

**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, 2022**

**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, 2022, 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, 2022, 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.

### 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statement. we are responsible for the direction, supervision and performance of the group audit. we remain solely responsible for our audit opinion.



Notes to the financial statements for the year ended December 31, 2022

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.


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### 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 #867)

Amman, on May 1, 2023



**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, 2022**

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<b>Assets</b>		<b>JD</b>	<b>JD</b>
Cash and cash equivalents	3	4,014,513	4,016,704
Granted credit facilities	4	332,299,445	298,737,109
Uncollected accrued interests	5	8,551,696	13,375,200
Islamic financing loans	6	9,930,383	11,148,895
Other debit balances	7	1,360,413	1,652,647
Net of joint investment with municipalities	8	179,040	214,040
Investment in an associate	9	16,649	16,649
Investment in financial asset at fair value through other comprehensive income	10	525,000	525,000
Investment in treasury bonds	11	11,000,000	11,000,000
Property and equipment	12	1,708,291	1,676,582
Mawjudat Ijara Muntahia Bittamleek -net	13	3,275,001	3,700,000
<b>TOTAL ASSETS</b>		<b>372,860,431</b>	<b>346,062,826</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Non-Current Liabilities</b>			
Local authorities and public institutions deposits	14	64,499,567	90,074,860
Loans - long term	15	13,005	34,368
Istisna' deferred profits	6	1,159,968	1,577,777
<b>Total Non-Current Liabilities</b>		<b>65,672,540</b>	<b>91,687,005</b>
<b>Current Liabilities</b>			
Customers' deposits and current accounts	16	123,123,432	90,133,436
Loans -short term	15	19,770	19,770
Other credit balances	17	865,059	992,057
<b>Total Current Liabilities</b>		<b>124,008,261</b>	<b>91,145,263</b>
<b>Total Liabilities</b>		<b>189,680,801</b>	<b>182,832,268</b>
<b>EQUITY</b>			
Authorized capital	18	110,000,000	110,000,000
Paid-up capital	18	107,655,428	107,655,428
General reserve	19	35,867,972	35,867,972
Retained earnings		39,656,230	19,707,158
<b>TOTAL EQUITY</b>		<b>183,179,630</b>	<b>163,230,558</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>372,860,431</b>	<b>346,062,826</b>
<b>CONTRA ACCOUNTS</b>			
Unwithdrawn approved loans - Debit	24	35,458,189	35,583,515
Unwithdrawn approved liability - Credit	24	35,458,189	35,583,515

**The accompanying notes form part of these financial statements**

**Cities and Villages Development Bank**  
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**Statement of Comprehensive income for the year ended December 31, 2022**

	Notes	2022	2021
		JD	JD
<b>REVENUES</b>			
Net of interest revenues	21	21,353,202	18,990,375
Other revenues	22	642,163	423,133
Islamic financing revenues	6	571,347	2,305,100
Income from Mawjudat Ijara Muntahia Bittamleek - net	23	167,447	-
Amortization of deferred revenues	17	5,931	20,207
Joint investment revenue with municipalities	8	33,188	34,280
Islamic murabaha revenue		-	31,062
Investment revenue from treasury bonds	11	605,550	1,220,224
Bank's share of result of associate	9	-	4,265
<b>TOTAL REVENUES</b>		<b>23,378,828</b>	<b>23,028,646</b>
<b>EXPENSES</b>			
Administrative expenses	24	(3,394,756)	(3,286,488)
Amortization of joint investment with municipalities	8	(35,000)	(35,000)
Total Expenses		(3,429,756)	(3,321,488)
<b>Comprehensive income for the year</b>		<b>19,949,072</b>	<b>19,707,158</b>

**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, 2022**

	<u>Paid-up capital</u>	<u>General reserve</u>	<u>Retained earnings</u>	<u>Net equity</u>
	JD	JD	JD	JD
Balance as at January 1, 2021	104,514,173	25,642,183	13,367,044	<b>143,523,400</b>
Comprehensive income	-	-	19,707,158	<b>19,707,158</b>
Amounts transferred to the capital from local authorities' shares in dividend	3,141,255		(3,141,255)	-
Amounts transferred from retained earnings to general reserve		10,225,789	(10,225,789)	-
<b>Balance as at December 31, 2021</b>	<b>107,655,428</b>	<b>35,867,972</b>	<b>19,707,158</b>	<b>163,230,558</b>
Comprehensive income	-	-	19,949,072	<b>19,949,072</b>
<b>Balance as at December 31, 2022</b>	<b>107,655,428</b>	<b>35,867,972</b>	<b>39,656,230</b>	<b>183,179,630</b>

