35 Years

1976-2011

ANNUAL REPORT 2011

التقرير السنوي

البنك الأردني الكويتي

JORDAN KUWAIT BANK

35

Years

1976-2011

In 1976, a group of prominent Jordanian and Kuwaiti investors came together, joined by an idea and united by a vision, to establish a joint investment project in Jordan under the name of Jordan Kuwait Bank. With the efforts and sincerity of the Bank's founding members, management, and employees, JKB was able to succeed and persevere, unlike many other joint projects that were established at that time. For the first 20 years following its inception, JKB ensured its survival and its existence as a medium-sized bank with moderate performance.

In the middle of 1997, JKB embarked on a new and important era and a pivotal turning point in the Bank's history, represented by the return of Kuwaiti shareholders to JKB's management through the new Board of Directors that was elected at that time. They subscribed for the new shares issued to raise JKB's capital, thus increasing their equity in the Bank to more than 50%.

From the first day of the formation of the new Board of Directors, the cornerstone for a multi-purpose development and change plan was put in place, encompassing JKB's strategies, policies, vision and mission, leading to achieving excellence in performance, growth, profitability and customer service.

During the first three years of its new endeavor, JKB's achievements exceeded expectations. The results of 1997, 1998, and 1999 in particular confirmed the soundness of JKB's approaches and the management's efficiency and commitment to success and excellence. All of which substantiated in qualitative and quantitative achievements that were deemed the best of those witnessed in previous years. Before the end of 1999, JKB had completed all IT development projects using the latest advancements and the state-of-the-art information systems, banking solutions, and network infrastructure.

By the year 2000, JKB moved into one of the new stages of its strategic plan; turning JKB into a comprehensive bank that provides both traditional and modern banking services, as well as complimentary services. Before the end of the first half of the year, JKB had developed a new image, represented by the offering of a set of unprecedented services in the Jordanian market, that included insurance services, financial brokerage, investment portfolios' management and legal consultations. On the other hand, JKB was the first bank in Jordan to offer direct electronic services such as banking via the Internet and cellular phone. These developments have contributed to expanding the Bank's slogan "More than just a bank" to include new domains by which the Bank deserved to be known as "the bank of comprehensive services and innovative solutions."

During the period from 2001 to 2011, JKB worked at enhancing its leading position of excellence in the banking sector. The Bank succeeded in an overall change to its image, mission, and service level, as well as expanding its client base to include various economic sectors and individuals. All of whom valued JKB's high service quality and work style, as well as the management and employees' concern for their interests and the success of their businesses. This was accompanied by achieving outstanding growth rates and performance levels never attained before throughout JKB's long march. JKB's achievements were, in most years, the best within the Jordanian banking sector, becoming an exceptional model for success and excellence.

The period between 2001 and 2011 was also witness to significant developments in JKB's endeavor, including raising its capital from JD25 million (USD 35 million) to JD100 million (USD 141 million), expanding its branch network from 35 to 56 branches and offices inside and outside Jordan, finalizing the expansion and renovation of its general headquarters, as well as launching a new logo that reflects the Bank's new image of strength, vitality and modernity.

In June 2008, JKB's ownership structure underwent a major change. The Kuwait Projects Company (KIPCO) transferred the share of the United Gulf Bank-Bahrain in Jordan Kuwait Bank, as well as in other regional banks, to Burgan Bank-Kuwait, making it the regional banking arm of the Group. This change is considered an important step to support and strengthen the relationship between JKB and Burgan Bank and to provide better opportunities for cooperation and expertise exchange among the Group's banks.

JKB's successful journey over the last thirty five years has been an inspirational venture towards a notable model of success that is worthy of study and emulation.

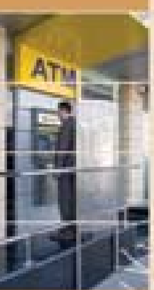
Since its birth as an idea of a joint Arab investment project till its emergence as a prominent economic monument, JKB continues to receive high recognition from its clients, from the public, and from local and regional banking institutions for its vitality and stature.

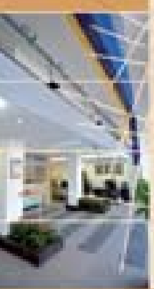
بسم الله الرحمن الرحيم

البنك الأردني الكويتي
JORDAN KUWAIT BANK

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

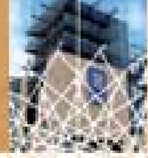
Member of Burgan Bank Group





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."



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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 (As of 23/3/2011)
- **Mr. Moh'd Ahmad Abu Ghazaleh** (Until 22/3/2011)

Board Secretary/General Manager

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

Auditors

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


Jordan Kuwait Bank
JORDAN KUWAIT BANK

Message from the Chairman

To the Shareholders,

On behalf of myself and my fellow board members, it is my pleasure to welcome you and present to you Jordan Kuwait Bank's 35th annual report, outlining the Bank's achievements during 2011, as well as the consolidated financial statements for the year ending on December 31, 2011.

The year 2011 witnessed the 35th anniversary of the establishment of the Bank. On this occasion, we stand to remember with pride and much appreciation the men who grasped the idea of establishing this Bank back in 1976. These men dedicated their time and money for the advancement and success of their project so that, today, JKB stands as a towering monument and one of the important pillars of the Jordanian banking sector, as well as a symbol of trust that links us with our Kuwaiti brothers, as founders, partners, and friends. On this occasion, I would like to quote from His Majesty King Abdullah II's book "*Our Last Best Chance: The Pursuit of Peace in a Time of Peril*", which was published in early 2011, in which he says: "The state of Kuwait, and in particular Emir Sabah Al-Ahmad Al-Jaber Al-Sabah, have been some of Jordan's strongest supporters, and the Kuwaitis are among the largest investors in our economy." We, the Jordan Kuwait Bank's family, within the same sentiment, reiterate our pride and faithfulness for our Kuwaiti brothers.

The global financial and economic crisis has continued its upscale rise and its negative effects became deeper and more widespread. This global crisis started in 2008 as a financial crisis, but soon developed into an economic crisis in 2009 and 2010, only to continue to take a very serious turn in 2011 which resulted in repercussions that affected livelihoods and social dimensions, due to governments' failed measures in the face of these rapidly unfolding developments. The US Government suffered from fiscal deficits throughout the past three years, which forced it to borrow more and to raise the debt ceiling beyond the permissible limits. This has harmed its credit rating, and for the first time in its history, it lost its AAA classification by Standard and Poor's.

In Europe, 2011 was one of the worst years in history ever experienced by the European Union. The crisis moved from peripheral to central countries. The political and fiscal bailout deals were too few and belated, while the majority of the adopted measures, including austerity policies, were ineffective. The governments of indebted countries failed to control their budgets and moved toward further borrowings instead of shrinking the inflated sectors. As a result, economic, financial and social pressures increased, not only on the countries that were experiencing the crisis, but on the entire Euro area.

Meanwhile, an interesting development occurred in the United States and Europe during 2011. The so called Arab Spring has inspired some coordinated protest movements that expressed opposition to capitalist economic policies, austerity programs and the reduction of social services. These protests continued throughout 2011 and are feared to continue and spread in 2012 if the situation remains unchanged.

Locally, 2011 was hoped to be the beginning of an economic recuperation and growth. Yet, the emergence of the Arab Spring, despite its political and social justifications, took everyone by surprise, casting its shadow on the political, economic and social climate throughout the region. Jordan too has experienced popular movements and societal activities in 2011, demanding political and economic reform and fighting corruption. These movements coincided with the continuing effects of the global financial and economic crisis, not to mention the escalation of events in the region, particularly in neighboring countries, which contributed to a general state of low economic activity and yielded a certain level of stagnation in a number of major economic sectors, most importantly investment and tourism. Despite the fact that other sectors were able to achieve some positive results; the general economic performance in 2011 was below expectations. The GDP registered a growth of 2.6%, which is lower than it used to be in previous years. Moreover, the budget deficit increased and the Debt/GDP ratio rose to unprecedented levels, all accompanied by a decrease in foreign investments, expatriates' remittances and revenue from tourism.

As for the Jordanian banking sector, it continued to show positive indications in terms of stability and soundness while its activity remained aligned with the prevailing economic conditions and market needs. Total deposits in the banking sector increased to nearly USD 34 billion, a growth of 8.3% over 2010. On the other hand, total credit facilities in 2011 amounted to approximately USD 22 billion, posting an increase of 9.7% over the previous year.

Moreover, the average capital adequacy ratio at Jordanian banks registered 18.2% in June 2011, while the average non-performing loans to total credit facilities registered 8.5% for the same period.

JKB's Results in 2011

2011 was the fifth and final year of the Bank's strategic plan (2007-2011) which was concluded with achieving its set objectives. This is primarily the result of full commitment to the endorsed policies and the highly efficient management of assets and liabilities, ensuring that they are of sound quality, diverse and invested within the Bank's adopted risk management guidelines and without jeopardizing the required liquidity ratios.

On one hand, the results of the Bank's main activities in 2011 were good. Assets increased by 9.1% compared with 2010 and reached a total of USD 3206.8 million, while clients' deposits grew by 8.6%, and amounted to USD 1998.8 million. The portfolio of direct credit facilities (net) increased to USD 1761.2 million, registering a growth of 6.7% over 2010. On the other hand, and due to the weak economic cycle and the slowdown of several companies' activities, in addition to the effects of the political instability in the region, the year's gross income decreased by 3.3%, reaching a total of USD 153.8 million, compared with USD 159 million in 2010.

In view of the adverse circumstances that prevailed before and throughout 2011 and as a precaution against the continuation of such conditions and their impact on various economic sectors in 2012, as well as to address some weak accounts and their inability to recover under the current situation, the Bank's management has opted to further strengthen the provision for impairment in direct credit facilities by USD 29.36 million at the expense of the year's profit, thus decreasing the pre-tax profit for 2011 to USD 78.45 million against USD 104.19 million posted for the previous year. Meanwhile, the total equity of the Bank's shareholders grew by 6.8%, registering a total of USD 488.92 million as on December 31, 2011.

Performance indicators and efficiency ratios showed good levels and exceeded international standards. Moreover, the Bank's capital base maintained its strength and stability, whereby capital adequacy ratio reached 16.33% (compared with 12% according to CBJ's requirements). As for profitability, the return on shareholders' equity registered 16.29% and the return on assets registered 2.55%.

During 2011, the Bank continued the implementation of necessary measures dictated by the various recommendations of the Basel Accords. A study on the effect of the requirements of Basel III on the Bank was conducted as required by CBJ. Moreover, and in line with the second pillar of Basel II, an Internal Capital Adequacy Assessment Process (ICAAP) was done, as well as stress tests, in accordance with the instructions of CBJ, the Palestinian Monetary Authority, and the Central Bank of Kuwait. All conducted assessments and tests have verified and ensured the Bank's financial strength.

In the first quarter of the year, a foreign investor by the name of Odyssey Reinsurance Company joined the Bank's major shareholders base and the Bank's board of directors. Odyssey Reinsurance Company is an American company fully owned by Fairfax Financial Holdings, a USD 31.7 billion assets company based in Canada.

Needless to say, having prominent local, regional and international corporations among JKB's major shareholders and on its board of directors materializes the Bank's vision of being the gateway for successful investment in Jordan and the Middle East. It also confirms the confidence of the global markets in the performance of the Jordanian economy and its promising future.

The Outlook for 2012

The picture of the global economy and the financial sector in 2012 does not appear to be encouraging, given the pressures that banks involved in the sovereign debts' issue are suffering from, as well as the lacking faith in the ability of world countries, particularly in Europe, to offer assistance, since they themselves are suffering from credit related distress. This is in addition to the possibility that the American economy might suffer from a recession, the effects of which would impact the entire world. Unless this crisis is addressed in an effective manner through economic, financial and legal measures and increased coordination between political and economic decision-makers worldwide, the recovery of the Euro area economy, and indeed the global economy, will be difficult. As is the case with the majority of the countries in the region and the world, Jordan will not be immune to the effects and repercussions of any recession or slow-down that might impact the global economy. In view of increasing inflation rates and growing popular demands for additional wages to match the rising costs of living, as well as the absence of new projects and the decline of foreign and local investments, the future is going to be replete with challenges. Nevertheless, we must not discount the possible emergence of positive changes, economically and politically, that would calm the current unrest and put everything back on their normal course.

Everyone agrees that 2012 is not going to be easy at the local level. In order for 2012 to be better than last year, we must begin, as of now, to put together a package of qualitative solutions, which are credible, broad and quickly applicable, as part of a comprehensive plan for reforms that includes priorities, goals and specific, clear and measurable work programs. This plan must also be fortified against the influence of changing governments and people, whereby it is binding to every government as being the accredited program for reform. It might also be useful and necessary at this point, not to mention saving time and effort, to renew and activate the National Agenda, making an action plan for economic reform. This would be done by referring to the Agenda's conclusions and recommendations, which directly address the most important aspects of the current crisis, namely the budget deficit, the indebtedness and the rising unemployment and poverty levels.

We would be remiss in this regard if we fail to stress the role of the private sector in employment, development and investment. The private sector must be involved in the discussion of economic issues and proposing appropriate solutions. This could be done by creating a framework of a permanent partnership and cooperation between the public and private sectors that functions at an institutional level and seeks to boost the national economy by focusing on the promising sectors with a competitive edge.

2012 is not expected to be a year of impressive achievements and results. Having said that, however, there is nothing that would prevent this year from being the starting point for launching the reform projects, and making positive changes in all political, economic and social aspects. From our past experiences over the decades and judging from our country's success in dealing with and overcoming the effects of many difficult problems, locally and regionally, as well as the wisdom, courage and vision of His Majesty King Abdullah II, we are confident that the path towards comprehensive reform, led personally by His Majesty the King, will soon bear fruit. After all, our country is full of potential and capabilities and the future is abounding with opportunities, and it is known that the best opportunities are born out of the most difficult times and the harshest crises.

In all cases, we at Jordan Kuwait Bank vow never to abandon our optimism and faith in our ability to deal with the current situation and any developments that might arise. We will continue to work hard and exert every effort to overcome the standing conditions and to take advantage of all available opportunities as we rely on the strength of the Bank's financial status, its clear strategy, and efficient risk management. In these extraordinary circumstances, we stand true and whole-heartedly with our clients and will continue to offer relevant products and comprehensive solutions. We will continue to put all our abilities and capacities in the service of our clients and the interests of our shareholders, as we always seek to tune the Bank's performance with their expectations and aspirations and do business in a positive and open spirit, all the while, maintaining the prudence, cautiousness and farsightedness that we have always been known for. Regardless of how this crisis endures, we will not waste time pondering and dawdling, but we will instead work hard to develop our capabilities, strengthen our gains and build a platform for a new launch, all the while learning from past lessons and experiences.

Finally, we at Jordan Kuwait Bank would like to offer our appreciation and gratitude for our strategic partners in Kuwait, KIPCO and Burgan Bank and for our national partner the Social Security Corporation for their sincere and devoted cooperation and trust. We would also like to offer our appreciation for our clients for their confidence in and commitment to us. Moreover, we would like to thank the Central Bank of Jordan for its endeavors aiming at regulating and developing the banking sector, securing its interests and safeguarding its growth and prosperity.

Our appreciation also goes to all staff members of the Bank, management and employees, for their hard work and devotion, and for their role in the Bank's success and progress.

Abdel Karim A. Kabariti
Chairman


البنك الأردني الكويتي

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 Central Bank of Jordan (CBJ) instructions. The aim of the Bank's adoption of this manual is to achieve corporate governance principles of fair treatment with 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 2010 to be in line with the Bank's revised organizational structure.

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 five meetings during 2011 on the following dates: Jan. 12, Mar. 22, Mar. 23, Jul. 12 and Oct. 9, 2011. All Board members have attended all meetings as well as the General Assembly meeting held on March 23, 2011.

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 2011: **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 2011: **49**

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 2011: **4**

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 2011 are detailed in the table below:

Board Member	Total rem. in USD
H.E. Mr. Abdel Karim A. Kabariti	130,811
Mr. Faisal H. Al-Ayyar	22,052
Rep. Social Security Corporation	14,668
Mr. Masaud M. Jawhar Hayat	22,475
Mr. Tariq M. Abdul Salam	23,745
Mr. Farouk A. Al-Aref	21,721
Dr. Yousef M. Goussous	14,669
Mr. Mansour A. Louzi	22,144
Mr. Bijan Khosrowshahi (As of 23/3/2011)	6,000
Mr. Moh'd A. Abu Ghazaleh (Until 22/3/0211)	8,039
Total	**286,324**

Executives' Remuneration

The salaries, transportation allowance and other expenses paid to the Bank's executives during the year 2011 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 update are the responsibility of the executive management. JKB 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 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.
  - preservation of the Bank's assets and property.
  - Continuity of business 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 accomplishes 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 internationally recognized standards 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 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 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 Management Credit Committees and the Assets and Liabilities/Treasury Management Committee while conducting its tasks within the specified authorities 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 risks 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 a 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

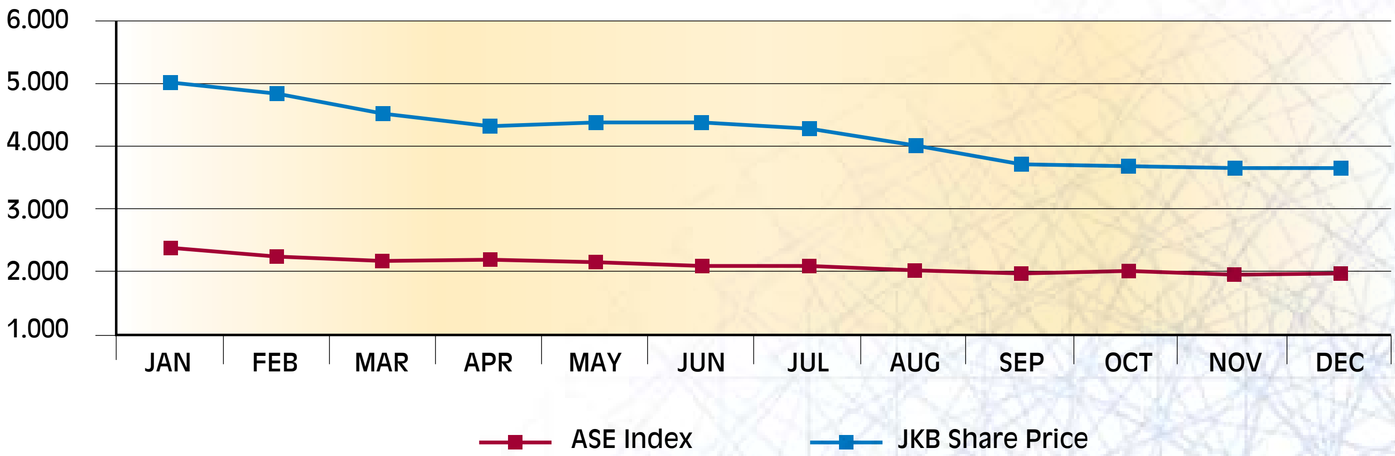
The Bank develops positive relations, based on transparency, with all its shareholders. In this regard, the Bank saves no effort to encourage all shareholders, particularly minority shareholders, to attend the General Assembly meetings and cast their votes. The Bank has a wide shareholder base of 14,744 as of 31/12/2011. 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 disclosing any material information, should it occur, in accordance with the JSC instructions.

Shares / Ownership Classification as of 31/12/2011

Number of Shares Held	Shareholders		Shares	
	No.	%	No.	%
Up to 500	11,243	76.25	2,289,459	2.29
501 – 1,000	1,881	12.76	1,327,345	1.33
1,001 – 5,000	1,249	8.47	2,509,096	2.52
5,001 – 10,000	167	1.13	1,196,894	1.19
10,001- 100,000	169	1.15	5,030,252	5.03
100,001 - 500,000	25	0.17	5,056,571	5.05
500,001and more	10	0.07	82,590,383	82.59
Total	**14,744**	**100**	**100,000,000**	**100**

Changes in JKB Share Price (JD) vs ASE Index During 2011



Management Discussion and Analysis

The main economic indicators for 2011 showed that the Jordanian economy continues to face risks of a recession, affected by rising of basic commodities' prices, especially oil, decreasing tourism revenues, Jordanian expatriates' remittances, and direct foreign investment flows in addition to the growing social pressures, and the state of instability in neighboring countries.

Among the most important positive indicators witnessed by the Jordanian economy during 2011 were the stability of the Dinar's exchange rate of 1.41 against the US Dollar, the growth in national exports at a rate of about 16%, and the Central Bank of Jordan's foreign currency reserves remaining at a comfortable level of an equivalent of seven months' imports. There was a relative increase in activity in the real-estate sector, amounting to about 19%. Trading in residential apartments increased tangibly, benefiting from the partial tax exemption granted by the government to support this vital sector. Jordan also maintained strong relations with Arab and foreign donor countries.

As for the negative indicators, poverty and unemployment rates maintained their high levels with an inflation rate 4.4%. The trade balance deficit increased as a result of an increase in imports cost resulting from increasing commodity prices worldwide. Revenues from inbound tourism decreased by 17%, and expatriates' remittances decreased by 6% over last year. There was also a decrease in the Central Bank of Jordan's reserves of foreign currencies of 14%, and the internal and external debt increased to reach USD 18 billion, or 65% of the Gross Domestic Product (GDP).

The Amman Stock Exchange (ASE) closed the year 2011 with losses that included all its indices. The market weighted price index for free stocks declined to close at 1995 points at year-end, against 2374 points at the end of 2010 a decrease of 16%. This follows a 6.3% decrease in 2010, 8.2% in 2009 and 24.9% in 2008. The ASE lost about USD 3.6 billion (13.1%) of its market value at the end of the preceding year.

As for 2012, there are indications that the Jordanian economy will continue to face challenges and growing social pressures amid the prevailing unrest in the region. The economy is expected to grow by 2.75% in 2012 affected by higher commodity prices, and widening government borrowing. Inflation rate is also expected to hit 5.5% as a result of increasing oil price. The deficit in the current account is expected to reach 7.5% of GDP and the debt to GDP ratio is also expected to increase and reach 66% in 2012.

Jordan's Banking Sector

In 2011, as is the case throughout the crisis, the Central Bank of Jordan exerted remarkable efforts that contributed greatly to maintaining financial and monetary stability. A great deal of attention was focused on reforming the financial and banking sectors to guarantee its integrity, develop its activities and enable it to perform its role in serving the national economy.

The Central Bank of Jordan's measures and instructions in the area of risk management and enhancing prudent bank control, the implementation of internationally applied accounting and financial disclosure standards and developing an early warning system, have had a significant effect in protecting the banking sector and making it immune from internal and external shocks.

