بنك القاهرة عمّان
CairoAmmanBank

# Annual Report 2008

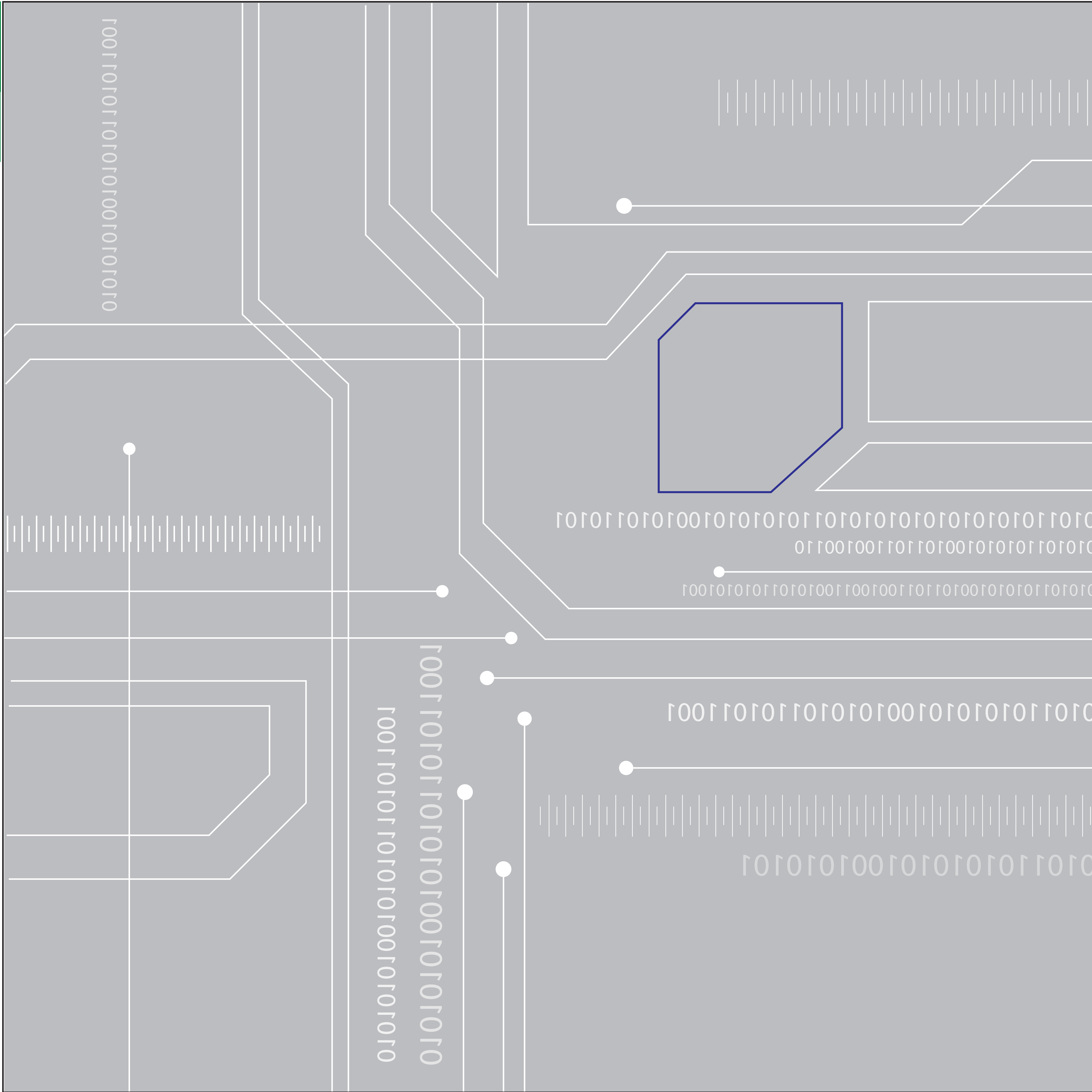
Together we grow

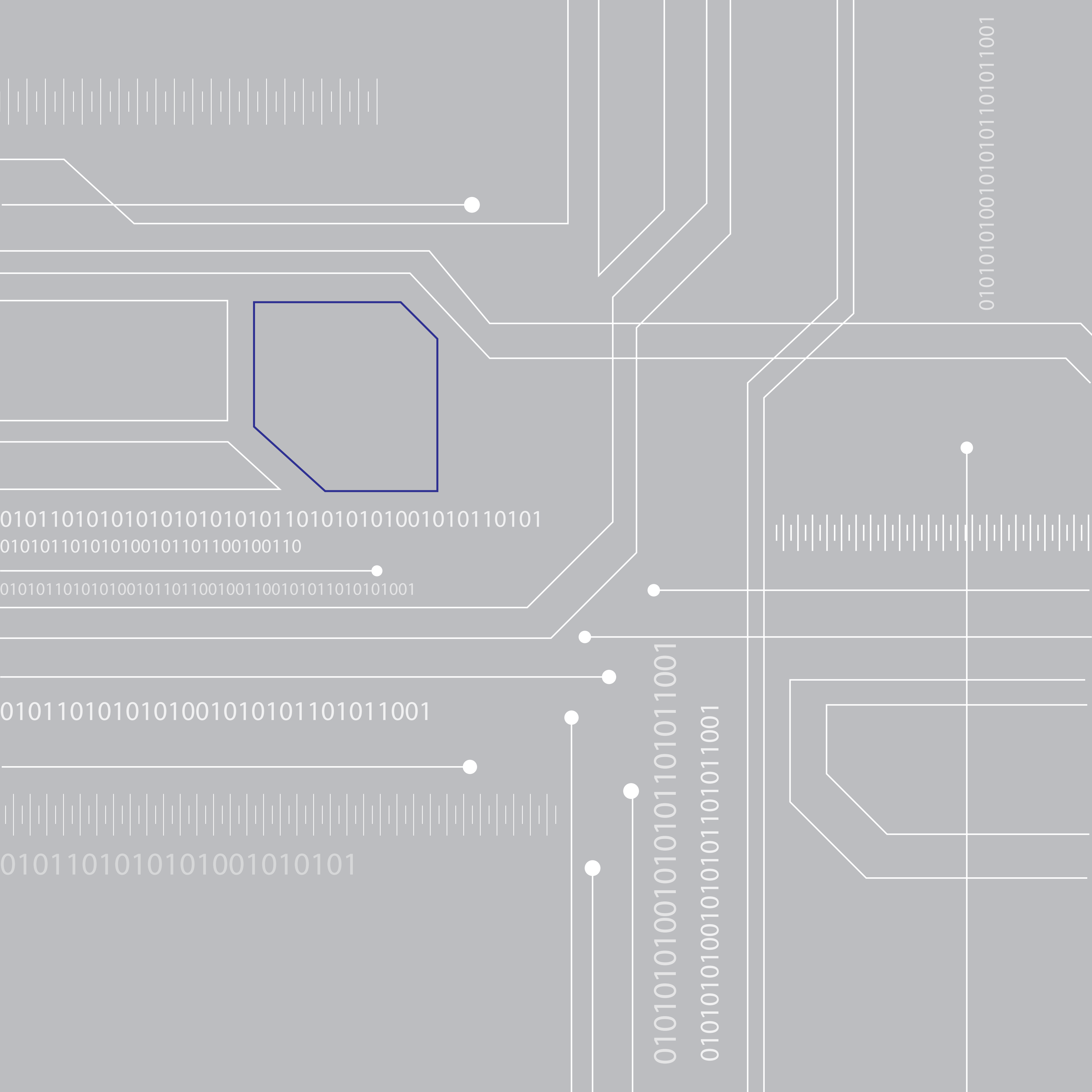
His Majesty King Abdullah The Second

بنك القاهرة عمّان

CairoAmmanBank

Together we grow معاً ننمو



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Together we grow

معاً ننمو

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## Board of Directors

| | |
|---|---|
| **Mr. Khaled Sabih Al-Masri** | Chairman |
| **Mr. Mohammad Kamal Eddin Barakat** | Vice Chairman<br>Representing Banque Misr |
| **Mr. Miqdad Hasan Innab** | |
| **Mr. Ibrahim Hussien Abu Al-Ragheb** | Representing Ishraq Investment Company |
| **Mr. Yasin Khalil Talhouni** | Representing Levant Investment Company |
| **Dr. Farouq Ahmad Zuaiter** | Representing Palestine Development & Investment Company (Padico) |
| **Dr. Abdul Malek Ahmad Jaber** | Representing Al-Massira Investment Company |
| **Mr. Nashat Taher Al-Masri** | |
| **Mr. Yazid Adnan Al-Mufti** | Representing Astra Investment Company |
| **Mr. Ghassan Ibrahim Akeel** | Representing Arab Supply and Trading Company |
| **Mr. Yazan Mahmoud Samara** | Representing Social Security Corporation |
| **Mrs. Suhair Sayed Ibrahim** | Representing Misr Investment Company<br>(from 21/6/2008) |

| | |
|---|---|
| **Mr. Kamal Gharib Al-Bakri** | General Manager |
| **Ernst & Young**<br>**(Member of Ernst & Young Global)** | External Auditors |

## Chairman's Message

Dear Shareholders,

The year 2008 witnessed extraordinary circumstances, characterized by achieving high growth rates in the first nine months of the year accompanied with an unprecedented increase in inflation resulting from the increase in the prices of oil and commodities. That period also enjoyed an increase in the investing and credit activities to accommodate the high growth rates. However, the last quarter of the year experienced the acceleration of the global economic deterioration, which consequently caused a global recession. The prices of oil and commodities declined significantly as well as most of the local, regional and international financial markets, and forced the banking sector to be more conservative in granting credit and investing its funds. It is worth mentioning that the policies adopted by the Central Bank of Jordan limited the effects of the global crises on the banking sector in Jordan. The Government of Jordan's decision to guarantee all deposits had tremendous positive effect on maintaining the customers and investors' trust in the banking sector.

During 2008, the Bank was able to achieve excellent growth rates in most of its operating activities that exceeded expectations, total assets grew by 10.8% to reach JD 1462.2 million, while credit facilities continued its growth by 17.3% to reach JD 632.9 million noting that the Bank was able to improve the quality of the credit portfolio as non-performing loans ratio improved from 6% in prior year to 4.9% at the end of 2008. Customers' deposits also increased by JD 130.5 million, a growth rate of 13.1% to reach JD 1125.3 million. Furthermore, net interest income increased by 14.9% to JD 53 million, while commission income amounted JD 15.3 million achieving growth of 21.9%. As a result net income for the year ended December 31, 2008 amounted to JD 20.3 million compared to JD 20.9 million in the previous year, earning per share was JD 0.254. Increasing the Bank's paid-in capital to JD 80 million during 2008 has solidified its capital adequacy ratio to 15.56%, which is higher than the levels required by Central Bank of Jordan and Basel Committee.

In addition to the financial results, the Bank continued its ambitious plans for developing its operations and completing the projects that would improve the efficiency of operations and the quality of services provided to customers through the continuous development of the Bank's human resources and its various products and the internal control environment. The Bank also completed moving its head office to the new building in Zara Tower and added several branches to its network in Jordan and Palestine as well as renovated other existing branches in accordance with its new corporate brand identity. In addition, the Bank increased its ATM network and continued to promote its products and services through Jordan Post Office Company offices.

Based on the results of last year, the Board of Directors proposes to increase the paid-in capital to JD 88 million through the issuance of bonus shares to the shareholders at 10% of paid-in capital capitalizing JD 8 million of the retained earnings. The Board also proposes distributing cash dividends of 5% of paid-in capital, a distribution of JD 4 million.

During 2009, Cairo Amman Bank will deal realistically with the results of the global economic crises which is expected to continue during the year and would result in reducing the local, regional, and international economy growth rates through solidifying our financial position and liquidity level, investing the Bank's funds in the optimal way which would assist in achieving the best possible results and would enable us to keep contributing to the economic and social development in the Kingdom.

We would like to extend our sincere thanks for your support, and to our customers for their valuable trust. Our gratitude is also extended to our employees for their commitment and hard work that have led and will lead to great achievements.

**Khalid Sabih al-Masri,**
**Chairman**

# Board of Directors’ Report

## Economy Highlight

### World Economy

The global financial crisis started to show its effects in the middle of 2007 and continued well into 2008 affecting the global economy where we witnessed the collapse of the era of investment banking and caused growth to retreat to the exceptional levels of well below 3%.

Beginning with bankruptcy of the giant investment bank Lehman Brothers on September 14, 2008, the financial crisis entered into an acute phase marked by failures of prominent US and European banks. The United States of America and European Governments commenced their efforts to rescue distressed financial institutions. While the first passed the Emergency Economic Stabilization Act of 2008 where liquidity was injected in the banking system against the collateralization of toxic assets, the second announced an economic emergency plan where they injected capital into major banks by buying stakes in them. The crisis escalated in countries such as Iceland which faced bankruptcy and requested aid form the world economies.Other countries such as Pakistan and Ukraine approached the World Bank for loans. As the crisis developed, stock markets fell worldwide, and sentiment continued to deteriorate which had an adverse effect on the global financial system.

While the market turned extremely pessimistic, the British Government launched a 500 billion pound bailout plan aimed at injecting capital into the financial system. The US government and European governments followed suit. Stock markets appeared to have stabilized as October ended.

The second half of 2008 witnessed a drop in the prices of commodities especially oil which fell due to reduced demand from its highs of USD 150 to USD 38 its lowest in 4 years. The escalation of financial panic in September and October 2008 led to "flight to quality" as investors sought safety in U.S. treasury bonds, gold, and currencies such as the US Dollar (still widely perceived as the world's reserve currency) and the Yen (mainly through unwinding of carry trades). This currency crisis threatened to disrupt international trade and produced strong pressure on all world currencies.

The Eastern European economies of Poland, Hungary, Romania, and Ukraine suffered from the loans granted in hard currencies such as the Swiss Franc. As the local currencies in those countries lost value, repayment of such loans became difficult.

By the 4th quarter of 2008, almost all the advanced economies have entered into a recession with the GDP in US, UK and Europe contracting more than consensus. The crisis hit the global labor market severely especially the US market where unemployment rate skyrocketed to 7.2%, its highest level since 1982.

Central Banks around the globe reacted bringing interest rates down through subsequent cut, in countries such as the US rates neared zero, while interest rates in the Eurozone, UK and Canada declined by 2%-3%.

