

**Cities and Villages Development Bank**  
**Public institution established by a special decree**  
**Amman - The Hashemite Kingdom of Jordan**

**Financial Statements**  
**and Independent Auditor's Report**  
**for the year ended December 31, 2019**

**Cities and Villages Development Bank**  
**Public institution established by a special decree**  
**Amman - The Hashemite Kingdom of Jordan**

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### Independent Auditor's Report

To Messrs.  
Cities and Villages Development Bank  
Public institution established by a special decree  
Amman - The Hashemite Kingdom of Jordan

#### Opinion

We have audited the financial statements of Cities and Villages Development Bank (Public institution established by a special decree) which comprise the statement of financial position as at December 31, 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Bank as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matter

The financial statements of the bank for the year ended December 31, 2018 were audited by another auditor who issued an unqualified report on July 3, 2019.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

The Bank has proper accounting records, which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend approving these financial statements by the general assembly.

Talal Abu-Ghazaleh & Co. International



Aziz Abdelkader  
(License No. 867)  
Amman, on November 23, 2020

**Cities and Villages Development Bank**  
**Public institution established by a special decree**  
**Amman - The Hashemite Kingdom of Jordan**

**Statement of financial position as at December 31, 2019**

	Notes	2019	2018
<b>Assets</b>		JD	JD
Cash and cash equivalents	3	33,194,756	135,354,877
Investment deposits certificates - Safwa Islamic Bank		-	2,000,000
Checks under collection	4	10,025,000	38,765,330
Granted credit facilities	5	182,189,957	99,752,653
Uncollected accrued interests	6	10,220,834	5,907,711
Other debit balances	7	412,397	13,010
Net joint investment with municipalities	8	284,040	334,040
Investment in associate	9	8,384	10,000
Investment in financial asset at fair value through other comprehensive income	10	236,250	241,500
Investment in treasury bonds	11	22,000,000	22,000,000
Islamic financing loans	12	10,556,024	9,261,261
Property and equipment	13	2,826,843	2,036,787
<b>TOTAL ASSETS</b>		<b>271,954,485</b>	<b>315,677,169</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Non-Current Liabilities</b>			
Customers' deposits and current accounts	14	61,458,763	105,547,049
Loans - long term	15	74,120	93,890
Local authorities and public institutions deposits	16	78,643,454	90,148,292
Other credit balances	17	147,148	197,129
<b>Total Non-Current Liabilities</b>		<b>140,323,485</b>	<b>195,986,360</b>
<b>Current Liabilities</b>			
Loans -short term	15	19,770	19,557
<b>TOTAL LIABILITIES</b>		<b>140,343,255</b>	<b>196,005,917</b>
<b>EQUITY</b>			
Authorized capital	18	110,000,000	110,000,000
Paid-up capital	18	102,969,840	101,144,134
General reserve	19	16,984,912	9,643,708
Cumulative changes in fair value		(288,750)	(283,500)
Retained earnings		9,400,895	7,341,204
Dividends proposed for distribution to local bodies	20	2,544,333	1,825,706
<b>TOTAL EQUITY</b>		<b>131,611,230</b>	<b>119,671,252</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>271,954,485</b>	<b>315,677,169</b>
<b>CONTRA ACCOUNTS</b>			
Unwithdrawn Approved loans (Debit)	24	30,309,406	28,489,236
Unwithdrawn Approved commitments (Credit)	24	30,309,406	28,489,236

The accompanying notes form part of these financial statements

**Cities and Villages Development Bank**  
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**Amman - The Hashemite Kingdom of Jordan**

**Statement of income for the year ended December 31, 2019**

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		JD	JD
<b>REVENUES</b>			
Net interest revenues	21	12,593,927	10,210,848
Other revenues	22	462,630	893,282
Islamic financing revenues	12	982,920	848,159
Amortization of deferred revenues	17	22,887	25,529
Joint revenue with municipalities	8	45,424	23,012
Murabaha revenue - Islamic bank		103,743	148,994
Revenue from treasury stocks	11	1,211,100	650,100
<b>TOTAL REVENUES</b>		<u>15,422,631</u>	<u>12,799,924</u>
<b>EXPENSES</b>			
Administrative expenses	23	(3,425,787)	(3,583,014)
Amortization of joint investment project with municipalities		(50,000)	(50,000)
Bank's share of result of associate		(1,616)	-
<b>Profit for the year</b>		<u>11,945,228</u>	<u>9,166,910</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in fair value		(5,250)	(10,500)
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>11,939,978</u>	<u>9,156,410</u>

The accompanying notes form part of these financial statements

Cities and Villages Development Bank  
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Statement of changes in equity for the year ended December 31, 2019

	Paid-up capital		General reserve		Cumulative change in fair value		Retained earnings		Dividends proposed for distribution to local authorities		Net equity	
	JD		JD		JD		JD		JD		JD	
Balance as at January 1, 2018	97,570,272		10,643,708		(273,000)		-		1,576,006		109,516,986	
Comprehensive income	-		-		(10,500)		9,166,910		-		9,156,410	
Increase of capital - Central Bank share	1,200,000		(1,000,000)		-		-		-		200,000	
Increase of capital - Government share	797,856		-		-		-		-		797,856	
Amounts transferred to the capital from dividend proposed to be distributed to local authorities	1,576,006		-		-		-		(1,576,006)		-	
Distributed dividends to local authorities	-		-		-		(1,825,706)		1,825,706		-	
<b>Balance as at December 31, 2018</b>	<b>101,144,134</b>		<b>9,643,708</b>		<b>(283,500)</b>		<b>7,341,204</b>		<b>1,825,706</b>		<b>119,671,252</b>	
Comprehensive income	-		-		(5,250)		11,945,228		-		11,939,978	
Amounts transferred to the capital from dividend proposed to be distributed to local authorities	-		-		-		-		(1,825,706)		-	
Amounts transferred from comprehensive income to general reserve	-		7,341,204		-		(7,341,204)		-		-	
Distributed dividends to local authorities	-		-		-		(2,544,333)		2,544,333		-	
<b>Balance as at December 31, 2019</b>	<b>102,969,840</b>		<b>16,984,912</b>		<b>(288,750)</b>		<b>9,400,895</b>		<b>2,544,333</b>		<b>131,611,230</b>	

