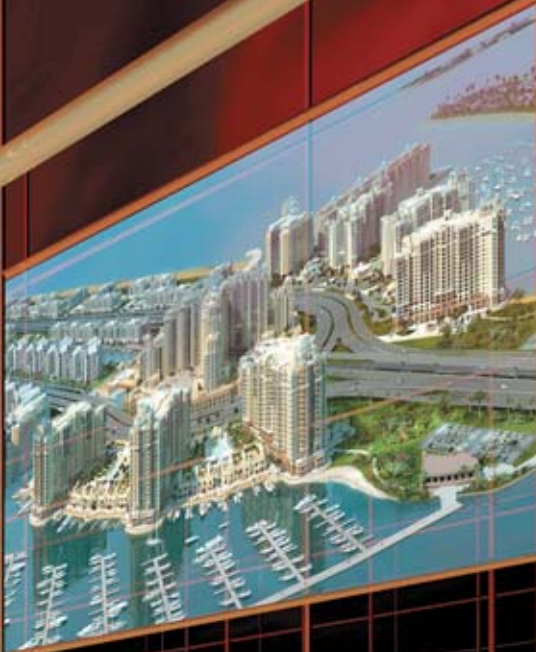


البنك  
الأردني الكويتي  
JORDAN KUWAIT  
BANK



Success Story





The management and staff of Jordan Kuwait Bank are pleased to present the theme of the Bank's Annual Report for the year 2007, honoring Dr. Kamal Shair and his company Dar Al Handasa, and to portray in the pages of the Report some chapters of his unique success story.

*"Nothing is so difficult that it can not be accomplished given sufficient imagination, commitment and determination"*



Kamal Shair is one of the world's most prominent and innovative business entrepreneurs. He is a rare exception among Arabs, an individual who came from a thoroughly modest background with no access to links, networks or connections, and later emerged as a truly global commercial player. A passionate politician, a nationalist and a socio-economist, he has actively participated in some of the most significant events of the past fifty years of Middle Eastern history.

Fifty years ago, Kamal Shair founded Dar Al-Handasa, determined to make it one of the largest private engineering consultancies in the world. At the time, no one believed he could do it, especially since he started his career as a teacher at the AUB in Beirut in the mid-1950s. Was it a coincidence that the growth of Dar Al-Handasa is entwined with the modern history of the Arab world!

When he started Dar Al-Handasa, he believed that it was going to be the principal way in which he would exercise his activism and influence the region for the better. He knew that projects like schools, hospitals and irrigation schemes, or something as simple as a new road, could make life better for people.

Managing thousands of projects during the last half century has certainly been profitable for Kamal Shair, but it has also been a way of living out his personal philosophy, the belief that people should have the right of self-determination in free and open societies.

Kamal Shair's education began with a scholarship to the American University of Beirut, after which he was accepted at

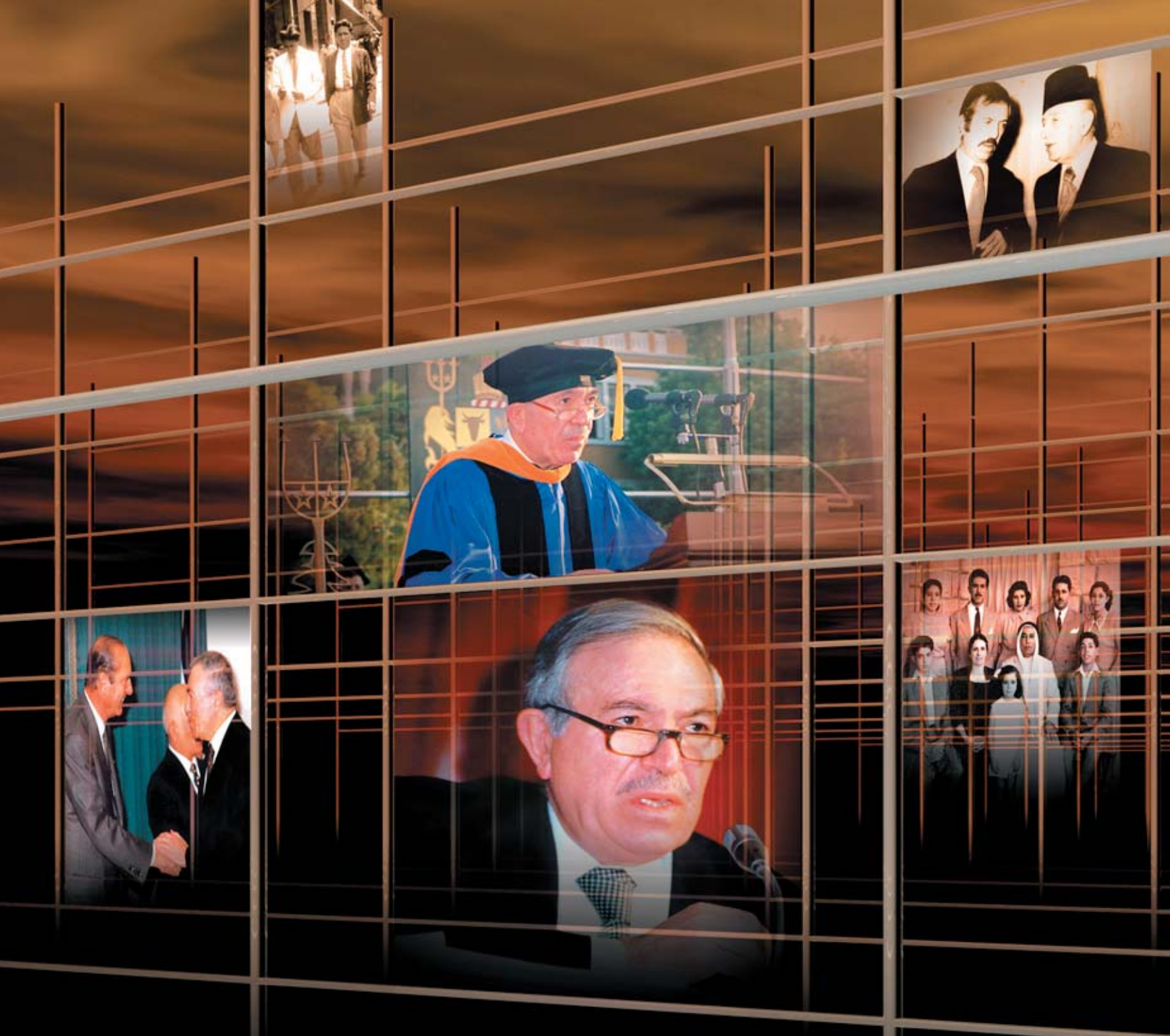
Michigan University, and then at Yale, where he received his PhD. in "The Peaceful Use of Nuclear Fuel". But it was upon returning to the Middle East that his life's adventure began.

He wanted to create a leading edge Arab multi-disciplinary consultancy that did not include just simply one specialty but which reached across all the engineering, architectural and planning disciplines. He convinced a few colleagues to put up the 3500 US\$ it would take to start a company.

As a talented leader, Kamal Shair's vision as usual was daring and flew in the face of orthodox business management. Having worked out the pillars on which Dar Al-Handasa was to successfully expand, he developed his own strategy for the sustainability of Dar Al-Handasa but there were many who did not agree with it.

In 1969 Kamal Shair had the idea of giving the firm's managers a free stake in the company, aiming at creating a system for sustainability through successive generations of ownership and a mechanism for the perpetual renewal of the firm's leaders. His partner did not agree with the idea and they had to split the partnership. This gave Kamal Shair the opportunity to realize his vision and he immediately gave up 60% of the company's ownership to the managers, who eventually became his partners.

Although he created Dar Al Handasa, Kamal Shair proudly says that he was also a student of this company because he did learn a lot from interacting with younger generations throughout the past 50 years. He wanted to establish a corporate environment that provided the motivation to realize leadership potential, and he felt so happy whenever someone was promoted to become a director/partner while he still in his early 30s. To Kamal Shair,



this was evidence of the company's ongoing progress and its ability to regenerate itself on a continuous basis.

When Kamal Shair decided to leave Lebanon which was ravaged by civil war (1974-1989), he felt that he needed to go global and what better market to take on than the strongest economy of the world...the United States.

Everyone advised him not to buy the ailing architectural firm "Perkins & Will", but of course he did. Perkins & Will was the first purchase of the company that eventually became the Dar group. By 2009 the Dar group should achieve an annual income of 1 billion US dollars. Who would have believed that a small business started in Beirut over 50 years ago would generate this income from the Americas, Europe, Africa, Asia and of course the Middle East? And who would have believed that Dar Al Handasa would have been ranked first among hundreds of international consultants and engineering firms as per the latest rating by the "Engineering News-Record," issued in December 2007.

Kamal Shair loved Lebanon and took it as his business headquarters. And he loved Jordan and took it as a base for his economic, social and political activity. In his own country of Jordan, he played an important role as a senator and chief of the senate's economics and finance committee for 12 years. He also served as the chairman of the Phosphate Mines Co. and headed Jordan's Development Board in the government of the late Wasfi Al-Tal. Kamal Shair dealt and interacted with many personalities: kings, presidents, emirs, businessmen and politicians. He succeeded in every field as if each one was his only speciality.

From a child in the elementary school in his small town, Al Salt in Jordan, guided by a visionary father who insisted on investing his money in the minds of his children instead of leaving it in cash to them, to the owner of one of the largest and most famous engineering firms in the world,

Kamal Shair stands today as an internationally prominent figure whose achievements and celebrity are recognized around the four corners of the globe.

To Kamal Shair, the self-made, true-born Jordanian, our brother and sincere friend, we pay our tribute of appreciation and gratitude. We pray to God the Almighty to fill your heart with joy and happiness in a long and healthy life and to give you and Dar Al Handasa more and more success and prosperity in the many years to come.



## Our Vision

“ To be one of the pioneer Arab banks through offering a 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 offer 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.”



## JORDAN KUWAIT BANK

Public Ltd. Company  
Established 25/10/1976  
Commercial Register Number 108  
Paid-up Capital JD 75 Million (USD\$ 105.8 Million)\*

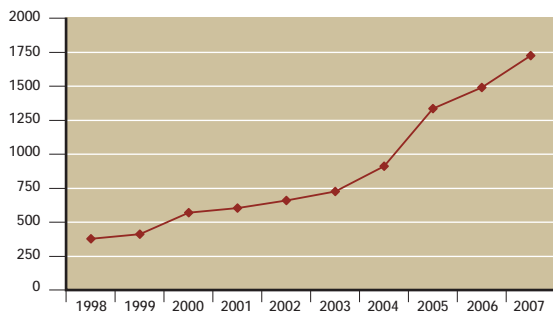
\* On March 5, 2008, the General Assembly of Shareholders approved the Board of Directors recommendation to raise the Bank's paid up capital from JD75 million (USD105.8 million) to JD100 million (USD141 million) through the capitalization of JD25 million (USD35.3 million) from share premium reserve and distribute them to shareholders as bonus shares at the rate of one share for every three shares held.

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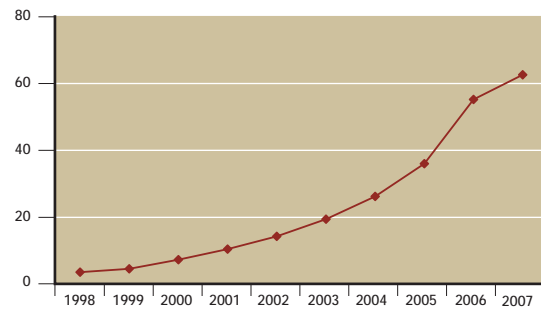
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## Changes in Major Financial Results (1998-2007)

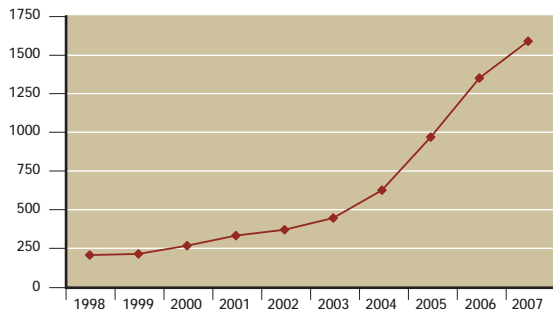
In million US\$



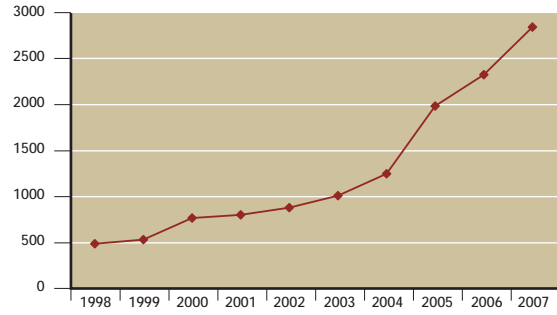
Customer Deposits & Cash Margins



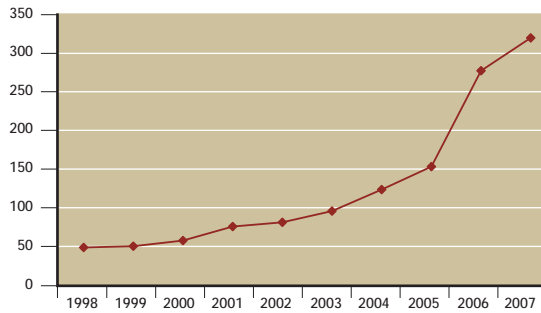
Profit for the year (After tax & Minority Interest)



Direct Credit Facilities - net



Total Assets



Total Owners' Equity





## Board of Directors

- H.E. Mr. Abdel Karim Alawi Kabariti**  
Chairman & CEO  
Rep.: Strategy Co. for Investments -- Jordan
- Mr. Faisal Hamad Al-Ayyar**  
Vice Chairman  
Rep.: United Gulf Bank -- Bahrain

## Members

- Mr. Moh'd Ahmad Abu Ghazaleh**
- Mr. Masaud Mahmoud Jawhar Hayat**  
Rep.: Al-Futtooh Holding Co. -- Kuwait
- Mr. Tariq Moh'd Abdul Salam**  
Rep.: Kuwait Projects Co. (Holding) -- Kuwait
- H.E. Eng. Naser Ahmad Louzi**
- Mr. Emad Jamal Kudah**  
Rep.: Social Security Corporation -- Jordan
- Dr. Yousef Musa Goussous**  
Rep.: United Gulf Bank -- Bahrain
- Mr. Farouk Aref Al-Aref**

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

Auditors

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

## Message from the Chairman

### To the Shareholders,

The year 2007 was a period of continued economic growth whereby most indicators of Jordan's economy demonstrated noticeable improvement, exceeding the expectations of World Bank experts and set goals. The gross domestic product (GDP) grew by 11.8% in current prices, or 5.8% in fixed prices and living expenses index recorded 5.5%. The current account balance of payment deficit dropped from 11.3% of total GDP in 2006 to 8% in 2007. Reserves of foreign currencies at the Central Bank of Jordan (CBJ) exceeded USD7 billion.

The specialized international institutions continued to praise the enlightened economic policy of Jordanian governments, which provide for healthy economic growth. These institutions take into account the economic and financial challenges facing Jordan in the form of relative high debt levels, increased world oil prices, declining foreign grants and high vulnerability to external conditions. As for Arab and foreign investors, they have considered the continued economic reform efforts, market liberalization policy, freedom of funds transfers to and from the Kingdom, and above all, the stability and security of the country and the conducive investment climate, which further enhanced Jordan's status in attracting investments, particularly from the Gulf, where high liquidity is available seeking secured and viable investment opportunities. The size of investments which benefited from the Investment Promotion Law amounted to USD3.1 billion, an increase of USD546.7 million (21.1%) over 2006. The Amman Stock Exchange price index rose by 36%, and the year 2007 witnessed the establishment of a significant number of public shareholding companies across different sectors with capital approximating USD1.41 billion.

His Majesty placed investment on the top of the Kingdom's priorities and exerted relentless efforts towards achieving partnership between the public and private sectors and putting in place investment incentives, which significantly contributed to the social and economic development in Jordan. The clear growth in investments witnessed today in Jordan is the result of conscious planning and dedicated implementation of a range of development and legislative policies as well as infrastructure enhancements that guarantee the success of investment projects and development programs and plans. In this regard, the clear success achieved by Jordan in implementing privatization programs, which constitute a main pillar of the National Agenda, should be noted, whereby privatization projects yielded returns in excess of one billion dollar. According to the World Bank Group report, Jordan is considered among the successful countries in the Middle East region, if not the most successful, in implementing privatization programs. His Majesty's acclaimed efforts during the World Economic Forum held in May resulted in the signing of agreements and strategic partnerships between local, regional and international institutions valued at more than USD2.5 billion covering a variety of projects mainly in the sectors of finance, transport and energy.

On the other hand, the Jordanian banking sector achieved good results during 2007, benefiting from the economic activity that

took place during this year and the corresponding boom in the retail sector and the launch of several large-scale development projects across various sectors, whereby banks continued to finance and extend loans to companies and institutions and to respond to the credit needs of the growing retail and individuals sectors. Despite the positive achievements and results of the Jordanian banking sector and the commitment of banks to international banking standards and requirements, many challenges still face the sector, foremost of which is achieving balanced growth and supporting the goals of sustainable economic development for the small and medium-size segments, which requires a plan and a framework of action to encourage banks' support to these sectors given their added value to the national economy.

### JKB 2007 Results

2007 results marked the management's capability to develop business plans and oversee their proficient implementation and attainment of set goals. The year 2007 results were the best registered since establishment whereby, as of 31/12/2007, total assets reached USD2.85 billion, an increase of USD520.3 million (22.24%) over previous year figures; net profit (after tax and Minority Interest) increased by 13.4% reaching USD62.6 million; and total shareholders equity amounted to USD306.1 million with an increase of USD41.3 million over 2006 figures. As a result, all performance indicators and efficiency ratios maintained their high levels. In addition, JKB share on the Amman Stock Exchange (ASE) showed strong performance throughout most of the year.

During 2007 JKB was able to achieve balanced growth in the size of its operations through focusing its main activities on both credit facilities and customers' deposits and conforming to target growth rates. As of 31/12/2007 net credit facilities amounted to USD1.6 billion, an increase of USD237.4 million over 31/12/2006 figures, at a growth of 17.55%. The Bank's credit activities witnessed calculated expansion, both qualitatively and quantitatively, which included direct and joint loans extended to a number of companies as well as large public and private institutions. In parallel, the Bank maintained full control over its credit portfolio and non-performing loans and was able to register a new record low of its NPLs ratio. At the end of 2007, NPLs to total credits reached 0.2%, compared to 0.3% in 2006. This is a new and outstanding record on both local and international levels.

On the other hand, customers' deposits and cash margins rose to USD1.73 billion by the end of the year, registering a growth of 15.7% over 2006 results. This achievement is the outcome of the efforts exerted to strengthen relations with different client segments and to upgrade and expand banking services extended to clients as well as the qualitative advancements achieved by the Bank in the technological field. Said efforts had a positive impact on the Bank's business management practices, and means of service delivery and product offering.

The solid growth of the Bank's business in 2007 is attributed to the success of the branching and expansion plan; the management



of initial public offerings of several new and existing companies, including the conducting of feasibility studies and managing of said offerings; the management of third party's shares subscriptions, equity distribution and refund disbursement and the remarkable growth in the activities of the Private Banking Unit. All contributed significantly in enhancing the Bank's image as a superior bank providing comprehensive and quality services to its clients and attracting new clientele.

The JKB's strategic plan for the years (2007 – 2011) constitutes a base for the Bank's new development phase through which we will seek to attain a set of goals; most important of which is to achieve a qualitative leap in our market share in the banking market, fortify the financial standing of the Bank established over the past decade, increase profitability, and improve the financial indicators pertinent to financial strength and management efficiency.

In order to provide a suitable work environment to cope with best international standards and practices congruent to corporate governance requirements, Basel II accords, Central Bank internal monitoring and control instructions, money laundering regulations and compliance standards, our efforts in 2007 focused on setting up and finalizing the necessary administrative requirements, work policies and procedures, and human resource development plans. JKB worked towards institutionalizing all procedures and controls that guarantee proper implementation at all times and under all circumstances. This will place our Bank among the best developed banks regionally and internationally and will enhance our business relations with other banks in the area and across the world, as well as with local and international investors, be it in the fields of finance, investment or international trade.

To ensure adherence to and diligent application of the new directions being our guiding framework during the coming phase, a new organizational structure was formed and issued during the last quarter of 2007 according to which the Bank was divided into three main groups: Banking Group, Risks Group, and the Support Services Group. All of the Bank's activities and administrative functions were divided among the Groups according to the objective and nature of each function. The new organizational structure is in line with modern management practices applied by the banking sector and fulfills the requirements for managing the Bank's operations in a manner that achieves optimal levels of efficiency and effectiveness.

We have continued our efforts throughout the year to achieve our goal of making 2007 a year of excellence. At the end of the first quarter, the "Visa Infinite" card was launched. JKB was the only Jordanian bank to issue such a unique card of unprecedented benefits, and one of the few banks to issue it across the Middle East. In the second quarter, the bank introduced a new product "The certificates of deposit with prepaid interest" in Jordanian Dinar and other major foreign currencies. This was the first of its type in the Jordanian banking market. In addition, all objectives of technological developments that were initiated and implemented in 2006 were fully achieved and reflected positively on the performance of Bank's departments and branches and led to

better, faster and more accurate banking and administrative services. Later in 2007, the Bank was named by the British "The Banker" magazine as the Bank of the Year in Jordan for the second consecutive year. Thus, we confidently declare that 2007 was truly a year of excellence in service and performance.

Based on our financial results for the year, the Board of Directors had recommended to the General Assembly the distribution of JD15 million (USD21.2m) equivalent to 20% of capital as cash dividend to shareholders. The Board also recommended that the Bank's capital be raised to JD100 million (USD141m) through the capitalization of JD25 million (USD35.3m) of share premium reserve and distribution thereof as bonus shares to shareholders at the rate of one share for every three shares held. The General Assembly approved the above recommendations.

While the prevailing outlook is that 2008 will be economically challenging, past experience and our country's record and ability to deal with different circumstances and developments, give us confidence that Jordan will endure this stage quietly and stably, especially if economic reforms and the generous safety net program promised by the Government were achieved in tandem. With respect to the unpredictable regional influences, particularly those related to the situation in Palestine, Iraq and Lebanon, Jordan, under the leadership of His Majesty King Abdullah II, has demonstrated the ability to deal with challenges and neutralize resulting negative repercussions and maintain its image as an oasis of security and stability in a volatile and unstable region. For JKB, we will remain committed to our role in supporting the development of our national economy and contributing to its growth and prosperity.

Our record of achievements over the past decade gives us confidence and trust in our ability to transform the year 2008 from a year of challenges to a year of opportunities, emphasizing our determination to continue our efforts to further our gains and accomplishments and achieve added value to our shareholders and all our stakeholders.

Finally, I express my deepest gratitude and appreciation to all our esteemed clients and shareholders for their support. Particularly, I would like to thank our strategic partners, the Kuwait Projects Company (Holding) and the Social Security Corporation, for their substantial support and unlimited keenness to safeguard the interests of this cherished institution and its progress and prosperity. I also extend my gratitude and appreciation to my fellow Board members for their constructive and dedicated cooperation, which helped us realize our goals and high-level achievements. Our deep appreciation also goes to the Central Bank of Jordan for its dedicated and constant efforts towards enhancing the banking sector in Jordan and supporting its growth. I also wish to thank all JKB Group staff for their efforts, dedication and contribution towards the Bank's successes and prosperity.

**Abdel Karim Kabariti**

Chairman



Abraj al Bait Towers, Makkah, Kingdom of Saudi Arabia



Nothing is so difficult that  
it can not be accomplished  
given sufficient imagination,  
commitment and determination



Los Angeles Federal Courthouse, California, USA

# The Board of Directors' Statement on Corporate Governance

## The Bank Organization and Administration

The JKB Board adopted 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.

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 Banks Law. The Board is comprised of nine members elected for tenure of four years.

The current Board of Directors was elected on February 23, 2005

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	Rep. Strategy Co. for Investments	Chairman. Chairman, Board Credit Committee. Chairman, Corporate Governance Committee.
Mr. Faisal H. Al-Ayyar	Rep. United Gulf Bank	Vice Chairman
Mr. Moh'd A. Abu Ghazaleh	Self	Board Member. Member, Corporate Governance Committee.
Mr. Masaud M. J. Hayat	Rep. Al-Futtooh Holding Co.	Board Member. Member, Corporate Governance Committee.
Mr. Tariq M. Abdul Salam	Rep. Kuwait Projects Co. (Holding)	Board Member. Chairman, Audit & Risk Committee.
H.E. Eng. Naser A. Louzi	Self / Independent	Board Member. Member, Board Credit Committee. Member, Corporate Governance Committee.
Mr. Emad J. Kudah	Rep. Social Security Corp.	Board Member. Member, Audit & Risk Committee.
Dr. Yousef M. Goussous	Rep. United Gulf Bank	Board Member.
Mr. Farouk A. Al-Aref	Self / Independent	Board Member. Member, Board Credit Committee. Member, Audit & Risk Committee.

with H.E. Mr. Abdel Karim Kabariti as Chairman and CEO, and Mr. Faisal Hamad Al-Ayyar as Vice-chairman. During 2007, all board members, except for the Chairman, were non-executive directors and two of them were independent directors.

As of the beginning of 2008, the number of independent directors will become three and the Chairman will be a non-executive director.

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 is comprised of nine members - their names listed below - and held seven meetings during 2007 on the following dates: Jan.16, Feb.19, Apr.15, May 5, Jul.15, Oct.21 and Nov.11, 2007. All Board members have attended all meetings as well as the General Assembly meeting held on February19, 2007.



Although I created Dar Al Handasa, I was also a student of it, I did learn a lot from interacting with younger generations throughout the past 50 years.





We are part of this world  
and we can not transcend it  
or ignore it



Wadi Abdoun Bridge, Amman, Jordan

## Board Committees

### Corporate Governance Committee

Number of meetings in 2007: 2

Committee members:

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

H.E. Eng. Naser A. Louzi

Mr. Mohammad A. Abu Ghazaleh

Mr. Masaud Jawhar Hayat

Committee's Secretary: Mr. Shaher Eid Suleiman/Asst. General Manager- Internal Audit.

### Board Credit Committee

Number of meetings in 2007: 50

Committee members:

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

H.E. Eng. Naser A. Louzi

Mr. Farouk A. Al-Aref

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

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

### Audit and Risk Committee

Number of meetings in 2007: 5

Committee members:

Mr. Tariq Moh'd Abdul Salam - Chairman

Mr. Farouk A. Al-Aref

Mr. Emad Jamal Kudah

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

Mr. Shaher Eid Suleiman/Asst. General Manager- Internal Audit is called to attend the committee meetings.