### Arab Economies

During the 2nd half of 2008, the global economic crisis extended its reach into the Gulf States as the volatile financial markets partially swept the invested oil surpluses in their Sovereign Wealth Funds. Liquidity problems were also evident due to banks' investments in insolvent toxic assets and the downturn in local real estate market, UAE and Kuwait were hit the most.

Central Banks hastily took measure to face the crisis, they pumped liquidity in the market, cut interest rates and reduced reserves requirement. Investment authorities in Qatar and Kuwait intervened to halt the decline in the stock market by implementing policies and buying stakes in companies.

Egypt has had its share of economic downturn, while GDP grew by 7.1% in 2008, inflation skyrocketed to more than 20%. Expansion in investment and exports slowed in the last months of 2008. Economic growth is forecasted to average 5.7%, below the rate recorded in recent years.

While political and economical turmoil had an adverse effect on the Lebanese and Palestinian economies, the Moroccan and Tunisian economies grew by 5% & 6.5% consecutively.

In coherence with the global trend, except for the Tunisian market which gained 2%, the Arab equity markets posted negative growth in 2008. The weighted index of the Saudi and UAE Stock Exchange lost nearly 60% and 56% of their value respectively.

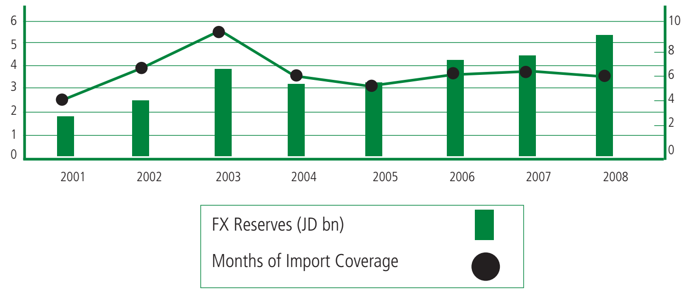
### The Jordanian Economy

The economy of Jordan continued its robust performance in 2008 as the local economy was able to maintain positive economic results achieved during the last two years. Despite the uncertain political situation in the region and the repercussions of the global financial crisis, GDP grew by 6.2% in the first three quarters of 2008 compared to 6.4% in the same period of 2007. The growth in the economy was enticed by the growth achieved in main sectors such as the Financial Sector, the Tourism Sector and the Industrial Sector while the Real Estate Sector started to show definite signs of soft landing.

### Monetary policy

The Central Bank of Jordan continued its policy that aim to maintain the monetary stability and to preserve the Kingdom's foreign currency reserves. Official foreign currency reserves increased to USD 7.74 billion (JOD5.49billion) towards the end of 2008, accordingly, import coverage exceeded 5.5 months of imports.

In an effort to assist the Banking Sector withstand the global crisis the Central Bank of Jordan partially shifted to an expansionary monetary policy characterized by a limited 50 bps interest rate cut on JOD Nafitha rate, discount rate and rediscount rate. The interest rate differential between the JOD interest rate and the USD interest rate reached a record high of 4%.




### External Sector

Jordan's national exports grew by nearly 37.7% in 2008 in comparison to 8.5% in 2007. The main exported items were pharmaceutical products, crude phosphates, crude potash, fertilizers and vegetables while there was a retreat in the export of apparel and related accessories. The main exports partners were India, USA and Iraq.

Import grew 13% in 2008 in comparison to 23.2% in 2007. Crude oil topped the country's imports, followed by iron and its products, machinery and electrical appliances, vehicles, motorcycles and cereals.

Accordingly, the trade deficit balance rose by 14% during 2008 in comparison to 23% in 2007, which caused imports coverage by exports to stand at 46% during 2008.

### Government Budget

Early estimates of the performance of the government budget in 2008 indicated that the overall budget deficit (after grants and assistance) reached 5.6% of GDP compared to 5.4% in 2007.

However; it is noteworthy, that the government of Jordan continued its efforts to curb public expenditure and to improve the collection of tax and customs revenue in order to reduce the budget deficit and maintain it within specified levels in the Economic Adjustment Program.

### Amman Stock Exchange:

The ASE achieved positive indicators despite the global financial crisis. During 2008 non-Jordanian investment kept their upward trend with a positive net balance. The trading value, the number of shares traded, and the number of transactions also increased during 2008. In addition the first three quarters of 2008 witnessed an increase in the profits of the public holding companies .

The ASE statistics for the year 2008 showed that the ASE price index weighted by free float shares decreased by 24.9% reaching 2758 points, compared with 3675 points at the end of 2007. It also showed that price index weighted by market capitalization decreased by 17%; it closed the year with 6243 points in comparison to 7519 points at the end of 2007. Despite the decline in the share prices during 2008; the ASE was less affected by the global financial crisis compared to other Arab and international markets.

The period witnessed a decline in the Financial Sector, Services Sector and the Industrial Sector by 29.7%, 17.7% and 11.7% respectively. Most of the sub-sectors indices also witnessed a decline in their levels except for the Food & Beverage Sector and the Mining & Extraction Industries Sector, which increased by 7.5% and 1.6% respectively. The Real Estate and Diversified Financial Services Sectors indices also witnessed a dramatic decrease by 50.4% and 47.6% respectively.

The ASE indicators showed an increase in trading value by 65% compared to the year 2007, reaching JD 20.3 billion, the number of traded shares increased by 22% reaching 5.4 billion shares, and the number of executed transactions increased by 9% reaching 3.8 million. The turnover ratio increased slightly to 91.5% compared with 91.2% in 2007, and the number of companies listed on the ASE reached 262 companies compared to 245 companies.

### Economic Outlook in 2009

The economic outlook of the Jordanian economy is relatively favorable, but with a high degree of uncertainty in the near term. Despite the decrease in foreign aid, foreign investments and remittances, GDP is projected to continue its positive growth, albeit at a lower pace as it is expected to slip slightly below 5% in 2009. The government economical and political reforms will act as a buffer to prevent any deterioration in the economy.

Inflation is the main challenge facing the Jordanian economy. In 2008 inflation reached a record high of 15.8% which was a direct result of the government's decision to lift its subsidles on oil. It is expected that Inflation will start to cool down and should moderate to reach 7% on average in 2009 as forecasted by the International Monetary Fund (IMF). The import bill and food subsidies are also expected to decline, but the external and fiscal deficits will remain large. Thus, tight macroeconomic policies are expected to be maintained to reduce the related vulnerabilities.

There are main significant downside risks to the outlook if the global or regional downturn proves deeper or more prolonged than presently expected. At the same time, declining international commodity prices will provide a welcome relief.

On the fiscal policy side, the fiscal stance is expected to improve slightly because of the lower food prices, the lifting of oil subsidies and the expected lower expenditure on social welfare. However, the expected lower aids and grants in 2009 will partially offset the decrease in current governmental spending. Based on the draft budget presented to the parliament, the IMF estimates that the overall deficit will narrow to around 5 percent of GDP.

On the monetary policy side, CBJ is expected to normalize the unusual spread between the Dollar and the Dinar as soon as the inflation cools down.

Finally, Jordan is expected to suffer from the implications of the financial crisis in 2009, as it is expected to adversely affect the level of FDI (Foreign Direct Investment) and to lower exports to the US and Euro zone.

## Financial Analysis

### Financial Indicators and Ratios

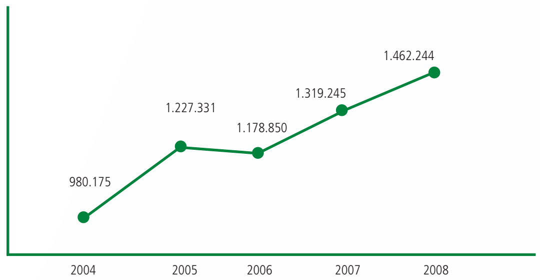
(Amounts in thousands of JDs)

| Results at Year End | 2008 | 2007 | Variance |
|---|---|---|---|
| Net interest and commission income | 68,331 | 58,711 | 16.39% |
| Gross profit | 74,882 | 75,017 | -0.18% |
| Net income after income tax | 20,295 | 20,910 | -2.94% |
| Earning per share (JD) | 0.254 | 0.261 | -2.68% |
| **Major balance sheet items** | | | |
| Total assets | 1,462,244 | 1,319,245 | 10.84% |
| Credit facilities, net | 632,854 | 539,390 | 17.33% |
| Customers' deposits | 1,125,348 | 994,859 | 13.12% |
| Total equity | 151,501 | 145,044 | 4.45% |
| **Financial Ratios** | | | |
| Return of Average Assets | 1.46% | 1.67% | |
| Return of Average Equity | 13.69% | 14.76% | |
| Interest Margin to Average Assets | 3.81% | 3.70% | |
| Capital Adequacy Ratio | 15.56% | 16.99% | |
| Credit facilities to customers' deposit ratio | 56.24% | 54.22% | |
| Non-Performing Loans Ratio | 4.94% | 6.02% | |
| Non-Performing Loans Coverage Ratio | 113.50% | 91.33% | |

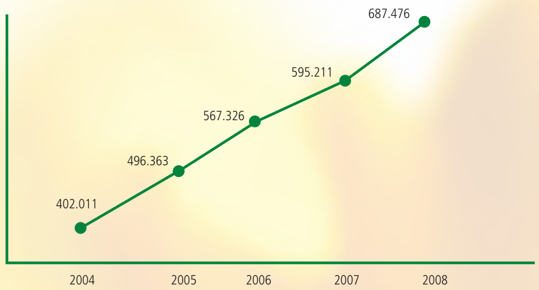
### Financial Indicators for the Year

| (Amounts in JD '000 except share price) | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Net income | 12,405 | 31,496 | 19,249 | 20,910 | 20,295 |
| Dividends paid | - | - | 4,500 | 6,750 | 7,500 |
| Bonus shares distributed | 5,000 | 15,000 | 22,500 | 7,500 | 5,000 |
| Total equity (adjusted) | 86,629 | 163,341 | 138,236 | 145,044 | 151,501 |
| Outstanding shares | 30,000 | 45,000 | 67,500 | 75,000 | 80,000 |
| Market price per share | 7.00 | 10.41 | 3.37 | 3.20 | 2.52 |

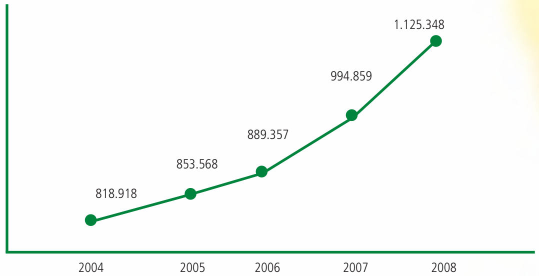
## Total Assets



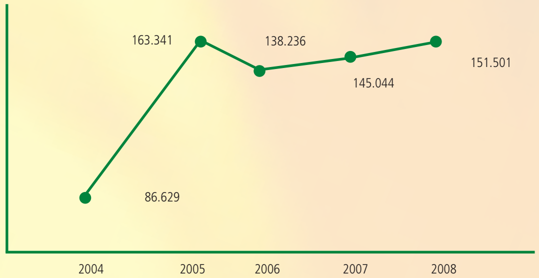

## Gross Credit Facilities



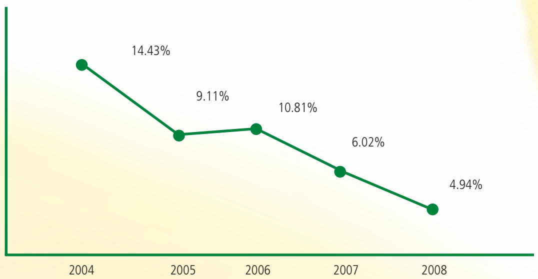

## Total Customers' Deposits



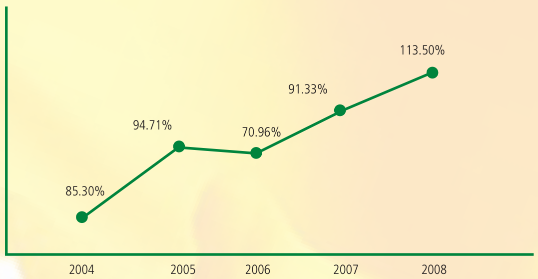

## Total Shareholders' Equity




## Non-performing Loans Ratio




## Coverage Ratio



## The Consolidated Financial Statements

The consolidated financial statements for the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the applicable laws and regulations of the Central Bank of Jordan. It includes the following fully owned subsidiaries:

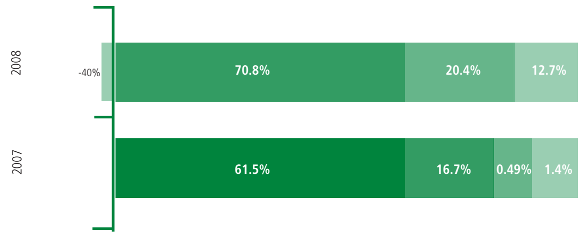
Awraq Investments – Jordan
Al-Watanieh Securities Company – Palestine
Cairo Amman Company – Marshal Islands

## Results of Operations

The Bank's net income after taxes amounted to JD 20.3 million compared to JD 20.9 million for 2007. This decline of 2.94% resulted mainly from losses in the investment portfolio as a result of the decline in its fair value.

From an operational point of view, the Bank continued to achieve excellent growth rates, net interest income grew by 14.9% to reach JD 53 million compared to JD 46.2 million in the previous year. Commission income also grew by 21.9% to reach JD 15.3 million, other operational income also increased to JD 9.5 million achieving growth of 11.6%. Net interest income and commission represented 91.3% of gross incomes compared to 78.3 % in 2007. The contribution of non-interest income, especially income from investments, has declined during the year.

**Gross Income**




The Bank's investment portfolio reported losses of JD 3 million compared to profits of JD 7.8 million in the previous year. These losses came as a result of the global economic crises and its effect on the local, regional, and international markets which caused the market prices of some of the Bank's holdings to decline.

Operating expenses increased by JD 3.3 million, or 7.4%, to reach JD 47.7 million including an increase of JD 1.8 million (7.3%) in employees' costs as a result of annual increments in salaries and bonuses paid to employees, and the increase in the number of employees to accommodate the growth in the Bank's operations and new branches. Other operating expenses also increased especially information systems expenses as a result of the continuous development undertaken by the Bank in its information technology. Other expenses also increased due to the general increase in the prices during 2008. Moreover, the increase in depreciation and amortization as a result of capitalizing many of the Bank's information technology projects, as well as the new head office-building project, has contributed to increasing the Bank's operating expenses during the year.