The Jordanian banking sector accomplished a number of good achievements in 2011, benefiting from the Central Bank of Jordan's success in managing the monetary policy and applying its tools, which contributed to providing additional liquidity into the national economy, and boosting the local credit market. As a result, total credit facilities granted by the licensed banks operating in the Kingdom increased to USD 22.4 billion at the end of 2011, against about USD 20.4 billion at the end of 2010 a growth rate of 9.7%. Loans and advances represented 85.4% of the total credit credit facilities, while overdraft facility accounted for 12.8%. JKB's share of the total credit facilities in the banking sector amounted to 7.33% at year-end.

The total deposits in the banking sector reached USD 34.4 billion at the end of 2011, against USD 31.7 billion at the end of 2010, a growth of 8.3%. This reflects the solid investors' confidence in the Jordanian banking sector in particular, and the Jordanian economy in general. The private sector's deposits increased from USD 29.6 billion in 2010 to USD 32.2 billion at the end of 2011, a growth rate of 9%. Term deposits represented 58% of the total banking sector deposits, while current and savings accounts represented 28.2% and 13.8% respectively. JKB's share of the total client deposits in the banking sector reached 5.58% at year-end.

In general, the financial strength indicators of Jordanian banks, such as capital adequacy ratio, financial leverage, liquidity, profitability and others showed adequate and satisfying levels. There was, however, an increase in the rate of non-performing loans/Gross credit facilities, amounted to 8.5% as at June 30, 2011 and is expected to increase further in 2012.

JKB Financial Performance

Operating Results: total revenues amounted to USD 153.8 million in 2011 compared with USD 159 million in 2010.

Operating Profits: operating profits reached USD 78.5 million in 2011, against USD 104.2 million in the previous year. This decline is due to allocating USD 29.4 million from the profits to strengthen the provision for impairment in direct credit facilities.

Net Interest and Commissions: net interest and commissions reached USD 133.8 million for the year, compared with USD 134.3 million in 2010.

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 10 million in 2011, against USD 12.3 million in 2010.

Operating Expenses: operating efficiency improved as operating expenses which includes employee expenses, office expenses, depreciation, administrative expenses and provisions (excluding provisions for impairment in direct credit facilities) declined to reach USD 46 million, against USD 49 million in the previous year.

Provision for Impairment in Direct Credit Facilities: the provision allocated for the year 2011 amounted to USD 29.4 million. This allocation was intended to address weak accounts and non performing loans due to the current circumstances and to hedge against the continuing adverse conditions and their repercussions on various sectors of the economy in the year 2012. The amounts put towards provisions this year as additional precaution may be reversed back to income once the risks of default are contained.

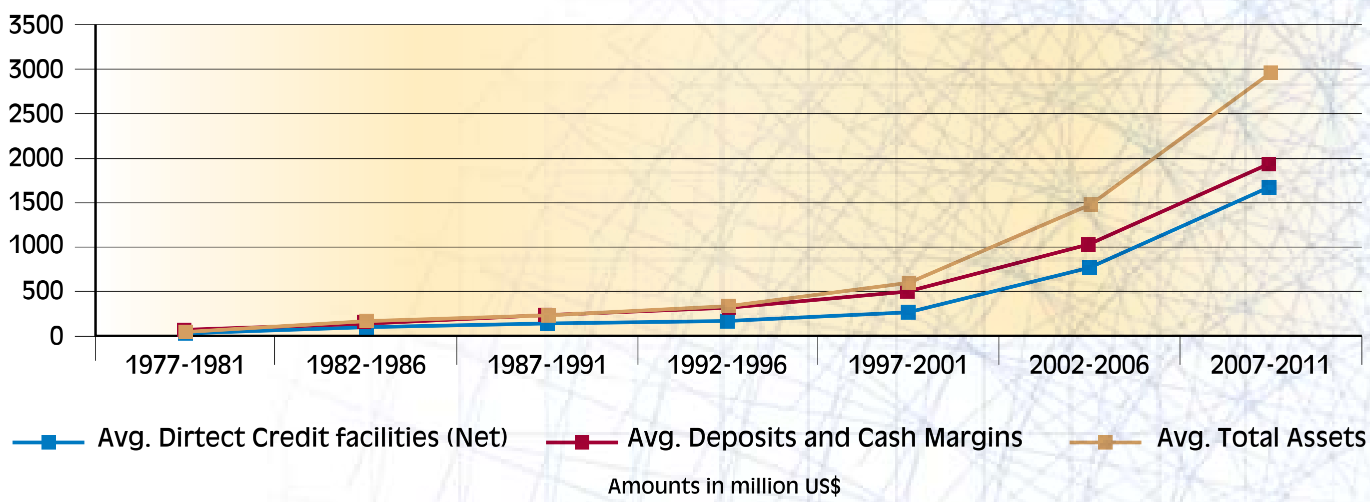
Financial Position

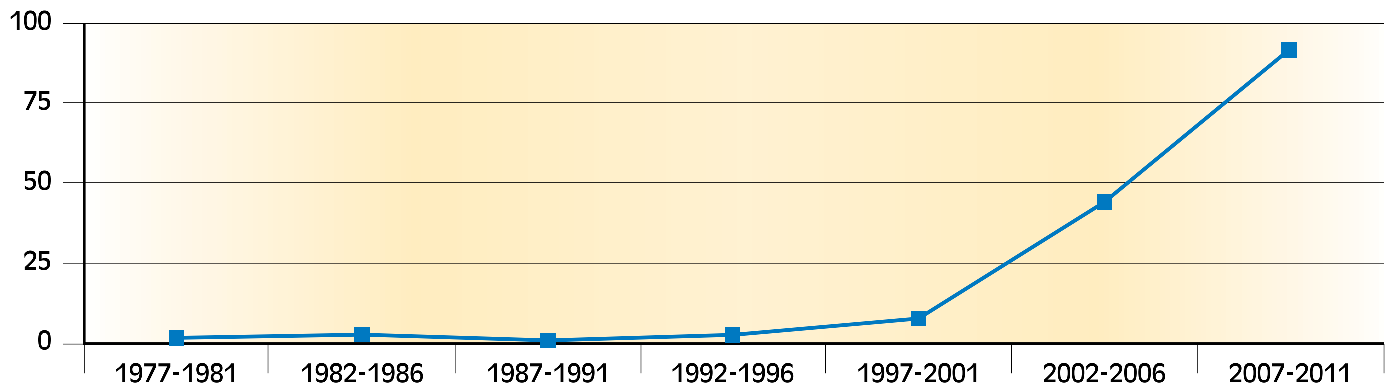
Despite the continuing repercussions of the financial crisis and regional situations on a number of local economic sectors, the Bank succeeded in achieving good results, specifically in key areas of its business. The Bank's balance sheet totaled USD 3.21 billion as at 31 December 2011, compared with USD 2.94 billion a year earlier, reflecting a growth of 9.1%.

Net credit facilities grew by 6.7% from USD 1.65 billion in 2010 to USD 1.76 billion at the end of 2011. Loans to retail business and consumers grew by 29.4% and loans to small and medium size enterprises increased by 22.4%. These results reflect the Bank's success in diversifying its credit portfolio across various economic sectors and focusing on directing credit towards small and medium enterprises and individuals to improve profitability and distribute risk.

Liabilities

Customers' deposits and cash margins constitute 78.3% of the Bank's total liabilities, and comprise of savings accounts, current accounts, fixed deposits and cash margins for both retail and corporate clients. Total customers' deposits and cash margins grew by 5.5% from USD 2.01 billion at the end of 2010 to USD 2.12 billion as at December 31, 2011.





Avg. Income Before Tax
Amounts in million US$

Capital

Total equity as at December 31, 2011 reached USD 496.5 million, 6.4% up from USD 466.5 million at the end of 2010. The capital adequacy ratio reached 16.33%, surpassing both the internationally-accepted minimum requirement of 8% and the Central Bank of Jordan's minimum requirement of 12%.

JKB Activities and Achievements in 2011

Efforts exerted by JKB's management and all departments continued to focus on the main objective of preserving gains and achievements realized over the past years in terms of the quality and diversity of products and services, as well as outstanding standards of performance.

The Bank's operational results showed a fairly good growth in the Bank's main areas of activity, represented in accepting deposits, granting credit and providing services and products relevant to these activities. Support services departments also worked at providing the necessary technical, administrative and control support to the Bank's departments, to enable them to perform their duties according to the best practices and highest standards of quality adopted by the Bank. Operations, continued to excel in overall performance levels, financial results, market share and the Bank's perception within the banking sector, clients and the general public. Following is a brief about the Bank's departments' achievements for the year 2011.

Credit Facilities

Credit activity showed positive results during 2011, despite the continued repercussions of the difficulties prevailing in the region. Net direct facilities reached USD 1761.2 million on December 31, 2011.

2011 witnessed exceptional economic conditions as a result of the continued financial and economic crisis, in addition to the political conditions prevailing in neighboring countries and their effects on the various economic and business sectors. This resulted in the Bank to maintain its balanced credit policies and flexible standards in extending facilities of all types, taking into consideration the risks inherent within each facility in terms of competition, interest rates and exchange rate fluctuation and the level to which they are impacted by prevailing conditions.

In 2011, a substantial portion of financing was extended to productive and large companies with an impact on the national economy, specifically in the fields of energy, mining, transportation, plastics manufacturing, cables, grinding, telecommunications and media. Small and medium-sized projects also accounted for a fair share of the Bank's financing activities, achieving reasonable growth while continuing to develop marketing campaigns to attract new clients and increase the Bank's share of this business field, especially in view of the trend towards signing cooperation agreements with international institutions to secure these loans in Jordan and Palestine.

On the other hand, 2011 witnessed a remarkable increase in the area of indirect facilities. A major portion of this increase was represented in issuing and financing letters of credit.

At the project finance level, a number of transactions were executed in the local market, and the Bank participated in several syndicated loans within the Kingdom.

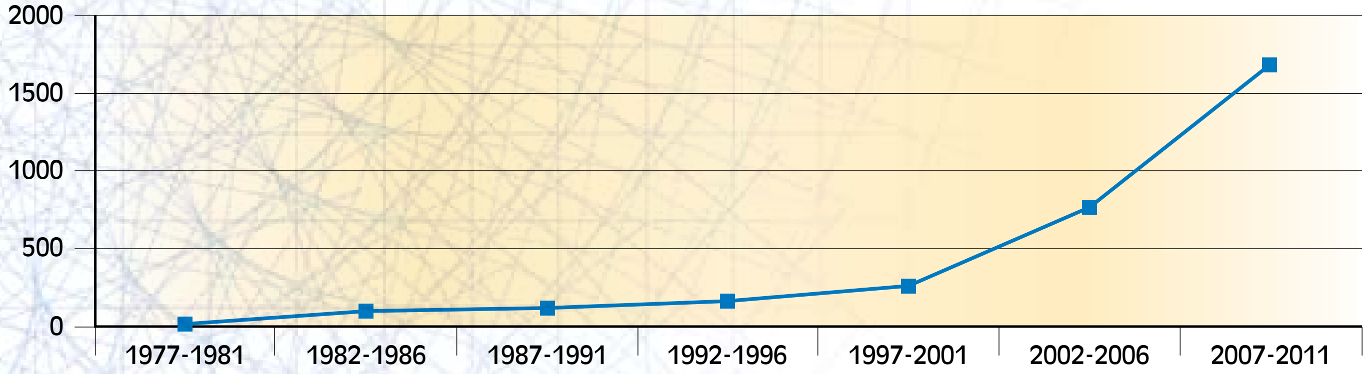
As a result of the prevailing local economic conditions, the Bank allocated necessary provisions against accounts that showed indications of inability to repay their dues, while continuing to exert more efforts to address a number of non-performing loans according to a mechanism that is agreeable with the clients' cash flows and the instructions of the regulatory authorities.

Private Banking Unit

In 2011, the Private Banking Unit continued to offer selective investment products with good return and the least of risks in cooperation with a number of international investment institutions. The PBU selected investments based on comprehensive research and analysis to confirm that they are within customers' acceptable risk levels and meet their investment needs and expectations.

The Unit completed developing its business procedures in accordance with best practices that comply with risk management policies in order to ensure that customers' investment portfolios are secured against the fluctuation witnessed in financial markets which increase investment related risks.

It is worth noting that managing clients' portfolios during 2011, focused on trading bonds with high credit rating due to the sharp volatility and high risk of the global financial market, especially the European market which witnessed a tangible decline.



Avg. Direct Credit Facilities (Net)
Amounts in million US$

For comparison, the return on US Dollar managed portfolios averaged 7.5%, while the return on Investment Grade Bond Index yielded 4.6%.

Retail and Consumer Products

Despite the challenges of the current economic conditions, the global financial crisis and the high competition within the banking sector, the portfolio of retail and consumer products recorded a significant growth of 29.4% in 2011; a result of offering a variety of competitive products that meet consumers' demands and needs.

Through market and competition research, retail and consumer products are continuously redeveloped and updated, offering new and innovative ideas, in the aim to maintain their competitive edge. In 2011, the co-branded JKB Cozmo Visa credit card was launched, offering additional benefits to the card holder. The Co-branded JKB and Royal Jordanian MasterCard, Fly & Plus, was re-launched with new and additional features. On the other hand, a number of marketing campaigns were carried out to support the efforts of the field sales force, all of which contributed to achieving good results and growth in 2011.

During the first half of 2012, the Retail and Consumers Products Department will undergo restructuring whereby the Bank's branches will fall under its organizational hierarchy. Furthermore, the manpower at different units of the department will be reinforced with additional capabilities and new policies and procedures will be put in place to ensure both speed and accuracy when doing business. Significant improvements will also be made to retail and consumer products with regards to conditions and features for added flexibility and competitiveness in an aim to expand the clients' base and enhance retail credit activity.

Treasury and Investment

The Treasury, Investment and International Relations Department manages the Bank's assets and liabilities in Jordanian Dinars and foreign currencies within the approved investment policy, in addition to building the investment portfolio, while observing cost, return and risk factors.

2011 witnessed a continuation of the ramifications of the global economic and financial crisis. Despite fluctuations in the global financial markets, decline in available opportunities and the increase in associated risk levels, the department succeeded in achieving good performance levels in all its investment activities, thus maintaining its outstanding position and the Bank's competitive status within the Jordanian banking marketplace.

The Department succeeded in managing the Bank's local and international stocks and bonds portfolios with high efficiency, achieving profits despite the prevailing circumstances, focusing on stocks and bonds with high return and liquidity ratios and acceptable level of risk. The Department was able to mitigate the effects of declining stock prices and lower trading volumes by distributing shares both geographically and by sector. Good returns were also achieved from dividends distributed by companies in which the Bank has investments in.

With regards to assets and liabilities management, the Department maintained good performance levels by following the investment policy guidelines in addition to the guidance of the upper management and assets and liabilities committee. The Department worked on strengthening the quality and diversity of the assets and improving their returns by diversifying sources of funds as well as utilizing the best appropriate tools for managing market risk and reducing risk associated with assets and liabilities, such as market, credit and operational risks, all contributing to improving profitability and maintaining an acceptable level of risk.

Despite the continued recession in the Initial Public offering (IPO) market, the Bank succeeded to be the underwriter for the North Cement Company's IPO which was considered one of the best public offerings of the year.

In the field of Bank client services, the Treasury, Investment and International Relations Department continued to offer its services as settlement agent, registrar in addition to custodian services as well as provide the service of fund trustee for local joint investment funds.

The Department continued its efforts in 2011 to enhance its relations network and cooperate with the largest and best international and local banks. The Bank also worked on opening new communication channels with a number of new correspondent banks specifically for international trade and bank transfers to offer the Bank's clients the highest standards of services at competitive prices.

Information Technology

2011 witnessed a number of accomplishments; the Bank's internal and external communications infrastructure was upgraded using latest technology in addition to increasing network bandwidth through alternate conduit lines to guarantee that the connectivity between JKB branches inside and outside the Kingdom with the central systems at the Head Office provides uninterrupted round the clock services. With regard to the Business Continuity Plan, setup of the main and backup sites for data, applications and operating systems were completed.

Other banking applications and systems, including (ATM) management, Customer Relations Management Systems (CRM), Management Information System (MIS), as well as the shareholders and signatures systems, were all upgraded. Direct internet connection with the Customs Department to manage and control Bank clients' letters of guarantee was launched. The IT department provided technical support needed to launch the co-branded JKB - Cozmo Visa card and the co-branded JKB - Royal Jordanian Fly & Plus MasterCard .

A number of systems were also upgraded in accordance with ISO27001 requirements. The ATM management and the smart cards issuing systems were also upgraded to be compatible with the international PCI DSS Visa and MasterCard requirements, in order to enhance their security features. A number of projects related to the Bank's foreign branches were also implemented, most significant of which are the monthly budgets, the Depositors' protection Scheme and the financial disclosures for Cyprus branch.

Finally, work was underway in 2011 with Burgan Bank to evaluate and select a new banking system to be approved at the Group's banks level. The first stage of this new system will be implemented at JKB during 2012.

Branches Administration

The Branches Administration Department continued its efforts during 2011 in maintaining the outstanding level of banking services; concentrating on the quality, accuracy and speed of services provided to the Bank's clients and the public. The Department succeeded in attracting more business and individual clients from various sectors.

The Department also contributed to implementing the branching and renovation plan for 2011. Three new branches were opened namely: Al-Rawnaq Branch / Seventh Circle, Mecca street Branch in its outstanding location, and Southern Sweileh Branch / Irsal Neighborhood. The Bank's branches at Russaifeh and Jubaiha were completely renovated.

In order to provide qualified and experienced staff for the new branches, and to accommodate the increase in the Bank activity, 71 new employees were trained during the year at the simulation branch, prior to assigning them to the various branches and departments.

Bank branches also provided the services of dividend disbursement for a number of shareholding companies, in addition to providing other banking services, including IPO subscriptions and subscription refunds.

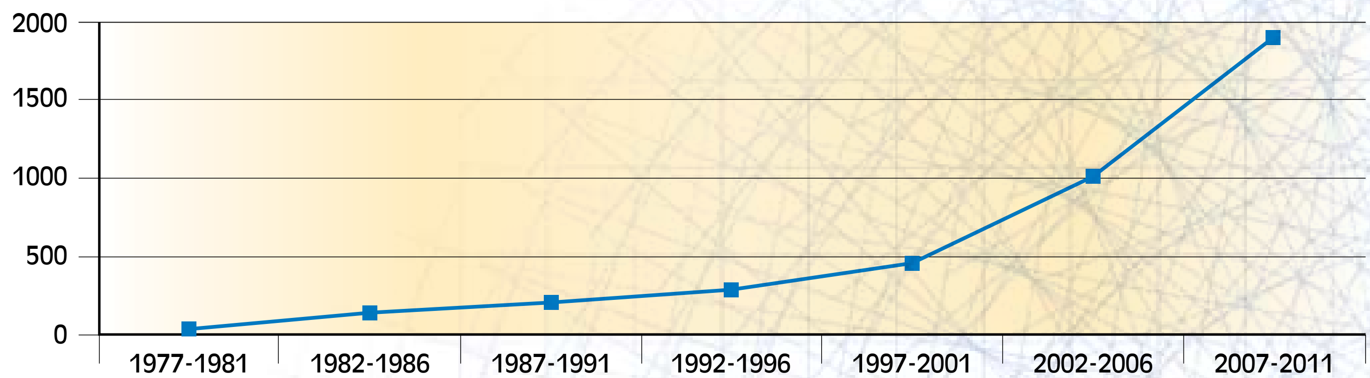
Financial Department

The Financial Department undertakes financial control over the Bank's various activities and transactions, with the purpose of achieving the highest levels of efficiency in financial management, and to guarantee the quality and timeliness of information and reports issued by the Bank for the regulatory bodies, shareholders and other related entities.

The year 2011 brought a new challenge to the Department, whereby it had to comply with the Central Bank of Jordan's and the Jordan Securities Commission's regulations for the early adoption of the International Standard for Financial Reporting IFRS9 (Financial Instruments). This entailed re-classification and measurement of the financial assets as of the beginning of the year in accordance with the business form developed to comply with the Standard requirements.

Furthermore, the Department continued to issue reports to Burgan Bank in accordance with the Central Bank of Kuwait regulations, including continuing to apply the International Accounting Standard 39 (Financial Instruments: Recognition and Measurement). This required maintaining two types of financial records for the Bank, in compliance with the different standards applied by the concerned regulators.

The Department, in cooperation with other departments in the Bank, prepared the 2012 budget estimates according to the set



Avg. Deposits and Cash Margins

Amounts in million US$

objectives that interpret the management's vision for the year and the economic and financial challenges it poses; and the level to which these challenges affect the banking sector in general and the Bank in particular. Furthermore, the Department contributed towards setting the broad lines for the Bank's long-term business plan (until 2019), outlining the basis for implementing the Basel III accord.

Internal Audit

Adopting the Risk Based Audit model, the Internal Audit Department carries the responsibility of ensuring the efficiency and effectiveness of the internal control systems, with the aim of achieving the goals identified within the Bank's strategy. In this respect, the Department undertook the following activities:

- Visiting all of the Bank's work centers (departments and branches) both inside and outside Jordan, and reporting to the Audit and Risk Committee on its findings and proposed corrective measures.
- Revising the Bank's internal control systems in accordance with the guidelines and instructions of the various regulatory authorities and international standards, and taking the necessary measures to ensure integrity and soundness of the Bank's financial position.
- Visiting each of the Bank's subsidiaries and conducting relevant risk evaluations.

To realize the advisory role assigned to it, The Department also played an active role in various internal committees, in addition to participating in the assessment and development of various projects of the Bank.

The Department continued its revision of the Bank's activities, and provided management with periodic reports related to the Bank's key operations, subjecting them to review and audit.

During 2011, the Department continued to enhance cooperation with the KIPCO Group and the Burgan Bank Group for the purpose of developing Group business relations. This involved the following aspects:

- Participating in periodic meetings with KIPCO Group's internal audit managers.
- Developing and upgrading the Department's work processes as a result of its participation in the Bright Destiny project aimed at aligning the procedures of the Burgan Bank Group in accordance with international best practices.
- Cooperating with RSM, the consulting firm that conducted an assessment of the Bank's internal control system as per the requirements of the Central Bank of Kuwait. The RSM report concluded that the Bank maintains a sound internal control system.

