

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, 2024

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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, 2024, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements comprising material 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, 2024, 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, 2024

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 October 14, 2025

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, 2024

	Notes	2024 JD	2023 JD
Assets			
Cash and cash equivalents	3	12,192,543	4,559,378
Granted credit facilities	4	344,406,709	320,929,178
Uncollected accrued interests	5	8,805,784	8,692,732
Islamic financing loans	6	4,595,764	7,275,160
Other debit balances	7	1,615,204	1,318,501
Net of joint investment with municipalities	8	109,040	144,040
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
Property and equipment	11	1,804,258	2,024,497
Mawjudat Ijara Muntahia Bittamleek -net	12	2,535,300	2,904,987
TOTAL ASSETS		376,606,251	348,390,122
LIABILITIES AND EQUITY			
Non-Current Liabilities			
Local authorities and public institutions deposits	13	30,661,428	42,872,853
Istisna' deferred profits	6	790,509	884,485
Total Non-Current Liabilities		31,451,937	43,757,338
Current Liabilities			
Customers' deposits and current accounts	14	139,514,548	117,967,905
Loans -short term	15	-	11,020
Other credit balances	16	7,163,500	4,442,251
Total Current Liabilities		146,678,048	122,421,176
Total Liabilities		178,129,985	166,178,514
EQUITY			
Capital	18	110,000,000	110,000,000
General reserve	19	65,726,830	50,595,682
Retained earnings (proposed dividend)		22,749,436	21,615,926
TOTAL EQUITY		198,476,266	182,211,608
TOTAL LIABILITIES AND EQUITY		376,606,251	348,390,122
CONTRA ACCOUNTS			
Unwithdrawn approved loans - Debit	24	35,761,811	35,972,190
Unwithdrawn approved liability - Credit	24	35,761,811	35,972,190

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, 2024

	Notes	2024	2023
REVENUES		JD	JD
Net of interest revenues	20	26,077,816	23,826,162
Other revenues	21	218,901	402,866
Islamic financing revenues	6	313,999	392,887
Income from Mawjudat Ijara Muntahia Bittamleek - net	22	116,339	130,799
Joint investment revenue with municipalities	8	45,060	35,053
Investment revenue from treasury bonds		-	548,570
TOTAL REVENUES		26,772,115	25,336,337
EXPENSES			
Administrative expenses	23	(3,987,679)	(3,685,411)
Amortization of joint investment with municipalities	8	(35,000)	(35,000)
Total expenses		(4,022,679)	(3,720,411)
Comprehensive income for the year		22,749,436	21,615,926

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, 2024

	Paid-in capital	General reserve	Retained earnings	Net equity
	JD	JD	JD	JD
Balance as at January 1, 2023	107,655,428	35,867,972	39,656,230	183,179,630
Comprehensive income	-	-	21,615,926	21,615,926
Exemption municipalities from accrued interest (*)	-	(13,881,226)	-	(13,881,226)
Transferred from dividends proposed for distribution on municipalities contribution in capital (**)	2,344,572	-	(2,344,572)	-
Amounts transferred from retained earnings to general reserve (**)	-	28,608,936	(28,608,936)	-
Distributed dividends to municipalities (***)	-	-	(8,702,722)	(8,702,722)
Balance as at December 31, 2023	110,000,000	50,595,682	21,615,926	182,211,608
Comprehensive income	-	-	22,749,436	22,749,436
Amounts transferred from retained earnings to general reserve (***)	-	15,131,148	(15,131,148)	-
Distributed dividends to municipalities (***)	-	-	(6,484,778)	(6,484,778)
Balance as at December 31, 2024	110,000,000	65,726,830	22,749,436	198,476,266

(*) Based on the decision of the Council of Ministers in its session held on October 25, 2024, it was decided to exempt municipalities from the interest incurred on the overdrawn account with the bank until the date of December 31, 2022, amounting to 13,881,226 Jordanian dinars, to be deducted from the general reserve of the bank.