Due to the improvement in the quality of the Bank's credit facilities portfolio, the Bank did not book any amount for loan loss compared to JD 887 thousand for 2007.

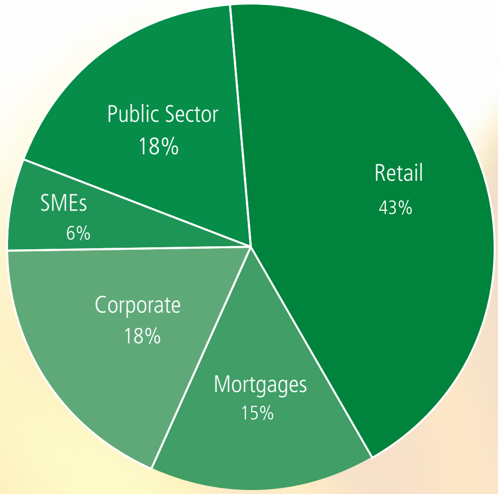
As a result, the Bank's earning per share was JD 0.254 compared to JD 0.261 in the previous year.

## Financial Position

Total assets as of December 31, 2008 amounted to JD 1462.2 million, witnessing an increase of JD 143 million (10.8%) as compared to the end of

2007. The Bank was able to achieve growth in most of its balances; gross credit facilities increased to JD 687.5 million compared to JD 595.2 million in 2007, achieving growth of 15.5%.

The Bank was able to achieve this growth within its policy to expand its customers' base and to focus on the retail loans and reputable companies, as retail loans constitute the largest portion of the Bank's credit facility portfolio. This policy has contributed to improving the quality of the portfolio and the non-performing loans ratio to decline to 4.94% of gross loans compared to 6.02% in 2007, noticing that no additional loan loss provision was booked during the year. As a result, net credit facilities balance amounted to JD 632.9 million compared to JD 539.4 million in the end of previous year, witnessing an increase of JD 93.5 million, a growth of 17.3%




Available for sale investments amounted to JD 355.7 million compared to JD 226.4 million in the previous year. The increase was a result of the increased activities in investing in bonds and other financial instruments, which increased by 92.3% to reach JD 298.4 million with concentration in governmental bonds. Investments in shares declined by JD 14 million as a result of selling some of the investments; realizing income from sale of investments, in addition to the decline in its market value.

The Bank was able to continue attracting deposits and to widen its customer base, customers' deposits increased to JD 1125.3 million at year's end compared to JD 994.9 million at the end of the previous year, achieving an increase of JD 130.5 million, a growth of 13.1%. The Bank enjoys high liquidity level as required by international standards, and presents a source of comfort to depositors and to all parties dealing with the Bank. Cash and available investments represented 44% of total assets, while credit facilities constitute 56% of customers' deposits. Statutory liquidity ratio as calculated by Central Bank of Jordan regulations was 126% which is higher than the level required.

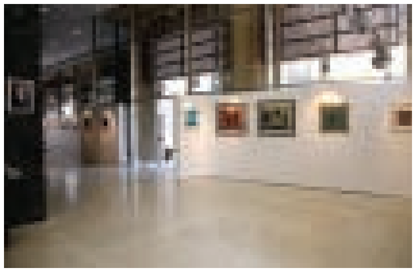
Shareholders' equity amounted to JD 151.5 million at the end of 2008 compared to JD 145 million at the end of 2007, achieving an increase of 4.5%. During the year, the Bank increased its paid-in capital to JD 80 million through capitalizing JD 5 million of the retained earnings and distributing bonus shares to shareholders. This increase has contributed to solidifying the capital adequacy ratio to 15.56% compared with 12% as the minimum set by the Central Bank of Jordan; core capital ratio and the leverage ratio were 13.9% and 9.1% respectively.

## Profits Distribution

The Board of Directors proposes to increase the paid-in capital to JD 88 million through the issuance of bonus shares to shareholders at 10% of paid-in capital capitalizing JD 8 million of the retained earnings. The Board also proposes distributing cash dividends at 5% of paid-up capital. This capital increase will accommodate the Bank's growth plans.

## The Bank's Activities During 2008

During 2008, Cairo Amman Bank was able to achieve great operational results that exceeded expectations, including widening its customers' base, attracting new customers' segments, improving its products, and enhancing its delivery channels. The Bank also continued improving its human resources to enhance the efficiency and the way it services customers. During the year, the Bank completed moving its head office to the new location in Zara Tower which now hosts most of the head office's departments, the old head office building will be renovated during 2009 to accommodate the central operation departments.




**Cairo Amman Bank Gallery**

### Retail Banking

Cairo Amman Bank continued carrying out its leading role in providing financial services to individuals, which is considered the backbone of the Bank's strategy aiming at expanding its customers' base in Jordan and Palestine, and achieving a competitive advantage through diversification of products and offers that meet the customers' needs. The Bank continued offering its distinguished products that were launched in previous years, in addition to developing new products that cater for its customers' needs such as student loans and loans to professionals. In addition, the Bank also increased the age of borrowers to repay loans to 70 years. These policies and products have resulted in increasing the retail loans portfolio by 17.5% during the year to reach JD 298.8 million.

In addition, the Bank signed agreement with the Housing and Urban Development Corporation to finance beneficiaries of the royal initiative "Decent Housing for Decent Living" through granting loans with fixed interest for the first year without commission and with a repayment period of 30 years.

### Small and Medium Enterprise (SME) Credit

Cairo Amman Bank continued concentrating on the small and medium enterprises (SMEs) due to the importance and role this sector has in the national economy. The growth was made while reducing the credit risk to the acceptable levels and providing acceptable returns through distributing the facilities among several economic sectors and focusing on the sources of repayment. The Bank targeted the manufacturing sector through operational credit facilities, in association with local loan guarantee corporations, to finance the purchases of raw materials and equipment that would improve the production and help the companies expand to new markets.

The Bank also continued its cooperation agreement with Empretec, one of the United Nations Conference on Trade and Development's programs, to establish and develop professional cooperation relationships between both parties in the field of training and consultations to assist the Bank's SMEs customers.

## Corporate Credit

Cairo Amman Bank continued its growth in granting loans to the corporate sectors within the standards set by the Board of Directors that sustain the minimum acceptable credit risks and provide the Bank with acceptable returns through expanding its relationship with large reputable corporations, and government and semi-government institutions, attracting new customers and encouraging them to use the credit lines in the most optimal way with a focus on the indirect facilities and trade finance activities. Corporate credit book grew by JD 39.5 million or 18.9% to reach JD 248.4 million.

The Bank also continued its participation in syndicated loans for funding projects that add value to the national economy.

## Treasury & Developing Sources of Funds

During the exceptional circumstances resulted from the global economic crises which caused scares liquidity and volatility in markets, the Bank was able to successfully deal with this crisis and sustain its profitability, and the customers' deposits, and was able to invest its available funds with its network of correspondent banks that enjoy a strong financial position. In addition, the Bank continued its effort to attract deposits from various sources in order to meet its funding and gapping requirements by focusing on saving accounts, which is considered to be stable, through increasing the amounts and frequency of prizes on the saving accounts and attracting long term customers' deposits. During the year, customers' deposits increased by JD 130,5 million, a growth rate of 13.1%.

Cairo Amman Bank monitors the local and global financial markets' fiscal and monetary policies to manage its asset and liabilities efficiently and to maintain adequate liquidity levels that conform with its policies and Central Banks regulations.

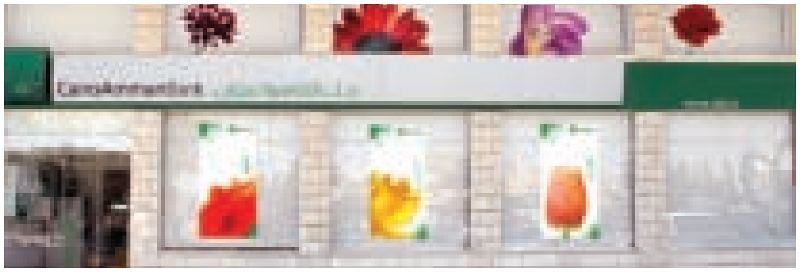
The Treasury Department continued offering its customers with broader spectrum of products such as: options, futures, structured FX products, and a wide variety of yield enhanced (with the option of capital-guaranteed) products customized to suit clients' needs, in addition to hedging solutions tailored to cover risks of foreign exchange fluctuations.

## Investment Services

The Bank offers through its subsidiaries: Awraq Investments in Jordan and Al-Wataneih Securities Company in Palestine; local, regional, and international brokerage services; as well as consulting services; assets management; and managing investments funds. During the year, Awraq Investments launched "Awraq Investment Fund" which invests in the Arab stock markets in the Middle East and North Africa.

## Branch Network and Delivery Channels

In pursuit of achieving the largest geographical spread which aligns with the objectives of Bank's new corporate identity, Cairo Amman Bank opened and renovated new branches located in key locations around the Kingdom. This included opening six new branches in Amman, Ma'an, Irbid and Zarqa, accordingly, the total number of branches reached 79 branches including 17 branches in Palestine. In addition,a number of branches were renovated to match the new corporate identity.



Abu Nassair Branch

Abdoun - ATM

The Bank also increased its ATM network to offer to its customers one of the largest networks that contains 196 machines spread in different areas in Jordan and Palestine. In addition, the Bank provides its services through 96 of the Jordan Post Company offices distributed all over the Kingdom in order to provide banking services to customers in the municipalities and remote areas that lack the existence of such services.

Cairo Amman Bank improved the electronic channels systems to allow providing its services through one system instead of multiple systems in order to help customers in dealing with the banking services.

### Information Technology

As part of the Bank's Information Technology (IT) strategy, Cairo Amman Bank was the first in the world to implement the Iris Recognition for Automated Teller Machines (ATMs) transactions instead of regular cards and pin numbers. This facility was also introduced in some of the Bank's branches to be used by customers instead of their signature providing the highest level of security.

In order to ensure business continuity and enhance internal control structure, the Bank implemented many projects throughout the year including: trade finance system, central monitory and security system in all branches and ATMs, and a human resources system. The Bank also prepared a disaster recovery centre in the city of Irbid. Other IT projects include: central time attendance system for all employees in the head office, branches and post offices; access control system in the head office; salary transfers system; remedial collections and legal system; and a queuing system in the branches.

The Bank also upgraded the hardware and systems used in its head office and branches to ensure better services to the customers, reduce cost, and save the time required to serve the customers. A new main data centre with the latest equipment and applications was prepared in the head office.

### Human Resources

Cairo Amman Bank is committed to employing the most qualified candidates and placing them in the appropriate positions, as well as providing employees with the opportunities to advance their careers within the organization. The Bank's recruitment policy focuses on attracting the largest number of qualified candidates. These candidates are then vetted through a rigorous evaluation process consistant with best practices and consisting of various tests and interviews. This process aims at identifying the candidate's behavioural and technical competencies ensuring that they match those required for the vacant positions. During 2008 the Bank participated in five job fairs, over 925 candidates were tested and interviewed for various positions within the Bank, of which 185 were hired with the majority being hired for entry level positions.

As part of the Bank's career development program, internal recruitment was implemented for supervisory and managerial positions in addition to a number of mid-career positions. This type of recruitment allows employees the opportunity to further their careers in a healthy competitive environment, and has enhanced the development of skills and competencies. In addition, it has increased employee motivation for self-development.

The total number of the Bank's employees at the end of 2008 was 2,082 employee of varying academic qualifications:

| | Bank | Awraq | Watanieh | Total |
|---|---|---|---|---|
| Ph.D | - | 1 | - | 1 |
| Masters | 77 | 6 | 3 | 86 |
| Bachelor | 1,160 | 26 | 14 | 1,200 |
| Diplomas | 375 | 1 | 2 | 378 |
| Tawjihi Certificate | 272 | - | 5 | 277 |
| Less than Tawjihi | 137 | 3 | - | 140 |
| Total | 2021 | 37 | 24 | 2,082 |

Training at Cairo Amman Bank continues to play a major role in the development of employees' skills and competencies. This year's annual performance evaluation was a competency-based evaluation which was used to identify the training needs of each individual employee as well as an annual training program for each employee based on his/her individual training needs. During 2008, 4141 employee participated in a total of 437 training courses for a total of 9385 training hours. The following table shows the various areas of training in which employees participated during 2008:

| Subject | Participants | Courses |
|---|---|---|
| Information technology | 694 | 66 |
| Trade Finance | 563 | 50 |
| Managerial and Behaviour | 321 | 47 |
| Finance and accounting | 96 | 27 |
| Credit Facilities | 854 | 79 |
| Audit | 63 | 11 |
| Risk and antimony laundering | 350 | 44 |
| Treasury and investment | 178 | 34 |
| Legal | 351 | 32 |
| Marketing and sales | 502 | 31 |
| English | 56 | 8 |
| New employees orientation | 13 | 2 |
| Customers service | 36 | 4 |
| Security and maintenance | 64 | 2 |
| Total | 4,141 | 437 |

For the third consecutive year, Cairo Amman Bank had the highest number of participants in training courses provided by the Institute of Banking Studies. In addition, a number of employees received various professional certificates including Certified Branch Manager (CBM), Certified Lender Business Banker (CLBB), and Certified General Banker (CGB).

## The Bank and Local Communities

The Bank continued to actively support the local communities and participate in various national and religious functions in Jordan and Palestine. During the year, the Bank continued its sponsorship of Al-Hussein Cancer Foundation Summer Camp. In addition, the Bank provided financial assistance to a number of schools, associations, and municipalities that provide support to the local communities, students, and individual with special needs.

During 2008, the Bank opened its art gallery in its head office to become the first bank in Jordan to host an art gallery that supports the cultural movement in Jordan. The gallery holds regular exhibitions for Jordanian artists.

The Bank also sponsored several events during the year such as the Spring Festival, Orthodox School football and basketball tournaments, "Enjaz Palestine" project, the cultural week in Beer Zeit, and the 3rd Wedding Exhibition, in addition to several conferences and exhibitions. The Bank also participated in the Jordan Job Fair and Training Expo, job fairs at Philadelphia University and Zarqa University, as well as Jordan Education and Training Exhibition.

During the year, the Bank donated JD 339,5 thousand, distributed as follows:

| | (JD '000) |
|---|---|
| Charities and societies | 75,4 |
| Universities, research centres, hospitals | 198,2 |
| Clubs and social activities | 64,8 |
| Miscellaneous | 1,1 |

## The Bank's Competitiveness

The Bank strengthened its position as one of the leading banks in Jordan especially in retail banking and has products that cover micro financing and small enterprises. The Bank has 79 branches in Jordan and Palestine inter-connected with a well-developed network, in addition to 196 automated teller machines widely distributed.

