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الأردني الكويتي
JORDAN KUWAIT
BANK

Pharmaceutical Industry in Jordan
A Story of Success and Excellence

ANNUAL REPORT

2012

Pharmaceutical Industry in Jordan: A Story of Success and Excellence

Inspired by the Bank's institutional motto "More than just a bank", Jordan Kuwait Bank makes the effort to introduce, every year, a new theme for its annual report; highlighting examples of innovative models of Jordanian persons and institutions who have been recognized locally and globally for their ingenuity and exceptional achievements across the economic, social, artistic and cultural arenas.

JKB's management envisioned the theme "Story of success and excellence" for its 2012 annual report depicting the unique and distinctive success story of the pharmaceutical industry in Jordan represented by the model company, Hikma Pharmaceuticals PLC, and its chairman and founder, His Excellency Dr. Samih Darwazah.

The pharmaceutical industry in Jordan enjoys a high reputation and occupies a prominent position both at home and abroad. It is one of the major pillars of the economy and is a leading partner towards our country's prosperity and development, as it contributes significantly to the gross domestic product and has an important share of the total national exports.

While shedding light on the pharmaceutical industry in Jordan, it is imperative to also shed light on one of the largest and leading companies in the industry, Hikma Pharmaceuticals, which has managed over the years and since its inception in 1978, to occupy an advanced position amongst some of the largest pharmaceutical companies worldwide and enhance its presence in various foreign markets through its diverse and distinctive products. We cannot pass this opportunity without expressing our deepest appreciation and due praise to the successful management and inspiring leadership of the founder and chairman of the company, H.E. Dr. Samih Darwazah, a devoted Jordanian with outstanding achievements, distinguished for his determination and contributions to the development and prosperity of Jordan, and acclaimed for his great qualities, ethics and loyalty to our country.

JKB's management and staff are pleased to include in the Bank's 2012 annual report some words and pictures of the pharmaceutical Industry in Jordan and Hikma Pharmaceuticals, and to express our appreciation and admiration for the success of all the companies and affiliates within this sector, wishing them all further success and continued excellent achievements.

THE PHARMACEUTICAL INDUSTRY IN JORDAN

Industry Reputation and Development Over the Years

Jordan is considered a pioneer among the countries in the Arab world in terms of the pharmaceutical industry. The first Jordanian pharmaceutical factory was founded in 1962, and since then, the industry grew significantly. 'The pharmaceutical industry in Jordan has grown impressively and as of 2010, there were 17 pharmaceutical manufacturing companies.

The pharmaceutical industry is the second largest exporting industry in Jordan, representing 8% of the country's total exports during the period 2004 to 2008, which included 84% human medication, thus contributing strongly in reducing the deficit in Jordan's trade balance. The pharmaceutical exports extended to more than 60 countries worldwide, including the US and the EU, due to its high quality, excellent reputation and affordable prices. It became an export-driven sector, where 75% of the local pharmaceutical products are manufactured for exporting purposes, mainly to Arab countries, accounting for more than 80% of the total pharmaceutical exports. Among these countries are Saudi Arabia, Algeria and Iraq. Despite this, the companies are now focusing increasingly on geographical expansions in areas such as Eastern Europe (including former Soviet Union) and Africa to drive growth.

The pharmaceutical industry in Jordan has benefited from the growth in Middle Eastern economies (mainly the GCC countries) in recent years. The growth in these economies has resulted in increased government spending on the healthcare sector. The healthcare infrastructure has improved significantly in the region in the past few years. Increasing privatization of healthcare in the region has benefited the industry as a whole. In addition, several countries have implemented mandatory health insurance schemes. Demographic trends in the region such as increasing life expectancy and literacy rates are expected to lead to a greater awareness of health-related issues and a consequent increase in demand for pharmaceutical products.

Physicians, hospitals and pharmacies generally buy the pharmaceutical products directly from the manufacturer or through a distributor. Price is not used as a tool to obtain market share since the price is fixed by the Jordanian Food and Drug Administration (JFDA). The pharmaceutical companies try to gain market share by focusing on brand building and thriving relationships with doctors and pharmacists. The first company to introduce a generic version of a drug would most likely gain the most market share.

The industry is employing around 5,100 people, of which 37% are females. This indicates that the pharmaceutical industry in Jordan is leading the way for female contribution to the economy. Also, holders of post-secondary educational degrees (Diploma, BSc, MA, MSc, and PhD) are representing more than 67% of the total employees, which indicates that the industry is based on strong and adequate human resources.

Government Concessions

The pharmaceutical sector in Jordan has been offered certain concessions by the government, considering the importance of the sector, in terms of promoting the contract agreements (licensed manufacturing and marketing rights) between multinational pharmaceutical companies and local companies. Most pharmaceutical imports are from European countries and comprised largely of those therapeutic classes not covered by local production. Almost 90% of the total revenues are derived from branded generics, whereas under-licensed products contribute to the majority of the remaining revenues.

Types of Products

The industry caters to two main markets: Prescription and Over-the-Counter (OTC) medication. Specialties include antibiotics, anti-ulcer cures, hormones and anti-cancer treatments. Jordanian pharmaceutical firms are venturing into bio-technology. The local pharmaceutical companies are primarily engaged in producing several dosage forms such as solids, semi-solids, liquids and aerosols.

Competitive Advantage

The most important competitive advantages of the Jordanian pharmaceutical companies are:

- More than half of the pharmaceutical companies were established in the last two decades, most of which are state-of-the-art facilities, equipped with advanced machinery and the latest technologies for increasing the production capacities, enabling Jordanian pharmaceutical companies to partner with foreign companies for manufacturing purposes.
- The Jordanian pharmaceutical industry has accrued good manufacturing and technical expertise. Jordan became a center for Good Manufacturing Practices (GMP) in the region, which led to exporting services and expertise in the pharmaceutical industry to many Arab and foreign countries.
- Rapidly growing health service market: Jordan is a medical hub for GCC with opportunities for investments in medical services and devices.
- Attractive Intellectual Property protection
- Supportive structures: Several inspection entities (e.g. Food and Drug Administration, Ministry of Health, private control laboratories) ensure a vigilant sector and high quality products.

REFERENCES:

1. *Jordan Investment Board-pharmaceutical*
2. *Pharmaceutical Industry Data Bank, 2010 (JAPM publication)*
3. *Global Investment House KSCC - June 2007: http://www.globalinv.net*

Hikma Pharmaceuticals: trusted to deliver better health

HIKMA PROFILE

Founded by its current Chairman, Dr. Samih Darwazah in 1978, Hikma Pharmaceuticals PLC is a fast growing multinational pharmaceutical group focused on developing, manufacturing and marketing a broad range of both branded and non-branded generic and in-licensed products.

The group develops, manufactures and markets generic and in-licensed pharmaceutical products within three core businesses; branded, generics and injectables and is distributed geographically in the MENA region, United States of America and Europe. Hikma Pharmaceuticals was able to enter global markets through its constant quest to produce pharmaceuticals with the highest standards of quality and in accordance with international standards. Hikma was listed on the London Stock Exchange in 2005 and on the Dubai NASDAQ in 2006. The company has 27 state-of-the-art manufacturing facilities in 11 countries, most of which are USFDA and/or MHRA approved. In 2012, Hikma achieved revenues of $1108.7 million. As of December 2012, Hikma had 6,500 employees.

Hikma's team of more than 1,600 sales and marketing representatives has helped to establish strong relationships with physicians, hospitals, pharmacies and purchasing groups for hospitals across the MENA region.

Hikma's strong market position makes it the partner of choice for multinational pharmaceutical companies seeking access to the fast growing MENA markets. Over 100 products are in-licensed. Our key partners are CellTrion, Takeda and Astellas.

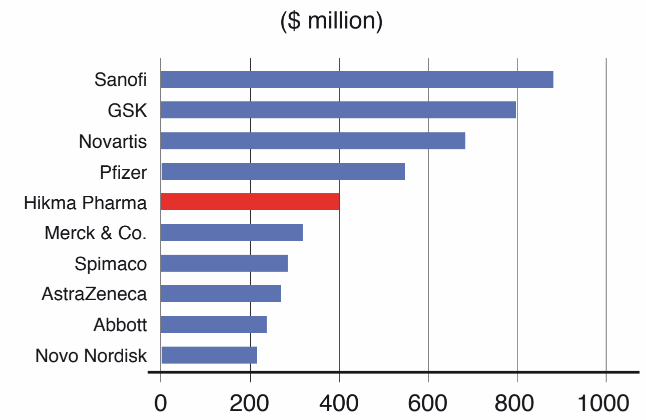
Hikma's vision is to be a leader, both in the Middle East and globally, by demonstrating how the strategic objectives of a business can be successfully achieved alongside a sustainable interaction with the natural and social environments of the communities in which it operates. Hikma is a member of the United Nations Global Compact which promotes corporate citizenship through advocating human rights, decent labor standards, sustainable environment and anti corruption. Hikma is also one of the founding members of PACI (Partnering Against Corruption Initiative), an offshoot of the WEF as well as being a member of the Global SmokeFree Partnership.

Hikma Products

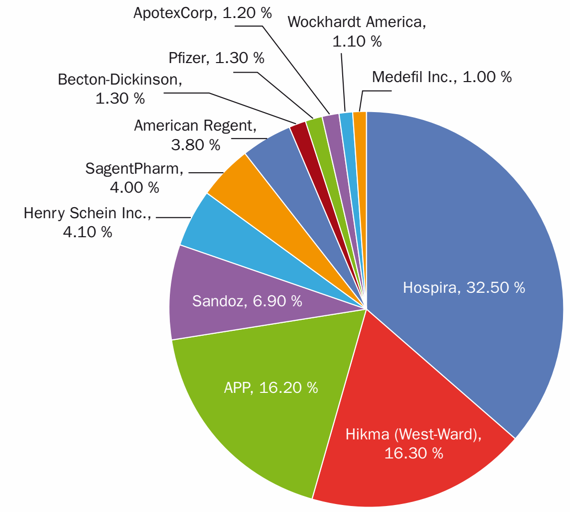
Hikma's product portfolio covering key therapeutic areas is focused on the patient. Its strong product pipeline demonstrates its commitment to continuing to improve people's lives.

Hikma's product range includes anesthetics, anti-histamines, anti-infectives, cardiovascular & diabetes, central nervous system, gastroenterology & metabolism, musculoskeletal system, dermatology, genitourinary system, hormones, oncology, respiratory system, transplantation, vitamins & supplements and other miscellaneous products.

Hikma's Rank in MENA



Hikma's Market Share in USA Amongst Top US Generics Injectables Suppliers



AWARDS OF 2011 & 2012

Granted Awards:

2012 Nov – "Healthcare Company of the Year" by Arabian Business Achievement Awards for the business achievements

2012 Oct – "2012 IFC Client Leadership Award" by International Finance Corporation for its sustainable development initiatives, excellence in corporate governance and commitment to local communities.

2011 Nov – "Hermes Transparency in Governance Award" by ICSA for its best audit disclosure for a FTSE 250 company

Nominations:

2012 Dec – Hikma shortlisted for an "ifs ProShare award" by ifs ProShare for its corporate excellence in the employee share ownership industry

2012 Nov – Hikma was highly commended for "Building Public Trust Awards" by PWC for its excellence in Executive Remuneration Reporting in the FTSE 250.

2012 Feb – Hikma nominated for "Best Investor Communication Award" for its well-created annual report & website

2011 Oct – Hikma named finalist for "M&A Advisor Award" by M&A Advisor for its mergers & acquisitions

His Majesty King Abdullah II, of Jordan, inaugurates Hikma Farmacêutica in Portugal along with Dr. Samih Darwazah and members of the staff.

Dr. Samih Darwazah, Founder and Chairman of Hikma Pharmaceuticals PLC listed on the London Stock Exchange since 2005, was employed at Eli Lilly from 1964 to 1976 before establishing Hikma Pharmaceuticals in Jordan in 1978. Between 1995 and 1996 he served as Minister of Energy and Mineral Resources in Jordan. He also founded the Jordan Trade Association and was a member of the Advisory Economic Council to His Majesty the late King Hussein of Jordan.

A Fulbright scholar, Dr. Samih holds a Masters Degree in Industrial Pharmacy from St. Louis College of Pharmacy, Missouri which he obtained in 1964, and a Bachelors Degree in Pharmacy from the American University of Beirut obtained in 1954.

Dr. Darwazah was elected Middle East Entrepreneur of the year in 2007 by Ernst and Young. In 2009, Dr. Darwazah was elected Chairman of Capital Bank of Jordan and he also served as a member of the Senate of the Hashemite Kingdom of Jordan. Dr. Darwazah was granted an honorary doctorate from St. Louis College of Pharmacy in May 2010 and in January 2011, the Samih Darwazah Center for Innovation Management and Entrepreneurship was established at the OSB (Olayyan School of Business) at the American University of Beirut. Dr. Darwazah was also granted an honorary doctorate degree from the Lebanese American University in 2012 and was granted the WAAAUB (Worldwide Alumni Association of American University of Beirut) Distinguished Alumni Award for 2012.

بسم الله الرحمن الرحيم

Public Ltd. Company
Established 25/10/1976
Commercial Register Number 108
Paid-up Capital JD 100 million (USD 141 million)

Member of Burgan Bank Group

Our Vision...

" To be one of the pioneer Arab banks through offering distinguished comprehensive banking solutions, in line with the latest developments in banking industry and e-business in the world "

Our Mission...

" We are a Jordanian banking institution which offers global services assured with high quality and professionalism by taking full advantage of the Bank's advanced technological capabilities and its staff efficiency to render qualified services to customers. JKB seeks to diversify its customer base to include various Jordanian & Arab economic sectors, in order to achieve a rewarding yield to shareholders, in addition to enhance the national economy development, and society welfare."

Contents

HIS MAJESTY
KING ABDULLAH II BIN AL-HUSSEIN

HIS HIGHNESS
SHEIKH SABAH AL-AHMAD AL-SABAH
EMIR OF THE STATE OF KUWAIT

HIS ROYAL HIGHNESS
PRINCE HUSSEIN BIN ABDULLAH II
THE CROWN PRINCE

Board of Directors

Chairman
H.E. Mr. Abdel Karim A. Kabariti

Vice Chairman
Mr. Faisal Hamad Al-Ayyar
Rep.: United Gulf Bank – Bahrain

Members

- **Mr. Emad Jamal Kudah**
  Rep.: Social Security Corporation – Jordan
- **Mr. Masaud Mahmoud Jawhar Hayat**
  Rep.: Al– Futtooh Holding Co. – Kuwait
- **Mr. Tariq Moh'd Abdul Salam**
  Rep.: Kuwait Projects Co. (Holding) – Kuwait
- **Mr. Farouk Aref Al-Aref**
- **Dr. Yousef Musa Goussous**
  Rep.: Burgan Bank – Kuwait
- **Mr. Mansour Ahmad Louzi**
  Rep.: Strategy Co. for Investments – Jordan
- **Mr. Bijan Khosrowshahi**
  Rep.: Odyssey Reinsurance Co. – U.S.A

Board Secretary/General Manager
- **Mr. "Moh'd Yaser" M. Al-Asmar**

Auditors
- **Deloitte & Touche** (M.E.) – Jordan

Message from the Chairman

To the Shareholders,

I am delighted to present to you, on behalf of myself and my fellow board members the 36th annual report outlining the Bank's results, achievements and its consolidated financial statements for the fiscal year ending on December 31, 2012.

More than four years have passed since the outbreak of the global financial and economic crisis, and the global economy continues to suffer from its direct and indirect consequences. Although there were some positive signs in late 2012 indicating a rather slight recuperation in the global economy, those signs did not quite materialize due to the depth of the financial repercussions in the Euro zone as the European sovereign-debt crisis now constitutes the greatest threat to the global economy, in addition to the concerns raised by the so called U.S. fiscal cliff, which cast doubt on whether the global economy is going through temporary turbulent times or that the status quo is going to last and lead to further deterioration and widened uncertainty; uncertainty being the nemesis of rebuilding confidence in the global economic performance.

Although the global financial and economic crisis presented a wide range of issues and impacts; it offered several lessons and posed serious challenges and tough choices for politicians, economists and investors worldwide, which motivated everyone to introduce new economic ideas, programs, plans, policies, and maybe even new economic theories, some succeeded and others failed. Regardless of the solutions and their application; the outcome of lessons was a set of new operational regulations, business ethics and financial, regulatory and legal controls, which may constitute the first and most important step in the economic recovery and growth journey.

Locally, the economy stayed in a state of vigilance and uncertainty because of the political and security circumstances in the region and the continuing public protests in the national arena demanding political and economic reforms. The protests have recently taken a more realistic turn in terms of size and demands, this may be due to the public's conviction and realization that the national economic and political reform programs are genuine, or maybe the people learnt from the dramatic developments and how things ended up in countries that experienced the so called "Arab Spring", or maybe both reasons combined.

Overall, the Jordanian economy maintained a relatively balanced performance that was not devoid of positive indicators; represented in real GDP growth rate of 2.8% compared to 2.6% in 2011, stable JD exchange rate, strong and safe banking system, increased tourism revenues and expatriates' remittances. As for the private sector, most businesses achieved positive, yet modest growth and many companies registered an increase in their profits compared to last year. After all, what matters most for the economy -under the current circumstances- is the direction of growth, not mere numbers.

As for the negative indicators, the main challenges were the increasing budget deficit, the increasing balance of payments' current account deficit, growing debt and the Central Bank of Jordan's decreasing foreign-exchange reserves. Although those challenges have already been faced and did not emerge in 2012; they have grown beyond the government's ability to handle. After the government reached a conviction that it cannot continue with dismissing problems or providing temporary solutions, it developed, after consultations with the Central Bank of Jordan and the IMF, a national economic and financial reform program, sponsored and supported by the IMF with a USD 2 billion loan to be disbursed over 36 months, in conjunction with the implementation of the program. Moreover, the government pledged to implement a series of measures aiming to reduce the deficit and address fiscal imbalances, and started with the removal of fuel subsidies and floating its prices. In order to avoid the negative repercussions of such a decision, the government initiated a program offering cash subsidies to low income citizens which helped, to a certain extent, to alleviate the impact of price hikes on that segment of the population.

The activities and growth rates of the banking sector were good in 2012, nonetheless; they were still below aspirations, as the sector was still suffering from the decelerating and weakening economic cycle, the investors' diminishing interest in starting new projects or expanding existing ones and the decline in cash flows and stock prices in the financial market. Amongst the most important challenges that faced the banking sector were the decline of collaterals' value such as stocks and real estate, which became difficult for debtors to liquidate in order to pay off their debts or the interests payable, and the growing tendency for some individuals or companies to abandon their financial obligations and commitments leaving the banks to deal with them in the medium to long-term; this attitude is attributed to the prevailing state of uncertainty and lack of confidence. However, we do not rule out other factors such as poor business ethics and the procrastination of the judicial system. All of which, led to increase in bad debts liable for legal action and compelled banks to take extra precautionary provisions.

On the other hand, the Central Bank of Jordan carried on with its policy aimed at promoting the Kingdom's fiscal sustainability, which is outlined to control inflation rates and stabilize the JD exchange rate through maintaining a structure of interest rates that is compatible with domestic and international economic developments, maintaining a sufficient amount of foreign-exchange reserves and attempting to conciliate between these goals and those of economic growth. Furthermore, the Central Bank of Jordan's prudent policy and the vital, rapid and flexible measures it took during the year have reflected positively on the local currency's position and helped in stabilizing its exchange rate, thus reassuring citizens and investors.

The Central Bank of Jordan continued to implement measures aimed at strengthening the banks' regulatory framework through conducting reviews of the banks' internal capital adequacy assessment process in order to ensure its financial stability and position and ensure that adequate risk management measures are in place. Based on the reviews, the Central Bank of Jordan can accordingly set certain capital adequacy standards that suit each bank's situation, which will render banks better prepared and more capable to absorb shocks that may be inflicted by future financial and economic crises.

JKB's Results in 2012

In 2012, the Bank's management adopted a three-year strategic plan (2012-2014) which was based on expectations that the current state of vigilance and uncertainty in domestic and international economies will continue for the coming period. Changing from long-term to medium-term planning reflects the management's vision of being cautious and wise in dealing with the current conditions; nevertheless, having appropriate capacities always available to respond immediately to any positive and promising developments.

JKB managed to achieve remarkable results and accomplishments, and the credit goes to efficient management that was realistic and capable of dealing with the challenges and circumstances that prevailed during the recent period. In 2012, the Bank's management made continuous efforts to achieve a balance between growth and profitability, while abiding by the risk management's guidelines and policies, ensuring the quality of assets and safeguarding investments.

The Bank's wholesale credit activity witnessed both quantitative and qualitative expansion and included direct and syndicated lending to several major private and public companies and institutions. The retail credit activity also witnessed good growth. In all cases, we have adopted a prudent and balanced credit policy and followed clearly defined criteria that governed all credit decisions, in addition to enforcing strict monitoring and follow-up systems and improving documentation and collection procedures.

The results for the year ending on December 31, 2012 showed an increase of 6.0% in the Bank's total assets reaching USD 3,398.6 million, compared to USD 3,208.0 million in 2011, and the direct credit facilities (net) increased to USD 1,997.5 million, compared to USD 1,761.2 million last year, registering a growth of 13.42%, while customers' deposits and cash margins totaled USD 2,138.8 million at the end of the year. The results showed a net profit of USD 65.7 million after tax compared to USD 55.9 million in 2011, registering a growth of 17.4%. Total equity increased by 7.7% reaching USD 534.7 million. The above-mentioned results reflected positively on the Bank's performance ratios where return on average assets registered 1.99% compared to 1.82% in 2011 and return on average owners' equity registered 12.75%, compared to 11.63%. The capital adequacy ratio registered 16.31%. All such ratios fall within the highest levels of pertinent international standards.

Jordan Kuwait Bank can be viewed as a mirror that reflects the performance of the Jordanian economy, particularly the private sector, being that large companies and prime business owners constitute a significant portion of the Bank's client base, therefore, all improvements in the companies' performance reflect in the Bank's results, and vice versa. To substantiate such a perception, the Bank continued in 2012 to apply the policies adopted at the time when the global financial crisis started to affect our national economy; the central pillar of the policy is the Bank's commitment to supporting its clients, especially those whose activities declined due to current circumstances. The Bank's management, through collaboration and monitoring, re-examined some weak accounts and offered adequate objective solutions, including the support needed to stimulate the companies' business and assist them to sustain and revive their activities. The recently signed agreement between JKB and Tameer Jordan Holdings, the owner of Al Andalucia Residential Project, is one of the Bank's success stories in this regard. In this context, we should point out that the Bank is always careful to ensure adequate collaterals and set forth strict measures and mechanisms that guarantee continuous monitoring and review of the companies' performance, all in accordance with internal policies and in compliance with the regulations enforced by regulatory authorities.

With the beginning of the second quarter of 2012, the Bank's business and IT teams started the implementation of a project that would replace the Bank's current electronic banking system with a new one that will provide the Bank with advanced technological capabilities and help in offering more contemporary electronic banking services. According to the approved implementation plan, the new system will be installed and operational by the end of the third quarter of the year 2013.

The Outlook for 2013

It is expected that the national economy will perform better in 2013 than in the past year, and that GDP growth rate may rise to 3.5% (IMF projection), compared to 2.8% in 2012; even though, political, economic and social challenges are expected to persist. The government attempted in the 2013 general budget, to rectify the flaws and weakness witnessed in last year's budget, and thus targeted increasing domestic revenues, controlling current expenditures and improving self-reliance levels. The 2013 budget, however, was generous with capital expenditures, which allow for a projection of higher economic growth and to advance a few steps closer towards restoration of balance in the fiscal and economic areas.

To achieve these as well as other objectives, the national reform program must be properly implemented even though some undesirable, yet necessary measures have to be taken. Such measures need a high level of awareness and great deal of patience, in addition to a strong and capable management that demonstrates dedication and transparency, as the problem does not lie in the facts; it is rather in the public's confidence and expectations.

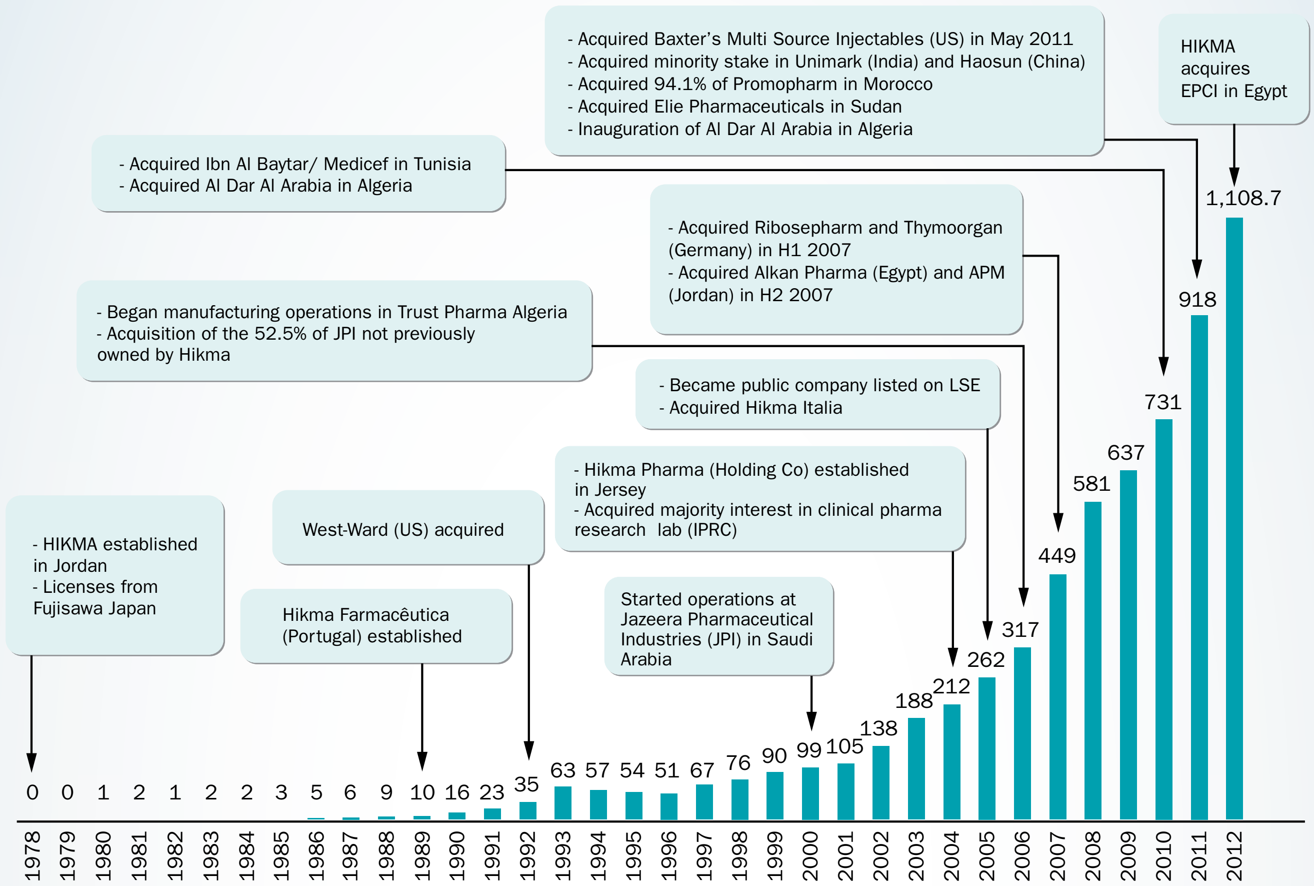
As for us at JKB, we have and will always do our utmost to strengthen the Bank's capital base by emphasizing our shareholders' equity which constitutes the most important element of the regulatory capital. This was achieved through adopting a policy of balanced profit provisioning and diversifying between cash disbursement and retention. We assure our esteemed shareholders that we will continue moving on the same approach, and to increase our efforts, so that their investments in this corporation stay safe and continue to grow. We also assure our clients that we will make every effort to meet their expectations and be, as we have always been, the initiators of solutions and ideas that meet their needs, support their businesses, and help develop their investment projects that, in return, stimulate the national economy and secure success for reform and sustainable development plans.

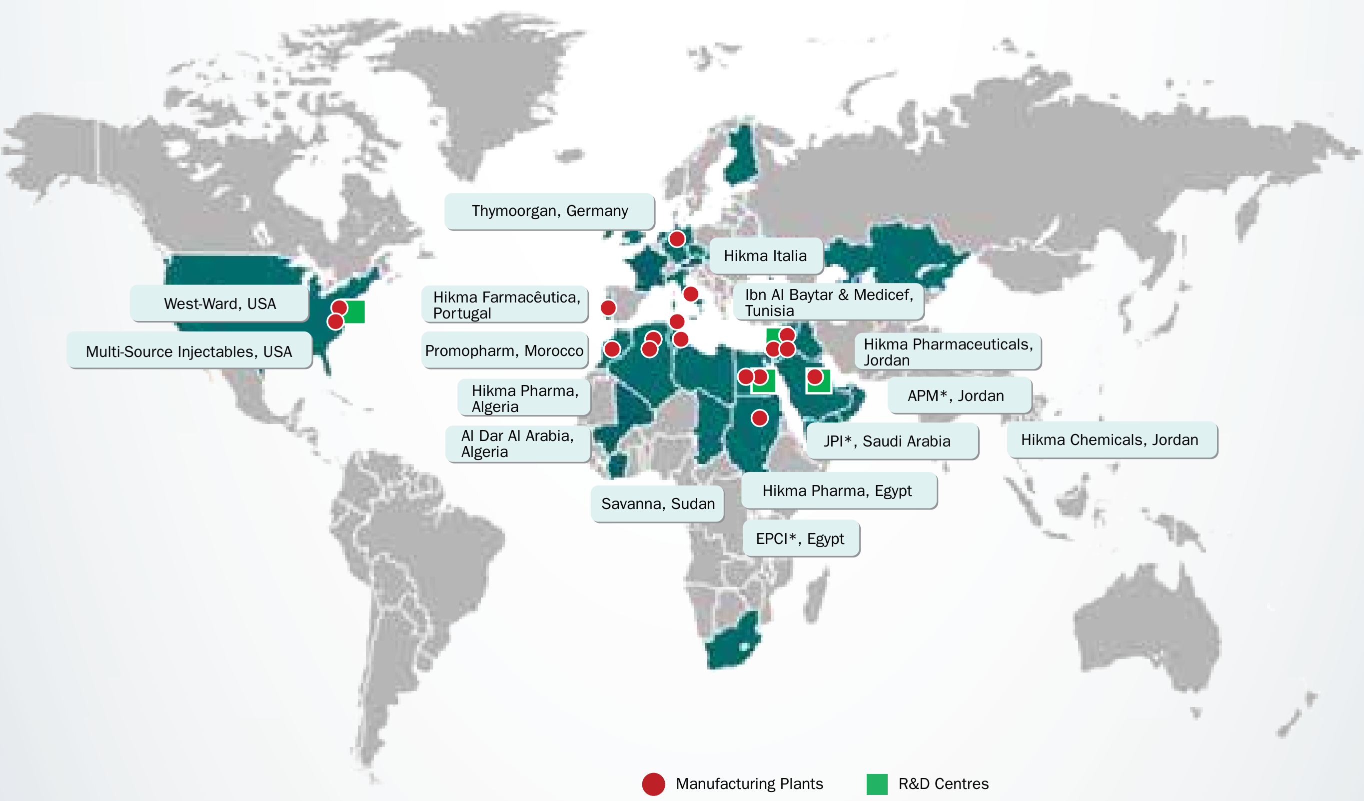
In conclusion, I would like to express my deep appreciation and gratitude to all our esteemed shareholders and valued clients for their confidence and support. I would also like to express my sincerest appreciation and gratitude to our strategic partners KIPCO and Burgan Bank Group for their support and cooperation, and stress our interest in investing in the strategic and business relations we share with them to allow for further business exchange and create more opportunities for all the Group's members. I would also like to express my sincerest gratitude to the Central Bank of Jordan, represented by H.E. the Governor, his deputies and all administrative and technical units for their efforts, high professionalism and keenness to improve the performance of the banking sector. Thanks also go to the Jordan Securities Commission, represented by H.E the Chairman, board of commissioners and staff, for their efforts and much appreciated role in enhancing investment confidence and safeguarding investors' interests. I would not miss the opportunity to express my gratitude and appreciation to the Bank's management and staff for their performance and their concern for the Bank's best interest and its continued success and prosperity.

Abdel Karim Kabariti
Chairman

The Hikma story...

Group revenue ($ million)





* 'JPI' refers to Al Jazeera Pharmaceutical Industries; 'APM' refers to Arab Pharmaceutical Manufacturing; 'EPCI' refers to Egyptian Company for Pharmaceuticals & Chemical Industries

The Board of Directors' Statement on Corporate Governance

JKB adopts a Corporate Governance Manual that was prepared in late 2007 according to best international practices and the instructions of the Central Bank of Jordan. The aim of the Bank's adoption of this manual is to achieve corporate governance principles of fair treatment to all stakeholders; transparency and disclosure of JKB's actual financial and administrative standing; accountability between the Board of Directors and the executive management, between the Board and shareholders as well as between the Board and the various stakeholders; in addition to accountability through the clear segregation of duties and delegation of authority. To achieve greater level of disclosure and transparency, the Corporate Governance Manual is enclosed with this report after being revised and amended in 2012 to be in line with the Bank's revised organizational structure, also included in this report.

The Bank's organization and administrative procedures are based on the following principles:

- A board of directors is in place that is effective and responsible.
- A clear strategic direction for business development.
- Sound accounting and information disclosure principles.
- Sound decision making mechanisms.
- Performance evaluation linked to the strategy.
- Human resources development.

Board of Directors and Board Committees

Board of Directors

The formation of the Board of Directors is governed by the Jordanian Companies Law and the CBJ Banks Law. The Board is comprised of nine members elected for tenure of four years.

The current Board of Directors was elected by the General Assembly on March 15, 2009. The Board of Directors elected H.E. Mr. Abdel Karim Kabariti as Chairman and Mr. Faisal Hamad Al-Ayyar as Vice-chairman.

The main role of the Board of Directors lies in its responsibility of ensuring the soundness of the Bank's financial standing, and fulfilling its obligations towards all stakeholders. The Board sets the Bank's strategic objectives and has oversight responsibility over the executive management. It is also accountable for ensuring the effectiveness of internal monitoring and control systems and the extent to which the Bank is abiding by the strategic plans and that written policies covering all of the Bank's activities are endorsed and in place.

The Board of Directors is also responsible for the credibility of the Bank's financial reports and ensuring the application of appropriate risks policies as well as compliance with all laws in force.

Board Meetings

The Board of Directors is comprised of nine members, their names listed below. The Board held seven meetings during 2012 on the following dates: Jan. 16, Jan. 31, Mar. 27 (2), Jul. 8, Oct. 10 and Dec. 20, 2012. All Board members have attended all meetings as well as the General Assembly meeting held on March 27, 2012.

The following list shows the name of each Board member and his representation capacity as well as Board sub-committees memberships:

Name	Representation	Membership in the Board and its committees
H.E. Mr. Abdel Karim A. Kabariti	Self / Independent	Chairman Chairman, Board Credit & Investment Committee Chairman, Corporate Governance Committee Chairman, Nominations & Remuneration Committee
Mr. Faisal H. Al-Ayyar	Rep. United Gulf Bank	Vice Chairman Member, Nominations & Remuneration Committee
Mr. Emad J. Kudah	Rep. Social Security Corp.	Board Member Observer, Board Audit & Risk Committee
Mr. Masaud M. Jawhar Hayat	Rep. Al- Futtooh Holding Co.	Board Member Member, Corporate Governance Committee Member, Nominations & Remuneration Committee
Mr. Tariq M. Abdul Salam	Rep. Kuwait Projects Co. (Holding)	Board Member Chairman, Board Audit & Risk Committee
Mr. Farouk A. Al-Aref	Self / Independent	Board Member Member, Board Credit & Investment Committee Member, Board Audit & Risk Committee
Dr. Yousef M. Goussous	Rep. Burgan Bank	Board Member Member, Board Audit & Risk Committee
Mr. Mansour A. Louzi	Rep. Strategy Co. for Investments	Board Member Member, Board Credit & Investment Committee Member, Corporate Governance Committee Member, Board Audit & Risk Committee
Mr. Bijan Khosrowshahi	Rep. Odyssey Reinsurance Co.	Board Member

Board Committees

Corporate Governance Committee

Number of meetings in 2012: 1

Committee members:

H.E. Mr. Abdel Karim A. Kabariti - Chairman

Mr. Mansour A. Louzi

Mr. Masaud M. Jawhar Hayat

Committee Secretary: Mr. Shaher E. Suleiman/ Head of Risk Management & Compliance Group

Board Credit & Investment Committee

Number of meetings in 2012: **50**

Committee members:

H.E. Mr. Abdel Karim A. Kabariti - Chairman

Mr. Mansour A. Louzi

Mr. Farouk A. Al-Aref

Committee Secretary: Mr. "Moh'd Yaser" M. Al-Asmar/ General Manager

Mr. Tawfiq A. Mukahal, Deputy General Manager/ Banking Group attends the committee meetings and participates in presenting issues on the agenda.

Board Audit and Risk Committee

Number of meetings in 2012: **5**

Committee members:

Mr. Tariq M. Abdul Salam - Chairman

Mr. Farouk A. Al-Aref

Dr. Yousef M. Goussous

Mr. Mansour A. Louzi

Mr. Emad J. Kudah, Observer

Committee Secretary: Mr. "Moh'd Yaser" M. Al-Asmar/ General Manager

Mr. Shaher E. Suleiman/ Head of Risk Management & Compliance Group and Mr. Sa'ed M. Tu'meh/ Executive Manager of Internal Audit Department attend the committee meetings.

Board Members' Remuneration

Every Board member receives the sum of JD 5,000 (USD 7,000) per year as Board membership allowance, in addition to allowances in lieu of travel, transportation and Board committees' membership.

Total remuneration paid to the Board members in 2012 are detailed in the table below:

Board Member	Total rem. in USD
H.E. Mr. Abdel Karim A. Kabariti	125,471
Mr. Faisal H. Al-Ayyar	28,052
Rep. Social Security Corporation	15,092
Mr. Masaud M. Jawhar Hayat	28475
Mr. Tariq M. Abdul Salam	30,168
Mr. Farouk A. Al-Aref	22,144
Dr. Yousef M. Goussous	15,092
Mr. Mansour A. Louzi	22,567
Mr. Bijan Khosrowshahi	28,052
Total	**315,113**

Executives' Remuneration

The salaries, transportation allowance and other expenses paid to the Bank's executives during the year 2012 were declared in the disclosure statement as required by article (4) of the disclosure regulations issued by the Jordan Securities Commission, and the notes to the consolidated financial statements included in this report comprising an integral part of it.