(**) Profits for the years 2021 and 2022 amounting to JD 19,707,158 and JD 19,949,072 respectively have been distributed as follows:

- Raising the municipalities' contribution to pay their share in the capital by an amount of JD 2,344,572 from the profits of 2021.
- Distributing an amount of JD 8,702,722 (2021: JD 2,718,000 and 2022: JD 5,984,722) as profits for the municipalities according to the percentage of their contribution to the bank's capital.
- Transferring the remaining amount of JD 28,608,939 (2021: JD 14,644,586 and 2022: 13,964,350) to the general reserve.

(***) Profits for the year 2023, amounting to JD 21,615,926, have been distributed as follows:

- Distributing an amount of 6,484,778 as profits to the municipalities according to the percentage of their contribution to the bank's capital.
- Transferring the remaining amount of 15,131,148 to the general reserve.

The accompanying notes form part of these financial statements

Cities and Villages Development Bank
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Statement of cash flows for the year ended December 31, 2024

	Notes	2024	2023
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Coprehensive income		22,749,436	21,615,926
Adjustments for :			
Uncollected accrued interests		(113,052)	(14,022,262)
Mawjudat Ijara Muntahia Bittamleek depreciation		369,687	370,014
Depreciation	11	364,944	308,643
Amortization of joint investment with municipalities		35,000	35,000
Change in operating assets and liabilities:			
Granted credit facilities		(23,477,531)	11,370,267
Istisna' deferred gains		(93,976)	(275,483)
Islamic financing loans		2,679,396	2,655,223
Customers' deposits and current accounts		21,546,643	(5,155,527)
Local authorities and public institutions deposits		(12,211,425)	(21,626,714)
Other debit balances		(296,703)	41,912
Other credit balances		2,721,249	3,577,192
Net cash from operating activities		14,273,668	(1,105,809)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of treasury bonds		-	11,000,000
Purchase of property and equipment	11	(144,705)	(624,849)
Net cash from investing activities		(144,705)	10,375,151
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan		(11,020)	(21,755)
Distributed dividends to munciapilites		(6,484,778)	(8,702,722)
Net cash from financing activities		(6,495,798)	(8,724,477)
Net change in cash and cash equivalents		7,633,165	544,865
Cash and cash equivalents - beginning of year		4,559,378	4,014,513
Cash and cash equivalents - end of year		12,192,543	4,559,378
Information about non-cash transaction			
Amounts transferred from retained earnings to general reserve		15,131,148	28,608,936
Exemption of municipalities from accrued interest		-	13,881,226
Transferred from dividends proposed for distribution on municipalities contribution in capital		-	2,344,572

The accompanying notes form part of these financial statements

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Notes to the financial statements

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 municipalities' 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 municipalities 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 municipalities 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 municipalities.
 - Providing credit facilities to anybody or institution whose objectives include providing basic services within the boundaries of municipalities.
 - 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 municipalities	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.
- The Board of Directors in Resolution No. 19/2025 dated October 13, 2025 approved the financial statements.

2. Basis for preparation of financial statements and material 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 Standards and Interpretations issued that became effective

Standard or interpretation number.	description	Effective date
IFRS NO. (16) Lease contract	Amendments that clarify how a seller-lessee subsequently measures sale and leaseback transaction	January 1, 2024
Amendments to IAS no. (1)	Amendments to financial statements presentation clarifies the Classification of Liabilities as Current or Non-current based on the contractual arrangements in place at the reporting date. Classification is neither affected by entity's expectation nor do events occur after financial report date.	January1,2024 (Deferred from January 1,2022)
Amendments to IAS no. (7) and IFRS no.(7)	Amendments ask entities to provide qualitative and quantitative information about supplier finance arrangements	January 1, 2024

Standards and Interpretations issued but not yet effective

Standard or interpretation number	Description	Effective date
Amendments to IAS(21)	Lack of Exchangeability of foreign currencies as usual	January 1,2025
Amendments to IFRS (7) and (9)	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
IFRS (18) Issued	Presentation and disclosure in financial statements that will replace IAS 1 (Presentation of Financial Statements)	January 1,2027
IFRS (19) Issued	disclosure requirements for subsidiaries without Public Accountability	January 1,2027