- The percentage of proposed profit to be distributed to local authorities was %25.69 which represent an amount of JD 5,062,572 from the net distributable profits for the year 2021, 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 6/2023 dated on February 6, 2023.
- The percentage of proposed profit to be distributed to local authorities was %30 which represent an amount of JD 5,984,722 from the net distributable profits for the year 2022, 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 22/2023 dated on May 1, 2023, the remaining balance which amount to JD 13,964,350 will be transfer to General Reserve.

**The accompanying notes form part of these financial statements**



**Statement of cash flows for the year ended December 31, 2022**

	Notes	2022	2021
		JD	JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Coprehensive income for the year		19,949,072	19,707,158
<b>Adjustments for :</b>			
Uncollected accrued interests		4,823,504	1,295,321
Mawjudat Ijara Muntahia Bittamleek depreciation		424999	-
Loss (profit) from disposal of property and equipment		480	(18,180)
Depreciation	13	109,215	61,191
Amortization of deferred revenues	17	(5,931)	(20,207)
Amortization of joint investment with municipalities		35,000	35,000
Bank's share of result of associates		-	(4,265)
<b>Change in operating assets and liabilities:</b>			
Granted credit facilities		(33,562,336)	(58,664,302)
Istisna' deferred gains		(417,809)	1,577,777
Islamic financing loans		1,218,512	913,219
Customers' deposits and current accounts		32,989,996	8,672,023
Local authorities and public institutions deposits		(25,575,293)	3,899,164
Other debit balances		292,234	(481,150)
Other credit balances		(121,067)	282,207
<b>Net cash from operating activities</b>		<b>160,576</b>	<b>(22,745,044)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of treasury bonds		-	11,000,000
Purchase of property and equipment	13	(141,404)	(1,102,805)
Proceeds from sale of property and equipment		-	1,637
<b>Net cash from investing activities</b>		<b>(141,404)</b>	<b>9,898,832</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowed amounts		(21,363)	(19,982)
<b>Net cash from financing activities</b>		<b>(21,363)</b>	<b>(19,982)</b>
<b>Net change in cash and cash equivalents</b>		<b>(2,191)</b>	<b>(12,866,194)</b>
Cash and cash equivalents - beginning of year		4,016,704	16,882,898
<b>Cash and cash equivalents - end of year</b>		<b>4,014,513</b>	<b>4,016,704</b>
<b>Information about non-cash transaction</b>			
Amounts transferred to the capital from local authorities' shares in dividend		-	3,141,255
Amounts transferred from retained earnings to general reserve		-	10,225,789
Transfer from projects under constructions to buildings		-	3,072,909
Transfer from the buildings to the Mawjudat Ijara Muntahia Bittamleek		-	3,700,000

**The accompanying notes form part of these financial statements**

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**Notes to the financial statements for the year ended December 31, 2022**

**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 anybody 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	Chairman
Secretary General of the Minister of Local Administration	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 Planning and International Cooperation	Board member
A representative of the Central Bank	Board member
Three representatives of local Authorities	Members
Two representatives of private sector	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 enjoys 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, 2020, 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. 4/2023 dated January 9, 2023 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**

Standard number or interpretation	Description	Effective date
Amendments to IFRS (1) Subsidiary First-time Adoption of International Financial Reporting Standards	Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture.	January 1,2022
Amendments to IFRS (3) Business Combinations	Minor amendments were made to IFRS (3) to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS (37) Provisions, Contingent Liabilities and Contingent Assets. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	January 1,2022
IFRS (9) Financial Instruments	Annual Improvements to IFRS (9), for year 2018 - 2020	January 1,2022
Amendments to IFRS (16) Covid-19-related Rent Concessions.	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.  In May 2020, the IASB made an amendment to IFRS 16 Leases, which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.  The relief was originally limited to reduction in lease payments that were due on or before June 30, 2021. However, the IASB subsequently extended this date to June 30, 2022.	June 1,2020 April 1,2021
Amendments to IAS (16) Property, Plant and Equipment	The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1,2022
Amendments to IAS (37) Provisions Contingent Liabilities and contingent Assets	The amendment to clarifies that the direct costs of fulfilling a onerous contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling onerous contracts.	January 1,2022

