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, 2020

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Independent Auditor's Report

To Messrs.
Cities and Villages Development Bank
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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, 2020, 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, 2020, 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.

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

Report on Other Legal and Regulatory Requirements

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

Talal Abu-Ghazaleh &Co. International

Aziz Abdelkader
(License No. 867)

Amman, on August 23, 2021

Cities and Villages Development Bank
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Statement of financial position as at December 31, 2020

	Notes	2020	2019
Assets		JD	JD
Cash and cash equivalents	3	16,882,898	33,194,756
Checks under collection	4	34,017	10,025,000
Granted credit facilities	5	240,072,807	182,189,957
Uncollected accrued interests	6	14,670,521	10,220,834
Other debit balances	7	1,137,480	412,397
Net of joint investment with municipalities	8	249,040	284,040
Investment in an associate	9	12,384	8,384
Investment in financial asset at fair value through other comprehensive income	10	525,000	236,250
Investment in treasury bonds	11	22,000,000	22,000,000
Islamic financing loans	12	12,062,114	10,556,024
Property and equipment	13	3,711,505	2,826,843
TOTAL ASSETS		311,357,766	271,954,485
LIABILITIES AND EQUITY			
Non-Current Liabilities			
Customers' deposits and current accounts	14	81,461,413	61,458,763
Loans - long term	15	54,350	74,120
Local authorities and public institutions deposits	16	86,175,696	78,643,454
Other credit balances	17	123,137	147,148
Total Non-Current Liabilities		167,814,596	140,323,485
Current Liabilities			
Loans -short term	15	19,770	19,770
TOTAL LIABILITIES		167,834,366	140,343,255
EQUITY			
Authorized capital	18	110,000,000	110,000,000
Paid-up capital	18	104,514,173	102,969,840
General reserve	19	25,642,183	16,984,912
Cumulative changes in fair value		-	(288,750)
Retained earnings		13,367,044	11,945,228
TOTAL EQUITY		143,523,400	131,611,230
TOTAL LIABILITIES AND EQUITY		311,357,766	271,954,485
CONTRA ACCOUNTS			
Unwithdrawn approved loans - Debit	24	40,480,140	30,309,406
Unwithdrawn approved commitments - Credit	24	40,480,140	30,309,406

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Statement of income for the year ended December 31, 2020

	Notes	2020	2019
REVENUES		JD	JD
Net of interest revenues	21	14,618,040	12,593,927
Other revenues	22	402,040	462,630
Islamic financing revenues	12	561,257	982,920
Amortization of deferred revenues	17	22,864	22,887
Joint revenue with municipalities	8	29,532	45,424
Islamic murabaha revenue		128,086	103,743
Revenue from treasury bonds	11	1,211,100	1,211,100
TOTAL REVENUES		16,972,919	15,422,631
EXPENSES			
Administrative expenses	23	(3,574,875)	(3,425,787)
Amortization of joint investment with municipalities		(35,000)	(50,000)
Bank's share of result of associate		4,000	(1,616)
Profit for the year		13,367,044	11,945,228
OTHER COMPREHENSIVE INCOME			
Changes in fair value		288,750	(5,250)
COMPREHENSIVE INCOME FOR THE YEAR		13,655,794	11,939,978

The accompanying notes form part of these financial statements

Statement of changes in equity for the year ended December 31, 2020

	Paid-up capital	General reserve	Cumulative change in fair value	Retained earnings	Net equity
	JD	JD	JD	JD	JD
Balance as at January 1, 2019	101,144,134	9,643,708	(283,500)	9,166,910	119,671,252
Comprehensive income	-	-	(5,250)	11,945,228	11,939,978
Amounts transferred to the capital from local authorities' shares in dividend	1,825,706	-	-	(1,825,706)	-
Amounts transferred from comprehensive income to general reserve	-	7,341,204	-	(7,341,204)	-
Balance as at December 31, 2019	102,969,840	16,984,912	(288,750)	11,945,228	131,611,230
Comprehensive income	-	-	288,750	13,367,044	13,655,794
Amounts transferred to the capital from local authorities' shares in dividend	2,544,333	-	-	(2,544,333)	-
Exemption municipalities from accrued interest (*)		(1,743,624)	-	-	(1,743,624)
Amounts transferred from capital to general reserve	(1,000,000)	1,000,000	-	-	-
Amounts transferred from retained earnings to general reserve	-	9,400,895	-	(9,400,895)	-
Balance as at December 31, 2020	104,514,173	25,642,183	-	13,367,044	143,523,400

(*) According to the Prime Minister's letter No. 25/2/4/1725 dated January 19, 2020, the decision of the Cities and Villages Development Bank's board of directors was approved to exempt municipalities from the interests on overdraft account incurred by them for the benefit of the Cities and Villages Development Bank by reducing the bank's general reserve accordingly.

