity section. Considerable judgment by groups' management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

The details of significant estimates made by management are as follows:

- The provision for expected credit losses for receivables is formed based on the principles and assumptions approved by the company's management to estimate the provision to be formed in accordance with the requirements of the Insurance Authority.
- The financial year is charged with its related income tax in accordance with income tax laws and regulations.
- Management periodically reviews tangible assets' useful lives in order to calculate the depreciation amount depending on the status of these assets and expected future useful lives. The impairment loss (if any) appears on the interim condensed income statement.
- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to Insurance Administration regulation, also mathematical reserve and IBNR are calculated based on actuarial studies.
- A provision on lawsuit against the Company is made based on the Company's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.
- Management periodically reviews financial assets, which appear at cost, to estimate any impairment in their value, and this impairment is taken into account in the income statement.

(3) BANK DEPOSITS

This item consists of the following:

	31 March 2023				31 December 2022
	Deposits mature during one month	Deposits mature during a period between 1 - 3 months	Deposits mature during more than one year	Total	Total
	JD	JD	JD	JD (Unaudited)	JD (Audited)
Inside Jordan	726,835	206,084	800,000	1,732,919	2,533,021
outside Jordan	-	19,411,584	1,209,600	20,621,184	19,674,326
	<u>726,835</u>	<u>19,617,668</u>	<u>2,009,600</u>	<u>22,354,103</u>	<u>22,207,347</u>

- * Deposits pledged in favor of insurance administration general manager amounted to JD 800,000 as of 31 March 2023 and as of 31 December 2022 and mature after more than a year.
- Interest rates on bank deposit balances in Jordanian Dinars ranges from 2% - 4% and US Dollar from 0,05% - 0,25% as of 31 March 2023 (31 December 2022: Interest rates on bank deposit balances in Jordanian Dinars ranges from 2% - 4% and US Dollar from 0,05% to 0,25%).

(4) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Quoted shares	<u>2,857,709</u>	<u>2,848,284</u>

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

This item consists of the following:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Inside Jordan -		
Quoted shares	6,611,900	6,569,729
Unquoted shares	30,209	30,209
	<u>6,642,109</u>	<u>6,599,938</u>
Outside Jordan -		
Quoted shares	10,214,507	9,202,258
Unquoted shares *	4,115,198	4,115,198
	<u>14,329,705</u>	<u>13,317,456</u>
Total Financial assets at fair value through other comprehensive income	<u>20,971,814</u>	<u>19,917,394</u>

* This item includes an amount of JD 4,070,314 (in net after reducing the impact of the evaluation 610,436 as of 31 March 2023) which represent the investment in Asia Insurance Company's shares (Iraq). The shares registered in the Company's name amounted to 5,925,000,000 Share / Iraqi Dinar equivalent to 19,75% of the Company's paid in capital as of 31 March 2023 and 31 December 2022.

(6) INVESTMENT PROPERTIES

This item consists of the following:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Land	11,897,104	11,947,104
Buildings – net after accumulated depreciation	3,616,172	3,640,190
	<u>15,513,276</u>	<u>15,587,294</u>

The are no additions to the investment properties during the period ended 31 March 2023 (31 March 2022: JD 25,148).

(7) LIFE POLICYHOLDERS' LOANS

This item consists of the following:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Life policyholders' Loans which do not exceed the policy liquidation value	26,739	26,739

(8) CASH ON HAND AND AT BANKS

This item consists of the following:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Cash on hand	24,136	36,927
Cash at banks	4,930,486	4,679,399
	4,954,622	4,716,326

(9) NOTES RECEIVABLE AND CHECKS UNDER COLLECTION

This item consists of the following:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Checks under collection*	2,352,445	1,962,510
Notes receivable	36,550	36,550
	2,388,995	1,999,060
Less: Allowance for expected credit losses**	(35,350)	(35,350)
	2,353,645	1,963,710

* The due date for checks under collection extends until 31 December 2025.