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

Standard number or interpretation	Description	Effective date
IFRS (16) Leases	The amendment clarifies how a seller – lessee subsequently measures sale and lease back transaction.	January 1,2024
IFRS (17) Insurance Contracts	IFRS (17) was issued in May 2017 as replacement for IFRS (4) Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows • an explicit risk adjustment, and • A contractual service margin (CSM) representing the • unearned profit of the contract which is recognised as revenue over the coverage period.	January 1,2023 (deferred from January 1,2021)
Amendments to IAS (1)	The amendments to Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.  Classification is unaffected by the expectations of the entity or events after the reporting date.	January 1, 2024 (Deferred from January 1, 2022).
Amendments to IAS (1) and IFRS Practice Statement 2	The amendments to IAS (1) require entities to disclose their material rather than their significant accounting policies. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	January 1, 2023
Amendments to IAS (8)	The amendment to IAS (8) Accounting Policies, Changes in Accounting Estimates and Errors The distinction between accounting policies and changes in accounting estimates is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	January 1, 2023.

## 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
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>
Financial asserts 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>

#### 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.

Notes to the financial statements for the year ended December 31, 2022

- 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 5 Years	From 5-10 years	More than 10 Years	Less than 5 Years	From 5-10 years	More than 10 Years	Less than 5 Years	From 5-10 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%
Overdraft	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 signified 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 prepare 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.

**Ijara and Ijara Muntahia Bittamleek**

Ijara is ownership of the benefit of return and is divided into:

- Operating Ijara: Ijara contracts that doesn't end with transferring ownership of the leased asset of the leasee.
- Ijarah Muntahia Bittamleek: Ijarah which ends with the lessee owning the leased assets and taking several types as stated in the Ijara and Ijarah Muntahia Bittamleek standard No. (32) issued by the Accounting and Auditing Organization for Financial and Islamic Institutions.

Assets acquired for the purpose of leasing are measured at historical cost, including direct expenses, to make them usable. The leased assets are depreciated in accordance with the Bank's depreciation policy. When the recoverable amount of any asset acquired for Ijara is less than its net carrying amount, the amount is reduced to the recoverable amount, and the impairment loss is recognized in the statement of comprehensive Income . The income of Ijara shall be distributed in proportion to the financial periods covered by the lease contract. Basic insurance and maintenance expenses of leased assets are recognized in the financial period in which they arise

**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> <u>2022</u>
	%
Buildings and decors	2-15
Vehicles	15
Furniture, fixture and office equipment	10-15
Computers hardwares	25
Softwares	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.

**Leases contracts**

The entity assesses at the commencement date of the lease agreement whether the contract is a lease or includes a lease agreement. And if the contract is in whole or in part transfer the right to control the use of a specific asset from one party to another for a specified period of time in exchange for a consideration, the entity recognizes the right-of- use assets and lease liability with the exception of low value and for short term leases (i.e. those with a lease term of 12 months or less) in which the entity recognizes the lease payments as operating expenses on either a straight-line basis over the lease term or another systematic basis is more representative of the time period to depreciate the economic benefits of the leased assets.

– **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**

	<u>2022</u>	<u>2021</u>
	JD	JD
Current accounts at banks	2,331,690	859,782
Current accounts at Central Bank of Jordan	1,276,030	3,001,894
Cash on hand	406,793	155,028
<b>Total</b>	<b><u>4,014,513</u></b>	<b><u>4,016,704</u></b>

**4. Granted credit facilities**

	<u>2022</u>	<u>2021</u>
	JD	JD
Municipal facilities - productive purposes for local authorities	248,033,806	206,594,601
Loans for public services and facilities for local authorities	86,523,799	94,177,335
Overdraft account balances and due installments on loans (west bank )	466,398	466,398
Infrastructure programs facilities	-	278,906
Provincial Development Fund - financing	55,573	
Impairment provision of municipalities facilities	(2,780,131)	(2,780,131)
<b>Net</b>	<b><u>332,299,445</u></b>	<b><u>298,737,109</u></b>