The accompanying notes form part of these financial statements

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**Statement of cash flows for the year ended December 31, 2019**

	Notes	2019	2018
		JD	JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		11,945,228	9,166,910
Adjustments for:			
Uncollected accrued interest		(4,313,123)	(2,462,534)
Gain on sale of property and equipment		(16,250)	-
Depreciation	13	57,870	63,034
Amortization of deferred revenues	17	(22,887)	(25,529)
Amortization of joint investment project with municipalities		50,000	50,000
Bank's share of result of associates		1,616	-
<b>Change in operating assets and liabilities:</b>			
Checks under collection		28,740,330	18,656,522
Granted credit facilities		(82,437,304)	35,979,276
Islamic financing loans		(1,294,763)	(269,007)
Customers' deposits and current accounts		(44,088,286)	(10,769,739)
Local authorities and public institutions deposits		(11,504,838)	12,453,767
Other debit balances		(399,387)	(3,223,052)
Other credit balances		(27,094)	(77,406)
<b>Net cash from operating activities</b>		<b>(103,308,888)</b>	<b>59,542,242</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment deposits certificates - Safwa Islamic Bank		2,000,000	-
Purchase of property and equipment	13	(847,926)	(655,534)
Proceeds from sale of property and equipment		16,250	-
Investment in treasury bonds		-	(22,000,000)
<b>Net cash from investing activities</b>		<b>1,168,324</b>	<b>(22,655,534)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Paid capital		-	1,997,856
General reserve		-	(1,000,000)
Repayment of borrowed amounts		(19,557)	(19,343)
<b>Net cash from financing activities</b>		<b>(19,557)</b>	<b>978,513</b>
<b>Net change in cash and cash equivalents</b>		<b>(102,160,121)</b>	<b>37,865,221</b>
Cash and cash equivalents - beginning of year		135,354,877	97,489,656
<b>Cash and cash equivalents - end of year</b>		<b>33,194,756</b>	<b>135,354,877</b>
<b>Information about non-cash transaction</b>			
Amounts transferred to the capital from dividend proposed to be distributed to local authorities		1,825,706	-

The accompanying notes form part of these financial statements



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Notes to the financial statements for the year ended December 31, 2019

**1. Legal status and activities**

- The Cities and Villages Development Bank was established in 1979 under the Cities and Villages Development Bank Law No. 63 of 1985 and its amendments, as the legal successor to the Municipal and Village Loans Fund, and based on the law the rights, obligations and Loans of the Municipal and Village Loans Fund were transferred to the bank. The Bank is considered an official public institution and enjoys an independent, administratively and financially legal entity.
- The bank aims to achieve comprehensive local development in municipalities, support their projects, and help them fulfill their duties through the following:
  - Supporting local authorities' projects to secure services aimed at creating basic public services and contributing to their development by mobilizing domestic and foreign financial resources and providing the necessary credit facilities for the implementation of these projects.
  - Managing and guaranteeing loans concluded by local authorities and carrying out any job, transaction, or banking business required to fulfill the duties entrusted to it under the provisions of the bank law or any other legislation or under any international agreement in which the Kingdom's government is a party and its implementation requires the bank's participation.
  - Assist local authorities in determining the priorities of productive projects in light of their economic prospects, and contribute to the capital of these projects.
  - Assist to provide expertise and technical services, including training of technicians needed by local authorities.
  - Providing credit facilities to any body or institution whose objectives include providing basic services within the boundaries of local authorities.
  - Financing projects of local bodies that are not based on interest, according to principles and conditions determined according to a code issued for this purpose.
- The bank managed by a board of directors formed as follows:

Name	Position
Minister of Local Administration (Municipal Affairs - formerly)	Chairman
General Director of the Bank	Deputy Chairman
A representative of the Ministry of Finance,	Board member
A representative of the Ministry of Public Works & Housing,	Board member
A representative of the Ministry of Local Administration (Municipal Affairs - formerly)	Board member
A representative of the Ministry of Planning and International Cooperation	Board member
A representative of the Central Bank	Board member
Two representatives of local Authorities	Members

- The executive body in the bank is headed by the General Director, who is appointed by a decision of the Council of Ministers based on a recommendation from the Board of Directors, and is responsible for implementing the decisions of the Board, implementing the general policy in the bank, supervising the administrative body and exercising the awarded authority as per the regulations issued by the law or delegated by the Board.
- The bank's authorized capital is JD 110,000,000 (One Hundred and Ten Million Jordanian Dinars), and it can be increased from the following sources:
  - Aids and donations from local and foreign sources that the bank obtains with the approval of the Council of Ministers.
  - Any other funds obtained by the bank or transferred to it from any source and considered as part of the bank's capital with the approval of the Council of Ministers.
- To the Council of Ministers upon the Board's recommendation:
  - Increase the bank's capital
  - Transferring the percentage that it deems appropriate from the general reserve of the bank's capital, provided that the reserve ratio is not less than (10%) of the bank's capital.