** The movement on the allowance for expected credit losses related to checks under collection is as follows:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	35,350	185,350
Additions for the period / year	-	(150,000)
Balance at the end of the period / year	<u>35,350</u>	<u>35,350</u>

(10) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Policyholders' receivables	17,973,019	14,828,031
Agents' receivables	4,243,890	4,179,972
Trade and other receivables	1,296,500	1,111,358
Employees' receivables	96,369	100,492
	<u>23,609,778</u>	<u>20,219,853</u>
Less: Allowance for expected credit losses *	<u>(4,795,597)</u>	<u>(4,696,194)</u>
	<u>18,814,181</u>	<u>15,523,659</u>

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

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	4,696,194	3,471,308
Additions during the period / year	100,000	1,076,600
Transferred from provision for expected losses to cheques under collection	-	150,000
Less: Written-off debts	<u>(597)</u>	<u>(1,714)</u>
Balance at the end of the period / year	<u>4,795,597</u>	<u>4,696,194</u>

(11) REINSURANCE RECEIVABLES, NET

This item consists of the following:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Local reinsurance companies	4,689,912	3,632,406
Foreign reinsurance companies	1,399,907	1,760,458
	<u>6,089,819</u>	<u>5,392,864</u>
Less: Allowance for expected credit losses*	<u>(1,461,642)</u>	<u>(1,361,642)</u>
	<u>4,628,177</u>	<u>4,031,222</u>

* The movement on the allowance for expected credit losses related to reinsurance receivables is JD 100,000 as of 31 March 2023.

** The Company follows the settlement policy on local insurance companies' receivables within three months of the claim.

(12) PROPERTY AND EQUIPMENT - NET

During the three-month period ended 31 March 2023, the company purchased property and equipment for JD 115,344 (31 March 2022: JD 9,726).

(13) INTANGIBLE ASSETS - NET

During the three-month period ended 31 March 2023, the Company purchased intangible assets in the amount of JD 31,634 and did not purchase any intangible assets during the three-month period ended 31 March 2022.

(14) OTHER ASSETS

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Refundable deposits	1,265,072	1,333,226
Accrued revenues	379,687	117,382
Prepaid expenses	1,303,505	669,497
Other	378,994	356,420
	<u>3,327,258</u>	<u>2,476,525</u>

(15) MATHEMATICAL RESERVE, NET

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Mathematical reserve, net	<u>1,519,975</u>	<u>1,599,633</u>

(16) DUE TO BANKS

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Bank of Jordan *	5,000,000	5,000,000
Cairo Amman Bank **	1,470,275	2,787,093
Arab Bank ***	1,064,913	1,263,456
	<u>7,535,188</u>	<u>9,050,549</u>

* This item represents the utilized balance as of 31 March 2023 of the overdraft facilities granted by the Bank of Jordan at a ceiling of JD 5 million at an interest rate of 8%, calculated on a daily basis, credited monthly and is guaranteed by the Company's financial solvency. The main objective of these facilities is to finance the Company's activities.

** This item represents the utilized balance as of 31 March 2023 of the overdraft facilities granted by the Cairo Amman Bank at a ceiling of JD 6,9 million at an interest rate of 11.5%, calculated on a daily basis, credited monthly and is guaranteed by the Company's financial solvency. The main objective of these facilities is to finance the Company's activities.

*** This item represents the utilized balance as of 31 March 2023 of the overdraft facilities granted by the Arab bank at a ceiling of JD 5,5 million at an interest rate of 8,375%, calculated on a daily basis, credited monthly and is guaranteed by the Company's financial solvency. The main objective of these facilities is to finance the Company's activities.