The Bank is rated BB+ by Capital Intelligence and has a market share of total deposits and credit facilities in Jordan of 3.53% and 4.24% respectively, and 11.95% and 7.24% in Palestine respectively.

Some of the Bank's activities during the year include:

- Conducting several campaigns such as: the money vault for the saving accounts as a monthly prize, the salary transfer campaign which includes a periodic draw on a vehicle, and the vault challenge campaign related to the Western Union customers.

- Introducing money transfers through Western Union in the post offices.

- Signing an agreement with “Zain” to offer customers special offers, reduced prices and free mobile phones when using the Bank to settle the mobile invoices.

- Signing an agreement with Yarmouk University to enable students to pay the tuition through our branches.

- The Bank received Cardex 2008 Technical Innovation Award.

- The Bank received the Golden Award for the new corporate identity marketing campaign.

## Profile of Subsidiary Companies

### Al-Watanieh for Financial Services Company “Awraq Investment”

Al Watanieh for Financial Services Company “Awraq Investment” was established in Amman, Jordan in 1992 as a limited liability company to operate as a broker in Amman Stock Exchange. The Bank owns 100% of its paid up capital of JD 5 million. The Company’s operations include: local, regional, and international brokerage services; consulting service; assets management, and managing investments funds.

The Bank commissioned the Company to manage its investment portfolio in bonds.

### Al-Watanieh Securities Company

Al-Watanieh Securities Company was established in Ramallah, Palestine in 1995, as a limited liability company. It acts as a broker at the Palestine Stock Exchange. Currently, it has offices in Gaza and Bethlehem. The Bank owns 100% of its paid-up capital totalling JD 1,500,000.

### Cairo Amman Company - Marshall Island

Established in Marshall Island in 1999 as a limited liability company. Its objectives include the ownership and management of investment portfolios. The Bank owns 100% of its paid-up capital. The Bank’s Board of Directors took a decision to liquidate the Company.

## Business Plan for 2009

The Bank will deal with the outcome of the global economic crises and its effects on the local and regional economies through solidifying its financial position, strengthening shareholder's equity, and improving its financial performance through increasing its paid-up capital to JD 88 million. The Bank also looks forward to continuing its move towards building and strengthening its customers' deposits base, improving the quality of the banking services it provides, developing risk management in a comprehensive manner, and to maintain an appropriate rate of liquidity while achieving an acceptable return on the Bank's various investments.

Following are some of the most important items in the business plan for 2009:

1. Continuing the implementation of Basel II and corporate governance requirements.

2. Maintaining the Bank's position in retail banking through expanding cross selling, developing new products, increasing the Bank's share in credit cards and Visa Electron, and expanding the micro-finance growth.

3. Increasing the Bank's activities in corporate credit, trade finance, and credit directed to small and medium enterprises.

4. Continuing to implement the Bank's IT development plan to enhance the Bank's performance, including the core banking system, data warehouse, and electronic channels.

5. Continuing the centralization of the operations process which aims at increasing the efficiency and transforming the branches to specialized sales outlets.

6. Renovating the old head office to be used by the Central Operations Unit and increasing the Bank branches network through opening 2 new branches in Jordan and 1 branch in Palestine, in addition to expanding our ATM network.

7. Renovating some of the branches according to the Bank's new corporate identity including 8 branches in Jordan and 4 in Palestine.

Head Office Building

## Risk Management

Risk is inherent in the Bank's activities, the process of risk management is critical to the Bank's continuing profitability through implementing a comprehensive strategy for risk management by addressing the risks and attempting to mitigate them through specialized risk management committees, mainly risk committee, assets and liabilities committee, investment committee, and procedures development committee, in addition to the fact that each individual and department within the Bank is responsible for the risk exposures relating to his or her responsibilities.

The Board of Directors in its awareness of the importance of managing the different risks that face the banking sector and in line with international standards and best practices continues to manage risk through its independent Risk Management Department. The department's objectives are focused on identifying current and possible risks and recommending measures for dealing with them according to the risk appetite of the Bank. The Bank seeks to continuously develop its risk management systems and to prepare itself to implement new international standards especially Basel II requirements.

The risks facing the Bank include:

### Credit Risk

Credit risk is the risk that one party to the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank manages credit risk by setting limits for individual borrowers, groups of borrowers, and geographical and industry segments. The Bank also monitors credit exposures, and continually assesses the credit worthiness of counterparties.

The Board of Directors approves on an annual basis credit granting budgets that observe the geographical and segmental limits.

Classification of credit is performed internally whereby the customers are classified based on their financial strength and creditworthiness, in addition to the classification in terms of account activity and due settlement of loan principal and interest. The Bank's portfolio is monitored on a period basis.

The Bank follows different procedures to mitigate the risks, including determining the acceptable types of collaterals and their conditions, whereby good collaterals that can be liquidated at a reasonable time and value are accepted by the Bank taking into consideration that the value of the collateral is not related to the business of the customer. Moreover, the Bank requires insurance policies on certain properties as a means of mitigating risks. The values of the collaterals are monitored on a regular basis and in the event of decrease in its value, additional collaterals are required.

To enhance the controls over the credit granting process, there is segregation between the credit approval and the execution of the credit; whereby the decision is checked against the credit policy, all documentation and contract are reviewed before executing the credit. The Bank also has several credit committees each has its own authorization limit.

The Bank has several departments for monitoring credit facilities and reporting any warning signs in advance in order to ensure proper monitoring and follow up.

## Market Risk

Market risk arises from fluctuations in fair value or cash flows of financial instruments as a result of changes in interest rates, foreign exchange rates and equity prices. Market risks are monitored according to policies and procedures set by the Bank that includes sensitivity analysis, in addition to stop loss limits. Market risk includes: interest rate risk, liquidity risk, and equity price risk.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate reprising of assets and liabilities.

Assets and liability management policies include setting limits on the interest rate gaps for stipulated periods in accordance with the risk management strategy. Assets and liabilities committee reviews interest rate gaps on a regular basis; long term financing is obtained in order to match the Bank's long-term fixed interest investments. Hedging techniques such as interest rate swaps are used, if needed, to minimize negative effects, if any.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's functional currency is the Jordanian Dinar. The Board has set limits on positions by currency. Positions are monitored on a daily basis to ensure positions are maintained within established limits.

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The Bank manages this risk trough diversification of investments in terms of geographical distribution and industry concentration. The majority of the Bank's investments are quoted on the Amman Stock Exchange and the Palestine Securities Exchange.

## Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, managing assets with liquidity in mind, and monitoring future cash flows and liquidity on a daily basis. In addition, the Bank has a liquidity contingency plan.

## Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The general framework for the operational risk management is as follows:

- Managing operational risk is the responsibility of all employees in the Bank though the proper application of policies and procedures that would curb these risks and exposures that arise during daily operations. A special department was established since 2005 to facilitate and support all departments of the bank to carry out their duties in managing those risks.
- Because of the constant change in the environment of work as a result of the willingness of the bank management to keep pace with technology and new banking products and services, the bank has adopted and implemented several procedures to help the different departments identifying,

measuring, following-up and controlling operating risks that arise from the introduction of new products and services.

An Operational Risk Policy was developed to cover all the bank's departments, branches, and subsidiaries which include risk appetite thresholds and risk limits.

Defining the general operational risk management, including defining the roles and responsibilities of all: the Board of Directors, the Risk Committee, senior management, directors of departments, Risk Management and Audit.

Implementing Operational Risk measurement techniques that aim at identifying risks to the Bank and evaluating them in terms of the magnitude of the impact and frequency of occurrence, in order to take appropriate action that would mitigate these risks through the implementation of the Control and Self Assessment System (CRSA), as well as data collection and review of actual and potential losses resulting from operations.

### Compliance Risk

Compliance risk is the risk of non-compliance with law, regulations, and standards issued by domestic and international governing bodies.

The Bank has established a designated Compliance Department that monitors issues related to this risk. Moreover, all policies are reviewed on a regular basis to ensure that it reflects any amendment to law or regulations.

The Compliance Department provides advise to other departments, on the compliance issues, and reports independently to the Audit Committee. During 2007, the Board of Directors approved the Compliance Policy, as a result; detailed risk-based approach procedures were developed.

## Corporate Governance And Other Disclosures

The Bank gives a great deal of importance to proper corporate governance practices based on the principles of transparency and responsibility. The Bank follows sound professional practices that are in compliance with Central Bank of Jordan regulations, as well as the regulatory requirements of other countries in which it operates.

The presence of an effective, professional and independent Board of Directors is one of the most important requirements of sound corporate governance practices. The Board's primary role is to protect and enhance the shareholders' long-term value through the establishment of a strategic direction and monitoring goal achievement by the executive management.

The Bank's Board of Directors is composed of twelve members elected for a period of four years by the General Assembly during its meeting held on April 16, 2006. The members of the board have a range of skills and experiences that increase the effectiveness of the boards. All members of the Board except the Chairman are non-executive members. During the year, Misr Investment Company replaced Banque Du Caire as a board member.

To assist it in carrying it duties, the Board of Directors have established several specialized committees, each has its own roles and duties:

**Corporate Governance Committee**

The Corporate Governance Committee is composed of the following members:
Mr. Khaled Sabih Al-Masri (Chairman)
Mr. Nashat Taher Al-Masri
Mr. Yazan Mahmoud Samara

The duties of the Committee include directing the preparation, updating, and the implementation of the Bank's Corporate Governance Code.

**Audit Committee**

The Audit Committee is composed of the following non-executive members:
Mr. Ghassan Ibrahim Akeel (Chairman)
Dr. Abdul Malek Ahmad Jaber
Mr. Nashat Taher Al-Masri
Mr. Yazan Mahmoud Samara

The duties of the Audit Committee include:
- Reviewing the financial statements before being presented to the Board of Directors, in addition to meeting with external auditors and making necessary recommendations.
- Supervising internal audit activities including reviewing the annual internal audit plan and the internal audit reposts.
- Recommending to the Board of Directors the accounting policies and practices of the Bank as well as reviewing all accounting issues that have a significant effect on the financial statements.
- Reviewing the Bank's internal controls and its adequacy through reports of the internal audit department and the external auditors.
- Recommending to the Board of Directors the appointment, removal, remuneration, and/or other contractual terms of the external auditors, in addition to assessing the objectivity of the external auditors, including the consideration of any other non-audit work performed by the external auditors.
- Reviewing compliance reports and the internal audit reports on the Compliance Department.

The Audit Committee meets on a regular basis every three months, the Head of Internal Audit Department attends its meetings. The Committee meets with the external auditors and Head of Compliance at least once a year without the presence of the executive management.

**Risk Management Committee**
The Risk Management Committee is composed of the following members:
Mr. Khaled Sabih Al-Masri (Chairman)
Mr. Yazid Adnan Al-Mufti
Mrs. Suhair Sayed Ibrahim

The duties of the Risk Management Committee include:

- Reviewing the Risk Management Strategy before being approved by the Board, and assessing its effectiveness on a continuous basis.
- Ensuring the existence of policies and framework of risk management function, and reviewing it on a regular basis.
- Overseeing the Head of Risk Management and the annual plan of the department activities.
- Ensuring that the risk management function has adequate expertise and resources to fulfil its responsibilities.
- Reviewing assumptions used in risk measurement models.
- Overseeing the development of the risks database.
- Reviewing stress tests on credit, liquidity, market and operational risks and approving contingency planning.
- Reviewing the reports of the Risk Management Department.
- Monitoring the Bank's preparation and implementation of Basel II with respect to risk management and measurement issues.
- Receiving regular reports from the assets liabilities committee.
- Ensuring the existence of a business continuity plan and testing it on a regular basis.

The Risk Management Committee meets at least four times a year, and submits reports to the Board of Directors on a regular basis. The General Manager, Deputy General Manager for Banking Operations, the Deputy General Manager/Regional Manager of Palestine Branches, Head of Finance and Head of Risk attend its meetings.

**Investment Committee**
The Investment Committee is composed of the following members:
Mr. Khaled Sabih Al-Masri (Chairman)
Dr. Farouq Ahmad Zuaiter
Mr. Yazid Adnan Al-Mufti

The Committee sets and reviews the Bank's investment policy and looks into new investments opportunities.

**Real Estate Committee**
The Real Estate Committee is composed of the following members:
Mr. Khaled Sabih Al-Masri (Chairman)
Mr. Miqdad Hasan Innab
Mr. Ibrahim Husein Abu Al-Ragheb

The Committee reviews and approves the management's real estate sales recommendation.

## Board of Directors as of December 31, 2008

**Khaled Sabih Al-Masri**
Chairman of the Board
Member since: 1995
Date of Birth: 1966
Academic Qualifications:
Masters in Business Administration
Bachelor in Computer Engineering
Professional Experience:
Chairman since July 1999
Chief Executive Officer from October 2004 until 31/12/2007
Chairman of Jordan Himmeh Mineral Company
Board member in several companies including: Zara Investment (Holding) Company, Jordan Hotel and Tourism Company, and Royal Jordanian Air Academy.

**Mohammad Kamal Eddin Barakat**
Vice Chairman
Member since: 2006
Date of Birth: 1952
Academic Qualifications:
Masters in Finance and Marketing
Bachelor in Business
Professional Experience:
Experience in banking for more than 28 years through his work in Banque Misr, Egyptian Gulf Bank, and Egyptian American Bank.
Chairman of Banque Misr, Bank Misr Liban, and Bank Misr Europe
Board member of Central Bank of Egypt, Egyptian Banking Institute, the Arab Academy for Banking and Financial Sciences, Union of Arab Banks and Visa Inc.