(**) According to Board Resolution No. 18/2021 dated November 23, 2021, and approved to distribute the profits of year 2020 amounting to JD 13,367,044 as follows:

1. An amount of JD 3,141,255 paid to local authorities and transferred to pay their share in the bank's capital.
2. An amount of JD 10,225,789 to the general reserve of the bank.

The accompanying notes form part of these financial statements

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Statement of cash flows for the year ended December 31, 2020

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		JD	JD
Profit for the year		13,367,044	11,945,228
Adjustments for :			
Uncollected accrued interests		(6,193,311)	(4,313,123)
Gain on sale of property and equipment			(16,250)
Depreciation	13	58,737	57,870
Amortization of deferred revenues	17	(22,864)	(22,887)
Amortization of joint investment with municipalities		35,000	50,000
Bank's share of result of associates		(4,000)	1,616
Change in operating assets and liabilities:			
Checks under collection		9,990,983	28,740,330
Granted credit facilities		(57,882,850)	(82,437,304)
Islamic financing loans		(1,506,090)	(1,294,763)
Customers' deposits and current accounts		20,002,650	(44,088,286)
Local authorities and public institutions deposits		7,532,242	(11,504,838)
Other debit balances		(725,083)	(399,387)
Other credit balances		(1,147)	(27,094)
Net cash from operating activities		**(15,348,689)**	**(103,308,888)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment deposits certificates - Safwa Islamic Bank		-	2,000,000
Purchase of property and equipment	13	(943,399)	(847,926)
Proceeds from sale of property and equipment		-	16,250
Net cash from investing activities		**(943,399)**	**1,168,324**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowed amounts		(19,770)	(19,557)
Net cash from financing activities		**(19,770)**	**(19,557)**
Net change in cash and cash equivalents		**(16,311,858)**	**(102,160,121)**
Cash and cash equivalents - beginning of year		33,194,756	135,354,877
Cash and cash equivalents - end of year		**16,882,898**	**33,194,756**
Information about non-cash transaction			
Amounts transferred to the capital from local authorities' shares in dividend		-	2,544,333
Exemption of municipalities from accrued interest		(1,743,624)	-

The accompanying notes form part of these 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 local authorities' projects to secure services aimed at creating basic public services and contributing to their development by mobilizing domestic and foreign financial resources and providing the necessary credit facilities for the implementation of these projects.
  - Managing and guaranteeing loans concluded by local authorities and carrying out any job, transaction, or banking business required to fulfill the duties entrusted to it under the provisions of the bank law or any other legislation or under any international agreement in which the Kingdom's government is a party and its implementation requires the bank's participation.
  - Assist local authorities in determining the priorities of productive projects in light of their economic prospects, and contribute to the capital of these projects.
  - Assist to provide expertise and technical services, including training of technicians needed by local authorities.
  - Providing credit facilities to any body or institution whose objectives include providing basic services within the boundaries of local authorities.
  - Financing projects of local bodies that are not based on interest, according to principles and conditions determined according to a code issued for this purpose.
- The bank managed by a board of directors formed as follows:

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

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

- The bank benefits from the exemptions and facilities granted to ministries, government departments and public official institutions, including taxes, government fees and import stamps fees.
- Bank funds are considered public funds and obtained according to the applicable public funds collection law, and for this purpose, the board exercises the powers of the administrative governor and the Public Fund Collection Committee stipulated in the aforementioned law.
- On December 24, 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. 18/2021 dated November 23, 2021 approved the financial statements.