- The bank benefits from the exemptions and facilities granted to ministries, government departments and public official institutions, including taxes, government fees and import stamps fees.
- Bank funds are considered public funds and obtained according to the applicable public funds collection law, and for this purpose, the board exercises the powers of the administrative governor and the Public Fund Collection Committee stipulated in the aforementioned law.
- On December 24, 2019, the draft law amending the Cities and Villages Development Bank was submitted to the Prime Ministry and the amendments changed the current name of the bank to be called "Local Development Bank", and the draft law is still under study.
- The Board of Directors in Resolution No. 22/2020 dated November 22, 2020 approved the financial statements.

## 2. Basis for preparation of financial statements and significant accountant policies

### 2-1 Basis for financial statement preparation

#### - Financial statements preparation framework

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by International Accounting Standard Board.

#### - Measurement bases used in preparing the financial statements

The financial statements have been prepared on the historical cost basis except for measurement of certain items at bases other than historical cost.

#### - Functional and presentation currency

The financial statements have been presented in Jordanian Dinar (JD) which is the functional currency of the entity.

### 2-2 Using of estimates

- When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and currying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.
- Change in estimates are reviewed on a constant basis and shall be recognized in the period of the change, and future periods if the change affects them.
- For example, estimates may be required for expected credit losses, useful lives of depreciable assets, provisions and any legal cases against.

### 2-3 Application of new and modified International Financial Reporting Standards

#### New and modified standards adopted by the entity

#### - International Financial Reporting Standard No. (16)

As of January 1, 2019, the entity adopted the International Financial Reporting Standard No. (16) Lease contracts, which replaces:

- IAS 17 Leases.
- IFRIC- 4 Determining whether an Arrangement contains a lease.
- SIC-15 Operating Leases - Incentives.
- SIC-27 Evaluating the Substance of Transactions Involving the legal form of a lease.

The International Financial Reporting Standard No. (16) brings significant changes in accounting requirements and treatments of the operating leases, primarily for lessees, whereby all lease contracts were capitalized as assets and recognize an liabilities against them with narrow exceptions to this recognition principle for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less). The accounting treatment of the lease contracts has remains largely unchanged, as the lessor will continue to classify the lease contracts as either operating lease or finance lease, using principles similar to those in International Accounting Standard No. (17).

- The entity has chosen to apply this standard with modified retrospective approach (without adjusting the comparative figures) which is allowed by the standard.

- The most important impact of IFRS (16) on lease contracts in terms of:

- **Definition of lease contracts**

What distinguishes this standard is the concept of control, whereby lease and service contracts are classified on the basis of whether the customer has control over the use of an identified asset for a period of time in exchange for a consideration.

- **Lessee's accounting treatments for lease contracts (operating lease)**

What distinguishes this standard is the way the entity account for operating lease contracts as they were outside the financial statements.

Applying the standard to all lease contracts with the exception for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less), the entity does the following:

- A recognition of the right-of-use assets and liabilities of the lease contracts in the statement of financial position initially at the present value of future lease payments.
- In the statement of cash flows, the payments that reduces lease liability are classified within financing activities and the amounts related to the interest expense of the lease liabilities are classified within operating or financing activities. As for short-term lease contracts or low-value leases (non-capitalized) contracts, they are classified under operating activities. The principle amount of the lease contract within financing activities and profits on lease liabilities within operating activities.
- For short-term lease contracts of one year or less, and lease contracts for low-value leased assets are recognized as an expense in the income statement on a straight-line basis.

The International Financial Reporting Standard No. (16) provides for testing the impairment of the right of use assets in accordance with Accounting Standard No. (36) Impairment of Assets, and this is different from the International Accounting Standard No. (17), which required recognition of a provision for onerous lease contracts.

- **Lessee's accounting treatments for lease contracts (finance lease)**

What distinguishes this standard is the residual value guarantees provided by the lessee to the lessor, whereby the expected amount to be paid is recognized as part of the lease liability, while International Accounting Standard No. (17) recognizes the maximum for the guaranteed amount.

- According to management estimates, there is no signification effect of applying IFRS (16) on the financial statements.

**Standards and Interpretations issued but not yet effective**

Standard number or interpretation	Description	Effective date
Accounting Standard No. (1) Presentation of financial statements. Accounting Standard No. (8) Accounting policies, changes in accounting estimates and errors	Definition of material Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements.	January 1, 2020 or after
International Financial Reporting Standard (17) Insurance Contracts	IFRS (17) replaces IFRS (4), which requires measuring insurance liabilities at the present value of the consideration and provides a more consistent approach to measurement and presentation of all insurance contracts.	January 1, 2022 or after
Amendments to IFRS (3) Business Combinations.	Modifications to the definition of business. In order to be considered business it must be an integrated set of activities and assets and include as a minimum inputs and an objective process that together contribute greatly to the ability to create outputs. It should have the ability to contribute to the creation of outputs rather than the ability to create outputs	January 1, 2020 or after
Amendments to the International Financial Reporting Standard No. (10) Consolidated Financial Statements and International Accounting Standard No. (28) Associates and Joint Ventures.	These amendments relate to the sale or contribution of assets between the investor, the associate and / or the joint venture.	Undetermined date

**2-4 Summary of significant accounting policies**

**- Financial instruments**

Financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

**- Financial assets**

- A financial asset is any asset that is:

- (a) Cash;
- (b) An equity instrument of another entity;
- (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
- (d) A contract that will or may be settled in the entity's own equity instruments.

- Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset, but for financial assets at fair value through profit or loss, transaction costs are recognized in profit or loss.