2-4 Summary of material 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 – Interests income is calculated using effective interests method, gains and losses from foreign exchange, impairment losses are recognized in profit or loss. – Other net gains or losses are recognized in other comprehensive income. – On derecognition accumulated gains and losses in other comprehensive income are reclassified into profit or loss.
Financial asserts at amortized cost	Are subsequently measured at amortized cost using effective interests method. – Amortized cost is reduced by impairment losses. – Interests income, gain and loss of foreign exchange and impairment loss are recognized in profit or loss. – Gain and loss from disposal are recognized in profit or loss.

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 entitys 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 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 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.

Ijara and Ijarah 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 lessee.
- 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:

Category	Depreciation rate
	2022
	%
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

	2024	2023
	JD	JD
Current accounts with banks	11,272,053	2,493,248
Current accounts at Central Bank of Jordan	619,704	1,668,305
Cash on hand	300,786	397,825
Total	12,192,543	4,559,378

4. Granted credit facilities

	2024	2023
	JD	JD
Municipal facilities - productive purposes for local authorities	281,620,679	247,827,673
Loans for public services and facilities for local authorities	65,099,763	75,415,238
Overdraft account balances and due installments on loans (west bank)	466,398	466,398
Impairment provision of municipalities facilities	(2,780,131)	(2,780,131)
Net	344,406,709	320,929,178

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

	2024	2023
	JD	JD
Mature one year or less	279,306,946	245,513,940
Mature more than one year	65,099,763	75,415,238
Total	344,406,709	320,929,178

5. Uncollected accrued interests

	2024	2023
	JD	JD
Accrued interest on term deposits - consolidated treasury account	8,301,918	8,154,245
Accrued uncollected interest on loans (West Bank) (*)	291,968	291,968
Accrued interest on municipalities' loans	211,898	246,519
Total	8,805,784	8,692,732

(*) 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

	2024	2023
	JD	JD
Refundable deposits	1,000,258	1,000,000
Checks under collection	428,259	143,958
Bank's share of Joint investment with Municipalities/Rusayfa municipality	84,369	72,909
Accrued income from Mawjudat Ijara Muntahia Bittamleek	69,685	72,059
Prepaid expenses	31,433	29,575
Unearned revenues	1,200	-
Total	1,615,204	1,318,501

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 amortize annually as the amount of amortization for year 2024 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, 2024 amounted to 53,012 Jordanian dinars, and accordingly, the bank's share of the revenue is 45,060 Jordanian dinars.

9. Investment in an associate

Company name	legal entity	Ownership	Capital	2024	2023
		%	JD	JD	JD
Energy-saving technology	Limited Liabilities	20	50,000	16,649	16,649
Total				16,649	16,649

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, 2024.

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

Notes to the financial statements for the year ended December 31, 2024

11. Property and equipment

2024	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	
Cost																
Balance - beginning of year	643,913		1,116,565		378,624		327,537		465,404		1,431,501		100,563		4,464,107	
Additions	-		10,513		-		18,339		115,853		-		-		144,705	
Disposals	-		-		(34,700)		-		-		(11,045)		-		(45,745)	
Balance - end of year	643,913		1,127,078		343,924		345,876		581,257		1,420,456		100,563		4,563,067	
Accumulated depreciation																
Balance - beginning of year	-		869,948		337,968		235,511		393,131		603,052		-		2,439,610	
Depreciation	-		7,626		6,661		15,927		55,294		279,436		-		364,944	
Disposals	-		-		(34,700)		-		-		(11,045)		-		(45,745)	
Balance - end of year	-		877,574		309,929		251,438		448,425		871,443		-		2,758,809	
Net	643,913		249,504		33,995		94,438		132,832		549,013		100,563		1,804,258	
2023																
Cost																
Balance - beginning of year	643,913		1,027,991		338,624		293,135		406,608		1,062,414		66,573		3,839,258	
Additions	-		88,574		40,000		34,402		58,796		369,087		33,990		624,849	
Balance - end of year	643,913		1,116,565		378,624		327,537		465,404		1,431,501		100,563		4,464,107	
Accumulated depreciation																
Balance - beginning of year	-		863,606		334,000		222,424		350,246		360,691		-		2,130,967	
Depreciation	-		6,342		3,968		13,087		42,885		242,361		-		308,643	
Balance - end of year	-		869,948		337,968		235,511		393,131		603,052		-		2,439,610	
Net	643,913		246,617		40,656		92,026		72,273		828,449		100,563		2,024,497	

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

12. 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.