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

	<u>2022</u>	<u>2021</u>
	JD	JD
Mature one year or less	245,775,646	204,559,774
Mature more than one year	86,523,799	94,177,335
<b>Total</b>	<b><u>332,299,445</u></b>	<b><u>298,737,109</u></b>

**5. Uncollected accrued interests**

	<u>2022</u>	<u>2021</u>
	JD	JD
Accrued interest on term deposits - consolidated treasury account	7,962,144	7,865,425
Accrued interest on municipalities' loans	177,070	5,097,293
Accrued uncollected interest on loans (West Bank) (*)	291,967	291,967
Accrued interest on current account and term deposit	120,515	120,515
<b>Total</b>	<b><u>8,551,696</u></b>	<b><u>13,375,200</u></b>

(\*) According to Board of Directors' decision 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.

**6. Islamic financing loans**

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

The balance of deferred Istisna' profits represents the value of net profits on the contractors' payments that were made in the years preceding the implementation of projects for all contracts signed with the municipalities after deducting the deferred Istisna' profits by the value of the profits realized from the installments paid by the municipalities for the current year and previous years.

**7. Other debit balances**

	<u>2022</u>	<u>2021</u>
	JD	JD
Refundable deposits	1,000,000	1,000,000
Unearned revenues	155,521	243,021
Bank's share of Joint investment with Municipalities/Rusayfa municipality	96,999	63,811
Accrued income from Mawjudat Ijara Muntahia Bittamleek	74,446	
Prepaid expenses	28,237	21,913
Checks under collection	5,210	26,126
Intermediate accounts / financial exchange, networking, branches and clearing checks issued	-	296,108
Other	-	1,668
<b>Total</b>	<b><u>1,360,413</u></b>	<b><u>1,652,647</u></b>

(\* ) The balance of unearned revenues consist of:

	<u>2022</u>	<u>2021</u>
	JD	JD
Unearned revenues - social adaption project administration fees	87,500	175,000
Unearned revenues - treasury bonds	68,021	68,021
<b>Total</b>	<b><u>155,521</u></b>	<b><u>243,021</u></b>

#### 8. Net of 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 established and rented, and based on the agreement signed between the two parties, joint investment with municipalities is amortized annually as the amount of amortization for year 2022 was JD 35,000 , the City and Villages Development Bank share is 85% of Annual revenue, noting that the annual revenue collected from the project until December 31, 2022 amounted to 39,044 Jordanian dinars, and accordingly, the bank's share of the revenue is 33,187 Jordanian dinars.

#### 9. Investment in an associate

<u>Company name</u>	<u>legal entity</u>	<u>Ownership</u>	<u>Capital</u>	<u>2022</u>	<u>2021</u>
		%	JD	JD	JD
Energy-saving technology	Limited Liabilities	20	50,000	16,649	16,649
<b>Total</b>				<b><u>16,649</u></b>	<b><u>16,649</u></b>

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

This item represents the investment in the Jordan Loan Guarantee Corporation (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, 2022.

#### 11. Investment in treasury bonds

This item represents treasury bonds worth of 11 million Jordanian dinars as of December 31, 2022 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.

Cities and Villages Development Bank  
Public institution established by a special decree  
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Notes to the financial statements for the year ended December 31, 2022