### Nominations and Remuneration Committee

Committee members will be designated during the first quarter of 2008.

### Board Members' Remuneration

Every Board member receives the sum of JD5000 (USD7,052) 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 2007 amounted to USD182,588 as detailed below:

Name	Total rem. in USD
H.E. Mr. Abdel Karim A. Kabariti	52,100
Mr. Faisal H. Al-Ayyar	15,052
Mr. Moh'd A. Abu Ghazaleh	13,329
Mr. Masaud M. J. Hayat	15,898
Mr. Tariq M. Abdul Salam	17,168
H.E. Eng. Naser A. Louzi	20,099
Mr. Emad J. Kudah / Social Security Corporation	15,092
Dr. Yousef M. Goussous	12,482
Mr. Farouk A. Al-Aref	21,368
<b>Total</b>	<b>182,588</b>

## Executives' Remuneration

Total salaries, allowances and travel expenses paid to the Senior Executives at the Bank and its subsidiaries during 2007 amounted to USD2,640,300 exclusive of performance related incentives

## 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 put 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.

JKB management works constantly on monitoring and assessing the efficiency and effectiveness of internal control procedures and their ability to achieve aspired objectives and their furtherance and enhancement.

### 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 is administratively reporting directly to the Chairman of the Board, and functionally to the Audit and Risks 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. Following are the most important features of the charter:

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

- Integrity and reliability of financial and operational data.
- Efficiency of operations.
- Compatibility with the regulations, instructions and laws in force.
- Maintaining the Bank's assets and property.
- Business continuity under all circumstances.

Provide reasonable assurance regarding the level of effectiveness and efficiency of the Bank's risk management systems and corporate governance processes.

Improve and develop internal audit systems, risk management and corporate governance processes.

Improve and develop processes and products to best serve the Bank's goals.

The department's scope of work covers all of the Bank's work centers, activities and operations 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.

## Risk Management

The various risks that the Bank is exposed to are managed by an independent Risk Management Department which reports to the Deputy General Manager – Risk Management Group; and submits its periodic reports to the Board Audit and Risk Committee.

The responsibilities of the Risk Management Department include the following:

- Identify, measure, monitor and control risks and provide recommendations to mitigate the risks that face the Bank and guarantee the highest degree of coordination with all relevant Bank operations and departments.
- Provide recommendations to define the size and type of each of the acceptable main risks by the Board of Directors and ensure that current risks are in line with planned risks (Risk Appetite).
- Develop the methodologies for measuring and controlling each type of risk.
- Provide recommendations when setting the limits of the various risks that the Bank is subjected to, review them and provide recommendation to the Board Audit and Risk Committee, as well as record cases that are exceptions to risk management policies.
- Provide the Board and Senior Executive Management with enough information regarding the Bank's risk measurements and risk profile (qualitative and quantitative statistics to be presented at each Board meeting).
- Highlight risks transparently and ensure they are clear and understood internally and disclosed to the public.
- Coordinate with Bank's committees, such as the Executive Committee, the 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 Monitoring

The process of monitoring compliance is considered an independent task which aims at insuring 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 Deputy General Manager – Risk Management Group, and submits reports periodically to the Board of Directors through the Board Audit and Risk Committee.

- Employees of the Compliance Department are not assigned any executive work where there may be room for conflict of interest.

- 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 and any other relevant issues.

- The Compliance Department's scope of work includes non-compliance risk across all of the Bank's departments and branches in Jordan and outside as well as its subsidiaries.

- The responsibility of Compliance Management is summarized by assisting Executive Management and the Bank's employees manage non-compliance risks that face the Bank; especially the risks of money laundering operations. In addition, Compliance Management provides advice to Executive Management regarding the applied laws, regulations and standards as well as any amendments that may take place.

- The Bank informs the Central Bank of Jordan of any violations resulting from non-compliance, especially violations that subject the Bank to legal penalties or material financial or reputation losses. In

addition, it informs the 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

By the end of 2007, JKB endorsed 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 15,332 as of 31/12/2007. 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.jordan-kuwait-bank.com](http://www.jordan-kuwait-bank.com)) which also provides extensive information about JKB services, products, news and press releases. The Bank is committed to disclose any material information, should it occur, in accordance with the JSC instructions.

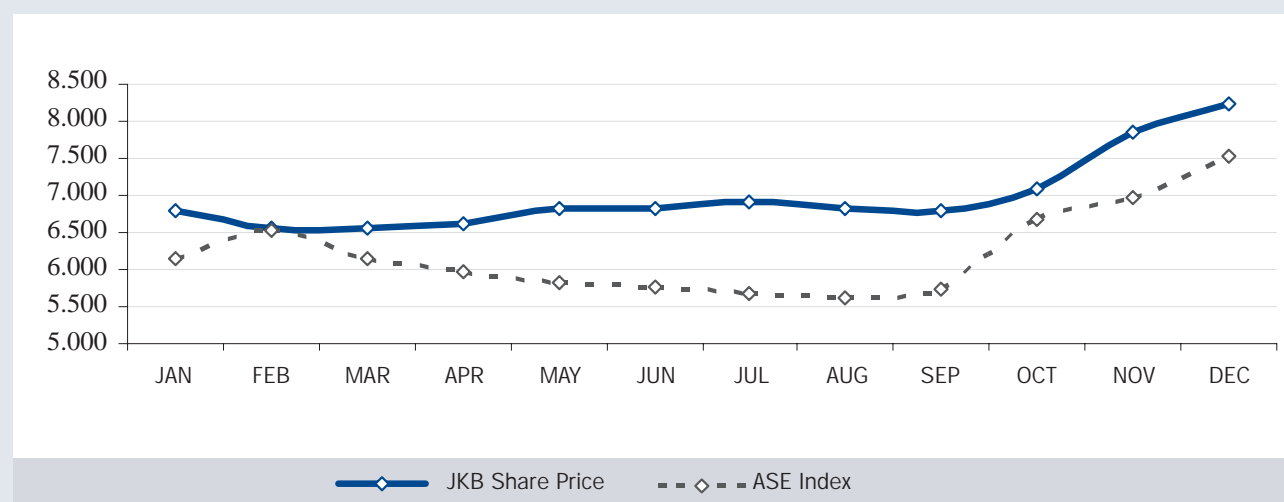
## Shares / Ownership Classification

Number of Shares Held	Shareholders		Shares	
	No.	%	No.	%
Up to 500	12,843	83.766	2,440,581	3.254
501 – 1,000	1,283	8.368	958,953	1.279
1,001 – 5,000	892	5.818	1,921,359	2.562
5,001 – 10,000	125	0.815	899,267	1.199
10,001- 100,000	159	1.037	5,087,309	6.783
100,001 - 500,000	19	0.124	4,256,266	5.675
500,001 and more	11	0.072	59,436,265	79.248
<b>Total</b>	<b>15,332</b>	<b>100</b>	<b>75,000,000</b>	<b>100</b>

### Changes in JKB Share Price on ASE During 2007 (USD)

Month	High	Low
January	10.4	9.1
February	9.8	9.2
March	9.32	9.1
April	9.5	9.03
May	9.6	9.24
June	9.8	9.4
July	9.9	9.4
August	9.9	9.5
September	9.7	9.5
October	10.6	9.34
November	11.1	9.9
December	11.8	10.6

### Changes in JKB Share Price vs ASE Index During 2007 (JD)



### Compliance Details

The JKB Corporate Governance Manual was developed during the last quarter of 2007 and endorsed by the Board of Directors. The Bank responded to most of the instructions outlined in the Corporate Governance Manual. In addition, all compliance requirements of the Jordan Securities Commission were met. During 2008 JKB will work on meeting the remaining requirements and particularly ensure the following:

- That there are three Independent Directors on the Board.
- That all Board members are non-executives.
- That no less than two independent Directors are on the Board Audit and Risk Committee.
- Designate members of the Board Nominations and Remuneration Committee.



When you have a vision, you need to have the ingredients to underpin that kind of vision



Beirut Central District (Solidaire)

## Management Discussion and Analysis

The year 2007 represents the first year of the Bank's strategic plan for (2007 - 2011). The target figures were set based on the Bank's previous results, in particular those of 2006 and 2005, and on the expected continued momentum of economic activity and permanence of the growth rates recorded during the previous period. The upper targets were set based on past period performance, while lower limits accounted for the possibility of marginal economic slowdown.

In 2007, the efforts of the executive management and staff focused on internal development to prepare the Bank transit into the new decade of its march; along with all developments that this phase bears in terms of new local and international legislative, regulatory and supervision as well as financial and accounting standards.

With the commitment to complete the aforementioned development and modernization activities, JKB management and staff continued to exert every effort to achieve the goals of improving and furthering the various activities and business sectors. It also continued to maximize the Bank's achievements and demonstrate its ability to provide a set of distinctive integrated banking and financial services and products that are handled by qualified staff possessing specialized expertise.

Efforts exerted by the various business units across all of the Bank's activities, produced excellent results demonstrated by increased business volume and improved performance and earnings ratios. Good performance continued driven by the strong performance of credit facilities, be it corporate, retail, or consumer credit, as well as the performance of the Treasury and Investment, and the Private Banking Departments.

### Performance of the Jordanian Banking Sector

Total deposits in the banking sector increased from JD14.6 billion in December 2006 to JD16 billion (USD22.6 bn) by the end in 2007, at a growth rate of 9.5%. Private sector's deposits increased from JD13.4 billion to JD14.7 billion (USD20.7bn), registering a growth of 9.4%. Term deposit constituted 62.5% of total deposits in the banking sector, while on-demand deposits and savings deposits accounted for 25% and 12.5% respectively. JKB's share of total customers' deposits in the banking sector amounted to 6.4% by the end of 2007.

Total credit facilities in the banking sector increased from JD9.77 billion as at December of 2006 to JD11.3 billion (USD15.9 bn) by the end of 2007, an increase of 15.7%. Loans and advances accounted for 81.4% of total credit facilities compared to 78.8% in 2006, while overdraft credit accounted for 14.3% compared with 16.1% for the same period. JKB's share of total credit facilities in the banking sector amounted to 8.6%.

Although the year 2008 is viewed as challenging, yet, the outlook is positive due to a number of sound and comprehensive economic initiatives that were adopted by the Government. Privatization programs, infrastructure development projects and investment climate enhancement remain among the country's priorities for achieving sustainable growth plans and economic diversification. We are confident that these initiatives will contribute to stimulating economic activity to sustain growth and to provide sufficient opportunities for the banks to increase and improve their activities.

### JKB Financial Performance

Operating results: total revenues in 2007 amounted to approximately USD136.5 million compared with USD112.4 million for the previous year, representing an increase of 21.4%. The increase is attributed

to the growth in commercial banking services, including corporate & retail credit, treasury and private banking.

**Net interest and commission:** net interest and commissions amounted to USD112.7 million, an increase of 20.8% over last year figures. The increase was the result of growth in the credit facilities, which marked a 17.55%, as well as the effective assets and liabilities management. Commissions of direct and indirect facilities, that recorded a growth of 65.3%, was also a key component of this growth.

**Other Revenues:** Sources of other revenue are the non-interest generating activities, such as fees & commissions of general & private banking services, plastic cards revenues, exchange differences as well as other income of our Subsidiaries. Revenues from the aforementioned operations totaled USD16.53 million, an increase of 12.5% over the past year.

**Operating expenses:** operating expenses, mainly staff costs, maintenance, depreciation & amortization and other administrative costs for the Bank and its subsidiaries, reached USD46.7 million. Although this represents an increase of 39.3% over 2006 figures, the growth of total revenues by 21.4% compensated the impact positively, reducing the ratio of expenses to total revenues from 18.66% in 2006 to 16.42% for this year.

**Net profits before Tax:** The net profits for 2007 reached USD89.8 million compared with USD78.9 million for the previous year, achieving a growth rate of 13.8%.

### Financial Position

As at December 31, 2007, total assets reached USD2.85 billion, marking a 22.24% growth over the USD2.33 billion as at December 31, 2006. The Bank maintains a balanced mix of assets and liabilities within the solvency and profitability matrix.

Net credit facilities increased by 17.55% and reached USD1.59 billion by the end of 2007. Retail and consumer loans increased by 11%, SME loans increased by 5.4%, while corporate loans increased by 16.4%, reaching USD1.38 billion.

During the year, emphasis was placed on adding high-quality loans. Credit facilities still constitute a substantial percent (56%) of total assets. The Bank's sound risk management practices led to a significant improvement in assets quality, which resulted in the decrease of non-performing loans from USD4.5 million on 31/12/2006 to USD3.26 million by 31/12/2007, thus reducing the ratio of non-performing loans to total assets to 0.2%, a new record on both national and international levels.

The Bank's strategy aimed at maintaining a high coverage ratio of non-performing loans continued, whereby it reached 227.3% as of 31/12/2007 compared with 121.3% for the previous year.

### Liabilities

Customers' deposits and cash margins constitute 68.3% of total liabilities. Customers' deposits include savings accounts, current accounts, fixed deposits and cash margins of individual and corporate clients. Total customers' deposits and cash margins realized an increase of 15.7% during this year, increasing from USD1.49 billion as of 31/12/2006 to USD1.73 billion by 31/12/2007. The Bank continues to attract low cost deposits in order to improve net interest margin.

## Capital

By December 31, 2007, total Bank-shareholders equity, including current year net profits of USD62.6 million, rose to USD306 million; a growth rate of 15.6% over last year figures. The capital adequacy ratio recorded 14.97% and was calculated in accordance with the Central Bank of Jordan guidelines, which are consistent with the guidelines published by Basel Committee on Banking Supervision. This ratio exceeded the minimum capital adequacy requirement established internationally at 8% and that set by the CBJ at 12%.

## Activities and Achievements of the Bank's Departments

During 2007

### Banking Group Activities and Achievements

#### Credit Department

Credit facilities registered high performance levels in 2007 whereby direct facilities (net) reached USD1.59 billion as at 31/12/2007, an increase of USD237.4 million over 2006 figures, and a growth rate of 17.55%.

#### Corporate and Commercial Credit

The credit operations during 2007 witnessed intense activity. Through the Bank's special relations with key customers, and large businessmen and investors across various economic sectors, both inside and outside the Kingdom, and stemming from the Bank's diligence to capitalize on available market opportunities and deploy them to achieve material and moral returns for the Bank, JKB arranged for extending direct and indirect facilities and loans either solely by the Bank or through banking syndications. The portfolio covered several commercial, investment and real estate sectors for local clients as well as foreign investors. A substantial portion of these credit facilities was directed towards productive economic sectors and large enterprises that constitute strong pillars of the national economy, especially the sectors of transport, mining, pharmaceuticals, education, cables, mills, oil, gas, tourism, real estate, in addition to the calculated financing of financial investments sector.

On the other hand, the Credit Department attracted capital subscription to public shareholding companies and arranged direct financing to select clients to assist them in stocks purchases. Such operations were completed satisfactorily with rewarding returns for the Bank. Due to the importance of this product, it was developed and introduced to public shareholding companies wishing to increase their capital or to put up their shares for public subscription, while offering financing options to major affluent clients to cover these purchases, thus establishing JKB as a market leader in this field.

With regard to special financing operations, the Bank continued to enter into private financing agreements with large companies in order to finance their interim needs both locally and abroad.

These operations have led to a remarkable increase in the Bank's business and improvement in its market share of banking activities and, at the same time, reflected positively on the Bank's liquidity levels as a result of the newly attracted large deposits of corporate clients.

JKB continued to implement balanced credit policies and standards in extending credits and ensuring the feasibility of financed projects, giving due consideration to all risks associated with each credit type, including competition, interest rates and exchange rates fluctuations.

## Retail and Consumer Products

### Private Banking Department

The Private Banking Department achievements continued during 2007 across all its business activities pertaining to local and international investments, real estate and special operations transactions. In the area of investment, the Department continued its efforts to establish better avenues of cooperation with the most renowned banks and international investment institutions specialized in wealth management and investment products. Their products offerings were marketed with utmost effectiveness and according to clients' investment needs and calculated risks. The department was also involved in several international IPOs for the customers' investment portfolios.

In the area of real estate transactions, several real estate deals were closed on behalf of clients (sale and purchase), supported by specialized studies of the estimated real estate values and economic and sectoral conditions. This furthered clients' confidence in the performance of the Private Banking Department and its efficiency in marketing and managing their real estate portfolios.

With regard to special operations and dealings, the department was assigned the task to manage and issue stocks and bonds on behalf of its clients. These services were done in cooperation with some local specialized companies that have strategic business relations with the department.

### Consumer Credit Department

During 2007, all of the Department's products were re-examined and assessed (including loans, consumer credit, vehicle purchase financing, housing loans and credit cards) to ensure their compatibility with local market requirements; attainment of acceptable growth rates in line with Bank's vision and strategies related to growth. Such products were also assessed in terms of delivery channels congruent with latest advancements in the banking industry; competitiveness in the local market and risk aspects. During the year, these products realized varied growth rates reaching 23% for certain products. The department conducted several studies regarding the development and introduction of new products that would achieve the objectives of the Bank and meet the needs and interests of the clients.

### Sales and Marketing Department

The Department's most significant achievements during 2007 were the signing of several cooperation agreements with other parties that cover various consumer needs such as financing consumer purchases, tourist trips, furniture and home appliances. An agreement was also signed with American Express to allow cardholders to settle their accounts through JKB branches.

The Department had a prominent role in marketing the "Visa Infinite" card to clients, whereby JKB was the only Jordanian bank to issue this type of cards. The Department also participated in designing and launching the "Visa Infinite" website and participated in several external exhibitions and events. It also set-up promotional outlets at a number of companies, malls and stores and launched sales campaigns to promote Visa revolving credit card benefiting from the CRM system.

### Treasury and Investment

Guided by the Assets and Liabilities Committee, the Treasury and Investment Department continued its duties of managing the Bank's assets and liabilities through monitoring assets quality, sources and

diversification of funds, compatibility and matching. While working towards improving the Bank's earnings, the department takes into account the risks associated with these assets and liabilities which include market, interest rates, exchange rates, credit, operations and liquidity risks.

With regard to the capital market operations, the Department managed to select the components of the investment portfolio from local and foreign currency that have good returns and acceptable risks level and can be easily liquidated through listing on local and international capital markets. This portfolio is regularly reviewed and changes in the interest rates are monitored in order to capitalize on interest rates fluctuations and achieve good returns. JKB had a key role in strengthening and furthering local capital market instruments through its active participation in offerings issued by the government as well as companies and corporations.

In order to diversify investment products extended to JKB clients, the Bank introduced the "discounted certificates of deposits" product for the first time in Jordan. The advantage of this product is that it offers an interest discount in advance. These CD's are issued in Jordanian dinar, US dollar, and in Euro with terms ranging between 6 months to 5 years, bearing competitive interest rate with the option of extending credit against the certificate.

In addition, the Department provided the clients with the facility to trade in market derivatives in order to achieve adequate returns and hedge against fluctuations in financial markets, interest rates, exchange rates and prices of commodities and services. During 2007, the Department provided advisory services, financial consultations and feasibility studies in the area of initial public offering (IPO). The Bank acted as the IPO manager on behalf of several companies.

### Support Services Group Activities and Achievements

Providing reliable, high-quality service is the key objective of any service institution. JKB adopted this principle in order to realize its mission of being the honest partner and the prudent advisor of its clients. In this context, the Support Services Group provides the various Bank's departments, branches and units with all required tools, systems, logistics and administrative support to ensure proper delivery of banking services and products to the clients in a standard that guarantees their full satisfaction and maintains their loyalty.

#### Information Technology

The year 2007 started with the successful deployment of the updated Core Banking System, utilizing the latest technological advances, be it hardware, operating systems or networks. Extending this success further, the Information Technology Department continued to upgrade and enhance other hardware, network and servers to increase the deployment of the same modern technologies, and relying on Oracle & Unix / Solaris, used successfully in building the Core Banking System. As such, these technology selections have become the preferred platform in installing new systems at the Bank. This has resulted in significant cost savings while achieving outstanding performance, especially with respect to customer service and timely transaction processing.

Further, the Department continued to support the modernization of branches as well as setting-up new ones. This continued to be achieved through the deployment of latest hardware and network technologies. The Department supported the ever expanding banking operations by installing ATM's and smart deposit machines and currency converters. In addition, the bank has converted all types of issued cards to EMV cards, so as to provide clients with the increased

security while expanding the spread and use of these cards. As a matter of fact, the Bank was the first to issue all cards, for all Jordan and Palestine branches, in-house as EMV rather than resorting to an external entity.

In line with the Bank's policy and to ensure business continuity and reduce operational risks, the department continued to update antivirus programs and to assure readiness of the Disaster Recovery Site. The year also witnessed the initiation of the COBIT project for achieving management of information technology according to the highest international standards covering both quality (ISO9001/2000) and security (ISO17799/2005).

As for applications, the Bank started reaping benefits of its customer relationship management (CRM) system through which better customer communication and service is being achieved. Several marketing campaigns were successfully conducted through CRM. A new and centralized signature capture and management system was launched in 2007, improving significantly over the previous system. And, in its usual pursuit of excellence, JKB was the first to adopt and officially launch e-payment gateway solution. The bank was also a successful participant in the launch of the Electronic Check Clearing system, under the auspices of and in coordination with the Central Bank of Jordan.

### Branches Management

The management paid much attention to JKB branches as part of its strategy to maintain premier service level and further its relationship with customers. During 2007 the JKB branches succeeded in attracting more customers' deposits, achieving a growth of 24%, thus exceeding the set targets for the year. At the same time, several stock subscriptions, profits and refund payments were carried out efficiently on behalf of several large corporations. Also, 2007 witnessed JKB branches' extensive involvement in the implementation of the electronic clearing system and the marketing of certificates of deposits issued by the Treasury Department.

The establishment of new branches, the relocation of some to better locations as well as the renovation of interior and exterior appearance of others continued during 2007. Four new branches were opened in Amman in the areas of Wadi Saqra, Al-Rabia, Dabouq and City Mall. In the North, the Irbid branch was moved to its new location in the central commercial district and the Office located in Al-Husson Street was upgraded to a branch and moved to a better location. In addition, the Nablus branch was moved to a new location in a commercially active and populated area.

In response to the steady increase in the use of ATMs, and being among the most important means of communication with customers, six new ATM machines were installed across various locations, bringing the total number of ATM machines to 58, including those installed at Ramallah and Nablus branches in Palestine.

### Centralized Operations

The Centralized Operations Departments continued to review and assess service delivery channels for their furtherance and enhancement.

During the last quarter 2007, ATM services were upgraded to handle transactions in USD alongside the Jordanian Dinar for clients in Jordan and Palestine.

The Credit Cards Department continued its efforts to maintain the Bank's competitive edge and strong market presence in terms of



None of us lives forever, the future belongs to the young and they must find their ways to shape it



Four Seasons Damascus Hotel, Syria

credit card usage and issuance. In 2007 the Bank scored a remarkable achievement by issuing the "Visa Infinite" card which offers cardholders several unique benefits, thus being the first bank in Jordan to issue such a prestigious card type.

Furthermore, and as part of the Central Bank of Jordan project, JKB adopted and successfully implemented the electronic clearing system. In order to increase the efficiency in cheques' clearing, a new system for signature capturing and retrieving was installed and linked to the e-clearing system and the branches system in a fully automated and centralized manner.

### **Financial Department**

The Financial Department monitored the developments relevant to international accounting standards, the latest of which was the IFRS7 standard which reflects greater disclosure of financial figures and statements. IFRS7 was applied to the 2007 financial statements.

The Department continued its efforts to reduce accounts paperwork and rely almost entirely on automated systems to achieve greater work efficiency and accuracy.

A number of the department's staff members contributed to the application of new programs and systems through their membership in relevant implementation and testing committees.

### **Risk Management Group Activities and Achievements**

#### **Risk Management Department**

To realize the Bank's 2007-2011 strategy, JKB efforts continued to support the presence of an independent Risks Management Department and the provision of a distinctive infrastructure that supports risks management in a manner that achieves the Bank's strategic goals and ensures its harmony with best international practices for risk management and compatibility with Basel II requirements and those of the CBJ. With regard to operational risks, governing policies were drafted and adopted by the Board of Directors. In addition, the control environment was enhanced through implementing a Control and Risk Self-Assessment System across all the Bank's business centers. The Department started Operational Events Collection to include operating losses and near misses, which not only contributes towards achieving compatibility with BASEL II, but also creates a robust control environment and increases risk culture awareness among employees.

The Department contributed in carrying review functions of the new products and work procedures that were developed during the year which highlight the pertinent inherent risks and the adequacy of existing controls or their need for enhancement.

In the area of market risk, and in implementation of the investment policy which the Department effectively contributed to its development, along with all of the Bank's risks policies, the Department is in the process of implementing the automated market risk monitoring systems (Q-risk) project, in coordination with SunGard Co. It is expected that full implementation will take place by the end of April 2008. This will help improve the effective management of market risks facing the Bank, as specified in the market risks policy, and will improve handling of the middle office tasks and monitoring of the Department's automatically generated reports.

In the area of credit risk, the Department studied and analyzed the credit portfolio from several aspects to identify and measure any kind of risk, including risks related to concentrations and to make sure they are within the limits set by the Bank and regulatory authorities.

The Department also studied the credit risk system applied currently at the Bank and identified key points to be adjusted to achieve compatibility with BASEL II requirements, and a new system was proposed. Also, a committee, comprised of relevant departments, was formed to review several offers for the supply of an advanced Risk Rating System. Implementation of such system is expected to take place during the first half of 2008.

To ensure continuity of the Bank's business and activities and its ability to respond to any emergency it may face, and to move from merely having a business continuity plan in place to a broader concept of business continuity management, and to fulfill the CBJ instructions in this regard as well as the BASEL requirements and international best practices issued by the Business Continuity Institute (BCI), the Department, along with the consulting firm in charge of the project, participated in developing a business continuity management plan and augmenting it with an automated system that ensures its efficient and effective implementation. The Department will complete the project requirements and oversee the preparation of periodic tests.

Within the framework of implementing Basel II guidelines and the instructions issued by the CBJ in this regard, the Department, in cooperation with the Internal Audit Department, prepared the implementation plan for BASEL II standards. Several items of the plan have a short-term focus, such as amending a number of relevant procedures and policies including the credit policy, while others are more long-term which require compatibility with advanced approaches of Basel II by end of the year 2012.

The Department designed forms and tables, as per Basel II standardized approaches requirements, and is currently working on automating them such that they are generated by the management information system (MIS).