- Financial assets are classified to three categories as follows:
  - Amortized cost.
  - Fair value through other comprehensive income.
  - Fair value through profit or loss.

**Subsequent measurement of financial assets**

Subsequently financial assets are measured as

Financial assets	Subsequent measurement
Financial assets at amortized cost	Are subsequently measured at amortized cost using effective interests method. <ul style="list-style-type: none"> <li>- Amortized cost is reduced by impairment losses.</li> <li>- Interests income, gain and loss of foreign exchange and impairment loss are recognized in profit or loss.</li> <li>- Gain and loss from disposal are recognized in profit or loss.</li> </ul>
Debts instruments at their value through other comprehensive income	Are subsequently measured at fair value <ul style="list-style-type: none"> <li>- Interests income is calculated using effective interests method, gains and losses from foreign exchange, impairment losses are recognized in profit or loss.</li> <li>- Other net gains or losses are recognized in other comprehensive income.</li> <li>- On derecognition accumulated gains and losses in other comprehensive income are reclassified into profit or loss.</li> </ul>

**Derecognition of financial assets**

Derecognition of financial assets (or a part of a group of similar financial assets) when:

- The contractual rights to the cash flow from the financial assets expire, or
- It transfers the contractual rights to receive the cash flows of the financial assets or assume a contractual obligation to pay the cash flows entirely to a third party.

**Financial liabilities**

- A financial liability is any liability that is:
  - (a) A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
  - (b) A contract that will or may be settled in the entity's own equity instruments.
- Financial liabilities are initially recognized at fair value less transaction costs, directly attributable to the acquisition or issue of those liabilities, except for the financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.
- After initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value and other determined financial liabilities which are not measured under amortized cost method.
- Financial liabilities at fair value through profit or loss are stated at fair value, with any resulting gain or loss from change in fair value is recognized through profit or loss.

**Offsetting financial instruments**

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, an entity currently has a legally enforceable right to set off amounts and intends either to settle in a net basis, or through realize the asset and settle the liability simultaneously.

**- Cash and cash equivalents**

Cash comprises cash on hand, current accounts and short term deposits at banks with a maturity date of three months or less, which are subject to an insignificant risk of changes in value.

**- Other debit balances**

Other debit balances are recognized with the amounts paid to the service providers against services that will be received in the future, or payments made to external parties and will be refunded in the future.

**- Impairment of financial assets**

- At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt securities at FVTOCI are credit - impaired. A financial assets is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.
- The entity recognizes loss allowance for expected credit loss (ECL) on:
  - Financial assets measured at amortized cost.
  - Debt investments measured at FVOCI.
  - Contract assets.
- The entity measures loss allowances at an amount equal to lifetime ECLs.
- Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.
- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort based in the entity's historical experience and forward looking information.
- The entity considers a financial asset to be in default when:
  - The client is unlikely to pay its credit obligations to the entity in full, without recourse by the entity to actions such as realizing security (if any); or
  - The financial asset is more than 360 days past due.
- Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
- A financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows. The entity write of the gross carrying amount of the financial asset is in case of, liquidation, bankruptcy or issuance of a court ruling to reject the claim for financial asset.

**- Granted credit facilities**

- The facilities are granted to municipalities and government authorities at interest rates associated with the credit rating according to the following table:

Description	Classification								
	Gold			Silver			Bronze		
	Less than 3 Years	From 3-10 years	More than 10 Years	Less than 3 Years	From 3-10 years	More than 10 Years	Less than 3 Years	From 3-10 years	More than 10 Years
Service projects	COF - 1%	COF - 0.5%	N/A	COF - 0.75%	COF - 0.25%	N/A	COF - 0.5%	COF	N/A
Investment projects	COF - 1.25%	COF - 0.75%	COF + 0.75%	COF - 1%	COF - 0.5%	COF + 1%	COF - 0.75%	COF - 0.25%	N/A
Operational obligations	COF + 0.75%	COF + 1.75%	N/A	COF + 1%	COF + 2%	N/A	COF + 1.25%	COF + 2.25%	N/A
Re-borrowing	Interest of CVDB borrowing + 1%	Interest of CVDB borrowing + 1%	Interest of CVDB borrowing + 1%	Interest of CVDB borrowing + 1%	Interest of CVDB borrowing + 1%	Interest of CVDB borrowing + 1%	Interest of CVDB borrowing + 1%	Interest of CVDB borrowing + 1%	Interest of CVDB borrowing + 1%
Overall	COF + 1%			COF + 1%			COF + 1%		

- At least 1% of the short-term facilities is taken as a provision for impairment. The management re-evaluate this provision annually as of 2009.

- **Joint investment with Municipalities**

Income from joint project investments with municipalities is recognized as operating lease at the income statement based on the amounts received from the lease contracts. The cost of investment in joint buildings with municipalities is also amortized by distributing it over the actual lease term, with a maximum of twenty years in proportion to the rental income received annually.

- **Investments in associates**

- An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies, if the entity holds 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence.
- The entity's investment in its associate is accounted for under the equity method of accounting. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. The investor's share of those changes is recognized in other comprehensive income of the investor.
- Financial statement of the associate are prepared for the same date as the financial statements of the entity. And when necessary to the accounting policies of the associate are amended to comply with the accounting policies of the entity.
- After applying the equity method, the entity determine, if necessary, to recognize impairment losses on its investments in associates, and determine at the date of the financial statement that the investment in associate is impaired, and if so, the entity calculate the impairment amount as the difference between the recoverable amount and the carrying amount which is recognized as a loss in the statement of comprehensive income.
- When loss of significant influence of the associate occur, the entity shall measure the retained interest at fair value, and recognize the difference between the carrying amount of the investment and the fair value of any retained interest and any proceeds from disposing in the statement of income.
- When no consolidation is prepared, investment in an associate is accounted for at cost or equity method or IFRS (9).
- Intra-entity profit and loss transactions are eliminated to the extent of the investor's interest in the relevant associate.