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

2-1 Basis for financial statement preparation

- <u>Financial statements preparation framework</u>

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

- <u>Measurement bases used in preparing the financial statements</u>

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

- <u>Functional and presentation currency</u>

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

2-2 Using of estimates

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

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

- New and modified standards adopted by the entity

Standard number or interpretation	Description	Effective date
Amendments to IAS (1) and IAS (8) Defining material	Amendments provide a new definition states that, ' information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.	January 1, 2020
Amendments to IFRS (3) Definition of works	The amendments clarifies that businesses are considered business if they contain at least substantive inputs and process that contribute significantly to the ability to create outputs, and that businesses can exist without the need for output.	January 1, 2020
Conceptual framework for the financial report (modified)	The conceptual framework contains definitions for which all requirements of international financial reporting standards are based (definition of asset, liability, income, expenditure, objectives of general purpose financial statements...). The modified framework improves these definitions.	January 1, 2020
Amendments to IFRS (9), IAS (39) and IFRS (7) to replace the reference interest rate	These amendments provide some exemptions relating to the reformulation of the interbank interest rate standard, the exemptions relate to hedge accounting, and the reformulation of the interbank interest rate should not generally cause the termination of the hedge accounting.	January 1, 2020
Amendments to IFRS (16) Related rent concessions COVID-19	The International Financial Report Standard (16) has been amended to address rent concessions resulting from the COVID-19 epidemic, which meet the following characteristics: A. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; B. The reduction in lease payment that affects only payments originally due on or before June 30, 2021. C. There is no substantive change to the other terms and conditions of the lease.	June 1, 2020

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

Standard number or interpretation	Description	Effective date
Amendments to IFRS (1) 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 or after
Amendments to IFRS (3) Business Combinations	Reference to the Conceptual Framework: The amendment updates a reference in IFRS (3) to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 1, 2022 or after
Amendments to IFRS (7), IFRS (4), IFRS (9), IFRS (16) and IAS (39)	Interest Rate Reform - Phase (2) - Amendments provide temporary exemptions to address the effects of financial reports when an interest rate offered between banks is replaced (IBOR) At a near risk-free alternative interest rate (RFR), adjustments include a practical means that requires contractual or cash flow changes directly required by reform, to be treated as variables in the variable interest rate, equivalent to movement in the market interest rate. Allowing this practical method to be used is the condition that the transition from IBOR to RFR takes place on an economically equivalent basis with no transfer of value.	January 1, 2021 or after
Amendments to IFRS (9) Improvements to IFRS Standards 2018-2020	The amendments clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability	January 1, 2021 or after
Amendments to IFRS (10) and IAS (28)	The amendments address the conflict between IFRS (10) and IAS (28) in dealing with the loss of control over a subsidiary sold or contributed to an associate company or joint venture.	Undetermined date
IFRS (17) Insurance Contracts	IFRS (17) replaces IFRS (4), which requires measuring insurance liabilities at the present value of the consideration and provides a more consistent approach to measurement and presentation of all insurance contracts.	January 1, 2022 or after
Amendments to IAS (1) Presentation of Financial Statements	Amendment related to the classification of Liabilities as Current or Non-current.	January 1, 2023 or after

Standard number or interpretation	Description	Effective date
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 or after
Amendments to IAS (37) Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts – Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.	January 1, 2022 or after

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 - 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 recognizers 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 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' 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.

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 2020	Depreciation rate 2019
	%	%
Buildings and decors	2-15	2-15
Motor vehicles	15	15
Furniture, fixture and office equipment	10-15	10-15
Computers	25	25
Softwares	25	20-25

  - The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
  - The carrying values of property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
  - On the subsequent derecognition (sale or retirement) of the property, plant and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.
  - Amount paid to build up property and equipment are initially carried to projects under construction account. When the project becomes ready for use, it will be transferred to property and equipment caption.

- **Impairment of non-financial assets**
  - At each statement of financial position date, management reviews the carrying amounts of its non-financial assets (property, plant and equipment and investment property) to determine whether there is any indication that those assets have been impaired.
  - If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.

- For the purpose of impairment valuation, assets are grouped at the lower level that have cash flow independently (cash generating unit), previous impairment for non-financial assets (excluding goodwill) is reviewed for the possibility of reversal at the date of the financial statements.
- An impairment loss is recognized immediately as loss.
- Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

- **Trade payables and accruals**

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

- **Provisions**

Provisions are recognized when the bank has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

- **Revenue recognition**

- Revenue from Islamic financing is recognized based on an accrual basis and according to the stipulation mentioned on the signed financing contract
- The interest income from financing on facilities granted to municipalities and government agencies is recognized based on an accrual basis.