**Miqdad Hasan Innab**
Member since: 1999
Date of Birth: 1932
Academic Qualifications:
Bachelor in Science
Professional Experience:
Various administrative expertise
Board member of Middle East Insurance Company and The Real Estate and Investment Portfolio Company

**Ibrahim Hussein Abu Al-Ragheb**
Member since: 1992
Date of Birth: 1945
Academic Qualifications:
Bachelor in Business Administration
Professional Experience:
Chairman and General Manager of Arab Steel Manufacturing Company
Chairman of Yarmouk Insurance and Re-Insurance Company

**Yasin Khalil Al-Talhouni**
Member since: 1998
Date of Birth: 1972
Academic Qualifications:
Bachelor in Economics
Professional Experience:
Board member in various companies such as: Zara Investment (Holding) Company, Jordan Hotel and Tourism Company, and Jordan Electricity Company

**Dr. Farouq Ahmad Zuaiter**
Member since: 2002
Date of Birth: 1936
Academic Qualifications:
Ph. D in Accounting, Economics, and Statistics
Masters in Accounting
Bachelor in Accounting
Professional Experience:
General Manager of Rawan International Investments Company
CEO of Palestine Development and Investment Company (Padico)
Board member of Padico and Palestine Telecommunication Company
Vice Chairman of Najah University Board of Trustees
Financial and administrative experience through working as deputy CEO of Trust Company, Deputy General Manager and Projects Manager in Al-Sahel Development and Investment Company (Kuwait)
Former Assistant Professor in DePaul University and University of Chicago

**Dr. Abdul Malek Ahmad Jaber**
Member since: 2002
Date of Birth: 1965
Academic Qualifications:
Ph. D in Engineering
Masters in Business Administration
Professional Experience:
Vice Chairman and CEO of Palestine Telecommunication Company
Chairman of Al-Mashriq Real Estate Company and Golden Mills Company
Board member in many companies such as: Palestine Tourism Investment Company, and Palestine Industrial Estates Development and Management Company (PIEDCO)
Holder of Sheikh Mohammad Bin Rashid Al-Maktoum Prize for Management.

**Nashat Taher Al-Masri**
Member since: 2002
Date of Birth: 1971
Academic Qualifications:
Master in Public Policy
Bachelor in Economics
Professional Experience:
Partner in Foursan Group
Worked as Vice President - Investment Banking in J.P. Morgan
Board member in many companies such as: Isra Investment Company, Express Telecommunications Company, Aqaba Development Company, Royal Jordanian Air Academy, and Palestine Stock Exchange.

**Yazid Adnan Al-Mufit**
Member since: 1991
Date of Birth: 1953
Academic Qualifications:
Bachelor in Business Administration
Professional Experience:
Experience in banking through his work as the General Manager of Cairo Amman Bank in addition to working in Citibank.
Board member in many companies such as: Zara Investment (Holding) Company, Palestine Development and Investment Company (PADICO), and Middle East Insurance Company

**Ghassan Ibrahim Akeel**
Member since: 2002
Date of Birth: 1968
Academic Qualifications:
Master in Business Administration
Bachelor in Accounting
Certified Public Accountant (CPA)
Professional Experience:
Deputy General Manager of Astra Group – Saudi Arabia
Experience in public accounting through his work as an Audit Manager in big five accounting firms

**Yazan Mahmoud Samara**
Member since: 2006
Date of Birth: 1972
Academic Qualifications:
MBA-General and Strategic Management
Bachelor in Industrial Engineering
Professional Experience:
General Manager of Saba'ek Investment Company
Former Director of Equity Investments in the Social Security Corporation Investment Unit
Experience in management and strategic consulting.

**Suhair Sayed Ibrahim**
Member since: 2007
Date of Birth: 1938
Academic Qualifications:
Masters in Accounting
Diplomas in Finance, Banking Studies, and Accounting
Bachelor in Accounting
Professional Experience:
General Manager and member of the Management Committee of Banque Du Caire
Experience for more than 48 years in banking from working in various departments in Banque Du Caire

## Executive Management as of December 31, 2008

**Kamal Gharib Al-Bakri**
General Manager
Date of Hiring: 2003
Date of Birth: 1969
Academic Qualifications:
Bachelor in Law
Professional Experience:
Board member in several companies including: Zara Investment (Holding) Company, Jordan Insurance Company, Jordan Tourist Transport Company (JETT) and Jordan Vegetable Oil Industries Company
Experience in banking sector through his work as the Head of Legal Department and Legal Advisor of Cairo Amman Bank
Legal Advisor to number of companies before becoming the General Manager on January 2008

**Joseph Nesnas**
Deputy General Manager / Regional Manager of Palestine Branches
Date of Hiring: 2005
Date of Birth: 1962
Academic Qualifications:
Masters in Business Administration
Bachelor in Business
Professional Experience:
Experience in banking sector through his work in the Arab Bank in Jordan and Palestine.
Vice Chairman of the Association of Banks in Palestine. Board member of Palestinian Banking Institute, and the International Union of Arab Bankers.
Board member in several companies including Arab Medical Services Company, Arab Investors Company (Palestine), Palestine

**Khaled Mahmoud Qasim**
Deputy General Manager for Operations and Support Services
Date of Hiring: 2008
Date of Birth: 1963
Academic Qualifications:
Masters in Business Administration
Bachelor in Finance
Holder of CIB certificate
Professional Experience:
Experience in the banking sector for more than 20 years through his work in Jazeera Bank, Arab Bank, Cairo Amman Bank, Jordan National Bank, Bank of Jordan, and Kuwait National Bank.
Board member in Visa Jordan for Cards Services.

**Alida Archak Orfali**
Head of Business Development and Strategy
Date of Hiring: 1990
Date of Birth: 1960
Academic Qualifications:
Masters in Business Administration
Bachelor in Finance and Human Resources
Professional Experience:
Experience in banking sector through her work as Head of Treasury and Investments in the Bank, in addition, she previously worked in the treasury department in Citibank and Jordan Investment and Finance Bank. She was an advisor to the Minister of Finance.
Board member in Jordan Hotels and Tourism Company

**Qasim Mohammad Tawfeeq**
Head of Internal Audit
Date of Hiring: 2002
Date of Birth: 1954
Academic Qualifications:
Bachelor in Arabic Language
Holder of ICFA, CERT.I.A, CAFC and CFE certificates
Professional Experience:
Experience in the banking sector and in internal audit through his work in Arab Bank from 1978 to 2002.

**Ghaddah Mohammad Nazzal**
Head of Human Resources and Administration
Date of Hiring: 2003
Date of Birth: 1959
Academic Qualifications:
Masters in Business Administration
Bachelor in Human Resources
Professional Experience:
Experience in human resources through her work as Human Resources Manager in Arab Banking Corporation (Jordan) and Jordan Projects for Tourism Development Company, and Administrative Development Manager in Arabtec- Jardaneh Company

**Nizar Tayseer Mohammed**
Head of Finance
Date of Hiring: 2004
Date of Birth: 1972
Academic Qualifications:
Bachelor in Accounting
Holder of CPA certificate
Professional Experience:
Experience in public accounting through his work as Audit Manager in large public accounting firms
Board member in Daman Investment Company

**Hamed Ibrahim Kreishan**
Head of Branches and Sales
Date of Hiring: 2000
Date of birth: 1955
Academic Qualifications:
Masters in Business Administration
Bachelor in Aeronautical Engineering
Professional Experience:
Experience in sales and marketing through his work in Coca Cola and Ahleya for Trading Centers Company

**Omar Ahmad Yaqoub**
Head of Information Technology
Date of Hiring: 2004
Date of Birth: 1957
Academic Qualifications:
Bachelor in Business Administration
Diploma in Information Technology
Professional Experience:
Experience in information technology in banks for more than 25 years through his work as IT Manager in Arab Banking Corporation (Jordan) and Jordan National Bank, and Assistant Manager in Arab Jordan Investment Bank.

**Azmi Mohammad Owaidah**
Head of Retail Banking
Date of Hiring: 1996
Date of Birth: 1964
Academic Qualifications:
Bachelor in Accounting
Professional Experience: Experience in the field of credit in banks through his work in Cairo Amman Bank and Jordan Kuwaiti Bank.

**Yazeed Sitan Ammari**
Head of Corporate Credit
Date of Hiring: 2006
Date of Birth: 1965
Academic Qualifications:
Masters in Finance
Bachelor in Business Administration
Professional Experience:
Experience in the field of credit in banks through his work in Jordan National Bank, Amman Investment Bank and Arab Real-estate Bank.

**Naser Abdul Karim Al-Qudseh**
Head of Real Estate and Engineering
Date of Hiring: 2003
Date of Birth: 1961
Academic Qualifications:
Bachelor in Marketing and Sales
Professional Experience:
Administrative experience through his work in Astra Group.

**Farouq Mohammad Amawi**
Head of Compliance
Date of Hiring: 2008
Date of Birth: 1951
Academic Qualifications: Diploma in Business
Professional Experience:
Experience in the banking sector for more than 24 years through his work in Jordan National Bank, Arab Bank/Syria, Jordan Commercial Bank, Arab Jordan Investment Bank, and Middle East Investment Bank

**Mohammad Khalil Abdo**
Head of SMEs and Palestine Credit
Date of Hiring: 1987
Date of Birth: 1962
Academic Qualifications:
Bachelor in Accounting
Professional Experience:
Experience in the field of credit in the Bank for more than 21 years.

**Rana Sami Sunna**
Head of Risk Management
Date of Hiring: 1995
Date of Birth: 1966
Academic Qualifications:
Masters in Business Administration
Bachelor in Accounting
Professional Experience:
Experience in the field of risk management through her work and the Manager of Risk Management Department in the Bank since 1998. She also worked as the Head of Local Facilities Department in the Central Bank of Jordan
Board member in the Jordan Mortgage Refinancing Company

**Reem Younis Esess**
Head of Treasury
Date of Hiring: 1990
Date of Birth: 1964
Academic Qualifications:
Masters in Economics
Bachelor in Economics
Professional Experience:
Experience in banking through her work as the Treasurer in the Bank since 1990, she also worked as a researcher in the Royal Scientific Society.

**Yaser Mohammad Abu Al-Samen**
Head of Documentation and Credit Control
Date of Hiring: 1993
Date of Birth: 1972
Academic Qualifications: Bachelor in Law
Professional Experience:
Experience in the field of internal audit and credit control in the Bank.

### Directors' Shareholdings

| | Nationality | 2008 | 2007 |
|---|---|---|---|
| Mr. Khaled Sabih Al-Masri | Jordanian | 4,000 | 3,750 |
| Relatives shareholdings | - | - | - |
| Banque Misr represented by Mr. Mohammad Barakat | Egyptian | 8,622,065 | 8,083,186 |
| Mr. Mohammad Kamal Eddin Barakat | Egyptian | - | - |
| Relatives shareholdings | - | - | - |
| Mr. Miqdad Hasan Innab | Jordanian | 4,000 | 3,750 |
| Relatives shareholdings | Jordanian | - | - |
| Ishraq Investment Company represented by Mr. Ibrahim Abu Al-Ragheb | Jordanian | 70,610 | 66,666 |
| Mr. Ibrahim Hussein Abu Al-Ragheb | Jordanian | 382,712 | 335,503 |
| Relatives shareholdings | Jordanian | 1,198 | 1,124 |
| Levant Investment Company represented by Mr. Yasin Al-Talhouni | Jordanian | 4,000 | 3,750 |
| Mr. Yasin Khalil Al-Talhouni | Jordanian | 4,843,277 | 4,540,573 |
| Relatives shareholdings | - | - | - |
| Palestine Development & Investment Co. represented by Dr. Farouq Zuaiter | Liberian | 3,415,847 | 3,330,134 |
| Dr. Farouq Ahmad Zuaiter | Jordanian | 61,000 | 30,000 |
| Relatives shareholdings | Jordanian | 63,066 | 31,000 |
| Al-Massira Investment Company represented by Dr. Abdul Malek Jaber | Jordanian | 9,110,243 | 8,507,614 |
| Dr. Abdul Malek Ahmad Jaber | Jordanian | - | - |
| Relatives shareholdings | - | - | - |
| Mr. Nashat Taher Al-Masri | Jordanian | 2,221 | 2,083 |
| Relatives shareholdings | - | - | - |
| Astra Investment Company represented by Mr. Yazid Al-Mufit | Jordanian | 4,000 | 3,750 |
| Mr. Yazid Adnan Al-Mufit | Jordanian | - | - |
| Relatives shareholdings | - | - | - |
| Arab Investment and Trade Company represented by Mr. Ghassan Akeel | Saudi Arabian | 1,631,573 | 1,529,600 |
| Mr. Ghassan Ibrahim Akeel | Jordanian | 32,000 | 30,000 |
| Relatives shareholdings | Jordanian | 40,532 | 28,000 |
| Social Security Corporation represented by Mr. Yazan Samara | Jordanian | 4,764,055 | 4,517,306 |
| Mr. Yazan Mahmoud Samara | Jordanian | - | - |
| Relatives shareholdings | - | - | - |
| Misr Investment Company represented by Mrs. Suhair Sayed | Egyptian | 1,066 | - |
| Mrs. Suhair Sayed Ibrahim | Egyptian | - | - |
| Relatives shareholdings | | - | - |

### Executives and Informed Employees Shareholdings

| Name | Position | 2008 | 2007 |
|---|---|---|---|
| Mr. Kamal Gharib Al-Bakri | General Manager | - | - |
| Mr. Joseph Nesnas | Deputy GM/ Regional Manager for Palestine Branches | - | - |
| Mr. Khaled Mahmoud Qasim | Deputy GM for Operations and Support Services | - | - |
| Miss Alida Archak Orafali | Head of Business Development and Strategy | - | - |
| Mr. Qasim Mohammad Tawfeeq | Head of Internal Audit | - | - |
| Miss Ghaddah Mohammad Nazzal | Head of Human Resources and Administration | - | - |
| Mr. Nizar Tayseer Mohammed | Head of Finance | - | - |
| Mr. Hamed Ibrahim Kreishan | Head of Branches and Sales | - | - |
| Mr. Omar Mohammad Yaqoub | Head of Information Technology | - | - |
| Mr. Azmi Mohammad Owaidah | Head of Retail Banking | - | - |
| Mr. Yazid Sitan Ammari | Head of Corporate Credit | - | - |
| Mr. Naser Abdul Karim Qudseh | Head of Real Estate and Engineering | - | - |
| Mr. Farouq Mohammad Amawi | Head of Compliance | - | - |
| Mr. Mohammad Khalil Abdo | Head of SMEs and Palestine Credit | - | - |
| Mrs. Rana Sami Sunna | Head of Risk | 2,400 | 2,250 |
| Mrs. Reem Younis Esess | Head of Treasury | - | - |
| Mr. Yaser Mohammad Abu Al-Samin | Head of Documentation and Credit Control | - | - |