The Department's efforts in 2011 focused on quality control issues which aim at providing reasonable assertion to all stakeholders with regards to audit activities. Within this framework, and to guarantee achieving this objective, the Department performs the following activities:

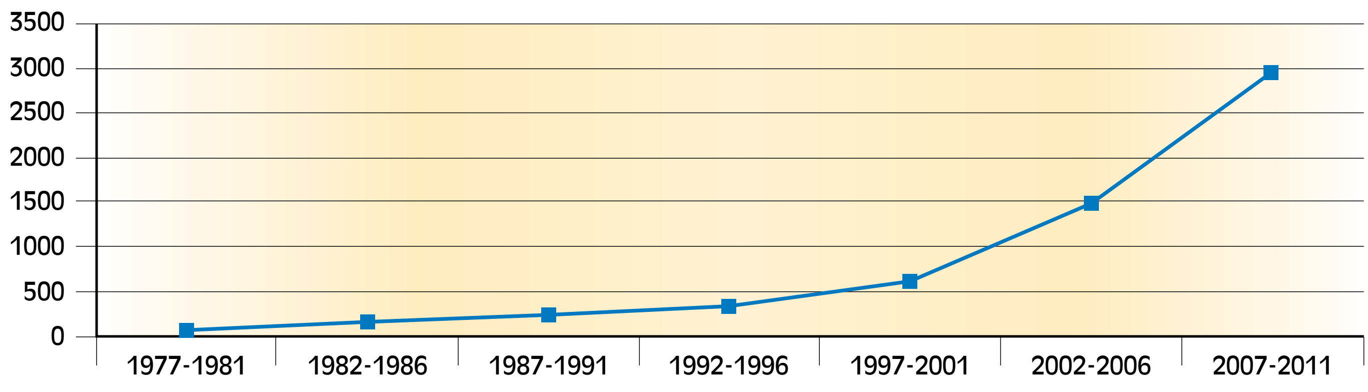
- Covering all activities of the Bank and its subsidiaries.
- Continuously monitoring and analyzing the internal auditing procedures to ensure its effectiveness.
- Ensuring compliance with international standards, best practices and the code of ethics.
- Performing periodic and ongoing Internal and external assessments of the audit activities as follows:

<u>Ongoing Reviews:</u>

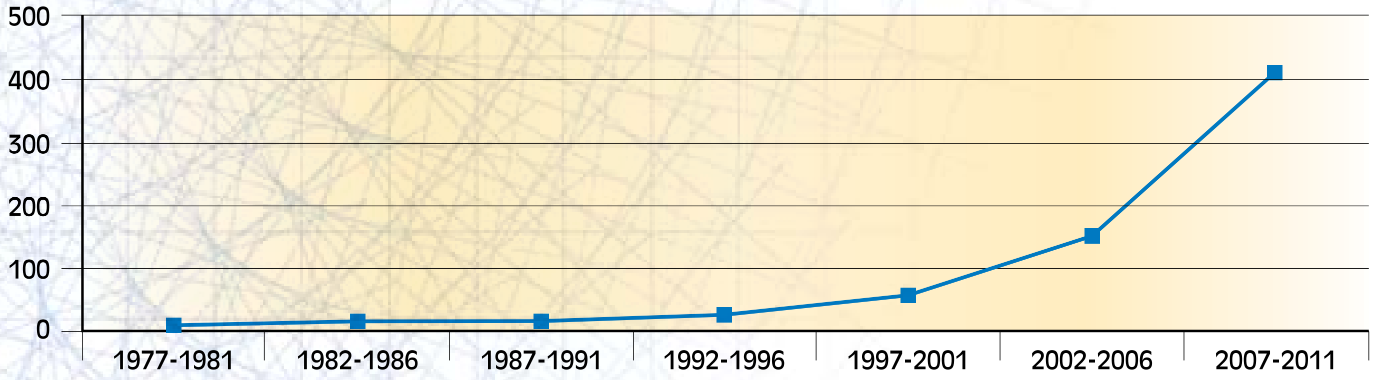
- Utilizing standard forms to assess compliance with work processes at all stages and levels.
- Setting policies and procedures to ensure optimal performance of the relevant audit tasks.
- Soliciting feedback from executive parties to identify any inconsistencies.

<u>Periodic Reviews:</u>

- Performing annual review of the internal audit charter to ensure compliance with international best practices.
- Setting an annual audit plan whereby the Department's objectives and methodologies are revised and assessed.
- Preparing periodic reports outlining the Department's activities and accomplishments for review by the Board Audit Committee



Avg. Total Assets
Amounts in million US$



Avg. Shareholders' Equity
Amounts in million US$

Risk Management Department

The Risk Management Department works on implementing the best international practices in risk management, and the recommendations set forth by the Basel Committee. The Risk Department, as part of the Risk Management and Compliance Group exerted concerted efforts to achieve the objectives assigned within the risk management strategy as part of the Bank's strategy. Its achievements constituted the following:

Information Systems Security and Management of Business Continuity

The Department pursued the implementation of the ISO27001 standard requirements with regards to the security and protection of information, and any new tasks that may result from it. Within this framework, all policies and procedures regarding the information security management system (ISMS) were reviewed, making sure they were being implemented, in addition to evaluating risks of a number of projects prior to adopting them.

The Department followed up on the implementation of the networks upgrade and development project, as well as uploading the Security Information and Event Management program, which allows centralized follow-up and analysis for all monitoring reports (Logs) and events on the networks, operating systems, application and databases.

The Department also followed up on the implementation of the PCI-DSS compliance project addressing security standards that govern the clients' card details. It also monitored the External Vulnerability Scan tests on the Bank's domain addresses on the internet. In addition, the Department prepared reports outlining the results of the Web Application Vulnerability Assessment carried out on the Internet Banking Application (NetBanker) and the main banking system websites and put on necessary recommendations.

The Department also followed up on the preparation and setup of the alternate data and systems back-up locations including the Disaster Recovery Site.

Operational Risk

The Department continued to identify the potential operational risks through the Control and Self Risk Assessment (CSRA) system, in addition to other control procedures, in cooperation with relevant business units at the Bank, and through applying an automated operational risks management system (CARE) at department and branch levels. Efforts continued to evaluate the Risk Profile aiming to identify any new risks, in addition to ensuring the efficiency of the operation controls to mitigate these risks, while continuously updating the risk profiles, so that they reflect the actual work environment.

Furthermore, the Department continued to identify and monitor key risk indicators at the Bank level, and to prepare 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, and preparing relevant reports to top management and the Board 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 the set controls.

Market Risk

The department performs its tasks according to a number of policies, including investment policy, assets and liabilities management policy, liquidity risk policy and interest rates risk policy. Daily, monthly, and quarterly monitoring and analytical reports were prepared, including IFR7 disclosure, to monitor the Bank's market, interest rates and liquidity risks. The Department issues FX VAR and Equity VAR reports, in accordance to the advanced risk management methods, and Basel II recommendations.

Basel

The Department continued its intensive efforts to comply with the necessary measures dictated by the various recommendations of the Basel Accords. The Department prepared a study on the effect of Basel III requirements on the Bank as required by the Central Bank of Jordan. In line with the second pillar of Basel II, the Department carried out an Internal Capital Adequacy Assessment Process (ICAAP). It also prepared reports on the results of stress tests conducted in accordance with the instructions of CBJ, the Palestinian Monetary Authority, and the Central Bank of Kuwait, to verify the Bank's solid financial position. The Department calculates the Capital Adequacy Ratio (CAR), according to the Central Bank of Jordan and Central Bank of Kuwait requirements. The Department also prepared a number of financial studies, including comparative analytical studies on the major indicators for the Bank's performance, compared with Jordanian banks on an annual and semi-annual basis.

During the year, the investment policy as well as a number of polices related to the Bank's local branches and Palestine branches were reviewed and amended to comply with reporting standard number 9 (IFRS9) and the Palestine Monetary Authority's instructions.

Credit Risks

In line with the Bank's strategic objectives to increase the share of retail facilities in the total credit portfolio, the Department, in cooperation with the Retail and Consumer Loans Department worked on implementing a credit scoring system for retail clients (Retail Scorecards). This system is presently under parallel implementation with the existing manual system. As part of the early warning system, the department prepared variety of monitoring and analytical reports. Furthermore the department participated in reviewing credit applications submitted to the credit committee, and provided relevant comments on other credit issues.

Compliance Control Department

In compliance with instructions issued by regulatory authorities, and to implement the compliance policy approved by the Bank's Board of Directors, the Department continued performing its duties aimed at ensuring that the Bank and its internal policies comply with all laws, regulations, instructions, codes of conduct, standards and sound banking practices and that the Bank is protected from non-compliance risks such as legal, regulatory, material or reputational risks that the Bank may be exposed to as a result of non-compliance.

In this respect, the Department continued in 2011 to follow up on and study laws, instructions and circulars issued by regulatory and legislative authorities, and presenting the results to upper management and relevant committees to help the executive management in managing non-compliance risks.

It also continued to implement measures pertaining to the approved anti-money laundering policy and taking the necessary measures to guarantee that the Bank does not get involved with any person who may be listed as suspicious, and reduce risks of being exposed to any money-laundering operations, in addition to increasing the effectiveness of the measures taken by the Bank in the field of anti- money laundering and financing terrorism in accordance with the best international practices.

Throughout the year, the Department reviewed the policies and procedures within the Bank's departments and the amendments implemented on them. It also worked on reviewing new banking products to make sure that they comply with current laws and regulations. It also provided support to the Bank's departments and branches by responding to various compliance-related inquiries. In addition, the Department issued a number of information bulletins and coordinated with the Bank's training department to spread awareness among employees on compliance issues, anti-money laundering procedures and the latest developments in the area.

In order to guarantee the proper implementation of instructions and laws issued by regulatory authorities, including reporting mechanism, the Department was keen to coordinate efforts and maintain good relations with all concerned parties.

Legal Department

The Legal Department achieved remarkable accomplishments during 2011 in its endeavor to safeguard the interests of the Bank and the shareholders. Through intensive efforts and follow-up, the Department managed to recover about USD 0.3 million of written-off debts, in addition to around USD 1.2 million of bad debts, and continued to follow up with clients with whom settlements were reached.

The Department also continued to provide consultations, contract reviews, legal studies and follow-up on new laws and legislation and was able to conclude a number of lawsuits raised against the Bank in the Bank's favor.

In order to increase the Bank's employees' legal awareness, the Department organized a number of courses on the legal aspects and emerging laws related to the banking industry. On the other hand, the Department participated in organizing a seminar on banking issues for judges at the Judicial Council.

Corporate and Social Responsibility

The Bank continued in 2011 to assume its active role in the field of social responsibility through participating in a number of activities, initiatives and projects directed towards the local community, the environment, the national economy, sports, culture and education.

During 2011, the Bank supported a number of activities organized by the Jordan Hashemite Fund for Human Development and the Goodwill Campaign. Financial support was also extended to a number of charitable organizations in the fields of humanitarian activities, development projects and rehabilitating rural communities and the less fortunate. In addition, the Bank continued to provide annual cash and in-kind support to one house at the S.O.S children village. It also provided financial aid to King Hussein Cancer Foundation in a number of areas.

The Bank also provided support to a number of gifted students by granting scholarships to attend Jordanian universities. It also renewed its annual commitment to Al-Aman Fund for the Future of Orphan's education scholarship program.

The Bank pays special attention to projects and initiatives aimed at rehabilitating Jordanian youth and developing their skills to become active members in the society; contributing to "INJAZ" in addition to having a representative on its Board of Trustees and the Funding and Investment Committee.

The Bank organized, for the fourth consecutive year, a special training program for students participating in the Youth Development and Rehabilitation Program, sponsored by LoYAC Jordan that aims at rehabilitating youth and empowering them and provide them with better opportunities in the job market. The Bank continued to provide practical and theoretical training opportunities in the field of banking to university and college students.

With the aim of enhancing the national economy's competitiveness and improving the investment environment, the Bank supported and participated in the "First Euromoney Jordan Conference" and the "Second Aqaba Economic Conference".

In the field of sports and youth, the Bank sponsored a number of schools' and clubs' sports teams, in addition to supporting and encouraging sports activities among Bank employees.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In the field of literature, culture and arts, the Bank continued to support Jordanian authors through sponsoring new publications or purchasing manuscripts and books. The Bank also offered civil institutions and NGOs the opportunity to use the Bank's theater free of charge to hold their activities and events.

On the other hand, the Bank continued its support efforts aimed at increasing environmental awareness and preserving the environment. It hosted the International Environment Day event, organized by the Jordanian Environment Society at its theater.

Human Resources and Training

The Human Resources Department continued its efforts to implement upper management's policies aiming at enhancing the Bank's employees' capabilities and skills through practical training and administrative and technical rehabilitation to employees at all levels.

Staff members participated in a number of specialized courses through local and foreign training institutions and centers, in various fields including banking, administrative, financial, information and English Language. The Department focused on programs in customer care, marketing, personal conduct, risk management, auditing and money laundering. All new employees participated in the practical and theoretical training program through the simulation branch.

MAJOR FINANCIAL INDICATORS AND RATIOS 2011 & 2010

	Amounts in thousands US$	
	2011	2010
Major Operating Results		
Net interest and commission	**133,754**	134,343
Gross income	**153,803**	159,004
Income before taxes	**78,451**	104,185
Income for the year-Bank Shareholders	**56,319**	73,260
Earnings per share-Bank Shareholders	**0.563**	0.732
Major Balance Sheet Items		
Total assets	**3,206,840**	2,939,303
Direct Credit facilities – net	**1,761,212**	1,650,879
Customers deposits and cash margins	**2,121,722**	2,011,231
Total equity-Bank shareholders	**488,918**	457,767
Off-Balance Sheet Items	**518,276**	575,144
Major Financial Ratios	**2011**	**Standard Ratio**
Return on average assets	**2.55%**	≥ 1%
Return on average Owners' equity	**16.29%**	≥ 15%
Capital adequacy ratio	**16.33%**	≥ 12%
Financial leverage ratio	**15.48%**	≥ 6%
Efficiency Indicators		
Gen. & Admin. expenses / Net interest and commission	**30.35%**	≤ 60%
Gen. & Admin. expenses / Gross earnings	**20.11%**	≤ 25%
Assets Quality Indicators		
Non – performing loans / Gross credit facilities	**9.69%**	≤ 10%
Non – performing loans Coverage	**44.75%**	≥ 40%

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. Suhail M. Turki**
Executive Manager, Public Relations Dept.

□ **Mr. Majed M. Muqbel**
Executive Manager, Compliance Control Dept.

□ **Mr. Zuhdi B. Al-Jayousi**
Executive Manager, Corporate Credit Dept.

□ **Mr. Ghassan A. Al-Qasem**
Executive Manager, Branches Administration Dept.

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

□ **Mr. Makram A. Al-Qutob, Ph.D.**
Executive Manager, Corporate Credit Dept.

□ **Mr. Moh'd J. Azem Hammad**
Executive Manager, Risk Management Dept.

□ **Mr. Ibrahim F. Bisha**
Executive Manager, Treasury & Investment Dept.

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

*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.


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2012 Business Plan

In view of the prevailing local, regional and international circumstances, and the discouraging forecasts on economic and political conditions over the coming period, the Bank's Business Plan for 2012 will concentrate on the following:

1. Continue to support the various productive economic sectors which contribute to the national economy as well as provide initiatives and solutions that help them to withstand the current challenges without compromising sound banking practices and standards.

2. Implement the restructuring plan of the retail and consumer products department as well as the small and medium-sized enterprises (SME's) with the aim of achieving the targeted growth in this sector and increase its share in the Bank's credit portfolio and the Bank's share of the banking market.

3. Review the Bank's branching plan in order to continue to expand the Bank's presence in new and promising commercial and residential areas, including the Bank's presence in Palestine through the establishment of more branches.

4. Concentrate on achieving growth in profitability while maintaining the quality and diversity of assets and investments.

5. Develop training and rehabilitation programs for the existing and oncoming employees, and attracting highly qualified and experienced staff to maintain excellence in performance and quality of service.

6. Work at enhancing the Bank's role in the field of social responsibility, serving the local community and increase the Bank's contributions in training and supporting youth in schools, institutes and universities.

7. Commence the implementation of the banking system replacement project. The new selected banking system, that will also be deployed at Burgan Bank and the Group's banks, will provide the Bank with better technological capabilities, aid the Bank in providing additional advanced electronic banking services and achieve integration with the Group's banks.

Consolidated Financial Statements
for the Year Ended December 31,2011
Together with Independent Auditor's Report

Deloitte.

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

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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, 2011, and the consolidated statements of income, other 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 financial statements in accordance with International Financial Reporting Standards and Central Bank of Jordan Instructions and the arrangements with Central Bank of Jordan with regards to the calculation of the provision for impairment and interest in suspense 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 as of December 31, 2011, and its financial performance and consolidated 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 the provision for impairment of credit facilities and interest in suspense 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 financial statements presented in the Board of Directors' report, 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.

Amman – Jordan
February 2, 2012

Deloitte & Touche (M.E.) – Jordan

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2011 AND 2010

IN US DOLLARS

	Note	2011	2010
ASSETS			
Cash and balances at central banks	4	**367,909,401**	375,983,537
Balances at banks and financial institutions	5	**346,080,186**	246,934,639
Deposits at banks and financial institutions	6	**5,025,000**	9,958,350
Direct credit facilities-net	7	**1,761,212,693**	1,650,879,260
Trading financial assets	8	**-**	3,348,777
Available-for-sale financial assets	9	**-**	515,033,341
Held-to-maturity financial assets	10	**-**	62,021,398
Financial assets at fair value through profit or loss	11	**176,342,449**	-
Financial assets at fair value through other comprehensive Income	12	**30,554,278**	-
Financial assets at amortized cost	13	**447,914,708**	-
Property and equipment - net	14	**16,808,680**	16,480,714
Intangible assets - net	15	**1,547,322**	1,607,870
Deferred tax assets	22	**3,474,646**	3,054,476
Other assets	16	**49,970,812**	54,000,325
TOTAL ASSETS		**3,206,840,175**	2,939,302,687
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES:			
Banks and financial institutions deposits	17	**495,918,951**	360,274,238
Customers deposits	18	**1,998,817,556**	1,840,500,032
Cash margins	19	**122,904,142**	170,730,762
Borrowed funds	20	**-**	1,909,928
Other provisions	21	**10,914,938**	10,382,841
Provision for income tax	22	**18,081,616**	23,307,850
Deferred tax liabilities	22	**994,906**	1,859,310
Other liabilities	23	**62,708,651**	63,865,398
TOTAL LIABILITIES		**2,710,340,760**	2,472,830,359
OWNERS' EQUITY:			
EQUITY - BANK SHAREHOLDERS:			
Authorized and paid-up capital	24	**141,043,724**	141,043,724
Statutory reserve	25/a	**74,332,928**	66,454,859
Voluntary reserve	25/b	**132,380,232**	116,624,094
General banking risks reserve	25/c	**14,885,379**	14,922,880
Cumulative change in fair value - net of tax	26	**-**	9,119,507
Financial assets valuation reserve - net of tax	26	**709,555**	-
Retained earnings	27	**125,566,556**	109,601,722
TOTAL EQUITY - BANK'S SHAREHOLDERS		**488,918,374**	457,766,786
Non-controlling interests		**7,581,041**	8,705,542
TOTAL OWNERS' EQUITY		**496,499,415**	466,472,328
TOTAL LIABILITIES AND OWNERS' EQUITY		**3,206,840,175**	2,939,302,687

THE ACCOMPANYING NOTES FROM (1) TO (53) 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, 2011 AND 2010

IN US DOLLARS

	Note	2011	2010
Interest income	29	168,933,217	171,178,241
Less: Interest expense	30	48,000,539	49,584,856
Net Interest Income		120,932,678	121,593,385
Net Commission income	31	12,821,370	12,749,800
Net Interest and Commission		133,754,048	134,343,185
Foreign exchange income	32	3,710,618	3,582,786
(Loss) from trading financial assets	33	-	(43,685)
Gain from available-for-sale financial assets	34	-	4,635,309
Recovered from impairment of available-for-sale financial assets		-	4,149,416
Recovered from impairment of financial assets at amortized cost	13	1,058,283	-
Gain from financial assets at fair value through profit or loss	35	3,190,865	-
Cash dividends from financial assets at fair value through other			
comprehensive income	12	2,098,398	-
Other income	36	9,990,803	12,336,575
Gross Income		153,803,015	159,003,586
Employees expenses	37	25,943,501	27,115,867
Depreciation and amortization	14 & 15	3,774,717	4,113,437
Other expenses	38	14,644,343	15,138,279
Provision for impairment in direct credit facilities	7	29,360,464	5,880,976
Other provisions	21	1,628,554	2,569,601
Total Expenses		75,351,579	54,818,160
Income for the Year before Income Tax		78,451,436	104,185,426
Less: Income tax for the year	22	22,461,724	30,541,021
Income for the Year		55,989,712	73,644,405
Pertains to:			
Bank's Shareholders		56,318,970	73,260,357
Non-Controlling Interests		(329,258)	384,048
Earnings per Share for the year attributable to the Bank's Shareholders;			
Basic & Diluted	39	0.563	0.732

THE ACCOMPANYING NOTES FROM (1) TO (53) 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, 2011 AND 2010

IN US DOLLARS

	2011	2010
Income for the year	55,989,712	**73,644,405**
Other comprehensive income items:		
Net change in fair value of available-for-sale financial assets - net of tax and recovered from impairment loss	-	**1,437,158**
Net change in fair value of financial assets through other comprehensive income - net of tax	(363,261)	**-**
Total Comprehensive Income for the Year	55,626,451	**75,081,563**
Total Other Comprehensive Income for the Year pertains to:		
Bank's shareholders	56,141,029	**74,730,964**
Non-controlling interests	(514,578)	**350,599**
	55,626,451	**75,081,563**

THE ACCOMPANYING NOTES FROM (1) TO (53) 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, 2011 AND 2010

IN US DOLLARS

		Equity - Bank Shareholders										
				Reserves								
Description	Note	Authorized and Paid-up Capital	Share Premium	Statutory	Voluntary	General Banking Risks	Cumulative Change in Fair Value - Net of Tax	Financial Assets Valuation Reserve - Net of Tax	Retained Earnings	Total Equity Bank's Shareholders	Non-controlling Interests	Total
Year 2011												
Balance - beginning of the year		141,043,724	-	66,454,859	116,624,094	14,922,880	9,119,507	-	109,601,722	457,766,786	8,705,542	466,472,328
Effect of IFRS (9) adoption	53	-	-	-	-	-	(9,119,507)	887,496	11,451,315	3,219,304	(45,810)	3,173,494
Adjusted balance - beginning of the year		141,043,724	-	66,454,859	116,624,094	14,922,880	-	887,496	121,053,037	460,986,090	8,659,732	469,645,822
Income for year		-	-	-	-	-	-	-	56,318,970	56,318,970	(329,258)	55,989,712
Net change in fair value of financial assets at fair value through other comprehensive income- 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
Paid dividends	27	-	-	-	-	-	-	-	(28,208,745)	(28,208,745)	(564,113)	(28,772,858)
Transferred to reserves		-	-	7,878,069	15,756,138	(37,501)	-	-	(23,596,706)	-	-	-
Balance - End of the Year		141,043,724	-	74,332,928	132,380,232	14,885,379	-	709,555	125,566,556	488,918,374	7,581,041	496,499,415

		Equity - Bank Shareholders										
				Reserves								
Description	Note	Authorized and Paid-up Capital	Share Premium	Statutory	Voluntary	General Banking Risks	Cumulative Change in Fair Value - Net of Tax	Financial Assets Valuation Reserve - Net of Tax	Retained Earnings	Total Equity Bank's Shareholders	Non-controlling Interests	Total
Year 2010												
Balance - beginning of the year		141,043,724	7,052,186	56,074,721	95,863,818	13,395,953	7,648,900	-	83,113,078	404,192,380	8,707,513	412,899,893
Income for the year		-	-	-	-	-	-	-	73,260,357	73,260,357	384,048	73,644,405
Net change in fair value of financial assets available-for-sale - net of tax		-	-	-	-	-	5,620,023	-	-	5,620,023	(33,449)	5,586,574
Recovered from impairment in available-for-sale financial assets		-	-	-	-	-	-	-	-	-	-	-
transferred to statement of income		-	-	-	-	-	(4,149,416)	-	-	(4,149,416)	-	(4,149,416)
Total Comprehensive Income for the Year		-	-	-	-	-	1,470,607	-	73,260,357	74,730,964	350,599	75,081,563
Paid dividends	27	-	(7,052,186)	-	-	-	-	-	(14,104,372)	(21,156,558)	(352,570)	(21,509,128)
Transferred to reserves		-	-	10,380,138	20,760,276	1,526,927	-	-	(32,667,341)	-	-	-
Balance - End of the Year		141,043,724	-	66,454,859	116,624,094	14,922,880	9,119,507	-	109,601,722	457,766,786	8,705,542	466,472,328

- Out of retained earnings, an amount of USD 3,474,646 as of December 31, 2011 is restricted according to the Central Bank of Jordan instructions against deferred tax assets (USD 3,054,476 as of December 31, 2010).