Control Environment

Internal Controls

JKB Board of Directors and executive management are responsible for developing and maintaining the existence of internal control systems and procedures that are capable of ensuring the achievement of the following:

- Accuracy and integrity of financial and operational statements issued by the Bank.
- Effectiveness and efficiency of the Bank's operational activities.
- Effectiveness of measures and procedures set to safeguard the Bank's assets and properties.
- Compatibility with policies pertinent to internal operational procedures as well as laws, legislations and regulations in force.

This stems from the Bank's belief in the importance of an effective internal monitoring and control system given that it is one of the key elements of sound management and the base for safeguarding the safety and quality of the Bank's transactions. The Bank has adopted a number of internal monitoring and control systems which their development, implementation, follow-up and updating are the responsibility of the executive management. JKB's management continuously monitors and assesses the efficiency and effectiveness of these systems and their ability to achieve desired objectives. It also oversees their continuous development and enhancement.

In this context, the Board of Directors adopted an internal monitoring and control policy that covered all aspects pertinent to internal control systems in terms of definition, components and implementation responsibilities of the Board of Directors and the executive management.

Internal Audit

The Internal Audit philosophy is based on its mission to provide independent and objective assurances and consultations to the Bank's management that aim to add value or enhance operations, and to assist the Bank's management achieve set goals through establishing a systematic approach to assess and improve the effectiveness of risks management process, internal controls and corporate governance.

The Internal Audit Department administratively reports directly to the Chairman of the Board, and functionally to the Board Audit and Risk Committee. It submits its reports that include the results of its work directly to the Chairman of the Board and the Board Audit and Risk Committee.

A charter was developed for the department according to international best practices. The following are the most important features of the charter:

Provide reasonable assurance regarding the level of effectiveness and efficiency of internal audit systems at the Bank and their ability to achieve the following:

- Integrity and reliability of financial and operational data.
- Efficiency of operations.
- Compatibility with the regulations, instructions and laws in force.
- Maintaining the Bank's assets and property.
- Business continuity under all circumstances.
- Provide reasonable assurance regarding the level of effectiveness and efficiency of the Bank's risk management systems and corporate governance processes.
- Improve and develop internal audit systems, risk management and corporate governance processes.
- Improve and develop processes and products to best serve the Bank's goals.

The department's scope of work covers all of the Bank's work centers, activities and operations including branches abroad and the Bank subsidiaries in a manner that enables it to assess the suitability and effectiveness of internal control systems, risk management and corporate governance processes, and accomplish all the tasks and responsibilities entrusted to it. In addition, the Department carries out the following:

- Conduct periodic reviews and audits based on the priorities of the Risk-based Audit Plan adopted as part of the department's strategy which is approved by the Board of Directors and the Board Audit and Risk Committee.
- Conduct any special reviews or consultations based on the directions of the Chairman or the Board Audit and Risk Committee.
- Assist the Executive Management and the Board of Directors by providing the needed consultations according to best international standards and practices.

The concept of quality control was introduced in order to provide relevant stakeholders with reasonable assurance with regard to internal audit activities and their compatibility with standards recognized both locally and internationally.

Risks Management

The various risks that the Bank is exposed to are managed by an independent Risk Management Department which reports to the Head of Risk Management & Compliance Group; and submits its periodic reports to the Board Audit and Risk Committee.

The responsibilities of the Risk Management Department include the following:

- Identify, measure, monitor and control risks and provide recommendations to mitigate the risks that face the Bank and guarantee the highest degree of coordination with all relevant Bank operations and departments.
- Provide recommendations to define the size and type of each of the acceptable main risks by the Board of Directors and ensure that current risks are in line with planned risks (Risk Appetite).
- Develop the methodologies for measuring and controlling each type of risk.
- Provide recommendations when setting the limits of the various risks that the Bank is subjected to, review them and provide recommendation to the Board Audit and Risk Committee, as well as record cases that are exceptions to risk management policies.
- Provide the Board and Senior Executive Management with enough information regarding the Bank's risk measurements and risk profile (qualitative and quantitative statistics to be presented at each Board meeting).
- Highlight risks transparently and ensure they are clear and understood internally and disclosed to the public.
- Coordinate with Bank's committees, such as the Executive Committee, the Credit Committees and the Assets and Liabilities Committee in order to conduct its tasks as defined by the roles of these committees.
- The department is responsible for raising risk awareness among the Bank's employees focusing on new methods and practices aiming at realizing the concept of comprehensive risk management.
- The department follows up on the instructions and recommendations released by the various regulators, including BASEL committee, and translates them into work plans, policies and procedures.

Compliance Control

The process of monitoring compliance is considered an independent task which aims at ensuring that the Bank and its internal policies are in compliance with all the laws, regulations, instructions, directives, codes of conduct, and sound banking standards and practices issued by local and international regulators.

- The Board of Directors adopts the Bank's Compliance Policy and takes necessary measures to further the values of integrity and sound professional conduct within the Bank such that compliance with the applied laws, regulations, instructions and standards constitute a primary goal that must be achieved. It also assesses the effectiveness of compliance management at least once a year or on need basis. Furthermore, the implementation of the Compliance Policy at the Bank is monitored and followed-up by the Board of Directors through the Board Audit and Risk Committee.
- The processes of compliance monitoring are managed through an independent department, which reports directly to the Head of Risk & Compliance Group, and submits reports periodically to the Board of Directors through the Board Audit and Risk Committee.
- Non-compliance risks include the risks of not abiding by the laws, regulations, instructions and legislations issued by the various regulators, in addition to the risks of money laundering operations, reputation risks, risks of non-compliance with professional conduct charters, intellectual property rights, including systems, and any other relevant issues.
- The Compliance Department's scope of work includes non-compliance risk across all of the Bank's departments and branches in Jordan and outside as well as its subsidiaries.
- The responsibility of Compliance Management is summarized by assisting Executive Management and the Bank's employees manage non-compliance risks that face the Bank; especially the

risks of money laundering operations. In addition, Compliance Management provides advice to Executive Management regarding the applied laws, regulations and standards as well as any amendments that may take place.

- The Bank informs the Central Bank of Jordan of any violations resulting from non-compliance, especially violations that subject the Bank to legal penalties or material financial or reputation losses. In addition, it informs the Anti-Money Laundering Unit at CBJ of any cases that should be reported.

Code of Conduct

The Bank adopted a code of conduct that was endorsed by the Board of Directors. JKB employees across the various administrative levels as well as the Board of Directors have pledged to commit to it.

The Code defined the ethics, values and principles of the Bank employees in four main areas which are: integrity, compliance with laws, transparency and loyalty to the Bank.

Whistle Blowing Policy

JKB maintains policy and procedures pertinent to whistle blowing. The policy aims to promote a culture of openness and to demonstrate the shared responsibility of preserving work ethics. Procedures that deal with this policy were distributed among all Bank employees to follow. The procedures clarify accountability lines for reporting issues related to unusual and/or suspected behavior that must be reported. Implementation monitoring of Whistle Blowing Policy is carried out by the Board Audit and Risk Committee.

Relation with Shareholders

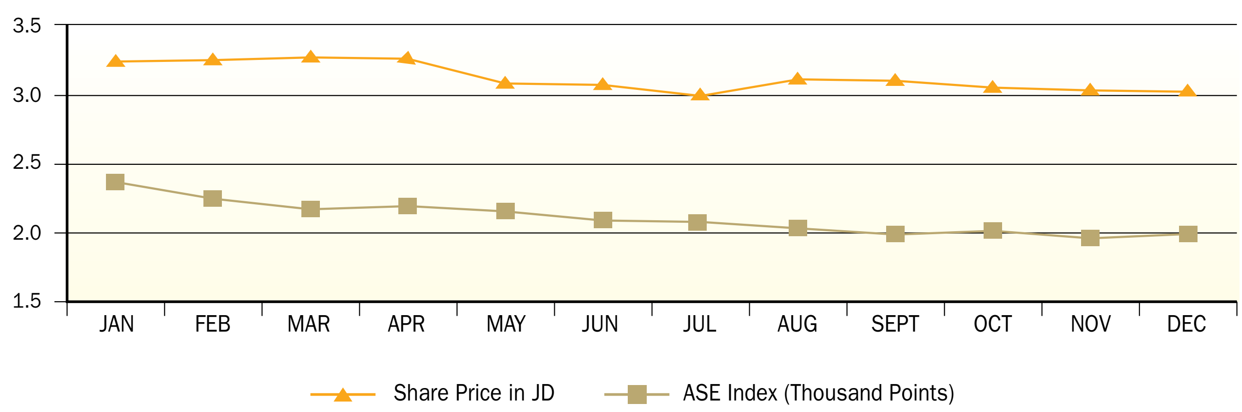
The Bank develops positive relations, based on transparency, with all its shareholders. In this regard, the Bank saves no effort to encourage all shareholders, particularly minority shareholders, to attend the General Assembly meetings and cast their votes. The Bank has a wide shareholder base of 13,900 as of 31/12/2012. The main source of information for shareholders is the Annual Report which includes, among others, the report of the Chairman of the Board as well as the audited financial statements. In addition, the un-audited quarterly and semi-annual balance sheets, profit and loss statements as well as the Chairman's report are published in local newspapers.

The complete financial statements and the Board of Directors' report are filed at the Jordan Securities Commission (JSC) and the Amman Stock Exchange, with a copy submitted to the Companies Controller. These reports are published on JKB's website (www.jkb.com) which also provides extensive information about JKB services, products, news and press releases. The Bank is committed to disclose any material information, should it occur, in accordance with the JSC instructions.

Shares / Ownership Classification as of 31/12/2012

Number of Shares Held	Shareholders		Shares	
	No.	%	No.	%
Up to 500	10,525	75.72	2,123,073	2.12
501 – 1,000	1,793	12.90	1,272,154	1.27
1,001 – 5,000	1,206	8.68	2,460,307	2.46
5,001 – 10,000	170	1.22	1,221,089	1.22
10,001- 100,000	172	1.24	5,080,353	5.08
100,001 - 500,000	24	0.17	4,987,691	4.99
500,001and more	10	0.07	82,855,333	82.86
Total	**13,900**	**100**	**100,000,000**	**100**

Changes in JKB Share Price (JD) vs ASE Index During 2012




AQUA 40.00
AQUA 40.00

Management Discussion and Analysis

2012 was a rough year for the Jordanian economy; the growth rate was marginal, Jordan's international credit rating remained negative, public finance weakened as no significant foreign aid was received until the last month of the year, the National Electric Power Company's losses due to the repeated disruptions in Egyptian gas supplies contributed to the budget deficit and the national debt reached soaring levels, in addition to the fact that thousands of Syrian refugees flocked into Jordan, adding to the Jordanian government and economy's burden.

Despite the odds, the Jordanian economy showed several positive indicators, mainly: the growth in GDP, the stable JD exchange rate, the strength and soundness of the banking sector, the increase in deposits and banking facilities, the increase in tourism revenues and particularly medical tourism, and the increase in expatriates' remittances, besides the fact that sister Gulf states fulfilled their promises to finance the Jordanian projects agreed upon. On the other hand, the private sector showed adequate stability and achieved positive overall growth up to the year end, that is before the impact of removing fuel subsidies and the resultant prices hikes were reflected on the market activities.

As for the negative indicators, poverty and unemployment rates maintained their usual levels and the inflation rate increased to 5%. The budget and the balance of payments' current account deficit widened, the general debt increased and the Central Bank of Jordan's foreign-exchange reserves decreased. The flow of foreign investments slowed down and stock prices at the Amman Stock Exchange (ASE) declined for the fifth consecutive year, in addition to the state of uncertainty regarding the region's unstable sociopolitical situation, which have affected the investment climate. The year also witnessed an exceptionally extensive dollarization activity that compelled the Central Bank of Jordan to take precautionary measures.

The Economic Reform Program

In response to the hardships and economic weaknesses, the Jordanian government set forth a national economic and financial reform program and requested the IMF's technical and financial help. The IMF adopted the program and supported it with a USD 2 billion loan released in phased installments; the first of which was to the amount of USD 385 million.

The program aims at realigning the general budget and the balance of payments' current account, maintaining the Jordanian Dinar's exchange rate against the US Dollar, promoting the private sector's role and stimulating economic growth. This requires medium and long term measures with regard to taxation, controlling current expenditures, and reinforcing the National Electric Power Company in order to recover its costs through raising tariffs and diversifying energy sources. In addition to implementing structural reforms, directing subsidies toward low income citizens, improving the investment and business climate, promoting transparency and increasing national exports.

Hopefully, the adoption of the program, its proper implementation and the IMF's support will reinforce the international community and donor states' confidence that the Jordanian economy is following the right path and is worthy of support.

Jordan's Banking Sector

In one of the toughest years the Jordanian economy has ever faced, the Central Bank of Jordan managed to deal with the economic and financial situation competently and efficiently, as it took a bundle of measures to maintain financial and monetary stability and support the banking sector in its capacity as a financier for the different economic sectors. The Central Bank of Jordan's regulatory policies and the banks' prudent policies succeeded in maintaining a robust banking system with good levels of solvency and profitability.

In 2012, the Central Bank of Jordan updated the operating framework of monetary policy by introducing new monetary tools represented in the repurchasing agreement aimed at influencing the transaction volume in the interbank lending market, containing the fluctuation in interest rates and redistributing liquidity. In addition to introducing a new tool known as the permanent open market operations by which the Central Bank of Jordan buys or sells securities and government bonds in the secondary market, in order to control liquidity in the banking sector and influence the cost of financing productive economic activities according to their requirements, all within the objectives of the monetary policy.

The Central Bank of Jordan also restored the initiatives related to the industrial sector's facilities and reduced their lending rates to provide the sector with adequate liquidity. In addition, CBJ provided incentives for financing small and medium enterprises, and worked with international institutions to obtain financing at preferential rates for this sector supported by technical assistance provided through the banking system.

Credit facilities granted by the licensed banks operating in the Kingdom amounted to USD 25,148 million at the end of 2012, against USD 22,356 million at the end of 2011, registering a growth rate of 12.5%. Loans and advances represented 85.8% of the total credit facilities granted, while overdraft facilities accounted for 12.7%. JKB's share of the total credit facilities in the banking sector amounted to 7.26% at year-end.

The total deposits in the banking sector reached around USD 35,218 million at the end of 2012, against USD 34,392 million at the end of 2011, an increase of USD 826 million at a growth of 2.4%. The private sector's deposits increased to USD 32,826 million at the end of 2012 from USD 32,220 million in 2011; a growth rate of 1.9%. Term deposits represented 55.3% of the total banking sector deposits, while current and savings accounts represented 29.8% and 14.9% respectively. JKB's share of the total client deposits in the banking sector reached 5.25% at year-end.

Overall, the financial strength indicators for Jordanian banks, such as capital adequacy ratio, financial leverage, liquidity, profitability and others showed adequate and reassuring levels. The banking system managed to control the size of non-performing loans and build up adequate provisions to cover those loans, while maintaining good levels of profit. Non-performing loans/ Gross credit facilities constituted 8.4% of the credit facilities granted by the banking sector.

JKB Financial Performance

In spite of the continued effects of the repercussions of the financial crisis and regional situations on a number of local economic sectors, Jordan Kuwait Bank was able to achieve excellent financial results and tangible achievements in its key business areas. The following are the most important items of the consolidated financial statement:

A- Consolidated Statement of Financial Position

Assets: Total assets amounted to USD 3,398.6 million at 31/12/2012 compared to USD 3,208.0 million from the previous year, achieving a growth of 6.0%.

Direct Credit Facilities: Direct credit facilities (net) reached USD 1,997.5 million at the end of 2012 against USD 1,761.2 million at the end of 2011; an increase of 13.42%. Total credit facilities directed towards individuals increased by 30.7% over last year. Direct credit towards small and medium enterprises also recorded a growth of 44.9% while direct corporate credit amounted to USD 1,473 million; a growth of 10.4% over the past year. These results reflect the Bank's success in developing and diversifying its credit portfolio, while focusing on directing credit towards small and medium enterprises and individuals aiming to increase profitability and mitigate risks.

Liabilities: Total liabilities increased at the end of 2012 to record USD 2,863.9 million and a increase of 5.62% over last year.

Customer Deposits and Cash Margins: Customer deposits and cash margins formed 74.7% of total liabilities and include customer deposits from savings accounts, current accounts, term deposits, and cash margins for both individual and corporate clients. Total customer deposits and cash margins at year end amounted to USD 2,138.8 million against USD 2,121.7 million in 2011.

Owners' Equity: Total Owners' equity increased to reach USD 534.7 million at year end compared with USD 496.5 million in 2011, a growth rate of 7.7%. Bank Shareholders' total equity amounted to USD 527.6 million.

B- Consolidated Statement of Income

The following are the most important items of the consolidated statement of income:

Operating Results: total revenues amounted to USD 165.8 million in 2012 compared with USD 157.7 million in 2011.

Operating Profits: operating profits reached USD 89.3 million compared to USD 78.5 million in 2011, a 13.9% growth. The growth in operating profits is a testament of the Bank's success in managing its banking, investment and financing operations and its commitment to the balanced and prudent policies that take into account the economic circumstances and needs of the banking market.

Net Interest and Commissions: net interest and commissions reached USD 141.1 million for the year, compared with USD 133.7 million in 2011.

Other Income: other income includes non-interest income such as fees, commissions and revenues related to credit card activities, among others. Revenues from such services totaled USD 13.3 million in 2012, against USD 10 million in 2011, recording an increase of 32.8% over last year.

Operating Expenses: Operating expenses, which includes employee expenses, office expenses, depreciation, administrative expenses and provisions (excluding provisions for impairment in direct credit facilities), increased slightly to reach USD 51 million, against USD 49.9 million in the previous year.

Provision for Impairment in Direct Credit Facilities: In 2012, the Bank's management continued to execute its policies that aim at enhancing provisions for impairment in direct credit facilities to hedge against the prevailing and potential repercussions on the national economy and to address some weak accounts and non-performing loans. The provision allocated for the year 2012 amounted to USD 25.5 million compared to USD 29.4 million allocated last year. The amount put towards provisions are an additional precaution and may be reversed back to income once the risks of default are contained.

The Outlook for 2013

With regards to the year 2013, all indicators affirm that the impacts of the challenges facing the Jordanian economy as a result of the internal and external factors will continue. Improvement of the economic situation will rely on Jordan's ability to move fast, apply reform efficiently and successfully, and as it has done in the past with other crises and shocks.

If the weaknesses and flaws are addressed and acknowledged, and the corrective measures and solutions put in place are executed, the economy is expected to grow by approximately 3.5% according to the IMF's estimates.

It is to be noted that with the start of the second quarter of 2013, the government's applied decision to lift the state fuel subsidy and the expected electricity and water price increases will begin to affect the business activity, retail sectors and consumer behavior in particular. The resultant price hikes on basic consumer goods and services cost, will inevitably raise the inflation rate and the cost of living, thus affecting the commercial activity and the economic performance as a whole.

JKB Activities and Achievements in 2012

Efforts exerted by JKB's management and all departments continued to focus on achieving their set objectives. The operational results showed good accomplishments and growth rates in all of JKB's areas of activity. The Bank's management and departments perform their duties according to the best practices and the highest quality standards. Activities and operations continued to achieve an excellent overall performance in terms of financial results, market share and the Bank's perception by clients and the general public. Following is a brief about the Bank's departments' achievements for the year 2012.

Credit Facilities

Credit activity showed noticeably good growth rates during 2012, despite the state of apprehension that prevailed in the markets as a result of the economic crisis. JKB maintained a good share of total facilities in the Jordanian banking sector. Net direct facilities increased, registering USD 1997.5 million, compared with USD 1761.2 million in 2011, a growth rate of 13.42%. Meanwhile, JKB continued to apply balanced credit policies and flexible measures in extending facilities, taking into consideration the feasibility of funded projects and the risks inherent within each facility in terms of competition, interest rates and exchange rate fluctuation.

The credit management continued its efforts to extend facilities to the various sectors, maintaining the policy of expanding its client base, exploring new projects and markets and providing comprehensive credit products and services to corporations and individuals. The credit portfolio was diversified to cover various geographical and sectoral levels of the local market according to market needs and acceptable risk levels.

In 2012, a substantial portion of financing was extended to productive economic sectors and large companies that impact the national economy, specifically in the fields of energy, electricity, mining, transportation, plastics manufacturing, mills, telecommunications and media. Financing to SME's saw an increase this year, whereby credit facilities targeting this sector achieved good growth following a comprehensive review of the market and the products' competiveness. The Bank maintained good growth rates in the field of indirect facilities; issuing and financing letters of credit constituted the most significant part of the growth achieved in this area.

On the other hand, 2012 witnessed specialized funding operations for large companies to finance their business needs at the local and foreign levels. In this regard, the Bank worked on arranging, leading and participating in one of the largest syndicated loans in the Jordanian banking sector, in addition to participating in other loans of this type.

With regard to non-performing loans, the Bank continued to allocate the necessary provisions for some accounts that showed indications

of inability to repay their dues. While continuing to exert efforts to address a number of non-performing loans, several accounts were rectified and restored.

Retail Banking

The year 2012 is considered a year of challenges and successes when it comes to the retail and consumer activity. In the second half of the year, the Retail and Consumer Products Department underwent restructuring; the Bank's branches were placed under this Department. Despite the economic, political and social conditions, the portfolio of retail and consumer products recorded a significant growth of 30%, while maintaining low defaulting rates within the portfolio. Major enhancements were introduced to the retail and consumer products, such as real estate loans, car loans, personal loans and cards, with the aim of achieving growth in the retail and consumer credit portfolio, increasing profitability and distributing risks. As a result of these changes, the competitive edge of the products and consequently the Bank's share in the local market were improved.

In 2013, the focus will be on further increasing the retail and consumer portfolio by taking advantage of available opportunities and aligning the retail products to meet clients' diverse needs, especially in view of the new CBJ's transparency instructions that will be enforced in 2013.

Private Banking Unit

The Private Banking Unit (PBU) continued in 2012 to offer its clients excellent banking services in a climate of comfort and privacy, while opening several channels of cooperation with new financial markets. The PBU saw further accomplishments and successes in relation to expanding the client base, which was the result of extending many investment opportunities and products that meet clients' objectives and expectations of good returns within acceptable risk levels. By the end of 2012, the PBU received the award for Best Bank for Wealth Management for 2012 in Jordan, for which it was nominated by the Global Banking and Finance Review.

Marketing Department

During 2012, the Marketing and Product Development Department underwent restructuring, following its separation from the Sales Department. The Department was also staffed with qualified personnel who were assigned to study current and future products, their competitiveness and their suitability to local market needs, as well as to prepare appropriate marketing campaigns for each product in order to boost branch sales. Moreover, agreements were signed with MasterCard enabling the Bank to issue a full range of MasterCard products thus offering the Bank's clients comprehensive card options from MasterCard, Visa and American Express. Additionally, the Quality Assurance Unit has given special attention to developing the service efficiency and quality standards of the Bank's branches and offices, ensuring that the highest levels of client satisfaction are achieved.

Branches Administration

The Branches Administration Department continued its efforts during 2012 to maintain the outstanding level of JKB's services, concentrating on the quality, accuracy and speed of service provision and ensuring good customer relations, which were translated into successful attraction of more clients. Moreover, it participated in the expansion and renovation of several branches.

The Department also contributed to the selection and employment of fresh graduates and carried out their training at the simulation branch. A group of branch officials and employees received training on the new banking system "BANKS".

During 2012, the Department reviewed and amended many operational procedures in order to facilitate and speed up services, including the procedures of issuing Visa Electron and other credit cards and the internal mail handling between the head office and the branches. Moreover, the Department contributed to the Bank's 2013 branching plan and budget.

Treasury and Investment

Despite the difficult economic conditions and the investment climate during 2012 resulting from the continuing effects of the global economic and financial crisis on the financial and banking sectors at both the international and local levels, the Treasury and Investment Department managed to achieve good growth and performance rates across its activities.

With regard to assets and liabilities management, the Department achieved good performance levels by following a conservative investment policy in line with the Bank's guidelines and instructions of the Central Bank of Jordan. The policy aims at managing the Bank's assets and liabilities by maintaining a balance between costs, returns and risks and taking into consideration the frequent changes in the global and local financial markets. The Department also managed the Bank's liquidity position in accordance with instructions of the Central Bank of Jordan.

During 2012, the Department succeeded in managing the Bank's local and international stocks and bonds portfolios, achieving good growth rates and returns, despite low and fluctuating interest rates, as well as downgrading the credit rating of many countries and financial institutions. The Department focused on the quality of the investment portfolios by replacing high-risk stocks and bonds with those that have acceptable risk levels and high return and liquidity ratios. Consequently, the Department was able to contribute to mitigating the effects of declining stock prices and lower trading volumes by distributing portfolios geographically and by sector.

The Department continued to provide its various investment and consulting services to the Bank's clients, including the services of trustee for local joint investment funds, the settlement agent and the registrar, in addition to custodian services for the public and private sectors. It also provided Initial Public Offerings service to several companies that wanted to benefit from the Bank's experience in this regard.

The Department continued its efforts in 2012 to enhance its relations network and cooperate with the largest and best international and local banks, particularly in the area of foreign trade and bank transfers. It also opened new communication channels with a number of new correspondent banks, including Citibank and Deutsche Bank, with the aim of offering the Bank's clients the highest standards of services at competitive prices.

In 2012, the Department signed an agreement with Signature Net Company, which is specialized in electronic banking signatures, in order to replace the paper system for signatures with an electronic system. This has reduced the cost of paper documents and reduced significantly the time needed to authenticate a transaction.

The Department continued to offer investment services to individuals and companies, such as trading in foreign currencies, commodities, margin, spot, forward and currency swap , all of which provide suitable solutions to hedge against the risks of fluctuating exchange rates and commodities prices.

Information Technology Department

The year 2012 was characterized by the accomplishment of a number of projects that started during the previous year, and the initiation of new ones that will continue through the year 2013.

By the end of the first quarter of 2012, an agreement was signed with ICSFS Company to supply the Bank with a new banking system (BANKS). In parallel, the Bank's IT department began the preparations for the application deployment and data conversion. A suitable location was set up for system testing and a new infrastructure was designed. To ensure the smooth and successful implementation of the new system, an agreement was signed with a specialized consulting company to oversee the implementation and migration process. It is expected that the project will be finalized by the third quarter of 2013. The new system will then be applied at the Bank's branches in Palestine and Cyprus.

The work teams, comprising of specialized employees from the Bank and the supplier company, reviewed the gaps that exist between the current system and the new one, as well as the Bank's additional requirements, and agreed on all technical specifications.

Coinciding with the technical and logistical operations, training of employees on the new system progressed according to the set schedule. The training of the first and second groups of employees was completed and work is underway to finalize the training for all branch employees.

Upgrading the Bank's systems and applications continued during the year. A new version of the ATM management system was approved to include MasterCard Debit Cards and ATM Acquiring, in addition to the direct connection with MEPS. The smart card issuance system was upgraded to comply with the PCI - DSS requirements of Visa International. The Department's development and technical support teams also implemented several important projects, including the upgrade of the SWIFT system to comply with new requirements and the development of a new system to retrieve data and images of cheques archived in previous years.

Moreover, the Department, in cooperation with the Risk Management Department and under the supervision of a specialized company, followed up on the implementation of the PCI - DSS requirements in order to comply with security standards for protecting the data on clients' cards.

With regard to the branches in Palestine, several projects were adopted, the most important of which was the enhancement of the communication network to ensure better business continuity and to reduce monthly costs. Additionally, the Department fulfilled the Palestinian Monetary Authority requirements regarding sending SMS messages to clients with debit and credit transactions, as well as developing and implementing the IBAN system.

Financial Department

The Financial Department undertakes financial control over the Bank's various activities and transactions, by carrying out daily follow-ups and comparing actual performance with set objectives within the estimated budget and the Bank's strategy as a whole. With the purpose of providing the necessary information to decision-makers in the Bank, and for the issuance of financial reports to external entities in a timely manner, the Department adopts the highest levels of professionalism that ensure the quality and accuracy of information.

The Department continued to issue the Bank's reports in line with the laws and instructions of local monitoring entities and in compliance with the International Standards for Financial Reporting applicable in Jordan. Additionally, the Department continued to issue reports to Burgan Bank in accordance with the Central Bank of Kuwait's regulations and the International Standards for Financial Reporting applicable in Kuwait.

During 2012, the chart of accounts for the new banking system to be applied in 2013 was established. The Department also participated in the process of data conversion and the review of work procedures and policies to ensure their compatibility with the new banking system.

Moreover, the Department prepared the 2013 budget estimates according to the set objectives that interpret the management's vision for the economic and financial situation and its effect on the banking sector in general and the Bank in particular.

Internal Audit

The Internal Audit Department plays an important role in the corporate governance of the Bank. The Department carries out its functions in a professional, independent and objective manner to assist the management in articulating its policies, achieving its objectives and adding value to its operations. This is achieved through a regulated system of evaluating and improving the efficiency and effectiveness of risk management, internal control and governance operations, as well as by providing management with analyses, studies and suggestions to adopt appropriate decisions.

In 2012, the Department carried out the following activities:

- Preparing and implementing the annual risk-based audit plan, approved by the Chairman of the Board and the Board Audit and Risk Committee, as well as providing reviews and consultations upon the directives of the Chairman of the Board or the Committee.
- Offering appropriate advice and recommendations to assist the Board of Directors and the Executive Management in adopting decision related to compliance with requirements and instructions issued by the various regulatory authorities. This included several issues of major importance, such as CBJ's instructions on dealing with clients with transparency and fairness and the procedures of the Foreign Account Tax Compliance Act (FATCA) issued by the US Internal Revenue Service, as well as other developments related to money-laundering.
- Raising the efficiency and effectiveness level of internal audit processes by using automated auditing tools and adopting best practices and standards in this regard.
- Providing the necessary professional training courses to the internal audit staff to ensure their up-to-date knowledge of the latest developments in the field of internal auditing.
- Undertaking the necessary measures to ensure that the Department's work is carried out in line with the profession's standards and best practices, as well as the requirements of the relevant regulatory authorities.
- Coordinating and cooperating with KIPCO Group and Burgan Bank Group by participating in periodic meetings with the two groups' internal audit managers in order to ensure continuous communication and the exchange of expertise in the audit field.

Risk Management Department

The Risk Management Department undertakes its tasks in accordance with the best international practices in risk management and the recommendations set forth by the Basel Committee, as well as the instructions issued by the regulatory authorities in countries where the Bank operates. This is accomplished on the basis of work programs that translate the objectives set forth in the risk management strategy articulated under the Bank's strategy as a whole. The Department's achievements during 2012 included the following:

Information Systems Security and Management of Business Continuity

In cooperation with the Information Systems Department and under the supervision of a specialized company, the Department followed up on the implementation of the PCI-DSS compliance project addressing the security standards that govern the confidentiality of clients' card details. This was carried out in a manner that also complies with the instructions of the Central Bank of Jordan regarding fair and transparent dealing with clients.

Tests were carried out on the Bank's domain addresses on the internet using a specialized program for this purpose. Tests were also conducted on the Bank's new website and the new Internet Banking Application (NetBanker). Meanwhile, discovered gaps were addressed.

The Department pursued the implementation of the ISO27001 standard requirements with regard to the security and protection of information. Within this framework, all policies and procedures regarding the information security management system (ISMS) were applied. In addition, the risks of a number of projects prior to their implementation were evaluated. The Department also participated in various aspects of the new banking system (BANKS) application.

Operational Risk

The Department identified the potential operational risks through the Control and Self Risk Assessment (CSRA) system in cooperation with relevant business units at the Bank, and through applying an automated operational risks management system (CARE). The Department also continued to evaluate the risks of these units in order to identify any new risks and to ensure the efficiency of the regulatory controls in mitigating these risks, as well as to continuously update the risk profiles, so that they reflect the continuously changing work environment. Moreover, the Department continued to identify and monitor key risk indicators at the Bank level.

The Department prepared and followed-up on improving the historical database of losses, identifying the source of these losses and classifying them according to risk types, as well as examining the control environment of various business centers, in addition to preparing the relevant reports to the top management and the Board's Audit and Risk Committee.

The Department also provided advice on policies and procedures related to the Bank's business, indicating the risk involved therein and the adequacy of existing controls or the need for additional controls. The Department also participated in various aspects of the new banking system (BANKS) application.

Market Risks

The Department undertakes the identification, measurement and control of market risks related to fluctuation of interest rates, currency exchange rates and securities prices in cooperation with the Treasury Department and the Financial Department. It performs these tasks in accordance with set policies that have been reviewed and amended to comply with developments in the global financial markets and economic conditions. These policies include the investment policy, the assets and liabilities management policy, the liquidity risk policy, the interest rates risk policy and the market risks policy. Daily, monthly, and quarterly monitoring and analytical reports were prepared, including the IFR7 disclosure. Moreover, the Department finalized the construction and testing of the VAR model for some financial tools in accordance with the advanced risk management methods set forth under the Basel II recommendations, in addition to working on constructing models for other tools during next year.

Basel

In 2012, the Department reviewed the recommendations of the Basel Accords and complied with their requirements in a manner that is compatible with the Bank's business and its working environment. As part of the Bank's capital planning and management to verify the Bank's solid financial position, the Department carried out several specific studies, including a study on the effect of Basel III requirements on the Bank as required by the Central Bank of Jordan and setting forth the necessary recommendations to ensure future compatibility. The Department also carried out an Internal Capital Adequacy Assessment Process (ICAAP) in line with the second pillar of Basel II. It also prepared reports on the results of the stress testing on the Bank's data, the branches in Palestine and the mother Bank. The Department calculated the Capital Adequacy Ratio (CAR), according to the requirements of the Central Bank of Jordan and Central Bank of Kuwait.

Moreover, the Department completed a number of financial analyses, including comparative analytical studies on the major indicators for the Bank's performance in comparison with Jordanian banks. It also constructed the risk appetite policy to increase the Bank's efficiency and effectiveness in the area of risk management.

Credit Risks

In line with the Bank's strategic objectives to increase its share of the retail portfolio, the Department, in cooperation with the Retail and Consumer Loans Department, implemented a credit scoring system for retail clients (Retail Scorecards). This system is presently being implemented manually until it is linked to the Work Flow automated system under the BANKS project.

The Credit Risks Department is a member of the corporate and retail credit committees. It reviews credit applications submitted to the credit committees and provides comments on other credit issues. As part of the early warning system, the Department prepares a variety of monitoring and analytical reports on credit clients and proposes improvements if necessary.

Credit Administration and Control Department

In compliance with the recommendations of the Basel Accords, the operations and application of credit monitoring were separated from the operations of credit sales and marketing. The Credit Administration and Control Department calculates allocations for facilities to counter any decrease in their value, as well as credit concentrations, in addition to other credit monitoring tasks.

During 2012, the Department finalized its operation process system. Its operations were automated, clients' files were archived and the requirements of confidentiality and safety, as well as business continuity were strengthened in line with best standards and in a manner that ensures quality and speed of service to internal and external clients, in addition to addressing the issue of increased retail credit volume. The Department also participated in various aspects of the new banking system (BANKS) application in relation to credit administration.

Furthermore, the Department continued to raise awareness about the importance of risk management of all types and at all managerial levels of the Bank. The Department participated in several committees of the Banks Association in Jordan, in addition to cooperating with the Higher Council for Science and Technology on the issue of including banking matters in the national strategy for innovation.

Compliance Control Department

The Department continued to perform its duties aimed at ensuring that the Bank and its internal policies are compliant with all laws, regulations, instructions, codes of conduct, standards and sound banking practices issued by local and international regulatory entities in order to ensure that the Bank is protected from non-compliance risks, such as legal, regulatory, material or reputational risks.

In this regard, the Department continued in 2012 to follow up on banking related laws and regulations and to inform the Bank's management, as well as the employees, of amendments and changes to laws and instructions issued by regulatory authorities, especially instructions issued by the Central Bank of Jordan, to ensure that the Bank is fully compliant.

The Department carried out the following tasks:

- Follow up on amending the compliance policy and the anti-money laundering policy to comply with changes set forth in locally issued instructions or as required by international parties, atop of which are the recommendations issued by the FATF.
- Monitor and analyze compliance risks to which the Bank might be exposed, and establish the necessary controls to mitigate, avoid, or prevent the negative effects of these risks.
- Raise the banking compliance awareness and educate employees on compliance related issues, by publishing bulletins in this regard, in addition to coordinating with the training department to provide the Bank's employees with updates on issues of compliance and money-laundering.
- Continue the implementation of procedures dictated by the Bank's anti-money-laundering and terrorism funding policy to ensure that the Bank does not get involved with any person listed as suspicious, and to undertake measures to protect the Bank against any money-laundering operations, relying on the Bank's AML system, as well as coordination and communications with regulatory authorities in this regard.
- In order to ensure commitment to FATCA, the Bank invited a consultant to be the Bank's advisory party to ensure compliance with the requirement of this law.

Legal Department

By providing consultations and undertaking other legal and executive tasks, the Legal Department continued to perform its main role of protecting the Bank and the shareholders' interests. In 2012, the Department, through its intensive efforts and meticulous follow-up, succeeded in recovering about USD 1.16 million of written-off debts, in addition to the other debts. The Department also set up a system to follow-up on clients' payment of these debts. Moreover, the Department continues to follow-up on new laws and regulations and to advise the management of any relevant developments.

In order to increase the legal awareness of the Bank's employees, the Department organized several courses on the legal aspects and emerging laws related to the banking industry. Additionally, the Department participated in organizing a banking forum for judges at the Judicial Institute.

Human Resources Department

The Human Resources Department continued the implementation of its strategies, aimed at aligning the Bank's internal environment with new requirements and changes and apply the Bank's policies and objectives that ensure that HR activities are compatible with changes and challenges. In this respect, the Department worked towards enhancing the capabilities and skills of the Bank's employees through administrative and technical training.

In 2012, the Department conducted many internal training courses, as well as specialized courses through local and foreign training institutions and centers, in various fields including banking, administrative, financial, information technology and English Language. The Department focused on programs in customer care, marketing, personal conduct, risk management, auditing and anti-money-laundering. All new employees participated in the practical and theoretical training program through the simulation branch.

Corporate Social Responsibility

Corporate Social responsibility constitutes one of the foundations of JKB's mission. In 2012, the Bank continued its contributions and support for events and activities directed towards the local community, environmental protection, education, culture, and the development of the national economy.

In the area of community service, enabling women and children and supporting underprivileged communities, the Bank offers an annual contribution to the Goodwill Campaign of the Jordan Hashemite Fund for Human Development. It also provides annual assistance to Mabarrat Um Al-Hussein for orphans and the SOS children's Villages.

In the area of health, JKB employees participate in two blood drives annually organized by the Blood Bank. Moreover, many of the Bank's employees participate in the Friends of the King Hussein Cancer Foundation (KHCF) program, by contributing a fixed amount from their monthly salary to the program. During 2012, the Bank provided platinum sponsorship to the charitable fundraising event, Hope Gala, organized by the KHCF for the new building to be established. The Bank also helped the Foundation distribute health awareness pamphlets through account statements and at branches.

For the fourth consecutive year, the Bank supported the efforts of the Jordanian Environment Society, hosting at the Bank's theater the 14th contest of the Environmental School Theater Festival, as well as the events of the International Recycling Day.