### Shareholders with 5% or more ownership

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Shares | % | Shares | % |
| Al-Massira Investment Company | 9,110,243 | 11.39 | 8,507,614 | 11.34 |
| Banque Misr | 8,622,065 | 10.78 | 8,083,186 | 10.78 |
| Najwa Mohammad Madi | 8,360,000 | 10.45 | 7,837,500 | 10.45 |
| Yasin Khalil Al-Talhouni | 4,843,277 | 6.05 | 4,540,573 | 6.05 |
| Social Security Corporation | 4,746,055 | 5.93 | 4,517,306 | 6.02 |
| Hamzah Khalil Al-Talhouni | 4,751,254 | 5,94 | 4,454,301 | 5,94 |
| Sabih Taher Al-Masri | 4,167,758 | 5.21 | 3,907,274 | 5.21 |

**The ownership of Mr. Sabih Al-Masri Group represents 29.5% of the Bank's paid-in capital**
**The ownership of Mr. Yasin Al- Talhouni Group represents 17.2% of the Bank's paid-in capital**

**Board of Directors Remunerations during 2008**

| Name | Salaries | Transportation | Travel | Bonus |
|---|---|---|---|---|
| Mr. Khaled Sabih Al-Masri | 271,764 | 5,000 | - | 5,000 |
| Mr. Mohammad Kamal Eddin Barakat | - | - | 10,619 | 5,000 |
| Mr. Miqdad Hasan Innab | - | 5,000 | - | 5,000 |
| Mr. Ibrahim Hussein Abu Al-Ragheb | - | 5,000 | - | 5,000 |
| Mr. Yasin Khalil Al-Talhouni | - | 5,000 | - | 5,000 |
| Dr. Farouq Ahmad Zuaiter | - | 5,000 | - | 5,000 |
| Dr. Abdul Malek Ahmad Jaber | - | - | 3,000 | 5,000 |
| Mr. Ghassan Ibrahim Akeel | - | - | 9,921 | 5,000 |
| Mr. Nashat Taher Al-Masri | - | 5,000 | - | 5,000 |
| Mr. Yazid Adnan Al-Mufit | - | 5,000 | - | 5,000 |
| Mr. Yazan Mahmoud Samara | - | 5,000 | - | 5,000 |
| Mrs. Suhair Sayed Ibrahim | - | - | 11,050 | 833 |
| The Late Maha Hussein Shawki | - | - | - | 1,667 |
| **Total** | 271,764 | 40,000 | 34,590 | 57,500 |

**Executive Management Remunerations during 2008**

Total salaries, bonuses, and other benefits paid to the members of the Bank's executive management during 2008 was JD 1,750,063

The Bank does not rely on any particular vendors and / or customers that constitute 10% or more of the Bank's purchases and / or revenues.

The Bank does not enjoy any privilege of governmental protection on any products or activities and did not receive any patents or franchises during 2008

Government decisions during 2008 did not have any material effect on the Bank's operations.

All activities and operations performed during 2008 were of a recurring nature and in line with the Bank's main activities. There were no extraordinary activities that had a significant financial effect during the year.

Capital expenditures during 2008 were JD 8,663,582

Audit fees for 2008 were JD 131,642 in addition to sales and value added taxes distributed as follows:

| | |
|---|---|
| Cairo Amman Bank | 120,000 |
| Awraq Investment | 7,000 |
| Al-Watanieh Securities | 4,642 |
| Total | 131,642 |

Other consulting fees paid to the external auditors during the year amounted to JD 72,233

Awraq Investment manages the Bank's portfolio in bonds and other instruments for an annual fee. The Bank did not have any other contracts, projects and commitments with subsidiary companies, Chairman and members of the Board of Directors except for regular banking operations that are fully disclosed in note 37 to the financial statement. Those transactions are made in accordance with Central Bank of Jordan's regulations.

## Statement from the Board of Directors

The Board of Directors affirms that according to its knowledge and beliefs that are no significant issues, which would affect the sustainability of the Bank's operations during the next fiscal year of 2009.

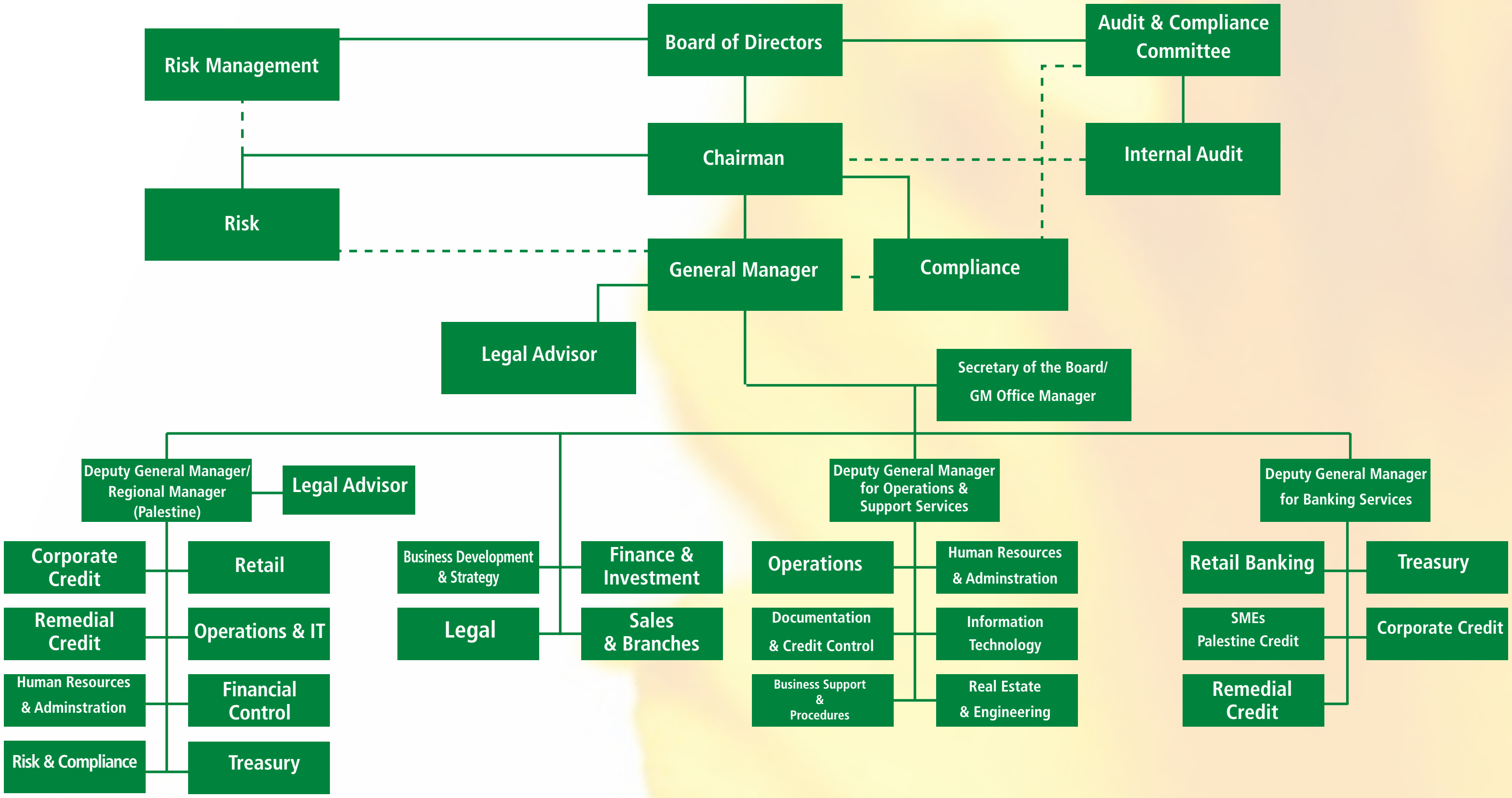
The Board of Directors also acknowledges its responsibility for the preparation of the financial statements for the year 2008 noting that the Bank maintains an effective internal control structure.

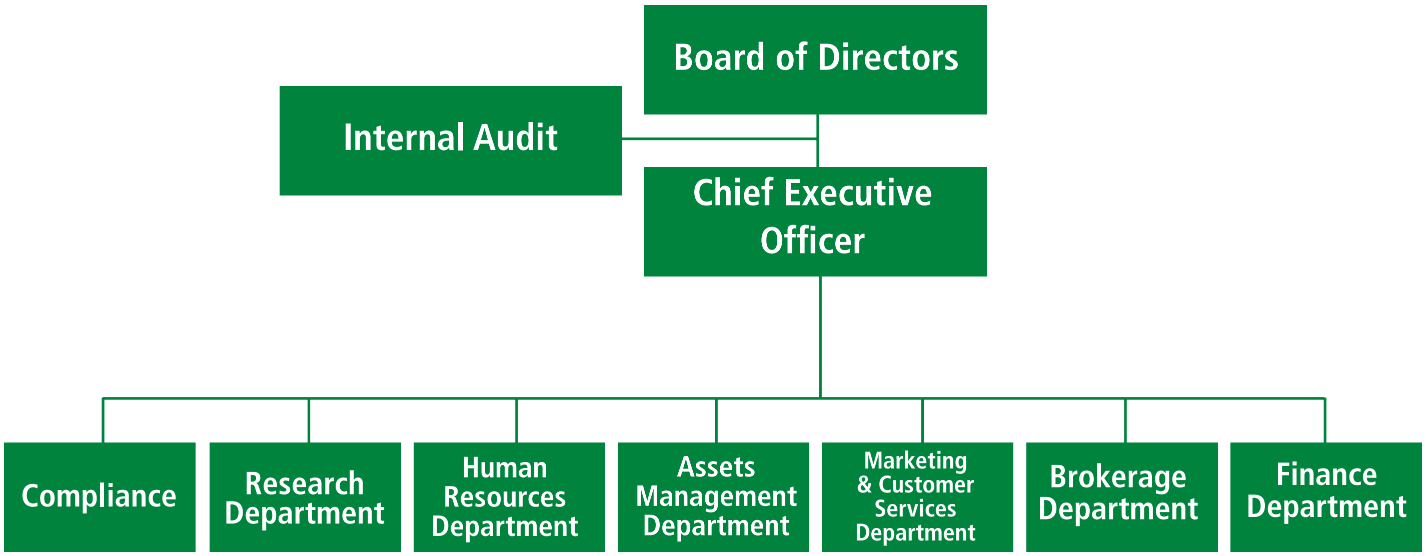
| | | |
|---|---|---|
| Chairman<br>Khaled Sabih Al-Masri | Vice Chairman<br>Mohammad Kamal Eddin Barakat | Miqdad Hasan Innab |
| Ibrahim Hussein Abu Al-Ragheb | Yasin Khalil Al-Talhouni | Farouq Ahmad Zuaiter |
| Abdul Malek Ahmad Jaber | Nashat Taher Al-Masri | Yazid Adnan Al-Mufi |
| Ghassan Ibrahim Akeel | Yazan Mohammad Samara | Suhair Sayed Ibrahim |

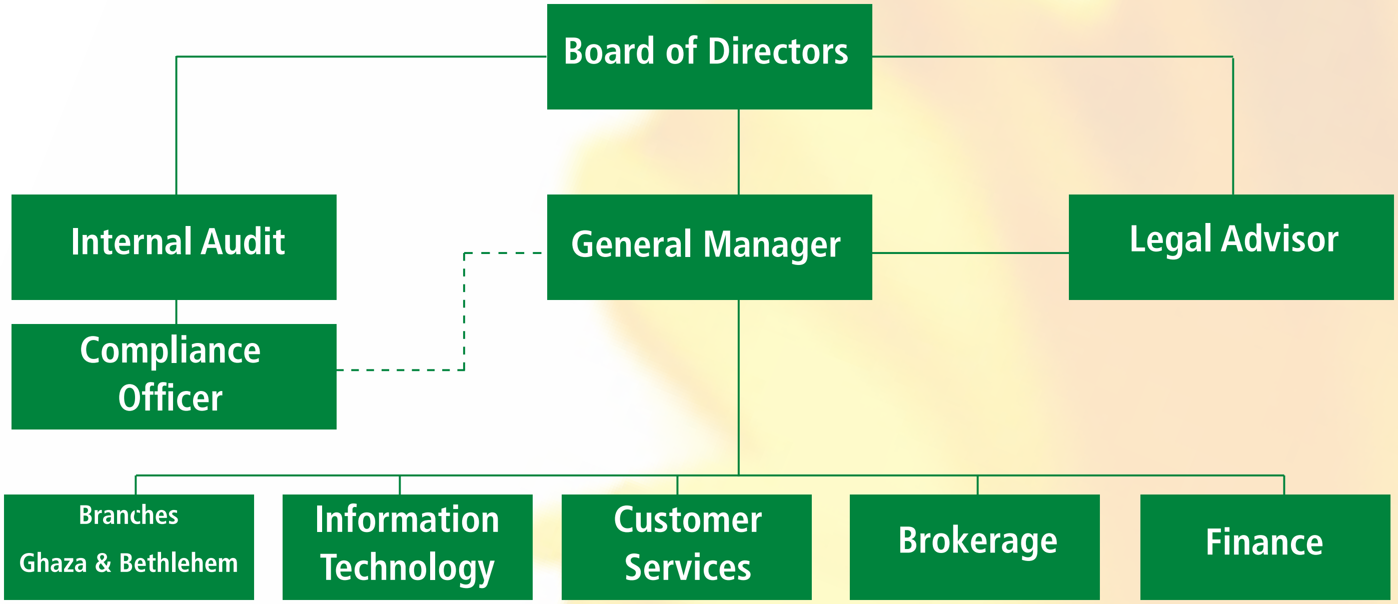
The Chairman, General Manager and the Head of Finance acknowledge the accuracy and completeness of the information and financial data provided in the annual report.

| | | |
|---|---|---|
| Chairman<br>Khaled Sabih Al-Masri | General Manager<br>Kamal Ghareeb Al-Bakri | Head of Finance<br>Nizar Tayseer Mohammed |

## Organization Structure




Board of Directors
Internal Audit
Chief Executive Officer
Compliance
Research Department
Human Resources Department
Assets Management Department
Marketing & Customer Services Department
Brokerage Department
Finance Department


Board of Directors
Internal Audit
General Manager
Legal Advisor
Compliance Officer
Branches Ghaza & Bethlehem
Information Technology
Customer Services
Brokerage
Finance

# Corporate Governance Code

# Corporate Governance Code

## 1. Introduction

Cairo Amman Bank ("The Bank") gives a great deal of importance to proper corporate governance practices based on the principles of fairness, transparency, accountability and responsibility in order to enhance the trust of depositors, shareholders, and other stakeholders to ensure continuous monitoring of the Bank's adherence to set policies and limits within the Bank's goals. The Bank is also committed to the highest professional standards in all activities that conform to the regulations of the Central Bank of Jordan and of the regulatory authorities in countries where the Bank is present, and comply with best international practices. Accordingly, the Board of Directors ("The Board") has adopted this Corporate Governance Code.