- Retained earnings include USD 8,605,012 as of December 31, 2011 , restricted against the effect of IFRS (9) adoption according to Jordan Securities Commission instructions, which represents the revaluation of financial assets at fair value through profit or loss net after the realized from actual sale.

- Use of the General Banking Risks Reserve is restricted and requires the prior approval of the Central Bank of Jordan.

- Use of negative cumulative change in fair value of financial assets is restricted as per the Jordan Securities Commission instructions and Central Bank of Jordan.

THE ACCOMPANYING NOTES FROM (1) TO (53) 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, 2011 AND 2010

IN US DOLLARS

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income for the year before income tax		**78,451,436**	104,185,426
Adjustments:			
Depreciation and amortization		**3,774,717**	4,113,437
Provision for impairment in direct credit facilities		**29,360,464**	5,880,976
Net Interest Income		**(5,312,141)**	(3,467,914)
Provision for employees end-of-service indemnity		**1,541,103**	2,484,975
Provision for lawsuits against the Bank		**87,451**	84,626
(Gain) on sale of properties seized by the Bank		**(3,714)**	-
(Gain) on sale of property and equipment		**(10,599)**	(63,705)
(Gain) on trading financial assets		**-**	(21,305)
(Gain) on sale of available-for-sale financial assets		**-**	(2,003,028)
Valuation loss of financial assets at fair value through profit or loss		**577,148**	-
(Recovered) from impairment loss of financial assets at amortized cost		**(1,058,283)**	-
(Recovered) from impairment loss in available - for - sale financial assets		**-**	(4,149,416)
Effect of exchange rate fluctuations on cash and cash equivalents		**(331,471)**	(2,195,812)
Total		**107,076,111**	104,848,260
CHANGES IN ASSETS AND LIABILITIES:			
Decrease (increase) in deposits at banks and financial institutions		**4,883,350**	(9,867,522)
(Increase) in direct credit facilities		**(139,693,897)**	(120,584,144)
Decrease (increase) in trading financial assets		**3,348,777**	(908,403)
(Increase) in financial assets at fair value through profit or loss		**(178,090,774)**	-
Decrease (increase) in other assets		**17,590,176**	(12,972,927)
Increase in banks and financial institutions deposits due after three months		**202,476,333**	29,780,292
Increase in customers deposits		**158,317,523**	85,108,676
(Decrease) increase in cash margins		**(47,826,619)**	9,985,776
(Decrease) in other liabilities		**(10,453,459)**	(123,490,838)
Net change in assets and liabilities		**10,551,410**	(142,949,090)
Net Cash Flows from (used in) Operating Activities before Income Tax Paid, Staff end-of-service Indemnity Paid and Provision for Lawsuits Paid		**117,627,521**	(38,100,830)
Staff end-of-service indemnity paid		**(1,052,024)**	(565,288)
Provision for lawsuits paid		**(44,433)**	(122,128)
Income tax paid		**(27,679,832)**	(21,889,102)
Net Cash Flows from (used in) Operating Activities		**88,851,232**	(60,677,348)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in held-to-maturity financial assets		**62,021,398**	75,836,422
(Increase) in financial assets at amortized cost		**(447,162,585)**	-
(Increase) in financial assets at fair value through other comprehensive income		**(16,395,269)**	-
Decrease (increase) in available-for-sale financial assets		**504,054,525**	(7,287,928)
(Increase) in property and equipment		**(3,444,433)**	(3,151,639)
(Increase) in intangible assets		**(587,104)**	(633,370)
Net Cash Flows from Investing Activities		**98,486,532**	64,763,485
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) in non-controlling interests		**(749,433)**	(386,018)
(Decrease) in borrowed funds		**(1,909,928)**	(19,393,529)
Dividends paid to shareholders		**(27,156,843)**	(20,598,683)
Net Cash Flows (used in) Financing Activities		**(29,816,204)**	(40,378,230)
Effect of exchange rate fluctuations on cash and cash equivalents		**331,471**	2,195,812
Net increase (decrease) in Cash and Cash Equivalents		**157,853,031**	(34,096,281)
Cash and cash equivalents - beginning of the year		**290,609,230**	324,705,511
Cash and Cash Equivalents - End of the Year	40	**448,462,261**	290,609,230

THE ACCOMPANYING NOTES FROM (1) TO (53) 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

- 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. (1/2012) held on January 16, 2012 and are subject to the approval of the General Assembly of shareholders.

2- Significant Accounting Policies

Basis of Preparation of Consolidated Financial Statements

- 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 except for the arrangements with Central Bank of Jordan with regards to the calculation of the provision for impairment and interest in suspense for a number of direct credit facilities customers, while the financial statements of the subsidiaries 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 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 US Dollar. However, the functional currency of the Bank is the Jordanian Dinar.

- The accounting policies adopted for the current year are consistent with those applied in the year ended December 31, 2010, except for the effect of the following:

A.IFRS (9) “Financial Instruments” which issued in November 2009 and amended in October 2010 in which the Bank and its subsidiaries have early adopted the first stage of IFRS (9) which is related to measurement and classification of financial assets in the preparation of the consolidated financial statements as of January 1, 2011 based on the Central Bank of Jordan, Securities Exchange Commission requirements and according to the transitional provisions of the standard; accordingly the comparative figures have not been restated as permitted by the standard therefore investments have been reclassified and beginning balances of retained earnings , cumulative change in fair value , deferred tax liabilities and the non-controlling interests have been adjusted as January 1, 2011.

B. Calculation of the provision for impairment and interest in suspense according to the Central Bank of Jordan instructions except for the arrangements with Central Bank of Jordan with regards to a number of direct credit facilities customers as stated in note (7) below.

The details of implementing IFRS (9) are stated in note (53) to the consolidated financial statements.

Basis of Financial Statements Consolidation

- The consolidated financial statements include the financial statements of the Bank and subsidiaries controlled by it. Control exists when the Bank has the power to control the financial and operating policies of the subsidiaries in order to obtain from its activities. All transactions, balances, revenues and expenses between the Bank and the 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 and interest in suspense for direct credit facilities. 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, 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	50/18	Financial Brokerage	Amman	2002
Ejarah for Finance Leasing Company	14,104,372	100	Finance Leasing	Amman	2011

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

Segments Information

-A business segment is a distinguishable component of 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, and the purpose from 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, while transaction costs are expensed in the consolidated statement of income, and are 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 cost 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.

- No impairment testing is required for those assets.

- Dividends are recorded in the consolidated statement of income on a separate line item.

Financial assets at amortized cost

- It's 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 principal outstanding.

- 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. Any impairment is registered in the consolidated statement of income and should be presented subsequently at amortized cost less any impairment losses.

- 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).

Trading Financial Assets (The implemented policy prior to January 1st 2011)

- Trading financial assets represent investments in stocks and bonds of companies in active markets. Moreover, the purpose of keeping these investments is to generate profits from the fluctuation in short-term market prices or trading profit margin.

- Trading financial assets are initially recognized at fair value when purchased (acquisition expenses are booked in the consolidated statement of income when purchased). They are subsequently re-measured at fair value, and the resulting change is included in the consolidated statement of income in the period in which it arises. Moreover, fair value differences resulting from the translation of foreign currency non-monetary assets are taken to the consolidated statement of income.

- Distributed income or realized interest is recorded in the consolidated statement of income.

Available-for-Sale Financial Assets (The implemented policy prior to January 1st 2011)

- Available-for-sale financial assets are those financial assets held by the Bank and classified as neither trading nor held-to-maturity financial assets.

- Available-for-sale financial assets are initially stated at fair value including acquisition costs. They are subsequently re-measured to fair value. Moreover, changes in fair value are presented in a separate item within owners' equity. When these assets are fully or partially sold, or impaired, the income or losses are recorded in the consolidated statement of income, including the related amounts previously recorded within the consolidated statement of comprehensive income / owners' equity. Impairment loss previously recorded in the consolidated statement of income can be reversed when it is objectively evident that the increase in their fair value occurred after the losses had been recognized. Impairment losses resulting from the decline in the value of debt instruments are recovered through the consolidated statement of income while the impairment loss in companies shares is reversed through the consolidated comprehensive income.

- Income and losses resulting from the foreign exchange of interest-bearing debt instruments are included in the consolidated statement of income. The differences in the foreign currency of equity instruments are included in the cumulative change in fair value within the consolidated statement of comprehensive income / shareholder's equity.

- Interest from available-for-sale financial instruments is recorded in the consolidated statement of income using the effective interest rate method. Impairment in assets is recorded in the consolidated statement of income when incurred.

- Financial instruments for which fair value cannot be reliably determined are shown at cost. The impairment is recorded in the consolidated statement of income.

Held-to-Maturity Financial Assets (The implemented policy prior to January 1st 2011)

- Held-to-maturity financial assets are financial assets with fixed or determinable payments and the Bank has the positive intent and ability to hold to the maturity date.

- Held-to-maturity financial assets are recorded at cost (fair value) plus acquisition costs. Premiums / discounts are amortized in the consolidated statement of income according to the effective interest rate method. Provisions associated with irrecoverable impairment in the value of these assets are deducted. Any impairment in assets is recorded in the consolidated statement of income when incurred.

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.
- Evaluation of long term assets and liabilities that bears no interest in accordance to 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. Moreover financial assets at fair value of which cannot be reliably measured are stated at cost net of any impairment in their value.

Impairment 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 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 in available-for-sale financial assets recorded at fair value (the policy implemented prior to January 1, 2011) represents the difference between their book value and fair value.

The impairment 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 is taken to the consolidated statement of income and equity securities within owners' equity / comprehensive income upon their disposal.

Direct Credit Facilities

- A provision for the impairment 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 and interest in suspense 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 taken to 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 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 carrying amounts of property and equipment exceed their recoverable 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 and 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.

Financial Derivatives for Trading

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.

Repurchase or Resale Agreements

- 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.

Properties Seized by the Bank

Properties seized by the Bank are shown under "other assets" at the acquisition value or fair value, whichever is lower. As of the consolidated statement of financial position date, these properties are revalued individually at fair value. 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.

Intangible Assets

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 treated in the consolidated statement of income as an expense for the period.

- 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%.

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 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

Management, through applying the accounting policies, uses assumptions and estimates with material impacts on the recognition of the balances recorded in the consolidated financial statements. The main assumptions are as follows:

- A provision is set for lawsuits raised against the Bank. This provision is subject to an adequate legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank 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 and arrangement in regards to impairment losses and suspend interests for some direct credit facilities clients.
- 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. The impairment loss is reviewed periodically clients.
- 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 categorised 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 a 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

	2011	2010
Cash in vaults	**38,785,433**	34,203,530
Balances at Central Banks:		
Current and call accounts	**35,821,766**	40,311,061
Time and notice deposits	**191,313,240**	205,098,285
Mandatory cash reserve	**101,988,962**	96,370,661
Total	**367,909,401**	375,983,537

- Except for the statutory cash reserve, there are no restricted balances as of December 31, 2011 and 2010.
- There are no balances due within period after 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	
	2011	2010	2011	2010	2011	2010
Current and call accounts	**648,680**	225,625	**253,941,374**	56,010,413	**254,590,054**	56,236,038
Deposits due within 3 months or less	**29,028,490**	19,192,635	**57,461,642**	171,505,966	**86,490,132**	190,698,601
Certificates of deposits due within 3 months or less	**-**	-	**5,000,000**	-	**5,000,000**	-
Total	**29,677,170**	19,418,260	**316,403,016**	227,516,379	**346,080,186**	246,934,639

- Non-interest bearing balances at banks and financial institutions amounted to USD 24,415,308 as of December 31, 2011 against USD 16,372,187 as of December 31, 2010.

- Restricted balances amounted to USD 1,865,000 as of December 31, 2011 against USD 1,815,000 as of December 31, 2010.

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	
	2011	2010	2011	2010	2011	2010
Deposits	-	-	**25,000**	958,350	**25,000**	958,350
Certificates of deposits	-	-	**5,000,000**	9,000,000	**5,000,000**	9,000,000
Total	-	-	**5,025,000**	9,958,350	**5,025,000**	9,958,350

- Restricted deposits amounted to USD 25,000 as of December 31, 2011 and 2010.

7. Direct Credit Facilities - net

The details of this item are as follows: USD

	2011	2010
Individuals (retail):		
Overdraft accounts	**7,440,942**	4,941,732
Loans and promissory notes*	**49,617,427**	38,649,343
Credit cards	**6,256,773**	5,323,932
Real estate loans	**229,544,190**	239,371,192
Companies:		
Large		
Overdraft accounts	**249,810,556**	118,523,694
Loans and promissory notes*	**1,083,831,458**	1,078,451,378
Medium and small		
Overdraft accounts	**19,775,244**	16,737,795
Loans and promissory notes*	**42,802,993**	34,400,499
Government and public sector	**164,135,317**	179,452,173
	1,853,214,900	1,715,851,738
Less: Provision for impairment in direct credit facilities *	**79,862,991**	60,484,092
Interest in suspense	**12,139,216**	4,488,386
Net Direct Credit Facilities	**1,761,212,693**	1,650,879,260

* Net after deducting interest and commission received in advance of USD 3,689,660 as of December 31, 2011 against USD 2,805,310 as of December 31, 2010.

- Non-performing credit facilities amounted to USD 190,621,461, which is equivalent to (10/3%) of total direct credit facilities as of December 31, 2011 against USD 60,194,781, which is equivalent to (3/5%) of total direct credit facilities as of December 31, 2010.

- Non- performing credit facilities net of interests and commissions in suspense amounted to USD 178,482,245, which is equivalent to (9/7%) of total direct credit facilities balance as of December 31, 2011 against USD 55,706,395, which is equivalent to (3/3%) of total credit facilities balance after deducting suspended interests as of December 31, 2010.

- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to USD 9,956,028, which is equivalent to (-/5%) of total direct credit facilities as of December 31, 2011 against USD 12,446,461, which is equivalent to (-/7%) as of December 31, 2010.

- Direct credit facilities includes facilities granted to three customers in an amount of USD 91,495,862 net after deducting interests and commissions in suspense as of December 31, 2011, with an acceptable guarantees in an amount of around USD 28 million as per Central Bank of Jordan instructions. The provision for impairment against these direct credit facilities amounted to USD 28 million as of December 31, 2011 based on the arrangements with Central Bank of Jordan with regards to the calculation of the provision for impairment for these customers, whereby the remaining provision will be gradually allocated starting the year 2012 not to exceed USD 14 million per year for these three customers. In case of cordial ownership of guarantees, the provision for impairment will be gradually increased to cover the remaining part of the original debt on the condition that the amount of provision should not be less than USD 28 million at the end of the year 2011.

Provision for Impairment in Direct Credit Facilities

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

2011	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
Balance – beginning of the year	**912,136**	**801,104**	**57,580,059**	**1,190,793**	**-**	**60,484,092**
Provision for the year deducted from income	**1,995,625**	**1,525,554**	**31,040,779**	**669,717**	**-**	**35,231,675**
Surplus in provision of credit facilities	**446,051**	**281,776**	**4,671,608**	**471,776**	**-**	**5,871,211**
Used during the year (written-off)	**168,797**	**377,379**	**9,254,511**	**180,878**	**-**	**9,981,565**
Balance – End of the Year	**2,292,913**	**1,667,503**	**74,694,719**	**1,207,856**	**-**	**79,862,991**

2010	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
Balance – beginning of the year	729,999	7,734,389	45,322,312	1,144,673	-	54,931,373
Provision for the year deducted from income	676,736	686,089	20,725,348	789,140	-	22,877,313
Surplus in provision of credit facilities	247,386	7,619,374	8,467,601	661,976	-	16,996,337
Used during the year (written-off)	247,213	-	-	81,044	-	328,257
Balance – End of the Year	912,136	801,104	57,580,059	1,190,793	-	60,484,092

- The disclosure above relates 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 5,867,502 as of December 31, 2011 against USD 16,980,100 as of December 31, 2010.

Interest in Suspense

The movement on interest in suspense was as follows: USD

2011	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
Balance – beginning of the year	**29,337**	**313,387**	**3,933,302**	**212,360**	**-**	**4,488,386**
Add: Interest suspended during the year	**42,609**	**41,047**	**10,842,745**	**284,824**	**-**	**11,211,225**
Less: Interest reversed to income	**29,726**	**40,571**	**6,364**	**184,749**	**-**	**261,410**
Interest and commission in suspense written-off	**3,773**	**218,302**	**2,988,353**	**88,557**	**-**	**3,298,985**
Balance - End of the Year	**38,447**	**95,561**	**11,781,330**	**223,878**	**-**	**12,139,216**

2010	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large	Small and Medium		
Balance – beginning of the year	34,429	978,440	2,454,993	205,605	-	3,673,467
Add: Interest suspended during the year	48,812	604,131	3,105,658	115,853	-	3,874,454
Less: Interest reversed to income	28,848	1,267,164	1,614,659	74,348	-	2,985,019
Interest and commission in suspense written-off	25,056	2,020	12,690	34,750	-	74,516
Balance - End of the Year	29,337	313,387	3,933,302	212,360	-	4,488,386

8. Trading Financial Assets

The details of this item are as follows:

USD

	2011	2010
Companies' shares quoted in market *	-	3,348,777

* Reclassified according to International Financial Reporting Standard (9) since January 1, 2011.

9. Available-for-Sale Financial Assets

The details of this item are as follows:

USD

	2011	2010
Available-for-Sale Financial Assets Quoted in Market:		
Governmental bonds and guaranteed by the Government	-	357,357,422
Companies' bonds and debentures	-	49,506,715
Companies' shares	-	25,076,237
Total Quoted Available-for-Sale Financial Assets	-	431,940,374
Available-for-Sale Financial Assets Unquoted in Market:		
Governmental bonds and guaranteed by the Government	-	21,607,898
Companies' bonds and debentures	-	22,272,779
Other financial bonds	-	10,155,148
Companies' shares	-	29,057,142
Total Unquoted Available-for-Sale Financial Assets	-	83,092,967
Total Available-for-Sale Financial Assets*	-	515,033,341
Bonds and Bills Analysis:		
Fixed rate	-	406,225,697
Floating rate	-	54,674,265
	-	460,899,962

* Reclassified according to International Financial Reporting Standard (9) since January 1, 2011.

- There is an available-for-sale financial assets stated at amortized cost as their fair values cannot be reliably determined, which amounted to USD 83,092,967 as of December 31, 2010.

10. Held-to-Maturity Financial Assets

The details of this item are as follows:

USD

	2011	2010
Financial Assets Quated in Market:		
Companies' bonds and debentures	-	17,060,265
Total Quoted Financial Assets	-	17,060,265
Financial Assets Unquoted in Market:		
Governmental a treasury bills	-	43,550,387
Companies' bonds and debentures	-	1,410,746
Total Unquoted Financial Assets	-	44,961,133
Net Held-to-Maturity Financial Assets *	-	62,021,398
Bonds and Bills Analysis:		
Fixed rate	-	48,765,396
Floating rate	-	13,256,002
	-	62,021,398

* Reclassified according to International Financial Reporting Standard (9) since January 1, 2011.

11. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows: USD

	2011	2010
Quoted shares in an active market	39,471,545	-
Unquoted shares in an active market	28,051,396	-
Quoted bonds in an active market	58,521,241	-
Unquoted bonds in an active market	50,298,267	-
Total	176,342,449	-
Bonds Analysis:		
Fixed rate	62,714,089	-
Floating rate	46,105,419	-
	108,819,508	-

12. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows: USD

	2011	2010
Quoted shares in an active market	8,729,094	-
Unquoted shares in an active market	21,825,184	-
Total	30,554,278	-

- There are no transfers of gains or accumulated losses in the owners' equity relating to financial assets at fair value through other comprehensive income.

- Cash dividends on investments above amounted to USD 2,098,398 for the year ended December 31, 2011.

13. Financial Assets at Amortized Cost

The details of this item are as follows: USD

	2011	2010
Quoted Financial Assets in Market:		
Companies bonds and debentures	**81,249,960**	-
Total Quoted Financial Assets	**81,249,960**	-
Unquoted Financial Assets in Market:		
Treasury bond and bills	**361,636,223**	-
Companies' bonds and debentures	**5,028,525**	-
Total unquoted Financial Assets	**366,664,748**	-
Total	**447,914,708**	-
Bonds and Bills Analysis:		
Fixed rate	**437,945,206**	-
Floating rate	**9,969,502**	-
	447,914,708	-

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

	2011	2010
Balance – beginning of the year	**1,058,283**	-
Provision for the year	**-**	-
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.