Furthermore, the Bank continued in 2012 to sponsor and participate in the national training program for university students "darb", which is implemented by the King Abdullah II Fund in cooperation with LoYac Jordan. The program aims at training and empowering young men and women and providing them with better opportunities in the job market. The Bank also continued its annual support to Al-Aman Fund for the Future of Orphans and its commitment to the university scholarship program for several orphans. During the year, the Bank provided support to a variety of cultural and sports activities, as well as many public and private school and university conventions.

The Bank sponsored and participated in the "Second Euromoney Jordan Conference", in addition to sponsoring the 10th annual publication of "The Report: Jordan 2012", which is published by the Oxford Business Group. The Bank also supported Princess Alia Foundation, which assists governmental and non-governmental entities to improve and develop their performance by facilitating the exchange of expertise and logistical and technical support.

With the aim of encouraging the cultural and artistic movement in Jordan, JKB sponsored the cost of translating to English and printing the book entitled "Jerusalem the city of heaven on earth". It also provided support to Jordanian writers and authors by purchasing copies of their publications.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PROCOUNT

MAJOR FINANCIAL INDICATORS AND RATIOS 2012 & 2011

	Amounts in thousands US$	
	2012	2011
Major Operating Results		
Net interest and commission	**141,115**	133,754
Gross income	**165,831**	157,750
Income before taxes	**89,345**	78,451
Income for the year-Bank Shareholders	**65,382**	56,319
Earnings per share-Bank Shareholders	**0.654**	0.563
Major Balance Sheet Items		
Total assets	**3,398,642**	3,208,024
Direct Credit facilities – net	**1,997,545**	1,761,213
Customers deposits and cash margins	**2,138,826**	2,121,722
Total equity-Bank shareholders	**527,624**	488,918
Off-Balance Sheet Items	**541,830**	518,276
Major Financial Ratios	**2012**	2011
Return on average assets	**1.99%**	1.82%
Return on average Owners' equity	**12.75%**	11.63%
Capital adequacy ratio	**16.31%**	16.33%
Financial leverage ratio	**15.73%**	15.48%
Efficiency Indicators		
Gen. & Admin. expenses / Net interest and commission	**36.04%**	34.38%
Gen. & Admin. expenses / Gross earnings	**30.67%**	29.15%
Assets Quality Indicators		
Non – performing loans / Gross credit facilities	**9.82%**	10.29%
Non – performing loans Coverage	**48.18%**	44.75%

EXECUTIVE MANAGEMENT

□ **Mr. "Moh'd Yaser" M. Al-Asmar**
General Manager

□ **Mr. Tawfiq A. Mukahal**
Deputy General Manager, Banking Group

□ **Mr. Shaher E. Suleiman**
Head of Risk Management & Compliance Group

□ **Mr. William J. Dababneh**
Asst. General Manager, Treasury & Investment Dept.

□ **Mrs. Hiyam S. Habash**
Asst. General Manager, Financial Dept.

□ **Mr. Ismail A. Abu-A'di**
Asst. General Manager, Credit Dept.

□ **Mr. Abdel Hameed M. Al-Ahwal**
Asst. General Manager, Operations Dept.

□ **Mr. Haethum S. Buttikhi**
Asst. General Manager, Retail & Consumer Products Dept.

□ **Mr. Kamal A. Hazboun**
Asst. General Manager, Information Technology

□ **Mr. Ibrahim E. Kashet**
Executive Manager, Legal Dept.

□ **Mr. Abdallah I. Mismar**
Executive Manager, Administrative Affairs Dept.

□ **Mr. Ibraheem S. Al-Hanash**
Regional Manager – Palestine Branches

□ **Mr. Daoud A. Issa**
Executive Manager, Human Resources Dept.

*In addition to Mr. Sa'ed M. Tu'meh, Executive Manager/ Internal Audit Dept. who reports to the Board Audit Committee and to the Chairman.

2013 Business Plan

In light of the decelerating global economy, as well as the political and security situation in some neighboring countries, and pursuant to the strategic plan adopted for the years 2012-2014, the Bank's Business Plan for 2013 will concentrate on the following:

1. Make the procedural changes necessary to apply the Central Bank of Jordan's instructions concerning fair and transparent dealing with clients, within the set timeframe.

2. Review the Bank's policy aimed at improving means of collaboration with clients, and particularly those who show weak accounts, and take the initiative in offering ingenious solutions and financial and administrative advice to help them regulate their accounts and revive their activities to serve mutual interests.

3. Work on achieving balanced growth in the size of assets, while maintaining their quality and optimizing their utilization according to a specific business methodology.

4. Invest in the strategic and business relations with Kuwait Projects Company (KIPCO), Burgan Bank Group and its subsidiary banks to allow for further business opportunities in the banking industry, on both the regional and international levels.

5. Expand the domestic branch network into new areas in the kingdom, and enhance the Bank's presence in the Palestinian territories, to help the Bank provide competitive services and increase lending to individuals, small and medium enterprises.

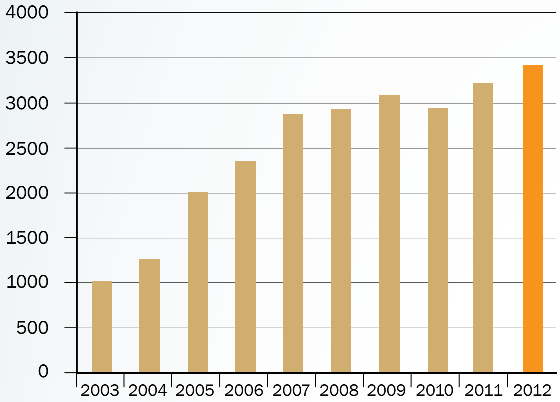
6. Commence the implementation of the HR management system development and modernization plan to reinforce the positive work environment and improve loyalty and job satisfaction, in order to sustain the growth of the Bank's activities.

7. Work on developing and introducing constructive initiatives in the field of social responsibility, and offer more jobs and training opportunities for the school and university students.

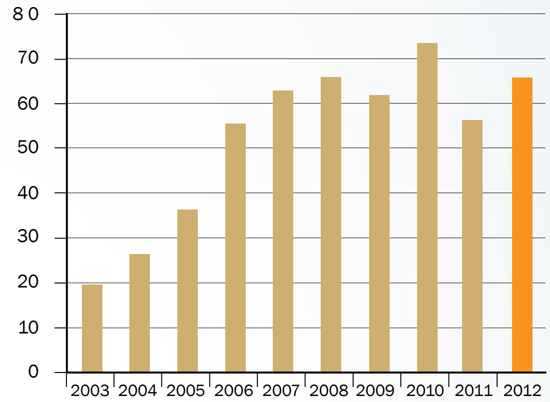
8. Work on implementing the new banking system (BANKS) project, and replacing the current system by the end of the third quarter. The Bank shall focus on utilizing its technical and banking expertise to enrich the new system thus maintaining the Bank's leading edge in the IT field and improving the business and banking capabilities. During 2013, efforts will concentrate on training the employees to ensure that the new banking system and its advanced features are mastered.

Changes in Major Financial Results 2003-2012

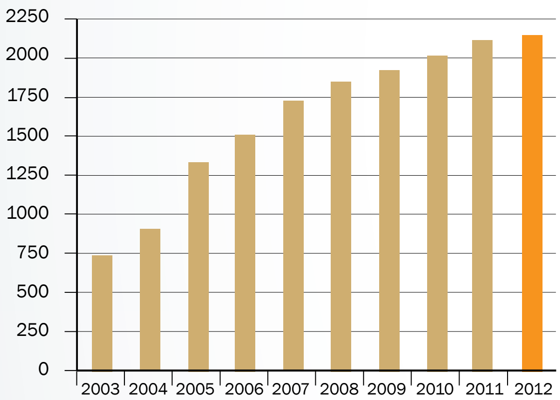
(in million US$)



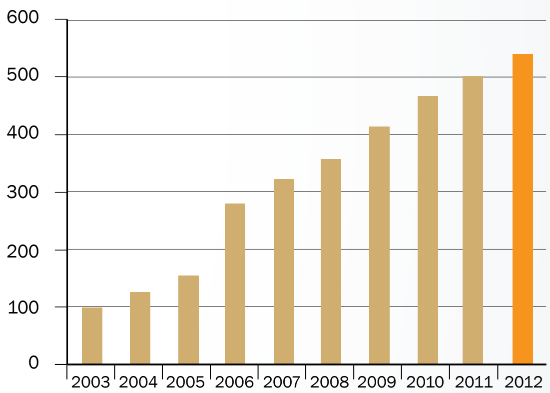
Total Assets



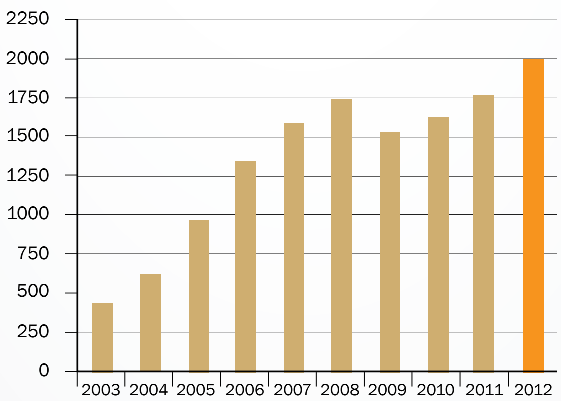
Profit for the Year
After Tax & Minority Interest



Customer Deposits & Cash Margins



Total Owners' Equity



Direct Credit Facilities - Net

Consolidated Financial Statements

for the Year Ended December 31,2012

Together with Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte & Touche (M.E.) - Jordan
Jabal Amman, 5th Circle
190 Zahran Street
P.O.Box 248
Amman 11118, Jordan

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www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

AM / 8702

To the Shareholders of
Jordan Kuwait Bank
(Public shareholding company)
Amman – Jordan

Audit Scope
We have audited the accompanying consolidated financial statements of Jordan Kuwait Bank (A Public Shareholding Company), which comprise of the consolidated statement of financial position as of December 31, 2012, and the consolidated statements of income, comprehensive income, changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and Central Bank of Jordan Instructions and the arrangements with regards to the calculation of the provision for impairment loss for a number of direct credit facilities customers, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Deloitte.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Jordan Kuwait Bank (A Public Shareholding Company) as of December 31, 2012, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards modified as stated in note (2) according to the arrangements with the Central Bank of Jordan with regards to the calculation of provision for impairment loss in direct credit facilities as stated in note (7) to the consolidated financial statements .

Report on Other Legal and Regulatory Requirements

The Bank maintains proper accounting records that are in line with the accompanying consolidated financial statements and with the consolidated financial statements presented in the Board of Directors' report and we recommend that the General Assembly of shareholders approve these consolidated financial statements.

The accompanying consolidated financial statements are a translation of the statutory consolidated financial statements which are in the Arabic language to which reference should be made. This report is intended for the information and use of the management, as the accompanying financial statements are presented in US Dollar instead of the functional currency of the Bank, which is the Jordanian Dinar.

Amman – Jordan
March 17, 2013

Deloitte & Touche

Deloitte & Touche (M.E.) – Jordan

Deloitte & Touche (M.E.)
Public Accountants
Amman - Jordan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

IN US DOLLARS

	Note	2012	2011
ASSETS			
Cash and balances at central banks	4	**302,776,076**	367,909,401
Balances at banks and financial institutions	5	**399,426,581**	346,080,186
Deposits at banks and financial institutions	6	**20,025,000**	5,025,000
Direct credit facilities-net	7	**1,997,545,164**	1,761,212,693
Financial assets at fair value through profit or loss	8	**146,587,168**	158,009,735
Financial assets at fair value through other comprehensive Income	9	**32,898,683**	30,554,278
Financial assets at amortized cost	10	**298,385,904**	447,914,708
Pledged financial assets	11	**51,763,047**	-
Property and equipment - net	12	**17,012,879**	16,808,680
Intangible assets - net	13	**3,141,260**	1,547,323
Deferred tax assets	20	**5,103,499**	4,658,633
Other assets	14	**123,977,130**	68,303,524
TOTAL ASSETS		**3,398,642,391**	3,208,024,161
LIABILITIES AND OWNERS› EQUITY			
LIABILITIES:			
Banks and financial institutions deposits	15	**589,424,961**	495,918,951
Customers deposits	16	**1,928,464,128**	1,998,817,556
Cash margins	17	**210,361,920**	122,904,142
Borrowed funds	18	**50,727,786**	-
Other provisions	19	**12,309,709**	10,914,938
Provision for income tax	20	**19,032,235**	18,081,616
Deferred tax liabilities	20	**2,520,535**	2,178,893
Other liabilities	21	**51,064,035**	62,708,650
TOTAL LIABILITIES		**2,863,905,309**	2,711,524,746
OWNERS› EQUITY:			
EQUITY - BANK SHAREHOLDERS:			
Authorized and paid-up capital	22	**141,043,724**	141,043,724
Statutory reserve	23/a	**83,231,805**	74,332,928
Voluntary reserve	23/b	**150,177,986**	132,380,232
Pro-cyclicality reserve	23/c	**109,394**	-
General banking risks reserve	23/d	**17,088,480**	14,885,379
Financial assets valuation reserve - net of tax	24	**2,256,035**	709,555
Retained earnings	25	**133,716,186**	125,566,555
TOTAL EQUITY - BANK›S SHAREHOLDERS		**527,623,610**	488,918,373
Non-controlling interests		**7,113,472**	7,581,042
TOTAL OWNERS› EQUITY		**534,737,082**	496,499,415
TOTAL LIABILITIES AND OWNERS› EQUITY		**3,398,642,391**	3,208,024,161

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

IN US DOLLARS

	Note	2012	2011
Interest income	27	**180,357,014**	168,933,217
Less: Interest expense	28	**54,270,783**	48,000,539
Net Interest Income		**126,086,231**	120,932,678
Net commission income	29	**15,028,279**	12,821,370
Net Interest and Commission Income		**141,114,510**	133,754,048
Foreign exchange income	30	**3,747,745**	3,710,618
Recovered from impairment loss in financial assets at amortized cost	10	**-**	1,058,283
Gain from financial assets at fair value through profit or loss	31	**5,677,721**	7,137,491
Cash dividends from financial assets at fair value through other comprehensive income	9	**2,023,240**	2,098,398
Other income	32	**13,267,597**	9,990,803
Gross Income		**165,830,813**	157,749,641
Employees expenses	33	**29,826,614**	25,943,501
Depreciation and amortization	12 & 13	**3,108,525**	3,774,715
Other expenses	34	**16,304,573**	18,590,971
Provision of impairment loss in direct credit facilities	7	**25,459,528**	29,360,464
Other provisions	19	**1,786,953**	1,628,554
Total Expenses		**76,486,193**	79,298,205
Income for the Year before Income Tax		**89,344,620**	78,451,436
Less: Income tax expense	20/b	**23,607,093**	22,461,724
Income for the Year		**65,737,527**	55,989,712
Pertains to:			
Bank›s Shareholders		**65,381,683**	56,318,970
Non-Controlling Interests		**355,844**	(329,258)
Earnings per Share for the Year Attributable to the Bank›s Shareholders;			
Basic and Diluted	35	**-/654**	-/563

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

IN US DOLLARS

	2012	2011
Income for the year	65,737,527	55,989,712
Other Comprehensive Income Items:		
Net change in financial assets at fair value through other comprehensive income valuation reserve - net of tax	1,102,101	(363,261)
Total Comprehensive Income for the Year	66,839,628	55,626,451
Total Comprehensive Income for the Year Pertains to:		
Bank›s shareholders	66,913,982	56,141,029
Non-controlling interests	(74,354)	(514,578)
	66,839,628	55,626,451

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS› EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

IN US DOLLARS

		Equity - Bank Shareholders										
			Reserves									
Description	Note	Authorized and Paid-up Capital	Statutory	Voluntary	Pro-Cyclicality	General Banking Risks	Cumulative Change in Fair Value	Financial Assets Valuation Reserve - Net of Tax	Retained Earnings	Total Equity - Bank›s Shareholders	Non-controlling Interests	Total
For the Year Ended December 31, 2012												
Balance - beginning of the year		**141,043,724**	**74,332,928**	**132,380,232**	**-**	**14,885,379**	**-**	**709,555**	**125,566,555**	**488,918,373**	**7,581,042**	**496,499,415**
Income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65,381,683**	**65,381,683**	**355,844**	**65,737,527**
Net change in financial assets at fair value through other comprehensive income valuation reserve - net of tax		**-**	**-**	**-**	**-**	**-**	**-**	**1,532,299**	**-**	**1,532,299**	**(430,198)**	**1,102,101**
Realized (loss) from financial assets at fair value through other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**14,181**	**(14,181)**	**-**	**-**	**-**
Total Comprehensive Income for the Year		**-**	**-**	**-**	**-**	**-**	**-**	**1,546,480**	**65,367,502**	**66,913,982**	**(74,354)**	**66,839,628**
Transferred to reserves	**26**	**-**	**8,898,877**	**17,797,754**	**109,394**	**2,203,101**	**-**	**-**	**(29,009,126)**	**-**	**-**	**-**
Paid dividends		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(28,208,745)**	**(28,208,745)**	**(393,216)**	**(28,601,961)**
Balance - End of the Year		**141,043,724**	**83,231,805**	**150,177,986**	**109,394**	**17,088,480**	**-**	**2,256,035**	**133,716,186**	**527,623,610**	**7,113,472**	**534,737,082**

		Equity - Bank Shareholders										
			Reserves									
Description	Note	Authorized and Paid-up Capital	Statutory	Voluntary	Pro-Cyclicality	General Banking Risks	Cumulative Change in Fair Value	Financial Assets Valuation Reserve - Net of Tax	Retained Earnings	Total Equity - Bank›s Shareholders	Non-controlling Interests	Total
For the Year Ended December 31, 2011												
Balance - beginning of the year		141,043,724	66,454,859	116,624,094	-	14,922,880	9,119,506	-	109,601,721	457,766,784	8,705,543	466,472,327
Effect of International Financial Reporting Standards No. (9) adoption		-	-	-	-	-	(9,119,506)	887,496	11,451,315	3,219,305	(45,810)	3,173,495
Adjusted balance - beginning of the year		141,043,724	66,454,859	116,624,094	-	14,922,880	-	887,496	121,053,036	460,986,089	8,659,733	469,645,822
Income for the year		-	-	-	-	-	-	-	56,318,970	56,318,970	(329,258)	55,989,712
Net change in financial assets at fair value through other comprehensive income valuation reserve - net of tax		-	-	-	-	-	-	(177,941)	-	(177,941)	(185,320)	(363,261)
Total Comprehensive Income for the Year		-	-	-	-	-	-	(177,941)	56,318,970	56,141,029	(514,578)	55,626,451
Transferred to reserves	26	-	7,878,069	15,756,138	-	(37,501)	-	-	(23,596,706)	-	-	-
Paid dividends		-	-	-	-	-	-	-	(28,208,745)	(28,208,745)	(564,113)	(28,772,858)
Balance - End of the Year		141,043,724	74,332,928	132,380,232	-	14,885,379	-	709,555	125,566,555	488,918,373	7,581,042	496,499,415

- Out of the retained earnings, an amount of USD 5,103,499 as of December 31, 2012 (USD 4,658,633 as of December 31, 2011) is restricted according to the Central Bank of Jordan instructions against deferred tax assets.
- Retained earnings include an amount of USD 8,178,291 as of December 31, 2012 (USD 8,605,013 as of December 31, 2011) restricted against the effect of adopting International Financial Reporting Standards No. (9) according to Jordan Securities Commission instructions in relation to the unrealized revaluation of financial assets at fair value through profit or loss.
- Use of the General Banking Risks Reserve is restricted and requires the pre-approval of the Central Bank of Jordan.
- Use of negative cumulative change in fair value of financial assets is restricted as per Jordan Securities Commission instructions and Central Bank of Jordan.

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

IN US DOLLARS

	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income for the year before income tax		**89,344,620**	78,451,436
Adjustments:			
Depreciation and amortization	12&13	**3,108,525**	3,774,715
Provision for impairment loss in direct credit facilities	7	**25,459,528**	29,360,464
Net interest income		**(7,319,896)**	(5,312,142)
Provision for staff indemnity	19	**1,702,327**	1,541,103
Provision for lawsuits against the Bank	19	**84,626**	87,451
(Gain) on sale of properties seized by the Bank		**-**	(3,714)
(Gain) on sale of property and equipment		**(2,118)**	(10,597)
(Gain) on valuation of financial assets at fair value through profit or loss	31	**(2,661,206)**	(3,369,479)
Impairment loss of seized shares against debts	14	**172,055**	3,946,626
(Recovered) from impairment loss of financial assets at amortized cost	10	**-**	(1,058,283)
Effect of exchange rate fluctuations on cash and cash equivalents		**(2,563,546)**	(331,471)
Total		**107,324,915**	107,076,109
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) decrease in deposits at banks and financial institutions		**(15,305,000)**	4,883,350
(Increase) in direct credit facilities		**(261,792,000)**	(139,693,897)
Decrease in trading financial assets		**-**	3,348,777
Decrease (increase) in financial assets at fair value through profit or loss		**14,083,773**	(155,811,435)
(Increase) in other assets		**(38,478,529)**	(4,689,165)
Increase in banks and financial institutions deposits due after three months		**44,645,387**	202,476,333
(Decrease) increase in customers deposits		**(70,353,427)**	158,317,523
Increase (decrease) in cash margins		**87,457,777**	(47,826,619)
(Decrease) in other liabilities		**(22,623,433)**	(10,453,456)
Net change in assets and liabilities		**(262,365,452)**	10,551,411
Net Cash Flows (used in) generated from Operating Activities before Payments made to Staff End-of-Service Indemnity, Provision for Lawsuits and Income Tax		**(155,040,537)**	117,627,520
Staff end-of-service indemnity paid	19	**(373,822)**	(1,052,024)
Provision for lawsuits paid	19	**(18,360)**	(44,433)
Income tax paid	20	**(23,280,806)**	(27,679,832)
Net Cash Flows (used in) generated from Operating Activities		**(178,713,525)**	88,851,231
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in held-to-maturity financial assets		**-**	62,021,398
Decrease (increase) in financial assets at amortized cost		**97,765,757**	(447,162,585)
(Increase) in financial assets at fair value through other comprehensive income		**(290,999)**	(16,395,269)
Decrease in available-for-sale financial assets		**-**	504,054,525
(Increase) in property and equipment		**(2,827,209)**	(3,444,433)
(Increase) in intangible assets		**(2,077,334)**	(587,104)
Net Cash Flows from Investing Activities		**92,570,215**	98,486,532
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) in non-controlling interests		**(823,415)**	(749,433)
Increase (decrease) in borrowed funds		**50,727,786**	(1,909,928)
Dividends paid to shareholders		**(27,277,159)**	(27,156,843)
Net Cash Flows generated from (used in) Financing Activities		**22,627,212**	(29,816,204)
Effect of exchange rate fluctuations on cash and cash equivalents		**2,563,546**	331,471
Net Increase (Decrease) in Cash and Cash Equivalents		**(60,952,552)**	157,853,030
Cash and cash equivalents - beginning of the year		**448,462,260**	290,609,230
Cash and Cash Equivalents - End of the Year	36	**387,509,708**	448,462,260

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

Jordan Kuwait Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1- General Information

- Jordan Kuwait Bank was established as a Jordanian public shareholding company under number (108) on October 25, 1976 in accordance with Jordanian Companies Law no. (13) for the year 1964. The Bank's Head Office address is Omaya Bin Abdshams Street, Abdali, Tel. +962 (6) 5629400, P.O. Box 9776, Amman – 11191 Jordan.
- The Bank is engaged in banking and related financial operations through its branches totaling to 53 branches inside Jordan, three foreign branches and two subsidiaries.
- Jordan Kuwait Bank is listed as a public shareholding company in Amman Stock Exchange.
- The consolidated financial statements have been approved by the Bank's Board of Directors, in its meeting No. (1/2013) held on January 21, 2013 and are subject to the approval of the General Assembly of Shareholders.

2- Significant Accounting Policies

<u>Basis of Preparation of Consolidated Financial Statements</u>

- The accompanying consolidated financial statements of the Bank has been prepared in accordance with International Financial Reporting Standards modified according to Central Bank of Jordan instructions and arrangements with regards to the calculation of the provision for impairment loss for a number of direct credit facilities customers, while the financial statements of the subsidiary companies have been prepared in accordance with the standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the Committee of the IASB.
- The consolidated financial statements are prepared in accordance with the historical cost principle, except for financial assets / liabilities which are stated at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial derivatives which are stated at fair value at the date of the consolidated financial statements. Moreover, hedged financial assets and liabilities are also stated at fair value.
- The reporting currency of the consolidated financial statements is the Jordanian Dinar, which is the functional currency of the Bank. However, the accompanying consolidated financial statements are presented in US Dollar for management purposes only.
- The accounting policies adopted in the consolidated financial statements are consistent with those accounting polices applied in the year ended December 31, 2011, except for the implementation of what stated in Note (48/a) to the consolidated financial statements.

<u>Basis of Financial Statements Consolidation</u>

- The consolidated financial statements include the financial statements of the Bank and controlled subsidiaries. Control exists when the Bank has the power to control the financial and operating policies of the subsidiaries in order to obtain benefits from its activities. All transactions, balances, revenue and expenses between its Bank and its subsidiaries are eliminated.
- The financial statements of the subsidiaries relating to the same fiscal year of the Bank are prepared using the same accounting policies adopted by the Bank, except for the arrangements with Central Bank of Jordan with regards to the calculation of the provision for impairment loss for a number of direct credit facilities customers. In case the accounting policies applied by the subsidiaries are different from those adopted by the Bank, necessary adjustments to the financial statements of the subsidiaries are effected in order to match those applied by the Bank.
- Non-controlling interests represents the portion of the subsidiaries' equity not owned by the Bank.

The Bank owns the following subsidiaries as of December 31, 2012 and 2011:

Company's Name	Paid-up Capital	Ownership of the Bank	Nature of Operation	Location	Date of Acquisition
	USD	%			
United Financial Investments Company	11,283,498	50/22	Financial Brokerage	Amman	2002
Ejarah for Finance Leasing Company	28,208,745	100	Finance Leasing	Amman	2011

The results of operations of the subsidiaries are consolidated in the consolidated statement of income from the date of acquisition, which represents the date when control over the subsidiaries is passed on to the Bank. Moreover, the results of operations of the disposed off subsidiaries are consolidated in the consolidated statement of income until the disposal date, which represents the date when the Bank loses control over the subsidiaries.

<u>Segments Information</u>

- A business segment is a distinguishable component of assets and transactions in which an entity engaged in providing an individual product or service or a group of related products or services subject to risks and returns different from those of other business segments, which are measured according to the reports used by executive directors and the main decision makers at the Bank.

- A geographical segment is a distinguishable component of an entity engaged in providing products or services within a particular economic environment subject to risks and returns different from those of components operating in other economic environments.

Financial Assets at Fair Value through Profit or Loss

- These financial assets represent investments in companies' stocks and bonds for trading purpose, and the purpose of maintaining them is generating gains from the fluctuations in market prices in the short term or trading margins.
- These financial assets are initially stated at fair value at acquisition date, (transaction costs are expensed in the consolidated statement of income), and subsequently measured at fair value. Moreover, changes in fair value are recorded in the consolidated statement of income including the change in fair value resulting from translation of non-monetary assets stated at foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the consolidated statement of income.
- It is not allowed to reclassify any financial assets to / from this category except for the cases specified in International Financial Reporting Standards.
- Dividends and interests from these financial assets are recorded in the consolidated statement of income.

Financial Assets at Fair Value through Other Comprehensive Income

- These financial assets represent investments in equity instruments held for the purpose of generating gain on a long term and not for trading purpose.
- Financial assets at fair value though other comprehensive income initially stated at fair value plus transaction costs at purchase date. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated at foreign currency. Gain or Loss from the sale of these investments should be recognized in the consolidated statement of comprehensive income and within owner's equity, and the balance of the revaluation reserve for these assets should be transferred directly to the retained earnings and not to the consolidated statement of income.
- These assets are not subject to impairment testing.
- Dividends are recorded in the consolidated statement of income on a separate line item.

Financial Assets at Amortized Cost

- They are the financial assets which the Bank's management intends according to its business model to hold for the purpose of collecting contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the outstanding principal.
- Those financial assets are stated at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount is amortized using the effective interest rate method, and recorded to the interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or part therefore are deducted, and any impairment loss in its value is recorded in the consolidated statement of income.
- The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.
- It is not allowed to reclassify any financial assets from / to this category except for certain cases specified in the International Financial Reporting Standards (in the case of selling any of these assets before its maturity date, the result should be recorded in a separate line item in the consolidated statement of income, disclosures should be made in accordance to the requirements of International Financial Reporting Standards).

Fair Value

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements.

In case declared market prices do not exist, active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Option pricing models.
- Long term assets and liabilities that bear no interest are evaluated in accordance with the discounted cash flows using effective interest rate. Premiums and discounts are amortized within interest revenues or expense in the consolidated statement of income.

The valuation methods aim to obtain a fair value that reflects the market expectations, taking into consideration market factors and any expected risks and benefits upon estimating the value of financial assets.

Impairment Loss in the Value of Financial Assets

The Bank reviews the values of financial assets on the date of the consolidated statement of financial position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated so as to determine the impairment loss.

Impairment loss is determined as follows:

Impairment loss in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.

Impairment loss in value is recorded in the consolidated statement of income. Any surplus in the following period resulting from previous declines in the fair value of financial assets held at amortized costs is taken to the consolidated statement of income.

Direct Credit Facilities

- A provision for impairment loss in direct credit facilities is recognized when it is obvious that the financial assets of the Bank cannot be recovered, there is an objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities, and the impairment loss amount can be estimated according to Central Bank of Jordan instructions, except for the arrangements with the Central Bank of Jordan with regards to the calculation of impairment loss for a number of direct credit facilities customers, and in accordance with the Central Banks instruction in which the Bank's branches operate. Impairment loss is taken to the consolidated statement of income. The provision is recorded in the consolidated statement of income.
- Interests and commissions on non-performing direct credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan or the applicable laws in the countries where the bank's branches or the subsidiaries operate whichever is more restricted.
- Impaired credit facilities, for which provision have been taken, are written off by charging the provision after all efforts have been made to recover the assets. Any surplus in the provision is taken to the consolidated statement of income, while debt recoveries are taken to income.

Property and Equipment

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

	%
Buildings	3
Furniture, fixtures and equipment	9 – 15
Vehicles	15
Computers	20
Buildings improvements	20

- When the recoverable amounts of property and equipment is lower than their carrying values, assets are written down, and impairment losses are recorded in the consolidated statement of income.
- The useful lives of property and equipment are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimates.
- Property and equipment are derecognized when disposed of or when there is no expected future benefit from their use.

Provisions

Provisions are recognized when the Bank has an obligation on the date of the consolidated statement of financial position arising from past events, and the costs to settle the obligation are both probable and can be reliably measured.

Provision for Employees' End-of-Service Indemnities

- The employees' end-of-service indemnities provision is estimated on the basis of one-month salary for each year of service less the Bank's contribution for social security.
- Payments to departing employees are deducted from the employees' end-of-service indemnities provision while the required provision for end-of-service indemnities for the year is recorded in the consolidated statement of income.

Income Tax

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, income subject to tax differs from income declared in the consolidated financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations, and instructions of the countries where the Bank operates.

- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets or liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.
- Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

Capital share

Costs of Issuing or Purchasing the Bank's Shares
Costs of issuing or purchasing the Bank's shares are recorded in retained earnings (net of the tax effect of these costs). In case the issue or purchase process is incomplete, these costs are charged to the consolidated statement of income as an expense.

Treasury Shares
Treasury shares are stated at cost and it have no rights in dividends to the shareholders, and no rights in participating or voting in the Bank's general assembly meetings. Gains or losses from selling the treasury share are not recognized in the consolidated statement of income. Gains are shown in owner's equity with share premium / discount whereas losses are taken to retuned earnings, in case there is no treasury shares premium balance available.

Mortgaged Financial Assets

Mortgaged financial assets are assets mortgaged to other parties, which hold the right of selling or refinancing the mortgage. Those assets are continuously evaluated according to the accounting policies designated for each of them.

Accounts Managed on Behalf of Customers

This item represents the accounts managed by the Bank on behalf of its customers and is not part of the Bank's assets. The fees and commissions for managing these accounts are shown in the consolidated statement of income. Furthermore, a provision is taken against the decline in the value of capital-guaranteed portfolios managed on behalf of customers.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts, the Bank intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Recognition of Income and Realization of Expenses

- Interest income is realized and recognized based on the effective interest method, except for interest and commission on non-performing facilities which are not recognized as revenue but taken to the interest and commission in suspense account.
- Expenses are recognized on the accrual basis.
- Commission is recorded as revenue when the related services are rendered, and dividend revenue from companies is recognized when earned (or when approved by the shareholders general assembly).

Recognition of Financial Assets Date

Purchase and sale of financial assets are recognized on the trade date (the date the Bank is liable to sell or purchase the financial asset).

Financial Derivatives and Hedge Accounting

Financial Derivatives Hedge

For hedge accounting purposes, the financial derivatives are stated at fair value, and hedges are classified as follows:

Fair value hedge
Hedge for the change in the fair value exposures of the Bank's assets and liabilities.

When the conditions of effective fair value hedge are met, the resulting gain or loss from re-measuring the fair value hedge is recognized in the consolidated statement of income.

When the conditions of effective portfolio hedge are met, the gain or loss resulting from the revaluation of the hedging instrument at fair value as well as the change in the fair value of the assets or liabilities portfolio are recorded in the consolidated income statement for the same period.

Cash flows hedge
Hedge for the change in the current and expected cash flows exposures of the Bank's assets and liabilities.

When the conditions of effective cash flow hedge are met, the gain or loss of the hedging instruments is recognized in the consolidated statement of comprehensive income / owners' equity. Such gain or loss is transferred to the consolidated statement of income in the period in which the hedge transaction impacts the consolidated statement of income.

Hedge for net investment in foreign entities

When the conditions of the hedge for net investment in foreign entities are met, fair value is measured for the hedging instrument of the hedged net assets. In case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in the consolidated statement of comprehensive income / consolidated statement of owners' equity while the ineffective portion is recognized in the consolidated statement of income. Moreover, the effective portion is recorded in the consolidated statement of income when the investment in foreign entities is sold.

- When the conditions of the effective hedge do not apply, gain or loss resulting from the change in the fair value of the hedging instrument is recorded in the consolidated statement of income in the same period.

<u>Financial Derivatives for Trading</u>

The fair value of financial derivatives for trading such as forward foreign currency contracts, future interest rate contracts, swap agreements, and foreign currency options is recorded in the consolidated statement of financial position under other assets or other liabilities as the case may be. Fair value is measured according to the prevailing market prices, and if they are not available, the measurement method should be disclosed. The change in their fair value is recognized in the consolidated statement of income.

<u>Repurchase or Resale Agreements</u>

- Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the consolidated financial statements as a result of the Bank's continuous control over these assets and as the related risks and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.

- Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the consolidated financial statements because the Bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recorded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recorded as interest revenue amortized over the life of the contract using the effective interest method.

<u>Assets Seized by the Bank against Due Debts</u>

Assets seized by the Bank are shown under "other assets" in the consolidated statement of financial position at the acquisition value or fair value, whichever is lower and revalued individually at fair value as of the consolidated statement of financial position date. Any decline in their market value is taken to the consolidated statement of income whereas any such increase is not recognized. A subsequent increase is taken to the consolidated statement of income to the extent it does not exceed the previously recorded impairment loss.

<u>Intangible Assets</u>

A- Goodwill

Goodwill is recorded at cost, and represents the excess of the amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, while goodwill resulting from the investment in an affiliated company constitutes part of the investment in that company. The cost of goodwill is subsequently reduced by any impairment in the value of the investment.

Goodwill is distributed over the cash generating unit(s) for the purpose of testing the impairment in its value.

The value of goodwill is tested on the date of each consolidated financial statement. Goodwill value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating unit(s) is less than book value. The decline in value is recorded in the consolidated statement of income as an impairment loss.

B- Other Intangible Assets

- Intangible assets purchased in an acquisition are stated at fair value at the date of acquisition. Other intangible assets purchased other than through acquisition are recorded at cost.

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

- No capitalization of intangible assets resulting from the Banks' operations is made. They are rather recorded as an expense in the consolidated statement of income for the period.

- Any indications of impairment in the value of intangible assets as of the consolidated financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

- Computers software and applications are amortized according to the straight-line method over their estimated economic useful lives at an annual amortization rate of 20% - 33%.

Foreign Currencies

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Financial assets and financial liabilities denominated in foreign currencies are translated to US Dollar at the average exchange rates prevailing on the consolidated statement of financial position date and declared by the Central Bank of Jordan.
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.
- Gains and losses resulting from foreign currency translation are recorded in the consolidated statement of income.
- Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as shares) are recorded as part of the change in fair value.
- When consolidating the financial statements, assets and liabilities of the branches and subsidiaries abroad are translated from the primary currency (basic) to the reporting currency, using the average exchange rates prevailing on the consolidated statement of financial position date and declared by the Central Bank of Jordan. Revenue and expense items are translated using the average exchange rates during the year, and exchange differences are shown in a separate item within the consolidated statement of shareholders' equity. In case of selling one of the subsidiaries or branches, the related amount of exchange difference is booked in revenues\expenses in the consolidated statement of income.

Cash and Cash Equivalents

Cash and cash equivalents are balances, maturing within three months, which comprise of cash and balances with Central Banks, balances with banks and financial institutions, less bank deposits and balances due to banks and financial institutions maturing within three months and restricted funds.

3 - Accounting Estimates

Preparation of the accompanying consolidated financial statements and the application of accounting policies require the Bank's management to estimate and assess some items affecting financial assets and liabilities and to disclose contingent liabilities. These estimates and assumptions also affect income, expenses, provisions, and financial assets valuation and require the Bank's management to estimate and assess the amounts and timing of future cash flows. The aforementioned estimates are based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes arising from the conditions and circumstances of those estimates in the future. Management believes that the estimates in the consolidated financial statements are reasonable. The details are as follows:

- A provision is set for lawsuits raised against the Bank and subsidiaries. This provision is subject to an adequate legal study prepared by the Bank and subsidiaries legal advisors. Moreover, the study highlights potential risks that may encounter in the future. Such legal assessments are reviewed frequently.
- A provision for loans is taken on the basis and estimates approved by management in conformity with Central Bank of Jordan instructions except for the arrangements with Central Bank of Jordan with regards to impairment loss for some direct credit facilities customers.
- Impairment loss for the properties seized by the Bank is taken after a sufficient and recent evaluation of the acquired properties has been conducted by approved surveyors and impairment loss is reviewed periodically.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the consolidated statement of income.
- Management frequently reviews the financial assets stated at cost to estimate any decline in their value. Impairment loss is taken to the consolidated statement of income.
- Provision for income tax: The financial year is charged with its portion from the income tax expense according to the prevailing laws and regulations and International Financial Reporting Standards. Moreover, the necessary income tax provision is calculated and recorded.
- Fair value hierarchy: The Bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level (2) and Level (3) fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

4. Cash and Balances at Central Banks

The details of this item are as follows: USD

	2012	2011
Cash in vaults	**46,548,575**	38,785,433
Balances at Central Banks:		
Current and call accounts	**99,763,848**	35,821,766
Time and notice deposits	**49,684,267**	191,313,240
Mandatory cash reserve	**106,779,386**	101,988,962
Total	**302,776,076**	367,909,401

- Except for the statutory cash reserve, there are no restricted balances as of December 31, 2012 and 2011.
- There are no balances due within a period exceeding three months.