## 2. Board of Directors

**Duties and responsibilities of the Board**

The Board of Directors is responsible for supervising and monitoring all of the Bank's activities and the executive management, in addition to ensuring that all activities comply with the Central Bank of Jordan's regulations and other regulatory authorities, for the interest of the shareholders, depositors and all relevant parties.

The main responsibilities of the Board of Directors include the following:

a. Setting the Bank's strategic goals and overseeing the implementation thereof, in addition to directing the executive management to design plans for the implementation of these goals.
b. Ensuring and certifying that internal control systems are effective.
c. Reviewing all risks that face the Bank, and ensuring that they are managed properly by the executive management.
d. Ensuring that the Bank complies with all related laws and regulations.
e. Appointing a General Manager with integrity, technical competence, and experience in banking, monitoring his/her performance as well as approving the appointment of certain members of the executive management, and ensuring they have the required expertise.

**2.2 Composition of the Board**

a. The Board of Directors is composed of twelve members elected by the General Assembly for a period of four years. The members of the Board have a range of skills and experiences that increase the effectiveness of the Board.
b. Among the Board's non-executive directors, there are at least three independent directors. An "Independent Director" should meet the following requirements:

- Has not been employed by the Bank for the preceding three years
- Is not a relative (up to the second degree) of a member of the Bank's management
- Is not receiving a salary or compensation from the Bank except for the Board membership
- Is not a director or owner of a company with which the Bank does business, other that business relationship made in the ordinary course of the Bank's business 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 three years, has been affiliated with or employed by a present or former external auditor of the Bank

- Is neither a shareholder with effective interest in the capital of the Bank nor affiliated with one.

c. The Board of Directors may include executive members that occupy position in the Bank, but should not exceed three members.

**2.3 The Chairman of the Board**

a. The Chairman of the Board ("The Chairman") may have executive authorities.

b. If the Chairman is an executive, the Bank will consider appointing an independent member of the Board as Deputy Chairman.

c. The position of the Chairman is separated from that of the General Manager. The division of responsibilities is set in writing and subject to review and revision from time to time as necessary, and is approved by the Board.

d. There should be no family connection between the Chairman and the General Manager up to the third degree.

e. The Chairman promotes a constructive relationship between the Board and the executive management, and between the executive directors and the non-executive directors within the Board.

f. The Chairman ensures that both directors and shareholders receive adequate information on a timely basis.

## 3. Board Practices

a. The Board holds no less than six meetings every year, with no more than two months between each two meetings, to discuss matters proposed by the executive management and all other matters the Board deems necessary.

b. The executive management provides board members with adequate information sufficiently in advance of the meetings to enable them to reach informed decisions.

c. Each Board member is provided with a formal appointment letter upon his/her election, in which he/she is advised about his/her rights, responsibilities, and duties including activities that require the Board authorization limit.

d. A permanent written record of the Board's discussions and votes is kept by the Board Secretary who is also responsible to ensure that Board procedures are followed, and that information is conveyed between members of the Board, the members of the Board Committees and the executive management.

e. The Board reaches its decisions based on the absolute majority of members' vote. In the case of an even vote, the decision that the Chairman voted for is approved.

f. Board members and any of the Board's Committees have access to executive management. In addition, members of the executive management may, upon the request of the Chairman, attend Board meetings and present information related to their area of responsibility.

g. Board members and any of the Board's Committees are entitled to use external sources to enable them to adequately fulfil their duties.

## 4. Board Committees

The Board of Directors has several specialized committees, each has its own duties and responsibilities according to its charter and they work integrally with the Board to achieve the Bank's goals and enhance its efficiency. The Bank utilizes a formal and transparent process for appointments to the Board Committees:

**Corporate Governance Committee**

The Corporate Governance Committee is comprised of the Chairman of the Board and two non-executive directors.

The duties of the Corporate Governance Committee include directing the preparation of the Bank's Corporate Governance Code and supervising its implementation. The Committee constantly reviews the code recommending changes or additions to it, in order to improve the code and the efficiency of the Board.

**Audit Committee**

The Audit Committee comprises of at least three non-executive members, at least two of them are independent directors. The Bank's policy is that at least two members of the audit committee should have relevant financial management qualifications and/or expertise.

The duties of the Audit Committee include:

- Reviewing the financial statements before being presented to the Board of Directors, in addition to meeting with external auditors and making necessary recommendations.
- Supervising internal audit activities including: reviewing the annual internal audit plan and the internal audit reposts.
- Recommending to the Board of Directors the accounting policies and practices of the Bank as well as reviewing all accounting issues that have a significant effect of the financial statements.
- Reviewing the Bank's internal controls and its adequacy through the reports of the internal audit department and the external auditors.
- Recommending to the Board of Directors the appointment, the removal, the remuneration, and/or other contractual terms of the external auditors, in addition to assessing the objectivity of the external auditors, including the consideration of any other non-audit work performed by the external auditors.
- Reviewing Compliance Department reports.

The Audit Committee meets on a regular basis every three months, the Head of Internal Audit Department attends its meetings. The Audit Committee has the ability to obtain any information from executive management, and the ability to call any executive of Director to attend its meetings.

The Audit Committee meets each of the Bank's external auditors, its internal auditors, and its compliance officers without the executive management being present at least once a year.

The Bank recognizes that the Audit Committee does not substitute for the responsibilities of the Board of Directors or the Bank's executive management for the supervision and adequacy of the Bank's internal control structure.

**The Nominations and Remuneration Committee**

The Nominations and Remuneration Committee is comprised of three non-executive directors, the majority of which, including the committee chairman, are independent.

The committee's duties include:

- Setting methods to assess the effectiveness of the Board and its Committees.
- Making the determination of whether a Director is independent considering the minimum standards for independence set out in this code.
- Nominating board appointments to the General Assembly.
- Providing background-briefing material for Directors as requested, as well as ensuring that they are kept up to date on relevant banking topics.
- Recommending to the Board the remuneration, including monthly salary and other benefits, of the General Manager. The Nominations and Remuneration Committee also reviews the bonuses and other remuneration of other executive management.
- The Nomination and Remuneration Committee ensures that the Bank has a remuneration policy sufficient to attract and retain qualified individuals and is in line with the Bank's peers in the market.
- The committee meets on a regular basis, and member of the executive management are invited to attend its meetings, if necessary.

### 4.4 Risk Management Committee

The Risk Management Committee is comprised of the Chairman of the Board and two non-executive directors.

The duties of the Risk Management Committee include:

- Reviewing Risk Management strategy before being approved by the Board, and assessing its effectiveness on a continuous basis.
- Ensuring the existence of policies and framework of risk management function, and reviewing them on a regular basis.
- Overseeing the Head of Risk Management and the annual plan of the department activities.
- Ensuring that risk management function has adequate expertise and resources to fulfil its responsibilities.
- Reviewing assumptions used in risk measurement models.
- Overseeing the development of risks database.
- Reviewing stress tests on credit, liquidity, market, and operational risks and approving contingency planning.
- Reviewing the reports of the Risk Management Department.
- Monitoring the Bank's preparation and implementation of Basel II with respect to risk management and measurement issues.
- Receiving regular reports from the Assets Liabilities Committee.
- Receiving and acting on compliance and internal audit reports that are relevant to the risk function.
- Ensuring the existence of business continuity plan and testing it on a regular basis.

The Risk Management Committee meets at least four times a year, and submits reports to the Board of Directors on a regular basis. The General Manager, Deputy General Manager for Banking Operations, the Deputy General Manager Regional Manager of Palestine Branches, Head of Finance and Head of Risk attend its meetings.

### 4.5 Investments Committee

The Investment Committee is comprised of the Chairman of the Board and two non-executive directors.

The Committee sets and reviews the Bank's investment policy and looks into new investments opportunities.

The Committee meets on a regular basis, and members of the executive management may be invited to attend its meetings, if necessary.

## 5. Self Assessment

a. The Board assesses its own performance and the performance of its committees on an annual basis. The Nominations and Remuneration Committee is responsible for receiving the assessment from the Directors, reviewing them and providing to the Board with a report summarizing the self-assessment. The Board discusses this report in order to enhance its performance if needed.

b. The Nominations and Remuneration Committee in coordination with the Chairman formally evaluate the performance of the General Manager and submits its evaluation to the Board.

c. The Board approves executive management succession plans, which set out the required qualifications and requirements of the positions.

## 6. Related Party Transactions

a. Related party transactions between the Bank and its employees or Directors or their companies or other related parties, including lending and share trading transactions, are done according to rules and procedures that comply with the Central Bank of Jordan's regulation.

b. Credit extended to Directors and their companies are made in accordance with the Bank's related parties credit policies and are reported to the Board of Directors for review.

c. Credit extended to Directors and their companies are made at market rates and not on preferential terms.

d. Directors involved in any credit transaction do not participate in discussions nor do they vote on it.
e. All related party transactions are disclosed in the Bank's annual report as well all interim financial statements.
f. The Bank's internal controls ensure that all related party transactions are handled in accordance with the set policies.

## 7. Internal Controls

a. The Board ensures that the Bank maintains a high degree of integrity in its operations. Formal policies, including a Code of Conduct, and definitions and controls on conflicts of interest and insider dealing, have been established and are published to all employees.
b. The Bank has written policies covering all banking operations. Such policies are regularly reviewed to ensure that they conform to any changes in laws and regulations, the economic environment, and other circumstances affecting the Bank.
c. The Bank, as part of its lending and credit approval process, assesses the quality of corporate governance in its corporate borrowers, especially public shareholding companies, and includes the strength or weakness of their corporate governance practice in the borrower's risk assessment.
d. Executive management is responsible for implementing the risk management strategies that have been approved by the Board, and for developing the policies and procedures for managing the various types of risk.
e. The structure and development of a coherent and comprehensive risk management department within the Bank is proposed by the executive management, reviewed by the Risk Management Committee, and approved by the Board.
f. The Bank adopted "Whistle Blowing Policy", whereby employees can confidentially raise concerns about possible irregularities, and that allow for such concerns to be independently investigated and followed up.
g. The Bank's management is responsible for establishing and maintaining adequate internal control structure over financial reporting for the Bank
h. The Bank's internal control structure is reviewed by internal and external auditors, at least once a year.
i. The Bank requires the regular rotation of the external audit between audit firms. Should this no longer be practical, then the Bank will at a minimum require the regular rotation of the principal partner in charge of the external audit.

## 8. Internal Audit

a. The Bank provides the Internal Audit Department with staff adequately resourced, trained and remunerated.
b. The Internal Audit Department has full access to the Bank's records and employees, and is given sufficient standing and authority within the Bank to adequately carry out its tasks. The functions, duties and responsibilities of the Internal Audit Department are documented within the Internal Audit Charter, which is approved by the Board and published within the Bank.
c. The Internal Audit Department reports primarily to the Chairman of the Audit Committee.
d. The Internal Audit employees do not have any operational responsibilities. Internal Audit is responsible for proposing the structure and scope of the audit schedule, and any potential conflicts of interest are reported to the Audit Committee.
e. The Internal Audit reports may by discussed with the departments and operational units being audited, but the Internal Audit Department is allowed to operate and make a full and honest report without outside influence or interference.
f. The Internal Audit Department reviews the Bank's financial reporting as well as compliance with internal policies, international standards, procedures, and applicable laws and regulations.

## 9. Risk Management

a. Risk management is the responsibility of all departments and operational units within the Bank.

b. The Risk Management Department reports to the Risk Management Committee and on a day-to-day operational basis it reports to the General Manager.

c. The functions of the Risk Management Department are assisted by a network of properly constituted, authorized and documented committees such as the Assets and Liabilities Committee, Investment Committee, and Credit Committees.

d. The responsibilities of the Risk Management Department include:

- Analyzing all risks including: credit risk, market risk, liquidity risk and operational risk.
- Developing methodologies for measuring and controlling each risk.
- Recommending limits to the Risk Management Committee and the approval, reporting, and recording of exceptions to the risk policy.
- Providing the Board and the executive management with information on risk metrics and on the Bank's risk profile.
- Providing information about risks to be used in the Bank's published statements and reports.

## 10. Compliance

a. The Bank has an independent compliance function, which is adequately resourced, trained, and remunerated.

b. The Compliance Department establishes effective mechanisms to ensure that the Bank complies with all applicable laws and regulations. The Department's functions, duties, and responsibilities are documented and published within the Bank.

c. The Compliance Department is responsible for developing the compliance policy of the Bank and ensuring its implementation throughout the Bank. The Board is responsible for approving the compliance policy and overseeing its implementation.

d. The Compliance Department reports to the Risk Management Committee, with copies of its reports sent to the General Manager.

## 11. Relationship with Shareholders

a. The Bank takes active steps to encourage shareholders, in particular minority shareholders, to participate in the annual General Assembly, and also to vote either in person or in their absence by proxy.

b. The Bank's policy is that the Chairmen of all Board Committees should be present at the Annual General Assembly.

c. Representatives from the external auditors attend the Annual General Assembly to answer questions about the audit and their auditors' report. External auditors are elected by the shareholders at the General Assembly.

d. Voting is done on each separate issue that is raised at the General Assembly.

e. Notes, minutes and a report of the proceedings of the Annual General Assembly, including the results of voting, and the questions from shareholders and executive management's responses, are prepared and made available to shareholders after the annual General Assembly.

## 12. Transparency and Disclosures

a. The Bank disclosures are made in accordance with the International Financial Reporting Standards (IFRS), the regulations issued pursuant to the Banking Law, and to other related legislations.

b. The Bank provides meaningful information on its activities to shareholders, depositors, financial market counterparties, regulators, and the public in general. The Bank also discloses significant issues in accordance with the Jordan Securities Commission's regulations.

c. The Bank follows The Disclosure Regulation issued by Jordan Securities Commission and the regulation of the Central Bank of Jordan for information that should be disclosed in the Bank annual report.

d. The Bank's annual report includes information about the structure and operation of the Risk Management Department, in addition to a detailed description of the Bank's risks and the methods for managing them.

e. The annual report includes a statement from the Board of Directors acknowledging their responsibility for the preparation of the financial statements and the contents of the annual report, and their accuracy and completeness noting that the Bank maintains an effective internal control structure.

f. The Bank prepares quarterly reports that include quarterly financial statement, as well as preparing analysis of the Bank's results of operations, which allow investors to understand current and future operating results and the financial condition of the Bank.

g. The Head of Finance Department is handling the function of investor relations through providing comprehensive, objective and up to date information on the Bank, its financial condition and performance and its activities.

h. The Bank discloses in its annual report its Corporate Governance Code and details of its compliance.

i. The Bank discloses in its annual report a summary organization chart.

j. The Bank discloses in its annual report summaries of the duties and responsibilities of Board Committees including the members of these committees.

k. The Bank discloses in its annual report a summary of the remuneration policy, including the amounts paid to the members of the executive management.