- **Financial assets at fair value through other comprehensive income**

- Financial assets at fair value through other comprehensive income is recognized initially at cost, and it is subsequently measured at fair value.
- The change in fair value is recognized as a separate item in the equity. In the case of the sale of these assets or a portion of the cumulative change in the fair value that is apparent in the equity is recognized in the statement of income and expenses.

- **Islamic financing loans**

**Murabaha contracts**

Murabaha is the sale of a commodity at a price exact to the price that the seller bought with an agreed-upon increase in profit, a percentage of the price or a lump sum, and it is one of the trusty sales, in which we rely on the disclosure of the purchase price or cost.

**Grants for property and equipment**

Grants whose primary condition is that the entity should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit and loss on a systematic and rational basis over the useful lives of the related assets, as the grants received against the assets are usually deducted from the asset's value when purchase.

**– Property and equipment**

- Property and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
- After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Land is not depreciated.
- The depreciation charge for each period is recognized as expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful life of the assets using the following rates:

<u>Category</u>	<u>Depreciation rate</u> 2019	<u>Depreciation rate</u> 2018
	%	%
Buildings and Decors	2-15	1-15
Motor vehicles	15	15-20
Furniture, fixture and Office equipment	10-15	2.5-50
Computers	25	10-50
Softwares	15	20-25

- The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
  - The carrying values of property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
  - On the subsequent derecognition (sale or retirement) of the property, plant and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.
  - Amount paid to build up property and equipment are initially carried to projects under construction account. When the project becomes ready for use, it will be transferred to property and equipment caption.
- Impairment of non-financial assets**
- At each statement of financial position date, management reviews the carrying amounts of its non-financial assets (property, plant and equipment and investment property) to determine whether there is any indication that those assets have been impaired.
  - If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
  - For the purpose of impairment valuation, assets are grouped at the lower level that have cash flow independently (cash generating unit), previous impairment for non-financial assets (excluding goodwill) is reviewed for the possibility of reversal at the date of the financial statements.



- An impairment loss is recognized immediately as loss.
- Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.
- **Trade payables and accruals**

Trade payables and accruals are liabilities to pay for goods or services that have been received or supplied and have been either invoiced or formally agreed with the suppliers or not.
- **Provisions**

Provisions are recognized when the bank has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.
- **Revenue recognition**
  - Revenue from Islamic financing is recognized based on an accrual basis and according to the stipulation mentioned on the signed financing contract
  - The interest income from financing on facilities granted to municipalities and government agencies is recognized based on an accrual basis.
- **Dividends and interest income**
  - Dividend revenue from investments is recognized when the shareholder's right to receive payment is established.
  - Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
- **Borrowing costs**
  - Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.
  - Borrowing costs are expensed in the period in which they are incurred.
- **Subsequent events**

Financial statements are affected by subsequent events that require an amendment to the financial statements while it is disclosed subsequent events that do not require an amendment to the financial statements.
- **Foreign currencies**
  - Transactions in foreign currencies is registered during the year, the exchange rates prevailing at the date of the transaction is also Monetary assets and liabilities denominated in foreign currency exchange rates prevailing on the financial position statement's date.
  - Gain and losses resulting from foreign currency exchange are recorded in the comprehensive income statement.

### 3. Cash and cash equivalents

	2019	2018
	JD	JD
Current accounts at Central Bank of Jordan	25,096,707	109,692,363
Current accounts at banks	7,784,683	23,375,437
Cash on hand	313,366	180,603
Deposits at banks	-	2,106,474
<b>Total</b>	<b>33,194,756</b>	<b>135,354,877</b>

### 4. Checks under collection

This item represents the value of checks receivable from the parties to which these amount are due, as most of them are government subsidies and their maturity date is January 2020

### 5. Granted credit facilities

	2019	2018
	JD	JD
Municipal facilities - productive purposes for local bodies	114,997,835	37,441,260
Loans for public services and facilities for local authorities	62,857,911	61,388,819
Infrastructure program facilities	6,647,944	3,236,307
Overdraft account balances and due installments on loan (West Bank )	466,398	466,398
Impairment provision of municipalities facilities	(2,780,131)	(2,780,131)
<b>Net</b>	<b>182,189,957</b>	<b>99,752,653</b>

(\*) Following is the maturity of the credit facilities at the end of the year:

	2019	2018
	JD	JD
Mature one year or less	119,332,046	38,363,834
Mature more than one year	62,857,911	61,388,819
<b>Total</b>	<b>182,189,957</b>	<b>99,752,653</b>

#### 6. Uncollected accrued interests

	2019	2018
	JD	JD
Accrued interest on deferred deposits - consolidated treasury account	6,837,613	3,263,341
Accrued interest on municipalities' loans	2,970,739	2,231,888
Accrued interest income on loan (West Bank) (*)	291,967	291,967
Accrued interest on current account and long term deposit	120,515	120,515
<b>Total</b>	<b>10,220,834</b>	<b>5,907,711</b>

(\*) According to Board of Directors' decree issued on December 10, 1998, the interest related to loans granted to West Bank municipalities and overdraft deposit balances as of June 1, 1998 were discontinued.