To promote the risk awareness among all JKB staff, the Department held several in-house training programs and workshops that were delivered by the Department staff and other specialized external trainers.

#### **Compliance Department**

The Compliance Department activities focus on safeguarding the Bank against non-compliance risks which involve legal or regulatory sanctions, material loss or reputation damage that the bank may be exposed to as a result of non-compliance with the laws and regulations, codes of conduct and banking and professional practices.

The Compliance Department submits reports periodically to the Board Audit and Risk Committee covering the level of compliance with the endorsed Compliance Policy, the results of the tests carried out by the Department as well as any violation incidences of the laws, policies and the Code of Conduct.

With regard to anti-money laundering measures carried out by the Bank, IDOM Inc. was contracted to supply the AML System for monitoring money laundering operations. This system will enable the Bank increase the effectiveness of its procedures to combat money laundering and terrorism financing as well as implement policies that were endorsed by the Board of Directors in this regard. In addition, measures were taken to identify the identity of customers and their legal status within the concept of Know Your Customer (KYC). This policy is derived from the Anti-Money Laundering Law No. (46) of 2007 issued on 17/6/2007 and CBJ instructions and are in line with Basel II Committee requirements and the recommendations of the Financial Action Task Force (FATF).

The Customers Acceptance Policy precludes opening bank accounts using fictitious names or dealing with virtual banks that have no physical presence or a business designated address, known as Shell Banks. The policy also obliges to notify the CBJ's Anti-Money Laundering Unit of suspicious operations.



During 2007 the Bank continued to provide staff with training on anti-money laundering and keeping them abreast with key developments in this field.

### Internal Audit Activities and Achievements

Stemming from the Internal Audit Department's pursuit of realizing its goals of reaching an optimal level of efficiency in internal audits, risks management and corporate governance so as to assist the Bank's management identify the risks faced by the Bank and to meet its strategic objectives, the annual audit plan was implemented as follows:

- Assessment visits to all JKB work centers (departments and branches) using the Risk Assessment and Rating Model. Reports were submitted to the Board Audit and Risk Committee with site visits results and recommendations for necessary corrective measures.
- Revision of a number of programs and applications used by the Bank's various work centers, based on the importance of these programs and applications.
- Revision of internal audit and control systems in accordance with the guidelines and instructions issued by the CBJ and international standards, and taking necessary action to safeguard the integrity and strength of the Bank's standing.
- Assessment visits to subsidiary companies using a risks assessment form specific to the business line of each company.

As part of the consultancy role assigned to the Internal Audit Department, monthly and annual financial studies and analysis were prepared highlighting the Bank's financial standing and key performance indicators (KPI's) against competitors in the banking sector. Within its consulting and monitoring task, the Department also participated in ad-hoc and permanent committees and contributed to studies, improvement and inspection of projects and programs.

The Department continued to review many aspects of the Bank's operations and provided management with periodic reports and statistics covering the most important activities, which were reviewed and audited. It also studied the proposed amendments to policies, procedures manuals and forms to ensure their inclusion of necessary controls and compliance with relevant regulations and legislations.

During the fourth quarter of 2007, the Bank contracted a specialized company to support in implementing the COBIT framework for the assessment of IT controls, given that it is the most novel framework compared to others.

As part of the Department's plan to enhance its work through automating the various functions of the Department, and in coordination with KIPCO, an international company was contracted to supply an integrated and comprehensive auto audit system. Said system includes programs for assessing audit related risks, the audit work plan, audit programs, worksheets, forms, notes and reports, in addition to electronically documenting all these transactions and facilitating their follow-up and access.

### Other Activities and Achievements

#### Human Resources

The main objective of human resources management and training at JKB is to provide highly capable and qualified staff to offer the Bank's services and manage its activities. The Bank's management saves no

effort to upgrade the performance level of its staff and to create a working environment that contributes towards encouraging, developing and rewarding high performers and establishing JKB as the institution of continuous training and development.

Top management places high emphasis on training activities and considers training and development among the key duties of the Bank. Training and development is regarded as a national investment in the human capital, which is a main pillar of the Jordanian economy. JKB positively deals with employees' aspirations for advancement and higher income levels through moving to jobs outside the country, and places no regard to training and development expenses incurred by the Bank as long as it ultimately benefits the enhancement and furtherance of local skills and the support of the national economy.

During 2007, the Bank provided 158 training courses held at the Bank's Training Center and at several specialized training institutes both locally and abroad attended by 2875 employees. The Bank also provided several opportunities to staff wishing to pursue advanced studies and attain academic/professional degrees, such as Masters and higher diplomas among others.

### Legal Department

The Legal Department continued to perform its main role of protecting the rights of the Bank and its shareholders. Thanks to the intensive efforts and stringent follow-up procedures, the Department successfully collected around JD783,000 of bad debts and around JD660,000 of outstanding credit, on which legal action was initiated. The Department prepared a follow-up system through which it could follow-up on clients' repayments of bad debt as well as the status of clients against whom legal actions were taken and settlements were reached.

The Department collaborated in holding training courses for judges organized by the Judicial Institute of Jordan in Amman and Aqaba. It also conducted legal training for the Bank's staff.

In response to the guidelines outlined in the Corporate Governance Manual, the Department drafted the Code of Conduct for the Bank employees which was endorsed by the Board of Directors and distributed among all JKB staff.

### Public Relations Department

During 2007 the Public Relations Department continued to carryout its duties of furthering the distinguished image of the Bank and establishing effective channels of communications with the public. It managed to successfully relay a positive image of the Bank's activities, services and products through various media channels on both the local and international levels.

The Department supervised the issuance of printed materials and publications for most of the Bank's departments related to products and services, the Bank's annual report, and "Our News" internal newsletter. It also carried out preparations for launching media campaigns both locally and abroad; arranging for participation in tradeshows and conferences; and supervising the provision and distribution of annual promotional items. The Department also supervised and actively participated in the publishing of the tourism promotional book "Welcome to Jordan, Your Gate to the Middle East" which was issued by the Bank around the end of 2007.

## Corporate Social Responsibility

The year 2007 witnessed a significant development in the Bank's role in serving the community and instilling corporate social responsibility principles. Throughout the year, contributions were extended to several initiatives and projects that benefit various social segments.

JKB initiatives in this regard covered NGO's such as the Jordan River Foundation, INJAZ and the Jordan Football Federation. In addition, JKB supported the activities and conferences of a number of public and private universities and schools. It also provided financial support to the Al-Aman Fund for the Future of Orphans as well as some charitable organizations.

As part of its role in supporting the development of the national economy and contributing to its growth and prosperity and considering tourism as one of the main pillars of the economy, JKB issued and widely distributed a tourism promotional book, written in English entitled "Welcome to Jordan, Your Gate to the Middle East." The book, which was elegantly and distinctively designed and printed, contains information and photographs of most of the touristic sites and antiquities in Jordan in addition to an overview of the social and cultural developments currently taking place in Jordan.



Al-Ahliyyah School for Girls, Amman, Jordan



An enduring vision is our greatest strength; it engineers the future and lends shape to the unknown





We have created a system for sustainability through successive generations of ownership. We have owners/directors in their 50s, and in their 40s and in their 30s.





## EXECUTIVE MANAGEMENT

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

General Manager

#### Mr. Majed F. Burjak

Deputy General Manager, Support Services Group

#### Mr. Tawfiq A/O Mukahal

Deputy General Manager, Banking Group

#### Mr. Shaheer E. Suleiman

Asst. General Manager, Internal Audit Dept.

#### Mr. William J. Dababneh

Asst. General Manager, Treasury & Investment Dept.

#### Dr. Nasser M. Khraishi

Asst. General Manager, IT Dept.

#### Mrs. Hiyam S. Habash

Asst. General Manager, Financial Dept.

#### Mr. Abdel Hameed M. Al-Ahwal

Asst. General Manager, Operations Dept.

#### Mr. Ismail A. Abu-Adi

Asst. General Manager, Credit Dept.

#### Mr. Jamal M. Baker Hasan

Asst. General Manager, Branches Dept.

#### Mr. Haethum S. Buttikhi

Asst. General Manager, Retail & Consumer Products Dept.

#### Mr. Suhail M. Turki

Executive Manager, Public Relations Dept.

#### Mr. Milad Y. Faraj

Executive Manager, Commercial Services Dept.

#### Mr. Ibrahim E. Kashet

Executive Manager, Legal Dept.

## 2008 Business Plan

**Consistent with the approved strategic plan for the years 2007 - 2011, and the 2007 results and achievements, the 2008 business plan will focus on the following:**

1. Maintain, at a minimum, the achievements and growth levels of 2007 taking into account the economic developments taking place in Jordan during 2008 as a result of increased energy prices and inflation rates.
2. Increase the various types of customers' deposits to maintain appropriate liquidity ratios, and credit activity momentum.
3. Increase credit facilities, particularly retail and consumer loans, through expanding the client base and improving credit products terms and benefits.
4. Develop indirect facilities services and commercial services and work towards attracting more customers of industrial and commercial activity in order to increase the Bank's income from commissions.
5. Enhance the activity of the Private Banking Department in managing clients' investments and real estate portfolios and organizing real estate sale and purchase deals and offering advice in the areas of local and foreign investment.
6. Enhance the Internet banking and other e-services such that they are compatible with the updated technology environment and increase their use by the various client segments.
7. Continue implementation of the human resources training and development plan through various in-house programs and increasing employees participation in specialized training programs locally and abroad and to utilize, to the greatest extent possible, computer based training programs offered to employees by the Bank.
8. Implement the branching plan for 2008 which includes the establishment of branches in new areas within Jordan and setting-up a branch in the city of Hebron in Palestine.

## MAJOR FINANCIAL INDICATORS AND RATIOS 2007 & 2006

Amounts in thousands US\$

	2007	2006	change
<b>Major Operating Results</b>			
Net interest and commission	<b>112,670</b>	93,251	20.8%
Income before taxes	<b>89,800</b>	78,906	13.8%
Income for the year-Bank Shareholders	<b>62,594</b>	55,197	13.4%
Gross income	<b>136,494</b>	112,416	21.4%
Earnings per share-Bank Shareholders	<b>0.835</b>	0.74	13.4%
<b>Major Balance Sheet Items</b>			
Total assets	<b>2,844,468</b>	2,326,886	22.2%
Direct Credit facilities - net	<b>1,590,243</b>	1,352,856	17.5%
Customers deposits and cash margins	<b>1,726,975</b>	1,492,260	15.7%
Total equity-Bank shareholders	<b>305,990</b>	264,691	15.6%
<b>Major Financial Ratios</b>			
Operating assets / Total assets	<b>90.60%</b>	90.50%	
Return on average assets	<b>3.47%</b>	3.66%	
Return on average Owners' equity	<b>30.20%</b>	36.77%	
Capital adequacy ratio	<b>14.97%</b>	15.61%	
Financial leverage ratio	<b>11.19%</b>	11.87%	
<b>Efficiency Indicators</b>			
Gen. & Admin. expenses / Average assets	<b>1.47%</b>	1.53%	
Gen. & Admin. expenses / Average earnings	<b>16.42%</b>	18.66%	
Non - performing loans / Gross credit facilities	<b>0.2%</b>	0.3%	
Non - performing loans Coverage	<b>227.3%</b>	121.3%	
<b>Off - Balance sheet items</b>	<b>520,378</b>	486,144	7%

## INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Shareholders  
Jordan Kuwait Bank  
Amman – Jordan

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Jordan Kuwait Bank (a Public Shareholding Company), which comprise of the consolidated balance sheets as of December 31, 2007, and the consolidated statements of income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.



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 financial position of Jordan Kuwait Bank as of December 31, 2007, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards. We recommend that the General Assembly of Shareholders approve these financial statements.

### **Report on Other Legal and Regulatory Requirements**

The Bank maintains proper accounting records and the accompanying consolidated financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report.

The accompanying consolidated financial statements are a translation of the statutory financial statements which are in the Arabic language to which reference should be made.

Amman – Jordan  
January 9, 2008

  
Deloitte & Touche (M.E.) – Jordan

## CONSOLIDATED BALANCE SHEETS

AS IN DECEMBER 31, 2007 AND 2006

IN US DOLLARS

	Note	2007	2006
<b>ASSETS</b>			
Cash and balances at central banks	4	359,409,611	253,367,433
Balances at banks and financial institutions	5	447,790,262	278,829,932
Deposits at banks and financial institutions	6	4,159,128	4,380,179
Trading financial assets	7	2,639,286	2,234,175
Direct credit facilities - net	8	1,590,242,272	1,352,855,739
Available-for-sale financial assets	9	281,002,066	263,126,842
Held-to-maturity investments - net	10	58,753,966	69,284,585
Fixed assets - net	11	18,583,293	16,805,659
Intangible assets	12	2,541,764	2,506,283
Deferred tax assets	20	2,268,261	1,809,520
Other assets	13	77,077,798	81,685,007
<b>TOTAL ASSETS</b>		<b>2,844,467,707</b>	<b>2,326,885,354</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>LIABILITIES</b>			
Banks and financial institutions deposits	14	376,243,193	144,529,846
Customers deposits	15	1,541,547,275	1,243,935,893
Share capital payments on account for companies under establishment	16	44,828,508	83,976,664
Cash margins	17	185,427,873	248,324,189
Borrowed funds	18	21,303,457	58,496,094
Provisions	19	18,167,931	15,679,123
Provision for income tax	20	25,860,828	23,044,822
Deferred tax liabilities	20	562,202	663,358
Other liabilities	21	312,101,239	231,999,882
<b>TOTAL LIABILITIES</b>		<b>2,526,042,506</b>	<b>2,050,649,871</b>
<b>OWNERS' EQUITY</b>			
<b>EQUITY - BANK SHAREHOLDERS:</b>			
Paid-up capital*	22	105,782,793	105,782,793
Share premium reserve	22	42,313,117	42,313,117
Statutory reserve	23	38,427,092	29,590,664
Voluntary reserve	23	60,568,560	42,895,705
General banking risks reserve	23	14,062,362	12,522,423
Cumulative change in fair value - net	24	1,604,291	1,852,694
Retained earnings	25	43,231,447	29,733,186
<b>TOTAL EQUITY - BANK SHAREHOLDERS</b>		<b>305,989,662</b>	<b>264,690,582</b>
Minority interest		12,435,539	11,544,901
<b>TOTAL OWNERS' EQUITY</b>		<b>318,425,201</b>	<b>276,235,483</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2,844,467,707</b>	<b>2,326,885,354</b>

\* On March 5, 2008, the General Assembly of Shareholders approved raising the Bank's capital to USD141 million.

THE ACCOMPANYING NOTES FROM 1 TO 49 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

IN US DOLLARS

	Note	2007	2006
Interest income	27	187,245,182	144,759,011
Interest expense	28	95,360,165	64,083,962
Net Interest Income		91,885,017	80,675,049
Commission income-net	29	20,785,615	12,576,260
Net Interest and Commission		112,670,632	93,251,309
Foreign exchange income	30	5,483,042	4,247,561
(Loss) from trading financial assets	31	(98,154)	(497,693)
Income from available-for-sale financial assets	32	1,913,406	725,150
Other income	33	16,525,045	14,689,061
Gross Income		136,493,971	112,415,388
Expenses:			
Employees expenses	34	23,810,777	20,418,913
Depreciation and amortization	11 & 12	5,064,822	4,596,931
Other expenses	35	14,265,087	12,507,499
Provision (surplus) for impairment in credit facilities	8	2,114,398	(5,165,694)
Other provisions	19	1,438,618	1,152,688
Total Expenses		46,693,702	33,510,337
Income before Taxes		89,800,269	78,905,051
Income tax expense		(25,771,127)	(22,300,238)
<b>Income for the Year</b>		<b>64,029,142</b>	<b>56,604,813</b>
Pertains to:			
Bank Shareholders		62,593,155	55,197,293
Minority Interest		1,435,987	1,407,520
Earnings per Share (Bank's Shareholders)	36		
Basic		0/835	0/736
Diluted		0/835	0/736

THE ACCOMPANYING NOTES FROM 1 TO 49 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

## CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

IN US DOLLARS

	Bank Shareholders' Equity									Minority Interest	Total Owners' Equity
	Capital	Share Premium Reserve	Reserves			Cumulative Change in Fair Value	Retained Earnings	Total			
			Statutory Reserve	Voluntary Reserve	General Banking Risks Reserve						
<b>Year 2007</b>											
Balance - beginning of the year	105,782,793	42,313,117	29,590,664	42,895,705	12,522,423	1,852,694	29,733,186	264,690,583	11,544,901	276,235,484	
Implementation effect of new and amended international standards*	-	-	-	-	-	-	110,886	110,886	57,898	168,784	
Amended balance- beginning of the year	105,782,793	42,313,117	29,590,664	42,895,705	12,522,423	1,852,694	29,844,072	264,801,469	11,602,799	276,404,268	
Net change in fair value - net of tax	-	-	-	-	-	(248,403)	-	(248,403)	271,377	22,973	
Change in minority - net	-	-	-	-	-	-	-	-	118,996	118,996	
Total income and expenses taken directly to owners' equity	-	-	-	-	-	(248,403)	-	(248,403)	390,373	141,969	
Income for the year	-	-	-	-	-	-	62,593,155	62,593,155	1,435,987	64,029,142	
Total income and expenses for the year	-	-	-	-	-	(248,403)	62,593,155	62,344,752	1,826,360	64,171,112	
Dividends	-	-	-	-	-	-	(21,156,559)	(21,156,559)	(993,621)	(22,150,180)	
Transferred to reserves	-	-	8,836,428	17,672,855	1,539,939	-	(28,049,221)	-	-	-	
<b>Balance - End of the Year</b>	<b>105,782,793</b>	<b>42,313,117</b>	<b>38,427,092</b>	<b>60,568,560</b>	<b>14,062,362</b>	<b>1,604,291</b>	<b>43,231,447</b>	<b>305,989,662</b>	<b>12,435,539</b>	<b>318,425,201</b>	
<b>Year 2006</b>											
Balance - beginning of the year	56,417,490	-	21,840,911	36,459,779	8,734,038	928,708	20,718,704	145,099,629	7,802,608	152,902,237	
Net change in fair value - net of tax	-	-	-	-	-	923,986	-	923,986	(44,085)	879,901	
Total income and expenses taken directly to owners' equity	-	-	-	-	-	923,986	-	923,986	(44,085)	879,901	
Income for the year	-	-	-	-	-	-	55,197,292	55,197,292	1,407,520	56,604,812	
Total income and expenses for the year	-	-	-	-	-	923,986	55,197,292	40,058,866	1,363,436	41,422,302	
Increase in capital and share premium reserve	49,365,303	42,313,117	-	(9,063,580)	-	-	(19,145,165)	63,469,676	2,378,858	65,848,534	
Transferred to reserves	-	-	7,749,753	15,499,506	3,788,385	-	(27,037,645)	-	-	-	
<b>Balance - End of the Year</b>	<b>105,782,793</b>	<b>42,313,117</b>	<b>29,590,664</b>	<b>42,895,705</b>	<b>12,522,423</b>	<b>1,852,694</b>	<b>29,733,186</b>	<b>264,690,582</b>	<b>11,544,901</b>	<b>276,235,483</b>	

- Included in retained earnings an amount of USD 2,268,261 as of December 31, 2007 restricted by the Central Bank of Jordan against deferred tax assets (USD 1,809,520 as of December 31, 2006) .

- Use of the general banking risks reserve is restricted and requires the prior approval of the Central Bank of Jordan.

\* This account represents the effect of implementing IAS (12) for the first time on the financial statements of the subsidiary (Arab Orient Insurance Company) during the year 2007.

THE ACCOMPANYING NOTES FROM 1 TO 49 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

IN US DOLLARS

	Note	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income before tax		89,800,269	78,905,051
Adjustments:			
Depreciation and amortization		5,064,822	4,596,931
Provision (surplus) for impairment in credit facilities		2,114,398	(5,165,694)
Provision for employees end-of-service indemnity		1,353,992	1,032,801
Provision for lawsuits against the Bank		84,626	119,887
(Profit) on sale of assets seized by the Bank		(59,481)	(420,086)
(Gain) on sale of fixed assets		(8,464)	(4,295)
Loss on unrealized trading financial assets		78,685	75,925
Effect of exchange rate fluctuations on cash and cash equivalents		(4,417,392)	(2,481,367)
Subsidiary companies technical reserves		1,432,798	1,340,645
Total		95,444,254	77,999,798
<b>Changes in Assets and Liabilities:</b>			
(Increase) decrease in cash and balances at banks due after 3 months		(65,303,244)	3,894,173
Decrease in deposits at banks and financial institutions		221,051	7,561,014
(Increase) in direct credit facilities		(239,500,931)	(375,933,535)
(Increase) decrease in trading financial assets		(483,797)	1,577,860
Decrease (increase) in other assets		4,666,690	(23,984,882)
Increase (decrease) in banks and financial institutions deposits due after three months		5,421,636	(10,397,743)
Increase in customers deposits		297,611,382	125,250,632
(Decrease) in share capital payments on account for companies under establishment		(39,148,157)	(139,357,034)
(Decrease) increase in cash margins		(62,896,316)	71,302,216
Increase in other liabilities		79,894,535	130,099,461
Net Cash from (used in) Operating Activities before Tax, Staff Indemnities Paid, and Payments for Lawsuits		75,927,103	(131,988,038)
Staff indemnities paid		(349,611)	(323,901)
Provision for legal cases paid		(32,997)	(77,953)
Income tax paid		(23,245,078)	(15,720,893)
Net Cash from (used in) Operating Activities		52,299,417	(148,110,786)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Decrease (increase) in held-to-maturity investments		10,530,619	(8,774,583)
(Increase) in available-for-sale investments		(18,224,784)	(138,070,581)
(Increase) in fixed assets		(5,146,597)	(4,127,200)
(Increase) in intangible assets		(1,722,877)	(1,641,893)
Net Cash (used in) Investing Activities		(14,563,639)	(152,614,257)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase in capital and premium		-	63,469,676
(Decrease) increase in minority interest		(603,248)	2,334,773
(Decrease) increase in borrowed funds		(37,192,638)	36,042,100
Dividends paid		(20,949,732)	-
Net Cash (used in) from Financing Activities		(58,745,618)	101,846,549
Effect of exchange rate fluctuations on cash and cash equivalents		4,417,392	2,481,367
Net (Decrease) in Cash and Cash Equivalents		(16,592,447)	(196,397,127)
Cash and cash equivalents - beginning of the year		372,908,660	569,305,787
Cash and Cash Equivalents - End of the Year	37	356,316,213	372,908,660

THE ACCOMPANYING NOTES FROM 1 TO 49 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1- General

- Jordan Kuwait Bank was established as a Jordanian public shareholding company in accordance with the Companies Law no. (13) for the year 1964. The Bank's main branch address is Omayya Bin Abdshams Street, Abdali, P.O. Box 9776, Amman – 11191 Jordan.
- The Bank is engaged in banking and related financial operations through its branches totaling 48 in the Hashemite Kingdom of Jordan, three overseas ones and subsidiary companies.
- 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 their meeting No. (1/2008) held on January 9, 2008. The General Assembly of Shareholders convened on March 5, 2008 and approved the 2007 financials.

### 2- Significant Accounting Policies

#### Basis of Preparation

- The accompanying consolidated financial statements of the Bank and its subsidiary companies are prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), the interpretations issued by the Committee of the IASB, the prevailing rules of the countries where the Bank operates, and the instructions of the Central Bank of Jordan.
- The financial statements are prepared under the historical cost convention except for financial assets\ liabilities held for trading, financial assets available for sale, and financial derivatives stated at fair value on the date of the financial statements. Hedged assets and liabilities are also stated at fair value.
- The reporting currency of the financial statements is the Jordanian Dinar, which is the functional currency of the Bank.
- The accounting policies for the current year are consistent with those used in the previous year. The details are as follows:

#### Basis of Consolidation

- The consolidated financial statements include the financial statements of the Bank and companies controlled by it. Control exists when the Bank has the ability to control the financial and operating policies of the subsidiary companies in order to achieve financial benefits out of their operations. All inter-company transactions between the Bank and its subsidiaries are excluded.

The Bank owns the following subsidiaries as of December, 31 2007:

Company's Name	Paid-up Capital USD	Ownership %	Nature of Operation	Location	Date of Acquisition
Arab Orient Insurance Co.	14,104,372	65.69%	Insurance	Amman	2001
United Financial Investments Co.	7,052,186	50.46%	Financial brokerage	Amman	2002

And the following subsidiaries for the year 2006:

Company's Name	Paid-up Capital USD	Ownership %	Nature of Operation	Location	Date of Acquisition
Arab Orient Insurance Co.	14,104,372	65.69%	Insurance	Amman	2001
United Financial Investments Co.	7,052,186	50.69%	Financial brokerage	Amman	2002

- The financial statements of the subsidiaries relating to the same financial year of the Bank are prepared using the same accounting policies adopted by the Bank. In case the accounting policies applied by the subsidiaries are different from those adopted by the Bank, then the necessary adjustments to the financial statements of the subsidiaries are effected in order to match those applied by the Bank. Furthermore, the subsidiary "Arab Orient Insurance Company" applies the international standards, effective as of December 31, 2004, when preparing its financial statements, whereas it will apply the new insurance reporting models during the year 2008. In addition, the effect of implementing the new and amended IASs on the subsidiary's financial statements for the year 2007 is immaterial.

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

- Minority interest represents the portion of the subsidiaries' equity not owned by the Bank.

#### Segment 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.

- 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 Held for Trading

- Financial assets held for trading represent subsidiary 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 a trading profit margin.
- Financial assets held for trading are initially recognized at fair value when purchased (acquisition expenses are booked in the statement of income when purchased). They are subsequently re-measured to fair value, and the resulting change is included in the income statement 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 statement of income.
- Distributed income or realized interest is recorded in the statement of income.

### 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 can not 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 amount can be estimated. The provision is taken to the statement of income.
- Interest and commission on non-performing credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan.
- Impaired credit facilities, for which specific provisions have been taken, are written off by charging the provision after all efforts have been made to recover the assets. Any surplus in the provisions is taken to the statement of income, while debt recoveries are taken to income.

### Available-for-Sale Financial Assets

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 recorded at fair value including acquisition costs. They are subsequently re-measured to fair value as of the date of the financial statements. Moreover, changes in fair value are recorded in a separate account within owners' equity. When these assets are fully or partially sold, disposed of, or determined to be impaired, the income or losses are recorded in the income statement, including the related amounts previously recorded within owners' equity. The loss resulting from the impaired value of the debt instruments is reversed when it is objectively evident that the increase in their fair value occurred after the losses had been recognized and recorded in the statement of income. Impairment losses resulting from the decline in the value of equity securities is reversed through the cumulative change in fair value.
- Income and losses resulting from the foreign exchange of interest-bearing debt instruments are included in the statement of income. The differences in the foreign currency of equity instruments are included in the cumulative change in fair value within shareholders' equity.
- Interest from available-for-sale financial instruments is recorded in the statement of income using the effective interest method. Impairment in assets is recorded in the statement of income when incurred.
- Financial instruments for which fair value can not be reliably determined are shown at cost. The impairment is recorded in the statement of income.