12. Property and equipment

	Lands (*)	Buildings and decors	Vehicles	Furniture, fixture and office equipment	Computer hardwares	Softwares	Projects under constructions	Total
	JD	JD	JD	JD	JD	JD	JD	JD
<b>2022</b>								
<b>Cost</b>								
Balance - beginning of year	643,913	1,027,991	340,624	276,149	359,083	995,772	62,758	3,706,290
Additions	-	-	-	20,511	50,436	66,642	3,815	141,404
Disposals	-	-	(2,000)	(3,525)	(2,911)	-	-	(8,436)
<b>Balance - end of year</b>	<b>643,913</b>	<b>1,027,991</b>	<b>338,624</b>	<b>293,135</b>	<b>406,608</b>	<b>1,062,414</b>	<b>66,573</b>	<b>3,839,258</b>
<b>Accumulated depreciation</b>								
Balance - beginning of year	-	858,546	320,900	215,156	344,639	290,467	-	2,029,708
Depreciation	-	5,060	15,100	10,313	8,518	70,224	-	109,215
Disposals	-	-	2,000-	3,045-	2,911-	-	-	(7,956)
<b>Balance - end of year</b>	<b>-</b>	<b>863,606</b>	<b>334,000</b>	<b>222,424</b>	<b>350,246</b>	<b>360,691</b>	<b>-</b>	<b>2,130,967</b>
<b>Net</b>	<b>643,913</b>	<b>164,385</b>	<b>4,624</b>	<b>70,711</b>	<b>56,362</b>	<b>701,723</b>	<b>66,573</b>	<b>1,708,291</b>
<b>2021</b>								
<b>Cost</b>								
Balance - beginning of year	643,913	1,027,991	340,624	311,333	460,018	298,758	2,757,167	5,839,804
Additions	-	-	-	5,011	6,078	713,216	378,500	1,102,805
Disposals	-	-	-	(40,195)	(107,013)	(16,202)	-	(163,410)
Transfer from projects under constructions to buildings	-	3,072,909	-	-	-	-	(3,072,909)	-
The transfer from the buildings to mawjudat Ijara Muntahia Bittamleek	-	(3,072,909)	-	-	-	-	-	(3,072,909)
<b>Balance - end of year</b>	<b>643,913</b>	<b>1,027,991</b>	<b>340,624</b>	<b>276,149</b>	<b>359,083</b>	<b>995,772</b>	<b>62,758</b>	<b>3,706,290</b>
<b>Accumulated depreciation</b>								
Balance - beginning of year	-	853,289	300,252	242,696	437,552	294,510	-	2,128,299
Depreciation	-	5,257	20,648	11,306	12,122	11,858	-	61,191
Disposals	-	-	-	(38,846)	(105,035)	(15,901)	-	(159,782)
<b>Balance - end of year</b>	<b>-</b>	<b>858,546</b>	<b>320,900</b>	<b>215,156</b>	<b>344,639</b>	<b>290,467</b>	<b>-</b>	<b>2,029,708</b>
<b>Net</b>	<b>643,913</b>	<b>169,445</b>	<b>19,724</b>	<b>60,993</b>	<b>14,444</b>	<b>705,305</b>	<b>62,758</b>	<b>1,676,582</b>

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

**13. Mawjodat Ijara Muntahia Bittamleek - net**

This amount represents a net value of Mawjodat Ijara Muntahi biltumleek based on the cabinet decision number 3988 which is adopted on October 10, 2022 the bank signed a Lease – to – own agreement related to the under process bank’s building with the ministry of finance for the benefit of the ministry of agriculture for 10 years with an amount of JD 4,514,000 including profits JD 814,000 with the condition of paying it back within ten payments, the first payment accrued on October 2022.

	<u>2022</u>	<u>2021</u>
	JD	JD
Mawjodat Ijara Muntahia Bittamleek - net	3,700,000	3,700,000
Accumulated depreciation	(424,999)	-
<b>Balance at the end of the year</b>	<b><u>3,275,001</u></b>	<b><u>3,700,000</u></b>

**14. Local authorities and public institutions deposits**

	<u>2022</u>	<u>2021</u>
	JD	JD
Vehicle licensing returns	26,875,162	37,801,160
Projects deposits	12,693,641	16,195,567
Municipal services social adaption project	8,633,262	2,782,575
Property tax - municipalities	5,528,369	4,983,832
Bank's deposit to pay municipalities debts	5,442,174	4,442,174
Municipalities deposits	4,004,192	19,294,977
Others temporary deposit (*)	1,090,151	1,328,629
Proceeds from E-fawateercom	114,022	3,175,638
Municipalities deposit to pay dues	100,000	-
Returns from traffic violations	18,594	-
Branch account in the center - Intermediate	0	36,715
Clearing house - Intermediate	0	33,593
<b>Total</b>	<b><u>64,499,567</u></b>	<b><u>90,074,860</u></b>



(\*)Other temporary deposit:

	<u>2022</u>	<u>2021</u>
	JD	JD
Temporary deposits - surplus of taxes and fees	233,464	370,964
Temporary deposits - others	229,823	64,175
Islamic finance department retentions deposit	155,530	164,240
Temporary deposits - Municipalities salaries	145,006	-
Deposits of uncleared checks	106,415	106,622
Temporary deposits - municipalities court revenues	66,841	54,508
Temporary deposits - Provincial Development Fund	46,002	-
Employees' current account	35,486	38,141
Preventive retention for courts - deposit	31,968	31,968
Municipalities deposit for foreign-funded projects	30,000	30,000
Temporary deposits -Bonuses and per diems	8,921	374,188
Temporary deposits - Employment, Training and Vocational Education Fund	695	92,692
Dollar exchange currency deposits	-	874
E-fawateercom commission deposits	-	257
<b>Total</b>	<b><u>1,090,151</u></b>	<b><u>1,328,629</u></b>

15. Loan

This item represents the European Economic Community loan. This loan was 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 for the Ministry of Planning and International Cooperation.