(17) RE-INSURANCE PAYABLE

This item consists of the following:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Local reinsurance companies	2,784,230	1,832,785
Foreign reinsurance companies	8,182,612	5,701,701
	<u>10,966,842</u>	<u>7,534,486</u>

(18) OTHER LIABILITIES

This item consists of the following:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Unearned revenue	317,756	360,201
Accrued expenses	378,519	130,380
Ministry of finance deposits	236,852	121,328
Life deposits	68,750	55,000
Parking deposits	14,573	14,555
Outstanding visa deposits	9,388	6,010
Individual policy claims deposits	5,685	5,685
Board of directors' compensation	4,790	4,790
	<u>1,036,313</u>	<u>697,949</u>

(19) PAID-IN CAPITAL

The authorized and paid in capital amounted to JD 30,000,000 divided into 30,000,000 shares with a par value of JD 1 per each as of 31 March 2023 and 31 December 2022.

(20) FAIR VALUE RESERVE

The movement on this item during the period / year is as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at beginning of the period / year	(4,374,701)	6,823,258
Net change in fair value	911,207	(10,591,456)
Transferred from fair value reserve to retained earnings	-	(606,503)
Balance at the end of the period / year	<u>(3,463,494)</u>	<u>(4,374,701)</u>

(21) RETAINED EARNINGS

The movement on this item during the period / year is as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at beginning of the period / year	6,553,473	5,936,265
Profit for the period / year	718,415	10,705
Transferred from fair value reserve to retained earnings	-	606,503
Balance at the end of the period / year	<u>7,271,888</u>	<u>6,553,473</u>

- A- Retained earnings balance includes a restricted amount of JD 2,156,994 as of 31 March 2023 (31 December 2022: JD 2,118,712) related to deferred tax assets.
- B- Retained earnings balance includes an amount of JD 2,219,206 as of 31 March 2023 that represents the difference between the deficit in the fair value reserve amounted to JD 3,463,494 and the impact of the early application of International Financial Reporting Standard "IFRS" (9) amounted to JD 1,244,867 which represents unrealized revaluation differences that are prohibited from being used until it is realized under the instructions of the Securities and Exchange Commission (31 December 2022: JD 3,131,870)

(22) NET GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

This item consists of the following:

	For the three-months period ended 31 March	
	2023	2022
	JD	JD
	(Unaudited)	(Unaudited)
Dividends income from financial assets at fair value through profit or loss	247,356	160,124
Gain from revaluation of financial assets at fair value through profit or loss	9,430	135,713
Net rental income	85,000	80,000
Total	341,786	375,837

(23) BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD

Earnings per share is calculated by dividing the profit for the period by the weighted average number of shares during the period as follows:

	For the Three-months period ended 31 March	
	2023	2022
	JD	JD
	(Unaudited)	(Unaudited)
Profit for the period	718,415	257,605
Weighted average number of shares	Share 30,000,000	Share 30,000,000
	JD / Share	JD/Share
Earnings per share (Basic and diluted)	0.024	0.009

The following is a summary of the benefits (salaries, bonuses, and other benefits) of the executive management:

	For the three-months period ended 31 March	
	2023	2022
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and other benefits	99,569	135,706

(26) Segment Analysis

The information relating to the sectors disclosed to the Company is set out below in accordance with International Financial Reporting Standard 8. IFRS 8 requires the identification of sectors that can be reported on the basis of internal reports that are regularly reviewed by the company's main operational decision maker, They are used to allocate resources to sectors and evaluate their performance. The company's main activity is the practice of various insurance activities. Most of the company's revenues, profits and assets relate to its operations in the Hashemite Kingdom of Jordan. Inter-sector sales are restricted to selling prices under normal conditions.