### Held-to-Maturity Investments

Financial assets with fixed or determinable payments and fixed maturity dates the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

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

### Fair Value

Fair value represents the closing market price of financial assets and derivatives on the date of the 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.
- Adoption of the option pricing models.

The valuation methods aim at providing a fair value reflecting the expectations of the market, expected risks and expected benefits.

Financial assets, the fair value of which can not be reliably measured, are stated at cost less any impairment.

### Impairment in the Value of Financial Assets

The Bank reviews the values of financial assets on the date of the balance sheet 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.

The impairment is determined as follows:

- The 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.
- The impairment in the financial assets available for sale recorded at fair value represents the difference between the book value and fair value.
- The impairment in the financial assets recorded at cost is determined on the basis of the present value of the expected cash flows discounted at the market interest rate of similar instruments.

The impairment in value is recorded in the statement of income. Any surplus in the following period resulting from previous declines in the fair value of financial assets is taken to the statement of income except for the impairment in available-for-sale equity securities which is reversed through the cumulative change in fair value.

#### Fixed Assets

- Fixed assets are stated at cost net of accumulated depreciation. Moreover, fixed assets (except for land) are depreciated according to the straight-line method over their estimated useful lives using the following rates:

	%
Buildings	3
Equipment and furniture	9 – 15
Vehicles	15
Computers	20
Improvements on buildings	20

- When the carrying amounts of fixed assets exceed their recoverable values, assets are written down, and impairment losses are recorded in the consolidated statement of income.
- The useful lives of fixed assets 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 estimate.
- Fixed assets are disposed of when there is no expected future benefit from the use of that asset.

#### Provisions

- Provisions are recognized when the Bank has an obligation on the date of the balance sheet as a result of past events, it is probable to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### 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.
- The required provision for end-of-service indemnities for the year is recorded in the statement of income while payments to departing employees are deducted from the provision amount.

#### 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 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 financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the balance sheet according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.
- Deferred tax assets are reviewed as of the date of the financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

#### 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, if any). In case, the issue or purchase process is incomplete, these costs are charged to the income statement as expenses.



### 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 balance sheet 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.

### Realization of Income and Recognition 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 until they are received in cash.
- 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

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

For hedge accounting purposes, the financial derivatives are stated at fair value.

#### **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 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 income statement for the same period.

- Cash flow 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 shareholders' equity. Such gain or loss is transferred to the statement of income in the period in which the hedge transaction impacts the 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 shareholders' equity while the ineffective portion is recognized in the statement of income. Moreover, the effective portion is recorded in the 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 income statement 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 balance sheet 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 statement of income.

### Repurchase and Resale Agreements

- Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the 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 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.

#### Assets Seized by the Bank

Assets seized by the Bank are shown under "other assets" at the acquisition value or fair value, whichever is lower. As of the balance sheet date, these assets are revalued individually at fair value. Any decline in their market value is taken to the statement of income whereas any such increase is not recognized. A subsequent increase is taken to the 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 decline 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 balance sheet. 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 income statement as impairment loss.

##### **B- Other Intangible Assets**

- Other 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 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 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 statement of income for the period.
- Any indications of impairment in the value of intangible assets as of the 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.
- The following are the accounting policies for each item of the intangible assets owned by the Bank:  
Software and computer programs are amortized over their estimated economic useful lives at a rate of 20%.

#### Foreign Currency

- 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 balance sheet 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 or losses resulting from foreign currency translation are recorded in the statement of income.
- Translation differences for non-monetary assets and liabilities denominated in foreign currencies 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 to the currency used in the financial statement using the average exchange rates prevailing on the balance sheet 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 (if any) are shown in a separate item within 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 statement of income.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances with central banks and balances with banks and financial institutions maturing within three months, less 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 financial statements. Some of these 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 on a frequent basis.
- A provision for performing and non-performing loans is taken on the bases and estimates approved by management in conformity with International Financial Reporting Standards (IFRS). The outcome of these bases and estimates is compared against the adequacy of the provisions as per the Central Bank of Jordan instructions. The most strict outcome that conforms with (IFRS) is used for the purpose of determining the provision.
- Impairment loss (if any) is taken after a sufficient and recent evaluation of the acquired properties has been conducted by approved surveyors. The impairment loss is reviewed periodically.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the statement of income.
- The subsidiary company (Arab Orient Insurance Company) performs an assessment of the technical reserve associated with insurance activities according to the bases and assumptions approved by the Insurance Regulatory Commission. These provisions are reviewed periodically.
- Management performs a frequent review of the financial assets stated at cost to estimate any decline in their value. Impairment (loss) (if any) is taken to the statement of income as an expense for the period.

### 4- Cash and Balances at Central Banks:

This item consists of the following:

	USD	
	2007	2006
Cash in vaults	31,688,797	23,373,367
Balances at central banks:		
Current accounts	9,999,532	8,224,933
Time and notice deposits	34,349,303	23,293,276
Mandatory cash reserve	99,168,876	77,601,386
Certificates of deposit *	184,203,103	120,874,471
<b>Total</b>	<b>359,409,611</b>	<b>253,367,433</b>

- Except for the mandatory cash reserve, there are no restricted balances as of December 31, 2007 and 2006.

\* This item includes an amount of USD 81,805,360 due after 3 months as of December 31, 2007 against USD 16,502,116 as of December 31, 2006.

### 5. Balances at Banks and Financial Institutions

This item consists of the following:

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2007	2006	2007	2006	2007	2006
Current accounts	345,473	270,787	24,134,616	2,604,814	24,480,089	2,875,601
Deposits due within 3 months	7,052,186	-	416,257,987	273,954,331	423,310,173	273,954,331
Certificates of deposit due within 3 months	-	-	-	2,000,000	-	2,000,000
<b>Total</b>	<b>7,397,659</b>	<b>270,787</b>	<b>440,392,603</b>	<b>278,559,145</b>	<b>447,790,262</b>	<b>278,829,932</b>

- Non-interest bearing balances at banks and financial institutions amounted to USD 3,182,372 as of December 31, 2007 against USD 896,691 as of December 31, 2006.

- Restricted balances amounted to USD 980,382 as of December 31, 2007 against USD 760,269 as of December 31, 2006.

- Balances restricted to the order of the Director of the Insurance Regulatory Commission amounted to USD 317,348 as of December 31, 2007 and December 31, 2006. These balances belong to the subsidiary company Arab Orient Insurance Company.

## 6. Deposits at Banks and Financial Institutions

This item consists of the following:

USD

Maturity Period	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2007	2006	2007	2006	2007	2006
Deposits	-	-	159,128	148,867	159,128	148,867
Certificates of deposit	-	4,231,312	4,000,000	-	4,000,000	4,231,312
<b>Total</b>	<b>-</b>	<b>4,231,312</b>	<b>4,159,128</b>	<b>148,867</b>	<b>4,159,128</b>	<b>4,380,179</b>

Restricted deposits amounted to USD 25,000 as of December 31, 2007 and 2006.

## 7. Trading Financial Assets

This item consists of the following:

USD

	2007	2006
Quoted treasures	-	798,449
Quoted shares	2,639,286	1,435,726
<b>Total</b>	<b>2,639,286</b>	<b>2,234,175</b>

## 8. Direct Credit Facilities - Net

This item consists of the following:

USD

	2007	2006
Individuals (retail):		
Current accounts	1,027,511	448,588
Loans and promissory notes*	32,286,443	25,125,103
Credit Cards	4,921,205	3,987,811
Property loans	46,399,714	46,728,178
Companies		
Large Companies		
Current accounts	221,442,171	181,183,702
Loans and promissory notes*	1,156,595,465	1,002,669,428
Medium and small companies		
Current accounts	20,649,935	19,518,276
Loans and promissory notes*	47,969,200	45,581,117
Government and public sector	67,320,584	33,999,006
<b>Total</b>	<b>1,598,612,228</b>	<b>1,359,241,209</b>
Less: Provision for impairment in direct credit facilities	7,421,166	5,407,721
Suspended interest	948,790	977,749
<b>Net Credit Facilities</b>	<b>1,590,242,272</b>	<b>1,352,855,739</b>

\* Net after deducting interest and commissions received in advance of USD 4,753,821 as of December 31, 2007 against USD 6,536,508 as of December 31, 2006.

Non-performing credit facilities amounted to USD 4,213,039 which is equivalent to (% -/3) of total direct credit facilities as of December 31, 2007 against USD 5,419,069 which is equivalent to (% -/4) of total credit facilities as of December 31, 2006.

Non-performing credit facilities excluding interest and commissions in suspense amounted to USD 3,264,250 which is equivalent to (%-/2) of total direct credit facilities as of December 31, 2007 against USD 4,457,714 which is equivalent to (%-/3) of total credit facilities as of December 31, 2006.

Direct credit facilities granted to / guaranteed by the Government of Jordan amounted to USD 12,386,958 which is equivalent to (%-/8) of total direct facilities as of December 31, 2007 against USD 10,185,016 which is equivalent to (%-/8) at the end of the year 2006.

[Provision for Impairment in Direct Credit Facilities:](#)

The movement on the provision for impairment in direct credit facilities was as follows:

USD

2007	Individuals	Property Loans	Companies		Government and Public Sector	Total
			Large Companies	Small and Medium Companies		
Balance – beginning of the year	480,818	291,118	4,147,673	353,873	134,238	5,407,720
(Surplus) provision for the year taken from revenues	275,551	(58,291)	1,927,566	103,810	(134,238)	2,114,398
Used during the year (written-off)	90,859	-	-	10,093	-	100,952
<b>Balance – End of the Year</b>	<b>665,510</b>	<b>232,827</b>	<b>6,075,239</b>	<b>447,590</b>	<b>-</b>	<b>7,421,166</b>

2006	Individuals	Property Loans	Companies		Government and public sector	Total
			Large Companies	Small and Medium Companies		
Balance – beginning of the year	1,017,357	178,552	9,397,659	892,333	-	11,485,901
(Surplus) provision for the year taken from revenues	(464,976)	112,566	(4,749,350)	(198,172)	134,238	(5,165,694)
Used during the year (written-off)	71,563	-	500,636	340,288	-	912,487
<b>Balance – End of the Year</b>	<b>480,818</b>	<b>291,118</b>	<b>4,147,673</b>	<b>353,873</b>	<b>134,238</b>	<b>5,407,720</b>

- The above disclosure is made about the total provisions taken against the debts calculated on the basis of the individual customer.
- The provisions no longer needed due to settlements or repayments of debts and transferred against other debts amounted to USD 3,703,347 (USD 2,794,935 for the previous year).

[Interest in Suspense](#)

The movement on interest in suspense was as follows:

USD

2007	Individuals	Real Estate Loans	Companies		Government & Public Sector	Total
			Large Companies	Small & Medium Companies		
Balance – beginning of the year	27,248	100,117	496,085	354,299	-	977,749
Add: Interest in suspense for the year	84,403	63,144	1,141,375	28,469	-	1,317,391
Less: Interest taken to income	68,556	81,213	1,059,396	34,724	-	1,243,889
Less: Interest and commission in suspense written-off	37,403	14,155	33,254	17,649	-	102,461
<b>Balance - End of the Year</b>	<b>5,692</b>	<b>67,893</b>	<b>544,810</b>	<b>330,395</b>	<b>-</b>	<b>948,790</b>

2006	Individuals	Real Estate Loans	Companies		Government & Public Sector	Total
			Large Companies	Small & Medium Companies		
Balance – beginning of the year	53,791	29,920	960,056	642,474	-	1,686,241
Add: Interest in suspense for the year	4,858	81,392	341,944	57,846	-	486,040
Less: Interest transferred to income	6,822	7,499	429,533	163,704	-	607,558
Interest in suspense (written-off)	24,578	3,695	376,382	182,319	-	586,974
<b>Balance - End of the Year</b>	<b>27,249</b>	<b>100,118</b>	<b>496,085</b>	<b>354,297</b>	<b>-</b>	<b>977,749</b>

## 9. Available-for-Sale Financial Assets

The details of this item are as follows:

USD

	2007	2006
Quoted Available-for-Sale Financial Assets:		
Governmental bonds or bonds guaranteed by the Government	81,800,169	54,268,434
Companies bonds and debentures	63,594,773	77,309,924
Other bonds	5,971,283	6,541,694
Companies shares	19,606,062	12,793,917
<b>Total Quoted Available-for-Sale Financial Assets</b>	<b>170,972,287</b>	<b>150,913,969</b>
Unquoted Available-for-Sale Financial Assets:		
Local treasury bills *	70,737,880	92,922,121
Governmental bonds or bonds guaranteed by the Government	14,104,372	1,410,437
Companies bonds and debentures	7,757,405	3,526,093
Other bonds	4,951,523	3,284,271
Companies shares	12,478,599	11,069,951
<b>Total Unquoted Available-for-Sale Financial Assets</b>	<b>110,029,779</b>	<b>112,212,873</b>
<b>Total Available-for-Sale Financial Assets</b>	<b>281,002,066</b>	<b>263,126,842</b>
Bonds Analysis:		
Fixed return	212,905,868	205,797,506
Variable return	36,011,537	33,465,468
	<b>248,917,405</b>	<b>239,262,974</b>

- Some available-for-sale financial assets are recorded at cost/amortized cost as their fair values cannot be reliably determined. These assets amounted to USD 110,029,779 as of December 31, 2007 against USD 112,212,873 as of December 31, 2006.

\* This item represents treasury bills amounting to USD 70,737,880 of which bills of USD 41,865,613 mature on February 15, 2008 at a discount rate of 6.5% and bills of USD 28,872,267 mature on May 20, 2008 at a discount rate of 6.46% pledged for sale to the Social Security Corporation by the Bank according to a sale agreement against USD 92,922,121 as of December 31, 2006 which became due during the year 2007.

## 10. Held-to-Maturity Investments - Net

This item consists of the following:

USD

	2007	2006
Quoted Financial Assets:		
Companies bonds and debentures	9,916,000	9,916,000
<b>Total Quoted Financial Assets</b>	<b>9,916,000</b>	<b>9,916,000</b>
Unquoted Financial Assets:		
Treasury bills	29,797,031	59,230,395
Companies bonds and debentures	19,189,454	286,709
<b>Total Unquoted Financial Assets</b>	<b>48,986,485</b>	<b>59,517,104</b>
<b>Total Held-to-Maturity Financial Assets</b>	<b>58,902,485</b>	<b>69,433,104</b>
Less: Provision	(148,519)	(148,519)
<b>Net Held-to-Maturity Financial Assets</b>	<b>58,753,966</b>	<b>69,284,585</b>
Bonds Return Analysis:		
Fixed return	48,837,966	59,368,585
Variable return	9,916,000	9,916,000
<b>Total</b>	<b>58,753,966</b>	<b>69,284,585</b>

- Held-to-maturity bonds mature over several payments the last of which matures on June 28, 2012 except for companies bonds of USD 148,519 overdue since September 23, 1998 and for which an adequate provision has been taken.

## 11 Fixed Assets - Net

The details of this item are as follows:

USD

Year 2007	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Buildings Improvements	Total
Cost:							
Balance - beginning of the year	1,829,887	5,301,361	8,079,061	786,632	10,243,451	6,654,960	32,895,352
Additions	962,309	-	1,133,016	211,959	1,401,928	1,474,135	5,183,347
Disposals	-	31,420	351,717	12,073	434,014	-	829,224
<b>Balance - End of the year</b>	<b>2,792,196</b>	<b>5,269,941</b>	<b>8,860,360</b>	<b>986,518</b>	<b>11,211,365</b>	<b>8,129,096</b>	<b>37,249,476</b>
Accumulated Depreciation:							
Balance - beginning of the year	-	1,307,357	4,342,512	331,980	7,272,825	3,221,423	16,476,097
Depreciation	-	157,310	802,912	99,781	1,154,129	1,163,296	3,377,428
Disposals	-	-	332,161	-	354,611	-	686,772
<b>Balance - End of the year</b>	<b>-</b>	<b>1,464,667</b>	<b>4,813,263</b>	<b>431,761</b>	<b>8,072,343</b>	<b>4,384,719</b>	<b>19,166,753</b>
<b>Net Book Value of Fixed Assets</b>	<b>2,792,196</b>	<b>3,805,274</b>	<b>4,047,097</b>	<b>554,757</b>	<b>3,139,022</b>	<b>3,744,377</b>	<b>18,082,723</b>
Down payments on fixed assets purchases	-	-	500,570	-	-	-	500,570
<b>Balance - End of the Year</b>	<b>2,792,196</b>	<b>3,805,274</b>	<b>4,547,667</b>	<b>554,757</b>	<b>3,139,022</b>	<b>3,744,377</b>	<b>18,583,293</b>
Year 2006	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Buildings Improvements	Total
Cost:							
Balance - beginning of the year	1,829,887	5,161,202	6,974,130	648,173	9,008,588	5,144,407	28,766,386
Additions	-	140,159	1,236,877	158,216	1,290,979	1,510,554	4,336,785
Disposals	-	-	131,946	19,757	56,116	-	207,819
<b>Balance - End of the year</b>	<b>1,829,887</b>	<b>5,301,361</b>	<b>8,079,061</b>	<b>786,632</b>	<b>10,243,451</b>	<b>6,654,961</b>	<b>32,895,352</b>
Accumulated Depreciation:							
Balance - beginning of the year	-	1,148,653	3,664,602	261,831	6,066,518	2,352,097	13,493,701
Depreciation	-	158,704	783,110	89,907	1,218,313	869,326	3,119,360
Disposals	-	-	105,200	19,757	12,006	-	136,963
<b>Balance - End of the year</b>	<b>-</b>	<b>1,307,357</b>	<b>4,342,512</b>	<b>331,981</b>	<b>7,272,825</b>	<b>3,221,423</b>	<b>16,476,098</b>
<b>Net Book Value of Fixed Assets</b>	<b>1,829,887</b>	<b>3,994,004</b>	<b>3,736,549</b>	<b>454,651</b>	<b>2,970,626</b>	<b>3,433,537</b>	<b>16,419,254</b>
Down payments on fixed assets purchases	-	-	907,683	-	-	-	907,683
Transfers	-	-	(521,279)	-	-	-	(521,279)
<b>Balance - End of the Year</b>	<b>1,829,887</b>	<b>3,994,004</b>	<b>4,122,953</b>	<b>454,651</b>	<b>2,970,626</b>	<b>3,433,537</b>	<b>16,805,659</b>

- Fixed assets as of December 31, 2007 include an amount of USD 6,423,786, representing fully depreciated fixed assets against USD 5,370,870 as of December 31, 2006.

## 12 Intangible Assets

This item consists of the following:

USD

	2007			
	Computer Software and Applications	Goodwill	Other	Total
Balance-beginning of the year	2,187,559	318,725	-	2,506,284
Additions	1,041,635	-	681,241	1,722,876
Amortization for the year	1,006,155	-	681,241	1,687,396
<b>Balance-End of the year</b>	<b>2,223,039</b>	<b>318,725</b>	<b>-</b>	<b>2,541,764</b>

	2006			
	Computer Software and Applications	Goodwill	Other	Total
Balance-beginning of the year	1,237,632	-	583,051	1,820,683
Additions	1,165,904	318,725	157,264	1,641,893
Transfers	521,279	-	-	521,279
Amortization for the year	737,257	-	740,315	1,477,572
<b>Balance-End of the year</b>	<b>2,187,558</b>	<b>318,725</b>	<b>-</b>	<b>2,506,283</b>

## 13. Other Assets

This item consists of the following:

USD

	2007	2006
Accrued interest	15,899,134	10,780,138
Prepaid expenses	776,018	650,566
Assets seized by the Bank - net *	2,890,966	2,517,543
Unrealized gains of financial derivatives	744,100	55,516
Accounts receivable **	13,488,092	10,532,260
Clearing checks	36,438,640	52,493,254
Other **	6,840,848	4,655,730
<b>Total</b>	<b>77,077,798</b>	<b>81,685,007</b>

\* According to the 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.

\*\* Accounts receivable and other assets include balances relating to the subsidiary companies amounting to USD 14,266,051 as of December 31, 2007 against USD 10,829,965 as of December 31, 2006.

- The movement on assets seized by the Bank was as follows:

USD

	2007	2006
Balance - beginning of the year	2,517,543	3,669,047
Additions	800,103	296,534
Disposals	426,680	1,448,038
<b>Balance - End of the year</b>	<b>2,890,966</b>	<b>2,517,543</b>



## 14. Banks and Financial Institutions Deposits

This item consists of the following :

USD

	December 31, 2007			December 31, 2006		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	4,751,020	22,765,031	27,516,051	5,470,216	9,293,100	14,763,316
Time deposits *	18,335,684	330,391,458	348,727,142	29,678,608	100,087,922	129,766,530
	23,086,704	353,156,489	376,243,193	35,148,824	109,381,022	144,529,846

\* This account includes USD 8,462,623 due within a period exceeding 3 months as of December 31, 2007 against USD 2,820,874 as of December 31, 2006.

## 15. Customers Deposits

This item consists of the following :

USD

	2007				
	Individuals	Large Companies	Small and medium	Government and public sector	Total
Current accounts and demand deposits	192,666,145	42,769,150	138,823,684	16,760,231	391,019,210
Saving deposits	80,187,337	152,657	3,659,952	179,937	84,179,883
Time deposits subject to notice	582,619,250	155,039,104	209,033,322	107,438,402	1,054,130,078
Deposits certificates	11,913,472	-	304,632	-	12,218,104
	867,386,204	197,960,911	351,821,590	124,378,570	1,541,547,275
	2006				
	Individuals	Large Companies	Small and medium	Government and public sector	Total
Current accounts and demand deposits	163,848,083	27,315,179	109,414,561	22,895,873	323,473,696
Saving deposits	71,300,810	247,622	2,656,049	452,952	74,657,433
Time deposits subject to notice	504,080,193	76,041,471	143,424,278	122,258,822	845,804,764
Deposits certificates	-	-	-	-	-
	739,229,086	103,604,272	255,494,888	145,607,647	1,243,935,893

a. Public sector deposits inside Jordan amounted to USD 124,378,570, which is equivalent to 8.1% of total customers deposits as of December 31, 2007 against USD 145,593,542, which is equivalent to 11.7% of total customers deposits as of December 31, 2006.

b. Non-interest bearing deposits amounted to USD 315,904,777, which is equivalent to 20.5% of total customers deposits as of December 31, 2007 against USD 285,709,752, which is equivalent to 23% of total customers deposits as of December 31, 2006.

c. Restricted deposits amounted to USD 18,236,711, which is equivalent to 1.18% of total customers deposits as of December 31, 2007 against USD 13,406,829, which is equivalent to 1.08% as of December 31, 2006.

d. Frozen deposits amounted to USD 24,103,106 as of December 31, 2007 against USD 15,976,488 as of December 31, 2006.

## 16. Share Capital Payments on Account for Companies under Establishment

This item represents payments of USD 44,828,508 on account of setting up the capital of two companies as of December 31, 2007 against USD 83,976,664 as of December 31, 2006.

## 17. Cash Margins

This item consists of the following:

USD

	2007	2006
Cash margins on direct credit facilities	149,074,886	210,605,882
Cash margins on indirect credit facilities	33,850,300	37,329,255
Marginal deposits	1,067,264	359,997
Other margins	1,435,423	29,055
<b>Total</b>	<b>185,427,873</b>	<b>248,324,189</b>

## 18. Borrowed Funds

This item consists of the following:

USD

		Amount	Number of Installments		Frequency of Installments	Guarantees	Interest Rate
			Total	Remaining			
<b>Year 2007</b>							
Borrowings from Central Bank of Jordan- repurchase agreement	a	-	-	-	-	-	-
Borrowings from banks and financial institutions abroad	b	-	-	-	-	-	-
Jordan Mortgage Refinance Company	c	7,199,085	-	-	Set at the end of each period	Endorsement of real estate bonds	5.91%
Jordan Mortgage Refinance Company	d	14,104,372	-	-	One installment when due	Endorsement of real estate bonds	8.60%
<b>Total</b>		<b>21,303,457</b>					
		Amount	Number of Installments		Frequency of Installments	Guarantees	Interest Rate
<b>Year 2006</b>							
Borrowings from Central Bank of Jordan- repurchase agreement	a	42,313,117	-	-	-	-	6.91%
Borrowings from banks and financial institutions abroad	b	2,566,386	-	-	One installment	by the Bank	Libor + 40 points
Jordan Mortgage Refinance Company	c	12,488,241	-	-	Set at the end of each period	Endorsement of real estate bonds	5.91%
Jordan Mortgage Refinance Company	d	1,128,350	12	6	Semester based	by the Bank	3.70%
<b>Total</b>		<b>58,496,094</b>					

a. The maturity of the amount borrowed from the Central Bank of Jordan extends up to January 6, 2007 according to the certificates of deposits repurchase agreement at an interest rate of 6.914% and for a period of 9 days starting from December 28, 2006.

b. This amount represents partial financing from Lehman Brothers for purchasing American bonds classified at LIBOR plus 40 basis points. The average interest rate on this portfolio is around 6 %, and financing is for one year subject to renewal.

c. On August 27, 2001, the Bank obtained a loan from Jordan Mortgage Refinance Company for USD 14 million at an annual interest rate of 6.25% for the first three years to be reconsidered afterwards. The loan is to be repaid over a period of 10 years commencing from the date the agreement was signed, the first and last installments being due on August 27, 2004 and August 27, 2011, respectively.

The purpose of this loan is to refinance the Jordanian Armed Forces Officers Housing Fund. On June 3, 2004, the Bank obtained a loan of USD 7 million at an interest rate of 3.7%. The loan matured on June 3, 2007.

d. On June 28, 2007, the Bank obtained a loan from the Jordan Mortgage Refinance Company for USD 14 million at an interest rate of 8.6% and for a period of 5 years. The loan is due in one payment on the maturity date of June 28, 2012.