16. Customers' deposits and current accounts

	<u>2022</u>	<u>2021</u>
	JD	JD
Current accounts for municipalities and public institutions	81,993,870	18,669,539
Ministry of Municipalities accounts	23,436,432	52,707,275
Demand deposits for municipalities and public institutions	15,655,400	15,693,508
Automated monitoring cameras for municipalities	1,060,000	1,060,000
West Bank deposit (*)	955,336	955,336
Trainees' deposits in municipalities	22,394	22,928
Municipal deposits - (overdraft)	-	1,024,850
<b>Total</b>	<b><u>123,123,432</u></b>	<b><u>90,133,436</u></b>

**(\*) West Bank deposit**

	<u>2022</u>	<u>2021</u>
	JD	JD
West Bank deposit (Frozen)	606,339	606,339
Suspended interest on overdraft balances	348,997	348,997
<b>Total</b>	<b><u>955,336</u></b>	<b><u>955,336</u></b>

**17. Other credit balances**

	<u>2022</u>	<u>2021</u>
	JD	JD
Installments received in advance - Islamic finance clients	438,428	269,103
Provision for execution and licensing of the building	302,350	606,920
Accrued expenses	65,666	58,265
Deferred revenues (*)	25,746	28,177
Project retentions deposit	13,000	13,000
Deferred grant revenues	10,000	10,000
Other	8,312	2,960
Accrued interest	1,557	1,581
Income tax deposits - employees	-	2,051
<b>Total</b>	<b><u>865,059</u></b>	<b><u>992,057</u></b>

**(\*) Deferred revenues**

	<u>2022</u>	<u>2021</u>
	JD	JD
Balance at the beginning of the year	28,177	47,496
Provided during the year	3,500	888
Amortization during the year	(5,931)	(20,207)
<b>Balance at the end of the year</b>	<b><u>25,746</u></b>	<b><u>28,177</u></b>

## 18. Capital

The authorized capital is JD 110 million, and the paid-up capital is JD 107,655,428, divided as follows:

	<u>2022</u>	<u>2021</u>
	JD	JD
Jordan Government Contribution	77,800,000	77,800,000
Municipalities Contribution	27,655,428	27,655,428
Central Bank of Jordan Contribution	2,200,000	2,200,000
<b>Total</b>	<b><u>107,655,428</u></b>	<b><u>107,655,428</u></b>

In accordance with Prime Ministry's decision 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 authority 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 municipalities

- The percentage of proposed profit to be distributed to municipalities was %30 which represent an amount of JD 5,984,722 from the net distributable profits for the year 2022, 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 22/2023 dated on May 1, 2023.

## 21. Net interest revenues

	<u>2022</u>	<u>2021</u>
	JD	JD
Credit facilities interest (*)	21,404,700	19,097,070
Interests on bank accounts	96,723	25,335
Deduct:		
Municipalities' deposits interests	(147,754)	(131,317)
Interests on foreign loans	(467)	(713)
<b>Net</b>	<b><u>21,353,202</u></b>	<b><u>18,990,375</u></b>

## 22. Other revenues

	<u>2022</u>	<u>2021</u>
	JD	JD
Municipalities services administration fees /Syrian refugee - adaptation project	622,914	355,230
Other	19,249	67,903
<b>Total</b>	<b><u>642,163</u></b>	<b><u>423,133</u></b>

**23. Income from Mawjudat Ijara Muntahia Bittamleek – net**

	<u>2022</u>	<u>2021</u>
	JD	JD
Ijara Muntahia Bittamleek	592,446	-
Depreciation of Ijara Muntahia Bittamleek	(424,999)	-
<b>Net</b>	<b><u>167,447</u></b>	<b><u>-</u></b>