	2024	2023
	JD	JD
Mawjodat Ijara Muntahia Bittamleek – net	3,700,000	3,700,000
Accumulated depreciation	(1,164,700)	(795,013)
Net	<u>2,535,300</u>	<u>2,904,987</u>

13. Municipalities and public institutions deposits

	2024	2023
	JD	JD
Nunicipal services social adaption project	8,140,230	7,081,143
Property tax - municipalities	7,442,174	6,442,174
Projects deposits	6,487,749	8,633,834
Vehicle licensing returns	5,000,002	13,500,006
Municipalities deposits	1,921,339	2,644,973
Others temporary deposit (*)	791,208	1,020,238
Bank's deposit to pay municipalities debts	500,540	3,100,841
Municipalities deposit to pay dues	194,748	153,206
Returns from traffic violations	176,604	139,604
Proceeds from E-fawateercom	6,834	156,834
Total	<u>30,661,428</u>	<u>42,872,853</u>

(*) Other temporary deposit:

	2024	2023
	JD	JD
Temporary deposits - others	250,556	269,879
Deposits of uncleared checks	228,216	263,178
Temporary deposits - surplus of taxes and fees	23,464	153,464
Islamic finance department retentions deposit	72,285	122,361
Temporary deposits - municipalities court revenues	106,247	85,391
Preventive retention for courts - deposit	31,968	31,968
Employees' current account	22,159	28,427
Temporary deposits - Municipalities salaries	29,599	22,966
Temporary deposits -Bonuses and per diems	5,422	22,768
E-fawateercom commission deposits	20,631	19,153
Temporary deposits - Employment, Training and Vocational Education Fund	661	683
Total	791,208	1,020,238

14. Customers' deposits and current accounts

	2024	2023
	JD	JD
Current accounts for municipalities and public institutions	101,352,443	88,639,623
Ministry of Municipalities accounts	31,944,115	26,575,927
Social solidarity fund	3,483,360	-
Automated monitoring cameras for municipalities	1,056,900	1,060,000
West Bank deposit (*)	955,336	955,336
Demand deposits for municipalities and public institutions	700,000	714,625
Trainees' deposits in municipalities	22,394	22,394
Total	139,514,548	117,967,905

(*) West Bank deposit

	2024	2023
	JD	JD
West Bank deposit (Frozen)	606,339	606,339
Suspended interest on overdraft balances	348,997	348,997
Total	955,336	955,336

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. Other credit balances

	2024	2023
	JD	JD
Project lighting installation - deposit	6,663,586	3,887,498
Provision for execution and licensing of the building	302,350	302,350
Accrued expenses	71,069	165,175
Other	64,152	23,535
Deferred revenues	25,746	25,746
Project retentions deposit	13,000	13,000
Income and sales tax deposits	12,078	13,415
Deferred grant revenues	10,000	10,000
Accrued interest	1,519	1,532
Total	7,163,500	4,442,251

17. Capital

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

	2024	2023
	JD	JD
Jordan Government Contribution	77,800,000	77,800,000
Municipalities Contribution	30,000,000	30,000,000
Central Bank of Jordan Contribution	2,200,000	2,200,000
Total	110,000,000	110,000,000

(*)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.

(**) In accordance with board of directors decision it was decided to increase municipalities contribution share in capital through capitalizing part of its dividends of year 2021.

18. 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.