## 19. Provisions

This item consists of the following:

USD

Year 2007	Beginning Balance	Additions	Disposals	Returned to Income	Ending Balance
Provision for staff indemnity	4,630,006	1,353,992	349,611	-	5,634,387
Provision for lawsuits against the Bank and probable claims	253,499	84,626	32,997	-	305,128
Technical reserves relating to a subsidiary company	10,795,618	1,432,798	-	-	12,228,416
<b>Total</b>	<b>15,679,123</b>	<b>2,871,416</b>	<b>382,608</b>	<b>-</b>	<b>18,167,931</b>
Year 2006					
Provision for staff indemnity	3,921,106	1,032,801	323,901	-	4,630,006
Provision for lawsuits against the Bank and probable claims	211,566	119,887	77,954	-	253,499
Technical reserves relating to a subsidiary company	9,454,973	1,340,645	-	-	10,795,618
<b>Total</b>	<b>13,587,645</b>	<b>2,493,333</b>	<b>401,855</b>	<b>-</b>	<b>15,679,123</b>

## 20. Income Taxes

### A) Provision for income tax:

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

USD

	2007	2006
Beginning balance	23,044,822	16,229,495
Income tax paid	(22,383,356)	(15,169,014)
Down payment	(861,721)	(551,879)
Income tax for the year	26,061,083	22,536,220
<b>Ending Balance</b>	<b>25,860,828</b>	<b>23,044,822</b>

- Income tax for the year consists of the following:

USD

	2007	2006
Income tax for the year	26,061,083	22,536,220
Deferred tax assets for the year	(544,285)	(397,614)
Amortization of deferred tax assets	254,329	161,632
	<b>25,771,127</b>	<b>22,300,238</b>

- A final settlement with the income tax authorities has been reached for Jordan branches up to the year 2006. Moreover, the tax returns for the Bank and its foreign branches have been submitted up to the year 2006 and a final tax settlement has been reached for the Bank's branches in Palestine up to the year 2004.

- A final settlement with the Income Tax Department for Arab Orient Insurance Company has been reached up to the year 2006 and for the United Financial Investment Company up to the year 2003. Moreover, the tax returns of the subsidiary companies have been submitted up to the year 2006 and taxes paid thereon. Moreover, management believes that the income tax liability will not exceed the provisions taken.

**b- Deferred Tax Assets / Liabilities:**

The details of this item are as follows:

USD

Accounts Included	2007				2007	2006
	Amounts				Deferred Tax*	Deferred Tax
	Beginning Balance	Amounts Released	Additions	Balance End of the Year		
1- Deferred Tax Assets						
Prior years' provision for non-performing loans	69,753	69,753	-	-	-	24,413
Provision for staff indemnity	4,496,566	349,611	1,309,348	5,456,303	1,909,705	1,573,798
Impairment loss in real estate	350,240	274,289	-	75,951	26,583	122,584
Provision for lawsuits against the Bank	253,499	32,997	84,626	305,128	106,795	88,725
Provision for doubtful debts	361,072	-	93,089	454,161	113,540	-
Provision for unreported compensations	314,059	-	132,491	446,550	111,638	-
	5,845,189	726,650	1,619,554	6,738,093	2,268,261	1,809,520
2- Deferred Tax Liabilities **						
Unrealized profit on trading financial assets	414,862	414,862	-	-	-	77,787
Cumulative change in fair value	2,516,178	599,016	249,330	2,166,492	562,202	585,571
	2,931,040	1,013,878	249,330	2,166,492	562,202	663,358

\* This item includes an amount of USD 168,784 as of December 31, 2007. Moreover, this amount represents the balance of deferred taxes in retained earnings resulting from applying IAS (12) to the financial statements for the first time on the subsidiary companies (Arab Orient Insurance Company) during the year 2007.

\*\* Deferred tax liabilities include USD 562,202 as of December 31, 2007 against USD 663,358 for the previous year resulting from the revaluation gain on trading financial assets included in the statement of income and revaluation gains on available-for-sale financial assets presented at a net amount within the cumulative change in fair value under equity.

- The movement on deferred tax assets / liabilities was as follows:

USD

Description	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Beginning balance	1,809,520	663,358	1,573,539	690,860
Additions during the year	713,068	203,608	397,615	936,886
Deductions	(254,327)	(304,764)	(161,632)	(964,388)
Ending Balance	2,268,261	562,202	1,809,520	663,358

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

USD

	2007	2006
Declared income	89,800,269	78,905,051
Tax exempted income	4,416,783	8,078,035
Un-deductible expenses	7,387,876	3,077,085
<b>Taxable income</b>	<b>92,771,362</b>	<b>73,904,101</b>
Income Tax Rates:		
Bank- Jordan	35%	35%
Bank- Palestine	16%	16%
Bank- Cyprus	10%	10%
Subsidiary companies	25%	25%
Percentage of deferred taxes-Jordan	35%	35%
Percentage of deferred taxes-subsiaries	25%	25%

## 21. Other Liabilities

This item consists of the following:

	USD	
	2007	2006
Accrued interest	7,389,420	6,990,426
Cash margins and accepted checks	9,589,772	13,284,970
Accounts payable*****	10,494,805	9,031,402
Accrued expenses	6,398,216	4,978,821
Temporary deposits	3,786,893	2,008,212
Public shareholding companies deposits *	135,283,587	86,151,674
Shareholders' deposits **	4,450,632	4,698,715
Time deposits - treasury bills sale agreement ***	70,609,769	92,663,846
Accepted and certified checks	7,445,062	6,062,141
Down payments on safe deposit boxes	95,041	89,175
Subscriptions deposits****	47,162,748	-
Down payments on real estates sold	208,011	85,625
Unrealized losses on financial derivatives	688,247	2,384
Amounts in transit	1,369,670	623,787
Other liabilities *****	7,129,366	5,328,704
<b>Total</b>	<b>312,101,239</b>	<b>231,999,882</b>

\* This item represents temporary payment deposits to public shareholding companies.

\*\* This item represents an amount of USD 4,243,805 as of December 31, 2007 resulting from selling unsubscribed shares totaling 1,136,495 shares at market price during the year 2006. The difference between the market price and issue price of the share of USD 4 has been recorded as shareholders' deposits.

\*\*\* This item represents the total amounts borrowed from the Social Security Corporation as a result of the treasury bills sale agreement.

\*\*\*\* This item represents refunds of subscriptions in public shareholding companies under establishment.

\*\*\*\*\* Other liabilities and accounts, payables include balances related to subsidiary companies of USD 11,162,157 as of December 31, 2007 against USD 10,293,038 as of December 31, 2006.

## 22. Capital and Share Premium Reserve

- Subscribed capital amounted to USD 106 million divided into 75 million shares at a par value of USD 1.4 per share as of December 31, 2007 and 2006.

- Share premium reserve amounted to USD 42 million for the current year and previous year.

## 23. Reserves

The details of the reserves as of December 31, 2007 are as follows:

### a- Statutory Reserve

This account represents the accumulated amount of the appropriations from income before tax at 10% per year according to the Banks 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 to distribute this reserve or any portion thereof 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 are the restricted reserves:

Description	2007	2006	Nature of Restriction
General banking risks reserve	14,062,362	12,522,423	According to the Central Bank of Jordan regulations
Statutory reserve	38,427,092	29,590,664	According to the Jordanian Companies Law and the Banks Law

USD

## 24. Cumulative Change in Fair Value - Net

This item consists of the following:

	2007			2006		
	Available-for-Sale Financial Assets			Available-for-Sale Financial Assets		
	Shares	Bonds	Total	Shares	Bonds	Total
Beginning balance	3,134,530	(1,281,836)	1,852,694	2,846,260	(1,917,551)	928,709
Unrealized profits (losses)	2,187,707	(1,938,251)	249,456	938,489	847,372	1,785,861
Deferred tax liabilities	(17,790)	118,946	101,156	161,372	(211,657)	(50,285)
Realized (profit) losses-transferred to						
the income statement	(599,015)	-	(599,015)	(811,591)	-	(811,591)
Ending Balance *	4,705,431	(3,101,141)	1,604,291	3,134,530	(1,281,836)	1,852,694

USD

\* The cumulative change in fair value is presented as a net amount after deducting deferred tax liabilities of USD 562,202 against USD 663,358 for the previous year.

## 25. Retained Earnings

Included in retained earnings an amount of usd 2,268,261 restricted by the Central Bank of Jordan as of December 31, 2007 against deferred tax assets of usd 1,809,520 as of December 31, 2006.

## 26. Proposed Dividends

The Board of Directors decided to recommend to the General Assembly of Shareholders to distribute 20% of paid-up capital (equivalent to usd 21 million) as dividends against dividends paid to shareholders for the previous year at 20% of paid-up capital (equivalent to usd 21 million).

## 27. Interest Income

This item consists of the following:

USD

	2007	2006
Direct credit facilities:		
Individuals (retail):		
Current accounts	89,743	44,759
Loans and promissory notes	2,876,568	2,172,190
Credit cards	708,760	546,827
Property loans	4,228,671	3,602,815
Companies		
Large companies		
Current accounts	21,505,489	17,317,443
Loans and promissory notes	92,696,296	72,662,368
Medium and small companies		
Current accounts	1,964,708	1,767,123
Loans and promissory notes	4,726,676	3,634,535
Government and public sector	5,391,206	2,521,970
Balances at central banks	11,472,739	11,657,815
Balances and deposits at banks and financial institutions	20,726,234	17,658,669
Available-for-Sale financial assets *	16,949,918	7,461,896
Held-to-maturity financial assets	3,714,377	3,645,217
Other	193,795	65,385
<b>Total</b>	<b>187,245,182</b>	<b>144,759,011</b>

\* This item includes an amount of usd 6,477,821 relating to interest from the treasury bills sale agreement (Note 9) against usd 69,944 as of December 31, 2006.

## 28. Interest Expense

This item consists of the following:

USD

	2007	2006
Deposits at banks and financial institutions	13,960,267	6,701,588
Customers deposits:		
Current and demand deposits	1,761,834	1,162,337
Saving accounts	801,566	744,197
Time and notice deposits	52,453,092	35,118,619
Certificates of deposit	210,047	65,721
Cash margins	15,554,526	17,001,499
Borrowed funds	1,362,783	1,025,330
Loan guarantee fees	1,804,808	1,619,805
Other *	7,451,244	644,865
<b>Total</b>	<b>95,360,165</b>	<b>64,083,962</b>

\* This item represents an amount of usd 6,804,293 relating to interest from the treasury bills sale agreement (Note 21) against usd 73,437 as of December 31, 2006.

### 29. Commission Income - Net

This item consists of the following:

	2007	2006
Interest income:		
Direct credit facilities	10,002,824	5,370,574
Indirect credit facilities	6,455,701	5,482,546
Other commissions	4,327,090	1,723,140
<b>Net Commissions</b>	<b>20,785,615</b>	<b>12,576,260</b>

### 30. Income (loss) from Foreign Currencies

This item consists of the following:

	2007	2006
Foreign currencies trading	875,241	302,124
As a result of evaluation	4,607,801	3,945,437
<b>Total</b>	<b>5,483,042</b>	<b>4,247,561</b>

### 31. Income (loss) from Trading Financial Assets

This item consists of the following:

	Realized Profit	Unrealized Profit	Total
<b>Year 2007</b>			
Companies shares	(19,468)	(78,686)	(98,154)
<b>Total</b>	<b>(19,468)</b>	<b>(78,686)</b>	<b>(98,154)</b>
<b>Year 2006</b>			
Companies shares	(421,767)	(75,926)	(497,693)
<b>Total</b>	<b>(421,767)</b>	<b>(75,926)</b>	<b>(497,693)</b>

### 32. Income from Available-for-Sale Financial Assets

This item consists of the following:

	2007	2006
Dividends income	933,062	296,740
Income from the sale of available-for-sale financial assets	980,344	428,410
<b>Total</b>	<b>1,913,406</b>	<b>725,150</b>



### 33. Other Income

This item consists of the following:

	USD	
	2007	2006
Rental of safe deposit boxes	70,138	60,821
Stamps income	111,223	107,663
Credit cards income	1,855,532	1,413,104
Recovery of debts previously written-off	1,188,001	825,102
Trading in shares and bonds revenue - subsidiary company	3,130,841	3,193,083
Profit from sale of properties seized by the Bank	59,481	420,086
Rental income	86,082	92,999
Telecommunication income	462,272	381,997
Transfers income	805,804	803,908
Insurance income-subsiary company	6,131,086	5,490,465
Other	2,624,585	1,899,832
<b>Total</b>	<b>16,525,045</b>	<b>14,689,061</b>

### 34. Employees Expenses

This item consists of the following:

	USD	
	2007	2006
Salaries, bonuses and employees' benefits	20,760,261	18,041,811
Bank's share in social security	1,122,729	993,419
Medical expenses	648,000	544,567
Staff training expenses	312,614	87,968
Travel expenses	701,663	521,109
Employees life insurance	73,082	62,540
Value added tax	53,748	28,818
Employees benefits - subsidiary company *	138,680	138,681
<b>Total</b>	<b>23,810,777</b>	<b>20,418,913</b>

\* Employees expenses include an amount of usd 138,681, representing the period's portion from payments on a share basis. In an extraordinary meeting of the General Assembly of Shareholders, the United Financial Investments Company, the subsidiary company, resolved to grant its senior employees 3% from the shares of the grant of usd 3 million. According to International Financial Reporting Standard No. (2) relating to payments on a share basis, this expense has been recognized on the basis of the fair value of shares when granted and upon the approval of the Securities Exchange Commission to increase capital. The details are as follows:

Number of shares due to senior employees	90,000 shares *	(Due after 4 years effective from January 1, 2006)
Fair value of share	usd 6.16	As of June 14, 2006
Full shares expense to be incurred by the subsidiary company	usd 554,725	
Expense recognized for the period	usd 138,681	
Date of ownership by senior employees	January 1, 2010	

According to a resolution by the General Assembly of Shareholders, these shares are restricted for a period of four years.

### 35. Other Expenses

This item consists of the following:

USD

	2007	2006
Rent	1,159,865	894,045
Stationery	853,389	676,408
Advertisements	1,951,748	1,428,162
Subscriptions	226,496	163,532
Telecommunication expenses	1,186,464	955,542
Maintenance and repair	1,749,584	1,499,636
Insurance expenses	307,377	506,714
Legal fees	119,522	212,093
Water, electricity and heating	544,793	459,498
Fees, taxes and stamps	907,838	1,238,395
Professional fees	188,096	149,185
Visa services expenses	611,605	580,441
Hospitality	167,556	126,133
Transportation	158,853	176,831
Correspondents services	103,649	206,063
Security	140,274	116,759
Donations	209,639	235,317
Jordanian universities fees	801,429	734,498
Scientific research and vocational training fees	801,429	734,498
Technical and Vocational Training Support Fund fees	286,880	244,772
Board of Directors' remunerations	140,480	140,480
Other	1,648,661	1,028,499
	<b>14,265,087</b>	<b>12,507,499</b>

### 36. Earnings Per Share - Bank Shareholders

The details of this items are as follows:

USD

	2007	2006
Income for the year	62,593,155	55,197,292
Weighted average number of shares	75,000,000	75,000,000
Earnings Per Share - Bank Shareholders:		
Basic	0.835	0.736
Diluted	0.835	0.736

### 37. Cash and Cash Equivalents

The details of this items are as follows:

USD

	2007	2006
Balances at central banks due within 3 months	277,604,251	236,865,317
Add: Balances at banks and financial institutions due within 3 months	447,790,262	278,829,932
Less: Banks and financial institutions deposits due within 3 months	367,780,570	141,708,972
Restricted balances	1,297,731	1,077,618
	<b>356,316,213</b>	<b>372,908,660</b>

### 38. Financial Instruments

This item consists of the following:

USD

	Maturity of Nominal Value						
	Positive Fair Value	Negative Fair Value	Total Nominal Amounts	Within 3 Months	More than 3 Months up to 12 Months	From 1 Year up to 3 Years	More than 3 Years
<b>Year 2007</b>							
As of December 31, 2007							
Trading Derivatives:							
Forward sales contracts in foreign currencies	-	(180,547)	(59,681,360)	(59,681,360)	-	-	-
Futures contracts	-	(507,700)	(11,519,825)	(9,989,825)	(1,530,000)	-	-
	-	(688,247)	(71,201,185)	(69,671,185)	(1,530,000)	-	-
Forward purchase contracts in foreign currencies	225,525	-	59,636,382	59,636,382	-	-	-
Futures contracts	518,575	-	11,508,949	9,978,949	1,530,000	-	-
	744,100	-	71,145,331	69,615,331	1,530,000	-	-
<b>Total</b>	<b>744,100</b>	<b>(688,247)</b>	<b>55,854</b>	<b>(55,854)</b>	<b>-</b>	<b>-</b>	<b>-</b>

The nominal value represents the value of the deals outstanding at year-end and does not represent market risks or credit risks.

	Maturity of Nominal Value						
	Positive Fair Value	Negative Fair Value	Total Nominal Amounts	Within 3 Months	More than 3 Months up to 12 Months	From 1 Year up to 3 Years	More than 3 Years
<b>Year 2006</b>							
As of December 31, 2006							
Trading Derivatives:							
Forward sales contracts in foreign currencies	-	(2,384)	(18,826,109)	(18,826,109)	-	-	-
	55,516	-	18,772,976	18,772,976	-	-	-
Forward purchase contracts in foreign currencies	55,516	-	18,772,976	18,772,976	-	-	-
<b>Total</b>	<b>55,516</b>	<b>(2,384)</b>	<b>(53,133)</b>	<b>(53,133)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 39. Transactions with Related Parties

The Bank entered into transactions with sister 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	
	Major Shareholders	Board of Directors Members	Executive Managers	2007	2006
<b>On-Balance Sheet Items:</b>					
Credit facilities *	-	16,519,172	591,786	<b>17,110,958</b>	31,750,687
Available-for-sale financial assets	2,738,357	-	-	<b>2,738,357</b>	8,470,632
Held-to-maturity financial assets	9,916,000	-	-	<b>9,916,000</b>	9,916,000
Banks and financial institutions deposits	170,254,863	-	-	<b>170,254,863</b>	109,980
Deposits	1,875,289	22,362,408	458,779	<b>24,696,476</b>	46,369,058
Cash margins	-	-	560,733	<b>560,733</b>	20,550,000
<b>Off-Balance Sheet Items:</b>					
Letters of guarantee	257,052	12,412	-	<b>269,464</b>	393,618
				<b>Total</b>	
				<b>2007</b>	<b>2006</b>
<b>Statement of Income:</b>					
Interest and commission received	1,760,769	2,481,544	30,157	<b>4,272,470</b>	1,354,625
Interest and commission paid	7,455,660	1,140,911	10,633	<b>8,607,204</b>	2,893,062
Minimum and Maximum Interest and Commissions Rates	%	%	%		
Credit rates	6.5	13	7.5		
Debit rates	3.5	1	1.5		

\* Included in direct credit facilities granted to the Board of Directors members is an amount of usd 8,953,884 representing credit facilities granted to the subsidiary companies board of directors and their related parties.

The Bank has two members on the Board of Directors of the subsidiary companies Arab Orient Insurance Company and United Financial Investments Company.

#### Executive Management Remunerations:

Executive management remunerations for the Bank and the subsidiary companies amounted to usd 2,640,309 for 2007 against usd 2,481,069 for 2006, excluding performance bonuses and productivity - related incentives.

### 40. 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 2007 and 2006.

### 41. 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.

#### 41. a. Credit Risk

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

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

- Setting clear requirements, policies, and decision-making procedures relating to the new or to be renewed credit facilities or any material amendment thereon within specified authorities that match the size and specifications of the credit facilities. Among the factors taken into consideration when granting credit are the purpose of the credit facilities and payment sources.
- Taking decisions within qualified management levels. Moreover, the Bank has various credit committees at the executive management level and the Board of Directors level. This is done away from the impact of conflict of interest and in a manner that guarantees the soundness and independence of the evaluation procedures of the customer requesting credit and the related compatibility with the Bank's credit policy requirements.
- Laying out clear and effective policies and procedures for managing and executing credit including continuous analysis of the ability and readiness of the borrower to pay according to contractual terms, monitoring the credit documentation and any credit terms and covenants, and continuously controlling and evaluating guarantees.
- Establishing adequate policies and procedures to ensure evaluation and management of non-performing credit and its classification in addition to evaluating the adequacy of the provisions monthly based on the instructions of 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 for 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, facilitating 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 its customers. The Bank deals with them on an aggregate basis and special care, takes 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 impairment provision and before guarantees and other risk - mitigating factors):

USD

	2007	2006
<b>On Balance Sheet Items</b>		
Cash and balances at the Central Bank	327,720,814	229,994,066
Balances at banks and financial institutions	447,790,262	278,829,932
Deposits at banks and financial institutions	4,159,128	4,380,179
Direct credit facilities		
Individuals	37,563,955	29,053,436
Property loans	46,098,993	46,336,942
Companies		
Large Companies	1,371,417,590	1,179,209,372
Small and medium institutions	67,841,151	64,391,221
Government and public sector	67,320,584	33,864,767
Bonds and Bills:		
Included in trading financial assets	0.00	798,449
Included in available-for-sale financial assets	248,917,405	239,262,975
Included in held-to-maturity financial assets	58,753,966	69,284,585
Other assets	65,825,866	73,805,652
<b>Total</b>	<b>2,743,409,714</b>	<b>2,249,211,577</b>
<b>Off Balance Sheet Items</b>		
Letters of guarantee	261,459,686	209,148,669
Letters of credit	101,961,100	102,328,949
Letters of acceptance	21,669,741	15,769,938
Unutilized facility ceilings	135,286,951	158,895,911
<b>Total</b>	<b>520,377,477</b>	<b>486,143,467</b>

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

USD

	Individuals	Property Loans	Companies		Government and Public Sector	Banks and Other Financial Institutions	Total
			Large Companies	Small and Medium Companies			
<b>2007</b>							
Low risk	3,149,079	208,982	29,495,797	3,811,661	12,386,958	779,670,205	828,722,682
Acceptable risk	32,907,324	44,791,934	1,160,621,762	56,583,106	54,933,626	-	1,349,837,752
Of which is due:*	-	-	-	-	-	-	-
within 30 days	1,150,522	-	5,373,944	311,017	-	-	6,835,483
from 31 to 60 days	1,711,869	2,329,083	16,523,709	3,552,482	-	-	24,117,143
Under watch	1,121,254	659,681	186,407,908	7,320,117	-	-	195,508,960
Non-performing:	-	-	-	-	-	-	-
Below level	505,385	282,071	-	1,292	-	-	788,748
Allowance provided	182,377	160,362	324,780	341,128	-	-	1,008,647
Bad debt	369,739	296,684	1,187,391	561,831	-	-	2,415,645
<b>Total</b>	<b>38,235,158</b>	<b>46,399,714</b>	<b>1,378,037,638</b>	<b>68,619,135</b>	<b>67,320,584</b>	<b>779,670,205</b>	<b>2,378,282,434</b>
Less: Impairment provision	665,510	232,828	6,075,238	447,590	-	-	7,421,166
Less: Interest in suspense	5,693	67,893	544,810	330,394	-	-	948,790
<b>Net</b>	<b>37,563,955</b>	<b>46,098,993</b>	<b>1,371,417,590</b>	<b>67,841,151</b>	<b>67,320,584</b>	<b>779,670,205</b>	<b>2,369,912,478</b>

	Individuals	Property Loans	Companies		Government and Public Sector	Banks and Other Financial Institutions	Total
			Large Companies	Small and Medium Companies			
<b>2006</b>							
Low risk	70,023	434,323	20,015,056	4,420,602	10,185,017	513,204,178	548,329,199
Acceptable risk	28,034,059	45,199,659	1,094,403,955	57,317,199	22,919,062	-	1,247,873,934
Of which is due:*	-	-	-	-	-	-	-
within 30 days	1,384,608	-	5,373,944	168,873	-	-	6,927,425
from 31 to 60 days	1,590,966	1,725,467	14,421,850	3,404,003	-	-	21,142,286
Under watch	779,606	123,781	66,599,011	2,425,873	894,927	-	70,823,198
Non-performing:	-	-	-	-	-	-	-
Below level	507,697	-	-	3,890	-	-	511,587
Allowance provided	74,866	348,192	254,777	110,750	-	-	788,585
Bad debt	95,251	622,223	2,580,330	821,079	-	-	4,118,883
<b>Total</b>	<b>29,561,502</b>	<b>46,728,178</b>	<b>1,183,853,129</b>	<b>65,099,393</b>	<b>33,999,006</b>	<b>513,204,178</b>	<b>1,872,445,386</b>
Less: Impairment provision	480,818	291,118	4,147,674	353,873	134,238	-	5,407,721
Less: Interest in suspense	27,248	100,117	496,085	354,299	-	-	977,749
<b>Net</b>	<b>29,053,436</b>	<b>46,336,943</b>	<b>1,179,209,370</b>	<b>64,391,221</b>	<b>33,864,768</b>	<b>513,204,178</b>	<b>1,866,059,916</b>

\* 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 according to the degree of risk are categorized according to the following table:

USD

	Individuals	Property Loans	Large Companies	Small and Medium Companies	Government and Public Sector	Total
<b>2007</b>						
Guarantees against:						
Low risk	3,149,079	208,982	29,495,797	3,811,662	-	36,665,519
Acceptable risk	14,762,726	44,791,934	453,058,447	30,444,701	-	543,057,808
Under watch	546,588	659,681	116,838,612	3,273,994	-	121,318,876
Non-performing:						
Below level	240,511	282,071	-	-	-	522,581
Allowance provided	88,605	160,363	159,546	166,420	-	574,934
Bad debt	173,457	296,684	580,567	272,073	-	1,322,781
<b>Total</b>	<b>18,960,966</b>	<b>46,399,714</b>	<b>600,132,969</b>	<b>37,968,851</b>	<b>-</b>	<b>703,462,499</b>
Of it:						
Cash Margins	3,426,138	304,069	52,012,815	8,426,866	-	64,169,889
Accepted letters of guarantee	-	-	12,020,875	-	-	12,020,875
Real estate	2,820,418	46,095,645	281,579,368	24,181,337	-	354,676,767
Trade stocks	14,121	-	254,519,911	5,077,552	-	259,611,584
Vehicles and equipment	12,700,289	-	-	283,096	-	12,983,385
<b>2006</b>						
Guarantees against:						
Low risk	70,023	434,323	20,015,056	4,420,602	-	24,940,004
Acceptable risk	15,269,371	45,199,659	616,463,604	26,848,069	-	703,780,702
Under watch	428,783	123,781	36,629,456	1,334,230	-	38,516,250
Non-performing:						
Below level	279,233	-	-	-	-	279,233
Allowance provided	41,176	348,192	140,127	53,777	-	583,272
Bad debt	51,436	622,223	1,419,182	438,914	-	2,531,755
<b>Total</b>	<b>16,140,021</b>	<b>46,728,178</b>	<b>674,667,425</b>	<b>33,095,592</b>	<b>-</b>	<b>770,631,216</b>
Of it:						
Cash Margins	167,491	434,323	97,155,649	6,403,360	-	104,160,822
Accepted letters of guarantee	-	-	20,791,817	-	-	20,791,817
Real estate	2,287,155	46,293,855	220,348,434	19,443,939	-	288,373,384
Trade stocks	-	-	335,365,316	6,897,961	-	342,263,276
Vehicles and equipment	13,685,375	-	1,006,209	350,333	-	15,041,917

**Scheduled Debts:**

These debts are the debts that have been previously classified as non-performing credit facilities but taken out therefrom according to proper scheduling. These debts have been classified as "debts under control" and amounted to USD 1,874,358 as of the current year – end against USD 1,573,948 as of the previous year–end.