5. Balances at Banks and Financial Institutions

The details of this item are as follows: USD

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2012	2011	2012	2011	2012	2011
Current and call accounts	**483,841**	648,680	**301,828,124**	253,941,374	**302,311,965**	254,590,054
Deposits due within three months or less	**32,450,538**	29,028,490	**59,664,078**	57,461,642	**92,114,616**	86,490,132
Certificates of deposits due within three months or less	**-**	-	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Total	**32,934,379**	29,677,170	**366,492,202**	316,403,016	**399,426,581**	346,080,186

- Non-interest bearing balances at banks and financial institutions amounted to USD 14,066,769 as of December 31, 2012 against USD 24,415,309 as of December 31, 2011.
- Restricted balances amounted to USD 2,170,000 as of December 31, 2012 against USD 1,865,000 as of December 31, 2011.

6. Deposits at Banks and Financial Institutions

The details of this item are as follows: USD

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2012	2011	2012	2011	2012	2011
Deposits	**-**	-	**20,025,000**	5,025,000	**20,025,000**	5,025,000
Certificates of deposit	**-**	-	**-**	-	**-**	-
Total	**-**	-	**20,025,000**	5,025,000	**20,025,000**	5,025,000

- Restricted deposits amounted to USD 25,000 as of December 31, 2012 and 2011.

7. Direct Credit Facilities - Net

The details of this item are as follows:

USD

	2012	2011
Individuals (retail):		
Overdraft accounts*	**7,333,953**	7,440,942
Loans and promissory notes**	**67,581,148**	49,617,427
Credit cards	**7,583,054**	6,256,773
Real estate loans	**236,126,449**	229,544,190
Companies:		
Large		
Overdraft accounts	**329,977,035**	249,810,558
Loans and promissory notes**	**1,142,827,879**	1,083,831,458
Small and Medium		
Overdraft accounts*	**26,165,671**	19,775,244
Loans and promissory notes**	**64,534,539**	42,802,993
Government and public sector	**223,157,152**	164,135,317
	2,105,286,880	1,853,214,902
Less: Provision of impairment loss in direct credit facilities	**92,028,568**	79,862,993
Interest in suspense	**15,713,148**	12,139,216
Net Direct Credit Facilities	**1,997,545,164**	1,761,212,693

* This item includes USD 8,540,770 as of December 31, 2012 which represents credit facilities granted by the subsidiary companies against USD 7,628,935 as of December 31, 2011.

** Net after deducting interest and commission received in advance of USD 3,757,480 as of December 31, 2012 against USD 3,689,660 as of December 31, 2011.

- Non-performing credit facilities amounted to USD 206,715,323 which is equivalent to (9/8%) of total direct credit facilities as of December 31, 2012 against USD 190,621,461 which is equivalent to (10/3%) of total direct credit facilities as of December 31, 2011.

- Non- performing credit facilities net of interests and commissions in suspense amounted to USD 191,002,175 which is equivalent to (9/1%) of total direct credit facilities balance after deducting suspended interests as of December 31, 2012 against USD 178,482,245 which is equivalent to (9/7%) of total credit facilities balance after deducting suspended interests as of December 31, 2011.

- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to USD 78,012,276 which is equivalent to (3/7%) of total direct credit facilities as of December 31, 2012 against USD 9,956,028, which is equivalent to (-/5%) as of December 31, 2011.

- Direct credit facilities include facilities granted to three customers in an amount of USD 91,477,127 net after deducting interests and commissions in suspense as of December 31, 2012, with acceptable collaterals in the amount of around USD 22.6 million as per Central Bank of Jordan instructions. The provision of impairment against these direct credit facilities amounted to USD 38.9 million as of December 31, 2012 based on the arrangements with Central Bank of Jordan with regards to the calculation of the provision of impairment loss for these customers, whereby the remaining provision will be gradually allocated with annual provision not exceeding USD 14.1 million for the three customers. In case of cordial ownership for the guarantees, the provision of impairment loss will be gradually taken.

- In addition to what is stated above, direct credit facilities also include credit facilities granted to two other customers with a total balance of USD 78.4 million as of December 31, 2012, which were classified under the watch list category as of that date, with acceptable collaterals in the amount of around USD 76.1 million as per Central Bank of Jordan instructions. On September 13, 2012 an agreement has been signed between the Bank and those two customers for restructuring these two accounts after the review and approval of Central Bank of Jordan. The Bank is currently in the process of obtaining the remaining additional collaterals in accordance with the agreement and will follow up on those credit facilities on a regular basis.

Provision of Impairment Loss in Direct Credit Facilities

The following is the movement on the provision of impairment loss in direct credit facilities: USD

Year 2012	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
Balance – beginning of the year	**2,292,913**	**1,667,503**	**74,694,721**	**1,207,856**	-	**79,862,993**
Deducted from income during the year	**680,817**	**6,610,460**	**17,971,080**	**377,298**	-	**25,639,655**
Surplus in provision of credit facilities	**64,422**	**29,444**	-	**86,261**	-	**180,127**
Used from provision during the year (written-off) *	**161,764**	-	**13,042,427**	**89,762**	-	**13,293,953**
Balance – End of the Year	**2,747,544**	**8,248,519**	**79,623,374**	**1,409,131**	-	**92,028,568**

Year 2011	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
Balance – beginning of the year	912,135	801,104	57,580,059	1,190,793	-	60,484,091
Deducted from income during the year	1,995,626	1,525,554	31,040,780	669,715	-	35,231,675
Surplus in provision of credit facilities	446,051	281,776	4,671,608	471,776	-	5,871,211
Used from provision during the year (written-off) *	168,797	377,379	9,254,510	180,876	-	9,981,562
Balance – End of the Year	2,292,913	1,667,503	74,694,721	1,207,856	-	79,862,993

* During the year 2012, an amount of USD 13,293,953 has been written off from direct credit facilities according to the Board of Directors approval against USD 9,981,562 for the year 2011.

- The disclosure above is related to provisions against debts calculated on the basis of the individual customer.
- The provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to USD 180,127 as of December 31, 2012 against USD 5,867,502 as of December 31, 2011.

Interest in Suspense

The movement on interest in suspense is as follows: USD

Year 2012	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
Balance – beginning of the year	**38,447**	**95,562**	**11,781,329**	**223,878**	-	**12,139,216**
Add: Interests suspended during the year	**46,214**	**1,155,907**	**2,486,388**	**60,034**	-	**3,748,543**
Less: Interests reversed to income	**27,563**	**30,654**	**48,099**	**36,776**	-	**143,092**
Interests in suspense written-off	**5,001**	**1,291**	**15,027**	**10,200**	-	**31,519**
Balance - End of the Year	**52,097**	**1,219,524**	**14,204,591**	**236,936**	-	**15,713,148**

Year 2011	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
Balance – beginning of the year	29,337	313,388	3,933,302	212,360	-	4,488,387
Add: Interests suspended during the year	42,609	41,047	10,842,745	284,824	-	11,211,225
Less: Interests reversed to income	29,726	40,571	6,364	184,749	-	261,410
Interests in suspense written-off	3,773	218,302	2,988,354	88,557	-	3,298,986
Balance - End of the Year	38,447	95,562	11,781,329	223,878	-	12,139,216

- The Bank adopts a policy for suspending interest off the Consolidated Statement of Financial Position for the accounts at courts, the suspended interest without entries for the year 2012 amounted to USD 12,968,608.

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows: USD

	2012	2011
Quoted shares in an active market	**21,776,458**	21,138,831
Unquoted shares in an active market	**28,051,397**	28,051,396
Quoted bonds in an active market	**57,740,021**	58,521,241
Unquoted bonds in an active market	**39,019,292**	50,298,267
Total	**146,587,168**	158,009,735
Bonds Analysis:		
Fixed rate	**48,089,226**	62,714,089
Floating rate	**48,670,087**	46,105,419
Total	**96,759,313**	108,819,508

9. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows: USD

	2012	2011
Quoted shares in an active market	**9,774,975**	8,729,094
Unquoted shares in an active market	**23,123,708**	21,825,184
Total	**32,898,683**	30,554,278

- Realized losses from the sale of financial assets through other comprehensive income amounted to USD 14,181 in 2012, were booked directly to retained earnings in owners› equity.
- Cash dividends on the above investments amounted to USD 2,023,240 for the year ended December 31, 2012 (USD 2,098,398 for the year ended December 31, 2011).

10. Financial Assets at Amortized Cost

The details of this item are as follows: USD

	2012	2011
Quoted Financial Assets:		
Companies bonds and debentures	**64,222,932**	81,249,961
Total Quoted Financial Assets	**64,222,932**	81,249,961
Unquoted Financial Assets:		
Treasury bonds and bills	**229,134,600**	361,636,223
Companies› bonds and debentures	**5,028,372**	5,028,524
Total Unquoted Financial Assets	**234,162,972**	366,664,747
Total	**298,385,904**	447,914,708
Bonds and Bills Analysis:		
Fixed rate	**293,385,904**	437,945,206
Floating rate	**5,000,000**	9,969,502
Total	**298,385,904**	447,914,708

- The movement on the provision for impairment loss in financial assets at amortized cost is as follows: USD

	2012	2011
Balance – beginning of the year	-	1,058,283
Recovered during the year*	-	(1,058,283)
Balance – Ending of the Year	-	-

* Recovered as a result of improvement in the fair value of these financial assets during the year.

11. Pledged Financial Assets

This item represents treasury bonds and bills with a total amount of USD 51,763,047 against repurchase agreement liabilities with a total amount of USD 50,727,786 signed with the Central Bank of Jordan on December 5, 2012 with interest rate of 4.25% and maturity date of January 6, 2013.

12. Property and Equipment - Net

a. The details of this item are as follows:

USD

Year 2012	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Building Improvements	Total
Cost:							
Balance - beginning of the year	3,795,220	5,453,278	10,991,866	807,835	12,849,653	12,408,182	46,306,034
Additions	-	-	465,523	11,721	1,543,447	432,351	2,453,042
Disposals	-	-	-	-	(3,893)	-	(3,893)
Balance - End of the year	3,795,220	5,453,278	11,457,389	819,556	14,389,207	12,840,533	48,755,183
Accumulated Depreciation:							
Balance - beginning of the year	-	2,079,863	7,684,499	419,918	11,024,532	9,504,424	30,713,236
Depreciation for the year	-	162,739	770,451	77,116	744,911	869,910	2,625,127
Disposals	-	-	-	-	(3,762)	-	(3,762)
Balance - End of the year	-	2,242,602	8,454,950	497,034	11,765,681	10,374,334	33,334,601
Net Book Value of Property and Equipment	3,795,220	3,210,676	3,002,439	322,522	2,623,526	2,466,199	15,420,582
Down payments on property and equipment purchases	-	-	1,592,297	-	-	-	1,592,297
Net Book Value of Property and Equipment - End of the Year	3,795,220	3,210,676	4,594,736	322,522	2,623,526	2,466,199	17,012,879
Annual depreciation percentage %	-	3	9 - 15	15	20	20	

Year 2011	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Building Improvements	Total
Cost:							
Balance - beginning of the year	3,795,220	5,447,928	10,128,281	793,956	12,424,855	10,888,244	43,478,484
Additions	-	5,350	943,451	154,557	428,035	1,519,938	3,051,331
Disposals	-	-	(79,866)	(140,678)	(3,237)	-	(223,781)
Balance - End of the year	3,795,220	5,453,278	10,991,866	807,835	12,849,653	12,408,182	46,306,034
Accumulated Depreciation:							
Balance - beginning of the year	-	1,917,128	6,928,415	449,420	10,159,355	8,348,928	27,803,246
Depreciation for the year	-	162,735	835,913	104,525	868,394	1,155,496	3,127,063
Disposals	-	-	(79,829)	(134,027)	(3,217)	-	(217,073)
Balance - End of the year	-	2,079,863	7,684,499	419,918	11,024,532	9,504,424	30,713,236
Net Book Value of Property and Equipment	3,795,220	3,373,415	3,307,367	387,917	1,825,121	2,903,758	15,592,798
Down payments on property and equipment purchases	-	-	1,215,882	-	-	-	1,215,882
Net Book Value of Property and Equipment - End of the Year	3,795,220	3,373,415	4,523,249	387,917	1,825,121	2,903,758	16,808,680
Annual depreciation percentage %	-	3	9 - 15	15	20	20	

b. Property and equipment include an amount of USD 18,940,982 as of December 31, 2012 (USD 18,887,416 as of December 31, 2011) representing fully depreciated property and equipment.

13. Intangible Assets - Net

The details of this item are as follows: USD

Year 2012	Computer Software and Applications	Total
Balance - beginning of the year	**1,547,323**	**1,547,323**
Additions	**2,077,335**	**2,077,335**
Amortization for the year	**483,398**	**483,398**
Balance - End of the Year	**3,141,260**	**3,141,260**
Annual amortization percentage %	**20 - 33**	

Year 2011	Computer Software and Applications	Total
Balance - beginning of the year	1,607,870	1,607,870
Additions	587,105	587,105
Amortization for the year	647,652	647,652
Balance - End of the Year	1,547,323	1,547,323
Amortization percentage %	20 - 33	

14. Other Assets

The details of this item are as follows: USD

	2012	2011
Accrued interest and revenue	**17,367,130**	13,556,948
Prepaid expenses	**1,356,315**	1,434,944
Assets seized by the Bank against debts - net *	**70,513,058**	28,438,385
Unrealized gains from financial derivatives (Note 37)	**884,409**	867,635
Debtors **	**150,794**	60,729
Clearing checks	**25,844,303**	18,991,305
Others **	**7,861,121**	4,953,578
Total	**123,977,130**	68,303,524

* According to Central Bank of Jordan instructions, properties and shares seized by the Bank should be disposed off within two years from the ownership date, and for exceptional cases, the Central Bank of Jordan can extend this period for two consecutive years at maximum.

** Debtors and other assets include balances relating to the subsidiaries companies of USD 382,137 as of December 31, 2012 (against USD 339,491 as of December 31, 2011).

The movement on assets seized by the Bank against due debts was as follows: USD

	2012			2011
	Seized Properties	Other Seized Assets *	Total	Total
Balance - beginning of the year	**10,105,671**	**18,332,714**	**28,438,385**	9,783,317
Additions	**42,279,428**	-	**42,279,428**	22,610,715
Disposals	**(32,700)**	-	**(32,700)**	(9,021)
Impairment loss	-	**(172,055)**	**(172,055)**	(3,946,626)
Balance - End of the Year	**52,352,399**	**18,160,659**	**70,513,058**	28,438,385

* This item represents shares seized during the year 2011 at a local Bank.

15. Banks and Financial Institutions Deposits

The details of this item are as follows: USD

	December 31, 2012			December 31, 2011		
	Inside Kingdom	Outside Kingdom	Total	Inside Kingdom	Outside Kingdom	Total
Current and call accounts	**65,853,412**	**246,669,538**	**312,522,950**	28,728,168	234,934,158	263,662,326
Time deposits *	**30,190**	**276,871,821**	**276,902,011**	-	232,256,625	232,256,625
Total	**65,883,602**	**523,541,359**	**589,424,961**	28,728,168	467,190,783	495,918,951

* Time deposits and certificates of deposit due within a period exceeding three months amounted to USD 276,902,012 as of December 31, 2012 against USD 232,256,626 as of December 31, 2011.

16. Customers Deposits

The details of this item are as follows: USD

	December 31, 2012				
	Individuals	Companies		Government and Public Sector	Total
		Large	Small and Medium		
Current and call accounts	**307,046,313**	**72,128,097**	**193,159,825**	**23,251,743**	**595,585,978**
Saving deposits	**151,631,630**	**591,315**	**3,575,749**	**181,305**	**155,979,999**
Time deposits subject to notice	**690,575,556**	**66,780,076**	**256,372,199**	**156,411,942**	**1,170,139,773**
Certificates of deposit	**6,758,378**	**-**	**-**	**-**	**6,758,378**
Total	**1,156,011,877**	**139,499,488**	**453,107,773**	**179,844,990**	**1,928,464,128**

	December 31, 2011				
	Individuals	Companies		Government and Public Sector	Total
		Large	Small and Medium		
Current and call accounts	295,448,866	157,462,055	212,830,934	20,425,578	686,167,433
Saving deposits	139,092,283	1,894,402	3,122,102	284,025	144,392,812
Time deposits subject to notice	693,898,874	75,547,037	313,483,453	77,611,039	1,160,540,403
Certificates of deposit	7,716,908	-	-	-	7,716,908
Total	1,136,156,931	234,903,494	529,436,489	98,320,642	1,998,817,556

- The Government of Jordan and the public sector deposits inside the Kingdom amounted to USD 179,844,990 , which is equivalent to (9.3%) of total customers' deposits as of December 31, 2012 (USD 98,320,642, which is equivalent to (4.9%) as of December 31, 2011).
- Non-interest bearing deposits amounted to USD 517,897,874 which is equivalent to (29.9%) of total customers' deposits as of December 31, 2012 (USD 615,090,347 which is equivalent to (30.7%) as of December 31, 2011).
- Restricted deposits amounted to USD 10,833,650 which is equivalent to (0.6%) of total customers' deposits as of December 31, 2012 (USD 6,165,850 which is equivalent to (0.3%) as of December 31, 2011).
- Dormant deposits amounted to USD 47,216,487 as of December 31, 2012 (USD 35,415,705 as of December 31, 2011).

17. Cash Margins

The details of this item are as follows: USD

	2012	2011
Cash margins on direct credit facilities	**173,108,657**	58,106,498
Cash margins on indirect credit facilities	**32,845,804**	58,196,769
Marginal deposits	**3,940,398**	3,767,914
Other margins	**467,061**	2,832,961
Total	**210,361,920**	122,904,142

18. Borrowed Funds

This item represents repurchase agreements in an amount of USD 50,727,786 signed with the Central Bank of Jordan on December 5, 2012 to sell and repurchase treasury bonds and bills with a total nominal value of USD 51,763,046 with interest rate of 4.25% and will mature on January 6, 2013. The borrowed fund will be used for temporary financing purposes.

19. Other Provisions

The details of this item are as follows: USD

Year 2012	Balance - beginning of the year	Provision for the year	Released during the year	Balance - End of the year
Provision for staff indemnity	**10,469,718**	**1,702,327**	**373,822**	**11,798,223**
Provision for lawsuits against the Bank and contingent claims	**445,220**	**84,626**	**18,360**	**511,486**
Total	**10,914,938**	**1,786,953**	**392,182**	**12,309,709**

Year 2011	Balance - beginning of the year	Provision for the year	Released during the year	Balance - End of the year
Provision for staff indemnity	9,980,639	1,541,103	1,052,024	10,469,718
Provision for lawsuits against the Bank and contingent claims	402,202	87,451	44,433	445,220
Total	10,382,841	1,628,554	1,096,457	10,914,938

20. Provision for Income Tax

a. Income tax provision

The movement on provision for income tax during the year is as follows: USD

	2012	2011
Balance - beginning of the year	**18,081,616**	23,307,850
Income tax for the year	**24,231,425**	22,453,598
Income tax paid	**(18,913,895)**	(23,107,774)
Down payment	**(4,366,911)**	(4,572,058)
Balance - End of the year	**19,032,235**	18,081,616

b. Income tax expense

Income tax expense for the year in the consolidated statement of income consists of the following: USD

	2012	2011
Income tax for the year	**24,231,425**	22,453,598
Effect of deferred tax assets for the year	**(444,866)**	(1,604,158)
Effect of deferred tax liabilities for the year	**(179,466)**	1,612,284
Total	**23,607,093**	22,461,724

c. Tax Status

- Income tax returns have been submitted for the Bank›s branches in Jordan and foreign branches up to the year 2011 and reached final settlement, moreover the semiannual payment for the year 2012 has been paid for Bank›s branches in Jordan. The Bank›s branches in Palestine reached final settlement up to the year 2011 except for the year 2007 and 2008.
- A final settlement with the Income and Sales Tax Department has been reached up to the year 2009 for the subsidiary companies. Further income tax returns have been submitted for the years 2010 and 2011 and declared income tax has been paid; however, no final decision has been issued yet. Moreover, the Bank›s subsidiaries paid the semiannual payments for the year 2012. In the opinion of the Bank and its subsidiaries› management and their tax consultants, no liabilities shall arise against the Bank exceeding the booked provision as of the date of the consolidated financial statements.

d. Deferred Tax Assets / Liabilities:

The details of this item are as follows: USD

	2012					2011
	Balance - beginning of the year	Amounts: Realized	Amounts: Additions	Balance - End of the Year	Deferred Tax	Deferred Tax
a- Deferred Tax Assets						
Provision for staff indemnity	**10,108,488**	**371,165**	**1,615,726**	**11,353,049**	**3,405,914**	3,032,546
Impairment loss in real estate	**87,900**	**-**	**-**	**87,900**	**26,370**	26,370
Credit facilities provision	**1,175,681**	**-**	**-**	**1,175,681**	**282,164**	282,164
Provision for lawsuits against the Bank	**445,220**	**18,360**	**84,626**	**511,486**	**153,446**	133,566
Provision for impairment loss in shares seized against due debts	**3,946,626**	**-**	**172,055**	**4,118,681**	**1,235,605**	1,183,987
Total	**15,763,915**	**389,525**	**1,872,407**	**17,246,797**	**5,103,499**	4,658,633
b- Deferred Tax Liabilities *						
Financial assets at fair value valuation reserve *	**1,888,698**	**-**	**1,737,023**	**3,625,721**	**1,087,717**	566,609
Revaluation gains from financial assets at fair value through profit or loss	**5,360,337**	**584,275**	**-**	**4,776,062**	**1,432,818**	1,612,284
Total	**7,249,035**	**584,275**	**1,737,023**	**8,401,783**	**2,520,535**	2,178,893

* Deferred tax liabilities resulting from the revaluation gains of financial assets at fair value through other comprehensive income are presented within the financial asset valuation reserve in the owners› equity.

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

	2012		2011	
Description	Assets	Liabilities	Assets	Liabilities
Balance - beginning of the year	**4,658,633**	**2,178,893**	3,054,475	1,859,310
Effect of adopting International Financial Reporting Standard (9)	**-**	**-**	-	(1,199,443)
Adjusted Beginning Balance	**4,658,633**	**2,178,893**	3,054,475	659,867
Additions during the year	**561,722**	**521,108**	1,932,724	1,612,284
Released during the year	**(116,856)**	**(179,466)**	(328,566)	(93,258)
Balance - End of the Year	**5,103,499**	**2,520,535**	4,658,633	2,178,893

e- A summary of the reconciliation between declared income and taxable income:

The following is the reconciliation between declared income and taxable income: USD

	2012	2011
Declared income	**89,344,620**	78,451,436
Add: Tax exempted income	**15,103,417**	10,504,997
Less: Tax unacceptable expenses	**5,836,310**	8,487,925
Taxable Income	**98,611,727**	80,468,508
Income Tax Rates:		
Jordan branches	**30%**	30%
Palestine branches	**20%**	15%
Cyprus branches	**10%**	10%
Subsidiaries companies	**24%**	24%

21. Other Liabilities

The details of this item are as follows: USD

	2012	2011
Accrued interest	**10,047,234**	8,244,805
Accounts payable (a)	**1,711,642**	2,560,402
Accrued expenses	**816,395**	765,151
Temporary deposits - customers	**3,005,217**	2,684,014
Temporary deposits (b)	**7,925,581**	24,318,501
Shareholders› deposits (c)	**3,163,848**	3,244,536
Accepted and certified checks	**7,669,918**	7,636,354
Lock boxes deposits	**216,176**	176,896
Subscriptions deposits (e)	**416,027**	476,123
Down payments of capital subscriptions	**431,611**	448,920
Unrealized losses from financial derivatives (Note 37)	**140,513**	174,491
Transactions in transit	**197,110**	198,762
Other liabilities (a)	**15,322,763**	11,779,695
Total	**51,064,035**	62,708,650

(a) This item includes other liabilities and accounts payable balances related to the subsidiaries of USD 1,936,011 as of December 31, 2012 (USD 1,880,739 as of December 31, 2011).

(b) This item represents temporary payment deposits to public shareholding and other companies.

(c) This item represents the net balance resulting from selling unsubscribed shares with total number of 1,136,495 shares at market price during the year 2006. The difference between the market price and issue price of the share of USD 4.23 has been recorded as shareholders› deposits.

(d) This item represents refunds of subscriptions in public shareholding companies under establishment.

22. Authorized and Paid-up Capital

Paid-up capital amounted to USD 141 million, divided into 100 million shares at a par value of USD 1.4 per share as of December 31, 2012 and 2011.

23. Reserves

The details of the reserves as of December 31, 2012 and 2011 are as follows:

a. Statutory Reserve

This item represents the accumulated amount of the appropriations from income before tax at 10% during the current and previous years according to the Banks Law and Jordanian Companies Law. This amount is not distributable to shareholders.

b. Voluntary Reserve

This item represents the accumulated amount of appropriations from income before tax at a maximum rate of 20% per year. The voluntary reserve is to be used according to a resolution by the Board of Directors.

The General Assembly has the right to distribute this reserve or any portion therefrom as dividends to shareholders.

c- Pro-Cyclicality Fluctuation Reserve

This item represents risk reserve taken according to Palestine Monetary Authority at a percentage of 15% from annual net income after tax, for the purpose of supporting the Bank›s capital in Palestine and to face risks related to Banking sector. This reserve will accumulate until reaching 20% of the paid up capital.

It is not allowed to use any part of the pro-cyclicality fluctuation reserve or to reduce it without a preapproval from the Palestine Monetary Authority.

d- General Banking Risks Reserve

This item represents the general banking risks reserve in accordance with Central Bank of Jordan regulations. The following represents the distribution of the general banking risks reserve according to the Bank›s branches:

USD

	2012	2011
Jordan branches	14,325,340	12,893,854
Cyprus branches	2,218,000	1,757,350
Palestine branches	312,418	104,415
Subsidiary Companies	232,722	129,760
Total	17,088,480	14,885,379

- The following are the restricted reserves:

USD

Description	2012	2011	Nature of Restriction
Statutory reserve	83,231,805	74,332,928	According to the Jordanian Companies Law and the Banks Law.
General banking risks reserve	17,088,480	14,885,379	According to the Central Bank of Jordan.
Pro-cyclicality fluctuation reserve	109,394	-	According to Palestine Monetary Authority Instructions.

24. Financial Assets Valuation Reserve - Net of Tax

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

USD

	2012	2011
Balance - beginning of the year	709,555	-
Effect of adopting International Financial Reporting Standards (9)	-	887,496
Adjusted Beginning Balance	709,555	887,496
Unrealized gains	2,067,587	132,919
Deferred tax liabilities	(521,107)	(310,860)
Balance - End of the Year *	2,256,035	709,555

* Financial assets valuation reserve is presented as a net amount after deducting related deferred tax liabilities in the amount of USD 1,087,717 as of December 31, 2012 (USD 566,609 as of December 31, 2011).

25. Retained Earnings

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

USD

	2012	2011
Balance - beginning of the year	**125,566,555**	109,601,721
Effect of adopting International Financial Reporting Standards (9)	**-**	11,451,315
Realized (loss) from selling financial assets at fair value through other comprehensive income	**(14,181)**	-
Income for the year	**65,381,683**	56,318,970
(Transferred) to reserves	**(29,009,126)**	(23,596,706)
Dividends paid	**(28,208,745)**	(28,208,745)
Balance - End of the Year	**133,716,186**	125,566,555

- Out of the retained earnings an amount of USD 5,103,499 as of December 31, 2012 (USD 4,658,633 as of December 31, 2011) is restricted according to the Central Bank of Jordan instructions against deferred tax assets.
- Retained earnings include an amount of USD 8,178,291 as of December 31, 2012 (USD 8,605,013 as of December 31, 2011) restricted against the effect of adopting International Financial Reporting Standards (9) according to Jordan Securities Commission instructions, which represents the revaluation of financial assets at fair value through profit or loss. The restriction is waived upon actual sale.
- Dividends distributed to shareholders for the year 2011 amounted to 20% of the paid-up capital which is equivalent to USD 28 million.

26. Proposed Dividends

Proposed dividends to shareholders for the current year is 20% of the paid-up capital, which is equivalent to USD 28 million, this percentage is subject to the General Assembly approval, compared to prior year distributed dividends at 20% of the paid-up capital, which is also equivalent to USD 28 million.

27. Interest Income

The details of this item are as follows:

USD

	2012	2011
Direct credit facilities:		
Individuals (retail)		
Overdraft accounts	**6,532**	2,109
Loans and promissory notes	**5,414,518**	2,756,986
Credit cards	**1,028,793**	1,203,324
Real - estate loans	**12,921,461**	15,075,237
Companies		
Large		
Overdraft accounts	**19,810,166**	15,814,183
Loans and promissory notes	**78,284,190**	76,043,172
Small and medium		
Overdraft accounts	**2,001,223**	1,412,362
Loans and promissory notes	**8,153,504**	3,990,925
Government and public sector	**12,699,824**	12,745,873
Balances at central banks	**1,484,884**	2,002,133
Balances and deposits at banks and financial institutions	**8,992,245**	5,908,401
Financial assets at amortized cost	**22,774,048**	23,880,127
Financial assets at fair value through profit or loss	**6,293,326**	5,949,850
Others	**492,300**	2,148,535
Total	**180,357,014**	168,933,217

28. Interest Expense

The details of this item are as follows: USD

	2012	2011
Deposits at banks and financial institutions	**8,774,783**	6,274,133
Customers deposits		
Time and notice deposits	**37,048,474**	32,997,564
Cash margins	**3,450,929**	3,545,419
Current and call accounts	**576,544**	697,151
Saving accounts	**460,054**	409,984
Certificates of deposit	**194,992**	230,519
Borrowed funds	**125,719**	50,207
Loan guarantee fees	**3,512,117**	3,390,594
Others	**127,171**	404,968
Total	**54,270,783**	48,000,539

29. Net Commission Income

The details of this item are as follows: USD

	2012	2011
Direct credit facilities commissions	**6,231,297**	4,840,172
Indirect credit facilities commissions	**7,861,148**	7,139,296
Other commissions	**935,834**	841,902
Total	**15,028,279**	12,821,370

30. Foreign Exchange Income

The details of this item are as follows: USD

	2012	2011
Foreign currencies trading	**1,184,199**	3,379,147
Foreign currencies revaluation	**2,563,546**	331,471
Total	**3,747,745**	3,710,618

31. Gain from Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows: USD

	Realized Gains (Losses)	Unrealized (Losses) Gains	Shares Dividends Returns	Total
Year 2012				
Companies shares	**210,278**	**(523,054)**	**3,010,691**	**2,697,915**
Companies bonds	**(204,454)**	**3,184,260**	**-**	**2,979,806**
Total	**5,824**	**2,661,206**	**3,010,691**	**5,677,721**
	Realized Gains (Losses)	Unrealized Gains (Losses)	Shares Dividends Returns	Total
Year 2011				
Companies shares	3,086,857	5,321,535	901,745	9,310,137
Companies bonds	(220,590)	(1,952,056)	-	(2,172,646)
Total	2,866,267	3,369,479	901,745	7,137,491

32. Other Income

The details of this item are as follows: USD

	2012	2011
Rental of lock deposit boxes	**149,367**	122,512
Stamps income	**82,144**	84,590
Credit cards income	**3,827,347**	3,235,629
Recovery of debts previously written-off	**1,157,549**	339,372
Trading in shares revenue - subsidiary company	**1,489,336**	1,306,056
Rental income	**7,039**	33,513
Telecommunication income	**498,427**	419,446
Transfers income	**1,535,224**	1,197,054
Others	**4,521,164**	3,252,631
Total	**13,267,597**	9,990,803

33. Employees Expenses

The details of this item are as follows: USD

	2012	2011
Salaries, allowances and employees' benefits	**26,143,289**	22,521,565
Contribution in social security	**1,721,896**	1,552,330
Medical expenses	**1,143,595**	1,007,477
Staff training	**200,814**	243,461
Travel expenses - per diems	**410,673**	387,213
Employees life insurance	**92,934**	123,578
Value added tax	**113,413**	107,877
Total	**29,826,614**	25,943,501

34. Other Expenses

The details of this item are as follows: USD

	2012	2011
Rentals	**2,029,849**	2,060,669
Stationery	**753,474**	847,928
Advertisements	**965,688**	1,202,511
Subscriptions	**207,952**	206,814
Telecommunication expenses	**1,315,210**	1,273,008
Maintenance and repairs	**2,391,145**	2,127,880
Insurance expenses	**843,994**	688,093
Legal fees	**106,006**	144,478
Water, electricity and heating	**1,452,192**	786,052
Fees, taxes and stamps	**428,654**	469,642
Professional fees	**290,611**	291,918
Cards services expenses	**1,931,928**	1,215,171
Hospitality	**97,104**	94,759
Transportation	**148,876**	143,513
Correspondents services	**168,389**	167,444
Security	**282,377**	228,333
Donations and social responsibility	**654,032**	512,496
Board of Directors' remunerations	**126,234**	74,753
Impairment loss of shares seized by the Bank against debts	**172,055**	3,946,626
Others	**1,938,803**	2,108,883
Total	**16,304,573**	18,590,971

35. Earnings Per Share - Bank's Shareholders (Basic and diluted)

The details of this item are as follows: USD

	2012	2011
Income for the year attributed to Bank's Shareholders	**65,381,683**	56,318,970
	Share	Share
Weighted average number of shares	**100,000,000**	100,000,000
Earnings per share pertains to Bank's Shareholders:	**USD / Share**	USD / Share
(Basic and Diluted)	**-/654**	-/563

36. Cash and Cash Equivalents

The details of this item are as follows: USD

	2012	2011
Balances at central banks due within three months	**302,776,076**	367,909,401
Add: Balances at banks and financial institutions due within three months	**399,426,581**	346,080,186
Less: Banks and financial institutions deposits due within three months	**312,522,949**	263,662,327
Restricted balances	**2,170,000**	1,865,000
Total	**387,509,708**	448,462,260

37. Financial Derivatives

The details of this item are as follows:

USD

	Positive Fair Value	Negative Fair Value	Maturity of Nominal Value				
			Total Nominal Amounts	Within 3 Months	From 3 Months up to 12 Months	From 1 Year up to 3 Years	More than 3 Years
As of December 31, 2012							
Trading Derivatives:							
Forward sales contracts in foreign currencies	**880,309**	**-**	**(90,507,755)**	**(90,507,755)**	**-**	**-**	**-**
Future contracts	**-**	**(4,049)**	**(244,660)**	**(244,660)**	**-**	**-**	**-**
	880,309	**(4,049)**	**(90,752,415)**	**(90,752,415)**	**-**	**-**	**-**
Forward purchase contracts in foreign currencies	**-**	**(136,464)**	**89,763,908**	**89,763,908**	**-**	**-**	**-**
Future contracts	**4,100**	**-**	**244,660**	**244,660**	**-**	**-**	**-**
	4,100	**(136,464)**	**90,008,568**	**90,008,568**	**-**	**-**	**-**
Total	**884,409**	**(140,513)**	**(743,846)**	**(743,846)**	**-**	**-**	**-**

	Positive Fair Value	Negative Fair Value	Maturity of Nominal Value				
			Total Nominal Amounts	Within 3 Months	From 3 Months up to 12 Months	From 1 Year up to 3 Years	More than 3 Years
As of December 31, 2011							
Trading Derivatives:							
Forward sales contracts in foreign currencies	22,819	-	(19,070,544)	(19,070,544)	-	-	-
Future contracts	-	(71,939)	5,530,126	(97,800)	3,625,525	(1,806,800)	-
	22,819	(71,939)	(13,540,419)	(19,168,344)	3,625,525	(1,806,800)	-
Forward purchase contracts in foreign currencies	-	(102,551)	19,150,276	19,150,276	-	-	-
Future contracts	844,815	-	4,757,250	97,800	2,856,700	1,802,750	-
	844,815	(102,551)	23,907,526	19,248,076	2,856,700	1,802,750	-
Total	867,635	(174,491)	10,367,107	79,732	6,482,224	(4,049)	-

Nominal value represents the outstanding transaction value at the end of the year which do not illustrate the market risks or the credit risks.

38. Transactions with Related Parties

The Bank entered into transactions with subsidiary companies, affiliates companies, major shareholders, Board of Directors, and executive management within the normal banking practice and according to the normal interest rates. All of the credit facilities granted to related parties are considered to be performing facilities and no impairment provisions have been taken as of the consolidated financial statement date.

The following is a summary of the transactions with related parties during the year: USD

	Related Party					Total December 31,	
	Affiliates	Major Shareholders	Board of Directors Members	Executive Managers	Others **	2012	2011
On- Consolidated Statement of Financial Position Items:							
Direct credit facilities *	-	-	870,977	939,824	-	1,810,801	4,281,199
Banks and financial institutions deposits	5,000,000	301,440,717	-	-	-	306,440,717	236,567,770
Deposits	-	105,918,219	12,917,069	2,020,618	2,889,171	123,745,077	42,252,628
Cash margins	-	-	-	-	198,642	198,642	5,505
Financial assets at fair value through profit or loss	-	16,160,000	-	-	2,286,157	18,446,157	15,286,465
Financial assets fair value through other comprehensive income	19,601,269	-	-	-	3,304,687	22,905,956	19,369,664
Financial assets at amortized cost	-	6,102,742	-	-	-	6,102,742	6,924,436
Off- Consolidated Statement of Financial Position Items:							
Letters of guarantee	-	42,313	423	-	186,417	229,153	90,556
Letters of credit	-	-	-	-	1,800,000	1,800,000	39,578

						Total 2012	Total 2011
Consolidated Statement of Income items:							
Interest and commission income ***	-	1,151,900	45,544	55,305	99	1,252,848	1,189,972
Interest and commission expense ****	223,884	6,550,083	208,155	30,477	62,051	7,074,650	4,251,702
Financial assets dividends	1,887,217	-	-	-	140,133	2,027,350	2,052,690

* Included in the direct credit facilities granted to the Board of Directors members is an amount of USD 377,437 representing credit facilities granted to United Financial Investment Company's board of directors members (subsidiary company) as of December 31, 2012 against USD 285,800 as of December 31, 2011.

* Included in the direct credit facilities granted to the Board of Directors members is an amount of USD 81,228 representing credit facilities granted to Ejarah for Finance Leasing Company's board of directors members (subsidiary company) as of December 31, 2012.

** Represents companies in which the Bank has a voting right in its Board of Directors.

*** Interest rate ranges between 7/3% to 8% .

**** Interest rate ranges between 1/25% to 4/5% .

- The Bank has two members in the Board of Directors of United Financial Investments Company and four members in Ejarah for Finance Leasing Company.