14. Property and Equipment - Net

a. The details of this item are as follows:

USD

Year 2011	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Buildings Improvements	Total
Cost:							
Balance - beginning of the year	**3,795,220**	**5,447,928**	**10,128,281**	**793,957**	**12,424,855**	**10,888,244**	**43,478,485**
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**	**807,836**	**12,849,653**	**12,408,182**	**46,306,035**
Accumulated Depreciation:							
Balance - beginning of the year	**-**	**1,917,128**	**6,928,415**	**449,420**	**10,159,356**	**8,348,928**	**27,803,247**
Deprecation for the year	**-**	**162,735**	**835,913**	**104,525**	**868,394**	**1,155,498**	**3,127,065**
Disposals	**-**	**-**	**79,829**	**134,027**	**3,217**	**-**	**217,073**
Balance - End of the year	**-**	**2,079,863**	**7,684,499**	**419,918**	**11,024,533**	**9,504,426**	**30,713,239**
Net Book Value of Property and Equipment	**3,795,220**	**3,373,415**	**3,307,367**	**387,918**	**1,825,120**	**2,903,756**	**15,592,796**
Down payments on property and equipment purchases	**-**	**-**	**1,215,884**	**-**	**-**	**-**	**1,215,884**
Net Property and Equipments - End of the Year	**3,795,220**	**3,373,415**	**4,523,251**	**387,918**	**1,825,120**	**2,903,756**	**16,808,680**

Year 2010	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Buildings Improvements	Total
Cost:							
Balance - beginning of the year	3,268,748	5,445,258	9,681,598	793,037	12,131,481	10,222,807	41,542,929
Additions	526,472	2,670	479,889	131,312	836,676	665,437	2,642,456
Disposals	-	-	33,206	130,392	543,302	-	706,900
Balance - End of the year	3,795,220	5,447,928	10,128,281	793,957	12,424,855	10,888,244	43,478,485
Accumulated Depreciation:							
Balance - beginning of the year	-	1,754,496	6,130,804	496,848	9,756,659	7,077,925	25,216,732
Deprecation for the year	-	162,632	823,312	82,963	952,893	1,271,003	3,292,803
Disposals	-	-	25,701	130,391	550,196	-	706,288
Net Property and Equipments - End of the Year	-	1,917,128	6,928,415	449,420	10,159,356	8,348,928	27,803,247
Net Book Value of Property and Equipment	3,795,220	3,530,800	3,199,866	344,537	2,265,499	2,539,316	15,675,238
Down payments on property and equipment purchases	-	-	805,476	-	-	-	805,476
Net Property and Equipments - End of the Year	3,795,220	3,530,800	4,005,342	344,537	2,265,499	2,539,316	16,480,714
Depreciation percentage %	-	3	9 - 15	15	20	20	

b - Property and equipment as of December 31, 2011 include an amount of USD 18,887,416 , representing fully depreciated property and equipment (USD 15,437,817 as of December 31, 2010).

15. Intangible Assets - Net

The details of this item are as follows:

USD

	Computer Software and Applications	Other	Total
Year 2011			
Balance-beginning of the year	**1,607,870**	**-**	**1,607,870**
Additions	**587,104**	**-**	**587,104**
Amortization for the year	**647,652**	**-**	**647,652**
Balance-End of the Year	**1,547,322**	**-**	**1,547,322**
Amortization percentage %	**20**		

	Computer Software and Applications	Other	Total
Year 2010			
Balance-beginning of the year	1,795,135	-	1,795,135
Additions	576,952	56,417	633,369
Amortization for the year	764,217	56,417	820,634
Balance-End of the Year	1,607,870	-	1,607,870
Amortization percentage %	20	100	

16. Other Assets

The details of this item are as follows:

USD

	2011	2010
Interest and revenues under collections	**13,556,948**	13,553,141
Prepaid expenses	**1,434,944**	1,187,425
Properties seized by the Bank against debts - net *	**10,105,671**	9,783,317
Unrealized gains from financial derivatives (Note 41)	**867,635**	73,944
Receivables **	**60,729**	253,111
Clearing checks	**18,991,305**	24,672,427
Other **	**4,953,580**	4,476,960
	49,970,812	54,000,325

* According to the Jordanian Banks Law, buildings and plots of land seized by the Bank against debts due from customers are to be paid within two years from the ownership date. For exceptional cases, the Central Bank of Jordan can extend this period for two consecutive years at maximum.

** Receivables and other assets include balances relating to the subsidiaries companies of USD 339,491 as of December 31, 2011 against USD 469,793 as of December 31, 2010.

The movement on properties seized by the Bank against debts was as follows:

USD

	2011	2010
Balance - beginning of the year	**9,783,317**	914,882
Additions	**331,375**	8,868,435
Disposals	**9,021**	-
Balance - End of the Year	**10,105,671**	9,783,317

This item includes properties seized by the Bank during the third quarter of the year 2010 in the value of USD 8,196,643 in settlement of loans extended to customers. These properties were not originally mortgaged to the Bank.

17. Banks and Financial Institutions Deposits

The details of this item are as follows:

USD

	2011			2010		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current and call accounts	**28,728,168**	**234,934,158**	**263,662,326**	90,737,197	239,756,749	330,493,946
Time deposits *	**-**	**232,256,625**	**232,256,625**	-	26,827,828	26,827,828
Certificates of deposits with discount *	**-**	**-**	**-**	2,952,464	-	2,952,464
	28,728,168	**467,190,783**	**495,918,951**	93,689,661	266,584,577	360,274,238

* Time deposits and certificates of deposits due within a period exceeding three months amounted to USD 232,256,625 as of December 31, 2011 against USD 29,780,292 as of December 31, 2010.

18. Customers Deposits

The details of this item are as follows:

USD

	2011				
	Individuals	Companies		Government and Public Sector	Total
		Large	Small and Medium		
Current and call accounts	**295,448,866**	**157,462,055**	**212,830,932**	**20,425,578**	**686,167,431**
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**	**313,483,455**	**77,611,039**	**1,160,540,405**
Certificates of deposits	**7,716,908**	**-**	**-**	**-**	**7,716,908**
	1,136,156,931	**234,903,494**	**529,436,489**	**98,320,642**	**1,998,817,556**

	2010				
	Individuals	Companies		Government and Public Sector	Total
		Large	Small and Medium		
Current and call accounts	275,616,202	63,943,638	174,716,980	24,027,220	538,304,040
Saving deposits	122,062,477	1,936,678	2,548,011	297,588	126,844,754
Time deposits subject to notice	692,313,453	78,991,254	304,798,638	93,226,757	1,169,330,102
Certificates of deposits	6,021,136	-	-	-	6,021,136
	1,096,013,268	144,871,570	482,063,629	117,551,565	1,840,500,032

- The Government of Jordan and the public sector deposits inside Jordan amounted to USD 98,320,643 , which is equivalent to (4/9%) of total customers' deposits as of December 31, 2011 (USD 117,551,565, which is equivalent to (6/4%) as of December 31, 2010).

- Non-interest bearing deposits amounted to USD 615,090,348 which is equivalent to (30/7%) of total customers' deposits as of December 31, 2011 (USD 462,779,712 as of December 31, 2010, which is equivalent to (25/1%) as of December 31 , 2010).

- Restricted deposits amounted to USD 6,165,850 which is equivalent to (-/3%) of total customers' deposits as of December 31, 2011 (USD 24,165,953 which is equivalent to (1/3%) as of December 31, 2010).

- Dormant deposits amounted to USD 35,415,705 as of December 31, 2011 (USD 21,081,667 as of December 31, 2010).

19. Cash Margins

The details of this item are as follows: USD

	2011	2010
Cash margins on direct credit facilities	**58,106,498**	91,000,768
Cash margins on indirect credit facilities	**58,196,768**	78,979,203
Marginal deposits	**3,767,914**	662,836
Other margins	**2,832,962**	87,955
	122,904,142	170,730,762

20. Borrowed Funds

This item represents borrowed funds for the purpose of financing housing loans with average interest rate of 9% settled during the third quarter of the year 2011.

- Following is the borrowed funds details as of December 31, 2010: USD

	Amount	Guarantees	Interest Rate
Jordan Mortgage Refinance Company	1,909,928	Endorsement of real estate bonds	4/6
Total	1,909,928		

21. Other Provisions

The details of this item are as follows: USD

	Beginning Balance	Provision for the year	Disposals	Ending Balance
Year 2011				
Provision for staff indemnity	**9,980,639**	**1,541,103**	**1,052,024**	**10,469,718**
Provision for lawsuits against the Bank and probable claims	**402,202**	**87,451**	**44,433**	**445,220**
Total	**10,382,841**	**1,628,554**	**1,096,457**	**10,914,938**

	Beginning Balance	Provision for the year	Disposals	Ending Balance
Year 2010				
Provision for staff indemnity	8,060,952	2,484,975	565,288	9,980,639
Provision for lawsuits against the Bank and probable claims	439,704	84,626	122,128	402,202
Total	8,500,656	2,569,601	687,416	10,382,841

22. Income Taxes

a. Income tax provision

The movement on provision for income tax was as follows: USD

	2011	2010
Beginning balance	23,307,850	23,603,087
Income tax for the year	22,453,598	21,593,865
Income tax Paid	(23,107,774)	(19,302,687)
Down payment	(4,572,058)	(2,586,415)
Ending Balance	18,081,616	23,307,850

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

	2011	2010
Income tax for the year	22,453,598	21,593,865
Deferred tax assets for the year	(748,736)	(766,614)
Amortization of deferred tax assets	328,566	9,713,770
Deferred tax liabilities for the year	428,296	-
	22,461,724	30,541,021

- Income tax returns for the Bank's Jordan branches, its foreign branches have been submitted up to the year 2010 and a final tax settlement has been reached for Jordan branches up to the year 2010, and for the Bank's branches in Palestine up to the year 2007.

A final settlement with the Income Tax Department for the subsidiary company United Financial Investment Company has been reached up to the year 2010. However, no final decision has been issued yet, moreover , the bank has paid the semiannual payments for the year 2011. In the opinion of the Banks and subsidary's management and the tax consultants, no liabilities shall arise against the banks exceeding the booked provision as of the date of the consolidated Financial statements.

b- Deferred Tax Assets / Liabilities:

The details of this item are as follows: USD

	2011				2011	2010
	Beginning Balance	Amounts Releazed	Amounts Additions	Balance End of the Year	Deferred Tax	Deferred Tax
a- Deferred Tax Assets						
Provision for staff indemnity	9,691,487	1,050,786	1,467,787	10,108,488	3,032,546	2,907,446
Impairment loss in real estate	87,900	-	-	87,900	26,370	26,370
Credit facilities provision	-	-	1,175,681	1,175,681	282,164	-
Provision for lawsuits against the Bank	402,202	44,433	87,451	445,220	133,566	120,660
Total	10,181,589	1,095,219	2,730,919	11,817,289	3,474,646	3,054,476
b- Deferred Tax Liabilities *						
Financial assets valuation reserve / Cumulative change in fair value *	2,199,559	310,860	-	1,888,698	566,609	1,859,310
Gains from valuation of financial assets at fair value through profit and loss	-	-	1,413,711	1,413,711	428,297	-
Total	2,199,559	310,860	1,413,711	3,302,409	994,906	1,859,310

* Deferred tax liabilities resulting from the revaluation gains on financial assets at fair value through other comprehensive income presented at a net amount within the financial asset valuation reserve within owners' equity.

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

	2011		2010	
Description	Assets	Liabilities	Assets	Liabilities
Beginning balance	**3,054,476**	**1,859,310**	12,001,632	2,114,910
Effect of IFRS (9) adoption - note (53)	**-**	**(1,199,442)**	-	-
Adjusted beginning balance	**3,054,475**	**659,868**	12,001,632	2,114,910
Additions	**748,736**	**428,296**	766,614	287,399
Releazed	**328,566**	**93,258**	9,713,770	542,999
Ending Balance	**3,474,646**	**994,906**	3,054,476	1,859,310

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

	2011	2010
Declared income	**78,451,436**	104,185,426
Tax exempted income	**8,487,925**	14,020,983
Tax unacceptable expenses	**10,504,997**	5,856,766
Taxable income	**80,468,508**	96,021,209
Income Tax Rates:		
Bank's Jordan branches	**30%**	30%
Bank's Palestine branches	**15%**	15%
Bank's Cyprus branches	**10%**	10%
Subsidiaries companies	**24%**	24%

23. Other Liabilities

The details of this item are as follows: USD

	2011	2010
Accrued interest	**8,244,805**	10,085,226
Accounts payable (a)	**2,560,402**	3,881,344
Accrued expenses	**765,151**	653,974
Temporary deposits - customers	**2,684,014**	2,132,051
Temporary deposits (b)	**24,318,501**	21,837,457
Shareholders' deposits (c)	**3,244,536**	3,366,238
Accepted and certified checks	**7,636,354**	8,106,755
Safe boxes deposits	**176,896**	140,803
Subscriptions deposits (e)	**476,123**	449,405
Down payments of capital subscriptions	**448,920**	200,748
Unrealized losses from financial derivatives - note (41)	**174,491**	3,250
Amounts in transit	**198,762**	16,550
Other liabilities (a)	**11,779,696**	12,991,597
Total	**62,708,651**	63,865,398

a) This item includes other liabilities and accounts payable balances related to the subsidiaries of USD 1,880,739 as of December 31, 2011 (USD 2,228,186 as of December 31, 2010).

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

(c) This item represents the net balance resulting from selling unsubscribed shares totaling USD 1,602,955 shares at market price during the year 2006. The difference between the sale proceeds 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.

24. Authorized and Paid-up Capital

Paid-up capital amounted to USD 141 million, divided into 100 million shares at a par value of USD 1.41 per share as of December 31, 2011 and 2010.

25. Reserves

The details of the reserves as of December 31, 2011 and 2010 are as follows:

a- Statutory Reserve

This account represents the accumulated amount of the appropriations from income before tax at 10% during the year and the previous year according to the Banks Law and Jordanian Companies Law. This amount is not to be distributed to shareholders.

b- Voluntary Reserve

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

c- General Banking Risks Reserve

This reserve represents the general banking risks reserve in accordance with the Central Bank of Jordan regulations.

The following represents the distribution of the general banking risks reserve.

USD

	2011	2010
Bank's Jordan branches	12,893,854	12,876,938
Bank's Cyprus branches	1,757,350	1,991,582
Bank's Palestine branches	104,415	54,360
Subsidiary Companies	129,760	-
	14,885,379	14,922,880

- The following are the restricted reserves:

USD

Description	2011	2010
Statutory reserve	74,332,928	66,454,859
General banking risks reserve	14,885,379	14,922,880

26. Financial Assets Valuation Reserve / Cumulative Change in Fair Value - Net of Tax

This details of this are as follows:

a. Financial Assets Valuation Reserve - Net of Tax:

USD

	December 31, 2011	
	Financial Assets at fair Value through other comprehensive income	
	Shares	Total
Balance - beginning of the year	-	-
Effect of IFRS (9) adoption - note (53)	887,496	887,496
Adjusted beginning balance	887,496	887,496
Unrealized gains	132,919	132,919
Deferred tax liabilities	(310,860)	(310,860)
Balance - End of the Year *	709,555	709,555

b. Net Cumulative Change in Fair Value - Net of Tax:

USD

	December 31, 2010		
	Available-for-Sale Financial Assets **		
	Shares	Bonds	Total
Balance - beginning of the year	4,450,172	3,198,728	7,648,900
Unrealized gains (losses)	23,399	(1,109,317)	(1,085,918)
Deferred tax liabilities	135,447	120,152	255,599
Transferred to statement of income	(1,741,358)	(1,401,750)	(3,143,108)
Impairment booked in the statement of income	3,497,102	1,946,932	5,444,034
Balance - End of the Year *	6,364,762	2,754,745	9,119,507

* Cumulative valuation reserve of financial assets / cumulative change in fair value is presented as a net amount. after deducting deferred tax liabilities amounted to USD 566,609 as of December 31, 2011 against USD 1,859,310 as of December 31, 2010.

** Reclassified according to International Financial Reporting Standard (9) since January 1, 2011.

27. Retained Earnings

This details of this item are as follows:

USD

	2011	2010
Balance - beginning of the year	**109,601,722**	83,113,078
Effect of IFRS (9) adoption - note (53)	**11,451,315**	-
Income for the year	**56,318,970**	73,260,357
(Transferred) to reserves	**(23,596,706)**	(32,667,341)
Dividends paid	**(28,208,745)**	(14,104,372)
Balance - End of the Year	**125,566,556**	109,601,722

- Out of retained earnings an amount of USD 3,474,646 as of December 31, 2011 restricted according to the Central Bank of Jordan instructions against deferred tax assets (USD 3,054,476 as of December 31, 2010).

- Retained earnings include USD 8,605,012 as of December 31, 2011 restricted against the effect of IFRS (9) adoption according to Security Exchange Commission instructions, which represents the revaluation of Financial assets in fair vakue through profit or loss net after the realized from actual sale.

- Dividends distributed to shareholders out of the prior year's income amounted to 20% of paid-up capital which is equivalent to USD 28 million against 15% of paid-up capital which is equivalent to USD 21 million as of December 31, 2010.

28. Proposed Dividends

Distributed dividends to shareholders for the current year amounted to 20% of capital, which is equivalent to USD 28 million, this percentage is subject to general assembly approval, compared to prior year distributed dividend amounted to 20% of capital, which is equivalent to USD 28 million.

29. Interest Income

The details of the item are as follows:

USD

	2011	2010
Direct credit facilities:		
Individuals (retail)		
Overdraft accounts	2,109	4,684
Loans and promissory notes	2,756,986	3,705,594
Credit cards	1,203,324	1,064,786
Real - estate loans	15,075,237	18,088,781
Companies		
Large		
Overdraft accounts	15,814,183	13,585,245
Loans and promissory notes	76,043,172	75,286,733
Medium and small		
Overdraft accounts	1,412,362	1,789,260
Loans and promissory notes	3,990,925	4,328,759
Government and public sector	12,745,873	13,698,657
Balances at central banks	2,002,133	4,852,413
Balances and deposits at banks and financial institutions	5,908,401	3,949,529
Financial assets at amortized cost	23,880,127	-
Financial assets in fair value through profit or loss	5,949,850	-
Available-for-sale financial assets *	-	26,106,313
Held-to-maturity financial assets *	-	3,383,838
Other	2,148,535	1,333,649
Total	168,933,217	171,178,241

* Reclassified according to International Financial Reporting Standard (9) since January 1, 2011.

30. Interest Expense

The details of the item are as follows:

USD

	2011	2010
Deposits at banks and financial institutions	6,274,133	6,316,782
Customers deposits		
Time and notice deposits	32,997,564	32,510,965
Cash margins	3,545,419	5,028,732
Current and call accounts	697,151	676,123
Saving accounts	409,984	359,805
Certificates of deposits	230,519	158,176
Borrowed funds	50,207	976,416
Loan guarantee fees	3,390,594	3,255,079
Other	404,968	302,778
Total	48,000,539	49,584,856

31. Net Commission Income

The details of the item are as follows: USD

	2011	2010
Direct credit facilities commissions	**4,840,172**	5,748,210
Indirect credit facilities commissions	**7,139,296**	6,116,288
Other commissions	**841,902**	885,302
Total	**12,821,370**	12,749,800

32. Foreign Exchange Income

The details of the item are as follows: USD

	2011	2010
Foreign currencies trading	**3,379,147**	1,386,973
Foreign currencies revaluation	**331,471**	2,195,813
Total	**3,710,618**	3,582,786

33. (Loss) from Trading Financial Assets

The details of the item are as follows: USD

	Realized (Losses)	Unrealized Gains	Shares Distribution returns	Total
Year 2011				
Companies' shares *	-	-	-	-
Year 2010				
Companies' shares *	(219,687)	21,305	154,697	(43,685)

* Reclassified according to International Financial Reporting Standard (9) since January 1, 2011.

34. Gain from Available-for-Sale Financial Assets

The details of the item are as follows: USD

	2011	2010
Dividends income from Companies' shares*	-	2,632,281
Income from the sale of available-for-sale financial assets *	-	2,003,028
Total	-	4,635,309

* Reclassified according to International Financial Reporting Standard (9) since January 1, 2011.

35. Gain from Financial Assets at fair value through profit or loss

The details of the item are as follows:

USD

	Realized Gains (losses)	Unrealized Gains (losses)	shares Distribution returns	Total
Year 2011				
Companies shares	**3,086,858**	**1,374,908**	**901,745**	**5,363,511**
Companies bonds	**(220,590)**	**(1,952,056)**	**-**	**(2,172,646)**
	2,866,268	**(577,148)**	**901,745**	**3,190,865**

36. Other Income

The details of the item are as follows:

USD

	2011	2010
Rental of safe deposit boxes	**122,512**	99,989
Stamps income	**84,590**	92,966
Credit cards income	**3,235,629**	2,635,952
Recovery of debts previously written-off	**339,372**	393,236
Trading in shares revenue - subsidiary company	**1,306,056**	1,806,354
Rental income	**33,513**	83,289
Telecommunication income	**419,446**	450,625
Transfers income	**1,197,055**	1,302,854
Other	**3,252,630**	5,471,310
Total	**9,990,803**	12,336,575

37. Employees Expenses

The details of the item are as follows:

USD

	2011	2010
Salaries, allowonces and employees' benefits	**22,521,564**	**23,699,166**
Contribution in social security	**1,552,330**	1,432,065
Medical expenses	**1,007,477**	899,409
Staff training	**243,461**	354,695
Travel expenses	**387,213**	513,804
Employees life insurance	**123,578**	135,103
Value added tax	**107,878**	81,625
	25,943,501	27,115,867

38. Other Expenses

The details of the item are as follows: USD

	2011	2010
Rent	**2,060,669**	1,410,065
Stationary	**847,928**	839,254
Advertisements	**1,202,511**	1,300,824
Subscriptions	**206,814**	202,999
Telecommunication expenses	**1,273,008**	1,212,371
Maintenance and repair	**2,127,880**	2,248,965
Insurance expenses	**688,093**	583,928
Legal fees	**144,478**	171,997
Water, electricity and heating	**786,052**	750,327
Fees, taxes and stamps	**469,642**	333,997
Professional fees	**291,918**	267,035
Cards services expenses	**1,215,171**	1,476,047
Hospitality	**94,759**	109,795
Transportation	**143,513**	154,370
Correspondents services	**167,444**	138,388
Security	**228,333**	201,494
Donations and social responsibility	**512,496**	438,925
Jordanian universities fees	**-**	878,520
Board of Directors› remunerations	**74,753**	100,987
Other	**2,108,881**	2,317,991
Total	**14,644,343**	15,138,279

39. Earnings Per Share - (Bank›s Shareholders)

The details of the item are as follows: USD

	2011	2010
Income for the year attributed to Bank›s shareholders	**56,318,970**	73,260,357
	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 & Diluted)	**0/563**	0/732

The following is the comparison for earrings per share calculation between the profits generated after the reclassification of investment and measurement of its fair value made in accordance to the IFRS (9) (Financial instruments requirements and the profits that will be generated if the bank continued using IAS (39) (Measurement and Recognition) and not implementing IFRS (9) m entioned above.