**Restructured Debts:**

Restructured debts amounted to USD 3,775,312 as of December 31, 2007 against USD 1,962,024 as of December 31, 2006.

**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	Within Trading Financial Assets	Within Available-for- Sale Financial Assets	Within Held-to- Maturity Financial Assets	Total
A	S & P	-	1,943,389		1,943,389
A3	MDY	-	963,599		963,599
Aa 1	MDY	-	3,906,401		3,906,401
B -	S & P	-	5,328,501		5,328,501
B+	S & P	-	10,475,350		10,475,350
B+	FITCH	-	2,985,642		2,985,642
Ba 1	MDY	-	-	9,916,000	9,916,000
Baa 1	MDY	-	6,119,577		6,119,577
BB +	S & P	-	4,127,000		4,127,000
BBB	S & P	-	1,015,900		1,015,900
BBB	FITCH	-	1,979,700		1,979,700
BBB -	S & P	-	5,493,350		5,493,364
Unclassified	-	-	37,936,575	19,040,903	56,977,478
Governmental	-	-	166,642,422	29,797,063	196,439,485
<b>Total</b>			<b>248,917,405</b>	<b>58,753,966</b>	<b>307,671,371</b>

**Credit Risk Exposure According to Geographical Areas:**

USD

Geographical Area	Inside Jordan	Middle East Countries	Europe	Asia *	Africa *	America	Other Countries	Total
Balances at Central Banks	307,392,289	20,328,525	-	-	-	-	-	327,720,814
Balances at banks & financial institutions	7,397,659	92,461,614	343,365,054	940,336	-	3,585,035	40,551	447,790,262
Deposits at banks and financial institutions	-	4,134,128	-	25,000	-	-	-	4,159,128
Credit facilities:								
Individuals	37,136,120	426,425	-	-	-	-	-	37,563,955
Real estate loans	46,098,993	-	-	-	-	-	-	46,098,993
Companies :								
Major companies	1,271,547,379	84,183,296	15,048,217	-	-	638,697	-	1,371,417,590
Small to medium size companies	66,674,742	1,166,409	-	-	-	-	-	67,841,151
Government and public sector	67,320,584	-	-	-	-	-	-	67,320,584
Bonds, bills, and debentures:								
Within trading financial assets	-	-	-	-	-	-	-	-
Within available-for-sale- financial assets	181,228,458	39,538,313	9,320,501	10,847,220	1,473,663	6,509,250	-	248,917,405
Within held-to-maturity financial assets	48,837,966	9,916,000	-	-	-	-	-	58,753,966
Other assets	61,694,606	3,586,681	463,423	45,028	6,117	30,010	-	65,825,866
<b>Total for the current year</b>	<b>2,095,328,797</b>	<b>255,742,801</b>	<b>368,197,209</b>	<b>11,857,584</b>	<b>1,479,780</b>	<b>10,762,992</b>	<b>40,551</b>	<b>2,743,409,714</b>
<b>Total/comparative figures</b>	<b>1,788,414,389</b>	<b>167,650,028</b>	<b>201,390,046</b>	<b>3,869,432</b>	<b>-</b>	<b>4,379,193</b>	<b>52,117</b>	<b>2,248,413,128</b>

\* Excluding Middle East Countries.



Exposure According to Economic Sector:

USD

Economic Sector	Financial	Industrial	Services	Trade	Real estate	Agricultural	Shares	Individuals	Government & public Sector	Total
Item										
Balances at central banks	-	-	-	-	-	-	-	-	327,720,814	327,720,814
Balances at banks & financial institutions	447,790,262	-	-	-	-	-	-	-	-	447,790,262
Deposits at banks & financial institutions	4,159,128	-	-	-	-	-	-	-	-	4,159,128
Credit facilities	195,399,092	244,034,374	382,170,688	478,480,068	46,100,711	13,909,386	124,744,568	38,082,801	67,320,584	1,590,242,272
Bonds, bills and debentures:										
Within trading financial assets	-	-	-	-	-	-	-	-	-	-
Within available-for-sale financial assets	49,064,959	28,625,676	1,495,063	2,835,453	253,832	-	-	-	166,642,422	248,917,405
Held-to-maturity financial assets	28,956,935	-	-	-	-	-	-	-	29,797,031	58,753,966
Others assets	51,005,512	2,304,772	4,801,780	4,973,417	435,396	17,121	1,178,144	-	64,580	65,825,866
<b>Total for the current year</b>	<b>77,638,230</b>	<b>204,442,959</b>	<b>388,467,532</b>	<b>486,288,938</b>	<b>46,789,939</b>	<b>14,040,753</b>	<b>125,922,712</b>	<b>-</b>	<b>592,116,657</b>	<b>2,743,409,714</b>
<b>Total/comparative figures</b>	<b>579,134,398</b>	<b>216,984,886</b>	<b>331,837,749</b>	<b>422,279,272</b>	<b>46,138,416</b>	<b>56,556,155</b>	<b>83,186,530</b>	<b>-</b>	<b>482,734,220</b>	<b>2,248,413,128</b>

#### 41.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, and equity instrument prices, and consequently, the change in the fair value of the cash flows of the on-and off – balance sheet 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 the Board of Directors.

The Bank has no trading portfolio 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.

Moreover, the trading financial assets balance shown in the consolidated financial statements of the Bank and amounting to USD 2,639,286 as of December 31, 2007 entirely relates to the United Company for Financial Consultations.

#### 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 re-pricing 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

Year 2007			
Currency:	Increase in Interest Rate %	Interest Income Sensitivity	Owners' Equity Sensitivity
US Dollar	1	(1,156,037)	(2,374,351)
Euro	1	90,860	(102,794)
GBP	1	(2,839)	(66,202)
Yen	1	(1,533)	-
Other currencies	1	87,496	(36,408)
Currency:	Decrease in Interest Rate %	Interest Income Sensitivity	Owners' Equity Sensitivity
US Dollar	1	1,156,045	2,532,529
Euro	1	(90,860)	106,742
GBP	1	2,839	69,241
Yen	1	1,533	-
Other currencies	1	(87,496)	37,213
Year 2006			
Currency:	Increase in Interest Rate %	Interest Income Sensitivity	Owners' Equity Sensitivity
US Dollar	1	(1,129,622)	(700,315)
Euro	1	4,440	(114,728)
GBP	1	3,987	-
Yen	1	(21,841)	-
Other currencies	1	(58,141)	(78,158)
Currency:	Decrease in Interest Rate %	Interest Income Sensitivity (Gain/Loss)	Owners' Equity Sensitivity
US Dollar	1	1,129,622	748,041
Euro	1	(4,440)	118,891
GBP	1	3,987	-
Yen	1	21,841	-
Other currencies	1	58,141	79,962

## 2- Foreign currencies risk

a. 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 the profit and loss statements. 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 Income & Losses		Effect on Owner's Equity	
	2007	2006	2007	2006	2007	2006
US Dollar	5	5	1,822,382	708,855	-	-
Euro	5	5	(417,642)	10,048	-	-
GBP	5	5	90,618	100,745	-	-
Yen	5	5	(822)	(852)	-	-
Other currencies	5	5	664,886	353,226	-	-

## - Risks of Changes in Shares Prices:

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

USD

Indicator of	Change in Indicator (%)	Impact on Profit and Loss	Impact on Owners' Equity
Amman Stock Exchange	5 %	87,663	129,934
Palestine Stock Exchange	5 %	-	50,405
Kuwait Stock Exchange	5 %	-	41,630
Dubai Stock Exchange	5 %	-	49,815
Indicator of	Change in Indicator (%)	Impact on Profit and Loss	Impact on Owners' Equity
Amman Stock Exchange	(5%)	(87,663)	(129,934)
Palestine Stock Exchange	(5%)	-	(50,405)
Kuwait Stock Exchange	(5%)	-	(41,630)
Dubai Stock Exchange	(5%)	-	(49,815)

## Interest Rate Re-ricing 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.

USD

	Interest Rate Sensitivity							Total
	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	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	
<b>Year 2007</b>								
<b>Assets:</b>								
Balances at central banks	91,893,561	31,029,619	81,805,360	-	-	-	154,681,071	359,409,611
Balances at banks and financial institutions	322,593,364	122,015	-	-	-	-	3,182,372	325,897,751
Deposits at banks and financial institutions	-	-	159,128	4,000,000	-	-	-	4,159,128
Trading financial assets	-	-	-	-	-	-	2,639,286	2,639,286
Financial derivatives	-	-	-	-	-	-	-	-
Direct credit facilities - net	157,474,116	250,351,010	180,829,068	311,144,419	257,990,770	432,452,890	-	1,590,242,273
Available-for-sale financial assets	8,542,731	69,603,910	62,568,949	9,711,906	47,874,798	50,615,111	32,084,661	281,002,066
Held-to-maturity financial assets	-	2,809,577	15,647,072	16,276,945	-	24,020,372	-	58,753,966
Mortgaged financial assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	77,077,798	77,077,798
Fixed assets - net	-	-	-	-	-	-	18,583,293	18,583,293
Intangible assets	-	-	-	-	-	-	2,541,764	2,541,764
Deferred tax assets	-	-	-	-	-	-	2,268,261	2,268,261
<b>Total Assets</b>	<b>580,503,772</b>	<b>353,098,544</b>	<b>341,009,577</b>	<b>341,133,270</b>	<b>305,865,568</b>	<b>507,088,373</b>	<b>293,058,506</b>	<b>2,844,467,707</b>
<b>Liabilities:</b>								
Banks and financial institutions deposits	252,610,482	112,760,017	8,462,623	-	-	-	2,410,071	376,243,193
Customers' deposits	959,082,726	183,883,781	38,356,247	43,337,130	751,762	230,852	315,904,777	1,541,547,275
Share capital payments on account for companies under establishment	44,828,508	-	-	-	-	-	-	44,828,508
Cash margins	115,060,233	16,070,103	16,029,008	18,479,023	302,305	-	19,487,202	185,427,874
Financial derivatives	-	-	-	-	-	-	-	-
Borrowed funds	-	-	-	-	5,289,140	16,014,317	-	21,303,457
Debt bonds	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	18,167,931	18,167,931
Income tax provision	-	-	-	-	-	-	25,860,828	25,860,828
Deferred tax liabilities	-	-	-	-	-	-	562,202	562,202
Secondary loans	-	-	-	-	-	-	-	-
Other liabilities	163,407,107	-	-	17,379,327	-	-	131,314,805	312,101,242
<b>Total Liabilities</b>	<b>1,490,160,548</b>	<b>312,713,901</b>	<b>62,847,878</b>	<b>79,195,480</b>	<b>6,343,207</b>	<b>16,245,169</b>	<b>513,707,819</b>	<b>2,526,042,506</b>
<b>Interest Rate Re-ricing Gap</b>	<b>(954,485,285)</b>	<b>163,094,740</b>	<b>278,161,698</b>	<b>261,937,790</b>	<b>299,522,362</b>	<b>490,843,205</b>	<b>(220,649,310)</b>	<b>318,425,201</b>
<b>Year 2006</b>								
Total Assets	417,643,661	221,972,646	214,168,162	517,850,241	284,015,781	438,767,784	232,467,079	2,326,885,354
Total Liabilities	1,180,230,378	256,649,372	54,466,714	147,154,906	1,027,377	-	411,121,126	2,050,649,873
<b>Interest Rate Re-ricing Gap</b>	<b>(762,586,717)</b>	<b>(34,676,726)</b>	<b>159,701,448</b>	<b>370,695,335</b>	<b>282,988,404</b>	<b>438,767,784</b>	<b>(178,654,047)</b>	<b>276,235,481</b>

b. Concentration in foreign currencies risk:

USD

	US Dollar	Euro	Sterling Pound	Japanese Yen	Others	Total
<b>For the year 2007</b>						
Assets:						
Cash and balances at the Central Bank	50,996,430	2,667,788	286,317	-	9,502,044	63,452,579
Balances at banks and financial institutions	393,018,770	19,360,045	12,734,942	905,574	14,389,453	440,408,784
Deposits at banks and financial institutions	4,025,000	-	-	-	134,128	4,159,128
Direct credit facilities	377,009,827	20,573,999	-	-	1,482,969	399,066,795
Available-for-sale financial assets	59,170,646	5,685,199	3,793,024	-	12,704,934	81,353,803
Held-to-maturity financial assets	9,916,000	-	-	-	-	9,916,000
Fixed assets	232,212	-	-	-	-	232,212
Intangible assets	21,733	-	-	-	-	21,733
Other assets	8,368,381	1,013,876	681,172	-	137,257	10,200,686
<b>Total Assets</b>	<b>902,758,999</b>	<b>49,300,907</b>	<b>17,495,455</b>	<b>905,574</b>	<b>38,350,785</b>	<b>1,008,811,720</b>
Liabilities:						
Banks and financial institutions deposits	270,931,724	1,035,604	948,234	167,312	1,898,488	274,981,362
Customers' deposits	522,247,135	41,335,842	14,178,123	169,498	6,693,388	584,623,986
Cash margins	90,044,168	5,458,749	217,185	182,546	861,849	96,764,497
Other liabilities	7,564,709	201,021	358,544	748	1,127,755	9,252,777
<b>Total Liabilities</b>	<b>890,787,736</b>	<b>48,031,216</b>	<b>15,702,086</b>	<b>520,104</b>	<b>10,581,480</b>	<b>965,622,622</b>
Net Concentration on-Balance Sheet for the Current Year	11,971,262	1,269,691	1,793,370	385,471	27,769,305	43,189,099
Off-balance Sheet Contingent Liabilities for the Current Year	212,272,409	30,590,664	871,652	3,667,093	6,347,501	253,749,319
<b>For the year 2006</b>						
Assets:						
Cash and balances at the Central Bank	38,266,504	369,708	249,512	-	6,038,286	44,924,010
Balances at banks and financial institutions	261,672,317	6,604,021	6,635,237	810,312	1,724,382	277,446,269
Deposits at banks and financial institutions	25,000	-	-	-	123,867	148,867
Direct credit facilities	300,104,309	18,395,384	-	2,169,381	149,560	320,818,634
Available-for-sale financial assets	43,844,207	7,866,989	1,849,635	-	15,480,667	69,041,498
Held-to-maturity financial assets	9,916,000	-	-	-	-	9,916,000
Fixed assets	251,330	-	-	-	-	251,330
Intangible assets	24,427	-	-	-	-	24,427
Other assets	3,374,118	471,491	595,305	-	1,008,691	5,449,605
<b>Total Assets</b>	<b>657,478,212</b>	<b>33,707,593</b>	<b>9,329,689</b>	<b>2,979,693</b>	<b>24,525,453</b>	<b>728,020,640</b>
Liabilities:						
Banks and financial institutions deposits	75,913,621	663	-	2,191,715	5,637,068	83,743,067
Customers' deposits	429,591,094	22,004,138	7,013,319	186,535	2,328,786	461,123,872
Cash margins	118,433,344	10,642,293	261,542	212,578	482,544	130,032,301
Borrowed Funds	2,566,386	-	-	-	-	2,566,386
Other liabilities	26,676,615	275,324	26,289	1,317	135,030	27,114,575
<b>Total Liabilities</b>	<b>653,181,060</b>	<b>32,922,418</b>	<b>7,301,150</b>	<b>2,592,145</b>	<b>8,583,428</b>	<b>704,580,201</b>
Net Concentration on-Balance sheet for the Current Year	4,297,152	785,173	2,028,539	387,547	15,942,027	23,440,439
Off-balance Sheet Contingent Liabilities for the Current Year	196,037,228	39,116,261	15,802,421	1,175,360	7,352,107	245,909,788

#### 41. 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 financial statements.

Liquidity risk is defined as the loss to which the Bank might be exposed to 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 daily 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	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total
<b>Year 2007</b>								
Liabilities:								
Banks and financial institutions deposits	255,020,553	112,760,017	8,462,623	-	-	-	-	376,243,193
Customers' deposits	1,274,987,505	183,883,781	38,356,245	43,337,130	751,762	230,852	-	1,541,547,275
Share capital payments on account for companies under establishment	44,828,508	-	-	-	-	-	-	44,828,508
Cash margins	134,547,434	16,070,103	16,029,008	18,479,023	302,305	-	-	185,427,873
Borrowed funds	-	-	-	-	5,289,140	16,014,317	-	21,303,457
Provisions	-	-	-	-	-	-	18,167,931	18,167,931
Income tax provision	25,860,828	-	-	-	-	-	-	25,860,828
Deferred tax liabilities	-	-	-	-	562,202	-	-	562,202
Other liabilities	146,056,072	83,434,824	53,729,949	26,055,370	2,563,832	1,408	259,785	312,101,239
<b>Total Liabilities</b>	<b>1,881,300,900</b>	<b>396,148,725</b>	<b>116,577,825</b>	<b>87,871,523</b>	<b>9,469,241</b>	<b>16,246,577</b>	<b>18,427,716</b>	<b>2,526,042,506</b>
<b>Total Assets</b>	<b>795,630,872</b>	<b>358,076,007</b>	<b>319,317,594</b>	<b>343,633,489</b>	<b>357,423,365</b>	<b>601,302,907</b>	<b>69,083,473</b>	<b>2,844,467,707</b>
<b>Year 2006</b>								
Liabilities:								
Banks and financial institutions deposits	135,294,488	6,414,484	2,820,874	-	-	-	-	144,529,846
Customers' deposits	1,002,748,904	170,460,852	43,134,615	27,245,590	345,932	-	-	1,243,935,893
Share capital payments on account for companies under establishment	48,715,733	35,260,931	-	-	-	-	-	83,976,664
Cash margins	180,989,536	43,920,722	7,975,258	14,757,228	681,444	-	-	248,324,188
Borrowed funds	42,313,117	592,384	535,966	5,289,140	2,566,386	7,199,102	-	58,496,095
Provisions	-	-	-	-	-	-	15,679,123	15,679,123
Income tax provision	23,044,822	-	-	-	-	-	-	23,044,822
Deferred tax liabilities	-	-	-	-	663,358	-	-	663,358
Other liabilities	88,259,732	19,071,188	6,550,929	99,559,993	4,539,355	3,724,096	10,294,588	231,999,881
<b>Total Liabilities</b>	<b>1,386,071,844</b>	<b>269,306,077</b>	<b>58,196,768</b>	<b>146,851,951</b>	<b>8,796,475</b>	<b>10,923,198</b>	<b>25,973,711</b>	<b>2,050,649,871</b>
<b>Total Assets</b>	<b>577,678,529</b>	<b>225,617,956</b>	<b>221,038,732</b>	<b>534,972,454</b>	<b>287,915,181</b>	<b>421,863,176</b>	<b>57,799,326</b>	<b>2,326,885,354</b>

**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 financial statements:

	USD			
	Up to One Month	From One Month to 3 Months	From 3 Months to 6 Months	Total
<b>2007</b>				
Trading derivatives:				
Currency	36,619,540	20,016,560	-	59,636,382
Futures contracts	4,390,484	5,588,465	1,530,000	11,508,949
<b>2006</b>				
Trading derivatives:				
Currency	703,561	18,069,415	-	18,772,976

**Third :** Off-balance sheet items:

	USD			
	Up to One Year	From One Year to 5 Years	More than 5 Years	Total
<b>2007</b>				
Letters of credit and acceptances	123,630,841	-	-	123,630,841
Unutilized credits	135,286,951	-	-	135,286,951
Guarantees	237,739,966	18,026,910	5,692,819	261,459,685
Operating lease contract liabilities	17,808	626,904	2,761,326	3,406,038
Capital liabilities	-	-	-	-
<b>Total</b>	<b>496,675,566</b>	<b>18,653,814</b>	<b>8,454,135</b>	<b>523,783,515</b>
<b>2006</b>				
Letters of credit and acceptances	118,098,886	-	-	118,098,886
Unutilized credits	158,895,911	-	-	158,895,911
Guarantees	201,281,986	2,799,757	5,066,925	209,148,669
Operating lease contract liabilities	74,195	699,192	2,503,695	3,277,082
Capital liabilities	-	-	-	-
<b>Total</b>	<b>478,350,977</b>	<b>3,498,949</b>	<b>7,570,621</b>	<b>489,420,547</b>

## 42. Information on the Bank's Business Activities

1. The Bank is organized, for managerial purposes, into three major sectors. Moreover, the Bank owns two subsidiaries in the insurance and financial brokerage sectors:

- Individual accounts: include following up on individual customers accounts, and granting them loans, credit, credit cards, and other services.
- Corporate accounts: include following up on deposits, credit facilities, and other banking services related to customers.
- Treasury: include providing dealing services and management of the Bank's funds.
- Insurance services: include most insurance services.
- Financial brokerage services: include practicing most of the financial brokerage and consultation services.

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

USD

							Total	
							December 31,	
	Individuals	Corporations	Treasury	Insurance Services *	Brokerage *	Others	2007	2006
Gross income	12,049,910	70,896,271	35,766,389	7,380,017	3,394,021	7,007,364	<b>136,493,972</b>	79,702,510
Provision for credit facilities (surplus)	217,260	1,897,138	-	-	-	-	<b>2,114,398</b>	(3,662,477)
Results of Business Sector	11,832,650	68,999,133	35,766,389	7,380,017	3,394,021	7,007,364	<b>134,379,574</b>	83,364,987
Undistributed Expenditures	-	-	-	(4,743,839)	(1,472,622)	(38,362,843)	<b>(44,579,304)</b>	(27,421,306)
Income before Taxes	11,832,650	68,999,133	35,766,389	2,636,178	1,921,399	(31,355,479)	<b>89,800,270</b>	55,943,681
Less: Income tax	-	-	-	(573,382)	(451,109)	(24,746,636)	<b>(25,771,127)</b>	(15,810,869)
<b>Income (loss) for the Year</b>	<b>11,832,650</b>	<b>68,999,133</b>	<b>35,766,389</b>	<b>2,062,796</b>	<b>1,470,290</b>	<b>(56,102,115)</b>	<b>64,029,143</b>	<b>40,132,812</b>
Additional Information:								
Sector's Assets	83,712,394	1,474,822,368	1,146,942,014	39,198,784	15,891,639	-	<b>2,760,567,199</b>	1,590,388,953
Eliminating inter-sector assets and liabilities	-	-	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-	-	-
Assets not distributed over sectors	-	-	-	-	-	83,900,511	<b>83,900,511</b>	59,372,764
<b>Total Assets</b>	<b>83,712,394</b>	<b>1,474,822,368</b>	<b>1,146,942,014</b>	<b>39,198,784</b>	<b>15,891,639</b>	<b>83,900,511</b>	<b>2,844,467,710</b>	<b>1,649,761,717</b>
Sector's Liabilities	907,088,945	1,033,693,193	468,156,419	21,525,726	3,104,282	-	<b>2,433,568,565</b>	1,403,427,496
Liabilities not distributed over sectors	-	-	-	-	-	92,473,944	<b>92,473,944</b>	50,483,263
<b>Total Liabilities</b>	<b>907,088,945</b>	<b>1,033,693,193</b>	<b>468,156,419</b>	<b>21,525,726</b>	<b>3,104,282</b>	<b>92,473,944</b>	<b>2,526,042,509</b>	<b>1,453,910,759</b>
Capital Expenditures	-	-	-	-	-	2,961,843	<b>2,961,843</b>	2,672,825
Depreciation and amortization	-	-	-	-	-	5,064,822	<b>5,064,822</b>	4,596,931

#### 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, and these operations represent the local operations. Moreover, the Bank conducts international operations through its branches in Palestine and Cyprus.

Information on the geographical allocation

USD

	Inside Jordan		Outside Jordan		Total	
	2007	2006	2007	2006	2007	2006
Total Revenue	<b>196,923,233</b>	155,303,378	<b>34,930,904</b>	21,195,972	<b>231,854,137</b>	176,499,350
Total Assets	<b>2,175,724,975</b>	1,730,042,993	<b>668,742,732</b>	596,842,361	<b>2,844,467,707</b>	2,326,885,354
Capital expenditures	<b>2,411,811</b>	3,438,608	<b>550,032</b>	331,244	<b>2,961,843</b>	3,769,852

## 43 - 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 as per the Central Bank of Jordan instructions. Furthermore, capital consists 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 and minority interest amounts net of loss for the period, costs of the acquisition of treasury stock, decrease in the provisions required from the Bank, and goodwill; and Support capital (tier 2) consisting of the

undeclared reserves, exchange rate differences, general banking risks reserve, instruments with debt-equity shared characteristics, support debts and 45% of the cumulative change in fair value, if positive, and 100%, 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 and 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 of Jordan require that equity-to-assets ratio be not less than 6%. Moreover, the Central Bank of Jordan 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. Additionally, the Bank complies with Article (62) of the Banks Law which requires the Bank to appropriate 10% of its 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 controlled 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 non-adherence to the minimum capital requirement. The Bank concentrates on the internal generation of capital and can resort to public subscriptions to meet expansionary needs, future plans, and requirements of the regulatory bodies according to specified studies.

Capital is allocated to work lines and various functions according to assets weighted by risks and as per the decisions of Basel Committee and the Central Bank of Jordan.

There are no adjustments to the capital adequacy ratio between the years 2007 and 2006. Moreover, the Bank complies with the requirements of the regulatory authorities concerning capital.

#### **d. Reason for and sources of change in the Bank's regulatory capital during the year:**

Increase in regulatory capital amounted to USD 43,251,288 from the following sources:

- Increase in statutory reserve of USD 8,836,427.
- Increase in voluntary reserve of USD 17,672,855.
- Increase in retained earnings of USD 13,039,520.
- Increase in general banking risks reserve of USD 1,539,938.
- Decrease in the investments in the capitals of banks and other financial institutions of USD 1,383,691.