<u>Executive Management Remunerations:</u>

Executive management remunerations for the Bank and the subsidiary company amounted to USD 4,630,474 for 2012 (USD 4,276,762 for the year 2011), excluding performance bonuses and productivity related incentives.

39. Fair Value of Financial Assets and Financial Liabilities not Shown at Fair Value in the Consolidated Financial Statements

There are no significant differences between the book value and fair value of the financial assets and liabilities at the end of the year 2012 and 2011.

40. Risks Management

The Board of Directors performs its role in ensuring that the Bank manages the various risks and adopts the policies and procedures that streamline the Bank's risks management through the Risks and Audit Committee. Moreover, the Bank sets the risks acceptable limits (risk appetite). The Risks Management Department evaluates, controls, and recommends mitigating risks, and submits the necessary reports to higher management independently from the other Bank's departments (risk takers) which perform other banking activities in order to ensure the objectivity of the Risks Management Department in analyzing the various risk types.

Furthermore, the Risks Management Department is responsible for the market operating, credit, and liquidity risks (within the Assets and Liabilities Model) of the Bank's local and external branches. It submits its reports to the Risks and Audit Committee within the Board of Directors. These reports are audited by the Internal Audit Department.

Credit risk refers to the risk that a counterparty will default on its credit terms and/or its creditworthiness deteriorates resulting in financial loss to the Bank.

The Board of Directors periodically reviews the credit risk management policies compatible with the laws and Central Bank of Jordan instructions after being prepared by the concerned departments. Moreover, the Board of Directors ensures that management of the Bank works according to their policies and executes the related requirements. These policies include the Bank's credit policy through which many factors are determined such as:

- Setting clear requirements, policies, and decision-making procedures relating to the new or to be renewed credit facilities or any material amendment thereon within specified authorities that match the size and specifications of the credit facilities. Among the factors taken into consideration when granting credit are the purpose of the credit facilities and payment sources.
- Taking decisions within qualified management levels. Moreover, the Bank has various credit committees at the executive management level and the Board of Directors level. This is done away from the impact of conflict of interest and in a manner that guarantees the soundness and independence of the evaluation procedures of the customer requesting credit and the related compatibility with the Bank's credit policy requirements.
- Laying out clear and effective policies and procedures for managing and executing credit including continuous analysis of the ability and readiness of the borrower to pay according to contractual terms, monitoring the credit documentation and any credit terms and covenants, and continuously controlling and evaluating guarantees.
- Establishing adequate policies and procedures to ensure evaluation and management of non-performing credit and its classification in addition to evaluating the adequacy of the provisions monthly based on the instructions of Central Bank of Jordan and other regulatory authorities under which the Bank operates. This is in addition to a clear policy for writing off debt. Moreover, the Board of Directors approves the adequacy of these provisions.
- Having an independent department that follows up on troubled debts through amicable settlements prior to dealing with them legally.
- Determining the type and size of the required guarantee based on the customer's credit risk evaluation according to clear acceptance procedures and customers evaluation standards.

Periodically monitoring the fair value of the guarantees. In case their value becomes less than what is specified in the loan terms, the customer is required to provide more guarantees. Upon assessing the adequacy of the provisions, the necessary evaluation of the guarantees is performed.

Disposing of any guarantee owned after repayment of the customer's debts. In general, seized real estates are not used for the Bank's operations.

- Having an internal credit rating system for its customers documented and approved by the Board of Directors. Any factor contributing to the customer's default is considered in a manner that helps in measuring and rating the customer's risks, and consequently, faciliting the decision-making process and the pricing of credit facilities.
- Having clear rating standards taking into consideration the various financial and non-financial factors. The credit rating system is reviewed and evaluated independently from the credit department through the Risks Management Department in coordination with the concerned departments.
- Having specified and documented controls and ceilings with clear policies and procedures that guarantee commitment to these ceilings and the necessity to obtain prior approvals for any excesses. These controls and ceilings are reviewed and amended periodically, if necessary. Moreover, there are ceilings specified and approved by the Board of Directors relating to dealing with various banks, countries, and economic sectors.
- Providing the Board of Directors with a clear picture and analysis of the credit portfolio through the Risks Management Department that clarifies its quality and its various classifications and any concentrations therein, in addition to historical and banking benchmarks.

- The Bank adheres to the instructions of the Central Bank of Jordan relating to credit concentration and related parties. The Bank deals with them on an aggregate basis and accords them special care, exercises control, and expresses explicit and clear disclosure thereon when preparing the Bank's consolidated financial statements. The required credit facilities are presented by the related parties to the Board of Directors provided that the persons granted the credit facilities have no influence over the Board of Directors, and receive no preferential treatment over the Bank's customers.

Credit risk exposure (after the provision for impairment loss and interest in suspense and before guarantees and other risks - mitigating factors):

USD

	December 31,	
	2012	2011
On- Consolidated Statement of Financial Position Items		
Balances at the central banks	**256,227,501**	329,123,968
Balances at banks and financial institutions	**399,426,581**	346,080,186
Deposits at banks and financial institutions	**20,025,000**	5,025,000
Direct Credit Facilities:		
Individuals (retail)	**79,698,514**	60,983,782
Real estate loans	**226,658,406**	227,781,125
Companies		
Large companies	**1,378,976,949**	1,247,165,966
Small and medium companies	**89,054,143**	61,146,503
Government and public sector	**223,157,152**	164,135,317
Bonds and Bills:		
Financial assets at fair value through profit or loss	**96,759,313**	108,819,508
Financial assets at amortized cost	**298,385,904**	447,914,708
Pledged financial assets	**51,763,047**	-
Other assets	**43,362,227**	32,608,982
Off- Consolidated Statement of Financial Position Items		
Letters of guarantee	**272,203,776**	240,308,278
Letters of credit	**130,043,606**	135,611,904
Letters of acceptance	**19,581,006**	16,632,839
Unutilized credit facilities ceilings	**120,001,330**	125,723,358
Total	**3,705,324,455**	3,549,061,424

Credit exposures according to the degree of risk are categorized according to the following table:

USD

	Individuals	Real Estate Loans	Companies - Large	Companies - Small and Medium	Government and Public Sector	Other Assets	Bonds and Treasury Bills	Banks and Other Financial Institutions	Total
December 31, 2012									
Low risk	**393,825**	**125,511**	**16,154,609**	**2,809,127**	**78,012,275**	**-**	**347,510,031**	**256,227,501**	**701,232,879**
Acceptable risk	**78,246,132**	**145,375,711**	**1,211,284,839**	**79,783,034**	**145,144,877**	**43,362,227**	**99,398,233**	**419,451,581**	**2,222,046,634**
Of which is due (*):									
within 30 days	**2,051,855**	**96,989**	**4,391,460**	**1,267,652**	**-**	**-**	**-**	**-**	**7,807,956**
from 31 to 60 days	**2,692,491**	**108,585**	**13,930,250**	**6,564,638**	**-**	**-**	**-**	**-**	**23,295,964**
Watch list	**596,425**	**71,333,793**	**62,869,323**	**6,442,076**	**-**	**-**	**-**	**-**	**141,241,617**
Non-performing:									
Substandard	**830,262**	**350,385**	**500,000**	**822,697**	**-**	**-**	**-**	**-**	**2,503,344**
Allowance provided	**307,285**	**592,513**	**26,082,576**	**142,884**	**-**	**-**	**-**	**-**	**27,125,258**
Bad debt	**2,124,226**	**18,348,536**	**155,913,567**	**700,392**	**-**	**-**	**-**	**-**	**177,086,721**
Total	**82,498,155**	**236,126,449**	**1,472,804,914**	**90,700,210**	**223,157,152**	**43,362,227**	**446,908,264**	**675,679,082**	**3,271,236,453**
Provision for impairment loss	**2,747,544**	**8,248,519**	**79,623,374**	**1,409,131**	**-**	**-**	**-**	**-**	**92,028,568**
Interest in suspense	**52,097**	**1,219,524**	**14,204,591**	**236,936**	**-**	**-**	**-**	**-**	**15,713,148**
Net	**79,698,514**	**226,658,406**	**1,378,976,949**	**89,054,143**	**223,157,152**	**43,362,227**	**446,908,264**	**675,679,082**	**3,163,494,737**
Credit classification:									
From AAA to -A							**7,051,010**	**115,368,481**	**122,419,491**
From +BBB to -B							**62,781,893**	**81,192,357**	**143,974,250**
Less than -B							**10,091,992**	**-**	**10,091,992**
Unclassified							**19,473,339**	**222,890,743**	**242,364,082**
Governments and public sector							**347,510,030**	**256,227,501**	**603,737,531**
Total							**446,908,264**	**675,679,082**	**1,122,587,347**

	Individuals	Real Estate Loans	Companies - Large	Companies - Small and Medium	Government and Public Sector	Other Assets	Bonds and Treasury Bills	Banks and Other Financial Institutions	Total
December 31, 2011									
Low risk	676,867	138,815	15,978,824	2,026,207	9,957,707	-	420,203,018	329,123,968	778,105,406
Acceptable risk	59,289,135	144,291,116	1,109,577,451	58,471,256	154,177,610	32,608,982	136,531,198	351,105,186	2,046,051,934
Of which is due (*):									
within 30 days	1,432,042	120,324	4,679,135	862,810	-	-	-	-	7,094,311
from 31 to 60 days	2,620,047	1,851,410	14,828,396	13,844,444	-	-	-	-	33,144,297
Watch list	646,165	83,487,516	22,901,055	973,717	-	-	-	-	108,008,453
Non-performing:									
Substandard	729,872	217,965	863,437	122,614	-	-	-	-	1,933,888
Allowance provided	208,358	537,588	128,862,678	249,420	-	-	-	-	129,858,044
Bad debt	1,764,745	871,190	55,458,571	735,023	-	-	-	-	58,829,529
Total	63,315,142	229,544,190	1,333,642,016	62,578,237	164,135,317	32,608,982	556,734,216	680,229,154	3,122,787,254
Provision for impairment loss	2,292,913	1,667,503	74,694,721	1,207,856	-	-	-	-	79,862,993
Interest in suspense	38,447	95,562	11,781,329	223,878	-	-	-	-	12,139,216
Net	60,983,782	227,781,125	1,247,165,966	61,146,503	164,135,317	32,608,982	556,734,216	680,229,154	3,030,785,045
Credit classification:									
From AAA to -A							16,477,086	195,980,585	212,457,671
From +BBB to -B							82,288,100	104,860,233	187,148,333
Less than -B							-	-	-
Unclassified							37,766,012	50,264,368	88,030,380
Governments and public sector							420,203,018	329,123,968	749,326,986
Total							556,734,216	680,229,154	1,236,963,370

- The whole debt balance becomes due when one of the installments or interest is due. Moreover, the overdraft account is considered due when it exceeds the ceiling.
- Credit exposures include facilities, balances, deposits at banks, bonds and treasury bills and any other assets that has a credit exposure.

Distribution details of fair value of collaterals against direct credit facilities are as follows: USD

	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
December 31, 2012						
Guarantees against:						
Low risk	**393,824**	**125,511**	**16,154,609**	**2,809,127**	**-**	**19,483,071**
Acceptable risk	**39,596,436**	**128,749,952**	**569,204,158**	**16,072,220**	**-**	**753,622,766**
Watch list	**453,436**	**61,420,583**	**49,666,560**	**175,200**	**-**	**111,715,779**
Non-performing:						
Substandard	**511,537**	**350,385**	**-**	**35,261**	**-**	**897,183**
Allowance provided	**80,223**	**25,989,736**	**-**	**53,316**	**-**	**26,123,275**
Bad debt	**1,942,749**	**18,545,997**	**58,049,192**	**178,704**	**-**	**78,716,642**
Total	**42,978,205**	**235,182,164**	**693,074,519**	**19,323,828**	**-**	**990,558,716**
Of it:						
Cash margins	**3,920,724**	**125,511**	**137,469,472**	**5,211,100**	**-**	**146,726,807**
Accepted letters of guarantee	**-**	**-**	**11,641,749**	**-**	**-**	**11,641,749**
Real estate	**4,299,358**	**235,056,653**	**374,767,433**	**7,757,544**	**-**	**621,880,988**
Trade stocks	**7,218,312**	**-**	**161,153,213**	**2,638,797**	**-**	**171,010,322**
Vehicles and equipment	**27,539,811**	**-**	**8,042,652**	**3,716,387**	**-**	**39,298,850**
Total	**42,978,205**	**235,182,164**	**693,074,519**	**19,323,828**	**-**	**990,558,716**

	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
December 31, 2011						
Guarantees against:						
Low risk	737,504	138,815	15,978,824	2,026,207	-	18,881,350
Acceptable risk	25,291,269	137,139,010	590,010,487	13,386,935	21,269,513	787,097,214
Watch list	766,168	83,235,474	6,032,901	189,004	-	90,223,547
Non-performing:						
Substandard	607,657	217,965	-	-	-	825,622
Allowance provided	111,984	537,588	30,976,323	13,867,910	-	45,493,805
Bad debt	536,975	871,190	22,734,516	1,607,866	-	25,750,547
Total	28,051,557	222,140,042	665,733,051	31,077,922	21,269,513	968,272,085
Of it:						
Cash margins	2,204,819	300,097	155,262,711	6,320,790	-	164,088,417
Accepted letters of guarantee	-	-	7,000,000	-	-	7,000,000
Real estate	1,580,678	221,839,945	326,857,440	19,415,890	21,269,513	590,963,466
Trade stocks	10,130	-	171,893,584	1,323,979	-	173,227,693
Vehicles and equipment	24,255,930	-	4,719,316	4,017,263	-	32,992,509
Total	28,051,557	222,140,042	665,733,051	31,077,922	21,269,513	968,272,085

Scheduled Debts

Scheduled debts represent debts that have been previously classified as non-performing credit facilities, and they have been taken out from the framework of non-performing credit facilities according to proper scheduling and classified as watch list debts. Furthermore, the amount of scheduled debts during the current year amounted to USD 35,313,743 (USD 188,461 for the year 2011).

Restructured Debts

Restructured debts means reorganizing credit facilities in terms of adjusting payments, extending their term postponing some installments, or extending the grace period. Restructured debts which are not classified amounted to USD 86,353,010 for the year 2012 (USD 18,336,698 for the year 2011).

Bonds, Bills, and Debentures

The following table illustrates the classification of bonds, bills, and debentures according to external rating institutions as of December 31, 2012:

USD

Rating Grade	Rating Institution	Financial Assets at Fair Value through Profit or Loss	Financial Assets at Amortized Cost	Pledged Financial Assets	Total
A-	S&P	-	2,983,900	-	2,983,900
Aa3	Moody's	3,167,071	-	-	3,167,071
A3	Fitch	900,039	-	-	900,039
B+	Fitch	5,168,900	-	-	5,168,900
B+	S&P	4,425,700	7,795,606	-	12,221,306
baa2	Moody's	-	6,480,862	-	6,480,862
baa1	Moody's	-	3,135,742	-	3,135,742
B1	Moody's	4,743,133	-	-	4,743,133
B3	Moody's	800,010	-	-	800,010
Baa3	Moody's	452,504	2,967,000	-	3,419,504
BB	S&P	9,871,680	7,668,501	-	17,540,181
Ba3	Moody's	16,160,000	-	-	16,160,000
BBB	Fitch	1,759,980	8,892,501	-	10,652,481
Caa1	Moody's	5,015,300	5,076,691	-	10,091,991
Governmental		29,850,071	248,356,732	51,763,047	329,969,850
Unclassified		14,444,925	5,028,369	-	19,473,294
Total		96,759,313	298,385,904	51,763,047	446,908,264

Credit Risk Exposure according to Geographical Areas is presented as follows:

USD

Geographical Area	Inside Jordan	Middle East Countries	Europe	Asia*	Africa*	America	Other Countries	Total
Balances at central banks	225,832,020	24,743,402	5,652,079	-	-	-	-	256,227,501
Balances at banks and financial institutions	249,894	234,861,544	86,633,202	105,753	-	77,462,934	113,253	399,426,581
Deposits at banks and financial institutions	-	-	20,000,000	25,000	-	-	-	20,025,000
Direct credit facilities:								
Individuals	79,432,175	266,339	-	-	-	-	-	79,698,514
Real estate loans	223,805,230	260,664	2,592,513	-	-	-	-	226,658,406
Companies:								
Large	1,123,286,966	12,418,838	243,271,145	-	-	-	-	1,378,976,949
Small and medium	87,832,032	1,222,111	-	-	-	-	-	89,054,143
Government and public sector	223,157,152	-	-	-	-	-	-	223,157,152
Bonds, bills, and debentures:								
Within financial assets at fair value through profit or loss	43,890,973	32,715,340	800,010	19,352,990	-	-	-	96,759,313
Within financial assets at amortized cost	261,025,236	16,910,615	10,410,862	10,039,191	-	-	-	298,385,904
Pledged financial assets	51,763,047	-	-	-	-	-	-	51,763,047
Other assets	37,528,425	347,867	5,485,935	-	-	-	-	43,362,227
Total/for the Current Year	2,357,803,150	323,746,720	374,845,746	29,522,934	-	77,462,934	113,253	3,163,494,737
Total/Comparative Figures	2,329,613,657	229,724,039	308,668,471	29,110,327	-	133,304,513	364,038	3,030,785,045

* Excluding Middle East Countries.

- Credit Risk Exposure according to Economic Sector is presented as follows: USD

Economic Sector	Financial	Industrial	Services	Trade	Real-estate	Agricultural	Shares	Individuals	Government and Public Sector	Total
Balances at central banks	-	-	-	-	-	-	-	-	256,227,501	256,227,501
Balances at banks and financial institutions	399,426,581	-	-	-	-	-	-	-	-	399,426,581
Deposits at banks and financial Institutions	20,025,000	-	-	-	-	-	-	-	-	20,025,000
Direct credit facilities - net	65,102,819	525,518,638	527,320,877	282,178,401	228,620,485	11,076,072	65,013,744	70,729,657	221,984,471	1,997,545,164
Bonds, Bills and Debentures:										
Within financial assets at fair value through profit or loss	38,747,310	-	17,490,245	-	800,010	-	-	-	39,721,748	96,759,313
Within financial assets at amortized cost	30,306,388	-	12,054,283	-	-	-	-	-	307,788,279	298,385,904
Pledged financial assets	-	-	-	-	-	-	-	-	51,763,047	51,763,047
Other assets	23,171,896	7,195,862	6,301,924	6,692,546	-	-	-	-	-	43,362,227
Total for the Current Year	576,779,994	532,714,500	563,167,329	288,870,947	229,420,495	11,076,072	65,013,744	70,729,657	825,721,999	3,163,494,737
Total/Comparative Figures	618,743,568	399,416,482	482,941,769	230,102,523	224,426,412	10,622,571	76,050,807	53,593,568	934,887,345	3,030,785,045

40/a. Market Risk

Market risk is the potential losses that may arise from the changes in market prices such as the change in interest rates, foreign currency exchange rates, equity instrument prices, and consequently, the change in the fair value of the cash flows of the on - and off – statement of financial position financial instruments.

The Bank has specified policies and procedures through which market risks are identified, measured, monitored, and controlled. These policies and procedures are reviewed periodically. Moreover, the Investment Policy Committee studies and recommends them after ensuring their compatibility with the instructions of the Central Bank of Jordan. After that, they are approved by the Board of Directors.

The acceptable risks policy is set within the Treasury operations and includes ceilings that govern market risks. These ceilings are adopted and their application is ensured periodically and constantly through monitoring their implementation by the risks management and submitting various periodic reports to the Assets and Liabilities Committee as well as to the Board of Directors.

The Bank has shares and bonds investment portfolio for trading purposes (financial assets at fair value through profit or loss) and adopts the sensitivity analysis method thereon whereby present risks are measured according to the Standardized Approach for calculating minimum capital based on Basel Committee recommendations.

40/b. Interest Rate Risk

Interest rate risk results from the potential change in interest rates, and consequently, the potential impact on the cash flows or the fair value of financial instruments.

The Bank is exposed to interest rate risks as a result of the timing gaps of reprising assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee. Moreover, various hedging methods are used to remain within the acceptable interest rate gap limits.

- Sensitivity Analysis:

USD

	For the Year 2012		
Currency	Increase in Interest Rate %	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
US Dollar	**1**	**1,449,173**	**(4,371,468)**
Euro	**1**	**(136,819)**	**(103,509)**
GBP	**1**	**(98,455)**	**-**
Yen	**1**	**13,911**	**-**
Other currencies	**1**	**67,726**	**-**
Currency	(Decrease) in Interest Rate %	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
US Dollar	**1**	**(1,449,173)**	**792,065**
Euro	**1**	**136,819**	**2,901**
GBP	**1**	**98,455**	**-**
Yen	**1**	**(13,911)**	**-**
Other currencies	**1**	**(67,726)**	**-**
	For the Year 2011		
Currency	Increase in Interest Rate %	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
US Dollar	1	(492,560)	(3,874,914)
Euro	1	(35,845)	(179,755)
GBP	1	(54,485)	(4,031)
Yen	1	113,145	-
Other currencies	1	224,804	-
Currency	(Decrease) in Interest Rate %	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
US Dollar	1	492,560	430,733
Euro	1	35,845	11,403
GBP	1	54,485	1,925
Yen	1	(113,145)	-
Other currencies	1	(224,804)	-

Foreign Currencies Risk:

The following table illustrates the currencies to which the Bank is exposed and the potential and reasonable change in their rates against the Jordanian Dinar and related impact on consolidated statement of income. The currencies positions are monitored daily to ensure that they are within the determined limits. Moreover, the related reports are submitted to the Assets and Liabilities Committee and Board of Directors.

USD

Currency	Change in Foreign Currency Rate %		Effect on Profit or Loss		Effect on Owners' Equity	
	2012	2011	**2012**	2011	**2012**	2011
Euro	**5**	5	**2,704**	8,824	**-**	-
GBP	**5**	5	**(645)**	9,814	**-**	-
Yen	**5**	5	**2,654**	7,834	**-**	-
Other currencies	**5**	5	**938,118**	706,047	**-**	-

Risks of Changes in Shares Prices:

This represents the risk resulting from the decline in the fair value of the investment portfolio of the shares due to the changes in the value of the shares indicators and the change in the value of shares individually.

USD

Indicator of	Change in Indicator %	Effect on Profit or Loss	Effect on Owners' Equity
For the Year 2012			
Amman stock exchange	**5**	**1,102,993**	**86,815**
Palestine stock exchange	**5**	**4,641**	**6,582**
Kuwait stock exchange	**5**	**230,203**	**-**
Dubai stock exchange	**5**	**49,035**	**31,293**
Indicator of	Change in Indicator %	Effect on Profit or Loss	Effect on Owners' Equity
For the Year 2011			
Amman stock exchange	5	(1,102,993)	(86,815)
Palestine stock exchange	5	(4,641)	(6,582)
Kuwait stock exchange	5	(230,203)	-
Dubai stock exchange	5	(49,035)	(31,293)

Interest Rate Repricing Gap:

The Bank adopts the assets - liabilities compatibility principle and the suitability of maturities to narrow gaps through categorizing assets and liabilities into various maturities or price review maturities, whichever are nearer, to lower risks in interest rates, studying gaps in the related interest rates, and using hedging policies through the adoption of advanced financial instruments such as derivatives.

Reclassification is made in accordance with pricing interest periods or maturity, whichever are nearer.

Interest rate sensitivity is depicted as follows: USD

	Interest Rate Repricing Gap							
	Less than One Month	More than 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	More than 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total
December 31, 2012								
Assets:								
Cash and balances at central banks	**105,757,094**	-	-	-	-	-	**197,018,982**	**302,776,076**
Balances at banks and financial institutions	**78,120,982**	**307,238,830**	-	-	-	-	**14,066,769**	**399,426,581**
Deposits at banks and financial institutions	-	-	**55,141**	**19,969,859**	-	-	-	**20,025,000**
Direct credit facilities - net	**601,013,361**	**180,304,006**	**161,773,997**	**897,097,522**	**80,135,114**	**77,221,164**	-	**1,997,545,164**
Financial assets at fair value through profit or loss	-	**5,015,300**	-	-	**71,913,457**	**19,830,556**	**49,827,855**	**146,587,168**
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	**32,898,683**	**32,898,683**
Financial assets at amortized cost	**14,104,484**	**20,450,113**	**24,550,774**	**58,567,210**	**165,000,300**	**15,713,023**	-	**298,385,904**
Pledged financial assets	**51,763,047**	-	-	-	-	-	-	**51,763,047**
Property and equipment - net	-	-	-	-	-	-	**17,012,879**	**17,012,879**
Intangible assets - net	-	-	-	-	-	-	**3,141,260**	**3,141,260**
Deferred tax assets	-	-	-	-	-	-	**5,103,499**	**5,103,499**
Other assets	**7,277,437**	**11,456,828**	**15,720,317**	**13,503,993**	**13,178,939**	**8,977,698**	**53,861,918**	**123,977,130**
Total Assets	**858,036,405**	**524,465,077**	**202,100,229**	**989,138,584**	**330,227,810**	**121,742,441**	**372,931,845**	**3,398,642,391**
Liabilities:								
Banks and financial institutions deposits	**270,343,661**	-	**170,987,307**	**146,376,632**	-	-	**1,717,361**	**589,424,961**
Customers deposits	**699,638,578**	**386,446,385**	**184,023,721**	**74,510,138**	**65,947,432**	-	**517,897,874**	**1,928,464,128**
Cash margin	**134,241,544**	**8,556,281**	**7,771,979**	**19,678,838**	**7,828,542**	-	**32,284,736**	**210,361,920**
Borrowed funds	**50,727,786**	-	-	-	-	-	-	**50,727,786**
Other provisions	-	-	-	-	-	-	**12,309,709**	**12,309,709**
Provision for income tax	-	-	-	-	-	-	**19,032,235**	**19,032,235**
Deferred tax liabilities	-	-	-	-	-	-	**2,520,535**	**2,520,535**
Other liabilities	**19,908,874**	**8,139,206**	**6,035,800**	**3,776,230**	**3,940,274**	**5,452,788**	**3,810,863**	**51,064,035**
Total Liabilities	**1,174,860,443**	**403,141,872**	**368,818,807**	**244,341,838**	**77,716,248**	**5,452,788**	**589,573,313**	**2,863,905,309**
Interest Rate Repricing Gap	**(316,824,038)**	**121,323,205**	**(166,718,578)**	**744,796,746**	**252,511,562**	**116,289,653**	**(216,641,468)**	**534,737,082**
December 31, 2011								
Total Assets	801,281,674	378,521,052	214,464,945	1,009,140,240	305,819,023	111,501,793	387,295,434	3,208,024,161
Total Liabilities	515,894,760	550,167,252	540,971,914	282,048,087	140,350,961	6,587,269	675,504,503	2,711,524,746
Interest Rate Repricing Gap	285,386,914	(171,646,200)	(326,506,969)	727,092,153	165,468,062	104,914,524	(288,209,069)	496,499,415

Concentration in Foreign Currencies Risk: USD

	US Dollar	Euro	Sterling Pound	Japanese Yen	Others	Total
December 31, 2012						
Assets:						
Cash and balances at the central banks	**56,488,310**	**9,487,693**	**813,578**	**-**	**5,796,223**	**72,585,804**
Balances at banks and financial institutions	**314,029,915**	**9,229,522**	**5,464,849**	**100,523**	**38,008,103**	**366,832,912**
Deposits at banks and financial institutions	**20,025,000**	**-**	**-**	**-**	**-**	**20,025,000**
Direct credit facilities - net	**556,857,959**	**14,262,271**	**-**	**2,278,982**	**7,340,054**	**580,739,266**
Financial assets at fair value through other comprehensive income	**728,709**	**23,470**	**-**	**-**	**20,891,992**	**21,644,171**
Financial assets at amortized cost	**43,519,939**	**6,480,862**	**-**	**-**	**28,371**	**50,029,172**
Financial assets at fair value through profit or loss	**63,596,993**	**-**	**-**	**-**	**5,800,072**	**69,397,065**
Property and equipment	**160,377**	**-**	**-**	**-**	**-**	**160,377**
Intangible assets	**17,463**	**-**	**-**	**-**	**-**	**17,463**
Other assets	**8,912,295**	**165,391**	**144**	**8,516**	**30,915**	**9,117,261**
Total Assets	**1,064,336,960**	**39,649,209**	**6,278,571**	**2,388,021**	**77,895,730**	**1,190,548,491**
Liabilities:						
Banks and financial institutions deposits	**553,279,413**	**464,901**	**-**	**349,151**	**6,652,150**	**560,745,615**
Customers' deposits	**502,917,502**	**42,624,549**	**20,239,347**	**307,049**	**17,086,635**	**583,175,082**
Cash margins	**29,129,425**	**2,916,159**	**556,089**	**67,849**	**3,206,329**	**35,875,851**
Provision for income tax	**90,906**	**-**	**-**	**-**	**-**	**90,906**
Other liabilities	**6,672,434**	**184,299**	**46,931**	**(25,617,395)**	**25,322,339**	**6,608,608**
Total Liabilities	**1,092,089,680**	**46,189,908**	**20,842,367**	**(24,893,346)**	**52,267,453**	**1,186,496,062**
Net Concentration on Consolidated Statement of Financial Position for the Current Year	**(27,752,720)**	**(6,540,699)**	**(14,563,796)**	**27,281,367**	**25,628,277**	**4,052,429**
Off Statement of Consolidated Financial Position Contingent Liabilities for the Current Year	**235,275,281**	**30,754,977**	**1,434,908**	**1,219,764**	**3,185,085**	**271,870,015**
	US Dollar	Euro	Sterling Pound	Japanese Yen	Others	Total
December 31, 2011						
Assets:						
Cash and balances at the central banks	88,086,883	11,275,570	1,008,780	-	3,172,994	103,544,227
Balances at banks and financial institutions	243,834,764	10,120,165	10,851,312	810,168	44,838,573	310,454,982
Deposits at banks and financial institutions	5,025,000	-	-	-	-	5,025,000
Direct credit facilities - net	315,410,426	13,286,821	-	2,170,322	643,819	331,511,388
Financial assets at fair value through other comprehensive income	18,770,093	24,116	-	-	2,286,384	21,080,593
Financial assets at amortized cost	47,704,678	6,336,386	3,086,286	-	28,525	57,155,875
Financial assets at fair value through profit or loss	68,117,209	-	-	-	5,645,020	73,762,229
Property and equipment	175,236	-	-	-	-	175,236
Intangible assets	25,255	-	-	-	-	25,255
Other assets	5,507,887	192,360	1,808,556	10,082	63,896	7,582,781
Total Assets	792,657,431	41,235,418	16,754,934	2,990,572	56,679,211	910,317,566
Liabilities:						
Banks and financial institutions deposits	515,180,233	28,333,935	1,470,828	2,147,432	1,458,505	548,590,933
Customers' deposits	347,875,496	38,909,302	15,194,501	494,896	17,337,099	419,811,294
Cash margins	26,728,882	1,221,010	369,588	10,106	5,078,748	33,408,334
Other liabilities	6,331,094	682,711	1,760,619	12,856	(98,882)	8,688,398
Total Liabilities	896,115,705	69,146,958	18,795,536	2,665,290	23,775,470	1,010,498,959
Net Concentration on Consolidated Statement of Financial Position for the Current Year	(103,458,274)	(27,911,540)	(2,040,602)	325,282	32,903,741	(100,181,393)
Off Statement of Consolidated Financial Position Contingent Liabilities for the Current Year	231,535,041	19,296,385	913,948	152,037	3,402,571	255,299,982

40/ c. Liquidity Risk

First: The following table illustrates the distribution of liabilities (undiscounted) on the basis of the remaining period to the contractual maturity at the date of the consolidated financial statements:

Liquidity risk is defined as the loss to which the Bank might be exposed due to the unavailability of the necessary funds to finance its increased operations or obligations upon their maturity at the appropriate cost and time (considered as part of the Assets and Liabilities Management ALM).

- The Bank adheres to the liquidity ratios set by the Central Bank of Jordan and other regulatory authorities under which the Bank's external branches operate. Liquidity is monitored on a daily basis by the Bank.
- Liquidity is also monitored by the Assets and Liabilities Management Committee headed by the General Manager through periodic reports.

USD

	Less than One Month	More than 1 Month up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to 1 Year	More than 1 Year Up to 3 Years	More than 3 Years	Not Tied to a Specific Maturity	Total
December 31, 2012								
Liabilities:								
Banks and financial institutions deposits	**312,522,949**	-	**130,525,380**	**146,376,632**	-	-	-	**589,424,961**
Customers' deposits	**1,217,536,452**	**386,446,385**	**184,023,721**	**74,510,138**	**65,947,432**	-	-	**1,928,464,128**
Cash margins	**166,526,280**	**8,556,281**	**7,771,979**	**19,678,838**	**7,828,542**	-	-	**210,361,920**
Borrowed funds	**50,727,786**	-	-	-	-	-	-	**50,727,786**
Other provisions	-	-	-	-	-	-	**12,309,709**	**12,309,709**
Income tax provision	**4,039,428**	-	**14,992,807**	-	-	-	-	**19,032,235**
Deferred tax liabilities	-	-	-	**2,520,535**	-	-	-	**2,520,535**
Other liabilities	**19,908,875**	**8,139,206**	**6,035,800**	**3,776,230**	**3,940,274**	**5,452,788**	**3,810,862**	**51,064,035**
Total Liabilities	**1,771,261,770**	**403,141,872**	**343,349,687**	**246,862,373**	**77,716,248**	**5,452,788**	**16,120,571**	**2,863,905,309**
Total Assets	**916,881,341**	**423,929,394**	**138,618,433**	**334,581,990**	**671,690,729**	**762,030,616**	**150,909,888**	**3,398,842,391**

	Less than One Month	More than 1 Month up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to 1 Year	More than 1 Year Up to 3 Years	More than 3 Years	Not Tied to a Specific Maturity	Total
December 31, 2011								
Liabilities:								
Banks and financial institutions deposits	263,662,327	-	152,256,624	35,000,000	45,000,000	-	-	495,918,951
Customers' deposits	834,251,245	518,922,685	348,884,910	212,775,787	83,982,929	-	-	1,998,817,556
Cash margins	32,750,268	19,856,866	34,442,463	29,941,089	5,913,456	-	-	122,904,142
Other provisions	-	-	-	-	-	-	10,914,938	10,914,938
Income tax provision	4,453,370	-	13,628,246	-	-	-	-	18,081,616
Deferred tax liabilities	-	-	-	2,178,893	-	-	-	2,178,893
Other liabilities	29,559,975	11,387,701	5,387,918	4,331,212	5,454,575	6,587,269	-	62,708,650
Total Liabilities	1,164,677,185	550,167,252	554,600,161	284,226,981	140,350,960	6,587,269	10,914,938	2,711,524,746
Total Assets	679,212,949	331,135,698	299,402,494	353,113,632	439,558,688	977,854,715	127,745,985	3,208,024,161

Second: the following table summarizes the maturities of financial derivatives on the basis of the remaining period of the contractual maturity date from the date of the consolidated financial statements:

USD

	Up to One Month	From One Month to 3 Months	From 3 Months to 6 Months	Total
December 31, 2012				
Trading derivatives:				
Currency	**(90,507,755)**	**-**	**-**	**(90,507,755)**

	Up to One Month	From One Month to 3 Months	From 3 Months to 6 Months	Total
December 31, 2011				
Trading derivatives:				
Currency	(19,070,544)	-	-	(19,070,544)

Third: Off- consolidated statement of financial position items:

USD

	Up to One Year	From One Year to 5 Years	More than 5 Years	Total
December 31, 2012				
Letters of credit and acceptances	**149,624,612**	**-**	**-**	**149,624,612**
Unutilized credit facilities ceilings	**120,001,330**	**-**	**-**	**120,001,330**
Guarantees	**247,206,795**	**24,996,980**	**-**	**272,203,776**
Operating lease contract liabilities	**79,694**	**2,889,945**	**6,458,697**	**9,428,336**
Total	**516,912,432**	**27,886,925**	**6,458,697**	**551,258,054**

	Up to One Year	From One Year to 5 Years	More than 5 Years	Total
December 31, 2011				
Letters of credit and acceptances	152,244,743	-	-	152,244,743
Unutilized credit facilities ceilings	125,723,358	-	-	125,723,358
Guarantees	228,090,825	12,217,453	-	240,308,278
Operating lease contract liabilities	11,354	2,157,336	7,097,793	9,266,482
Total	506,070,281	14,374,788	7,097,793	527,542,862

41. Information on the Bank's Business Activities

a. The Bank is organized, for managerial purposes, into four major sectors. Which are measured according to reports that are used by the executive and the main decision maker at the Bank. Moreover, the Bank owns two subsidiaries one in the financial brokerage sector and the other in the finance leasing; as of the consolidated financial statements date:

- Individual accounts: includes following up on individual customers deposits, and granting them credit facilities, credit cards, and other services.
- Corporate accounts: includes following up on deposits, credit facilities, and other banking services related to customers from corporate.
- Treasury: includes providing dealing services and managing the Bank's funds.
- Others: this industry includes the activities which do not meet the definition of the Bank's business activities mentioned above.
- Financial brokerage services: includes practicing most of the brokerage and financial consultation services.
- Finance leasing services: Leasing services and real estate development projects.

The following table represents information on the Bank's sectors according to activities: USD

	Individuals	Corporations	Treasury	Brokerage	Leasing	Others	Total 2012	Total 2011
Gross income for the year	**20,103,903**	**96,462,808**	**39,198,611**	**1,982,051**	**1,660,474**	**6,422,966**	**165,830,813**	157,749,641
Less: Provision of impairment loss in direct credit facilities	**5,939,495**	**19,520,033**	-	-	-	-	**25,459,528**	29,360,464
Results of Business Sector	**14,164,408**	**76,942,775**	**39,198,611**	**1,982,051**	**1,660,474**	**6,422,966**	**140,371,285**	128,389,177
Less: Expenditures not distributed over sectors	-	-	-	**1,113,779**	**570,575**	**49,342,311**	**51,026,665**	49,937,741
Income before Income Tax	**14,164,408**	**76,942,775**	**39,198,611**	**868,272**	**1,089,899**	**(42,919,345)**	**89,344,620**	78,451,436
Less: Income tax expense for the year	-	-	-	**153,498**	**261,575**	**23,192,020**	**23,607,093**	22,461,724
Income for the Year	**14,164,408**	**76,942,775**	**39,198,611**	**714,774**	**828,324**	**(66,111,365)**	**65,737,527**	55,989,712
Capital Expenditures						**3,423,834**	**3,423,834**	1,825,324
Depreciation and Amortization						**3,108,525**	**3,108,525**	3,774,715
Sector's Assets	**318,624,604**	**1,770,435,083**	**1,223,653,714**	**15,916,370**	**29,624,023**	-	**3,358,253,794**	3,168,633,805
Assets not distributed over sectors	-	-	-	-	-	**40,388,597**	**40,388,597**	39,390,356
Total Assets	**318,624,604**	**1,770,435,083**	**1,223,653,714**	**15,916,370**	**29,624,023**	**40,388,597**	**3,398,642,391**	3,208,024,161
Sector's Liabilities	**1,160,419,336**	**978,238,506**	**668,361,491**	**1,627,704**	**370,721**	-	**2,809,017,758**	2,628,030,306
Liabilities not distributed over sectors	-	-	-	-	-	**54,887,551**	**54,887,551**	83,494,440
Total Liabilities	**1,160,419,336**	**978,238,506**	**668,361,491**	**1,627,704**	**370,721**	**54,887,551**	**2,863,905,309**	2,711,524,746

b. Information on the Geographical Allocation:

This sector represents the geographical distribution of the Bank's operations. The Bank performs its operations mainly in the Kingdom which represent local operations.