- **Dividends and interest income**

- Dividend revenue from investments is recognized when the shareholder's right to receive payment is established.
- Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

- **Borrowing costs**

- Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.
- Borrowing costs are expensed in the period in which they are incurred.

- **Subsequent events**

Financial statements are affected by subsequent events that require an amendment to the financial statements while it is disclosed subsequent events that do not require an amendment to the financial statements.

- **Foreign currencies**

- Transactions in foreign currencies is registered during the year, the exchange rates prevailing at the date of the transaction is also Monetary assets and liabilities denominated in foreign currency exchange rates prevailing on the financial position statement's date.
- Gain and losses resulting from foreign currency exchange are recorded in the comprehensive income statement.

3. Cash and cash equivalents

	2020	2019
	JD	JD
Current accounts at Central Bank of Jordan	12,805,183	25,096,707
Current accounts at banks	3,997,307	7,784,683
Cash on hand	80,408	313,366
Total	16,882,898	33,194,756

4. Checks under collection

This item represents the value of checks receivable from the parties to which these amount are due.

5. Granted credit facilities

	2020	2019
	JD	JD
Municipal facilities - productive purposes for local bodies	150,122,979	114,997,835
Loans for public services and facilities for local authorities	84,573,873	62,857,911
Infrastructure program facilities	7,689,688	6,647,944
Overdraft account balances and due installments on loan (West Bank)	466,398	466,398
Impairment provision of municipalities facilities	(2,780,131)	(2,780,131)
Net	240,072,807	182,189,957

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

	2020	2019
	JD	JD
Mature one year or less	155,498,934	119,332,046
Mature more than one year	84,573,873	62,857,911
Total	240,072,807	182,189,957

6. Uncollected accrued interests

	2020	2019
	JD	JD
Accrued interest on deferred deposits - consolidated treasury account	7,840,131	6,837,613
Accrued interest on municipalities' loans	6,417,908	2,970,739
Accrued uncollected interest on loan (West Bank) (*)	291,967	291,967
Accrued interest on current account and long term deposit	120,515	120,515
Total	**14,670,521**	**10,220,834**

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

7. Other debit balances

	2020	2019
	JD	JD
Refundable deposits	1,000,795	795
Unearned revenues - administration fees - adoption project	87,500	350,000
Bank's share of Joint investment with Municipalities/Rusayfa municipality	29,532	45,424
Prepaid expenses	19,653	16,178
Total	**1,137,480**	**412,397**

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, were warehouses established and rented, and based on the agreement signed between the two parties, the City and Villages Development Bank will earn 85% of Annual revenue, noting that the annual revenue collected from the project on December 31, 2020 amounted to 34,744 Jordanian dinars, and accordingly, the bank's share of the revenue is 29,532 Jordanian dinars.

9. Investment in an associate

Company name	legal entity	Ownership	Capital	2020	2019
		%	JD	JD	JD
Energy- saving technology	Limited Liabilities	20	50,000	12,384	8,384
Total				12,384	8,384

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, 2020.

11. Investment in treasury bonds

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

12. Islamic financing loans

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

13. Property and equipment

2020	Lands (*)	Buildings and decors	Vehicles	Furniture, fixture and office equipment	Computer	Softwares	Projects under constructions	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Cost								
Balance - beginning of year	643,913	1,027,991	340,624	284,143	454,696	298,526	1,846,512	4,896,405
Additions	-	-		27,190	5,322	232	910,655	943,399
Balance - end of year	643,913	1,027,991	340,624	311,333	460,018	298,758	2,757,167	5,839,804
Accumulated depreciation								
Balance - beginning of year	-	847,334	279,602	229,514	421,342	291,770	-	2,069,562
Depreciation	-	5,955	20,650	13,182	16,210	2,740	-	58,737
Balance - end of year	-	853,289	300,252	242,696	437,552	294,510	-	2,128,299
Net	643,913	174,702	40,372	68,637	22,466	4,248	2,757,167	3,711,505
2019								
Cost								
Balance - beginning of year	643,913	1,027,991	400,074	281,146	492,078	297,975	1,021,892	4,165,069
Additions	-	-	-	19,113	3,642	551	824,620	847,926
Disposals	-	-	(59,450)	(16,116)	(41,024)	-	-	(116,590)
Balance - end of year	643,913	1,027,991	340,624	284,143	454,696	298,526	1,846,512	4,896,405
Accumulated depreciation								
Balance - beginning of year	-	841,272	318,402	233,445	445,868	289,295	-	2,128,282
Depreciation	-	6,062	20,650	12,185	16,498	2,475	-	57,870
Disposals	-	-	(59,450)	(16,116)	(41,024)	-	-	(116,590)
Balance - end of year	-	847,334	279,602	229,514	421,342	291,770	-	2,069,562
Net	643,913	180,657	61,022	54,629	33,354	6,756	1,846,512	2,826,843