**24. Administrative expenses**

	<u>2022</u>	<u>2021</u>
	JD	JD
Salaries, wages and related benefits	1,990,875	2,030,381
Bonuses	482,304	412,903
Social security contribution	301,505	291,903
Travel and transportation	114,965	117,654
Depreciation	109,215	61,191
Water and electricity	92,336	68,351
Cleaning	55,357	41,777
Municipal services and social adaption project	35,106	48,464
Training of bank employees	34,519	16,653
Rents	33,016	36,238
Maintenance	22,797	16,173
Fuel and heating	15,060	3,408
Professional fees	14,520	17,621
Communication and internet	12,852	8,452
Computer supplies	12,380	24,903
Board of directors' remunerations	11,995	38,270
Hospitality	10,760	7,147
Subscription fees for connecting branches	10,254	10,962
Miscellaneous	9,878	10,141
Stationery and printings	9,180	7,154
Insurance on bank's assets	6,650	9,761
Consumables	5,500	2,543
Vehicles	3,252	3,182
Loss from disposal of property and equipment	480	-
Commissions	-	1,256
<b>Total</b>	<b><u>3,394,756</u></b>	<b><u>3,286,488</u></b>

25. Contra accounts

	2022	2021
	JD	JD
Un-signed approved interest-bearing loans	34,642,662	34,642,662
Unwithdrawn signed Islamic loans / governmental institution	815,527	940,853
Executed Ijarah contracts / leasing financing	3,329,773	-
Executed Ijarah contracts / leasing financing	(3,329,773)	-
<b>Total</b>	<b>35,458,189</b>	<b>35,583,515</b>

26. Legal

As stated by the legal department of the bank, there are cases filed by others against the bank with a value of JD 50,232, and there are cases filed by the bank against others with a value of JD 39, 932. 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

27. Contingent liabilities

On the date of the statement of financial position, the bank has a contingent obligation for bank guarantees with a net value of 1,000,000 Jordanian Dinars, corresponding to cash deposits with a value of 1,000,000 Jordanian Dinars

28. 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, 2022</u>	<u>Change in interest</u>	<u>Effect on profit (loss) and effect on equity</u>
	%	JD
Loan	± 0.5	± 163

**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, 2022</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	± 26,250
<u>As of December 31, 2020</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	± 26,250

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	
	2022	2021	2022	2021
	JD	JD	JD	JD
<b>Assets</b>				
Cash and cash equivalents	4,014,513	4,016,704	-	-
Lease receivables - Ministry of Agriculture	-	-	3,275,001	-
Investment in financial asset at fair value through other comprehensive income	-	-	525,000	525,000
Granted credit facilities	245,775,646	204,559,774	86,523,799	94,177,335
Other debit balances	1,360,413	1,356,539	-	-
Uncollected accrued interests	8,139,214	12,962,718	412,482	412,482
Investment in treasury bonds	-	-	11,000,000	22,000,000
Islamic financing loans	-	-	9,930,383	11,148,895
<b>Total</b>	<b>259,289,786</b>	<b>222,895,735</b>	<b>111,666,665</b>	<b>128,263,712</b>
<b>Liabilities</b>				
Customers' deposits and current accounts	121,108,096	88,118,100	2,015,336	2,015,336
Loans	19,770	19,770	13,005	34,368
Local authorities and public institutions deposits	-	-	64,499,567	90,074,860
Other credit balances	88,535	953,880	-	-
<b>Total</b>	<b>121,216,401</b>	<b>89,091,750</b>	<b>66,527,908</b>	<b>92,124,564</b>

## 29. 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, 2022</u>	<u>Level 1</u>	<u>Total</u>
	JD	JD
Investment in financial assets at fair value through other comprehensive income	525,000	525,000

## 30. 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 2022 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, 2022.

## 31. Reclassification

During the year 2022, the bank's management elected the Islamic accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, for the lease contract for the bank's building ending with ownership under implementation with the Ministry of Finance in favor of The Ministry of Agriculture for a period of ten years, after the contract was recognized in the previous year based on the international financial reporting standards (IFRS). The reclassification did not result in any effects on the equity items.

### Balance Sheets Items

	<u>Befor Reclassification</u>	<u>After Reclassification</u>
	JD	JD
Mawjudat Ijara Muntahia Bittamleek – net	-	3,700,000
Lease receivables - Ministry of Agriculture	3,700,000	-
	<u>3,700,000</u>	<u>3,700,000</u>