#### 7. Other debit balances

	2019	2018
	JD	JD
Unearned revenues - administration fees - adoption project	350,000	-
Bank's share of Joint investment with Municipalities/Rusayfa municipality	45,424	-
Prepaid expenses	16,178	12,215
Refundable deposits	795	795
<b>Total</b>	<b>412,397</b>	<b>13,010</b>

#### 8. Net joint investment with municipalities

This item represents the amount paid to the agreement signed between the municipality of Rusayfa and the Cities and Villages Development Bank, to establish two commercial complexes on two plots of land within the territory of the Rusayfa municipality, where warehouses were established and rented, and based on the agreement signed between the two parties, the City and Villages Development Bank will earn 85% of Annual revenue, noting that the annual revenue collected from the project on December 31, 2019 amounted to 53,440 Jordanian dinars, and accordingly, the bank's share of the revenue is 45,424 Jordanian dinars.

#### 9. Investment in associate

Company name	legal entity	Ownership	Capital	2019	2018
		%	JD	JD	JD
Energy-saving technology	Limited Liabilities	20	50,000	8,384	10,000
<b>Total</b>				<b>8,384</b>	<b>10,000</b>

**10. Investment in financial asset at fair value through other comprehensive income**

This item represents the investment in the Jordanian Loan Guarantee Company (Public shareholding Company) listed in Amman Stock Exchange, where the bank evaluated these financial assets according to the price announced at Amman Stock Exchange as of December 31, 2019.

**11. Investment in treasury bonds**

This item represents treasury bonds worth of 22 million Jordanian dinars with an interest of 5.505%, as the bank purchased these bonds based on the announcement issued by the Central Bank on behalf of the Government of the Hashemite Kingdom of Jordan to reopen the issue No. 9 of the Jordanian Treasury bonds for the year 2018 issued on May 20, 2018, which is due On May 20, 2023, according to a meeting of the Bank's Fund Investment Committee headed by the General Director.

**12. Islamic financing loans**

This item represents agreements signed with the Ministry of Education, Municipalities, and the Jordanian Hejaz Railroad Corporation, with a profit rate of 4.5%.

Notes to the financial statements for the year ended December 31, 2019

**13. Property and equipment**

Cost	2019		Buildings and decons		Vehicles		Furniture, fixture and office equipment		Computer		Softwares		Projects under constructions		Total	
		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of year	643,913		1,027,991	400,074	281,146	492,078	297,975				1,021,892			4,165,069		
Additions	-		-	-	19,113	3,642	551						824,620	847,926		
Disposals	-		-	(59,450)	(16,116)	(41,024)	-						-	(116,590)		
Balance - end of year	643,913		1,027,991	340,624	284,143	454,696	298,526				1,846,512			4,896,405		
<b>Accumulated depreciation</b>																
Balance - beginning of year	-		841,272	318,402	253,445	445,868	289,255								2,128,282	
Depreciation	-		6,062	20,650	12,185	16,498	2,475								57,870	
Disposals	-		-	(59,450)	(16,116)	(41,024)	-								(116,590)	
Balance - end of year	-		847,334	279,602	229,514	421,342	291,770								2,069,562	
Net	643,913		180,657	61,022	54,629	33,354	6,756				1,846,512			2,826,843		
<b>2018</b>																
Cost																
Balance - beginning of year	643,913		1,025,502	400,074	264,548	468,456	288,075				679,842			3,520,410		
Additions	-		2,489	-	16,598	34,497	9,900						592,050	655,534		
Disposals	-		-	-	-	(10,875)	-						-	(10,875)		
Balance - end of year	643,913		1,027,991	400,074	281,146	492,078	297,975				1,021,892			4,165,069		
<b>Accumulated depreciation</b>																
Balance - beginning of year	-		835,255	298,330	222,633	434,533	287,377								2,076,108	
Depreciation	-		6,037	22,072	10,812	22,195	1,918								63,034	
Disposals	-		-	-	-	(10,860)	-								(10,860)	
Balance - end of year	-		841,272	318,402	233,445	445,868	289,295								2,128,282	
Net	643,913		186,719	81,672	47,701	46,210	8,680				1,021,892			2,036,787		

(\*) Within the Lands item, there are 6 lands registered in the name of the Jordan Government.

14. Customers' deposits and current accounts

	2019	2018
	JD	JD
Demand deposits for municipalities and public institutions	21,409,802	40,350,004
Ministry of Municipalities affairs accounts	21,107,049	39,073,368
Current accounts for municipalities and public institutions	16,018,302	23,463,585
Automated monitoring cameras for municipalities	1,060,000	1,060,000
West Bank deposit (*)	955,336	955,336
Municipal deposits - current account (overdraft balance)	861,051	619,436
Trainees' deposits in municipalities	47,223	25,320
<b>Total</b>	<b>61,458,763</b>	<b>105,547,049</b>

(\*) West Bank deposit

	2019	2018
	JD	JD
West Bank deposit (Frozen)	606,339	606,339
Suspended interest on overdraft balances	348,997	348,997
<b>Total</b>	<b>955,336</b>	<b>955,336</b>

15. Loan

This item represents the European Economic Community loan. This loan is obtained at an annual interest rate of 1% and its settlement in semi-annual installments due on June 15 and December 15 of each year. The bank's commitment to these loans is directed by the Ministry of Planning and International Cooperation, where the Ministry re-borrowed these loans from the external bodies.