USD

	For the year ended December 31,2011	
	IFRS (9)	IAS (39)
Income for the year	56,318,970	58,552,089
	Share	Share
Weighted average number of shares	100,000,000	100,000,000
Net income for the year/share (Bank›s shareholders)	USD / Share	USD / Share
(Basic & Diluted)	0/563	0/585

40. Cash and Cash Equivalents

The details of the item are as follows: USD

	December 31,	
	2011	2010
Balances at central banks due within three months	**367,909,401**	375,983,537
Add: Balances at banks and financial institutions due within three months	**346,080,186**	246,934,639
Less: Banks and financial institutions deposits due within three months	**263,662,326**	330,493,946
Restricted balances	**1,865,000**	1,815,000
Total	**448,462,261**	290,609,230

41. Financial Derivatives

The details of the item are as follows: USD

			Maturity of Nominal Value				
	Positive Fair Value	Negative Fair 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
December 31, 2011							
Trading Derivatives:							
Forward sales contracts in foreign currencies	**22,820**	**-**	**(19,070,544)**	**(19,070,544)**	**-**	**-**	**-**
Futures contracts	**-**	**(71,940)**	**5,530,126**	**(97,800)**	**3,625,525**	**(1,806,800)**	**-**
	22,820	**(71,940)**	**(13,540,418)**	**(19,168,344)**	**3,625,525**	**(1,806,800)**	**-**
Forward purchase contracts in foreign currencies	**-**	**(102,551)**	**19,150,276**	**19,150,276**	**-**	**-**	**-**
Futures 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)**	**10,367,108**	**79,732**	**6,482,225**	**(4,050)**	**-**

			Maturity of Nominal Value				
	Positive Fair Value	Negative Fair 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
December 31, 2010							
Trading Derivatives:							
Forward sales contracts in foreign currencies	73,944	-	(7,582,617)	(7,582,618)	-	-	-
Futures contracts	-	-	-	-	-	-	-
	73,944	-	(7,582,617)	(7,582,618)	-	-	-
Forward purchase contracts in foreign currencies	-	(3,250)	7,511,923	7,511,923	-	-	-
Futures contracts	-	-	-	-	-	-	-
	-	(3,250)	7,511,923	7,511,923	-	-	-
Total	73,944	(3,250)	(70,694)	(70,695)	-	-	-

Nominal value represents the outstanding transaction value at the end of the year which illustrates the market risks or the credit risks.

42. 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.

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	Other **	2011	2010
On- Consolidated Statement of Financial Position Items:							
Credit facilities *	-	-	921,104	693,351	2,666,743	**4,281,198**	5,732,351
Available-for-sale financial assets	-	-	-	-	-	**-**	21,958,231
Held-to-maturity financial assets	-	-	-	-	-	**-**	13,256,000
Banks and financial institutions deposits	6,454,203	-	230,113,567	-	-	**236,567,770**	147,131,509
Deposits	-	25,848,803	14,013,760	1,264,434	1,125,630	**42,252,627**	16,593,021
Cash margins	-	-	-	-	5,505	**5,505**	143,975
Financial assets at fair value through Profit or loss	13,256,000	-	-	-	2,030,465	**15,286,465**	-
Trading financial assets	-	-	-	-	-	**-**	1,847,391
Financial Assets fair value through other comprehensive income	17,017,337	-	-	-	2,352,327	**19,369,664**	-
Financial assets at amortized cost	-	3,688,186	3,236,250	-	-	**6,924,436**	-
Off- Consolidated Statement of Financial Position Items:							
Letters of guarantee	7,052	14,104	14,604	-	54,795	**90,555**	48,068
Letters of credit		39,578	-	-	-	**39,578**	-

						Total	
						2011	2010
Consolidated Statement of Income items:							
Interest and commission income ***	583,669	281,281	282,236	42,519	268	**1,189,973**	1,346,174
Interest and commission expense ****	238,779	611,305	3,365,076	36,543	-	**4,251,703**	5,770,649
Financial assets dividends	1,740,237	-	-	-	312,453	**2,052,690**	1,891,422
Revenues from the sale of Available-for-sale	-	-	-	-	-	**-**	3,407,838

* Included in direct credit facilities granted to the Board of Directors members is an amount of USD 285,800 representing credit facilities granted to United Financial Investment Company›s board of directors members (subsidiary company) as of December 31, 2011 against USD 4,117,618 as of December 31, 2010.

* Included in direct credit facilities granted to the Board of Directors members is an amount of USD 294,360 representing credit facilities granted to Ejarah for Finance Leasing Company›s board of directors members (subsidiary company) as of December 31, 2011.

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

*** Interest rate 2/1% to 9% .

**** Interest rate zero to 4/5% .

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

Executive Management Remunerations:

Executive management remunerations for the Bank and the subsidiary company amounted to USD 4,276,761 for 2011 against USD 3,977,883 for the year 2010, excluding performance bonuses and productivity related incentives.

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

There are no significant differences between the book value and fair value of the financial assets and liabilities as of year – end 2011 and 2010.

44. 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 the 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 the 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 the 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 (less the provision for impairment and interest in suspense and before guarantees and other risks - mitigating factors):

	December 31,	USD
	2011	2010
On- Consolidated Statement of Financial Position Items		
Balances at the central banks	**329,123,968**	341,780,007
Balances at banks and financial institutions	**346,080,186**	246,934,639
Deposits at banks and financial institutions	**5,025,000**	9,958,350
Direct Credit Facilities:		
Individuals	**60,983,782**	47,973,534
Real estate loans	**227,781,126**	238,256,701
Companies		
Large companies	**1,247,165,965**	1,135,461,711
Small and medium institutions (SMES)	**61,146,503**	49,735,141
Government and public sector	**164,135,317**	179,452,173
Bonds and Bills:		
Financial assets available-for-sale	**-**	460,899,962
Held to maturity financial assets	**-**	62,021,398
Financial assets at fair value through profit or loss	**108,819,508**	-
Financial assets at amortized cost	**447,914,708**	-
Other assets	**32,608,982**	38,478,679
Off- Consolidated Statement of Financial Position Items		
Letters of guarantee	**240,308,278**	235,749,044
Letters of credit	**135,611,904**	172,709,561
Letters of acceptance	**16,632,839**	24,059,071
Unutilized credit facilities ceilings	**125,723,358**	142,626,513
Total	**3,549,061,424**	3,386,096,484

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	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**	**1,109,577,449**	**58,471,256**	**154,177,610**	**136,531,198**	**351,105,186**	**2,013,442,950**
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**	**1,333,642,014**	**62,578,237**	**164,135,317**	**556,734,216**	**680,229,154**	**3,090,178,270**
Less: Impairment loss provision	**2,292,913**	**1,667,503**	**74,694,719**	**1,207,856**	**-**	**-**	**-**	**79,862,991**
Interest in suspense	**38,447**	**95,561**	**11,781,330**	**223,878**	**-**	**-**	**-**	**12,139,216**
Net	**60,983,782**	**227,781,126**	**1,247,165,965**	**61,146,503**	**164,135,317**	**556,734,216**	**680,229,154**	**2,998,176,063**
Credit classification:								
From AAA to -A						**16,477,086**	**195,980,585**	**212,457,671**
From +BBB to -B						**82,288,101**	**104,860,233**	**187,148,333**
Less than -B						**-**	**-**	**-**
Unclassified						**37,766,011**	**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**

	Individuals	Real Estate Loans	Companies: Large	Companies: Small and Medium	Government and Public Sector	Bonds and Treasury Bills	Banks and Other Financial Institutions	Total
December 31, 2010								
Low risk	505,058	242,685	33,434,882	3,034,112	12,445,033	432,670,854	341,780,007	824,112,630
Acceptable risk	46,846,584	236,146,182	937,900,377	42,003,121	167,007,140	90,081,756	256,892,989	1,776,878,149
Of which is due (*):								
within 30 days	1,728,738	78,683	4,537,202	719,148	-	-	-	7,063,771
from 31 to 60 days	2,805,368	1,819,147	13,929,780	1,408,616	-	-	-	19,962,911
Watch list	392,209	851,307	170,874,197	3,974,069	-	-	-	176,091,782
Non-performing:								
Substandard	486,513	30,309	111,777	232,839	-	-	-	861,438
Allowance provided	246,800	397,086	120,412	93,700	-	-	-	857,998
Bad debt	437,843	1,703,623	54,533,426	1,800,453	-	168,750	-	58,644,095
Total	48,915,007	239,371,192	1,196,975,071	51,138,294	179,452,173	522,921,360	598,672,996	2,837,446,093
Less: Impairment loss provision	912,136	801,104	57,580,059	1,190,793	-	1,946,932	-	62,431,024
Interest in suspense	29,337	313,387	3,933,301	212,360	-	-	-	4,488,385
Net	47,973,534	238,256,701	1,135,461,711	49,735,141	179,452,173	520,974,428	598,672,996	2,770,526,684
Credit classification:								
From AAA to -A						11,910,554	120,391,559	132,302,113
From +BBB to -B						45,506,426	95,272,375	140,778,801
Less than -B						4,850,251	-	4,850,251
Unclassified						27,983,275	41,229,055	69,212,330
Governments and public sector						432,670,854	341,780,007	774,450,861
Total						522,921,360	598,672,996	1,121,594,356

-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 includes 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: USD

2011	Individuals	Real Estate Loans	Companies: Large	Companies: Small and Medium	Government and Public Sector	Total
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

2010	Individuals	Real Estate Loans	Companies: Large	Companies: Small and Medium	Government and Public Sector	Total
Guarantees against:						
Low risk	575,182	242,684	33,434,882	2,919,358	-	37,172,106
Acceptable risk	26,125,401	235,228,965	406,040,970	21,737,206	23,459,062	712,591,604
Watch list	2,483,299	851,307	73,895,080	2,394,836	-	79,624,522
Non-performing:	-	-	-	-	-	-
Substandard	265,453	30,309	111,777	-	-	407,539
Allowance provided	136,810	193,092	-	33,911	-	363,813
Bad debt	775,776	1,703,623	26,657,945	78,708	-	29,216,052
Total	30,361,921	238,249,980	540,140,654	27,164,019	23,459,062	859,375,636
Of it:						
Cash margins	5,510,948	544,584	58,083,310	5,266,113	-	69,404,955
Accepted letters of guarantee	-	-	5,000,000	-	-	5,000,000
Real estate	8,199,883	237,705,396	261,013,946	20,195,812	23,459,062	550,574,099
Trade stocks	556,409	-	209,329,379	3,250	-	209,889,038
Vehicles and equipment	16,094,681	-	6,714,019	1,698,844	-	24,507,544
Total	30,361,921	238,249,980	540,140,654	27,164,019	23,459,062	859,375,636

Scheduled Debts:

Rescheduled 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 watched list debts. Furthermore, the amount of rescheduled debts during the current year amounted to USD 188,461 against USD 7,767,080 for the prior year.

Restructured Debts

Restructuring debts means reorganizing credit facilities in terms of adjusting payments, extending their term postponing some installments, or extending the grace period. Restructured debts amounted to USD 18,336,698 as of December 31, 2011 against USD 96,906,003 as of December 31, 2010.

Bonds, Bills, and Debentures

The following table illustrates the classification of bonds, bills, and debentures according to external rating institutions: USD

Rating Grade	Rating Institution	Financial Assets at Fair Value through Profit or Loss	Financial Assets at Amortized Cost	Total
A-	S&P	-	2,983,900	2,983,900
A	Moody's	3,932,580	-	3,932,580
A+	Fitch	-	6,336,386	6,336,386
AA	Fitch	3,224,220	-	3,224,220
B+	Fitch	-	3,086,286	3,086,286
B1	Moody's	431,401	-	431,401
baa1	Moody's	-	3,146,197	3,146,197
Ba3	Moodys	16.557,599	-	16,557,599
Baa3	Moodys	-	2,967,000	2,967,000
BB	S&P	11,216,159	7,668,501	18,884,660
B+	S&P	4,924,951	5,102,559	10,027,510
BBB	Fitch	6,654,760	-	6,654,760
BAA3	Moody's	533,176	-	533,176
BBB-	Fitch	246,111	8,892,501	9,138,612
B	Fitch	5,552,680	-	5,552,680
BB	Fitch	242,697	-	242,697
BB-	S&P	-	5,065,522	5,065,522
Governmental	-	29,415,661	390,787,357	420,203,018
Unclassified	-	25,887,513	11,878,499	37,766,011
Total		108,819,508	447,914,708	556,734,216

USD

Credit Risk Exposure according to Geographical Areas:

Geographical Area	Inside Jordan	Middle East Countries	Europe	Asia *	Africa *	America	Other Countries	Total
Balances at central banks	268,083,886	52,647,626	8,392,456	-	-	-	-	329,123,968
Balances at banks and financial institutions	15,743,537	115,993,047	79,825,003	850,048	-	133,304,513	364,038	346,080,186
Deposits at banks and financial institutions	-	5,000,000	-	25,000	-	-	-	5,025,000
Direct credit facilities:								
Individuals	60,686,425	297,357	-	-	-	-	-	60,983,782
Real estate loans	224,525,904	260,515	2,994,704	-	-	-	-	227,781,126
Companies:								
Large	1,048,174,058	2,413,657	196,578,250	-	-	-	-	1,247,165,965
Small and medium	60,575,035	571,468	-	-	-	-	-	61,146,503
Government and public sector	164,135,317	-	-	-	-	-	-	164,135,317
Bonds, bills, and debentures:								
Within financial assets at fair value through profit or loss	56,514,433	31,366,037	961,041	19,977,997	-	-	-	108,819,508
Within financial assets at amortized cost	403,427,331	21,069,645	15,228,886	8,188,846	-	-	-	447,914,708
Other assets	27,747,732	104,685	4,688,129	68,436	-	-	-	32,608,982
Total/for the Current Year	2,329,613,658	229,724,037	308,668,469	29,110,327	-	133,304,513	364,038	3,030,785,045
Total/Comparative Figures	2,215,984,510	202,299,200	368,211,884	17,246,303	188,319	6,200,487	-	2,810,130,703

* Excluding Middle East Countries.

Credit Risk Exposure according to Economic Sector: USD

Economic Sector	Financial	Industrial	Services	Trade	Real-estate	Agricultural	Shares	Individuals	Government and Public Sector	Total
Balances at central banks	-	-	-	-	-	-	-	-	329,123,968	329,123,968
Balances at banks and financial institutions	346,080,186	-	-	-	-	-	-	-	-	346,080,186
Deposits at banks and financial Institutions	5,025,000	-	-	-	-	-	-	-	-	5,025,000
Direct credit facilities	195,077,323	381,810,329	432,109,873	224,101,422	223,711,482	10,622,571	76,050,808	53,593,568	164,135,317	1,761,212,693
Bonds, Bills and Debentures:										
Within financial assets at fair value through profit or loss	34,073,561	7,068,749	26,330,448	-	714,929	-	-	-	40,631,821	108,819,508
Within financial assets at amortized cost	30,908,467	6,336,386	19,911,023	-	-	-	-	-	390,758,832	447,914,708
Other assets	7,579,031	4,201,017	4,590,426	6,001,102	-	-	-	-	10,237,406	32,608,982
Total for the Current Year	618,743,568	399,416,481	482,941,770	230,102,524	224,426,411	10,622,571	76,050,808	53,593,568	934,887,344	3,030,785,045
Total/Comparative Figures	402,661,536	259,626,093	361,122,317	428,881,045	238,256,700	10,280,224	96,199,481	47,973,535	965,129,773	2,810,130,703

44/b- 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 designated 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.

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

	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)**	**-**
	2010		
Currency	Increase in Interest Rate %	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
US Dollar	1	(1,798,652)	(5,832,701)
Euro	1	(43,430)	-
GBP	1	84,044	(12,811)
Yen	1	18,417	-
Other currencies	1	84,719	-
Currency	(Decrease) in Interest Rate %	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
US Dollar	1	1,798,652	1,607,982
Euro	1	43,430	7,859
GBP	1	(84,044)	-
Yen	1	(18,417)	-
Other currencies	1	(84,719)	-

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 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 and Loss		Effect on Owners' Equity	
	2011	2010	**2011**	2010	**2011**	2010
Euro	**5**	5	8,824	5,745	**-**	-
GBP	**5**	5	9,814	6,370	**-**	-
Yen	**5**	5	7,834	2,667	**-**	-
Other currencies	**5**	5	706,047	18,231	**-**	-

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

2011			
Indicator of	Change in Indicator %	Effect on Profit or Loss	Effect on Owners' Equity
Amman Stock Exchange	**5**	**1,425,515**	**60,484**
Palestine Stock Exchange	**5**	**6,333**	**2,625**
Kuwait Stock Exchange	**5**	**325,702**	**-**
Dubai Stock Exchange	**5**	**49,509**	**25,638**
2010			
Indicator of	Change in Indicator %	Effect on Profit or Loss	Effect on Owners' Equity
Amman Stock Exchange	(5)	(1,425,515)	(60,484)
Palestine Stock Exchange	(5)	(6,333)	(2,625)
Kuwait Stock Exchange	(5)	(325,702)	-
Dubai Stock Exchange	(5)	(49,509)	(25,638)

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 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
Year 2011								
Assets:								
Cash and balances at central banks	136,232,949	-	-	-	-	-	231,676,452	367,909,401
Balances at banks and financial institutions	145,174,745	176,490,133	-	-	-	-	24,415,308	346,080,186
Deposits at banks and financial institutions	-	-	25,000	-	5,000,000	-	-	5,025,000
Direct credit facilities	508,123,401	161,811,994	97,410,932	872,279,329	71,045,475	50,541,562	-	1,761,212,693
Financial assets at fair value through profit or loss	-	-	-	12,516,683	50,314,949	45,987,877	67,522,940	176,342,449
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	30,554,278	30,554,278
Financial assets at amortized cost	-	36,728,731	96,283,714	122,833,230	178,915,143	13,153,890	-	447,914,708
Property and equipment - net	-	-	-	-	-	-	16,808,680	16,808,680
Intangible assets - net	-	-	-	-	-	-	1,547,322	1,547,322
Deferred tax assets	-	-	-	-	-	-	3,474,646	3,474,646
Other assets	11,750,580	3,490,195	20,745,299	1,510,999	543,454	1,818,464	10,111,821	49,970,812
Total Assets	801,281,675	378,521,053	214,464,945	1,009,140,241	305,819,021	111,501,793	386,111,447	3,206,840,175
Liabilities:								
Banks and financial institutions deposits	263,047,539	-	152,256,625	35,000,000	45,000,000	-	614,787	495,918,951
Customers› deposits	219,160,897	518,922,685	348,884,910	212,775,787	83,982,929	-	615,090,348	1,998,817,556
Cash margin	4,126,350	19,856,866	34,442,463	29,941,089	5,913,454	-	28,623,920	122,904,142
Other provisions	-	-	-	-	-	-	10,914,938	10,914,938
Income tax provision	-	-	-	-	-	-	18,081,616	18,081,616
Deferred tax liabilities	-	-	-	-	-	-	994,906	994,906
Other liabilities	29,559,975	11,387,701	5,387,917	4,331,212	5,454,575	6,587,271	-	62,708,651
Total Liabilities	515,894,761	550,167,252	540,971,915	282,048,088	140,350,958	6,587,271	674,320,515	2,710,340,760
Interest Rate Repricing Gap	285,386,914	(171,646,199)	(326,506,970)	727,092,153	165,468,063	104,914,522	(288,209,068)	496,499,415
Year 2010								
Total Assets	789,917,011	306,796,718	131,125,731	855,495,660	295,643,537	191,766,152	368,557,878	2,939,302,687
Total Liabilities	358,148,128	842,010,753	276,932,109	316,903,742	103,901,044	-	574,934,583	2,472,830,359
Interest Rate Repricing Gap	431,768,883	(535,214,035)	(145,806,378)	538,591,918	191,742,493	191,766,152	(206,376,705)	466,472,328

Concentration in Foreign Currencies Risk: USD

	US Dollar	Euro	Sterling Pound	Japanese Yen	Others	Total
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	**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**	**21,080,592**
Financial assets at amortized cost	**47,704,678**	**6,336,386**	**3,086,286**	**-**	**28,525**	**57,155,876**
Financial assets at fair value through profit or loss	**68,117,209**	**-**	**-**	**-**	**5,645,019**	**73,762,228**
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**	**7,582,780**
Total Assets	**792,657,431**	**41,235,418**	**16,754,934**	**2,990,572**	**56,679,210**	**910,317,564**
Liabilities:						
Banks and financial institutions deposits	**515,180,233**	**28,333,935**	**1,470,828**	**2,147,432**	**1,458,505**	**548,590,932**
Customers' deposits	**347,875,496**	**38,909,302**	**15,194,501**	**494,896**	**17,337,099**	**419,811,293**
Cash margins	**26,728,882**	**1,221,010**	**369,588**	**10,106**	**5,078,748**	**33,408,333**
Other liabilities	**6,331,094**	**682,711**	**1,760,619**	**12,856**	**-98,882**	**8,688,399**
Total Liabilities	**896,115,705**	**69,146,958**	**18,795,536**	**2,665,290**	**23,775,470**	**1,010,498,957**
Net Concentration on- Consolidated Statement of Financial Position for the Current Year	**(103,458,274)**	**(27,911,540)**	**(2,040,602)**	**325,282**	**32,903,740**	**(100,181,393)**
Off- Consolidated Statement of Financial Position Contingent Liabilities for the Current Year	**231,535,041**	**19,296,385**	**913,948**	**152,037**	**3,402,571**	**255,299,982**

	US Dollar	Euro	Sterling Pound	Japanese Yen	Others	Total
2010						
Assets:						
Cash and balances at the central banks	60,642,288	10,108,557	1,249,006	-	3,399,389	75,399,240
Balances at banks and financial institutions	122,555,072	32,270,519	21,558,863	2,236,016	13,048,336	191,668,805
Deposits at banks and financial institutions	9,958,350	-	-	-	-	9,958,350
Direct credit facilities	348,836,231	18,253,293	-	1,886,601	346,415	369,322,540
Available-for-sale financial assets	85,618,685	1,513,911	-	-	16,655,884	103,788,481
Held-to-maturity financial assets	16,920,834	-	-	-	139,432	17,060,265
Property and equipment	187,158	-	-	-	-	187,158
Intangible assets	34,181	-	-	-	-	34,181
Other assets	4,940,928	311,213	13,561	2,173	25,542	5,293,417
Total Assets	649,693,727	62,457,493	22,821,430	4,124,790	33,614,998	772,712,437
Liabilities:						
Banks and financial institutions deposits	270,101,889	22,087,563	122,914	2,113,690	1,318,886	295,744,941
Customers' deposits	313,896,537	42,313,271	23,767,158	1,872,795	15,970,508	397,820,269
Cash margins	32,483,188	1,556,766	291,144	80,300	292,838	34,704,236
Other liabilities	8,615,285	169,415	33,653	2,667	282,207	9,103,227
Total Liabilities	625,096,899	66,127,015	24,214,869	4,069,452	17,864,439	737,372,673
Net Concentration on- Consolidated Statement of Financial Position for the Current Year	24,596,828	(3,669,522)	(1,393,439)	55,338	15,750,559	35,339,764
Off- Consolidated Statement of Financial Position Contingent Liabilities for the Current Year	266,326,190	27,429,089	2,259,669	1,461,530	4,097,812	301,574,291

44. 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
2011								
Liabilities:								
Banks and financial institutions deposits	**263,662,326**	**-**	**152,256,625**	**35,000,000**	**45,000,000**	**-**	**-**	**495,918,951**
Customers' deposits	**834,251,244**	**518,922,685**	**348,884,910**	**212,775,788**	**83,982,929**	**-**	**-**	**1,998,817,556**
Cash margins	**32,750,269**	**19,856,866**	**34,442,463**	**29,941,089**	**5,913,455**	**-**	**-**	**122,904,142**
Other provisions	**-**	**-**	**-**	**-**	**-**	**-**	**10,914,938**	**10,914,938**
Income tax provision	**-**	**18,081,616**	**-**	**-**	**-**	**-**	**-**	**18,081,616**
Deferred tax liabilities	**-**	**-**	**994,906**	**-**	**-**	**-**	**-**	**994,906**
Other liabilities	**29,559,975**	**11,387,701**	**5,387,917**	**4,331,212**	**5,454,575**	**6,587,271**	**-**	**62,708,651**
Total Liabilities	**1,160,223,814**	**568,248,868**	**541,966,821**	**282,048,087**	**140,350,959**	**6,587,271**	**10,914,938**	**2,710,340,760**
Total Assets	**679,212,949**	**331,135,698**	**299,402,494**	**353,113,632**	**439,558,688**	**977,854,715**	**126,561,999**	**3,206,840,175**

	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
2010								
Liabilities:								
Banks and financial institutions deposits	112,395,313	218,098,633	17,861,152	11,919,140	-	-	-	360,274,238
Customers' deposits	673,762,175	599,071,841	220,824,717	251,772,034	95,069,265	-	-	1,840,500,032
Cash margins	47,378,814	25,269,010	37,948,520	51,302,640	8,831,778	-	-	170,730,762
Borrowed funds	-	-	-	1,909,928	-	-	-	1,909,928
Other provisions	-	-	-	-	-	-	10,382,841	10,382,841
Income tax provision	-	-	23,307,850	-	-	-	-	23,307,850
Deferred tax liabilities	-	-	-	-	1,859,310	-	-	1,859,310
Other liabilities	31,405,735	10,490,893	7,747,113	5,090,650	3,986,066	5,144,941	-	63,865,398
Total Liabilities	864,942,037	852,930,377	307,689,352	321,994,392	109,746,419	5,144,941	10,382,841	2,472,830,359
Total Assets	1,038,731,282	317,649,415	155,904,649	378,269,911	383,327,069	587,675,886	77,744,475	2,939,302,687

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
2011				
Trading derivatives:				
Currency	**(19,070,544)**	**-**	**-**	**(19,070,544)**

	Up to One Month	From One Month to 3 Months	From 3 Months to 6 Months	Total
2010				
Trading derivatives:				
Currency	(5,292,976)	(2,289,641)	-	(7,582,617)

Third: Off- consolidated statement of financial position items:

USD

	Up to One Year	From One Year to 5 Years	More than (5) Years	Total
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**

	Up to One Year	From One Year to 5 Years	More than (5) Years	Total
2010				
Letters of credit and acceptances	196,768,632	-	-	196,768,632
Unutilized credit facilities ceilings	142,626,513	-	-	142,626,513
Guarantees	226,462,852	9,286,192	-	235,749,044
Operating lease contract liabilities	11,283	1,253,173	5,514,584	6,779,041
Total	565,869,281	10,539,365	5,514,584	581,923,230

45. 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 financial statements date:

- Individual accounts: includes following up on individual customers deposits, and granting them loans, credit, 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 bank's business activities mentioned above.