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

14. Customers' deposits and current accounts

	2020	2019
	JD	JD
Ministry of Municipalities accounts	46,733,051	21,107,049
Demand deposits for municipalities and public institutions	19,739,878	21,409,802
Current accounts for municipalities and public institutions	12,323,663	16,018,302
Automated monitoring cameras for municipalities	1,060,000	1,060,000
West Bank deposit (*)	955,336	955,336
Municipal deposits - (overdraft)	626,262	861,051
Trainees' deposits in municipalities	23,223	47,223
Total	81,461,413	61,458,763

(*) West Bank deposit

	2020	2019
	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 is directed by the Ministry of Planning and International Cooperation, where the Ministry re-borrowed these loans from the external bodies of the bank.

16. Local authorities and public institutions deposits

	2020	2019
	JD	JD
Municipalities deposits	37,725,790	37,593,032
Projects deposits	23,996,732	19,724,748
Real state tax - municipalities	8,329,257	3,755,142
Refugees' societies and social adaption project	4,555,330	5,505,767
Vehicle licensing returns	3,551,160	1,551,160
Temporary deposit and others (*)	2,885,488	4,589,508
Bank's deposit to pay municipalities debts	2,442,174	2,828,564
Municipalities deposit to pay dues	1,602,777	2,044,277
Returns from traffic violations	759,967	558,433
Proceeds from E-fawateercom	327,021	351,730
Regional and local development project, French Agency - Grant	-	87,664
Regional and local development project, French Agency - Loan	-	39,272
Fighting poverty project for 18 municipalities / European Union	-	14,157
Total	86,175,696	78,643,454

(*) Temporary deposit and others

	2020	2019
	JD	JD
Temporary deposits - surplus of taxes and fees	1,959,464	1,959,464
Temporary deposits - Communications - Ministry of Municipalities	441,446	441,446
Islamic Finance department reservation deposit	151,077	161,287
Deposits of uncleared checks	128,227	108,109
Temporary deposits - others	88,638	71,566
Precautionary reservation for courts - deposit	31,968	31,968
Municipalities deposit for foreign-funded projects	30,000	30,000
Dollar exchange currency deposits	21,135	9,867
Temporary deposits - Municipalities salaries	13,981	33,253
E-fawateercom commission deposits	10,258	10,258
Temporary deposits - municipalities court revenues	9,294	1,732,290
Total	2,885,488	4,589,508

17. Other Credit balances

	2020	2019
	JD	JD
Accrued expenses	51,072	69,835
Deferred revenues (*)	47,496	65,851
Project retentions deposit	13,000	-
Deferred grant revenues	10,000	10,000
Accrued interest	1,562	1,462
Other	7	-
Total	**123,137**	**147,148**

(*) Deferred revenues

	2020	2019
	JD	JD
Balance at the beginning of the year	65,851	88,738
Provided during the year	4,509	-
Amortization during the year	(22,864)	(22,887)
Balance at the end of the year	**47,496**	**65,851**

18. Capital

The authorized capital is JD 110 million, and the paid-up capital is JD 104,514,173, divided as follows:

	2020	2019
	JD	JD
Jordan Government Contribution	77,800,000	78,800,000
Local Authorities Contribution	24,514,173	21,969,840
Central Bank of Jordan Contribution	2,200,000	2,200,000
Total	**104,514,173**	**102,969,840**

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

19. General Reserve

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

20. Dividends proposed for distribution to local bodies

The percentage of proposed profit to be distributed to local authorities was %24 which represent an amount of JD 3,141,255 from the net distributable profits for the year 2020, 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 18/2021 dated on November 23, 2021.