Moreover, the Bank conducts international operations through its branches in Cyprus and Palestine.

The following is the Bank's revenue, assets, and capital expenditures according to geographic allocation: USD

	Inside Kingdom		Outside Kingdom		Total	
	2012	2011	**2012**	2011	**2012**	2011
Gross Income	**139,336,577**	133,598,299	**26,494,236**	24,151,342	**165,830,813**	157,749,641
Capital Expenditures	**3,423,834**	1,825,324	**-**	-	**3,423,834**	1,825,324

	2012	2011	**2012**	2011	**2012**	2011
Total Assets	**2,389,358,922**	2,512,965,309	**1,009,283,469**	695,058,852	**3,398,642,391**	3,208,024,161

42. Capital Management

a. Description of Capital

Capital is categorized into paid-up capital, economic capital, and regulatory capital. Moreover, regulatory capital is defined, according to the Banks Law, as the total value of the items determined by Central Bank for control purposes to meet the requirements of the capital adequacy ratio required by Central Bank of Jordan instructions. Furthermore, regulatory capital consist of two parts: Primary Capital (tier 1) made up of paid-up capital, declared reserves (including statutory reserve, voluntary reserve, share premium, and treasury share premium), and retained earnings, excluding restricted amounts and non-controlling interests net of loss for the period, costs of the acquisition of treasury shares, deferred provisions approved by the Central Bank, and goodwill Support capital (tier 2) consist of the foreign currencies translation differences, general banking risks reserve, instruments with debt-equity shared characteristics, support debts and 45% of the financial assets valuation reserve, if positive, and is deducted in full, if negative.

A third part of capital (tier 3) might be formed in case the capital adequacy ratio goes below 12% due to factoring capital adequacy ratio into market risks.

Investments in subsidiary banks and financial institutions are deducted (if their financial statements are not consolidated). Moreover, investments in the capitals of banks, insurance and other financial institutions are deducted.

b. The requirements of the regulatory parties concerning capital and the manner in which they are met.

Instructions of Central Bank require that paid-up capital be not less than USD 141 million and shareholders' equity-to-assets ratio be not less than 6%. Moreover, the Central Bank instructions require that the ratio of regulatory capital to assets weighted by risks and market risks (capital adequacy ratio) be not less than 12%, which is considered by the Bank.

The Bank complies with Article (62) of the Banks Law which requires the Bank to appropriate 10% of its annual net profits in the Kingdom and continue to do so until the reserve equals the Bank's paid-up capital. This meets the requirements of the statutory reserve prescribed by the Companies Law.

The Bank complies with Article (41) of the Banks Law which requires adherence to the limits set by the Central Bank of Jordan relating to:

1. The percentage of risks relating to its assets and assets weighted by risks, elements of capital, reserves, and contra accounts.

2. Ratio of total loans to regulatory capital the Bank is allowed to grant to one person, his allies, or to related stakeholders.

3. Ratio of total loans granted to the major ten customers of the Bank to total loans extended by the Bank.

c. Method of Achieving Capital Management Goals.

The Bank considers the compatibility of the size of its capital with the size, nature, and complexity of the risk the Bank is exposed to in a manner that does not contradict the prevailing regulations and instructions. This is reflected in its strategic plans and annual budgets. To be more conservative in hedging against surrounding conditions and economic cycles, the Board of Directors decided, within the Bank's strategy, that capital adequacy ratio be not less than 14%.

When entering into investments, the impact on capital adequacy ratio is considered. Moreover, capital and its adequacy are monitored periodically as capital adequacy ratio is monitored at the Group level and the individual Bank every quarter. Furthermore, capital adequacy is reviewed by internal audit, and capital ratios are monitored monthly. Such ratios are financial leverage, shareholders' equity to assets, shareholders' equity to customers' deposits, internal growth of capital, provisions, and free capital. This should achieve the appropriate financial leverage, and consequently, the targeted return on shareholders' equity not less than 10% as prescribed by the Bank's strategy.

No dividends are paid to shareholders out of the regulatory capital if such payment leads to inadherence to the minimum capital requirement. The Bank concentrates on the internal generation of capital and can resort to public subscriptions to meet expansionary needs and future plans, or the requirements of the regulatory bodies according to specified studies.

Capital Adequacy

Capital adequacy ratio is calculated according to the Central Bank of Jordan instructions based on Basel Committee resolutions. The following is the capital adequacy ratio compared with the previous year:

USD

	2012	2011
Core Capital Items:	**(Thousand)**	(Thousand)
Authorized and paid up capital	**141,044**	141,044
Statutory reserve	**83,232**	74,333
Voluntary reserve	**150,178**	132,380
Retained earnings (after deducting proposed dividends and deferred tax assets)	**95,906**	90,011
Non-controlling interests	**-**	7,580
Less:		
Deferred provision agreed with Central Bank of Jordan	**35,591**	19,746
Goodwill and intangible assets	**3,141**	1,547
50% from the investments in insurance companies, financial companies and significant investments in other companies	**10,465**	18,078
Seized properties whose ownership period is more than four years, or two years and less than four years, without the consent of Central Bank of Jordan.	**777**	791
Deficit in supplementary capital	**-**	2,872
Total Core Capital	**420,386**	402,314
Supplementary Capital Items		
General banking risks reserve	**17,089**	14,886
Pro-cyclicality fluctuation reserve	**110**	-
Valuation reserve of financial assets at fair value through other comprehensive income at 100% of the negative change or 45% of the positive change	**1,016**	319
Deficit in supplementary capital	**-**	2,872
Less:		
50% of investments in insurance companies, financial institutions and significant investments in other companies	**10,465**	18,078
Total Regulatory Capital	**428,136**	402,313
Total Assets Weighted by Risks	**2,625,179**	2,464,374
Ratio of regulatory capital	**16/31%**	16/33%
Core capital ratio *	**16/01%**	16/33%

* Core capital has been calculated net of investments in banks and financial subsidiary company as their financial statements have not been incorporated.

43. Accounts Managed on Behalf of Customers

There are no investment portfolios managed by the Bank on behalf of customers.

44. Analysis of the Maturities of Assets and Liabilities

The following table illustrates the analysis of assets and liabilities according to the expected period of their recoverability or settlement:

USD

	Up to One Year	More than One Year	Total
December 31, 2012			
ASSETS			
Cash and balances at central banks	**302,776,076**	**-**	**302,776,076**
Balances at banks and financial institutions	**399,426,581**	**-**	**399,426,581**
Deposits at banks and financial institutions	**20,025,000**	**-**	**20,025,000**
Direct credit facilities - net	**871,950,840**	**1,125,594,324**	**1,997,545,164**
Financial assets at fair value through profit or loss	**54,843,155**	**91,744,013**	**146,587,168**
Financial assets at fair value through other comprehensive income	**-**	**32,898,683**	**32,898,683**
Financial assets at amortized cost	**115,095,737**	**183,290,167**	**298,385,904**
Pledged financial assets	**51,763,047**	**-**	**51,763,047**
Property and equipment - net	**-**	**17,012,879**	**17,012,879**
Intangible assets - net	**-**	**3,141,260**	**3,141,260**
Deferred tax assets	**-**	**5,103,499**	**5,103,499**
Other assets	**47,958,575**	**76,018,555**	**123,977,130**
TOTAL ASSETS	**1,863,839,011**	**1,534,803,380**	**3,398,642,391**
LIABILITIES			
Banks and financial institutions deposits	**589,424,961**	**-**	**589,424,961**
Customers deposits	**1,862,516,696**	**65,947,432**	**1,928,464,128**
Cash margins	**202,533,378**	**7,828,542**	**210,361,920**
Borrowed funds	**50,727,786**	**-**	**50,727,786**
Other provisions	**-**	**12,309,709**	**12,309,709**
Provision for income tax	**19,032,235**	**-**	**19,032,235**
Deferred tax liabilities	**2,520,535**	**-**	**2,520,535**
Other liabilities	**37,860,111**	**13,203,924**	**51,064,035**
TOTAL LIABILITIES	**2,764,615,702**	**99,289,607**	**2,863,905,309**
NET ASSETS	**(900,776,691)**	**1,435,513,773**	**534,737,082**

USD

	Up to One Year	More than One Year	Total
December 31, 2011			
ASSETS			
Cash and balances at central banks	367,909,401	-	367,909,401
Balances at banks and financial institutions	346,080,186	-	346,080,186
Deposits at banks and financial institutions	25,000	5,000,000	5,025,000
Direct credit facilities - net	836,224,345	924,988,348	1,761,212,693
Financial assets at fair value through profit or loss	61,706,908	96,302,827	158,009,735
Financial assets at fair value through other comprehensive income	-	30,554,278	30,554,278
Financial assets at amortized cost	255,845,673	192,069,035	447,914,708
Property and equipment - net	-	16,808,680	16,808,680
Intangible assets - net	-	1,547,323	1,547,323
Deferred tax assets	-	4,658,633	4,658,633
Other assets	55,826,100	12,477,424	68,303,524
TOTAL ASSETS	1,923,617,613	1,284,406,548	3,208,024,161
LIABILITIES			
Banks and financial institutions deposits	450,918,951	45,000,000	495,918,951
Customers deposits	1,914,834,627	83,982,929	1,998,817,556
Cash margins	116,990,686	5,913,456	122,904,142
Other provisions	-	10,914,938	10,914,938
Provision for income tax	18,081,616	-	18,081,616
Deferred tax liabilities	2,178,893	-	2,178,893
Other liabilities	50,666,806	12,041,844	62,708,650
TOTAL LIABILITIES	2,553,671,579	157,853,167	2,711,524,746
NET ASSETS	(630,053,966)	1,126,553,381	496,499,415

45. Fair Value Hierarchy

The table below analyzes financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices);

Level (3): inputs for the asset or liability that are not based on observable market data (unobservable inputs).

USD

	Level (1)	Level (2)	Level (3)	Total
December 31, 2012				
Financial Assets Instruments:				
Financial assets at fair value through profit or loss	**79,516,479**	**67,070,689**	**-**	**146,587,168**
Financial assets at fair value through other comprehensive income	**9,774,975**	**23,123,708**	**-**	**32,898,683**
Financial derivatives instruments	**884,409**	**-**	**-**	**884,409**
Total Financial Assets Instruments	**90,175,863**	**90,194,397**	**-**	**180,370,260**
Financial Liabilities Instruments:				
Financial derivatives instruments	**140,513**	**-**	**-**	**140,513**
Total Finanical Liabilities Instruments	**140,513**	**-**	**-**	**140,513**

	Level (1)	Level (2)	Level (3)	Total
December 31, 2011				
Financial Assets Instruments:				
Financial assets at fair value through profit or loss	79,660,072	78,349,663	-	158,009,735
Financial assets at fair value through other comprehensive income	8,729,094	21,825,184	-	30,554,278
Financial derivatives instruments	867,635	-	-	867,635
Total Financial Assets Instruments	89,256,801	100,174,847	-	189,431,648
Financial Liabilities Instruments:				
Financial derivatives instruments	174,491	-	-	174,491
Total Finanical Liabilities Instruments	174,491	-	-	174,491

46. Commitments and Contingent Liabilities (Off- Consolidated Statement of Financial Position)

a. Credit commitments and contingencies:

USD

	2012	2011
Letters of credit	**130,043,606**	135,611,904
Letters of acceptances	**19,581,006**	16,632,839
Letters of guarantee:		
Payments	**133,697,408**	104,893,286
Performance bonds	**83,198,268**	87,382,625
Other	**55,308,100**	48,032,367
Unutilized credit facilities ceilings	**120,001,330**	125,723,358
Total	**541,829,718**	518,276,379

b. Contractual obligations:

USD

	2012	2011
Contracts to purchase property and equipment	**806,769**	672,496
Construction contracts	**454,590**	832,669
Other purchases contracts	**2,162,475**	320,159
Total	**3,423,834**	1,825,324

c. Operating leases amounted to USD 9,428,336 with periods ranging from 1 to 10 years (USD 9,266,482 as of December 31, 2011).

d. Unpaid investment participations on companies capital amounted to USD 540,421 as of December 31, 2012 .

The details are as follows:

Company's Name	Total Investment	Remaining Obligation	Settlement Date
- Jordan Investment Fund	1,000,000	203,000	Upon demand
- Agricultural Products Exporting Company	450,000	337,422	Upon demand
	1,450,000	540,422	

47. Lawsuits against the Bank

a. The Bank is a defendant in lawsuits amounting to USD 9,850,748 as of December 31, 2012 (USD 9,643,413 as of December 31, 2011). In the opinion of the Bank's management and legal advisor, no liabilities shall arise against the Bank exceeding the existing provision of USD 511,487 as of December 31, 2012 (USD 445,220 as of December 31, 2011).

b. As of December 31, 2012 and 2011, there were no lawsuits against the subsidiary Companies.

48. Adoption of new and revised International Financial Reporting Standards (IFRSs)

48.a. Amendments to IFRSs applied with no material effect on the consolidated financial statements:

The following new and revised IFRSs have been adopted in the preparation of the consolidated financial statements for which they did not have any material impact on the amounts and disclosures of the financial statements, however, they may affect the accounting for future transactions and arrangements.

Amendments to IFRS 1 Severe Hyperinflation (Effective for annual periods beginning on or after 1 July 2011).	The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.
Amendments IFRS 1 removal of Fixed Dates for First-time Adopters (Effective for annual periods beginning on or after 1 July 2011).	The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.
Amendments to IFRS 7 Disclosures – Transfers of Financial assets (effective for annual periods beginning on or after 1 July 2011).	The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.
Amendments to IAS 12: Deferred Tax – Recovery of Underlying assets (Effective for annual periods beginning on or after 1 January 2012).	Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalue Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

48.b. New and revised IFRSs issued but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued and are available for early application but are not yet effective:

	Effective for annual periods beginning on or after
Amendments to IFRS 7.	1 January 2015.
IFRS 10 Consolidated Financial Statements.	1 January 2013.
IFRS 11 Joint Arrangements.	1 January 2013.
IFRS 12 Disclosure of Interests in Other entities.	1 January 2013.
Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other entities: Transition Guidance.	1 January 2013.
IAS 27 Separate Financial Statements (as revised in 2011).	1 January 2013.
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011).	1 January 2013.
IFRS 13 Fair Value Measurement.	1 January 2013.
IAS 19 Employee Benefits (as revised in 2011).	1 January 2013.
Amendments to IAS 32 Financial Statements Offsetting Financial Assets and Liabilities.	1 January 2014.
Amendments to IFRS 1 Government Loans.	1 January 2013.
Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities.	1 January 2013.
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income.	1 June 2012.
Annual Improvements to IFRSs 2009 – 2011 Cycle.	1 January 2013.
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.	1 January 2013.

Management anticipates that each of the above standards and interpretations will be adopted in the consolidated financial statements by its date mentioned above without having any material impact on the Bank's consolidated financial statements.

Jordan Kuwait Bank

Statement of Disclosure for the Financial Year ending 31/12/2012, in accordance with article (4) of the disclosure regulations, the accounting and auditing standards issued by the Jordan Securities Commission.

Item

4a: Chairman's Statement: Included in the report.

4b/1: Description of main activities: Included in the report.

The Bank operates through its head office in Abdali - Amman and 53 branches and cash offices in Jordan, in addition to two branches in Palestine and one branch in Cyprus. Total capital expenditure for the year 2012 amounted to USD 2.45 million. The table below shows the Bank's locations and the number of staff at each.

Location	No. of Staff	Location	No. of Staff	Location	No. of Staff
Head Office	415	Al-Rabiyah Branch	9	Mecca Street Branch	10
Main Branch	17	Vegetable Market Branch	9	Al-Rawnaq Branch	6
Abdali Branch	18	Madina Munawarah St. Branch	14	Southern Sweileh Branch	8
Jabal Amman Branch	12	Sweifiyyah Branch	12	Irbid Branch	15
Wehdat Branch	13	Nazzal Branch	8	Wadi Saqra Branch	9
Tla' El 'Ali Branch	14	Mecca Mall Branch	9	Al-Husson St. Branch- Irbid	8
Jabal Al-Hussein Branch	11	Petra University Office	3	Yarmouk University Branch- Irbid	7
Commercial Center Branch	10	Al-Mougablain Branch	8	Al-Mafraq Office	5
Abu-Alanda Branch	10	Marj El-Hamam Branch	6	Al-Karak Office	5
Yarmouk Branch	13	Zain Office	2	Aqaba Branch	12
Wadi El-Seir Branch	11	Sweileh Office	4	Zarqa Branch	12
Jubaiha Branch	14	Al-Ahliyya Amman University Branch	7	Russaifeh Branch	10
Amra Branch	9	Baq'ah Branch	8	Zarqa Free Zone Branch	8
Abdoun Branch	13	Madaba Branch	9	New Zarqa Branch	8
Abu-Nsair Branch	6	Al-Salt Office	3	Al-Madineh Al-Riyadeah Branch	10
Marka Branch	10	King Abdullah Bureau Office	3	Regional Management –Palestine	8
Ibn Khaldoun Branch	8	Khalda Branch	8	Nablus Branch -Palestine	13
Dabouq Branch	10	Dair Ghbar Office	4	Ramallah Branch - Palestine	12
City Mall Branch	8	Mecca Mall Office	4	Cyprus Branch	4
Shmeissani Branch	15				
United Financial Investments Co. (Subsidiary)			14		
Ejara Leasing Co. (Subsidiary)			8		

4b /2: Subsidiaries:

United Financial Investments Company:

United Financial Investments Co. (UFICO) was established in 1980. In 1996 the company was restructured as a public shareholding company.

The company enjoys a leading position among the major top firms operating in the ASE. UFICO provides financial services, which are directly connected with local and international financial markets.

In 2002, UFICO became a subsidiary of Jordan Kuwait Bank. The Bank holds 50.22% of the company's capital of JD 8 million (USD 11.28m) as at December 2010.

The Company's H.Q. is located in Shmeissani, Amman with 14 working employees.

Ejara Leasing Company

Jordan Kuwait Bank established Ejara Leasing Company on January 6, 2011. The company was registered as a private shareholding company with paid-up capital JD 10 million (USD 14.1m) fully paid by the Bank. In September 2012 Ejara's capital was raised to JD 20 million (USD 28.2m).

Ejara Leasing Co. aims to provide innovative and high quality leasing services to supplement the banking and financing services offered at Jordan Kuwait Bank to be in line with the developments in the financial market, meet the needs of the Bank's clients and support the various economic activities, while developing the concept of financial leasing and providing the Bank's clients with different financing alternatives.

The Company's H.Q. is located in the Mecca Street Branch building, Amman with 8 working employees.

4b /3: Executives' Biographies:

1- Board of Directors

1. H. E. Mr. Abdel Karim A. Kabariti

Chairman

Date of membership: 15/7/1997

Date of Birth: 1949

Education: Bachelor degree in Business and Finance with Honors from St. Edwards University-USA, 1973.

Present Positions:

- Chairman of the Board of Trustees, Al-Ahliyya Amman University.
- Chairman, United Financial Investments Company.
- Chairman, Algeria Gulf Bank – Algeria
- Board Member, Jordan Dairy Company.
- Board Member, Burgan Bank – Kuwait.

Previous Official & Governmental Positions:

- Member of the Jordanian Senate, Head of the Economics & Finance Committee (2005 - 2007).
- Member of the Jordanian Senate, First Deputy to the Speaker (2000 – 2002).
- Chief of the Royal Court, (1999 - 2000).
- Member of the Twelfth and the Eleventh Jordanian Parliaments (1993 – 1997) and (1989 – 1993) / Head of the Economics & Finance Committee (1993 – 1995).
- Prime Minister, Minister of Foreign Affairs and Minister of Defense (1996 - 1997).
- Minister of Foreign Affairs (1995 - 1996).
- Minister of Labor (1991 - 1993).
- Minister of Tourism (1989 - 1991).

Previous Business Experiences:

- He worked at many financial institutions / private business (1973 – 1989).

2. Mr. Faisal H. Al -Ayyar

Vice Chairman, Representative of United Gulf Bank - Bahrain.

Date of membership: 15/7/1997

Date of Birth: 1954

Education: Studied Aviation and worked as a fighter pilot for the Kuwait Air Force.

Present and Previous Positions:

- Vice Chairman, Kuwait Projects Co. (Holding) – Kuwait.
- Vice Chairman, Gulf Insurance Group – Kuwait.
- Board Member, United Co. (Orbit Showtime).
- Board Member, Burgan Bank Turkey – Turkey.
- Board Member, Saudi Dairy & Foodstuff Co. (SADAFCO)- Saudi Arabia.
- Board Member, United Gulf Bank – Bahrain.
- Member on Board of Trustees, American University of Kuwait.
- Chairman, Kuwait Association for Learning Differences – Kuwait.
- Chairman, Trust International Insurance Co. – Lebanon.
- Chairman, Saudi Pearl Insurance Co. – Bahrain.
- Chairman, United Gulf Investment Co. - Cayman Islands.
- Board Member, Gulf Egypt for Hotels & Tourism Company – Egypt.
- Board Member, EgySwiss Food Co. – Egypt.
- Recipient of numerous decorations and awards.

3. Mr. Emad J. Kudah

Board Member, Representative of the Social Security Corporation - Jordan.

Date of Membership: 1/9/2006

Date of Birth: 1961

Education: MBA, Sul Ross State University, Texas-USA, 1985

Present Position:

- Manager, Equity Investment Dept. – Social Security Investment Fund.

Previous Positions:

- Manager, Treasury Dept. - Social Security Investment Unit, (2002 – 2009).
- Board Member, Jordan Post Co. (2007).
- Acting Chief Executive Officer, Social Security Investment Unit (2005 - 2006).
- Portfolio Manager, Foreign Investments Dept., Central Bank of Jordan (2000 - 2002).
- Chief Dealer, Foreign Investment Dept., Central Bank of Jordan (1996 - 2000).
- Deputy Manager, Central Accounting Division, Central Bank of Jordan (1989 - 1991).
- Member of the Jordanian FOREX Association.

4. Mr. Masaud M. Jawhar Hayat

Board Member, Representative of Al- Futtooh Holding Co.- Kuwait.

Date of Membership: 20/2/2001

Date of Birth: 1953

Education: Bachelor degree in Accounting with a major in Economics, Kuwait University, 1973 and a High Diploma in Banking Studies, 1975.

Present Positions:

- Chief Executive Officer of the banking sector, Kuwait Projects Co. (Holding) - Kuwait (2010 – Present).
- Chairman, United Gulf Bank – Bahrain.
- Chairman, Syria Gulf Bank - Syria.
- Chairman, Tunis International Bank - Tunis.
- Vice Chairman, Algeria Gulf Bank - Algeria.
- Vice Chairman, North African Co.
- Vice Chairman, Royal Capital Co. – Abu Dhabi.
- Board Member, Bank of Baghdad - Iraq.
- Board Member, KIPCO Asset Management Co. (KAMCO)- Kuwait.
- Board Member & Secretary, Union of Investment Companies– Kuwait.

Previous Positions:

- Chairman, Kuwait Asset Management Co. (KAMCO) - Kuwait (1998-2010).
- Board Member & Audit Committee Chair, International Investor Co. – Kuwait (2005 - 2009).
- Managing Director, United Gulf Bank – Bahrain (1997 - 2009).
- Board Member, Gulf Insurance Company plc (1997 – 2001).
- Board Member, Industrial Investments Co. (1993 – 2001).
- Started his banking career in 1974 at the National Bank of Kuwait and occupied several positions till he was appointed as acting chief general manager in 1992, then appointed as consultant to the board of directors from 1993 till 1996.
- Board Member, Tunis Arab International Bank (1986 – 1996).
- Board Member & Vice chairman of the Executive Committee, Bahrain and Kuwait Bank (1986 – 1995).
- Managing Chairman, Burgan Bank – Kuwait
- Board Member, United Fisheries Co. – Kuwait.
- Board Member, National Telecommunications Co. - Algeria.
- Chairman, United Gulf Financial Services Co. - Qatar.
- Board Member & Treasurer, Investment Companies Union – Kuwait.

5. Mr. Tariq M. Abdul Salam

Board Member, Representative of Kuwait Projects Co. (Holding) – Kuwait.

Date of Membership: 15/7/1997

Date of Birth: 1965

Education: Bachelor degree in Accounting, Kuwait University, 1987.

Diploma in International Securities, 1996.

Present Positions:

- Chief Executive Officer of the Investment sector, Kuwait Projects Co. (Holding) - Kuwait (2011 – Present).
- Chairman, United Real Estate Company - Kuwait (2010 - Present).
- Vice Chairman, Kuwait Clearing Co. – Kuwait (2004 – Present).
- Board Member, Royal Capital – Abu Dhabi (2007 – Present).
- Board Member, Saudi Dairy & Foodstuff Co. (SADAFCO) - Saudi Arabia (2012 – Present)

Previous Positions:

- Chairman, Burgan Bank - Kuwait (2007 - 2010).
- Vice Chairman, Burgan Bank – Kuwait (2004 - 2007).
- Board Member, Bank Kuwait & Middle East – Kuwait (2003 - 2004).
- Board Member, United Gulf Bank – Bahrain (2002 - 2008).
- Board Member, Industrial Bank of Kuwait – Kuwait (2002 - 2003).
- Board Member, KIPCO Asset Management Co. (KAMCO) (1998 - 2009).
- General Manager, KIPCO Asset Management Co. (KAMCO) (1998 - 2004).
- Chairman, Kuwait Clearing Co. – Kuwait (1997 - 2004).
- Board Member, Gulf Insurance Company – Kuwait (1997 - 2001).
- Assistant CEO, Trading and Investment Portfolio Management, Kuwait Projects Co.-Kuwait (1996 – 1999).
- Board Member, Bahrain Kuwait Insurance – Kuwait (1992-2008).
- Manager, Trading and International Investment Portfolio Management, Kuwait Projects Co.-Kuwait (1992 - 1996).
- Manager, Accounts Department, International Financial Investment Company (1987 - 1989).

6. Mr. Farouk A. Al -Aref

Board Member

Date of Membership: 15/7/1997

Date of Birth: 1938

Education: Bachelor degree in International Relations, University of Chicago-USA.

Previous Positions:

- CEO, Gulfcom Telecommunications.
- Head of Management Committee, Jordan SADAFCO Food Co. (Until May 2009).
- Deputy General Manager, Al Razi Pharmaceutical Company (1993 - 1999).
- Deputy General Manager, Jordan Kuwait Bank (1988 - 1993).
- General Manager, Nayef Al Dabbous & Sons Co. - Kuwait (1970 - 1988).
- Administrative Manager, Ministry of Public Works - Kuwait (1961 - 1966).

7. Dr. Yousef M. Goussous

Board Member, Representative of Burgan Bank – Kuwait.

Date of Membership: 20/2/2001

Date of Birth: 1939

Education: Bachelor degree in medicine, Ain Shams University-Egypt, 1965 and thencompleted his specialization in heart diseases at Houston University, Texas-USA, 1973.

- Present and Previous Positions:
- Member of the Jordanian Senate (2011 – Present).
- Lecturer on heart disease at the University of Jordan and at the Jordan University for Science and Technology.
- Senior consultant at Queen Alia Center for Heart Disease and Surgery.
- Served as Manager of Al Hussein Medical Center and Chief of the Royal Medical Services.
- Deputy Head of Management Committee, Amman Surgical Hospital.
- Fellow of several distinguished British and American medical institutions.
- Holder of several elite civil, military and medical medals of achievement in Jordan and abroad.

8. Mr. Mansour A. Louzi

Board Member, Representative of Strategy Company for Investments.

Date of Membership: 15/3/2009

Date of Birth: 1961

Education: Bachelor degree in Business Administration, St. Edwards University, Texas -USA, 1983.

Present Positions:

- Board Member, United Financial Investments Co. / Representative of Jordan Kuwait Bank.
- Vice Chairman, Arab Orient Insurance Co.

Previous Positions:

- Board Member, Middle East Specialized Cables (MESC Jordan).
- Business Development Manager, Siemens Company - Jordan Branch.
- Administrative Manager, Siemens Company-Jordan Branch (1993 - 2006).
- Board Member, Amman Insurance Company Ltd. (1998 - 2000).
- Board Member, Philadelphia Bank for Investment (1996 - 2000).
- Board Member, National Company for Steel Manufacturing (1995 - 2000)
- Central Bank of Jordan – International Relations Dept. - Investment Unit (1985 - 1993).
- Jordan Armed Forces – Studies & Development Dept. (1984 - 1985)

9. Mr. Bijan Khosrowshahi

Board Member, Representative of Odyssey Reinsurance Co., U.S.A

Date of Membership: 23/3/2011

Date of Birth: 1961

Education: MBA, 1986 and Bachelor Degree in Mechanical Engineering, Drexel University-USA, 1983.

Present Positions:

- President of Fairfax International, London.
- Board member, Representative of Fairfax Financial Holdings Limited for the following companies:
- Gulf Insurance Company – Kuwait
- Bahrain Kuwait Insurance – Bahrain
- Arab Misr Insurance – Egypt
- Arab Orient Insurance Company – Jordan
- Fajr Al-Gulf Insurance Co. - Lebanon

Previous Positions:

- President & CEO, Fuji Fire and Marine Insurance Company, Japan.
- President, AIG's General Insurance operations, Seoul, Korea (2001-2004).
- Vice Chairman and Managing Director, AIG Sigorta, Istanbul, Turkey (1997-2001).
- Regional Vice President, AIG's domestic property and casualty operations for the Mid-Atlantic region, USA.
- Held various underwriting and management positions with increasing responsibilities, AIG, USA since 1986.
- Board member, Foreign Affairs Council.
- Board member, Insurance Society of Philadelphia.
- Council member, USO, Korea.
- Chairman, Insurance committee of the American Chamber of Commerce, Korea.
- Member, Turkish Businessmen's Association.

2- Executive Management:

1. Mr. "Moh'd Yaser" M. Al -Asmar

Position: General Manager
Date of Birth: 1947
Date of joining: 15/9/1990
Education: Bachelor degree in Business Administration, University of Jordan, 1970.

Experience / Other Positions:

- Board Member, Arab Orient Insurance Co./ Representative of Jordan Kuwait Bank.
- Board Member, The Association of Banks in Jordan (2005 - Present).
- Asst. General Manager, Credit Dept (1990 – 1993).
- Asst. General Manager, Credit Administration and Control, Commercial Bank ofKuwait - Kuwait (1971 – 1990).

2. Mr. Tawfiq A. Mukahal

Position: Deputy General Manager – Banking Group
Date of Birth: 1951
Date of joining: 12/10/1991
Education: Secondary School Certificate, 1969.

Experience / Other Positions:

- Board Member, Jordan Steel Co./ Representative of Jordan Kuwait Bank.
- Board Member, Jordan Mortgage Refinance Co./ Representative of Jordan Kuwait Bank.
- Board Member, Jordan Loan Guarantee Corporation / Representative of Jordan Kuwait Bank.
- Board Member, Kingdom Electricity Co. – Private shareholding Co. / Representative of Jordan Kuwait Bank.
- Asst. General Manager, Credit Dept. (1998 – 2007).
- Executive Manager, Credit Dept. (1993 – 1997).
- Manager, Marketing & Credit Unit (1991 – 1993).
- Manager, Marketing & Credit Dept., National Bank of Kuwait – Kuwait (1971 – 1990).

3. Mr. Shaher E. Suleiman

Position: Head of Risk Management & Compliance Group
Date of Birth: 1963
Date of joining: 16/5/1999
Education: Master degree in International Banking, Heriot-Watt University – U.K., 1998.

Experience:

- Asst. General Manager – Internal Audit Dept. (1999-2009).
- Worked at the Central Bank of Jordan (1988 – 1999).

4. Mr. William J. Dababneh

Position: Asst. General Manager – Treasury & Investment Department
Date of Birth: 1957
Date of joining: 27/8/1994
Education: Secondary School Certificate, 1975.

Experience:

- 17 Years Experience in various banks and the last was Arab Jordanian Investment Bank (1990 – 1994).

5. Mrs. Hiyam S. Habash

Position: Asst. General Manager – Financial Department
Date of Birth: 1955
Date of joining: 6/2/1999
Education: Diploma in Business Administration, American Lebanese University, 1978.

Experience:

- Financial Manager, New English School (1992 – 1997).
- Financial Manager, Petra Bank (1978 – 1989).

6. Mr. Ismail A. Abu-A'di

Position: Asst. General Manager – Credit Department

Date of Birth: 1964

Date of joining: 12/9/1988

Education: Master degree in Banking & Finance, Arab Academy, 1992.

Experience / Other Positions:

- Board Member, Al-Isra Co. for Education & Investment/ Representative of Jordan Kuwait Bank.
- Executive Manager, Credit Dept. (2005 – 2007).
- Manager, Credit Dept. (2000 – 2005).
- General Banking Experience, JKB (1988-2000).

7. Mr. Abdel Hameed M. Al-Ahwal

Position: Asst. General Manager – Operations Department

Date of Birth: 1954

Date of joining: 2/6/1982

Education: Bachelor degree in Business Administration, South Eastern University – U.S.A, 1980.

Experience / Other Positions:

- Vice Chairman, Ejara Leasing Co. (fully owned subsidiary)
- Board Member, Darat Jordan Holdings / Representative of Jordan Kuwait Bank.
- Executive Manager, Branch Administration (2006 – 2007).
- Executive Manager, Main Branch (2000 – 2006).
- Branch Manager (1990 – 1999).
- General Banking Experience, JKB (1982 – 1989).

8. Mr. Haethum S. Buttikhi

Position: Asst. General Manager – Retail & Consumer Products Department

Date of Birth: 1977

Date of joining: 1/6/2003

Education: Royal Military Academy, Sandhurst - U.K., 1996.
Bachelor degree in Political Science, Kent University – U.K., 2000.

Experience / Other Positions:

- Chairman, Ejara Leasing Co (fully owned subsidiary).
- Board Member, United Financial Investments Co./ Representative of Jordan Kuwait Bank.
- Board Member, Amad Investment & Real Estate Development Co./ Representative of Jordan Kuwait Bank.
- Member of the Management Committee, Middle East Payment Services (MEPS)/ Representative of Jordan Kuwait Bank.
- Board Member, Jordan Phosphate Mines Co./ Representative of Jordan Kuwait Bank.
- Board Member, Salam Intl. Transport & Trading Co.
- Executive Manager, Private Banking Unit (2007).
- Manager, Main Branch (2003 – 2006).

9. Mr. Kamal A. Hazboun

Position: Asst. General Manager - Information Technology

Date of Birth: 1959

Date of joining: 13/11/2011

Education: MBA in International Business, New York Institute of Technology –Jordan, 2008.
Master Degree in Telecommunications, Budapest University- Hungary, 1983.

Experience:

- Management and Technology Consultant (2009-2011).
- Chief Executive Officer, OPTIMIZA (2007-2009).
- IT Project Assurance Consultant, The Housing Bank for Trade & Finance (2005-2006).
- General Manager, Trans M.E. International Distribution Co. (2000-2005).
- Associate Partner, Accenture (1993-2000).
- Head of Communications and Special Projects, Arab Bank (1983-1993).

10. Mr. Ibrahim E. Kashet

Position: Executive Manager – Legal Department
Date of Birth: 1962
Date of joining: 1/4/1989

Experience / Other Positions:

- Board Member, Ejara Leasing Co. (fully owned subsidiary)
- Legal Department (2000 – Present).
- Credit Department, (1994 – 2000).
- Credit Follow Up Department, (1989 – 1994).

11. Mr. Sa'ed M. Tu'meh

Position: Executive Manager – Internal Audit Department
Date of Birth: 1970
Date of joining: 1/5/2001
Education: Bachelor degree in Accounting & Finance, University of Jordan, 1992.

Experience:

- General Banking Experience, Housing Bank, (1992 –2001).

12. Mr. Abdallah I. Mismar

Position: Executive Manager – Administrative Affairs Department
Date of Birth: 1973
Date of joining: 5/3/2000
Education: Bachelor degree in Law, Al-Ahliyya Amman University, 1997.

Experience:

- Legal Affairs Department at Ministry of Interior (1997-2000).

13. Mr. Daoud A. Issa

Position: Executive Manager – Human Resources Department
Date of Birth: 1973
Date of joining: 18/11/2012
Education: Bachelor degree in Economics, Al-Yarmouk University, 1998.

Experience:

- Head of HR planning and budget and Head of Personnel, Qatar Petroleum and its affiliated companies - Qatar (2004-2012).
- Personnel Manager, Lotus Trading and Contracting Company – Qatar (2001 – 2004)
- Personnel and Public Relations Manager, Engineering Technical Contracting Company – Jordan (1997-2001)

14. Mr. Ibraheem S. Al-Hanash

Position: Regional Manager – Palestine Branches
Date of Birth: 1957
Date of joining: 1/2/1981
Education: Bachelor degree in Accounting, Philadelphia University – Jordan, 1999.

Experience:

- General Banking Experience, Jordan Kuwait Bank, (1981 – 2007).

4b/4: Shareholders who own 5% or more of the Bank's shares (2012 & 2011).

Shareholder	Nationality	No. of Shares 31/12/2012	%	No. of Shares 31/12/2011	%
Burgan Bank	Kuwaiti	**50,927,827**	**50.928**	50,927,827	50.928
Social Security Corporation	Jordanian	**21,041,644**	**21.042**	21,041,644	21.042
Odyssey Reinsurance Company	American	**5,250,000**	**5.250**	4,800,000	4.800

4b/5: Competitive position: Included in the report.

4b/6: The Bank did not conclude any deal/s with specific supplier/s and/or major clients (in Jordan or abroad) of 10% or more of total Bank's purchases, sales or revenue.

4b/7: The Bank does not enjoy any governmental concessions or protection in accordance with the prevailing rules and regulations.

4b/8: There has been no material effect on the Bank's operations, products or competitiveness as a result of any government or international organizations' decisions.