The breakdown of asset and liability balances as at 31 March 2023 and 31 December 2022 is as follows:

	31 March 2023	
	Assets	Liabilities And equity
A- By Insurance Activity	JD	JD
	(Unaudited)	(Unaudited)
Life and medical	22,748,886	22,748,886
General insurance	77,289,030	77,289,030
Total	100,037,916	100,037,916
B- By geographical Information		
Inside Jordan	71,798,886	91,733,362
Outside Jordan	28,239,030	8,304,554
	100,037,916	100,037,916

	31 December 2022	
	Assets	Liabilities And equity
A- By Insurance Activity	JD (Audited)	JD (Audited)
Life and medical	22,814,430	22,814,430
General insurance	70,694,935	70,694,935
Total	<u>93,509,365</u>	<u>93,509,365</u>
B- By geographical Information		
Inside Jordan	66,715,988	86,844,299
Outside Jordan	26,793,377	6,665,066
	<u>93,509,365</u>	<u>93,509,365</u>

(27) INCOME TAX

A- Income tax provision

The income tax provision has been calculated in accordance with the Income Tax Law No. (34) of 2014 and its amendments, for the Company's business results for the three months ended 31 March 2023.

The movement on the income tax provision is as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	627,524	85,021
Accrued income tax of the Profit for period / year	315,000	487,000
Impact of selling financial assets at fair value through comprehensive income statement	-	107,396
Income tax paid during the period / year	-	(51,893)
	<u>942,524</u>	<u>627,524</u>

B- Income Tax Expense

The income tax expense stated in the interim condensed income statement represents the following:

	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
Accrued income tax for the period	315,000	100,000
Deferred tax impact	(38,282)	75,217
Income tax expense for the period	<u>276,718</u>	<u>175,217</u>

C- Tax Status

- A final settlement of income tax has been reached in Jordan until the end of 2018, and the Company submitted its tax return and paid the declared tax for the years 2019, 2020 and 2022. The Company's returns are still under the review of the Income and Sales Tax Department.
- The Company's results of operation in its branches in the United Arab Emirates are not taxable. The Company's profit in Kuwait is subject to income tax at a rate of 10%, which has been settled and paid up to the end of 2018, The Company also submitted the self-assessment statement for the year 2019 and paid the declared tax and is still under consideration by the Ministry of Finance – Tax Sector in Kuwait.
- The income tax provision for the three months ended 31 March 2023 and 2022 has been calculated, in the opinion of the Company's management and tax advisor, the provision as of the interim condensed financial statements date is sufficient to mitigate any tax liabilities.

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D- Deferred Tax Assets and Liabilities

The movement on the deferred tax assets is as follows:

	31 March 2023 (Unaudited)					31 December 2022 (Audited)
Deferred tax assets includes the following accounts:	Balance at the beginning of the period	Released amounts	Additions	Balance at the end of the period	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
Provision for Expected credit losses	3,771,624	-	170,000	3,941,624	1,024,822	980,622
Provision for End of service indemnity	258,425	86,415	10,059	182,069	47,338	67,190
Unreported outstanding claim reserve	3,037,713	-	63,003	3,100,716	806,186	789,805
Losses of valuation of financial assets at fair value through income statement	1,081,134	9,413	-	1,071,721	278,648	281,095
Losses of valuation of financial assets at fair value through comprehensive income (Jordan)	570,751	-	71,499	642,250	166,986	148,396
Losses of valuation of financial assets at fair value through comprehensive income (Out of Jordan)	4,460,757	1,012,249	-	3,448,508	413,822	535,291
	<u>13,180,404</u>	<u>1,108,077</u>	<u>314,561</u>	<u>12,386,888</u>	<u>2,737,802</u>	<u>2,802,399</u>

The movement on the deferred tax liabilities is as follows:

	31 March 2023 (Unaudited)					31 December 2022 (Audited)
Deferred tax liabilities includes the following accounts:	Beginning balance of the period	Released amounts	Additions	Balance at the end of period	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
Gain of valuation of financial assets at fair value through comprehensive income	2,291,518	-	-	2,291,518	274,982	274,982
	<u>2,291,518</u>	<u>-</u>	<u>-</u>	<u>2,291,518</u>	<u>274,982</u>	<u>274,982</u>

The movement on the deferred tax assets during the period / year is as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	2,802,399	2,844,555
Additions	81,788	777,153
Released	(146,385)	(819,309)
Balance at the end of the period / year	<u>2,737,802</u>	<u>2,802,399</u>

- The movement on the deferred tax liabilities during the period / year is as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	274,982	1,446,798
Released	-	(1,171,816)
Balance at the end of the period / year	<u>274,982</u>	<u>274,982</u>

In the opinion of the company's management and tax advisor, the company is able to benefit from deferred taxes resulting from the above provisions in the future.