16. Local authorities and public institutions deposits

	2019	2018
	JD	JD
Municipalities deposits	37,593,032	34,002,937
Projects deposits	19,724,748	22,776,460
Refugees' societies and social adaption project	5,505,767	4,736,352
Temporary deposit and others (*)	4,589,508	6,389,516
Real state tax - municipalities	3,755,142	5,119,046
Bank's deposit to pay municipalities debts	2,828,564	3,797,993
Municipalities deposit to pay dues	2,044,277	2,194,277
Vehicle licensing returns	1,551,160	10,584,900
Returns from traffic violations	558,433	74,909
Proceeds from E-fawateercom	351,730	301,923
Regional and local development project, French Agency - Grant	87,664	88,942
Regional and local development project, French Agency - Loan	39,272	58,871
Fighting poverty project for 18 municipalities / European Union	14,157	22,166
<b>Total</b>	<b>78,643,454</b>	<b>90,148,292</b>

(\*) Temporary deposit and others

	2019	2018
	JD	JD
Temporary deposits - surplus of taxes and fees	1,959,464	1,959,464
Temporary deposits - municipalities court revenues	1,732,290	3,683,123
Temporary deposits - Communications - Ministry of Municipalities affairs	441,446	441,446
Islamic Finance department reservation deposit	161,287	88,971
Check deposits have not been submitted for disbursement	108,109	32,679
Temporary deposits - others	71,566	73,213
Temporary deposits - Municipalities salaries	33,253	39,692
Precautionary reservation for courts - deposit	31,968	31,968
Municipalities deposit for foreign-funded projects	30,000	30,000
E-fawateercom commission deposits	10,258	918
Dollar exchange currency deposits	9,867	8,042
<b>Total</b>	<b>4,589,508</b>	<b>6,389,516</b>

17. Other Credit balances

	<u>2019</u>	<u>2018</u>
	JD	JD
Accrued expenses	69,835	96,828
Deferred revenues (*)	65,851	88,738
Deferred grant revenues	10,000	10,000
Accrued interest	1,462	1,563
<b>Total</b>	<b><u>147,148</u></b>	<b><u>197,129</u></b>

(\*) Deferred revenues

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance at the beginning of the year	88,738	93,396
Provided during the year	-	20,871
Amortization during the year	<u>(22,887)</u>	<u>(25,529)</u>
<b>Balance at the end of the year</b>	<b><u>65,851</u></b>	<b><u>88,738</u></b>

18. Capital

The authorized capital is JD 110 million, and the paid-up capital is JD 102,969,840, divided as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Jordan Government Contribution	78,800,000	78,800,000
Local Authorities Contribution	21,969,840	20,144,134
Central Bank of Jordan Contribution	<u>2,200,000</u>	<u>2,200,000</u>
<b>Total</b>	<b><u>102,969,840</u></b>	<b><u>101,144,134</u></b>

In accordance with Prime Ministry's decree No. (17/2017) on December 6, 2017, it was approved to increase the bank's capital by the value of the grant provided by the Kuwait Fund for Arab Economic Development.

19. General Reserve

Based on the Bank Law No. 63 of 1985, each institution shall be paid its share of the bank's profits in proportions to its share in capital, and transfer the remaining profits to general reserve of the bank.



**20. Dividends proposed for distribution to local bodies**

The percentage of proposed profit to be distributed to local authorities was %21.29 which represent an amount of JD 2,544,333 from the net distributable profits for the year 2019, as it was distributed according to the percentage of each municipality's contribution to the bank's capital, according to the Board of Director Decision No 22/2020 dated on November 22, 2020.

**21. Net interest revenues**

	<u>2019</u>	<u>2018</u>
	JD	JD
Credit facilities interest	9,227,772	6,604,439
Interests on bank accounts	3,605,130	3,867,790
Deduct:		
Municipalities' deposits interests	(224,979)	(250,472)
Municipalities deferred interests and commissions	(13,006)	(9,642)
Interests on foreign loans	(990)	(1,267)
<b>Net</b>	<u>12,593,927</u>	<u>10,210,848</u>

**22. Other revenues**

	<u>2019</u>	<u>2018</u>
	JD	JD
Municipalities services administration fees /Syrian refugee - adaptation project	350,000	674,649
Other	112,630	129,295
Revenue from local development and cities strategy project	-	89,338
<b>Total</b>	<u>462,630</u>	<u>893,282</u>

23. Administrative expenses

	2019	2018
	<u>JD</u>	<u>JD</u>
Salaries, wages and related benefits	2,198,394	2,319,777
Social security contribution	313,071	347,463
Bonuses	311,800	300,000
Travel and transportation	127,825	135,619
Water and electricity	86,077	92,536
Depreciation	57,870	63,034
Cleaning	43,158	60,884
Commissions	43,064	-
Board of directors' remunerations	43,050	43,740
Rents	42,335	48,968
Computer supplies	35,720	28,753
Maintenance	18,550	12,742
Subscription fees for connecting branches	15,936	17,341
Professional fees	15,000	10,000
Communication and internet	14,711	19,571
Fuel and heating	12,680	12,420
Insurance on bank's assets	10,850	11,780
Stationery and printings	9,251	6,733
Training for the bank employees	6,758	20,917
Hospitality	5,868	5,303
Miscellaneous	5,450	8,472
Consumables	4,762	12,000
Vehicles	3,607	4,961
<b>Total</b>	<u><u>3,425,787</u></u>	<u><u>3,583,014</u></u>