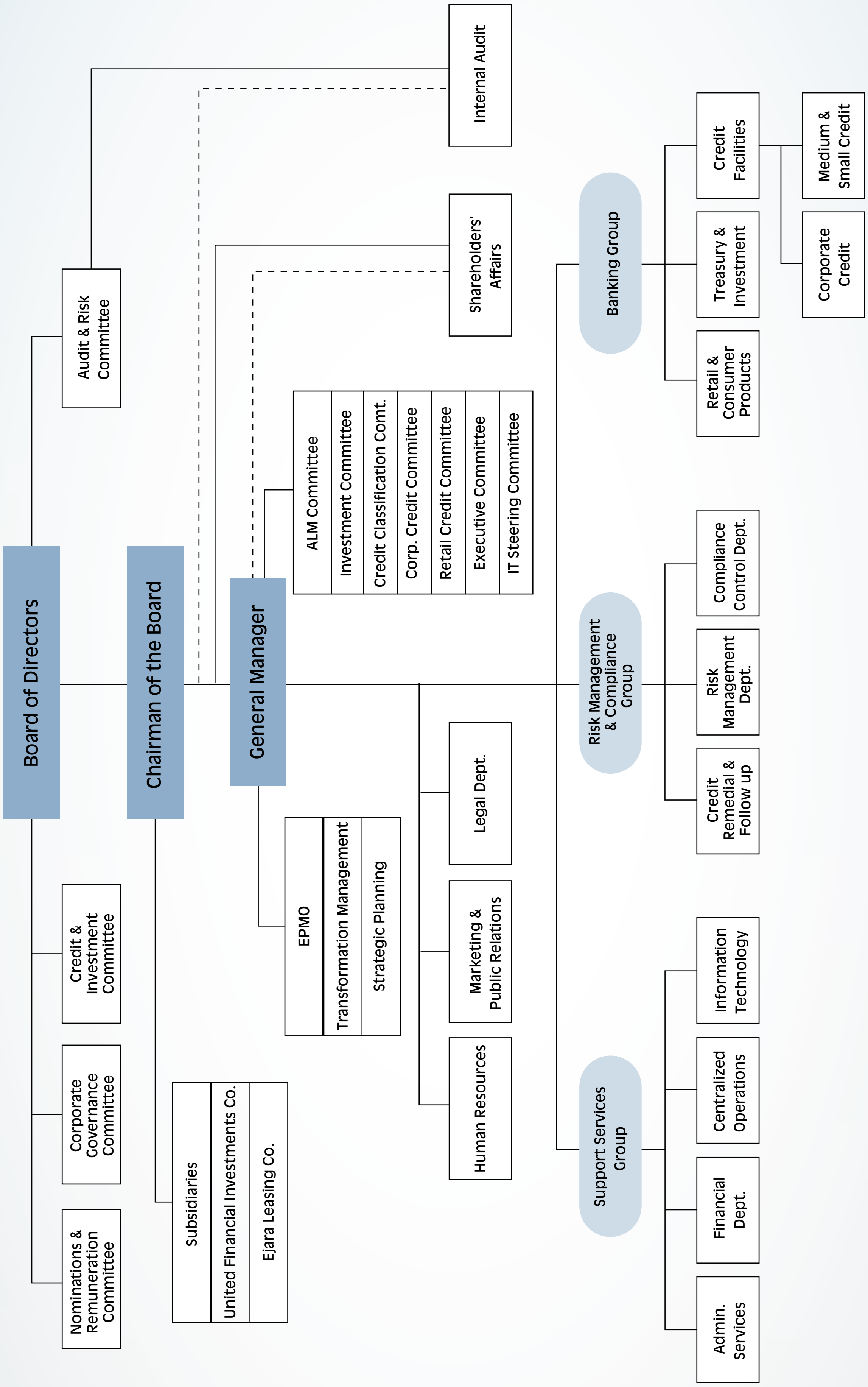
4b/9: Human Resources, Training and Organizational Structure:

Total number of employees as at 31/12/2012 was (937) of whom (13) were employed at Nablus branch, (20) at the Regional Management Office – Palestine & Ramallah branch and (4) at Cyprus branch. In addition, there were (22) employees at the Subsidiary companies.

Staff educational qualifications:

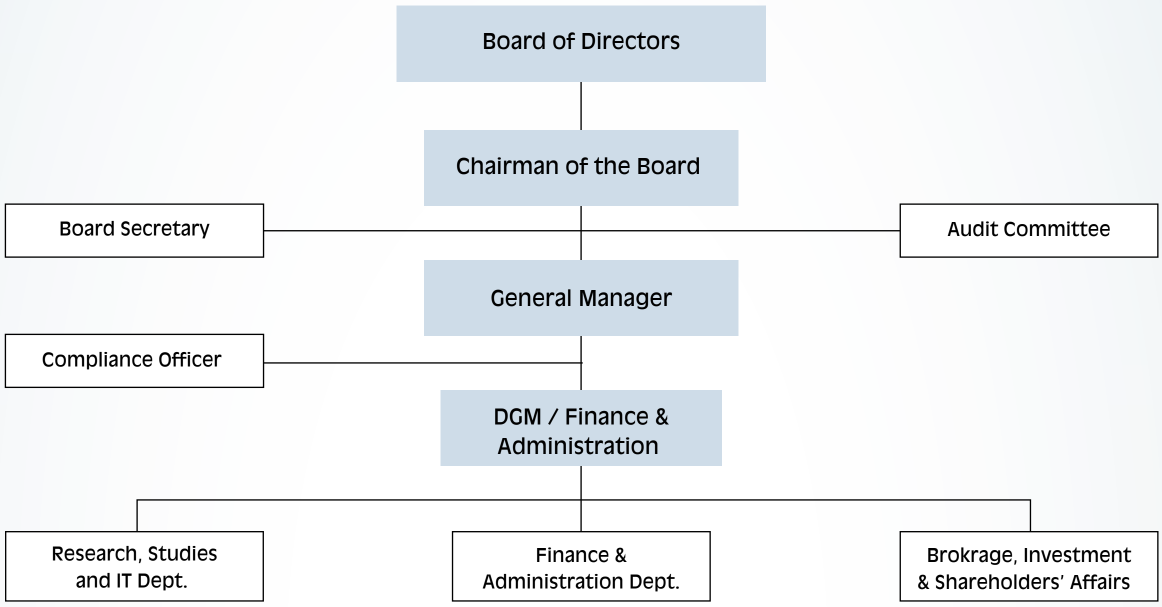
Qualification	Jordan Kuwait Bank	United Financial Investments Co.	Ejara Leasing Co.
PhD	1	-	-
Masters	49	2	-
Bachelor	659	5	7
Higher Diploma	8	-	-
Diploma	129	3	-
Secondary School Certificate	39	4	1
Pre- Secondary School Certificate	52	-	-
Total	**937**	**14**	**8**

JKB Organizational Structure 2012

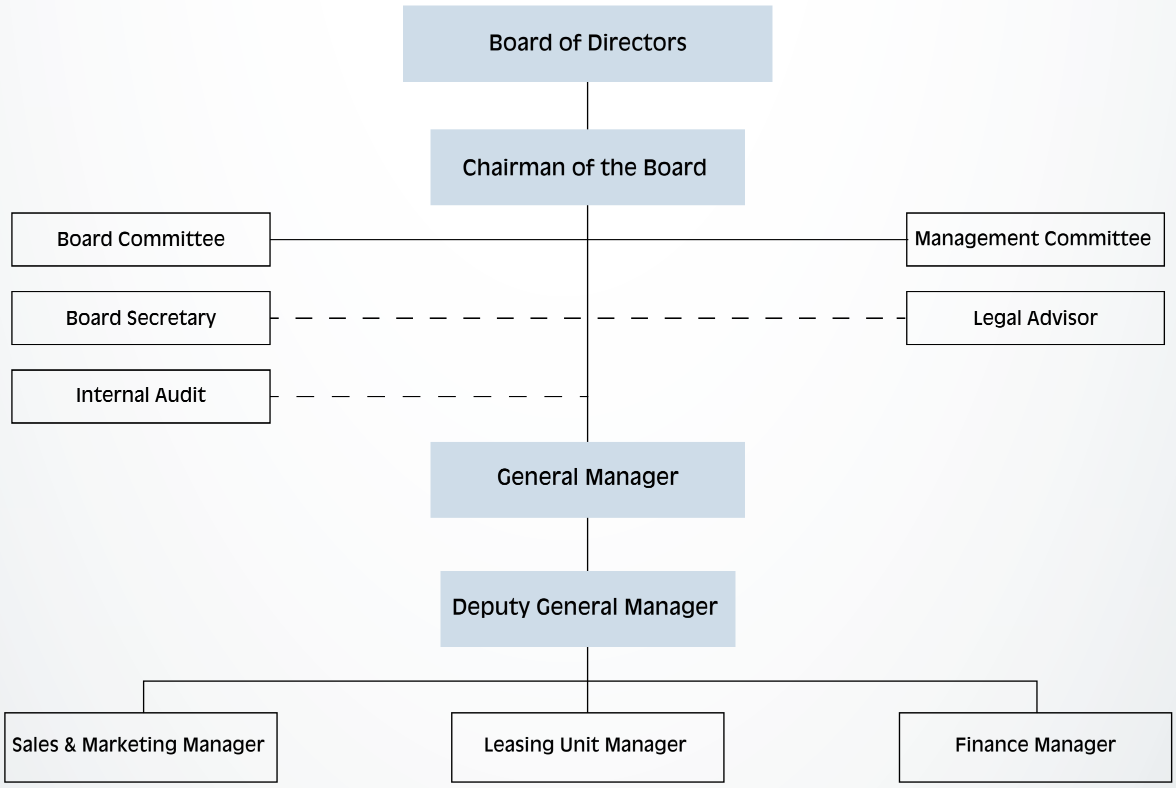


Organization Structure
JKB Subsidiaries

United Financial Investments Co.



Ejara Leasing Co.



Staff training during 2012:

Training Subject	Number of Courses	Number of Participants
Internal Training	171	1861
External Training:		
Risk Management & Compliance	7	8
Administrative	8	12
Credit Facilities	4	6
Treasury & Investment	2	2
IT & Information Systems	2	11
English Language	49	49
Accounting & Financial Management	6	12
Insurance & Marketing	3	6
Audit & Control	8	11
Specialized Banking	14	36
Total	**274**	**2014**

4b /10: **Description of risks**: Included in the report.

4b /11: **Achievements during 2012**: Included in the report.

4b /12: There had been no financial effects of non-recurring operations that do not fall within the Bank's core business activity during 2012.

4b/13: **Changes in Net Profit, Dividend, Shareholders' equity and Share price (2008-2012)**

Amounts in Thousand US Dollars

Year	Profit before tax	Dividend		Bank Shareholders' Equity	Share / $
		Bonus Shares	Cash		
2008	96,381	-	10%	337,656	6.61
2009	85,252	-	15%	404,192	5.36
2010	104,185	-	20%	457,767	6.09
2011	78,451	-	20%	488,918	5.11
2012	**89,344**	**-**	**20%**	**527,624**	**4.27**

4b/14: Financial Position: Included in the report.

4b/15: Future Plan: Included in the report.

4b/16: Auditors' Fees: Auditors' fees for the Bank and its subsidiaries in 2012 amounted to USD 290,611.

4b/17: Shares owned by the Board Members during 2012 & 2011:

	Name	Position	Nationality	Shares 31/12/2012	Shares 31/12/2011
1	H.E. Abdel Karim A. Kabariti	Chairman	Jordanian	**1,146**	1,146
2	United Gulf Bank	Vice Chairman	Bahraini	**226,667**	226,667
	Mr. Faisal H. Al-Ayyar	Representative of United Gulf Bank	Kuwaiti	**10,000**	10,000
3	Burgan Bank	Board Member	Kuwaiti	**50,927,827**	50,927,827
	Dr. Yousef M. Goussous	Representative of Burgan Bank	Jordanian	**8,666**	8,666
4	Social Security Corporation	Board Member	Jordanian	**21,041,644**	21,041,644
	Mr. Emad J. Kudah	Representative of Social Security Corporation	Jordanian	**-**	-
5	Strategy Company for Investments	Board Member	Jordanian	**465,631**	465,631
	Mr. Mansour A. Louzi	Representative of Strategy Company for Investments	Jordanian	**49,000**	49,000
6	Al- Futtooh Holding Co.	Board Member	Kuwaiti	**44,996**	44,996
	Mr. Masaud M.Jawhar Hayat	Representative of Al- Futtooh Holding Co.	Kuwaiti	**32**	32
7	Kuwait Projects Co. (Holding)	Board Member	Kuwaiti	**50,996**	50,996
	Mr. Tariq M. Abdul Salam	Representative of Kuwait Projects Co. (Holding)	Kuwaiti	**14,250**	14,250
8	Odyssey Reinsurance Co.	Board Member	American	**5,250,000**	4,800,000
	Mr. Bijan Khosrowshahi	Representative of Odyssey Reinsurance Co.	American	**-**	-
9	Mr. Farouk A. Al-Aref	Board Member	Jordanian	**14,004**	14,004

Shares owned by the Bank Executives during 2012 & 2011

	Name	Position	Nationality	Shares 31/12/2012	Shares 31/12/2011
1	Mr. "Moh'd Yaser" M. Al-Asmar	General Manager	Jordanian	**15,000**	10,000
2	Mr. Tawfiq A. Mukahal	Deputy G.M. / Banking Group	Jordanian	-	-
3	Mr. Shaher E. Suleiman	Head of Risk Management & Compliance Group	Jordanian	-	-
4	Mr. William J. Dababneh	Asst. G.M. / Treasury & Investment Dept.	Jordanian	-	-
5	Mrs. Hiyam S. Habash	Asst. G.M. / Financial Dept.	Jordanian	**1,600**	1,600
6	Mr. Abdel Hameed M. Al- Ahwal	Asst. G.M. / Operations Dept.	Jordanian	-	-
7	Mr. Ismail A. Abu-A'di	Asst. G.M. / Credit Dept.	Jordanian	-	-
8	Mr. Haethum S. Buttikhi	Asst. G.M. / Retail & Consumer Products Dept.	Jordanian	-	-
9	Mr. Kamal A. Hazboun	Asst. G.M. / Information Technology	Jordanian	-	-
10	Mr. Suhail M. Turki	Executive Manager / Public Relations Dept.	Jordanian	-	-
11	Mr. Ibrahim E. Kashet	Executive Manager / Legal Dept.	Jordanian	-	-
12	Mr. Zuhdi B. Al-Jayousi	Executive Manager / Corporate Credit Dept.	Jordanian	-	-
13	Mr. Moh'd J. Azem Hammad	Executive Manager / Risk Management Dept.	Jordanian	-	-
14	Mr. Ibrahim F. Bisha	Executive Manager / Treasury & Investment Dept.	Jordanian	-	-
15	Mr. Sa'ed M. Tu'meh	Executive Manager / Internal Audit Dept.	Jordanian	-	-
16	Mr. Majed S. Muqbel	Executive Manager / Compliance Control Dept.	Jordanian	**874**	874
17	Mr. Ghassan A. Al-Qassem	Executive Manager / Branches Administration Dept.	Jordanian	-	-
18	Mr. Makram A. Al-Qutob	Executive Manager / Corporate Credit Dept.	Jordanian	-	-
19	Mr. Ibraheem S. Al-Hanash	Regional Manager – Palestine Branches	Jordanian	-	-
20	Mr. Abdallah I. Mismar	Executive Manager/ Administrative Affairs	Jordanian	-	-
21	Mr. Daoud A. Issa	Executive Manager / Human Resources Dept.	Jordanian	-	-

Shares held by companies controlled by Board Members

Board Member	Position	Name of controlled Company	Ownership %	Shares of controlled Company in JKB	
				31/12/2012	31/12/2011
United Gulf Bank- Bahrain	Board Member	Burgan Bank – Kuwait	17.00	**50,927,827**	50,927,827
Al- Futtooh Holding Co. – Kuwait	Board Member	Kuwait Projects Co. (Holding)- Kuwait	44.63	**50,996**	50,996
Kuwait Projects Co. (Holding)-Kuwait	Board Member	Burgan Bank-Kuwait	41.00	**50,927,827**	50,927,827
Kuwait Projects Co.(Holding)- Kuwait	Board Member	United Gulf Bank - Bahrain	85.66	**226,667**	226,667

Shares owned by the relatives of Board Members and Bank Executives (2012 & 2011)

	Name	Relation	Nationality	Shares 31/12/2012	Shares 31/12/2011
1	Mrs. Zakiah I. Murad	Wife of Mr. Farouk A. Al-Aref / Board Member	Jordanian	**14,409**	14,409
2	Mrs. Hind M. Jaber	Wife of Mr. "Moh'd Yaser" M. Al-Asmar / General Manager	Jordanian	**10,000**	7,500
3	Mrs. Mai F. Abu-Hantash	Wife of Mr. Abdel Hameed M. Al- Ahwal / Asst. G.M. Operations Dept.	Jordanian	**164**	164

4b/18: **Executives' Remuneration**: Total salaries, allowances and travel expenses paid to the Senior Executives at the Bank and its subsidiaries during 2012 amounted to USD 4,630,474 exclusive of performance related incentives.

4b/19: **Donations**: Total donations made by the Bank and its subsidiaries during 2012 amounted to USD 654,032. Details of which are listed below:

Recipient	Amount / USD
University Education	163,888
Sports Activities	29,457
Support to Jordanian Writers & Authors	44,965
Training Students from Institutes & Universities	36,574
National Workshops & Conferences	85,171
Awards for Outstanding Students & Competitions	1,481
Charities & Social Activities	292,496
Total	**654,032**

4b/20: The Bank had contracted with its sister company (Arab Orient Insurance Company) for general insurance coverage including health and accident insurance for its staff. The value of such contracts amounted to USD 1,524,313. Apart from that, the Bank did not conclude any contracts, projects or commitments neither with any of the subsidiaries, sister companies, affiliates, nor with the Chairman, Board Members, the General Manager, any other staff members and their relatives.

4b/21: The Bank contributes towards the welfare of the local community and the environment; this was explained in the Management Discussion and Analysis Chapter of this report.

4c/1-5: **Financial Statements**: Included in the report.

4d: **Auditor's Report**: Included in the report.

4e: **Declarations by the Board of Directors:**

4e/1: The Board of Directors hereby declares that there are no material issues that could hinder the business continuity of the Bank during the financial year 2013.

4e/2: The Board of Directors also declares its responsibility for the Financial Statements and that the Bank has an effective control system.

Chairman & Members of the Board Signatures

Name	Signature
Mr. Abdel Karim A. Kabariti	
Mr. Faisal Hamad Al-Ayyar, Rep., United Gulf Bank – Bahrain	
Mr. Emad Jamal Kudah, Rep., Social Security Corporation	
Mr. Masaud M. Jawhar Hayat, Rep., Al- Futtooh Holding Co. – Kuwait	
Mr. Tariq Moh'd Abdul Salam, Rep., Kuwait Projects Co. (Holding) – Kuwait	
Mr. Farouk Aref Al-Aref	
Dr. Yousef Musa Goussous, Rep., Burgan Bank – Kuwait	
Mr. Mansour Ahmad Louzi, Rep., Strategy Co. for Investments	
Mr. Bijan Khosrowshahi, Rep., Odyssey Reinsurance Co. – U.S.A	

4e/3: The Chairman of the Board, the General Manager and the Financial Manager hereby declare that all information and data provided in this report are accurate and comprehensive.

Chairman of the Board	General Manager	Financial Manager
Abdel Karim Kabariti	"Moh'd Yaser" Al-Asmar	Hiyam S. Habash

Jordan Kuwait Bank

Corporate Governance Manual

2012

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Introduction

The basis and principles of corporate governance have become among the most prominent issues discussed globally considering their high importance and contribution to furthering economic success and reform, particularly in light of globalization and economic openness among the world's economies. It is needless to say that these basis and principles have become a necessity to both private and public sector entities, and are considered a basic requirement for increasing confidence in the economy of every country and proof of sound management principles, transparency and accountability. Good corporate governance is the basis of the success of institutions and their application depend to a great extent on the skills, experiences and knowledge of the members of the Board of Directors and that of the executive management.

Corporate governance can be defined as [1] "A set of systems and structures that demonstrate the organizational relationships between; and the responsibilities of; a Bank's management, its board, its shareholders, and other stakeholders so as to guarantee the attainment of the Bank's goals in the presence of effective monitoring, thereby encouraging institutions to use resources more efficiently."

Jordan Kuwait Bank (JKB) views corporate governance from its own unique perspective whereby it considers it as the key towards achieving confidence among its customers and other stakeholders. Corporate governance is the style and method through which the internal and external relationships are managed.

JKB believes that applying good corporate governance results in the sound management of the Bank and attainment of its strategic goals. In addition, it is JKB's strong belief that adoption of good corporate governance by all institutions in Jordan would lead to the creation of competent institutions and an appropriate competitive environment supportive of the national economy as a whole. This is particularly important given that banks play a key role in the financial system of a country and rely on their clients' deposits, thus further reinforces the high importance of applying good corporate governance principles.

In light of the above, JKB's Board has decided to adopt a Corporate Governance Manual (later referred to as the Manual), which was prepared in accordance with the international best practices in the field and the Central Bank of Jordan's (CBJ) regulations and guidelines. Through this Manual, the Bank aims to achieve good corporate governance mainly demonstrated through the equitable treatment of all stakeholders, transparency, declaration of the Bank's administrative and financial standing, accountability with regard to the relationship between the Board of Directors and the executive management; shareholders; and various stakeholders as well as clarifying responsibilities through the segregation of duties and delegation of authority.

JKB Corporate Governance Mission

JKB aims to achieve the highest standards of work ethics through the accurate and transparent disclosure of the Bank's results and ensuring its full compliance with the various laws and regulations that govern the operations of the Bank.

Legal Framework and References

Effective corporate governance relates to various internal factors including how effective the relationship is between the Bank's management and its Board of Directors, shareholders and stakeholders. As for external factors that support good corporate governance, these could by listed as follows:

- Banks Law No. (28) of 2000.
- Companies Law No. (22) of 1997.
- Securities Law No. (76) of 2002.
- Deposits Guarantee Law No. (33) of 2000. In addition to all laws that protect the rights of shareholders, depositors and relevant stakeholders.
- Regulations and directives issued pursuant to the above-mentioned laws and any amendments made thereafter.
- Furthermore, the following references were used as key resources for drafting the Manual:
- The Corporate Governance Code for Banks in Jordan issued by the Central Bank of Jordan during 2007.
- Related publications issued by the Basel Committee.
- Relevant OECD and World Bank publications.
- The Current Status of the Bank with respect to Corporate Governance.
- Various professional publications on corporate governance related topics.
- Accounting standards and international financial reporting standards.

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(1) As defined by the Organization for Economic Co-operation and Development OECD.

Corporate Governance Best Practices

The regulation of corporate governance and the various legal and regulatory frameworks vary significantly between countries. However, good corporate governance can be achieved regardless of the model adopted by the banking institutions provided that key functions are operating as required.

Four methods of monitoring should be included in any bank's organizational structure to guarantee effective levels of monitoring are achieved. These methods are:

1. Monitoring by the Board of Directors.
2. Monitoring by individuals not engaged with managing day-to-day affairs.
3. Direct supervision by each business unit.
4. Separate units for managing risk and compliance subjected to internal audit procedures.

I. Corporate Governance Stakeholders

1. Shareholders

Shares ownership in public shareholding companies provides its owners with various rights. Such rights include the right to buy, sell and transfer shares or the right to the company's profits, whereas the shareholder's liability is limited to the value of his investment.

Shares ownership also provides their holders with the right to access various company related information and to influence the different decisions pertinent to the company. Accordingly, it is of prime importance that this Manual focuses on the rights of all the shareholders of the Bank.

2. Directors

Board members have the prime responsibility for the management and performance of the Bank whereby Board members, on behalf of the shareholders, oversee the work of the management. The duties and responsibilities of Board members are defined by various laws and regulations (such as the Companies Law, Banks Law ... etc.)

3. Employees

All Bank employees have the task to apply internal control procedures as part of their respective responsibilities in achieving the goals of the Bank.

All employees should possess the necessary knowledge, skills, information and authority to perform their duties. This requires that employees have a complete understating of the operations of the Bank, the industry, the market and pertinent risks.

Through pursuing the fulfillment of these requirements, employees would contribute positively to the Bank's performance and achievements. The resulting success would further their sense of job security and satisfaction.

4. Creditors

The various parties having contractual relations with a bank, such as customers, suppliers and creditors form the base of any organization.

The relationship between the Bank and the various stakeholders depends on the level of trust established between them.

II. Board of Directors

Duties & Responsibilities

To achieve corporate governance principles, the Board of Directors performs the following key duties and responsibilities in accordance with the Bank's by-laws, the Banks Law and Companies Law and other pertinent legislations:

1. The Board has the primary responsibility for ensuring the soundness of the Bank's financial standing and the fulfillment of all its obligations towards the various stakeholders including the CBJ, the regulatory authorities in the countries in which the Bank has branches, shareholders, depositors, creditors, employees, investors among others.
2. The Board sets the Bank's strategic objectives and oversees the executive management entrusted with carrying the daily operations of the Bank.
3. The Board ratifies internal control and monitoring regulations and ensures their continuous effectiveness in managing the various risks that face the Bank.
4. The Board oversees the Bank's compliance with the established strategic plans, policies and procedures pursuant to the laws and regulations in force.
5. The Board ensures the integrity of all procedures whereby it has provided a "code of ethics" that was developed based on the following principles: integrity, compliance with laws, transparency and loyalty. The code was disseminated among all employees and Board members and published for access by the general public.
6. The Board makes sure that written policies, covering all banking activities are available, endorsed and communicated across the various management levels. It also oversees that said policies are reviewed regularly and updated with any amendments needed as a results of changes in the various laws and regulations that govern the banking sector.

7. The Board appoints a competent, experienced, professional general manager with integrity and of good moral standing. The performance of the General Manager is evaluated annually by the Board.
8. The Board approves the appointment and resignation of the Bank's executive managers.
9. The Board, through the Nominations and Remuneration Committee, conducts a self-assessment of its performance at least once a year and according to a clear mechanism.
10. The Board approves succession plans for the Bank's senior executives that outline the qualifications and requirements that need to be met by holders of said positions

Structure of the Board

1. The Board membership is diverse in terms of the practical and professional experiences of its members.
2. The Board may include executive members (those holding executive positions at the Bank) as well as other non-executive members with a majority of non-executive.
3. The Bank always accounts for having at least three independent directors on its Board.
4. The Bank defines the independent director as a member who is not linked to the Bank in any capacity that may affect the objectivity and neutrality of his judgment and meets the following minimum requirements:
   - has not been employed by the Bank for the preceding five years;
   - is not a relative (up to the second degree) of an administrator of the Bank;
   - is not receiving direct or indirect payment or compensation from the Bank (other than as a Director);
   - is not a director or owner of a company with which the Bank does business with (other than business relationships made in the ordinary course of business of the Bank and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated parties);
   - is not, nor in the past five years has been, affiliated with or employed by a present or former auditor of the Bank;
   - is not a shareholder with direct effective interest in the capital of the Bank, or indirectly through affiliating with one of the Bank's major shareholders;
5. The Bank separates between the Chairman of the Board and the General Manager positions and observes that there is no family relation between them below third degree.
6. In the case that the Chairman is an executive director, the Bank will appoint an independent director as vice Chairman.

The Chairman

In addition to his normal duties, the Chairman carries out the following functions:

1. Promote a constructive relationship, based on corporate governance principles, among Board members and between the Board and the Bank's executive management.
2. Ensure that Board members and shareholders receive adequate and timely information.
3. Promote a culture in the boardroom that encourages constructive criticism and alternative views exchanged among Board members during meetings.
4. Ensure high standards of corporate governance by the Bank.

Organizing the Board Tasks

1. The Bank's Board meets at least six times a year. The Bank's executive management schedules the topics on the meeting agenda as it sees appropriate.
2. The Bank provides the Board members with appropriate and adequate information in a timely manner.
3. The Board Secretary maintains a written record of deliberations and suggestions that take place during board meetings as well as voting results.
4. The Bank prepares a booklet which clearly explains the rights/duties and responsibilities of Board members and is disseminated among Board members upon their election.
5. The Bank prepares a special booklet that includes all banking operations that requires the approval of the Board.
6. Board members must be continuously informed of changes taking place within and outside the Bank. Furthermore, the Bank would provide Board Members, upon appointment and throughout their tenure, with a brief of the Bank's activities and operations to include the Bank's strategic plan, key issues related to its current status; risks management; compliance program; code of conduct; organizational structure; and the executive managers and external auditor.
7. All Board members and Board committees have the right to direct contact with the Bank's executive management.
8. Board members and Board committees may, if needed, seek the assistance of external resources that would enable them to carry out the duties entrusted to them.
9. The Bank has an organizational structure that demonstrates the reporting hierarchy (including Board committees and executive management). Details pertaining to upper management structure are disclosed to the public.
10. The Board of Directors ensures that every board member is committed towards the Bank and all its shareholders and not towards a certain shareholder.
11. The Board formally defines, in writing, the functions and duties of the Board Secretary which include oversight responsibility to ensure that endorsed Board procedures are followed; information is communicated among Board members; Board committees and the executive management, in addition to arranging for and scheduling Board meetings and taking meeting minutes. The Board Secretary's appointment or removal is decided upon unanimously by the Board.

Board Membership Criteria

The following are considered the minimum criteria required to be met by a Board member:

a. Board Membership Eligibility Requirements and Qualifications

Each Director should have the necessary qualifications to serve the interests of the Bank and relevant stakeholders. This includes fulfilling requirements set out in the Banks Law and other relevant laws. In addition, Board Members should possess some or all of the following expertise and qualifications:

- Suitable banking experience.
- A certain level of education and training.
- Ability to judge with independence.
- Knowledge of financial statements and reasonable level of understanding of performance evaluation ratios. Relevant experience in the banking field is also required.
- Financial / Banking skills or expertise that contribute to the enrichment of the Board.
- Commitment to learn about the operations of the Bank and fulfill contribution requirements and readiness to resign in case of non performance.
- Understanding and knowledge of international best practices in management and their application thereof.
- Ability to provide a clear strategic direction and long-term vision and possess sound decision-making capability.

b. Loyalty, Honesty and Diligence

The commitment of Board members to loyalty, honesty and diligence constitute key aspects of achieving good corporate governance in terms of member's keenness to maintain an honest relationship whereby he/she, like any other Bank employee, discloses any material information prior to making any dealing or commercial transaction with the Bank.

With regard to loyalty, in the case of conflict of interest between a Director and the Bank, all parties should seek that the process be fair for the Bank. The Board should apply, impartially, the same conditions to both clients and Directors when dealing with the Bank.

To achieve the aspired loyalty, each Board member should:

- Carryout his role faithfully and in the best interest of the Bank.
- Avoid conflict of interest or exploitation of office or Bank related information to gain personal benefits and the immediate declaration of related incidents that have taken place or any future ones as soon as they arise.
- Advise the Board of any potential conflict of interest and abstain from voting on any related decision.

As for diligence, Directors should undertake all duties stipulated in relevant laws and regulations and seek to attain all pertinent information to verify that decisions taken are in the interest of the Bank. Directors should also attend Board meetings after having duly prepared for them as well as faithfully carryout duties entrusted to them.

c. Independence

For the Board to be able to carry out its monitoring role over the executive management and oversee that it is not performing any inappropriate practices, the Board of Directors retains an adequate number of independent directors on the Board (in accordance with the definition of an independent director set out in this manual). The Board has considered that membership of three independent directors is appropriate.

d. Exposure and Knowledge

- In this regard, a Board member must be:
- Knowledgeable, with adequate understanding of banking transactions and associated risks. In addition, posses knowledge of financial statements that reflect the Bank's standing.
- Knowledgeable of relevant laws and regulations which the Bank is required to abide by and stays abreast with emerging topics in the financial services field.
- Committed to attending Board and committees' meetings, reviewing all suggested discussion topics and reports submitted by the executive management; internal and external auditors as well as regulatory authorities that have oversight prerogatives over the operations of the Bank.

III. Board Committees

In order to organize the work of the Board and increase its effectiveness and efficiency, the Board of Directors formed various committees with some responsibilities and authority delegated to them in accordance with the Bank's goals and strategies. Said committees were established in an official manner according to regulations that were issued and endorsed by the Board. The existence of the Board committees, however, does not supersede the Board's direct responsibility for all matters related to the Bank.

The Bank discloses the names of committee members as well as a summary overview of their tasks and responsibilities in the Bank's annual report.

The Board may opt to merge the responsibilities of more than one committee into one if such action was in the best interest of the Bank from an administration standpoint.

Board Audit & Risk Committee

1. The Board Audit and Risk Committee comprises of four board members in addition to an observer, all of them are non-executive directors.
2. The Bank discloses the names of the Committee members in its annual report.
3. At least two of the Committee members should have relevant accounting and financial management qualifications and expertise.
4. No less than two members of the Committee should be independent directors.
5. The tasks and responsibilities of the Risks Management and Compliance Committees are entrusted to the Board Audit and Risk Committee.
6. The Board Audit and Risk Committee has, by a specific provision in the written charter of its functions and responsibilities, the ability to obtain any information from executive management, and the ability to call any executive or Director to attend its meetings.
7. The Bank has a "Code" that outlines the functions, responsibilities and the authority of the Board Audit and Risk Committee.
8. The committee provides its recommendation to the Board with regard to appointment, termination, remuneration and assessing the objectivity of the external auditor, taking into consideration the following points:
   - Regular rotation of the external auditor among auditing firms. If that was found impractical, then ensure regular rotation of the Auditor's senior partner assigned for the Bank audit.
   - That the External Auditor submits a copy of his report to the Board Audit and Risk Committee.
9. The Board Audit and Risk Committee meets each of the Bank's external auditors, internal auditors and compliance officers, without executive management being present, at least once a year.
10. The Board Audit and Risk Committee has all the duties and responsibilities required by the Banks Law and other relevant laws and regulations, including the duties to:
    - Review and ratify the internal audit plan which includes audit scope and frequency.
    - Ensure that the executive management takes timely corrective measures with regard to weaknesses in internal audits, non-compliance with established policies, rules and regulations, and other areas determined by internal auditors.
    - Ensure that the Bank has properly observed and complied with international accounting and audit standards.
    - Assess the scope, results and adequacy of the Bank's internal and external audits.
    - Conduct continuous assessment of the Bank's internal monitoring and control systems.
    - Review accounting issues with material impact on financial statements.
    - Review the comments and reports of monitoring bodies and the external auditor and follow-up on corrective measures.
    - Review the Bank's financial statements prior to submission to the Board. Specifically, review compliance with regulators' directives related to capital adequacy and the adequacy of allocations for non-performing loans and other allowances. Also, provide opinion with regard to the Bank's non-performing loans or those suggested to be considered as bad debt.
    - Ensure that relevant laws and regulations are observed.
    - The Committee submits its reports and recommendations to the Board.
    - The head of Risk Management & Compliance group and the Executive Manager of the Internal Audit Unit are called to attend the Committee meetings. The Committee may also invite other people to the meetings in order to seek their opinion regarding specific matters.

Generally speaking, the responsibilities of the Board Audit and Risk Committee do not substitute for the responsibilities of the Board with respect to overseeing the adequacy of internal monitoring and control systems.

The role of the Board Audit and Risk Committee with regard to risk management can be summarized as follows:

1. Recommend the endorsement of a risk management strategy and policies and ensure they are:
   - Comprehensive and documented for managing all material risks.
   - Appropriate for the size and activity level of the Bank and its subsidiary companies.
   - Outline the programs, procedures and tools (including ceiling levels) to implement said plans and policies and ensure their implementation and that any exceptions are done in accordance with specific administrative approvals.
   - Reviewed regularly.
   - Disseminated among concerned parties within the Bank.
   - Monitor risk management activities carried out by the executive managements with regard to each of the following: credit risk, market risk, liquidity risk, operational risk, non-compliance risk, reputation among others, through reviewing reports issued by the Risk Management Department which outline to the Committee the Bank's risk profile and measures taken to minimize them. These reports should be appropriate, detailed and submitted in a timely manner within an effective information systems framework.
2. Monitor risks facing the Bank and determine their materiality and ensure that internal procedures are in place to assess capital adequacy as relevant to the Bank's risk profile.
3. Ascertain risks pertinent to new products the Bank plans to offer before their launch.
4. Recommend the adoption of an organizational structure for the Risks Management Department and ensure that it is independent and carries out its duties under an independent management.
5. Review the acceptable risk appetite level that can be endured by the Bank and accordingly provide recommendation to the Board.
6. Review reports pertinent to safeguarding business continuity.

7. Review the results of the stress tests carried out by the Risk Management Department and validate the impacts of the results on the Bank's financial strength.
8. Submit regular reports to the Board of Directors.

The role of the Board Audit and Risk Committee in monitoring compliance can be summarized as follows:

1. Recommend the adoption of a compliance monitoring policy and ensure that the policy is:
   - Documented in writing.
   - Appropriate for the size of the Bank's and its subsidiaries' activities.
   - Specifies the procedures that need to be followed by management and staff.
   - Outlines the key requirements for identifying compliance risks and their management across the various organizational levels.
   - Disseminated among the various administrative levels and employees of the Bank.
2. Assess the Bank's effectiveness in managing compliance risks at least once a year and conduct necessary revision in case of any amendments.
3. Monitor and follow-up implementation of the policy.
4. Take necessary measures to promote values of integrity and proper professional conduct within the Bank such that compliance with laws, regulations, instructions, directives and applied criteria become key objectives and duties required to be fulfilled.
5. Adopt an organization structure for the Compliance Monitoring Department and ensure its independence such that there is separation between the functions of compliance monitoring and that of internal auditing.
6. Ensure that an annual compliance risks management plan is in place and that it accounts for any shortcomings in the policy, procedures or application. Also, ensure that the plan is linked to the effectiveness of the current management of compliance risks and it determines the need for any policies or procedures for dealing with new compliance risks resulting from the annual assessment of these risks.
7. Review the corrective procedures and measures and/ or disciplinary actions undertaken by the Bank's executive management in the event of discovering violations arising from non-compliance, specifically those that subject the Bank to legal penalties or significant losses, both financially and reputation wise, and ensure that these cases are immediately reported.
8. Review reports that show compliance test results which should include assessment findings pertinent to compliance risks, violations and shortcomings along with the corrective measures implemented.

Nominations & Remuneration Committee

1. The Nominations and Remuneration Committee comprises of three non-executive directors, two of whom are independent directors. The Committee meets at least twice a year or on needs basis and its decisions are based on a majority vote, including that of the Committee chair.
2. The Committee carries out the following functions:
   - Nominate all Board appointments, duly considering candidates' abilities and qualifications and, for re-nominations, their attendance and the quality and extent of their participation in Board meetings and in accordance with guidelines stipulated in the Companies Law regarding Board members tenure.
   - Determine whether a Director qualifies to be considered 'independent'.
   - Implement a formal method of assessing the effectiveness of the Board, including participation level of Directors in Board meetings. Performance criteria are objective and include comparison with other similar banks and financial institutions. In addition, they include criteria that assess the integrity and soundness of the Bank's financial statements and compliance with requirements set forth by regulatory bodies.
   - Have the responsibility to provide background briefing material for Directors covering key issues, as well as ensuring that they are kept up to date on relevant banking topics.
   - Recommend to the Board the remuneration (including monthly salary and other benefits) of the General Manager. The Nominations and Remuneration Committee also reviews the remuneration of other executive management.
   - Recommend to the Board the appointment of a general manager, provided that he/she meets the qualifications outlined in the Banks Law.
   - Provide recommendation to the Board to approve the succession plan for the Bank's senior executives which outline the qualifications and requirements that need to be met by holders of said positions.
   - Provide recommendation to the Board for the appointment of executive managers.
   - Ensure that the Bank has a remuneration policy, which is sufficient to attract and retain qualified individuals, and is in line with the Bank's peers in the market. The Bank's policy should also account for partially linking salaries to performance and that incentive programs be in place that aim to strengthen the Bank's share value in the long run and to further the internal control environment (i.e. focus should not be only on increasing the earning per share in the short term only.)
   - Ensure that the Bank's remuneration policy is disclosed in the Annual Report, particularly the remuneration of individual Directors and the highest-paid non-Director executives.
   - Ensure that the Board is provided with reports that contain all information necessary to carry out its duties.