(28) LAWSUITS BY AND AGAINST THE COMPANY

There are lawsuits filed against the company to claim compensation for various accidents, and the total number of cases with a specific value of about JD 1,827,596 before the courts as of 31 March 2023 (JD 1,815,874 as of 31 December 2022), and in the opinion of the management and the Company's lawyer, the Company will not have obligations exceeding the provision.

(29) CONTINGENT LIABILITIES

As of the date of the interim condensed financial statements, the Company had contingent liabilities represented in bank guarantees in an amount of JD 2,997,675 and it is guaranteed by the Company's financial solvency as of 31 March 2023 (JD 3,015,896 as of 31 December 2022).

(30) CAPITAL MANAGEMENT

The capital requirements are regulated by the insurance authority. These requirements have been established to ensure an appropriate margin. Additional objectives were set by the company to maintain strong credit ratings and high capital ratios in order to support its business and maximize shareholders' equity.

The Company manages the capital structure and makes the necessary adjustments in light of changes in working conditions. The company has made no changes to the objectives, policies and procedures relating to capital structure during the current period and the previous year.

In the opinion of the management, regulatory capital is sufficient to meet future risks or liabilities.

The details of the capital and solvency ratio are as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Total available capital	51,705,520	50,051,882
Capital requirements		
Capital requirement against asset risks	18,351,297	17,581,871
Capital requirement against underwriting liabilities	4,150,776	4,101,856
Capital requirement against the reinsurance risk	289,290	270,760
Capital requirement against life insurance risk	5,454,119	5,537,777
Total required capital	28,245,482	27,492,264
Solvency margin ratio	183%	182%

The Company's solvency ratio reached 183% as of 31 March 2023 which is less than the determined rate by Insurance Management Department which is 200%.

(31) FAIR VALUE MEASUREMENT

A- FAIR VALUE OF FINANCIAL ASSETS FOR THE COMPANY AND DETERMINED BY THE FAIR VALUE CONTINUOUSLY

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether this price can be observed directly or estimated using another evaluation technique. When estimating the fair value of the asset or the obligation, the Company takes into account the characteristics of the asset or the obligation if market participants take those characteristics into account when pricing the asset or obligation on the measurement date.

Some of the Company's financial assets are valued at fair value at the end of each financial period, and the following table shows information on how to determine the fair value of these financial assets (valuation methods and inputs used).

	Fair Value		Fair value level	Evaluation methods and inputs used	Important intangible inputs	Relationship between the important intangible inputs method and fair value
	31 March 2023 JD	31 December 2022 JD				
Financial assets						
Financial assets at fair value through profit or loss						
Shares	2,857,709	2,848,284	1 st level	Quoted prices in Financial Markets	N/A	N/A
Financial assets at fair value through other comprehensive income:						
Quoted shares	16,826,407	15,771,987	1 st level	Quoted prices in Financial Markets	N/A	N/A
Unquoted Shares	4,145,407	4,145,407	2 nd level	Equity method based on last audited financial statements	N/A	N/A
	20,971,814	19,917,394				
Total Financial assets at fair value	23,829,523	22,765,678				

There were no transfers between level 1 and level 2 during each of the Three months ended 31 March 2023 and the year ended 31 December 2022.

The fair value of the financial assets included in the above Tier II category has been determined in accordance with the pricing models used and accepted based on the discounting of cash flows, considering the interest rate as the most important input in the calculation.

(32) COMPARATIVE FIGURES

The Company reclassified some of the comparative figures balances for the year ending 31 December 2022 to correspond with figures for the year 2023, no additional effect on equity or total comprehensive income for the year ended 2022.