#### **e. The amount the Bank considers as capital and capital adequacy ratio are as follows:**

	2007	2006
	Thousands of USD	
Primary capital items	278,415,293	236,592,162
Additional capital items	14,784,293	13,356,137
Auxiliary capital items	-	-
Total regulatory capital	293,199,587	249,948,299
Total risk – weighted assets	1,958,589,805	1,600,763,031
Capital adequacy ratio	14.97%	15.61%
Primary capital ratio	14.22%	14.78%



#### 44. Accounts Managed on Behalf of Customers

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

#### 45. 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
<b>Year 2007</b>			
<b>ASSETS</b>			
Cash and balances at central banks	359,409,611	-	359,409,611
Balances at banks and financial institutions	447,790,262	-	447,790,262
Deposits at banks and financial institutions	4,159,128	-	4,159,128
Trading financial assets	2,639,286	-	2,639,286
Direct credit facilities - net	820,044,937	770,197,335	1,590,242,272
Available-for-sale financial assets	96,297,006	184,705,060	281,002,066
Held-to-maturity investments - net	34,733,594	24,020,372	58,753,966
Fixed assets - net	-	18,583,293	18,583,293
Intangible assets	-	2,541,764	2,541,764
Deferred tax assets	-	2,268,261	2,268,261
Other assets	51,584,138	25,493,660	77,077,798
<b>Total Assets</b>	<b>1,816,657,962</b>	<b>1,027,809,747</b>	<b>2,844,467,707</b>
<b>LIABILITIES</b>			
Banks and financial institutions deposits	376,243,193	-	376,243,193
Customers deposits	1,540,564,661	982,614	1,541,547,275
Share capital payments on account for companies under establishment	44,828,508	-	44,828,508
Cash margins	185,125,568	302,305	185,427,873
Borrowed funds	-	21,303,457	21,303,457
Provisions	-	18,167,931	18,167,931
Provision for income tax	25,860,828	-	25,860,828
Deferred tax liabilities	-	562,202	562,202
Other liabilities	309,276,214	2,825,025	312,101,239
<b>Total Liabilities</b>	<b>2,481,898,972</b>	<b>44,143,534</b>	<b>2,526,042,506</b>
<b>Net</b>	<b>(665,241,010)</b>	<b>983,666,213</b>	<b>318,425,201</b>

USD

	Up to One Year	More than One Year	Total
Year 2006			
<b>ASSETS</b>			
Cash and balances at central banks	253,367,433	-	253,367,433
Balances at banks and financial institutions	278,829,932	-	278,829,932
Deposits at banks and financial institutions	4,380,179	-	4,380,179
Trading financial assets	2,234,175	-	2,234,175
Direct credit facilities - net	776,675,014	576,180,725	1,352,855,739
Available-for-sale financial assets	124,820,664	138,306,178	263,126,842
Held-to-maturity investments - net	59,368,585	9,916,000	69,284,585
Fixed assets - net	-	16,805,659	16,805,659
Intangible assets	-	2,506,283	2,506,283
Deferred tax assets	-	1,809,520	1,809,520
Other assets	61,441,209	20,243,798	81,685,007
<b>Total Assets</b>	<b>1,561,117,191</b>	<b>765,768,163</b>	<b>2,326,885,354</b>
<b>LIABILITIES</b>			
Banks and financial institutions deposits	144,529,846	-	144,529,846
Customers deposits	1,243,589,961	345,932	1,243,935,893
Share capital payments on account for companies under establishment	83,976,664	-	83,976,664
Cash margins	247,642,745	681,444	248,324,189
Borrowed funds	48,730,606	9,765,488	58,496,094
Provisions	-	15,679,123	15,679,123
Provision for income tax	23,044,822	-	23,044,822
Deferred tax liabilities	-	663,358	663,358
Other liabilities	213,441,843	18,558,039	231,999,882
<b>Total Liabilities</b>	<b>2,004,956,487</b>	<b>45,693,384</b>	<b>2,050,649,871</b>
<b>Net</b>	<b>(443,839,294)</b>	<b>720,074,780</b>	<b>276,235,483</b>

## 46. Commitments and Contingent Liabilities (Off-Balance Sheet)

### a- Credit commitments and contingencies:

	USD	
	2007	2006
Letters of credit	101,961,100	102,328,949
Acceptances	21,671,151	15,769,938
Letters of guarantee:	-	-
Payments	112,931,685	81,735,515
Performance bonds	89,588,071	69,588,614
Other	58,939,929	57,824,540
Unutilized credit facilities	135,286,951	158,895,911
<b>Total</b>	<b>520,377,477</b>	<b>486,143,467</b>

### b- Contractual obligations:

	USD	
	2007	2006
Contracts to purchase fixed assets	703,137	1,268,769
Construction contracts	1,383,456	1,054,997
Other contracts	875,251	1,446,086
	<b>2,961,843</b>	<b>3,769,852</b>

d- Operating leases amounted to USD 3,406,038 with periods ranging from 1 to 12 years.

e- Unpaid investment participations amounted to USD 1,628,691. The details are as follow:

	USD		
Company's Name	Total Investment	Remaining Obligation	Settlement Rate
Jordan Investment Fund	1,000,000	300,000	Upon demand
National Palestinian Electricity Company	1,000,000	990,000	Upon demand
Palestine Company for Industrial Zones Development and Construction	255,102	1,269	Upon demand
Agricultural Products Exporting Company	450,000	337,422	Upon demand

## 47. Lawsuits Against the Bank

a - The Bank is a defendant in lawsuits amounting to USD 3,194,852 as of December 31, 2007, compared to USD 2,795,769 as of December 31, 2006. In the opinion of the Bank's management and legal advisor, no liabilities shall arise against the Bank exceeding the existing provision of USD 305,128 as of December 31, 2007 (USD 253,499 as of December 31, 2006).

b - As of December 31, 2007 and 2006, there were no lawsuits against the subsidiary company United Company for Financial Investments.

c - Furthermore, there were lawsuits against the subsidiary company Arab Orient Insurance Company in relation to various accidents claiming compensations amounting to USD 945,628 as of December 31, 2007 (USD 1,031,206 as of December 31, 2006). In the opinion of the Bank's management and its legal advisor, no liabilities exceeding the allotted amounts within the net claims provision are likely to arise.

## 48. New Financial Reporting Standards

The International Accounting Standards Board issued amendments to the International Accounting Standards and new International Financial Reporting Standards which have become effective from January 1, 2007. The details are as follows:

- International Financial Reporting Standard No. (7) Financial Instruments (Disclosure):

This standard requires additional disclosures about financial instruments and their impact on the financial position and performance in addition to further information on the extent of exposure to risks arising from financial instruments.

- Amendments to International Accounting Standard No. (1) – Financial Statements Presentation:

Application of International Financial Reporting Standard No. (7) and amendments to IAS (1), led to expanding the disclosure and notes to the financial statements relating to financial instruments and management of capital.

- The International Financial Reporting Interpretations Committee (IFRIC) issued the following interpretations which have become effective during the year 2007:

IFRIC 7 : Applying the restatement approach under IAS 29, financial reporting in hyperinflationary economies

IFRIC 8 : Scope of IFRS No.2.

IFRIC 9 : Reassessment of embedded derivatives.

IFRIC10: Interim financial reporting and consolidated financial statements of the Bank.

The application of these interpretations has had no material impact on the accounting policies adopted by the Bank.

The following International Financial Reporting Standards and accounting interpretations were not in effect at the time of the preparation of the accompanying financial statements:

IFRS 8 – Operating segments. \*

IFRS 3 – Business combinations. \*

IAS 1 – Amendments to financial statements presentation \*

IAS 23 – Amendments to accounting treatment of borrowing costs \*

IAS 27 – Consolidated and detailed financial statements \*

IFRIC 12 – Service concession arrangements. \*\*

IFRIC 13 – Non-monetary contributions of joint venturers. \*\*\*

IFRIC 14 – IAS 19: Employees benefits.

\* Effective from January 1, 2009.

\*\* Effective from January 1, 2008.

\*\*\* Effective from July 1, 2008.

Management of the Bank expects to apply the above International Financial Reporting Standards and interpretations to the Bank's financial statements at the effective date of each as shown above.

## 49. Comparative Figures

Some of the comparative figures for the year 2006 have been reclassified to correspond with the year 2007 presentation.

## Jordan Kuwait Bank

### Statement of Disclosure for the Financial Year ending 31/12/2007, in accordance with article (4) of the disclosure regulations, the accounting and auditing standards issued by 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 48 branches and cash offices in Jordan, in addition to two branches in Palestine and one branch in Cyprus. Total capital expenditure for the year 2007 amounted to USD 2.962 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 / Abdali	391	Shmeissani Branch	14	Irbid Branch	12
Main Branch	18	Al-Rabiyah Branch	6	Wadi Saqra Branch	5
Abdali Branch	15	Vegetable Market Branch	7	Al-Husson St. Branch- Irbid	7
Jabal Amman Branch	10	Madina Munawarah St. Branch	10	Yarmouk University office	6
Wehdat Branch	11	Sweifiyah Branch	12	Al-Mafraq Office	5
Tla' El 'Ali Branch	11	Nazzal Branch	7	Al-Karak Office	4
Jabal Al-Hussein Branch	12	Mecca Mall Branch & Office	12	Aqaba Branch	7
Commercial Center Branch	10	Petra University Office	2	Aqaba Gate Office	3
Abu-Alanda Branch	9	Abdullah Ghousheh St. Branch	7	Zarqa Branch	11
Yarmouk Branch	9	Al-Mougablain Branch	6	Russaifeh Branch	8
Wadi El-Seir Branch	12	Marj El-Hamam Branch	5	Zarqa Free Zone Branch	8
Jubaiha Branch	13	Sweileh Office	3	New Zarqa Branch	6
Amra Branch	8	Amman Ahliyyah University Office	3	Prince Hamza Hosp. Office	2
Abdoun Branch	7	Baq'ah Branch	6	Nablus Branch -Palestine	14
Abu-Nsair Branch	4	Madaba Branch	6	Regional Management & Ramallah Branch - Palestine	12
Marka Branch	7	Al-Salt Office	3	Cyprus Branch	5
Ibn Khaldoun Branch	5	King Abdullah Bureau Office	2	Arab Orient Insurance Co. (Subsidiary)	125
Dabouq Branch	3	City Mall Branch	5	United Financial Investments Co. (Subsidiary)	15

## 4b /2

### Subsidiaries:

#### 1- Arab Orient Insurance Company:

Arab Orient Insurance Company was established in 1996. The company writes all general insurance classes and enjoys a reputable and leading position amongst the local insurance market in terms of premium and market share. AOIC is the first and only insurance company in Jordan to be rated by the international rating agency "A.M. Best". In 2007, it was rated (B+ Secure with Stable Outlook). The company serves more than 2950 corporate accounts enjoying first class reinsurance security. Furthermore, AOIC provides the market with seventeen unique individual schemes that meet clients' needs and requirements. AOIC is the pioneer company in launching both bancassurance and e-insurance projects in Jordan.

In 2001 the company became a subsidiary of Jordan Kuwait Bank. The Bank holds 65.7% of the company's capital of JD 10 million (USD14.1m) as at December 2007.

The Company's H.Q. is located in Abdali, Amman.

#### 2- United Financial Investments Company:

United Financial Investments (UFICO) was established in 1980. In 1995 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 50.46% of the company's capital of JD 5 million (USD 7.05m) as at December 2007.

The Company's H.Q. is located in Sweifiyyah, Amman.

## 4b/3

### Executives' Biography:

#### 1- Board of Directors:

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

**Chairman & CEO / Representative of Strategy Co. for Investments.**

**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.

Past 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, (4/3/1999 - 13/1/2000).
- 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 (4/2/1996 - 20/3/1997).
- Minister of Foreign Affairs (8/1/1995 - 4/2/1996).
- Minister of Labor (1991 - 1993).
- Minister of Tourism (1989 - 1991).

Present Administrative Positions:

- Chairman, United Financial Investments Company.
- Chairman, Algeria Gulf Bank - Algiers.
- Board Member, Jordan Dairy Company.
- Board Member, Burgan Bank - Kuwait.

Previous Experiences:

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

## 2. Mr. Faisal Hamad 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 fighter pilot in the Kuwait Air Force.

- Chairman, United Gulf Bank- Bahrain.
- Managing Director & CEO, Kuwait Projects Co. (Holding).
- Chairman, National Mobile Telecommunications Company- Kuwait.
- Board Member, Saudi Dairy & Foodstuff Co (SADAFCO).
- Vice Chairman, Gulf Insurance Company - Kuwait, United Assets Management Company- Luxembourg.
- Board Member, Gulf Egypt for Hotels & Tourism Company.
- Board Member, United Broadcasting Company "Showtime" and Swiss Premium Food Co.
- Member on Board of Trustees, American University of Kuwait.
- Holder of the Jordanian Medal of Independence of the First Order.
- Winner of Arab Bankers Association of North America Achievement Award in 2005.

## 3. Mr. Moh'd Ahmad Abu Ghazaleh

**Board Member**

**Date of Membership:** 15/2/2004

**Date of Birth:** 1942

**Education:** Bachelor degree in Business Administration, American University- Cairo, 1964.

- Chairman and CEO, Del Monte Fresh Produce (NYSE).
- Chairman, National Poultry Company.
- Chairman, Royal Jordanian Aviation Academy.
- Board Member, United Cables Industries Company.

## 4. Mr. Masaud 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.

- Chairman, KIPCO Asset Management Co. (KAMCO).
- Managing Director, United Gulf Bank - Bahrain.
- Chairman & Head of the Executive Committee, Tunis International Bank - Tunis.
- Deputy Chairman & Head of the Executive Committee, Algeria Gulf Bank - Algeria.
- Chairman, United Gulf Financial Services Co. - Qatar.
- Chairman, Syria Gulf Bank - Syria.
- Board Member, United Fisheries Co. – Kuwait.
- Board Member, International Investor Co. - Kuwait.
- Board Member, National Telecommunications Co. - Algeria.
- Board Member, Union of Investments Companies - Kuwait.

- Board Member, Bank of Baghdad - Iraq.
- Head of the Executive Committee, North Africa Co.
- Board Member, Tunis Arab International Bank (1986 – 1996).
- Board Member & Deputy of the Head of the Executive Committee, Bahrain and Kuwait Bank (1986 – 1995).
- Board Member, Industrial Investments Co. (1993 – 2001).
- Board Member, Gulf Insurance Company plc (1997 – 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.

#### 5. Mr. Tariq Moh'd. Abdul Salam

**Board Member / Representative of Kuwait Projects Company (Holding) – Kuwait.**

**Date of Membership:** 15/7/1997

**Date of Birth:** 1965

**Education:** Bachelor degree in Accounting, Kuwait University, and holds the International Securities Industry general certification from I.S.M.A. and the University of Reading.

- Chairman, Burgan Bank- Kuwait.
- Vice Chairman, Kuwait Clearing Co. – Kuwait.
- Board Member, KIPCO Asset Management Co. (KAMCO).
- Chairman, United Gulf Bank Securities Co. – Bahrain.
- CEO, United Real Estate Company-Kuwait.
- Assistant CEO, Trading and Investment Portfolio Management, Kuwait Projects Co.-Kuwait (1996 – 1998).
- Manager, Trading and International Investment Portfolio Management, Kuwait Projects Co.-Kuwait (1992-1996).
- Manager, Accounts Department, International Financial Investment Company (1987-1989).

#### 6. H.E. Eng. Naser Ahmad Louzi

**Board Member**

**Date of Membership:** 20/2/2001

**Date of Birth:** 1957

**Education:** Bachelor degree in Civil Engineering , Texas University, Arlington -USA, 1979.

- Chairman, Royal Jordanian Airlines.
- Chairman, Arab Orient Insurance Company.
- Board Member, Jordan Steel Company/ Representative of Jordan Kuwait Bank.
- Board Member, New Cables Company.
- Member of "All Jordan" committee, Head of the Communications Committee.
- Member on Board of Trustees, King Hussein Institution.
- Occupied several ministerial positions between 1996 and 2000.
- Holder of the Jordanian Al Kawkab Medal of the first order and the Independence Medal of the first order.



## 7. Mr. Emad Jamal 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

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

## 8. Dr. Yousef Musa Goussous

**Board Member / Representative of United Gulf Bank – Bahrain.**

**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.

- Specialist in heart disease.
- 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.
- Fellow of several distinguished British and American medical institutions.
- Holder of several elite civil, military and medical medals of achievement in Jordan and abroad.

## 9. Mr. Farouk Aref Al -Aref

**Board Member**

**Date of Membership:** 15/7/1997

**Date of Birth:** 1938

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

- Board Member, Arab Orient Insurance Co. / Representative of Jordan Kuwait Bank.
- Head of Management Committee, Jordan SADAFCO Food Company
- Head of Management Committee, Gulfcom Telecommunications till July, 2007 and then the CEO.
- Deputy General Manager, Al Razi Pharmaceutical Company (1993-1999).
- Deputy General Manager, Jordan Kuwait Bank (1988-1993).
- Administration Manager, Ministry of Public Works - Kuwait (1961-1966).
- General Manager, Nayef Al Dabbous & Sons Co. - Kuwait (1970-1988).

## 2- Executive Management:

### 1. Mr. "Moh'd Yaser" 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:**

- Asst. General Manger, Credit Dept (1990 – 1993).
- Asst. General Manger, Credit Administration and Control, Commercial Bank of Kuwait – Kuwait (1971 – 1990).

### 2. Mr. Tawfiq Abdel Qader Mukahal

**Position:** Deputy General Manager – Banking Group from 1/11/2007.

**Date of Birth:** 1951

**Date of Joining:** 12/10/1991

**Education:** Secondary School Certificate

**Experiences:**

- 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. Majed Fayad Burjak

**Position:** Deputy General Manager – Support Services Group from 1/11/2007.

**Date of Birth:** 1947

**Date of Joining:** 18/7/1998

**Education:** Bachelor degree in Economic & Commerce, University of Jordan, 1969.

**Experiences:**

- Asst. General Manger, Operations (1998 – 2007)
- Asst. General Manager, Operations, Export & Finance Bank (1996 – 1998).
- Regional Operations Manager, Standard Chartered Grindleys (1970 – 1996)

### 4. Mr. William Jameel Dababneh

**Position:** Asst. General Manager – Treasury & Investment Dept.

**Date of Birth:** 1957

**Date of Joining:** 27/8/1994

**Education:** Secondary School Certificate 1975

**Experiences:**

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

#### 5. Mr. Shaher Eid Suleiman

**Position:** Asst. General Manager – Internal Audit Dept.

**Date of Birth:** 1963

**Date of Joining:** 16/5/1999

**Education:** MSc. International Banking, Heriot-Watt University – U.K., 1998

**Experiences:**

- Worked at the Central Bank of Jordan (1988 – 1999).

#### 6. Mrs. Hiyam Saleem Habash

**Position:** Asst. General Manager – Financial Dept.

**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).

#### 7. Dr. Nasser Mustafa Khraishi

**Position:** Asst. General Manager – IT Dept.

**Date of Birth:** 1962

**Date of Joining:** 26/9/2004

**Education:** PhD. Electrical Engineering, Stanford University – U.S.A. 1990

**Experiences:**

- Worked for American consultant firms specialized in Technology & Programming (1999 – 2004).
- Development Manager at one of SunGard's Data Systems Companies (USA) specialized in Risk Management & Financial Derivatives (1994 – 1999).
- Worked for American companies specialized in Control Systems (1988 – 1994).

#### 8. Mr. Ismail Ahmad Abu-Adi

**Position:** Asst. General Manager – Credit Dept. from 1/11/2007.

**Date of Birth:** 1964

**Date of Joining:** 3/9/2000

**Education:** MSc. in Banking & Finance, Arab Academy, 1992.

**Experiences:**

- Executive Manager, Credit Dept. (2005 – 2007).
- Manager, Credit Dept. (2000 – 2005)
- Previous Experience in Jordan Kuwait Bank (1988 - 1998).

## 9. Mr. Jamal Mah'd Baker Hasan

**Position:** Asst. General Manager – Branches Dept. from 1/11/2007.

**Date of Birth:** 1956

**Date of Joining:** 2/8/1986

**Education:** Banking & Finance Diploma, Institute of Banking Studies, 1980.

**Experiences:**

- Executive Manager, Branch Administration (2006 - 2007)
- Regional Manager, Branch Administration (2002-2006)
- Branch Manager (1986 -2002)
- Banking operations, Arab Bank – Amman (1975 - 1982)
- Banking operations, Arab Bank – Riyadh (1982 - 1986).

## 10. Mr. Abdel Hameed Mah'd Al-Ahwal

**Position:** Asst. General Manager – Operations Dept. from 1/11/2007.

**Date of Birth:** 1954

**Date of Joining:** 1/4/1990

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

**Experiences:**

- Executive Manager, Branch Administration (2006 – 2007)
- Executive Manager, Branch Administration (2000 – 2006).
- Branch Manager (1990 – 1999).
- Previous Banking Experience (1982 – 1989).

## 11. Mr. Haethum Sameeh Buttikhi

**Position:** Asst. General Manager – Retail and Consumer Products Dept. from 1/11/2007.

**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:**

- Executive Manager, Private Banking Unit (1/1/2007 – 31/10/2007).
- Manager, Main Branch (2003 – 2006)

## 12. Mr. Milad Yousef Faraj

**Position:** Executive Manager – Commercial Services Dept.

**Date of Birth:** 1947

**Date of Joining:** 2/9/2001

**Education:** Bachelor degree in Business Administration, University of Jordan, 1970

**Experiences:**

- Executive Manager, Commercial Services Dept., Cairo Amman Bank (1990 - 2001).
- Asst. Manager, Main Branch, Bank of Jordan (1974 - 1990)

### 13. Mr. Suhail Moh'd Turki

**Position:** Executive Manager – Public Relations Dept.

**Date of Birth:** 1944

**Date of Joining:** 19/10/1991

**Education:** Secondary School Certificate, 1964

**Experiences:**

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

### 14. Mr. Ibrahim Essa Kashet

**Position:** Executive Manager – Legal Dept.

**Date of Birth:** 1962

**Date of Joining:** 1/4/1989

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

#### 4b/4 Shareholders who own 5% or more of the Bank's shares (2007 & 2006).

Shareholder	Nationality	No. of Shares 31/12/2007	%	No. of Shares 31/12/2006	%
United Gulf Bank - Bahrain	Bahraini	33,068,172	44.091	33,068,172	44.091
Social Security Corporation	Jordanian	15,833,425	21.11	15,843,725	21.125

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

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

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

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

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

Total numbers of employees as at 31/12/2007 was (786) of whom (14) were employed at Nablus branch, (12) at Ramallah branch and (5) at Cyprus branch. In addition, there were (140) employees at the Subsidiaries as on 31/12/2007.

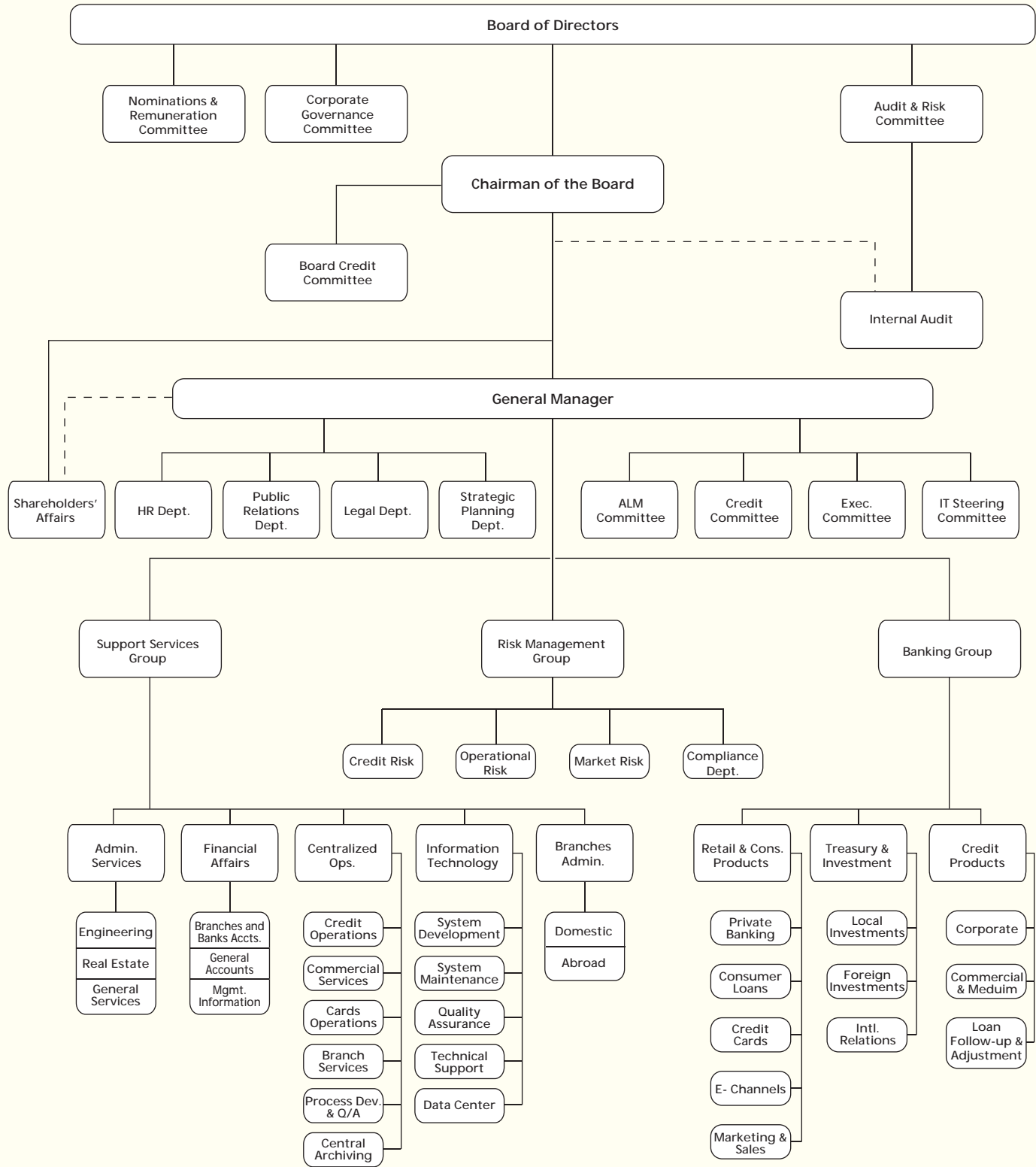
### Staff educational qualifications:

	Jordan Kuwait Bank	Arab Orient Insurance Co.	United Financial Investments Co.
Qualification	Number	Number	Number
PhD	1	-	-
Masters	45	1	2
Bachelor	463	93	7
Higher Diploma	8	2	-
Diploma	170	14	2
Secondary School Certificate	47	12	4
Pre- Secondary School Certificate	52	3	-
<b>Total</b>	<b>786</b>	<b>125</b>	<b>15</b>