Corporate Governance Committee

The Corporate Governance Committee is comprised of the Chairman of the Board and three non-executive directors. The Committee meets at least once a year upon the invitation of its head. The Head of Risk Management & Compliance Group acts as the Committee's secretary.

Corporate Governance Committee Tasks

The tasks of the Corporate Governance Committee are to primarily oversee the implementation of all guidelines stipulated in the Corporate Governance Manual and compliance of all relevant parties including the executive management, the Board and Board committees, in addition to periodical or on need basis review of the Manual in order to cope with changes in the requirements and expectations of both the Bank and the market.

Key tasks Entrusted to the Corporate Governance Committee:

1. Ensure that the Board of Directors sets the Bank's strategic objectives and corporate values and communicates them across the various administrative levels within the organization. In this regard, the Committee oversees the following:
    - Formulation and endorsement of the Bank's strategic plan by the Board.
    - The Board of Directors endorsement and supervision of implementation of the Bank's general policies, including its overall strategy, in a manner that safeguards against conflict of interest.
    - Compliance of the Board members and all administrative levels throughout the organization with JKB's established code of conduct.
2. Ensure that responsibilities are defined and clear communication and accountability lines are established for all administrative staff, across the various organizational levels, in accordance with the following framework:
    - The Banks Law and Companies Laws defined the requirements and responsibilities of the Board of Directors and the General Manager such that the Board of Directors is held accountable for monitoring the executive management of the Bank that oversees the administration of the day-to-day affairs of the Bank.
    - It is important to: establish clear lines of accountability and responsibility through official delegation of authority; ensure segregation of duties; and have appropriate internal monitoring and control systems in place.
3. Ensure that Board members fulfill eligibility criteria for Board appointment and possess clear understanding of their role with respect to corporate governance and independence vis-à-vis problem solving and decision making. In this regard, the Committee is tasked with several oversight responsibilities to include:
    - Ensuring that the Board of Directors performs it monitoring role over the Bank's activities including an understanding of the various risks the Bank may face.
    - Ensuring that the Board membership includes an adequate number of independent directors.
    - Overseeing that the parameters and conditions set forth in the Banks Law with regard to individuals assuming Board membership and chairmanship positions are fulfilled.
    - Observing that the "fit and proper" principle is applied.
    - Ensuring that the Board Audit and Risk Committee, formed of Board members, is in place and carries out its duties pursuant to the parameters set forth by the Banks Law. In addition, make sure that other pertinent committees are formed in accordance with the CBJ regulations (such as the Risk Management and Compliance Committees).
    - Oversee that adequate Board committees are in place and new ones are formed on needs basis necessary to instill and apply corporate governance rules and culture across the various organizational levels.
4. Ensure that the executive management performs appropriate supervision over the Bank's operations and in accordance with the instructions listed in the Internal Monitoring and Control Regulations issued by CBJ through the following:
    - Ensure that the executive management carries out its risk management functions which entail overseeing that policies and instructions pertinent to credit risk, market risk, liquidity risk, and operational risk are in place and reasonably monitored. In addition, commit to manage and monitor compliance risks in accordance with the tailor designed policies, thus achieving a reasonable return for shareholders without compromising banking safety issues.
    - Ensure the application of dual monitoring over all banking operations and activities.
    - Ensure the proficiency of the executive management and department heads.
5. Make effective use of the functions carried out by the Internal and External Auditors.
6. Ensure that the Bank, while considering credit facilities approval, evaluates the quality of corporate governance applied by the client particularly of corporate and shareholding companies. Upon assessment, the Bank may consider some concession for those clients who maintain good governance standards.

Among the responsibilities of the Board is to put in place internal regulations and directives that outline the responsibilities of the different departments such that the application of the desired level of monitoring is safeguarded. In this regard, the Corporate Governance Committee provides the following:

a) **Internal Auditing**

Effective internal monitoring and control systems should be supported by an effective, independent Internal Auditing Department that assesses the effectiveness of said systems independently.

The Internal Auditing Unit assesses the effectiveness and efficiency of operations as well as compliance level with the laws, rules and regulations. In addition, it assesses the effectiveness of risk management systems and capital adequacy, relative to its risks and according to the Bank's financial statements. To achieve this role, the following needs to take place:

- Ensure the complete independence of the internal auditor through the submission of audit reports, recommendations and results directly to the Board Audit and Risk Committee.
- Ensure that the Board Audit and Risk Committee is responsible for setting the salaries and benefits of the Internal Audit Unit staff and appraising their performance.
- Make sure that Internal Auditing and the Board Audit and Risk Committee review the observations contained in the Central Bank and external auditor's reports and follow-up actions taken thereon.

b) **External Auditing**

External auditing represents another level of monitoring over the credibility of financial statements and assessment of internal monitoring and control systems:

- The Banks Law outlined the tasks required of the external auditor. The external auditor of the Bank is selected from a list prepared annually by the CBJ.
- Ensure complete cooperation and coordination between the internal and external auditors.

7. Take into account that the corporate governance process is characterized with disclosure and transparency.
8. The Board and the executive management should have an understanding of the structure of the Bank's operations, including the activities performed by the Bank in areas, or within legislative structures, that hinder transparency. In this regard, the Corporate Governance Committee ensures the following:
   - That the executive management follows clear policies and proper procedures for operating within these areas / legislations;
   - That periodic assessment is conducted to ascertain the need for the Bank to operate in these areas and which impede transparency;
   - That the Board Audit and Risk Committee monitors internal controls over the activities performed in these areas and submits necessary reports, annually or in case of material underperformance, to the Board;
   - That strategies and work policies and procedures that govern complex financial products and tools offered by the Bank, and that assessment policy for the use or sale of these products are in place;
   - That policies are in place to identify, measure and manage material risks, including legal risks and reputation risks, that may arise as a result of any of the Bank's activities in these areas;
   - That compliance assessment reports pertaining to compliance with laws, regulations and internal policies are periodically reviewed;
   - That all above activities are subject to internal audits and within the scope of work of external audits;
   - That necessary information reaches the management, including information related to the risks of these activities. Necessary reports are submitted to the Bank's Board and regulatory authorities and disclosure requirements are met in accordance with the laws and regulations that govern the Bank work.

Board Credit & Investment Committee

The tasks and responsibilities of the Committee are mainly to look into the recommendations and requests put forward by the Management Credit Committee pertaining to requests falling beyond the scope of its authority.

- The Committee is comprised of the Chairman or his Deputy, and the membership of two Directors.
- The committee meets on weekly basis.
- The Committee regularly conducts a revision of the credit and Investment policies and updates them in accordance with relevant laws and regulations.

IV. Executive Management

1. The executive management lays down the business plans to achieve and implement the Bank's strategy. Business plans are developed through a comprehensive planning process that encompasses all the departments of the Bank.
2. The executive management conducts a regular review of the achievements and compares them to established plans and takes corrective measures if needed.
3. The executive management prepares budget estimates as one of the planning and monitoring tools.
4. The executive management is considered responsible for the preparation and development of policies and procedures pertinent to managing the various risks. It is also responsible for overseeing the implementation of the strategies endorsed by the Board.
5. Management of the operational, day-to-day affairs of the Bank that fall within the tasks and responsibilities of the Bank's executive management.

V. Executive Committees

To ensure that corporate governance principles are applied, JKB has several specialized executive committees that were formed for specific purposes in order to increase the Bank's overall effectiveness. These committees include the following:

- Executive Committee
- Assets and Liabilities Committee
- Investment Committee
- Credit Classification Committee
- Corporate Credit Committee
- Retail Credit Committee
- Information Systems Steering Committee

The membership of these committees is comprised of the General Manager as the committee head and some or all deputies and assistants to the General Manager and executive managers as members.

In addition to the above-mentioned committees, the following committees were formed: Procurement Committee and a committee for managing the handover of new and renewed branches to the Bank.

The following summary highlights the key tasks and responsibilities of the executive committees:

Executive Committee

The key functions and responsibilities of the Executive Committee include following-up on the Bank's various achievements and work progress as well as conducting periodic review. In addition, identify means to improve the various aspects of the Bank's activity to achieve set objectives and respond timely and effectively to new developments. The Committee is headed by the General Manager and includes the Deputy General Manager / Banking Group, Head of Support Services Group, Head of Risk Management & Compliance Group, assistants and executive managers. The Committee meets monthly or on need basis.

Assets and Liabilities Committee

The strategic objective of the committee is to augment the long-term profitability of the Bank through the proper allocation of resources on lucrative deployments while maintaining an acceptable level of risk that is compliant with the Bank's objectives. The committee carries out two key tasks:

- The strategic distribution / allocation of both assets and liabilities.
- Risk monitoring and control.
- In addition, assess the return / risk of the various assets and the capital structure along with resulting consequences and search for resources of funds, valuate them and price them.
- The committee is formed of the General Manager as the committee head and the membership of each of the following:
    - Deputy General Manager / Banking Group
    - Head of Support Services Group
    - Head of Risk Management & Compliance Group
    - Assistant General manager / Treasury and Investments
    - Assistant General Manager / Credit
    - Assistant General Manager /Financial Department
    - Assistant General Manager / Retail & Consumer Products
    - Executive Manager / Risk Management Department
    - Executive Manager / Treasury and Investments

The committee meets every month and on needs basis.

Corporate Credit Committee

The committee's tasks and authorities may be summarized as follows:

- Approve credit within specific ceilings set out in the Bank's credit policy.
- Provide recommendations to the Board Credit and Investment Committee pertaining to all requests that fall beyond its authority.
- Provide recommendations to the Board Committee pertaining to the legal proceedings to be taken against defaulters.
- Provide recommendations to the Board Committee pertaining to the Non-Performing Loans settlement or rescheduling programs, in accordance with the regulations of the CBJ or other regulatory bodies that govern the foreign branches of the Bank.
- Approve the pursuit of legal actions against clients with default payments of consumer loans, term sales and credit cards within specified ceilings.
- Review approval / decline decisions within specified authority levels.
- Review and amend the credit policy and recommend its adoption to the Board Credit & Investment Committee

The committee is headed by the General Manager with the Deputy General Manager/Banking Group as his deputy and the membership of the following:

- Head of Support Services Group
- Head of Risk Management & Compliance Group
- Assistant General Manager / Retail & Consumer Products
- Assistant General Manager / Credit
- The Executive Manager / Legal Department participates as the committee's legal advisor.The Head of Credit Administration and Control acts the committee's secretary.

The committee meets at least twice a week.

Management Investment Committee:

The Committee's tasks and responsibilities are summarized as follows:

- Review the recommendations supported by research carried out by the Treasury and Investment Department with regards to making new investments, withdrawing from current investments, or to increase or decrease current investment capital and to make appropriate decisions within their authorities according to the investment policy.
- Provide recommendations to the Board Credit and Investment Committee regarding requests that fall beyond their authority.
- Annually revise the bank's investment strategy in addition to the investment policy and investment determinants within it and to provide the Board of Directors with their recommendations regarding amendments and suggestions for approval.
- Annually revise the authority limits defined by the investment policy and to provide the Board of Directors with their recommendations regarding amendments and suggestions for approval.
- Monthly revise the components of the investment portfolio and its overall performance with regards to its return and associated risk compared to previous periods.
- Evaluate the performance of each investment separately by comparing the actual return of investment with any indicator the committee chooses from one time period to another.
- Evaluate to what degree the bank's investments comply to and are aligned with the investment policies, determinants and associated risk and to put forth the necessary plans to stay in line with the limits defined by the investment policies in the case the limits are surpassed.
- Review the monthly investment report produced by the Treasury and Investment Department, and submit the report to the Asset and Liability Management Committee (ALCO).
- Provide recommendations to the board of directors to appoint or terminate the services of investment trustees, custodians and/or any party that provides services related to the bank's investments.

The committee is headed by the General Manager with the Deputy General Manager / Banking Group as his deputy and the membership of the following: -

- Head of the Risk Management & Compliance group
- Assistant General Manager / Treasury & Investments
- Assistant General Manager / Retail & Consumer Products
- Executive Manager / Treasury and Investments
- Executive Manager / Risk Management
- Senior Manager / Treasury and Investments acts as committee secretary.

The committee meets at least once a month.

Information Systems Steering Committee

The Committee is entrusted with carrying out the following tasks:

- Defining the strategic direction for the Bank's information systems.
- Reviewing the Bank's information systems implementation policies.
- Providing information and direction for the IT department with regard to IT strategic plans.
- The committee carries out the tasks of the IT Security Committee.

The committee membership is comprised of the General Manager as the committee head and the membership of all members of the executive committee. The Committee holds its meetings monthly or on need basis.

VI. Internal Control

1. The Internal Control structure shall be reviewed by the External Auditor and the Internal Auditor at least once every year.
2. The Board provides information in the Bank's annual report on the adequacy of the Bank's internal controls over its financial reporting. This information includes:
   - A statement of executive management's responsibility for establishing and maintaining adequate internal control over financial reporting for the Bank;
   - A statement identifying the framework used by executive management to evaluate the effectiveness of internal control;
   - Executive management's assessment of the effectiveness of internal controls as of the date of the financial statements;
   - Disclosure of any material weaknesses in the internal controls;
   - A statement that the Bank's external auditor has issued an attestation report on executive management's assessment of the effectiveness of internal controls.
3. The Bank has to set up arrangements whereby staff can confidentially raise concerns about possible irregularities, and that allow for such concerns to be independently investigated and followed up. Such arrangements are overseen and monitored by the Board Audit and Risk Committee.

Organizational Structures and Work Organization at the Bank

In order to achieve the principles of internal control and the foundations of corporate governance; especially dual control and clarity of authority and responsibility lines, the Bank has distributed tasks and duties among its different departments and clearly defined authority and responsibility lines. In addition, it has set the various detailed policies that were adopted by the Board, most important of which are that Credit Policy and the Investment Policy at the Bank, as well as other policies related to Risk Management and Compliance Monitoring.

Within this framework, the Bank's organizational structure points to the fact that the Board of Directors sits squarely at the top of the pyramid. After that come the roles of the Chairman and the General Manager, respectively. Work at the Bank has been divided into three main groups as follows:

The Banking Group: Includes the activities of Credit Facilities, Treasury & Investment as well as Retail & Consumer products. Each of these activities is divided into sub-activities to ensure specialization of work and to achieve the principles of internal control.

This group is managed by the Deputy General Manager / Banking Group.

The Risk Management & Compliance Group: Includes the activities of the Risk Management (Credit Risk, Operational Risk and Market Risk, IT Security, business continuity plan, and credit administration and control)in addition to compliance control and credit remedial and collection.

The group is managed by the Head of Risk Management and Compliance Group. The Risk and Compliance Control Departments also submit their reports to the Board Audit and Risk Committee.

The Support Services Group: Includes the activities of Information Systems Departments, Central Operations, Finance and Administrative Services. Each of these activities includes other specific sub-activities.

This group is headed by the Head of Support Services Group.

There are other departments that are headed by Department Managers and that report directly to the General Manager which are: Legal, Marketing & Public Relations and Human Resources Departments.

As for the Internal Audit Department; it reports directly to the Chairman of the Board and submits its reports to him and to the Board Audit and Risk Committee.

Key Tasks and Duties of the Various Bank Departments

The Bank has organized the work of its various departments by setting a suitable organizational structure for all departments, defining their tasks and duties, and job descriptions for the different jobs at the departments as outlined hereinafter.

<u>Credit Facilities Department</u>

The organizational structure indicates that this department is headed by the Assistant General Manager / Credit, and the duties are divided among two departments: The Corporate Credit Department and the SME Credit Department.

The tasks and duties of the Credit Facilities Department are as follows:

Corporate Credit Department

- The study and management of direct and indirect credit within certain ceilings. It is responsible for Syndicated Loans, Government Institutions' credit, Social and Political VIPs credit, Project Financing, Financial Leasing and Special Corporate Credit Programs.

SME Credit Department

The study and management of direct and indirect credit facilities within specific categories. It is responsible for loans granted to small and medium-sized projects.

Retail & Consumer Products

The organizational structure indicates that this department is headed by the Assistant General Manager / Retail & Consumer Products and that the duties are divided among the Branches Department, Private Banking Department, Consumer Loans Department, Sales Department and Cards Unit

Branches Department

The key functions and responsibilities of the Branches Department Include:

- Review and amend work procedures to facilitate and speed up serving the Bank's clients while maintaining the high level of services offered, focusing on quality, accuracy and speed in offering these services and excellent customer service.
- Coordinate between Bank's branches and various departments of the head office and between the branches.
- Promote and market the Bank's products and services in line with the goals and plans in place.

Private Banking Department

The key functions and responsibilities of the Private Banking Unit include:

- Study investment proposals offered to the Bank.
- Management of clients' investment portfolios in global markets.
- Establish relationships with investment banks and fund managers worldwide.
- Market the Bank's, as well as sister companies', services and products to major clients.

Consumer Loans Department

Examine personal credit facility requests submitted to the Personal Loans Department by branches and offices that have some exceptions that fall outside of their authorities.

Sales Department

Carry out periodic field visits to current as well as prospective clients of specific products, the aim of which is to learn about the current and future needs of these clients and what their expectations of the Bank are, as well as to know what their opinion is regarding the level of services being offered and to obtain constructive criticism from them.

Treasury and Investment Department

The organizational structure indicates that the department is headed by the Assistant General Manager / Treasury & Investment. Work is divided into several activities which are: Dealing Room, International Relations and Correspondent Banks, Investment Funds, Local Investment, Treasury Operations, External Unit Coordination Office.

The most important tasks and duties assigned to the Treasury and Investment department are:

1. Manage foreign and local currencies liquidity in such a way that achieves the highest returns on shareholder's equity.
2. Manage the assets and liabilities in local and foreign currencies to achieve the highest possible returns within acceptable risk boundaries.
3. Manage investment portfolios of bonds, stocks and the various monetary instruments in foreign and local currencies.
4. Coordinate with correspondent banks in order to maintain exceptional relations with them and follow up on the credit ceilings granted to the Bank.
5. Continual search for available investment opportunities according to their alignment with the adopted investment policy and the instructions of the CBJ.
6. Provide investment services that are related to the department such as margin dealing, postponed contracts, derivatives, stocks, bonds, escrow, investment caretaker and issue manager.
7. Work on supporting work centers and branches in performing their tasks.
8. Follow up on commitment reports with administration departments, senior management and external bodies.
9. Study the performance of companies' stock and their financial standings and send investment reports to senior management.

As for the External Banking Unit, the following is carried out (in coordination with the Branches Operations Coordination Office):

1. Provide banking services to clients such as accepting deposits, granting direct and indirect credit facilities and following up on the Bank's stocks and bonds investment portfolios.
2. Represent the Bank in front of official and non-official bodies in Cyprus.
3. Provide the Central Bank of Cyprus with all the reports and financial statements required regarding the branch's activities there.
4. Coordinate with the External Financial Unit's Liaison Officer at the Treasury Department to facilitate workflow between Cyprus branch and all other departments and branches.
5. Send periodic reports and financial statements that were audited by the external auditor, to the Bank's management.
6. Apply laws and regulations issued by the CBJ and the Central Bank of Cyprus regarding the operation of the branch, as well as management instructions, and ensure that employees are familiar with them.

The Financial Department carries out the Back Office operations of the department in addition to the role of the Risk Department in identifying risks that result from any kind of operations carried out by the Treasury Department.

Internal Audit Department

The philosophy of Internal Audit is based on its mission to provide assurance and independent and objective consultation that adds value or enhances processes, and assist the Bank's management in achieving its set goals through setting a regular methodology to evaluate and improve the effectiveness of risk management processes, internal audit and corporate governance.

A charter was created for the department according to International Best Practices. Following are the most important features of the charter:

Objectives

The department works on achieving the following goals:

- Provide reasonable assurance regarding the level of effectiveness and efficiency of internal control systems at the Bank and their ability to achieve the following:

1. Integrity and reliability of financial and operational data.
2. Efficiency of operations.
3. Compatibility with the regulations, instructions and laws in force.
4. Maintaining the Bank's assets and property.
5. Continuity of work under all circumstances.

- Provide reasonable assurance regarding the level of effectiveness and efficiency of the Bank's risk management systems and corporate governance processes.
- Improve and develop internal control systems, risk management and corporate governance processes.
- Add value to the Bank through offering consulting services required by the Bank's management.
- Improve and develop processes and products in such a way that serves the Bank's goals.

Authorities

In order to achieve all the goals entrusted to the Internal Audit Department, the department is granted the following authorities:

- Perform audit and review operations for all of the Bank's work centers and subsidiary companies.
- Refer to and view all the records, systems, data and reports of the Bank and subsidiary companies.
- Direct communication with all employees of the Bank and subsidiary companies.
- Define the nature, scope and timing of audit and review processes.

All work center managers at the Bank or subsidiary companies must inform the Internal Audit Department of any problems or significant incidents the instant they occur and without delay.

Independence and Objectivity

In order to ensure the necessary independence, the Internal Audit Department shall:

- Administratively report to the Chairman of the Board, and functionally to the Board Audit and Risk Committee.
- Prepare reports and send the results of its work directly to the Chairman of the Board and the Board Audit and Risk Committee.

In order to ensure the objectivity of the Internal Audit Department's officers and employees:

The direct responsibility for control and risk management shall remain within the direct responsibilities of work centers.

The department is not responsible for any operational actions, and the department does not have any direct responsibility or operational authority over the activities which the department is responsible to review and audit.

The process of providing consultation by the Internal Audit Department to Executive Management does not hinder the responsibility of Executive Management for appropriate implementation and control of its various activities.

Scope and Responsibilities

1. Audit Scope

- The department's scope of work includes all work centers, activities and operations of the Bank; in a manner that enables the department to assess the suitability and effectiveness of internal control systems, risk management and corporate governance processes, and accomplishes all the tasks and responsibilities entrusted to it.
- The department conducts periodic reviews and audits based on the priorities of the Risk-based Audit Plan adopted in the department's strategy which is approved by the Board of Directors and its Board Audit and Risk Committee.
- The department also conducts any special reviews or consultations based on the directions of the Chairman, the Board Audit and Risk Committee or the Department Manager.

2. Relationship with External Auditors and Central Bank Inspectors

- The Internal Audit Department is the liaison between external auditors and Central Bank of Jordan inspectors from one side and the Bank's various departments and work centers on the other; whether that is during review processes or during the phase of replying to remarks and reports.
- The Internal Audit Department handles the process of coordination with external auditors in the fields of planning, timing and implementation of audit and review processes in order to avoid any conflicts.

Mission

- In order for the department to be able to achieve its goals, it carries out the following:-

1. Assess the sufficiency and effectiveness of internal control systems at the Bank and subsidiary companies.
2. Assess the sufficiency and effectiveness of risk management and corporate governance processes at the Bank and subsidiary companies.
3. Assess the accuracy and correctness of data and reports through periodic visits of branches, departments and subsidiary companies in addition to the daily reports issued by the Internal Audit Department.
4. Assess the capital adequacy of the Bank and subsidiary companies in facing the all possible types of risk.
5. Assess the level of commitment and adherence to instructions, laws and policies in effect and which govern the work of the Bank.
6. Assess the phases of developing and maintaining the Bank's systems.
7. Conduct all special investigations needed regarding important and material problems and violations.
8. Assess the sufficiency and effectiveness of procedures for maintaining the assets and property of the Bank and its subsidiary companies.
9. Assess the level of achieving the set goals for the various processes and work centers at the Bank.
10. Assess the ability of the Bank and subsidiary companies to continue work under all circumstances.
11. Follow up on reports and recommendations issued by the department and external auditors/Central Bank of Jordan inspectors to ensure that corrective actions were taken and asses the sufficiency of taken measures.
12. Assess the proposed work procedures and policies in such a manner that guarantees the progress of work and meets all requirements.
13. Assist that Bank's management in combating fraud by means of reviewing and assessing the level of efficiency and effectiveness of control procedures to limit such operations. (Whereas the main responsibility of preventing and discovering these cases remains with the Bank's management).

- The Internal Audit Department is also responsible for assisting the Executive Management and the Board of Directors through providing the needed consulting according to standards and best practices.

Accountability

- Prepare and implement an annual Risk-based Audit plan and methodology approved by the Chairman and the Board Audit and Risk Committee.
- Send detailed reports on the results of all audit visits and investigations. The reports shall contain the audit's scope, key remarks, recommendations and the required follow up procedures.
- Increase the efficiency and effectiveness of internal audit processes through the use of automated audit means and tools; and by following the relevant standards and best practices.
- Professional development of the internal audit employees by enrolling them in relevant training courses to ensure they are up-to-date with the latest developments in the internal audit profession.
- Take necessary procedures to ensure that all of the department's work is carried out according to the internal audit professional standards and best practices, in addition to the requirements of regulators that govern the Bank's work.

Periodic Assessment

The Internal Audit mandate is subject to annual review by the department in order to assess its capabilities to carry out all the tasks and responsibilities assigned to it and achieve the desired goals. Any needed modifications are presented to the Board Audit and Risk Committee for approval.

Communication

Based on internal audit standards and the publications issued by BASEL Committee, this mandate must be communicated to all work centers at the Bank and its subsidiaries so that they are informed of it in order to facilitate the task of the Bank's Internal Audit Department.

<u>Risk Management Department</u>

The different risks that the Bank is exposed to are managed by an independent Risk Management Department which reports to the Head of Risk Management & Compliance Group; and submits its periodic reports to the Board Audit and Risk Committee.

The responsibilities of the Risk Management Department at the Bank include the following:

- Identify, measure, monitor and control risks and provide recommendations to mitigate the risks that face the Bank and guarantee the highest degree of coordination with all relevant Bank operations and departments.
- Provide recommendations to define the size and type of each of the acceptable main risks by the Board of Directors and ensure that current risks are in line with planned risks (Risk Appetite).
- Setting goals and scenarios for stress testing and applying them and submit the results of these tests to the Executive Management and Board Audit and Risk Committee.
- Apply the Internal Capital Adequacy Assessment Process (ICAAP) and submit the results to the Executive Management and the Board Audit and Risk Committee.
- Develop the methodologies for measuring and controlling each type of risk.
- Provide recommendations when setting the limits of the various risks that the Bank is exposed to, review them and provide recommendations to the Board Audit and Risk Committee, as well as record cases that are exceptions to risk management policies.

- Provide the Board and Senior Executive Management with information regarding the Bank's risk measurements and risk profile (qualitative and quantitative statistics to be presented at each Board meeting).
- Highlight risks transparently and ensure they are clear and understood internally and disclosed to the public.
- The Bank's committees, such as the Executive Committee, Credit Committees and the Assets and Liabilities/Treasury Management Committee assist the Risk Management Department in conducting its tasks within the specified authorities of these committees.
- The Bank shall include in the annual report enough information regarding the Risk Management Department, especially its structure, processes and the developments it underwent.
- The department spreads risk awareness among the Bank's employees regarding modern ways and methods of Risk Management in such a way that achieves the concept of comprehensive risk management.
- The department follows up on the instructions and recommendations released by the various regulators, including BASEL committee, and translates them into work plans, policies and procedures.

Credit Administration & Control Department

The organizational structure shows that the department is headed by the Executive Manager of the Risk Management Department, to whom the department manager reports to. Duties are divided among the following units: Internal Operations Unit, External Operations Unit, Legal Documentation Unit and Committees & Decisions Unit.

This department was separated from the Facilities Administration in order to achieve segregation of duties and to be in line with bilateral control.

The most important tasks and duties of the Departments' units are as follows:

Internal Operations Unit

1. Carryout functions related to granting facilities, their renewal, adjustment and cancellation. As well as the preparation, review, posting and adoption of accounting records relevant to the performed transactions.
2. Posting the data of guarantees to the Banking system.
3. Posting the data of credit portfolios assigned to the credit officers and their authorities, as well as the authorities of branches and offices in regard to current accounts with no sufficient balances, to the Banking system, based on a decision by the Credit Department.

External Operations Unit

1. Prepare a statement of loan classification, calculating impairment and reserves provisions as well as all relevant data that is required as per the instructions of the CBJ, regulators and the Bank's external auditor.
2. Prepare a statement of credit concentrations, enter relevant data to the Banking system so that relevant groups, members of the Board of Directors, Executive Managers and subject companies and such data that is required by the instructions of the Jordan Central Bank and regulators.
3. Prepare a statement of the Bank's clients banking risks and request their secret numbers from the CBJ, enter into the Banking system and approve the monthly system update before being sent to the CBJ.
4. Direct inquiries regarding the risk position of new clients towards other banks through direct connection with CBJ.
5. Reply to other banks' inquiries pertinent to the Bank's clients.

Committees & Decisions Unit

1. Index and organize the issues that need to be brought to the attention of the Corporate Credit Committee, Retail Credit Committee and the Board Credit and Investment Committee according the authority levels defined by the credit policy guidelines.
2. Attend Corporate Credit Committee meetings and Retail Credit Committee meetings and prepare their decisions.
3. Draft the Board Credit and Investment Committee minutes of meeting.
4. Inform the concerned clients, branches and departments of the decisions taken by the committees (Corporate Credit Committee, Retail Credit Committee or Board Credit and Investment Committee).
5. Prepare release letters for property mortgages, possession mortgages, stocks or vehicles.

Legal Documentation Unit:

1. Prepare and approve contracts and supporting documents that document transactions up to a specified ceiling. All transactions that exceed that ceiling need to be approved by the Legal Department.
2. Solicit legal opinion in the cases that require it.
3. File the first copy of contracts, supporting documents and mortgage bonds in safes and in the Unit Manager's custody.
4. Correspond with the Administrative Services Department regarding the appraisal of real estate properties or the properties proposed as collateral for credit facilities.

Compliance Control Department

The process of controlling compliance is considered an independent function which aims at ensuring that the Bank and its internal policies are in compliance with all the laws, regulations, instructions, directives, codes of conduct, sound banking standards and practices issued by the local and international regulators.

1. The processes of compliance control are managed through an independent department, which reports directly to the Head of Risk Management & Compliance Group and submits reports periodically to the Board of Directors through the Board Audit and Risk Management Committee with a copy sent to the Executive Management.
2. The Board of Directors adopts and monitors the Compliance Policy while it is prepared and developed by the Compliance Control Department and communicated to all of the Bank's departments.
3. Employees of the Compliance Control Department are not assigned any executive work where there may be room for conflict of interest.
4. Compliance risks include the risks of not abiding by the laws, regulations, instructions and legislations issued by the various regulators, in addition to the risks of money laundering operations, reputation risks, risks of non-compliance with professional conduct charters and standards, intellectual property rights risks including regulations and any other relevant issues.
5. The scope of work of the Compliance Control Department includes the risk of non-compliance across all of the Bank's managements and branches in Jordan and outside as well as subsidiary companies.
6. The Board of Directors takes the necessary actions to support the values of integrity and sound professional conduct within the Bank such that compliance with the applied laws, regulations, instructions and standards constitute a primary goal that must be achieved. It also assesses the effectiveness of Compliance Risk Management at least once a year or whenever needed. Furthermore, the application of the Compliance Policy at the Bank is controlled and followed up by the Board of Directors through the Board Audit and Risk Committee.
7. The responsibility of Compliance Management is summarized by assisting Executive Management and the Bank's employees to manage "Non-Compliance Risks" that face the Bank; especially the risks of money laundering operations. In addition, Compliance Management provides advice to Executive Management regarding the applied laws, regulations and standards as well as any amendments that may take place.
8. The Compliance Control Department has the authority to view all documents, records and contracts that enable it to perform its job with high quality, objectivity and transparency; in addition to viewing internal audit reports and the reports of external regulators -at the forefront of which are the Central Bank of Jordan and regulators whom the Bank's branches outside Jordan are subject to.
9. The Compliance Control Department has the authority to communicate with all employees at the Bank and subsidiary companies to get the information and clarifications it finds fit.
10. Full coordination shall exist between the Compliance Control Department and the other departments, especially with the Internal Audit Department and Risk Management, to obtain compliance reports that highlight conformity of work progress with the legislations, laws and instructions of regulators.
11. The Bank informs the Central Bank of Jordan of any violations resulting from noncompliance especially violations that subject the Bank to legal penalties or material financial or reputation losses. In addition to informing the Money Laundry Unit at CBJ of any cases that should be reported.

Credit Remedial and Follow Up Department

1. Follow up on loan settlements ensuring to ensure timely payment in accordance to a sound internal policy and procedure manual and in line with the Central Bank of Jordan's and regulatory authorities' instructions.
2. Reduce nonperforming loans ratio and work at minimizing any clients to default on their loans by implementing an early warning system and in return avoiding setting aside additional provisions for non-performing loans, improving liquidity ratios and capital adequacy ratio.
3. Analyze the trends and indicators of overdue settlements, the results of which are the adoption of account management strategies to reduce non-performing loans ratios and increase recovery and coverage rates.

Code of Conduct

The Bank adopted a Code of Conduct which was approved by the Board of Directors. All the Bank's employees across the various managerial levels as well Board members have pledged to commit to it.

The code defined the ethics, values and principles of Bank employees in four main areas which are:-

1. Integrity
2. Compliance
3. Transparency
4. Loyalty

Integrity: the code included that Bank employees are committed to the following:-

- Depositors' money is a trust and a responsibility that must be preserved.
- Non-conflict between personal interests and the Bank's interests.
- Not to use inside information to achieve personal interests.
- Maintain objectivity and not be influenced by personal relations.
- Not to enter into business relationships with clients and suppliers.
- Not to discriminate between clients.
- Not to accept gifts, benefits and invitations.

Laws and regulations: All employees must commit to financial confidentiality, the Bank's policies and its work guidelines, give the needed care in combating money laundering, not to issue dishonored checks and commit to management's decisions.

Transparency: the Bank's employees are committed to the correctness of the declared numbers, data and reports as well as the accuracy, sufficiency, timing and compliance of this data with standards; in addition to declaring personal interests, employee financial standing and his business activities and declaring violations and damages.

Loyalty to the Bank: loyalty is achieved through realizing the Bank's mission, vision, goals, role and by transforming the Bank's slogan into a tangible reality, winning clients' satisfaction and retaining them; in addition to positivism, excellence, taking responsibility, quality, efficiency, accuracy, continuing training, maintaining working hours, adapting to work stress in a team spirit, attention to appearance, conduct and good attitude, caring for the Bank's reputation and achievements, maintaining the Bank's assets and appearance, not disclosing any work secrets and taking permission from management before making any declaration regarding the Bank to the media.

VII. Governing Policies

Jordan Kuwait Bank regards providing written policies covering all the bank's activities with high importance as these policies are adopted by the board of directors and circulated to all management levels as well as reviewing and updating them regularly to reflect any changes and amendments that occur to the laws, regulations, economic circumstances and any other matters related to the Bank. These policies include credit policy, investment policy, risk policy, operational risk policy, compliance policy, internal monitoring and control system policy, Anti-Money Laundering policy, IT security policy, business continuity policy, assets and liabilities management policy, investment portfolio management policy, liquidity risk policy, interest rate risk policy, stress testing policy, emergency liquidity policy, internal assessment of capital adequacy policy, whistle-blowing policy, and human resources policy.

VIII. Relations with Shareholders

1. The Bank develops positive relations based on transparency with all shareholders. In this field, the Bank saves no effort to encourage all shareholders, especially small shareholders, to attend the annual meeting of the General Assembly and encourage voting. In addition, consideration is given to voting on each issue that is raised during the annual meeting of the General Assembly separately.
2. The Chairmen of the various Board committees attend the annual General Assembly meeting.
3. Following the General Assembly meeting, detailed report is prepared to inform shareholders of the various remarks and questions brought forth by the shareholders and management's responses to them as well as the conclusions reached.
4. Representatives of the External Auditors attend the annual General Assembly meeting to answer any questions that may be raised regarding audit and the auditor's report.
5. Pursuant to the Companies Law, members of the Board of Directors are elected or re-elected during the annual General Assembly meeting. The external auditor is also elected during the same meeting.
6. IX. Transparency and Disclosures
7. The Bank provides full information regarding its activities constantly and periodically to all stakeholders such as regulators, shareholders, depositors and the public in general; focusing on issues with material impact on the Bank.
8. The Bank is fully committed to the requirements of full disclosure according to the International Financial Reporting Standards (IFRS) and the disclosure instructions issued by the Central Bank and regulators.
9. The Bank follows up the various developments regarding the requirements of disclosure according to international standards, such that they are immediately reflected in its financial reports.
10. The Bank commits to providing permanent and professional communication lines with all relevant stakeholders such as regulators, shareholders, investors, depositors and other banks. To achieve this, the Bank shall create a position of Investors Relation officer whose main task is to provide full and objective information regarding the Bank's financial and administrative standing as well as the Bank's various activities.
11. The Bank's annual report shall contain all information related to the Bank in a manner that is transparent and objective.
12. Publish periodic reports that contain quarterly financial information, in addition to a report from the Board of Directors regarding the trading of the Bank's stocks and its financial standing during the year as well as periodic briefs by Executive Management for shareholders, financial market analysts and journalists specialized in the financial sector.

13. Hold periodic meetings between the Bank's Executive Management and investors and shareholders.
14. The Bank provides the information available in its annual or periodic reports on the Bank's website in both the Arabic and English languages, where information is updated constantly.
15. The reports that the Bank presents must contain disclosure from the Executive Management about the results of current and future operations, the financial standing of the Bank and any future results of risk that might affect the general financial standing of the Bank.
16. To deepen the principle of transparency and disclosure, the Bank's annual report must specifically contain the following:-

- The Banks' Corporate Governance Guidelines and the extent it is committed to.
- Full information about the members of the Board of Directors including qualifications, experiences, share of the capital, their status as Executives, Non-Executives or Independent, memberships in any other Boards of Directors, the bonuses and salaries they have received, any loans granted to them by the Bank and any operations between the Bank and the member's companies, himself or any parties related to him.
- A brief of the responsibilities and tasks of Board committees.
- Frequency of Board and Board Committees meetings held.
- A brief of the Bank's Remuneration Policy as well as the salaries and allowances of Senior Executive Management.
- The statement of the Board of Directors regarding the sufficiency of internal control systems.
- A description of the structure and activities of the Risk Management & Compliance Group.
- The main shareholders of the Bank and of companies that hold substantial portion of the Bank's capital.

Ejara Leasing Company

FULLY OWNED COMPANY

United Financial Investments Company

SUBSIDIARY COMPANY

ISSUER

Visa International Service Association

PRINCIPAL MEMBER

ISSUER

Middle East Payment Services

PARTNER

AGENT