21. Net interest revenues

	2020	2019
	JD	JD
Credit facilities interest	13,783,767	9,227,772
Interests on bank accounts	1,004,605	3,605,130
Deduct:		
Municipalities' deposits interests	(169,337)	(224,979)
Municipalities deferred interests and commissions	-	(13,006)
Interests on foreign loans	(995)	(990)
Net	**14,618,040**	**12,593,927**

22. Other revenues

	2020	2019
	JD	JD
Municipalities services administration fees /Syrian refugee - adaptation project	350,985	350,000
Other	51,055	112,630
Total	**402,040**	**462,630**

23. Administrative expenses

	2020	2019
	JD	JD
Salaries, wages and related benefits	2,094,777	2,198,394
Bonuses	339,395	311,800
Social security contribution	311,447	313,071
Himmatwatan Fund donnations	250,000	-
Travel and transportation	117,811	127,825
Municipal services and Social Resilience Project	85,420	-
Water and electricity	68,366	86,077
Depreciation	58,737	57,870
Cleaning	43,732	43,158
Rents	38,767	42,335
Board of directors' remunerations	33,510	43,050
Computer supplies	24,965	35,720
Training bank employees	15,949	6,758
Green environment Fund	13,502	-
Communication and internet	11,022	14,711
Subscription fees for connecting branches	10,962	15,936
Professional fees	10,208	15,000
Maintenance	9,096	18,550
Fuel and heating	7,864	12,680
Stationery and printings	7,213	9,251
Insurance on bank's assets	6,161	10,850
Miscellaneous	4,441	5,450
Hospitality	4,426	5,868
Vehicles	3,341	3,607
Commissions	1,986	43,064
Consumables	1,777	4,762
Total	3,574,875	3,425,787

24. Contra accounts

	2020	2019
	JD	JD
Unwithdrawn signed Islamic loans / governmental institution	10,020,013	12,934,145
Un-signed approved interest-bearing loans	14,319,609	10,406,874
Unwithdrawn local authorities loans - interest	13,506,677	4,335,386
Guarantees against productivity program and World Bank and French Agency programs provided by suppliers	1,727,488	1,727,488
Unsigned approved Islamic loans / governmental institution	449,108	449,108
A pledge for municipalities against other obligations	427,807	427,807
Bills under collection (loans provided by the Petra Committee)	19,438	18,598
Loans to cover payroll , current expenses and unpaid balance	10,000	10,000
Total	40,480,140	30,309,406

25. Legal

As stated by the legal department of the bank, there are cases filed by others against the bank with a value of JD 268,410, 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

26. 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:

As of December 31, 2020	Change in interest	Effect on profit (loss) and effect on equity
	%	JD
Loan	± 0.5	370

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:

As of December 31, 2020	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

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

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:

Describtion	Less than year		More than year	
	2020	2019	2020	2019
	JD	JD	JD	JD
Assets				
Cash and cash equivalents	16,882,898	33,194,756	-	-
Checks under collection	34,017	10,025,000	-	-
Investment in financial asset at fair value through other comprehensive income	-	-	525,000	236,250
Granted credit facilities	84,573,873	62,857,911	155,498,934	119,332,046
Other debit balances	1,117,827	396,219	-	-
Uncollected accrued interests	14,258,039	9,808,352	412,482	412,482
Investment in treasury bonds	-	-	22,000,000	22,000,000
Islamic financing loans	-	-	12,062,114	10,556,024
Total	116,866,654	116,282,238	190,498,530	152,536,802
Liabilities				
Customers' deposits and current accounts	79,446,077	59,443,427	2,015,336	2,015,336
Loans	19,770	19,770	54,350	74,120
Local authorities and public institutions deposits	-	-	86,175,695	78,643,454
Other credit balances	62,065	67,313	-	-
Total	79,527,912	59,530,510	88,245,381	80,732,910

27. 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.

As of December 31, 2020	Level 1	Total
	JD	JD
Investment in financial assets at fair value through other comprehensive income	525,000	525,000

28. Subsequent events

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

Management and those charged with governance will continue to monitor the situation in all geographic regions in which the bank operates and provide stakeholders with developments as required by laws and regulations. In the event of any changes to the current conditions, additional disclosures or amendments to the bank's financial statements will be provided for the subsequent periods of the year ending as at December 31, 2020.

29. Reclassification

Some of 2019 balances have been reclassified to conform to the adopted classification in 2020.