- Financial brokerage services: includes practicing most of the brokerage and financial consultation services.

- Finance leasing services: Practicing 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 2011	Total 2010
Gross income for the year	11,280,251	101,039,770	31,966,982	1,212,800	603,684	7,699,528	**153,803,015**	159,003,586
Less: Provision for impairment in direct credit facilities	406,757	27,778,025	-	1,175,682	-	-	**29,360,464**	5,880,976
Results of Business Sector	10,873,494	73,261,745	31,966,982	37,118	603,684	7,699,528	**124,442,551**	153,122,610
Less: Expenditures not distributed over sectors	-	-	-	974,913	319,164	44,697,038	**45,991,115**	48,937,184
Income before income tax	10,873,494	73,261,745	31,966,982	(937,795)	284,520	(36,997,510)	**78,451,436**	104,185,426
Less: Income tax	-	-	-	(276,920)	68,286	22,670,358	**22,461,724**	30,541,021
Income for the Year	10,873,494	73,261,745	31,966,982	(660,875)	216,234	(59,667,868)	**55,989,712**	73,644,405
Capital Expenditures	-	-	-	-	-	1,825,324	**1,825,324**	3,928,528
Depreciation and Amortization	-	-	-	-	-	3,774,717	**3,774,717**	4,113,437
Sector's Assets	289,975,822	1,471,236,870	1,374,693,656	17,065,994	14,477,475	-	**3,167,449,817**	2,884,079,546
Assets not distributed over sectors	-	-	-	-	-	39,390,358	**39,390,358**	55,223,141
Total Assets	289,975,822	1,471,236,870	1,374,693,656	17,065,994	14,477,475	39,390,358	**3,206,840,175**	2,939,302,687
Sector's Liabilities	1,168,596,989	951,518,169	504,724,701	1,849,591	156,869	-	**2,626,846,319**	2,398,362,808
Liabilities not distributed over sectors	-	-	-	-	-	83,494,441	**83,494,441**	74,467,551
Total Liabilities	1,168,596,989	951,518,169	504,724,701	1,849,591	156,869	83,494,441	**2,710,340,760**	2,472,830,359

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 Palestine and Cyprus.

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

USD

	Inside Kingdome		Outside Kingdom		Total	
	For the Year Ended		For the Year Ended		For the Year Ended	
	December 31,		December 31,		December 31,	
	2011	2010	**2011**	2010	**2011**	2010
Gross Income	**129,651,673**	132,817,237	**24,151,342**	26,186,349	**153,803,015**	159,003,586
Capital Expenditures	**1,825,324**	3,928,528	**-**	-	**1,825,324**	3,928,528

	December 31,		December 31,		December 31,	
	2011	2010	**2011**	2010	**2011**	2010
Total Assets	**2,511,781,322**	2,328,693,924	**695,058,853**	610,608,763	**3,206,840,175**	2,939,302,687

46 - 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 the Central Bank for control purposes to meet the requirements of the capital adequacy ratio required by the 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 the Central Bank require that paid-up capital be not less than JD 100 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 20% 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.

d. 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

	December 31,	
	2011	2010
	USD (Thousand)	USD (Thousand)
Core Capital Items:		
Subscribed capital	**141,044**	141,044
Statutory reserve	**74,333**	66,454
Voluntary reserve	**132,381**	116,623
Retained earnings	**70,265**	78,339
Non-controlling interests	**7,581**	8,691
Less:		
Goodwill and intangible assets	**1,547**	1,547
50% from the investment in insurance companies, financial companies and significant investments in other companies	**18,078**	4
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.	**791**	-
Deficit in supplementary capital	**2,872**	-
Total Core Capital	**402,317**	409,599
Supplementary Capital Items:		
General banking risks reserve	**14,886**	14,922
Valuation reserve of financial assets at fair value through other comprehensive income at 100% of the negative change or 45% of the positive change	**319**	4,104
Deficit in supplementary capital	**2,872**	-
Less:		
50% of investments in insurance companies, financial institutions and significant investments in other companies	**18,078**	4
Total Regulatory Capital	**402,317**	428,622
Total assets weighted by risks	**2,464,374**	2,244,509
Ratio of regulatory capital (%)	**16/33%**	19/09%
Core capital ratio (%) *	**16/33%**	18/25%

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

47. Accounts Managed on Behalf of Customers

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

48. 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
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	**836,224,344**	**924,988,349**	**1,761,212,693**
Financial assets at fair value through profit or loss	**80,039,622**	**96,302,827**	**176,342,449**
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	**-**	**1,547,322**	**1,547,322**
Deferred tax assets	**-**	**3,474,646**	**3,474,646**
Other assets	**37,493,386**	**12,477,426**	**49,970,812**
TOTAL ASSETS	**1,923,617,612**	**1,283,222,563**	**3,206,840,175**
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	**994,906**	**-**	**994,906**
Other liabilities	**50,666,806**	**12,041,845**	**62,708,651**
TOTAL LIABILITIES	**2,552,487,592**	**157,853,168**	**2,710,340,760**
NET ASSETS	**(628,869,980)**	**1,125,369,395**	**496,499,415**

USD

	Up to One Year	More than One Year	Total
2010			
ASSETS			
Cash and balances at central banks	375,983,537	-	375,983,537
Balances at banks and financial institutions	246,934,639	-	246,934,639
Deposits at banks and financial institutions	9,958,350	-	9,958,350
Trading financial assets	3,348,777	-	3,348,777
Direct credit facilities	1,069,103,488	581,775,772	1,650,879,260
Available-for-sale financial assets	93,239,039	421,794,302	515,033,341
Held-to-maturity financial assets	45,675,564	16,345,834	62,021,398
Property and equipment - net	-	16,480,714	16,480,714
Intangible assets - net	-	1,607,870	1,607,870
Deferred tax assets	-	3,054,476	3,054,476
Other assets	49,660,640	4,339,685	54,000,325
TOTAL ASSETS	1,893,904,034	1,045,398,653	2,939,302,687
LIABILITIES			
Banks and financial institutions deposits	360,274,238	-	360,274,238
Customers deposits	1,745,430,766	95,069,266	1,840,500,032
Cash margins	161,898,984	8,831,778	170,730,762
Borrowed funds	1,909,928	-	1,909,928
Other provisions	-	10,382,841	10,382,841
Provision for income tax	23,307,850	-	23,307,850
Deferred tax liabilities	-	1,859,310	1,859,310
Other liabilities	54,748,495	9,116,903	63,865,398
TOTAL LIABILITIES	2,347,570,261	125,260,098	2,472,830,359
NET ASSETS	(453,666,227)	920,138,555	466,472,328

49. 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

December 31, 2011	Level (1)	Level (2)	Level (3)	Total
Financial Assets Instruments:				
Financial assets at fair value through profit or loss	**97,992,786**	**78,349,663**	**-**	**176,342,449**
Financial assets at fair value through other comprehensive income	**8,729,094**	**21,825,183**	**-**	**30,554,278**
Financial derivatives instruments	**867,635**	**-**	**-**	**867,635**
Total Financial Assets Instruments	**107,589,515**	**100,174,846**	**-**	**207,764,361**
Financial Liabilities Instruments:				
Financial derivatives instruments	**174,491**	**-**	**-**	**174,491**
Total Finanical Liabilities Instruments	**174,491**	**-**	**-**	**174,491**

December 31, 2010	Level (1)	Level (2)	Level (3)	Total
Financial Assets Instruments:				
Trading financial assets	3,348,777	-	-	3,348,777
Available-for-sale financial assets	431,940,374	-	-	431,940,374
Financial derivatives instruments	73,944	-	-	73,944
Total Financial Assets Instruments	435,363,094	-	-	435,363,094
Financial Liabilities Instruments:				
Financial derivatives instruments	3,250	-	-	3,250
Total Finanical Liabilities Instruments	3,250	-	-	3,250

- Some of the available for-sale financial assets are recorded at amortized cost as their fair value cannot be reliably measured which amounted to USD 83,092,967 as of December 31, 2010.

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

a. Credit commitments and contingencies:

USD

	2011	2010
Letters of credit	**135,611,904**	172,709,561
Letters of acceptances	**16,632,839**	24,059,071
Letters of guarantee:	**-**	-
Payments	**104,893,286**	92,762,999
Performance bonds	**87,382,625**	89,357,539
Other	**48,032,367**	53,628,506
Unutilized credit facilities ceilings	**125,723,358**	142,626,513
Total	**518,276,379**	575,144,189

b. Contractual obligations:

USD

	2011	2010
Contracts to purchase property and equipment	**672,496**	2,415,433
Construction contracts	**832,669**	1,054,592
Other purchases contracts	**320,159**	458,502
Total	**1,825,324**	3,928,527

c. Operating leases amounted to USD 9,266,482 with periods ranging from 1 to 10 years (USD 6,779,041 as of December 31, 2010).

d. Unpaid investment participations on companies capital amounted to USD 541,691 as of December 31, 2011 and 2010.

The details are as follows:

USD

Company's Name	Total Investment	Remaining Obligation	Settlement Date
- Jordan Investment Fund	1,000,000	203,000	Upon demand
- Palestine Company for Industrial Zones	255,102	1,269	Upon demand
- Agricultural Products Exporting Company	450,000	337,422	Upon demand

51. Lawsuits Against the Bank

a. The Bank is a defendant in lawsuits amounting to USD 9,643,413 as of December 31, 2011 (USD 10,248,666 as of December 31, 2010). In the opinion of the Bank's management and legal advisor, no liabilities shall arise against the Bank exceeding the existing provision of USD 445,220 as of December 31, 2011 (USD 402,202 as of December 31, 2010).

b. As of December 31, 2011 and 2010, there were no lawsuits against the subsidiaries Companies.

52. Adoption of New and Revised International Financial Reporting Standards (IFRSs)

52.a Standards and Interpretations effective for the current period

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

IAS 24 Related Party Disclosures (2009)	Amends the requirements of the previous version of IAS 24 to: Provide a partial exemption from related party disclosure requirements for government-related entities Clarify the definition of a related party Include an explicit requirement to disclose commitments involving related parties.
Amendments to IFRS 1 relating to Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Provides additional exemption on IFRS transition in relation to IFRS 7 Financial Instruments: Disclosures, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers.
Amendments to IAS 32 Financial Instruments: Presentation, relating to classification of Rights Issues	Amends IAS 32 Financial Instruments: Presentation to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments.
Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement	Makes limited-application amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognized as an asset.
Improvements on IFRSs issued in 2010	The application of Improvements to IFRSs issued in 2010 which amended IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 32, IAS 34 and IFRIC 13 has not had any material effect on amounts and disclosures reported in the consolidated financial statements.
IFRIC 19 Extinguishing Liabilities with Equity Instruments	Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognized in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions.

52.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 but are not effective yet:

	Effective for annual periods beginning on or after
Amendments to IAS 12 Income Taxes relating to Deferred Tax: Recovery of Underlying Assets	1 January 2012.
Amendments to IAS 32 Financial Statements – Offsetting Financial Assets and Liabilities	1 January 2014.
Amendments to IFRS 7 Financial Instruments: Disclosures / Financial Instruments – Transfer o f Assets	1 July 2011.
Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities	1 July 2013.
IAS 1 Presentation of Financial Statements	1 July 2012.
IAS 19 Employee Benefits	1 January 2013.
IAS 27 Separate Financial Statements	1 January 2013.
IAS 28 Investments in Associates and Joint Ventures	1 January 2013.
IFRS 10 Consolidated Financial Statements	1 January 2013.
IFRS 11 Joint Arrangements	1 January 2013.
IFRS 12 Disclosures of Interests in Other Entities	1 January 2013.
IFRS 13 Fair Value Measurement	1 January 2013.
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013.

The Bank's management anticipates that the adoption of the above Standards and Interpretations in future years will have no material impact on the financial statements of the Company in the period of initial application.

53. EFFECT OF IFRS (9) ADOPTION

The Bank and its subsidiaries early adopted IFRS (9) starting January 1, 2011 (date of adoption) which resulted with the following:

a. The reclassification of debt and equity financial assets as following:

			January 1, 2011		
	Measurement criteria		Carrying amount		
Description	IAS(39)	IFRS(9)	IAS(39)	IFRS(9)	Difference
			USD	USD	USD
Equity instruments	Trading financial assets	Financial assets at fair value through profit or loss	**3,348,777**	**3,348,777**	**-**
Equity instruments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	**17,253,654**	**17,253,654**	**-**
Equity instruments	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	**26,787,130**	**30,238,512**	**3,451,382**
Equity instruments	Available-for-sale financial assets	Other assets	**10,092,595**	**10,092,595**	**-**
Debt instruments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	**84,785,203**	**85,295,807**	**510,604**
Debt instruments	Available-for-sale financial assets	Financial assets at amortized cost	**376,114,759**	**375,808,598**	**(306,161)**
Debt instruments	Held-to-maturity financial assets	Financial assets at fair value through profit or loss	**16,345,834**	**14,664,061**	**(1,681,773)**
Debt instruments	Held-to-maturity financial assets	Financial assets at amortized cost	**45,675,564**	**45,675,564**	**-**
Liabilities	Deferred tax liabilities	Deferred tax liabilities	**1,859,310**	**659,868**	**(1,199,442)**
Owners' Equity	Cumulative change in fair value	Financial assets valuation reserve	**9,119,507**	**887,496**	**(8,232,011)**
Owners' Equity	Retained earnings	Retained earnings	**109,601,722**	**121,053,037**	**11,451,315**
Owners' Equity	Non-controlling interests	Non-controlling interests	**8,705,542**	**8,659,732**	**(45,810)**

b. Investments in companies' shares originally classified as available-for-sale financial assets that are evaluated at fair value, the management reclassified the part which they suppose in accordance to its business model, that are strategic and not for trading purposes within the financial assets at fair value through other comprehensive income, and as a result, an amount of USD 9,431,453 has been reclassified from cumulative change in fair value to retained earnings in the consolidated statements of owners' equity as of January 1, 2011.

c. The adoption of IFRS (9) had an effect on the items of consolidated statement of income as of December 31, 2011 amounted to USD 2,233,119. This amount represents the difference in re-evaluating the investment previously classified as available-for-sale financial assets to financial assets at fair value through profit or loss, in addition to the losses on sale of financial assets through other comprehensive income which recorded directly to retained earnings, compared to what was previously followed in accordance with IAS (39).

Jordan Kuwait Bank

Statement of Disclosure for the Financial Year ending 31/12/2011, 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 2011 amounted to USD 3.1 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	423	Al-Rabiyah Branch	8	Mecca Street Branch	10
Main Branch	17	Vegetable Market Branch	9	Al-Rawnaq Branch	6
Abdali Branch	17	Madina Munawarah St. Branch	13	Southern Sweileh Branch	8
Jabal Amman Branch	11	Sweifiyyah Branch	11	Irbid Branch	14
Wehdat Branch	12	Nazzal Branch	9	Wadi Saqra Branch	8
Tla' El 'Ali Branch	15	Mecca Mall Branch	10	Al-Husson St. Branch- Irbid	7
Jabal Al-Hussein Branch	11	Petra University Office	3	Yarmouk University Branch- Irbid	6
Commercial Center Branch	13	Al-Mougablain Branch	8	Al-Mafraq Office	5
Abu-Alanda Branch	11	Marj El-Hamam Branch	6	Al-Karak Office	4
Yarmouk Branch	12	Zain Office	2	Aqaba Branch	12
Wadi El-Seir Branch	11	Sweileh Office	4	Zarqa Branch	13
Jubaiha Branch	13	Al- Ahliyyah Amman University Branch	6	Russaifeh Branch	9
Amra Branch	9	Baq'ah Branch	7	Zarqa Free Zone Branch	8
Abdoun Branch	12	Madaba Branch	8	New Zarqa Branch	7
Abu-Nsair Branch	5	Al-Salt Office	3	Al-Madineh Al-Riyadeah Branch	9
Marka Branch	10	King Abdullah Bureau Office	3	Regional Management –Palestine	8
Ibn Khaldoun Branch	8	Khalda Branch	8	Nablus Branch	12
Dabouq Branch	7	Dair Ghbar Office	4	Ramallah Branch	11
City Mall Branch	8	Mecca Mall Office	4	Cyprus Branch	5
Shmeissani Branch	14				
United Financial Investments Co. – Amman (Subsidiary)			13		
Ejara Leasing Company – Amman (Subsidiary)			6		

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 50.01% of the company's capital of JD8 million (USD 11.28m) as at December 2010.

The Company's H.Q. is located in Shmeissani, Amman with 13 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 JD10 million (USD 14.1m) fully paid by the Bank.

Ejara Leasing Company 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 6 working employees.

4b /3: Executives' Biography:

1- Members of the 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 / Representative of Jordan Kuwait Bank.
- 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 Company – Kuwait.
- Chairman, United Co. (Orbit Showtime).
- Chairman, Trust International Insurance Co. – Lebanon.
- Chairman, Saudi Pearl Insurance Co. – Bahrain.
- Chairman, United Gulf Investment Co. - Cayman Islands.
- Board Member, United Gulf Bank – Bahrain.
- Board Member, Saudi Dairy & Foodstuff Co. (SADAFCO)- Saudi Arabia.
- Board Member, Gulf Egypt for Hotels & Tourism Company – Egypt.
- Board Member, EgySwiss Food Co. – Egypt.
- Member on Board of Trustees, American University of Kuwait.
- Member of the National Committee for Learning Disabilities – Kuwait.
- 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 - 991).
- 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.
- Deputy Chairman, Algeria Gulf Bank - Algeria.
- Board Member, Bank of Baghdad - Iraq.
- Board Member, KIPCO Asset Management Co. (KAMCO)- Kuwait.
- Board Member, North African Co.
- Vice Chairman, Royal Capital Co. – Abu Dhabi.
- 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).
- Vice Chairman, Kuwait Clearing Co. – Kuwait (2004 – Present).

Previous Positions:
- Chairman, Burgan Bank- Kuwait (2007 - 2010).
- Executive Chairman, United Real Estate Company - Kuwait since (2006 – 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).
- Board Member, Bahrain Kuwait Insurance Company – Kuwait (1992 - 2008).
- 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 – 1998).
- 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).
- Administration 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 then completed 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.

Experiences:

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

Experiences:

- Board Member, Jordan Steel Co./ Representative of Jordan Kuwait Bank.
- Vice Chairman, Jordan Mortgage Refinance 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.

Experiences:

- 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.

Experiences:

- 17 Years Experience at various banks and the last was Arab Jordanian Investment Bank (1990 – 1994).
- Worked at the Central Bank of Jordan (1988 – 1999).

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.

Experiences:

- 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.

Experiences:

- 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.

Experiences:

- 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.

Experiences:

- Chairman, Ejara Leasing Co.
- 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, 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.

Experiences:
- 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. Suhail M. Turki:

Position: Executive Manager – Public Relations Department

Date of Birth: 1944

Date of joining: 19/10/1991

Education: Secondary School Certificate, 1964.

Experiences:
- Asst. Administrative Manager, Industrial Bank of Kuwait - Kuwait (1978 - 1990).
- Administrative Officer, Kuwait Airways - Kuwait (1968 - 1978).

11. Mr. Ibrahim E. Kashet:

Position: Executive Manager – Legal Department

Date of Birth: 1962

Date of joining: 1/4/1989

Education: Bachelor degree in Law, University of Jordan, 1987.

Experiences:
- Credit Department, (1994 – 2000).
- Credit Follow Up Department, (1989 – 1994).

12. Mr. Majed M. Muqbel:

Position: Executive Manager – Compliance Control Department

Date of Birth: 1960

Date of joining: 6/10/1984

Education: Bachelor degree in Accounting, University of Jordan, 1982.