24. Contra accounts

	2019	2018
	JD	JD
Unwithdrawn signed Islamic loans / governmental institution	12,934,145	11,748,516
Un-signed approved interest-bearing loans	10,406,874	7,259,000
Unwithdrawn local authorities loans - interest	4,335,386	7,890,959
Guarantees against productivity program and World Bank and French Agency programs provided by suppliers	1,727,488	1,037,826
Unsigned approved Islamic loans / governmental institution	449,108	449,108
A pledge for municipalities against other obligations	427,807	75,889
Bills under collection (loans provided by the Petra Committee)	18,598	17,938
Loans to cover payroll , current expenses and unpaid balance	10,000	10,000
<b>Total</b>	<b>30,309,406</b>	<b>28,489,236</b>

25. Legal

As stated by the legal department of the bank, there are cases filed by others against the bank with a value of JD 268,432, and there are cases filed by the bank against others with a value of JD 27,318. These cases are still pending before the competent courts, and according to the opinion of the legal advisor of the bank, it is not necessary to create any provision against any possible obligations on these cases

26. Subsequent events

Subsequent to the date of the consolidated financial statements and as a result of the spread of the new Corona virus (Covid-19) in the beginning of 2020 and its outbreak in several geographical regions around the world including the Hashemite Kingdom of Jordan and its impact on the global economy, In addition to disrupting economic activities, this has affected the bank sectors including bank services, credit facilities for municipalities, provide long term financing for productive and service project implemented by local bodies. as a result of the quarantine measures established by the Defense Law. The management of the bank believes that this event is one of the events occurring after the issuance of the statement of financial position, which does not require amendments in this early stage of the event, which is witnessing continuous and rapid developments. The bank has formed a team to evaluate the expected effects on the bank's business inside and outside the Kingdom and to conduct a preliminary study with a view to reviewing and evaluating the potential risks related to ensuring continuity and operation without interruption at this stage, the administration does not consider that it is possible to quantify the potential impact of this outbreak on the company's future financial statements at this stage.

Management and those charged with governance will continue to monitor the situation in all geographic regions in which the bank operates and provide stakeholders with developments as required by laws and regulations. In the event of any changes to the current conditions, additional disclosures or amendments to the bank's financial statements will be provided for the subsequent periods of the year ending as at December 31, 2019.

e) **Credit risk:**

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the year are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors.
- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.

f) **Liquidity risk:**

- Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.
- Liquidity risk is managed through monitoring cash flows and matching with maturity dates of the financial assets and liabilities.
- The following table shows the maturity dates of financial assets and liabilities as of December 31:

Description	Less than year		More than year	
	2019	2018	2019	2018
	JD	JD	JD	JD
<b>Assets</b>				
Cash and cash equivalents	33,194,756	135,354,877	-	-
Investment deposits certificates - Safwa Islamic Bank	-	2,000,000	-	-
Checks under collection	10,025,000	38,765,330	-	-
Investment in financial asset at fair value through other comprehensive income	-	-	236,250	241,500
Granted credit facilities	62,857,911	61,388,819	119,332,046	38,363,834
Other debit balances	396,219	795	-	-
Uncollected accrued interests	9,808,352	5,495,229	412,482	412,482
Investment in treasury bonds	-	-	22,000,000	22,000,000
Islamic financing loans	-	-	10,556,024	9,261,261
<b>Total</b>	<b>116,282,238</b>	<b>243,005,050</b>	<b>152,536,802</b>	<b>70,279,077</b>
<b>Liabilities</b>				
Customers' deposits and current accounts	59,443,427	103,531,713	2,015,336	2,015,336
Loans	19,770	19,567	74,120	93,890
Local authorities and public institutions deposits	-	-	78,643,454	90,148,292
Other credit balances	71,297	98,391	-	-
<b>Total</b>	<b>59,534,494</b>	<b>103,649,661</b>	<b>80,732,910</b>	<b>92,257,518</b>

27. Risk management

a) Capital risk:

Regularly, the capital structure is reviewed and the cost of capital and the risks associated with capital are considered. In addition, capital is managed properly to ensure continuing as a going concern while maximizing the return through the optimization of the debt and equity balance.

b) Currency risk:

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The risk arises on certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year.
- Certain procedures to manage the exchange rate risk exposure are maintained.
- Most of foreign currency transactions are in USD, and JD exchange rate is fixed against USD.

c) Interest rate risk:

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from borrowings and depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.
- The following table shows the sensitivity of profit or loss and equity to changes in interest rates received by the entity on its deposits with banks and on interest rates paid by the entity on borrowing from the banks:

<u>As of December 31, 2019</u>	<u>Change in interest</u>	<u>Effect on profit (loss) and effect on equity</u>
	%	JD
Loan	± 0.5	470

d) Other price risk:

- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity investments. However, this risk is insignificant since no active trading on these investments is occurred.
- The following table shows the sensitivity to profit or loss and equity to the changes in the listed prices of investments in equity instruments, assuming no changes to the rest of other variables:

<u>As of December 31, 2019</u>	<u>Change in interest</u>	<u>Effect on profit (loss) and effect on equity</u>
	%	JD
Investment in financial assets at fair value through other comprehensive income	5	± 11,813
<u>As of December 31, 2018</u>	<u>Change in interest</u>	<u>Effect on profit (loss) and effect on equity</u>
	%	JD
Investment in financial assets at fair value through other comprehensive income	5	± 12,075

**28. Fair value of financial instruments**

The entity shall classifies measuring fair value methods using fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy of fair value of financial instruments have the following levels:

- Level (1): quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level (2): inputs other than quoted prices included within level (1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level (3): inputs for the asset or liability that are not based on observable market data.

<u>As of December 31, 2019</u>	<u>Level 1</u>	<u>Total</u>
	JD	JD
Investment in financial assets at fair value through other comprehensive income	236,250	236,250

**29. Reclassification**

Some of 2018 balances have been reclassified to conform to the adopted classification in 2019.