19. Dividends proposed for distribution to municipalities

Based on the decision of the Board of Directors, Decision No. 20/2025, taken in its meeting held on October 13, 2025, it was decided not to distribute profits to the municipalities for the year 2024. Instead, the profits of 2024, amounting to JD 22,749,436 will be transferred to the general reserve.

20. Net interest revenues

	2024	2023
	JD	JD
Credit facilities interest	26,135,832	23,924,247
Interests on bank accounts	147,263	79,142
Deduct:		
Municipalities' deposits interests	(205,218)	(176,977)
Interests on foreign loans	(61)	(250)
Net	26,077,816	23,826,162

21. Other revenues

	2024	2023
	JD	JD
Municipalities services administration fees /Syrian refugee - adaptation project	183,883	366,122
Other	35,018	36,744
Total	218,901	402,866

22. Income from Mawjudat Ijara Muntahia Bittamleek – net

	2024	2023
	JD	JD
Ijara Muntahia Bittamleek - Properties	486,026	500,813
Depreciation of Ijara Muntahia Bittamleek	(369,687)	(370,014)
Net	116,339	130,799

23. Administrative expenses

	2024	2023
	JD	JD
Salaries, wages and related benefits	1,909,158	1,912,683
Bonuses	796,582	573,035
Depreciation	353,042	308,643
Social security contribution	333,265	308,320
Travel and transportation	108,343	111,123
Municipal services and social adaption project	90,000	90,342
Water and electricity	87,643	75,269
Cleaning	61,146	58,579
Board of directors' remunerations	44,560	46,400
Training of bank employees	42,798	29,328
Rents	30,833	42,146
Maintenance	22,459	14,125
Computer supplies	18,156	3,873
Fuel and heating	14,690	14,682
Stationery and printings	14,149	14,219
Communication and internet	11,776	12,978
Professional fees	9,233	30,691
Parties and seminars	8,661	5,060
Insurance on bank's assets	8,249	4,316
Consumables	7,630	10,125
Hospitality	5,639	12,765
Miscellaneous	5,314	3,579
Branches connectios fees	2,741	3,781
Vehicles	1,612	4,409
Total	3,987,679	3,690,471

24. Contra accounts

	2024	2023
	JD	JD
Un-signed approved interest-bearing loans	34,642,662	34,642,662
Unwithdrawn signed Islamic loans / governmental institution	1,119,149	1,329,528
Executed Ijarah contracts / leasing financing	2,589,684	3,329,773
Executed Ijarah contracts / leasing financing	(2,589,684)	(3,329,773)
Total	35,761,811	35,972,190

25. Legal

As stated by the legal department of the bank, there are six cases filed by the bank against others with unspecified value, and there is one case filed by others against the bank with unspecified value. 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. 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

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:

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.
- 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:

As of December 31, 2024	Change in interest	Effect on profit (loss) and effect on equity
	%	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	
	2024	2023	2024	2023
	JD	JD	JD	JD
Assets				
Cash and cash equivalents	12,272,053	4,559,378	-	-
Mawjudat Ijara Muntahia bittumleek , net	-	-	2,535,300	2,904,987
Investment in financial asset at fair value through other comprehensive income	-	-	525,000	525,000
Granted credit facilities	279,306,946	245,513,940	65,099,763	75,415,238
Other debit balances	1,615,204	1,318,501	-	-
Uncollected accrued interests	8,593,886	8,400,764	211,898	246,519
Islamic financing loans	-	-	4,595,764	7,275,160
Total	301,788,089	259,792,583	72,967,725	86,366,904
Liabilities				
Customers' deposits and current accounts	137,502,312	116,297,944	2,012,236	1,669,961
Loan	-	11,020	-	-
Local authorities and public institutions deposits	-	-	30,661,428	42,782,853
Other credit balances	435,762	228,868	-	-
Total	137,938,074	116,537,832	32,673,664	44,452,814

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, 2024</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

29. The potential effects of economic fluctuations

As a result of the current global conflict, where the entity has taken into account any possible impact of current economic fluctuations in the inputs of future macroeconomic factors when determining the severity and probability of economic scenarios to determine expected credit losses.