Experiences:
- Internal Audit Department, (1999 – 2007).
- Credit Operations Department, (1998 – 1999).
- Credit Department, (1984 – 1998).

13. Mr. Zuhdi B. Al-Jayousi:

Position: Executive Manager – Corporate Credit Department

Date of Birth: 1970

Date of joining: 6/9/1997

Education: Bachelor degree in Accounting, Al- Ahliyya Amman University, 1994.

Experiences:

- General Banking Experience, Jordan & Gulf Bank, (1994 –1997).

14. Mr. Moh'd J. Azem Hammad:

Position: Executive Manager – Risk Management Department

Date of Birth: 1972

Date of joining: 10/8/1999

Education: Master degree in Banking & Finance, The Arab Academy for Banking & Financial Studies, 1999.

Experiences:

- General Banking Experience, Arab Real Estate Bank, (1994 –1999).

15. 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, Jordan University, 1992.

Experiences:

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

16. Mr. Ibrahim F. Bisha:

Position: Executive Manager – Treasury & Investment Department

Date of Birth: 1971

Date of joining: 19/6/2001

Education: Master degree in Business Administration, Maastricht School of Management – Cyprus, 2005.

Experiences:

- Banking, Jordan Kuwait Bank (Cyprus Branch), (2001 – 2006).
- Banking, Al-Jazeerah Bank – Saudi Arabia, (1999 – 2001).
- Banking, Dar Ithmar Financial Services, (1997 – 1999).
- Banking, Amman Investment Bank, (1992 – 1997).

17. Mr. Ghassan A. Al-Qassem:

Position: Executive Manager – Branches Administration Deptartment

Date of Birth: 1957

Date of joining: 2/6/1979

Education: Diploma in Banking & Finance, Institute of Banking Studies, 1981.

Experiences:

- General Banking Experience, Jordan Ahli Bank, (1977 – 1979).

18. Mr. Makram A. Majed Al- Qutob, PhD:

Position: Executive Manager – Corporate Credit Department

Date of Birth: 1965.

Date of joining: 16/5/2004.

Education: PhD in Accounting, Arab Academy for Banking and Financial Sciences, 2009.

Experiences:

- Arab Bank, (1998-2004).
- Arab Thought Forum, (1990-1998).

19. 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.

Previous Experience:

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

4b/4: Shareholders who own 5% or more of the Bank's shares (2011 & 2010).

Shareholder	Nationality	No. of Shares 31/12/2011	%	No. of Shares 31/12/2010	%
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

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.

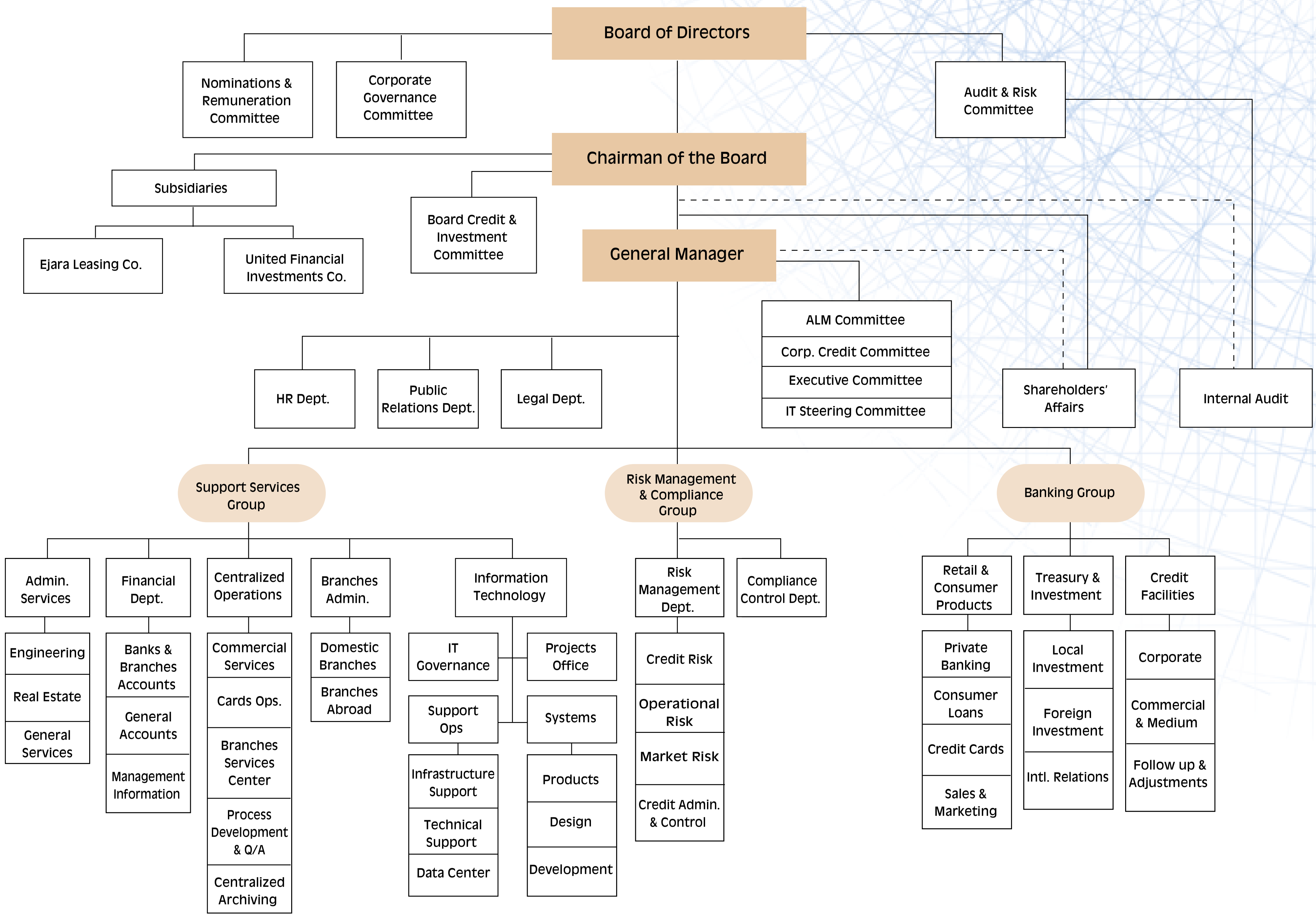
4b/7: - The Bank does not enjoy any governmental concessions or protection in accordance with the prevailing rules and regulations.

- The Bank does not have any patents or royalty rights.

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.

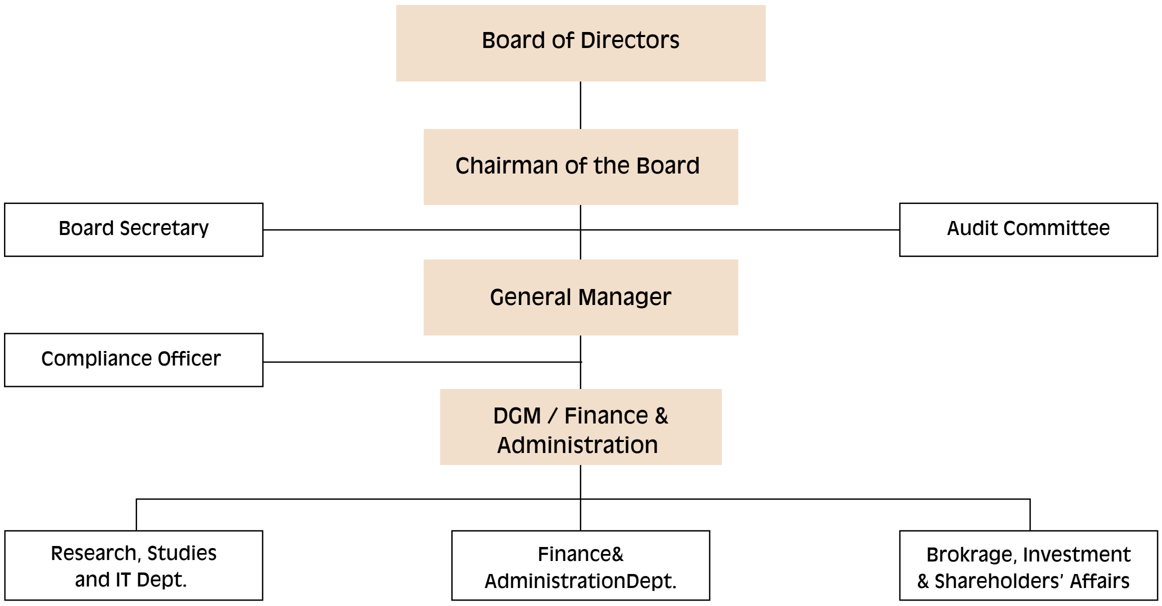
4b/9: Human Resources, Training and Organizational Structure:

JKB Organizational Structure 2011

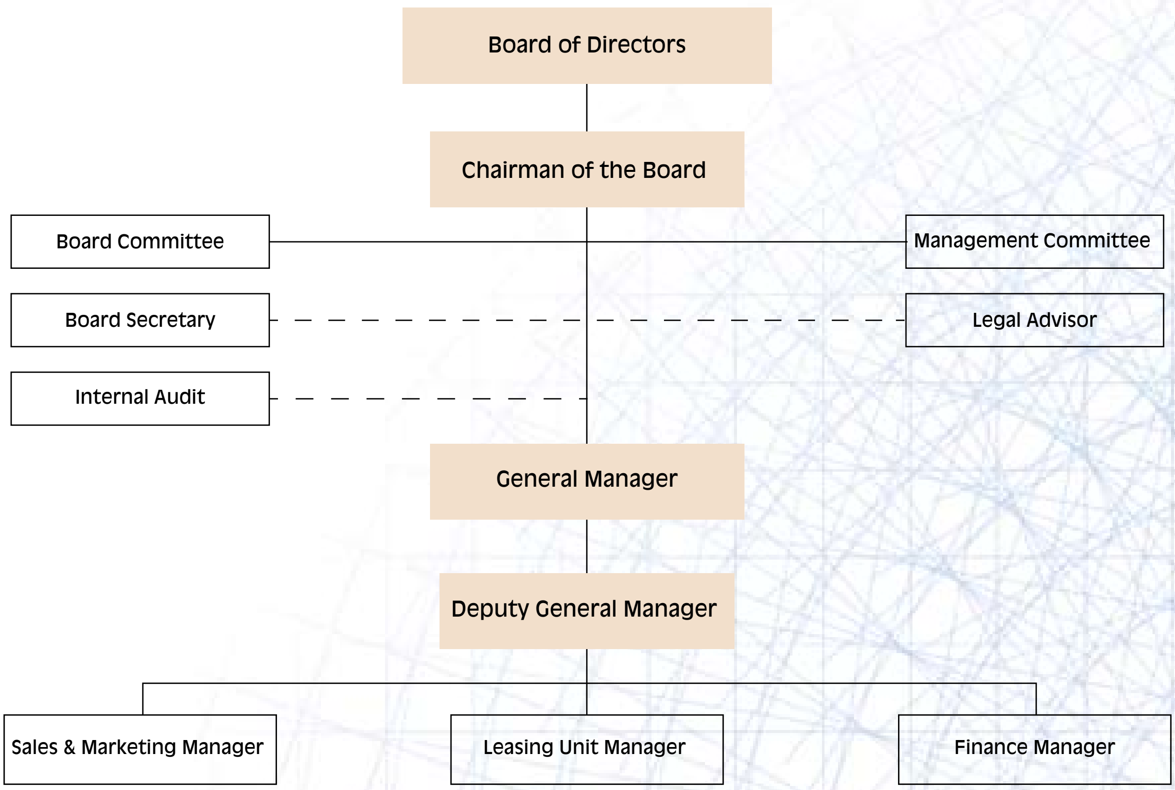


Organizational Structures of the Bank's Subsidiaries

United Financial Investments Co.



Ejara Leasing Co.



Total number of employees as at 31/12/2011 was (927) of whom (12) were employed at Nablus branch, (19) at the Regional Management Office – Palestine & Ramallah branch and (5) at Cyprus branch. In addition, there were (19) employees at the Subsidiary companies.

Staff educational qualifications:

Qualification	Jordan Kuwait Bank	United Financial Investments Co.	Ejara Leasing Co.
PhD	1	-	-
Masters	44	2	-
Bachelor	649	4	5
Higher Diploma	10	-	-
Diploma	129	3	-
Secondary School Certificate	43	4	1
Pre- Secondary School Certificate	51	-	-
Total	**927**	**13**	**6**

Staff training during 2011:

Course Subject	Number of Courses	Number of Participants
Compliance, Risk Management & Audit	41	271
Legal and Regulatory Banking Issues	6	67
Banking Operations	63	562
Investment, Finance & Credit Facilities	27	241
IT & Information Systems	24	132
English Language	84	199
Accounting & Financial Management	26	215
Marketing and Bancassurance	4	25
Behavioral Skills	40	358
Advanced Managerial and Professional	30	210
Total	**345**	**2280**

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

4b /11: **Achievements during 2011**: 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 2011.

4b/13: Changes in Net Profit, Dividend, Shareholders' equity and Share price (2007 -2011)

Amounts in Thousand US Dollars

Year	Profit before tax	Dividend		Bank Shareholders' Equity	Share / $
		Bonus Shares	Cash		
2007	89,800	33.3%	20%	305,990	11.64
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**

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 2011 amounted to USD 291,918.

4b/17: Shares owned by the Board Members during 2011 & 2010:

	Name	Position	Nationality	Shares	
				31/12/2011	31/12/2010
1	H.E. Abdel Karim A. Kabariti	Chairman	Jordanian	**1,146**	1,146
2	United Gulf Bank - Bahrain	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**	10,000
8	Odyssey Reinsurance Co.	Board Member (As of 23/3/0211)	American	**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
	Mr. Moh'd A. Abu Ghazaleh	Board Member (Until 22/3/2011)	Jordanian	**1,000**	842,416

Shares owned by the Bank Executives during 2011 & 2010

	Name	Position	Nationality	Shares 31/12/2011	Shares 31/12/2010
1	Mr. “Moh’d Yaser” M. Al-Asmar	General Manager	Jordanian	**10,000**	7,000
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	-	-

Shares held by companies controlled by Board Members

Board Member	Position	Name of controlled Company	Ownership %	Shares of controlled Company in JKB	
				31/12/2011	31/12/2010
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 (2011 & 2010)

	Name	Relation	Nationality	Shares	
				31/12/2011	31/12/2010
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	**7,500**	5,166
3	Mrs. Mai F. Abu-Hantash	Wife of Mr. Abdel Hameed M. Al- Ahwal / Asst. G.M. Operations Dept.	Jordanian	**164**	-

4b/18: **Executives' Remuneration**: Total salaries, allowances and travel expenses paid to the Senior Executives at the Bank and its subsidiaries during 2011 amounted to USD 4,276,762 exclusive of performance related incentives.

4b/19: **Donations**: Total donations made by the Bank and its subsidiaries during 2011 amounted to USD 512,496. Details of which are listed below:

Recipient	Amount / USD
Scholarships and Educational Support	124,942
Sports Activities	31,859
Support to Jordanian Writers & Authors	18,427
Training Students from schools & Universities	26,649
National Workshops & Conferences	76,457
Awards for Outstanding Students & Competitions	5,360
Charities & Social Activities	228,802
Total	**512,496**

4b/20: The Bank had contracted with its sister company (Arab Orient Insurance Company) for general insurance coverages including medical and accident insurance for its staff. The value of such contracts amounted to USD 1,401,715. 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 2012.

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. - 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

2011

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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 Organisation 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, 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 carryout 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 setout 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, its internal auditors and its 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. 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
- Information Systems Steering Committee
- Management Credit Committee
- Management Investment 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 his deputies, 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, Deputy General Manager / Support Services Group.
- Head of Risk Management & Compliance Group.
- Assistant General manager / Treasury and Investments, Assistant General Manager / Credit, Assistant General Manager / Financial Dept. and Assistant General Manager / Retail & Consumer Products.
- Head of the Risk Management Department.

The committee meets every month and on needs basis.

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.

Management 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.

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

- Deputy General Manager / Support Services Group.
- Head of Risk Management & Compliance Group.
- Assistant General Manager / Branches Admin. , 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/ 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.
- Senior Manager / Treasury and Investments acts as committee secretary.
- The committee meets at least once a month.

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 Credit Risk, Operational Risk and Market Risk, IT Security, business continuity plan, compliance monitoring and credit administration and control.

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

This group is headed by the Deputy General Manager / Support Services Group.

There are other departments that are headed by Department Managers and that report directly to the General Manager which are: Legal, 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.

Credit Facilities Department

The organizational structure indicates that this department is headed by the Assistant General Manager / Credit, and the duties are divided among three departments: Corporate Credit Department, Commercial and Medium Credit Department, Credit Follow-up and Adjustment 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.

Commercial and Medium 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.

Loan Follow-up and Adjustment Department

- Maintaining the non-appearance of defaulted loans and limiting their growth by handling them according to sound banking principles as derived from the Bank's Procedures Manual and internal instructions, and in accordance with the instructions of the Central Bank of Jordan and regulators.

Retail & Consumer Products

The organizational structure indicates that this department is headed by the Assistant General Manager / Retail & Consumer Products and that duties are divided among three departments:

Private Banking Unit

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 and Marketing Department

- Create competitive products that are in line with market and client needs.
- Conduct market studies to determine opportunities and constraints available to the Bank in different areas, as these studies constitute the infrastructure of marketing and branch operations and any future feasibility studies it may require.
- 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 and the External Banking Unit.

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.

Risk Management Department

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 Management Credit Committee or the Board Credit Committee according the authority levels defined by the credit policy guidelines.
2. Attend Management Credit Committee meetings and prepare their decisions.
3. Draft the Management Credit Committee minutes of meeting.
4. Inform the concerned clients, branches and departments of the decisions taken by the committees (Management Credit Committee or Board Credit 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.

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, 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.

IX. Transparency and Disclosures

1. 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.
2. 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.
3. 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.
4. 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.
5. The Bank's annual report shall contain all information related to the Bank in a manner that is transparent and objective.
6. 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.
7. Hold periodic meetings between the Bank's Executive Management and investors and shareholders.
8. 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.
9. 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.

10. 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

A 35 year journey

Filled with accomplishments and trust

1976
- On 25/10/1976, Jordan Kuwait Bank was founded as a public shareholding company with paid-up capital of JD 5 million (USD 7 million).

1977
- Opening of the first two branches of the Bank in Abdali and Jabal Amman.

1979
- A new administrative unit was established to be in charge of automating the Bank's operations and processes.

1983
- A number of automated systems that deal with deposits and shareholders' records were implemented.

1985
- Launching the first ATM service.

1991
- Connecting the Bank's 15 branches (on line) with the central computer.

1993
- The Bank's paid-up capital was raised to JD 8.5 million (USD12 million).

1994
- The Bank's paid-up capital was raised to 10 million (USD 14 million).
- A new banking system (NBS) that was developed in– house to cover most of the Bank's business was deployed.

1995
- Visa credit card service (gold and silver) was launched.
- The first branch outside Jordan was opened in Nablus city in Palestine the branch was directly connected to the central computer in Amman.

1996
- The Phone Bank service and the (SWIFT) system for external money remittances were launched.
- The Bank launched its website on the Internet.

1997
- The Bank's paid-up capital was raised to JD 20 million (USD28 million).
- On July 15th 1997 a new era emerged that embarked upon the future development of the Bank. It began with the election of new board of directors who elected Mr. Abdel Karim Kabariti as the chairman. The major characteristic of the new Board of Directors was the renewed interest of the Kuwaiti and Gulf investors in the Bank; raising their equity to almost 50% of its capital and accordingly, becoming an influential participant in the new Board.

1998
- The Bank started the implementation of a comprehensive development and restructuring project constituent of reorganization and reform plans that cover the Bank's strategies, policies and future vision and the enhancement of employees' capabilities.

1999
- An upgraded in-house developed version of the New Banking System (NBS2) supported by a state-of-the-art digital network was deployed. By the end of 1999, all the Bank's computers were replaced with Y2K compliant devices.

2000
- The Internet banking service (NetBanker) was launched. JKB was the first bank in Jordan to provide such a service to customers. This was soon followed by the launch of the Mobile Phone service (Mobile Bank).

2001
- The Bank's paid-up capital was raised to JD 25 million (USD 35 million).
- An international banking unit (IBU) in Cyprus and a representative office in Algeria were opened.
- The first Cyber (unmanned) branch was opened in Sweifiyyah area in Amman

2002
- United financial investments Co. became a subsidiary of the Bank by holding 50.23% of the company's capital.
- The head office building expansion and renovation project was completed with a nearby Drive-Thru ATM.

2003
- The Bank's logo was changed to one that reflects its new image of vitality and modernity.

2004
- The Bank's paid-up capital was raised to JD 31.250 million (USD 44 million).

2005
- The Bank's paid-up capital was raised to JD 40 million (USD56 million).
- The Bank received the "Best Bank in Jordan 2005 Award" by the American Global Finance magazine.
- JKB launched, as the first bank in Jordan, the Visa card that is compliant with EMV technology (Chip & Pin).

2006
- The Bank's paid-up capital was raised during the year to JD 60 million (USD85 million) and then to JD 75 million (USD 105 million).
- The Bank received the "Bank of the Year Jordan 2006 Award" by The Banker magazine.
- The new CRM system and the SMS banking service (Push & Pull functionality) were launched.
- The newly established Private Banking Unit commenced its operations.

2007
- ATM services were developed to deal in US currency in addition to the Jordanian Dinar (in Jordan and Palestine).
- JKB launched the prestigious (Visa Infinite) card as the first bank in Jordan, and one among few banks in the Middle East.
- The Bank received the "Bank of the Year Jordan 2007 Award" by The Banker magazine.

2008
- The Bank's paid-up capital was raised to JD 100 million (USD 141 million).
- A regional office in Ramallah City was established to manage the Bank's branches in Palestine.
- The Bank's ownership structure underwent change. Kuwait projects company holding transferred the share of United Gulf Bank (Bahrain) in JKB's capital to Burgan Bank (Kuwait) who became the owner of about 50. 1% of JKB's capital.

2009
- The Internet banking service (Netbanker) was enhanced to include payment of utility bills and settlement of social security subscriptions, in addition to processing money transfers and payment orders. The enhanced version meets corporate clients' needs for authority segregation and provides Arabic language option.

2010
- The Bank received the "Bank of the Year Jordan 2010 Award" by The Banker magazine.
- JKB provided, for the first time in Jordan, Custom ATM machines for the use of persons with visual disabilities.

2011
- A foreign investor "Odyssey Reinsurance Company" joined the Bank's major shareholders base and the Bank's board of directors. Odyssey Reinsurance Company is an American company fully owned by the Canadian Fairfax Financial Holdings.
- Ejara Leasing Company was established as a private shareholding company with a capital of JD 10 million (USD 14 million) fully paid by Jordan Kuwait Bank.