### Staff training during 2007:

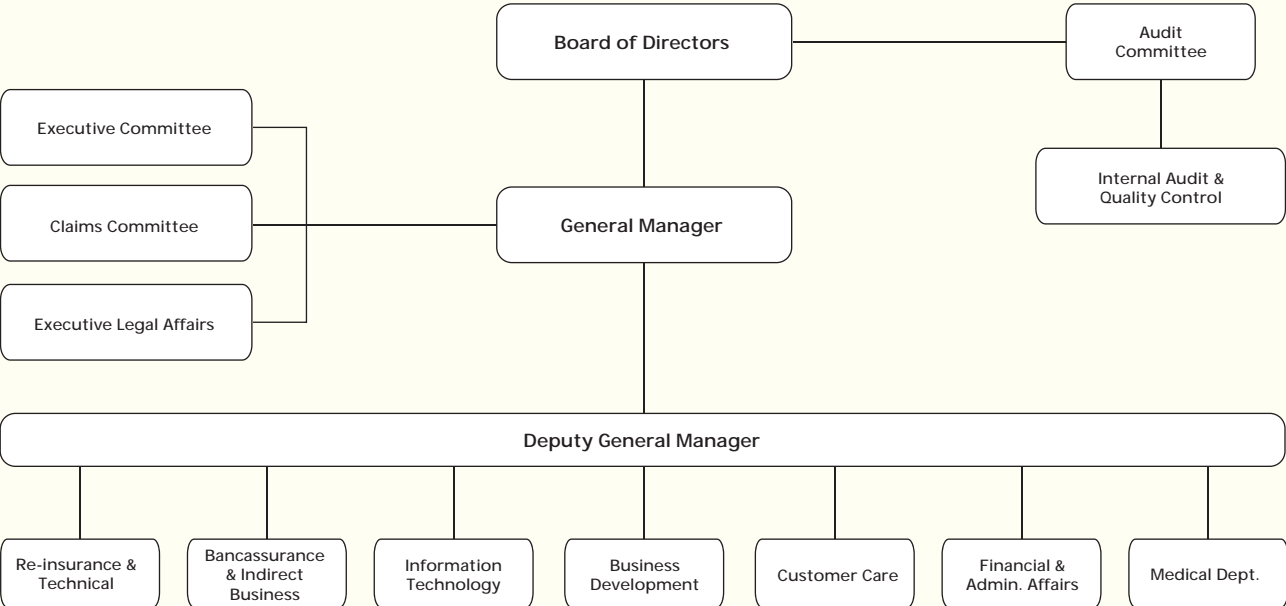
Training Field	Number of Courses	Number of Participants
Credit, Finance & Investment	19	154
IT & Information Systems	21	104
Marketing & Customer Care	16	552
Corporate Governance & Basel II	3	69
Banking & Financial Operations	34	672
Management & Behavioral Skills for employees	33	583
Money Laundry , Compliance & Risk Management	22	712
Others	10	29
<b>Total</b>	<b>158</b>	<b>2875</b>

# JKB Organizational Structure

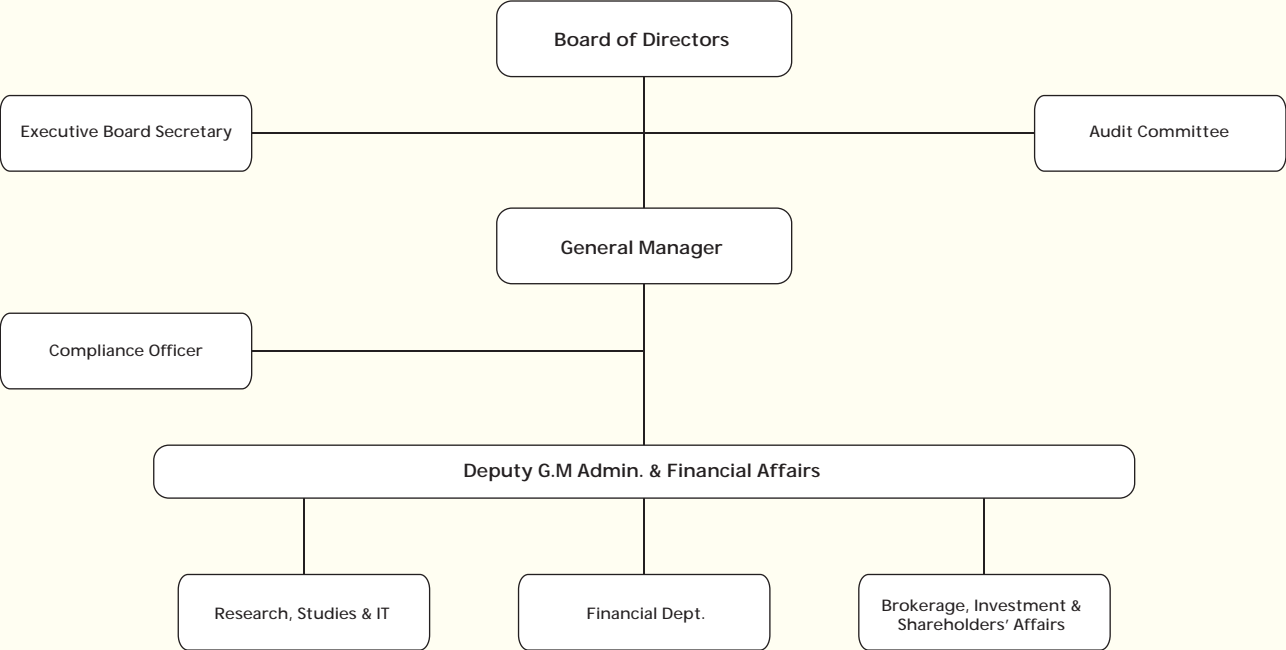


# Subsidiaries' Organizational Structures

## Arab Orient Insurance Co.



## United Financial Investments Co.





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

**4b/11 Achievements during 2007:** 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 2007.

**4b/13 Changes in Net Profit, Dividend, Shareholders' equity and Share price (2003 -2007)**

*Amounts in Thousand US Dollars*

Year	Profit before tax	Dividend		Bank Shareholders' Equity	Share / \$
		Bonus Shares	Cash		
2003	28,794	25%	20%	95,742	12.06
2004	39,025	28%	20%	118,434	16.64
2005	55,435	50%	-	145,100	14.95
2006	78,905	-	20%	264,690	9.21
2007	89,800	33.3%	20%	306,000	11.64

**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 the subsidiaries for 2007 amounted to USD 187,956 detailed as follows:

	USD
Jordan Kuwait Bank	151,463
Arab Orient Insurance Co.	20,451
United Financial Investments Co.	16,042
<b>Total</b>	<b>187,956</b>

4b/17 Shares owned by the Board Members during 2007 & 2006:

	Name	Position	Nationality	Shares 31/12/2007	Shares 31/12/2006
1	Strategy Company for Investments	Chairman	Jordanian	781,568	781,568
	H.E. Abdel Karim A. Kabariti	Representative of Strategy Company for Investments	Jordanian	447	447
2	United Gulf Bank - Bahrain	Vice Chairman	Bahraini	33,068,172	33,068,172
	Mr. Faisal Hamad Al-Ayyar	Representative of United Gulf Bank	Kuwaiti	7,500	7,500
	Dr. Yousef Musa Goussous	Representative of United Gulf Bank	Jordanian	1,490	6,230
3	Al Futtooh Holding Co.	Board Member	Kuwaiti	33,747	33,747
	Mr. Masaud M. Jawhar Hayat	Representative of Al Futtooh Holding Co.	Kuwaiti	-	-
4	Kuwait Projects Company (Holding)- Kuwait	Board Member	Kuwaiti	38,247	38,247
	Mr. Tariq Moh'd Abdul Salam	Representative of Kuwait Projects Company (Holding)	Kuwaiti	7,500	7,500
5	H.E Eng. Naser Ahmad Louzi	Board Member	Jordanian	3,747	3,747
6	Social Security Corporation	Board Member	Jordanian	15,833,425	15,843,725
	Mr. Emad Jamal Kudah	Representative of Social Security Corporation	Jordanian	-	-
7	Mr. Moh'd Ahmad Abu Ghazaleh	Board Member	Jordanian	652,491	605,906
8	Mr. Farouk A. Al-Aref	Board Member	Jordanian	10,503	10,503

### Shares owned by the Bank Executives during 2007 & 2006

	Name	Position	Nationality	Shares 31/12/2007	Shares 31/12/2006
1	Mr. "Moh'd Yaser" Al-Asmar	General Manager	Jordanian	24,000	24,000
2	Mr. Tawfiq A/Q. Mukahal	Deputy G.M / Banking Group	Jordanian	-	-
3	Mr. Majed F. Burjak	Deputy G.M / Support Services Group	Jordanian	-	-
4	Mr. William J. Dababneh	Asst. G.M. / Treasury & Investment Dept.	Jordanian	-	-
5	Mr. Shaher E. Suleiman	Asst. G.M. / Internal Audit Dept.	Jordanian	-	-
6	Mrs. Hiyam S. Habash	Asst. G.M / Financial Dept.	Jordanian	1,200	1,200
7	Mr. Nasser M. Khraishi	Asst. G.M. / IT Dept.	Jordanian	-	-
8	Mr. Jamal M. Baker Hasan	Asst. G.M. / Branches Dept.	Jordanian	-	-
9	Mr. Abdel Hameed M. Al- Ahwal	Asst. G.M. / Operations Dept.	Jordanian	-	-
10	Mr. Ismail A. Abu-Adi	Asst. G.M. / Credit Dept.	Jordanian	468	468
11	Mr. Haethum S. Buttikhi	Asst. G.M. / Retail & Consumer Products Dept.	Jordanian	-	-
12	Mr. Milad Y. Faraj	Executive Manager / Commercial Services Dept.	Jordanian	-	-
13	Mr. Suhail M. Turki	Executive Manager / Public Relations Dept.	Jordanian	3,694	3,694
14	Mr. Ibrahim E. Kashet	Executive Manager / Legal Dept.	Jordanian	-	1,875

### Shares owned by the relatives of Board Members and Bank Executives (2007 & 2006)

	Name	Relation	Nationality	Shares 31/12/2007	Shares 31/12/2006
1	Mrs. Zakiah I. Murad	Wife of Mr. Farouk A. Al-Aref / Board Member	Jordanian	10,807	10,807
2	Mrs. Hind M. Jaber	Wife of Mr. "Moh'd Yaser" Al-Asmar / General Manager	Jordanian	22,625	22,625
3	Mrs. Shahira A. Bdair	Wife of Mr. Tawfiq A. Mukahal / Deputy G.M. – Banking Group	Jordanian	20,000	20,000
4	Mrs. Wissam A. G'arah	Wife of Mr. Jamal M. Hasan / Asst. General Manager - Branches	Jordanian	312	312
5	Mrs. Suhair M. Turki	Wife of Mr. Suhail M. Turki / Executive Manager- Public Relations Dept.	Jordanian	125	125

### Shares held by companies controlled by Board Members

Board Member	Name of Controlled Company	Ownership %	Shares of Controlled Company	
			31/12/2007	31/12/2006
United Gulf Bank-Bahrain	KIPCO Asset Management Co. (KAMCO)	72.63	418,308	55,653
Al Futtooh Holding Co. - Kuwait	Kuwait Projects Co. (Holding)- Kuwait	42.47	38,247	38,247
Kuwait Projects Co. (Holding)-Kuwait	Burgan Bank-Kuwait	50.79	3,663,805	900,000
Kuwait Projects Co.(Holding)- Kuwait	United Gulf Bank - Bahrain	87.72	33,068,172	33,068,172

**4b/18 Executives' Remuneration:** Total salaries, allowances and travel expenses paid to the Senior Executives at the Bank and its subsidiaries during 2007 amounted to USD 2,640,300 exclusive of performance related incentives.

**4b/19 Donations:** Total donations made by the Bank and its subsidiaries during 2007 amounted to USD 209,638. Details of which are listed below:

Recipient	Amount / USD
Charities	126,137
Clubs	8,744
Social Activities	13,059
Researches and Conferences	27,150
Subsidiaries' Donations	18,190
External Branches' Donations	1378
Others	14,471
<b>Total</b>	<b>209,639</b>

**4b/20** The Bank had contracted with its subsidiary (Arab Orient Insurance Company) for general insurance coverage including health and accident insurance for its staff. The value of such contracts amounted to USD 767,893. 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 2008.

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

#### Chairman & the Members of the Board Signatures

Chairman & the Members of the Board

Signatures

1. H. E. Mr. Abdel Karim A. Kabariti / Representative of Strategy Company for Investments

2. Mr. Faisal Hamad Al -Ayyar / Representative of United Gulf Bank

3. Mr. Moh'd Ahmad Abu Ghazaleh

4. Mr. Masaud Jawhar Hayat / Representative of Al Futtooh Holding Co.

5. Mr. Tariq Moh'd. Abdul Salam / Representative of Kuwait Projects Company (Holding)

6. H.E. Eng. Naser Ahmad Louzi

7. Mr. Emad Jamal Kudah / Representative of Social Security Corporation

8. Dr. Yousef Musa Goussous

9. Mr. Farouk Aref Al -Aref

**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**  
**Abdel Karim Kabariti**

**General Manager**  
**"Moh'd Yaser" Al-Asmar**

**Financial Manager**  
**Hiyam S. Habash**

SUBSIDIARIES



Arab Orient Insurance Company



United Financial Investments Company



Visa International Service Association  
PRINCIPAL MEMBER



ISSUER



ISSUER



Visa Jordan Card Services  
PARTNER



AGENT

**Jordan Kuwait Bank**  
**Corporate Governance Manual**

December 2007

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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 "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."

The 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 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 (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, deceleration 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 be 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.

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.

## 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 the achievement of effective levels of monitoring. 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 result 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 in 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 exchange 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 three 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 the Bank's Internal Audit Unit is 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 Internal Audit Manager 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 its 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 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 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 compressive 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, the 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
- Real Estate 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 as members.

In addition to the above-mentioned committees, the following committees were formed: Treasury Investments Committee, 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, 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, value 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.
- Assistant General Manager / Treasury and Investments, Assistant General Manager / Credit.
- Assistant General Manager / Finance, Assistant General Manager / Retail and 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 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 Committee pertaining to all requests that fall beyond its authority.
- Provide recommendations to the Board Credit Committee pertaining to the legal proceedings to be taken against defaulters.
- Provide recommendations to the Board Credit 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, Assistant General Manager / Branches, Assistant General Manager / Retail & Consumer Products and the Assistant General Manager / Credit. The executive manager of the legal department participates as the committee's legal advisor, and the Head of the Credit Operations Department acts as the Committee's Secretary.
- The committee meets at least twice a week.

## **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 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 and Investment as well as Retail and Consumer products. Each of these activities is divided into sub-activities to ensure specialization of work and to achieve the principles of internal control.

**The Risk Management Group:** Includes Credit Risk, Operational Risk and Market Risk, in addition to compliance monitoring.

**The Support Services Group:** Includes the activities of branch management, information systems, central operations, finance and administrative services. Each of these activities includes other specific sub-activities.

Each of the three groups is headed by a Deputy General Manager who reports directly to the General Manager; noting that the Risk and Compliance departments also report to the Board Audit and Risk Committee through the Deputy General Manager for Risks and Compliance.

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

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 Department

The organizational structures indicates that this department is headed by the Assistant General Manager – Credit, and that work is divided among three departments and two units: Corporate Credit Department, Commercial and Medium Credit Department, Credit Follow-up and Adjustment Department, in addition to the Information Unit and the Financial Analysis Unit.

The tasks and duties of the Credit Department and units 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.

In addition to that, the following units are under the Credit Department:

#### **Information Unit**

- Prepare studies and reports regarding credit limits, past-due payments, un utilization ... etc. In addition, coordinate with internal and external auditors and respond to their requirements and inquiries.

#### **Financial Analysis Unit**

- Prepare analytical studies of financial statements and provide recommendations regarding their indicators whether they are for the Bank's clients or for any institution or company that the Bank finds of interest. In addition, develop a financial database of clients and the various economic sectors.

#### **Credit Operations Department**

The organizational structures points to the fact that this department is headed by the Assistant General Manager – Operations whom the Department Manager reports to, and that work is divided among four departments which are: Internal Operations Unit, External Operations Unit, Legal Documentation Unit and the Committees and Decisions Unit in addition to a support services employee. This department has been separated from Credit Department in order to achieve segregation of duties in accordance with the dual control principle.

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. Accepting or rejecting un-cleared cheques presented through the clearing system based on a decision by the authorized levels.
3. Posting the data of guarantees to the Banking system.
4. 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 Jordan Central Bank.
5. Reply to other banks' inquiries pertinent to the Bank's clients.

#### **Committees and 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 to the authorities granted to them by the Credit Policy Guidelines.
2. Attend the meetings of the Management Credit Committee and prepare their decisions.
3. Draft minutes of meetings of the Management Credit Committee.
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 property mortgages, possession mortgages, stocks or vehicles.

#### **Legal Documentation Unit**

1. Prepare and approve all contracts and documents that support and 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 when required.
3. File the first copy of contracts and documents in safes and in the custody of the Unit Manager.
4. Correspond with the Administrative Services Department regarding estimates of mortgaged properties, or properties proposed as collateral for credit facilities.

## Credit Policy

In order to organize work throughout the various departments and units of Credit Department, the Board of Directors has adopted the Bank's Credit Policy Guidelines. The application of these guidelines would enable the Bank to achieve the following:

- A clean and high-quality credit portfolio.
- Qualitative and sectoral distribution of credit risks.
- Acquiring the appropriate collaterals.
- Upper limits on the facilities for a single client and the related party clients.
- Establishing solid basis for following up the collection of due and unpaid loans.
- Establishing specific and solid standards for classifying facilities' by quality and risk.
- Good assessment of credit risks regarding: client risk, activity and economic risk.
- Compliance with the regulations of monetary authorities and other regulatory bodies that regulate the provision of credit in the countries where the Bank's branches, offices and investment units operate.

The Bank's credit policy is based on centralized management of the credit function. Studies, analysis and documents are completed by Credit Department, after which, requests and other issues are presented to the specialized committees for decision making purposes. As for documentation and implementation of approved facilities, these are carried out by the Credit Department at the head office as part of dual control framework which separates approval from processing.

One of the most important professional standards included in the Bank's credit policy is requiring that credit employees inform their superiors regarding financial transactions of their immediate relatives in order to achieve the principle of transparency. Furthermore, it is not acceptable for relatives' accounts to be run by related employees.

The policy included the basis of classifying facilities according to maturity, guarantees, method of repayment, risk dimensions and purpose; in addition to outlining the different phases of granting credit.

The credit policy outlined in detail authority boundaries and the bodies conferred with granting credit at the Credit Department level as well as the various credit committees.

## Treasury and Investment Management

The organizational structure indicates that the department is headed by the Assistant General Manager for Treasury and Investment supported by departments' heads. 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 the any kind of operations by the Treasury Department.

### **The Bank's Investment Policy**

In order to achieve the prudent principles of Corporate Governance, the Bank has developed an investment policy, which was approved by the Board of Directors, for the deployment of funds in foreign currencies. This policy included the following:

Goals of the Investment Policy include twining with the Bank's strategy and contribute to fortifying the solidity of the Bank's financial standing, achieving safety, maintaining liquidity and maximizing returns.

One of the most important topics covered in the policy is the investment controls and standards. The policy states that the Bank may invest in money and capital markets instruments where as such investment does not exceed a specified ratio of total available funds.

The policy also included a definition of credit classifications for instruments that can be invested in and at specific ratios. In addition, the ceilings for acceptable investment in fixed income and ownership instruments were set.

Similarly, ceilings were set for direct credit facilities granted in foreign currencies, whereby they are not to exceed a specified percentage of the sources of fund in foreign currency.

On another hand, the use of financial derivatives was limited to be used for hedging purposes only.

The Bank's investments in foreign and local currencies are managed within clear and defined authorities and within the documented Authority Guidelines which was approved by the Board of Directors.

Investments in the Jordanian Dinar are governed by the Investment in Jordanian Dinar Policy which sets the relevant investment regulations and standards.

### **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.

### **Independency and Objectivity**

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

- Be administratively reporting 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 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 inspectors to ensure that corrective actions were taken and assess 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 Deputy General Manager – Risk Management Group; and submits its periodic reports to the Board Audit and Risk Management 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).
- 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.

#### Compliance 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 Deputy General Manager – Risk Management 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 Department and communicated to all of the Bank's departments.

3. Employees of the Compliance 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 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 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 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 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 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. 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.

## VIII. 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.
  - The main shareholders of the Bank and of companies that hold substantial portion of the Bank's capital.



## BRANCHES & OFFICES

### Amman Branches

- Main Branch  
Tel. 5629400 – Fax 5694105
- Abdali Branch  
Tel. 5662126/7 – Fax 5662374
- Jabal Amman Branch  
Tel. 4641317 – Fax 4611391
- Wehdat Branch  
Tel. 4777174 – Fax 4750220
- Commercial Center Branch  
Tel. 4624312 – Fax 4611381
- Tla' El'Ali Branch  
Tel. 5532168/9 – Fax 5518451
- Al-Mougablain Branch  
Tel. 4203723 – Fax 4203715
- Jabal Al-Hussein Branch  
Tel. 5658664 – Fax 5658663
- Abu-Alanda Branch  
Tel. 4162756 – Fax 4161841
- Yarmouk Branch  
Tel. 4779102/3 – Fax 4750230
- Wadi El-Seir Branch  
Tel. 5858864 – Fax 5810102
- Jubaiha Branch  
Tel. 5346763 – Fax 5346761
- Amra / Um Outhaina Branch  
Tel. 5535292 – Fax 5516561
- Abdoun Branch  
Tel. 5924195 – Fax 5924194
- Abu-Nsair Branch  
Tel. 5235223 – Fax 5235226
- Marka Branch  
Tel. 4889531 – Fax 4889530
- Ibn Khaldoun Branch  
Tel. 4613902/3 – Fax 4613901
- Shmeissani Branch  
Tel. 5685403 – Fax 5685358
- Vegetable Market Branch  
Tel. 4127588 – Fax 4127593
- Madinah Munawarah St. Branch  
Tel. 5533561 – Fax 5533560
- Sweifiyyah Branch  
Tel. 5851027 – Fax 5851931
- Nazzal Branch  
Tel. 4383906 – Fax 4383905
- Mecca Mall Branch  
Tel. 5517967 – Fax 5517836
- Marj El-Hamam Branch  
Tel. 5731053 – Fax 5716832
- City Mall Branch  
Tel. 5824698 – Fax 5825426
- Wadi Saqra Branch  
Tel. 5679241 – Fax 5679146
- Al-Rabia Branch  
Tel. 5510839 – Fax 5511479
- Mecca Mall Office  
Tel. 5813954 – Fax 5814239
- Petra University Office  
Tel. 5711283 – Fax 5713079
- Sweileh Office  
Tel. 5359986 – Fax 5359964
- King Abdullah Bureau Office  
Tel. 4626990 – Fax 4626995
- Abdullah Ghousheh St. Branch – Jaber Center  
Tel. 5850392 – Fax 5850327
- Prince Hamzeh Hospital Office  
Tel. 5055691 – Fax 5055689
- Dabouq Branch  
Tel. 5412312 – Fax 5521337

### Middle Region Branches

- Baq'ah Branch  
Tel. 4725090 – Fax 4726101
- Madaba Branch  
Tel. 05/3253568 – Fax 05/3253569
- Al-Salt Office  
Tel. 05/3558995 – Fax 05/3558994
- Amman Ahliyyah University Office  
Tel. 05/3500029 – Fax 05/3500048

### North Region Branches

- Irbid Branch  
Tel. 02/7243665 – Fax 02/7247880
- Al-Husson St. Branch - Irbid  
Tel. 02/7248496/7 – Fax 02/7248498
- Yarmouk University Office  
Tel. 02/7256065 – Fax 02/7255315
- Al-Mafraq Office  
Tel. 02/6235901 – Fax 02/6235902

### South Region Branches

- Aqaba Branch  
Tel. 03/2015190 – Fax 03/2016188
- Aqaba Gateway Office  
Tel. 03/2017484 – Fax 03/2017485
- Al-Karak Office  
Tel. 03/2396102 – Fax 03/2396103

### Zarqa Area Branches

- Zarqa Branch  
Tel. 05/3997088 – Fax 05/3998677
- Russaifeh Branch  
Tel. 05/3744151 – Fax 05/3744152
- Zarqa Free Zone Branch  
Tel. 05/3826196 – Fax 05/3826195
- New Zarqa Branch  
Tel. 05/3864556/9 – Fax 05/3864557

### Branches outside Jordan

- Regional Management & Ramalla Branch  
Tel. +970 22 406724 – Fax +970 22 406728
- Nablus Branch  
Tel. +970 92 376413/4 – Fax +970 92 377181
- Cyprus Branch  
Tel. +357 25 875555 – Fax +357 25 582339

### ATM Locations

- Head Office (Drive Thru ATM)
- Head Office / Main Street
- Cyber Branch - Jabal Amman
- Zarqa Branch
- Wehdat Branch
- Tla'a El'Ali Branch
- Jabal Al-Hussein Branch
- Aqaba Branch
- Abu-Alanda Branch
- Yarmouk Branch
- Wadi El-Seir Branch
- Jubaiha Branch
- Russaifeh Branch
- Amra Branch
- Marka Branch
- Ibn Khaldoun Branch
- Shmeissani Branch
- Madinah Munawarah Branch
- New Zarqa Branch
- Madaba Branch
- Irbid Branch
- Nazzal Branch
- Cyber Branch-Sweifiyyah
- Baq'ah Branch
- Al-Mougablain Branch
- Sweifiyyah Branch
- Abdoun Branch
- Abu-Nsair Branch
- Mecca Mall Branch-Mecca St.
- Abdulla Ghousheh St. Branch
- Marj El-Hamam Branch
- Wadi Saqra Branch
- Al-Rabia Branch
- Dabouq Branch
- Al-Husson St. Branch-Irbid
- Prince Hamzeh Hospital Office
- Al-Mafraq Office
- Al-Salt Office
- Al-Karak Office
- Amman Ahliyyah University Office
- Aqaba Gateway Office
- Petra University Office
- Sweileh Office
- Yarmouk University Office-Irbid
- Safeway-Shmeissani
- Jordan University
- Zain Headquarters
- Cozmo Center
- City Mall
- Amman Mall
- Isteklal Mall
- Al-Baraka Mall
- Mobile ATM
- Al-Manaseer Gas Station / Tabarbour
- Al-Manaseer Gas Station / Wadi El-Seir
- Al-Manaseer Gas Station / Zarqa
- Ramalla Branch
- Nablus Branch



## **JORDAN KUWAIT BANK**

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