The Bank complies with all articles of the Corporate Governance Code except:

- The number of independent members in the Audit Committee.
- There is no Nomination and Remuneration Committee.
- The Board does not conduct self-assessment.
- Having approved succession plan for executive management.
- Having approved remuneration and bonus policy.

# Financial Statements

Independent Auditors' Report To The Shareholders Of
Cairo Amman Bank
Amman - Jordan

We have audited the accompanying financial statements of Cairo Amman Bank (a public shareholding company) and its subsidiaries ("the Bank"), which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' Responsibility for the Financial Statements**

The Directors are 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.

**Auditors' 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 auditors' judgement, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 the Bank as of December 31, 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Amman – Jordan
February 15, 2009

Ernst + Young

## Cairo Amman Bank

Consolidated Balance Sheet at 31 December 2008
(In Jordanian Dinars)

| | Notes | 2008 | 2007 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with Central Banks | 4 | 229,532,870 | 291,657,073 |
| Balances at banks and financial institutions | 5 | 171,735,707 | 198,686,651 |
| Deposits at banks and financial institutions | 6 | - | 177,250 |
| Financial assets held for trading | 7 | 69,637 | 329,405 |
| Direct credit facilities | 8 | 632,853,802 | 539,389,673 |
| Financial assets available for sale | 9 | 355,685,181 | 226,441,329 |
| Property and equipment | 10 | 34,569,924 | 30,981,739 |
| Intangible assets | 11 | 3,627,508 | 3,425,747 |
| Other assets | 12 | 34,169,837 | 28,156,363 |
| **Total Assets** | | 1,462,244,466 | 1,319,245,230 |
| **Liabilities And Equity** | | | |
| Liabilities | | | |
| Banks and financial institutions' deposits | 13 | 44,448,203 | 52,468,652 |
| Customers' deposits | 14 | 1,125,347,862 | 994,859,431 |
| Margin accounts | 15 | 48,782,874 | 36,971,000 |
| Loans and borrowings | 16 | 23,790,129 | 23,449,475 |
| Sundry provisions | 17 | 8,572,960 | 8,193,998 |
| Income tax liabilities | 18 | 22,513,296 | 21,030,969 |
| Deferred tax liabilities | 18 | 9,249,139 | 12,373,360 |
| Other liabilities | 19 | 28,039,079 | 24,854,673 |
| **Total Liabilities** | | 1,310,743,542 | 1,174,201,558 |
| | | | |
| **Equity** | | | |
| Paid-in capital | 20 | 80,000,000 | 75,000,000 |
| Statutory reserve | 21 | 24,152,279 | 21,683,537 |
| Voluntary reserve | 21 | 1,321,613 | 1,321,613 |
| General banking risk reserve | 21 | 6,337,932 | 5,387,932 |
| Cumulative changes in fair value | 22 | 17,975,688 | 24,313,275 |
| Retained earnings | 23 | 21,713,412 | 17,337,315 |
| **Total equity** | | 151,500,924 | 145,043,672 |
| **Total liabilities and equity** | | 1,462,244,466 | 1,319,245,230 |

**The accompanying notes from 1 to 47 are an integral part of these financial statements.**

## Cairo Amman Bank

Consolidated Income Statement
For the Year Ended 31 December 2008
(In Jordanian Dinars)

| | Notes | 2008 | 2007 |
|---|---|---|---|
| Interest income | 25 | 87,959,197 | 77,649,144 |
| Interest expense and similar charges | 26 | 34,924,169 | 31,490,248 |
| **Net interest income** | | 53,035,028 | 46,158,896 |
| Net commission | 27 | 15,296,391 | 12,552,386 |
| **Net interest and commission income** | | 68,331,419 | 58,711,282 |
| **Other income –** | | | |
| Net gain from foreign currencies | 28 | 2,995,714 | 2,585,118 |
| Net (loss) gain from financial assets held for trading | 29 | (43,983) | 172,213 |
| Net (loss) gain from financial assets available for sale | 30 | (2,927,869) | 7,602,226 |
| Other income | 31 | 6,526,275 | 5,945,776 |
| **Gross profit** | | 74,881,556 | 75,016,615 |
| Employees' expenses | 33 | 26,063,143 | 24,287,157 |
| Depreciation and amortisation | 10-11 | 4,758,381 | 3,068,601 |
| Other expenses | 32 | 16,057,996 | 13,940,815 |
| Impairment loss on direct credit facilities | 8 | - | 886,623 |
| Sundry provisions | 17 | 848,261 | 2,237,441 |
| **Total expenses** | | 47,727,781 | 44,420,637 |
| **Profit before tax** | | 27,153,775 | 30,595,978 |
| Income tax expense | 18 | 6,858,936 | 9,686,164 |
| **Profit for the year** | | 20,294,839 | 20,909,814 |
| **Earning per share for the year:** | | JD/Fils | JD/Fils |
| **Basic and diluted per share** | 34 | 0/254 | 0/261 |

**The accompanying notes from 1 to 47 are an integral part of these financial statements.**

## Cairo Amman Bank

Consolidated Statement Of Changes In Equity
For the Year Ended 31 December 2008
(In Jordanian Dinars)

| | Paid in capital | RESERVES | | | Cumulative changes in fair values | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| | | Statutory | Voluntary | General banking risk | | | |
| | JD | JD | JD | JD | JD | JD | JD |
| Balance at 1 January 2008 | 75,000,000 | 21,683,537 | 1,321,613 | 5,387,932 | 24,313,275 | 17,337,315 | 145,043,672 |
| Net movement in cumulative changes in fair value after tax | - | - | - | - | (6,337,587) | - | (6,337,587) |
| Total income and expenses for the year recognised directly in equity | - | - | - | - | (6,337,587) | - | (6,337,587) |
| Profit for the year | - | - | - | - | - | 20,294,839 | 20,294,839 |
| Total income and expenses for the year | - | - | - | - | (6,337,587) | 20,294,839 | 13,957,252 |
| Increase in capital | 5,000,000 | - | - | - | - | (5,000,000) | |
| Transferred to reserves | - | 2,468,742 | - | 950,000 | - | (3,418,742) | - |
| Distributed profit | - | - | - | - | - | (7,500,000) | (7,500,000) |
| **Balance at 31 December 2008** | 80,000,000 | 24,152,279 | 1,321,613 | 6,337,932 | 17,975,688 | 21,713,412 | 151,500,924 |
| Balance at 1 January 2007 | 67,500,000 | 18,727,903 | 1,321,613 | 4,687,932 | 31,665,414 | 14,333,135 | 138,235,997 |
| Net movement in cumulative changes in fair value after tax | - | - | - | - | (7,352,139) | - | (7,352,139) |
| Total income and expenses for the year recognised directly in equity | - | - | - | - | (7,352,139) | - | (7,352,139) |
| Profit for the year | - | - | - | - | - | 20,909,814 | 20,909,814 |
| Total income and expenses for the year | - | - | - | - | (7,352,139) | 20,909,814 | 13,557,675 |
| Increase in capital | 7,500,000 | - | - | - | - | (7,500,000) | - |
| Transferred to reserves | - | 2,955,634 | - | 700,000 | - | (3,655,634) | - |
| Distributed profit | - | - | - | - | - | (6,750,000) | (6,750,000) |
| **Balance at 31 December 2007** | 75,000,000 | 21,683,537 | 1,321,613 | 5,387,932 | 24,313,275 | 17,337,315 | 145,043,672 |

**The accompanying notes from 1 to 47 are an integral part of these financial statements.**

## Cairo Amman Bank

Consolidated Cash Flow Statement
For the Year Ended 31 December 2008
(In Jordanian Dinars)

| | Notes | 2008 | 2007 |
|---|---|---|---|
| **Cash flows from operating Activities** | | | |
| **Profit before income tax** | | 27,153,775 | 30,595,978 |
| Adjustments for - | | | |
| Depreciation and amortisation | | 4,758,381 | 3,068,601 |
| Impairment loss on direct credit facilities | | - | 886,623 |
| Sundry provisions | | 848,261 | 2,237,441 |
| Gain from sale of financial assets available for sale | | (190,942) | ( 6,125,056) |
| Impairment losses on available for sale investments | | 5,560,499 | 579,262 |
| Unrealised (gains) losses from financial assets held for trading | | 73,064 | (59,883) |
| Gain from sale of property and equipment | | (158,089) | (15,317) |
| Impairment of properties held for resale | | 135,541 | - |
| Gain from sale of properties held for resale | | (157,624) | (1,856,989) |
| Effect of exchange rate changes on cash and cash equivalents | | (2,474,989) | (2,215,201) |
| **Operating profit before changes in operating assets and liabilities** | | 35,547,877 | 27,095,459 |
| **Changes in assets and liabilities** | | | |
| Decrease in balances with Central Banks maturing after more than three months | | 37,000,000 | 11,005,318 |
| Decrease in deposits at banks and financial institutions maturing after more than three months | | 177,250 | 322,750 |
| Decrease (increase) in financial assets held for trading | | 186,704 | (69,940) |
| Increase in direct credit facilities | | (93,464,129) | (31,497,943) |
| Increase (decrease) in other operating assets | | (5,991,391) | 7,164,077 |
| Decrease (increase) in banks and financial institution deposits maturing after more than three months | | ( 2,000,000) | 2,000,000 |
| Increase in customers' deposits | | 130,488,431 | 105,502,814 |
| Increase in margin accounts | | 11,811,874 | 11,824,658 |
| Decrease in sundry provisions | | (469,299) | (272,210) |
| Increase in other liabilities | | 3,184,406 | 7,416,993 |
| **Net cash from operating activities before income tax** | | 116,471,723 | 140,491,976 |
| Income tax paid | | (5,376,609) | (7,240,652) |
| **Net cash from operating activities** | | 111,095,114 | 133,251,324 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of financial assets available for sale | | 78,743,095 | 66,270,431 |
| Purchase of financial assets available for sale | | (222,818,312) | (105,409,465) |
| Proceeds from sale of property and equipment | | 273,344 | 392,343 |
| Purchase of property and equipment | | ( 7,843,443) | ( 10,935,520) |
| Purchase of intangible assets | | ( 820,139) | ( 2,462,712) |
| **Net cash used in investing activities** | | (152,465,455) | ( 52,144,923) |
| **Cash Flows from Financing Activities** | | | |
| Dividends paid | | ( 7,500,000) | ( 6,750,000) |
| Proceeds from loans and borrowings | | 340,654 | 8,000,000 |
| Repayment of loans and borrowings | | - | ( 44,107) |
| **Net cash (used in) from financing activities** | | ( 7,159,346) | 1,205,893 |
| Effect of exchange rate changes on cash and cash equivalents | | 2,474,989 | 2,215,201 |
| Net (decrease) increase in cash and cash equivalents | | ( 46,054,698) | 84,527,495 |
| Cash and cash equivalents, beginning of the year | 35 | 395,785,072 | 311,257,577 |
| **Cash and cash equivalents, end of the year** | 35 | 349,730,374 | 395,785,072 |

**The accompanying notes from 1 to 47 are an integral part of these financial statements.**

## (1) General Information

The Bank is a public shareholding company registered and incorporated in Jordan during 1960, in accordance with the Companies Law No. (12) of 1964. Its registered office is at Amman; Jordan.
The Bank provides its banking services through its main branch located in Amman and through its 79 branches in Jordan, 17 branches in Palestine, and its subsidiaries.

The Bank is listed on the Amman Stock Exchange.

The financial statements were authorized for issue by the Bank's Board of Directors on 15 February 2009. These financial statements require the General Assembly's approval.

## (2) Significant Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are set out below:

**Basis of preparation**

The accompanying consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations (IFRICs), and in conformity with the applicable laws and regulations of the Central Bank of Jordan.

The consolidated financial statements are prepared on a historical cost basis, except for financial assets available-for-sale, financial assets held for trading, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The financial statements have been presented in Jordanian Dinars (JD), which is the functional currency of the Bank.

**Changes in accounting policies:**

The Bank's accounting policies are consistent with those used in the previous year.

**Summary of significant accounting policies:**

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries:

Al-Watanieh for Financial Services Company – Jordan: Owned 100% by the Bank, with a paid-up capital of JD 5,000,000 as of 31 December 2008. The Company's main operations are investment brokerage.

Al-Watanieh Securities Company – Palestine: Owned 100% by the Bank, with a paid-up capital of JD 1,500,000 as of 31 December 2008. The Company's main operations are investment brokerage.

Cairo Amman Company – Marshal Island: Owned 100% by the Bank, with a paid-up capital of JD 5,000 as of 31 December 2008. The Company's main operations are the investment in securities. The Bank is in the process of completing legal procedures to liquidate the Company.

No consolidation has been made of the financial statements of Cairo Real Estate Company – Jordan, of which the Bank owns 100% of the paid-up capital of JD 50,000 as of 31 December 2008, due to the fact that on 31 July 2002 all assets and liabilities of the Company were transferred to the Bank. The Bank is in the process of completing legal procedures to liquidate the Company.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the Bank.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognised in assets or liabilities, are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

If separate financial statements as described in IAS 27 are prepared for the Bank, the investments in subsidiaries will be shown at cost or fair value in the balance sheet.

**Segmental reporting**

Business segments represent distinguishable components of the Bank that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

**Financial assets held for trading**

Financial assets held for trading are those purchased with the intent to be resold in the near future to generate gains as a result of changes in market prices of such investments.

They are initially recognised at the fair value of consideration given and subsequently re-measured at fair value. All realised and unrealised gains or losses are transferred to the income statement including any gains or losses resulting from the translation of such assets held in foreign currencies to the functional currency.

Interest earned is included in interest income, and dividends received are included in gains (losses) from financial assets and liabilities held for trading.

**Direct credit facilities**

Credit facilities are initially recognised at the fair value of consideration given and subsequently measured at amortised cost after allowance for credit losses and interest and commission in suspense.

Impairment of direct credit facilities is recognised in the allowance for credit losses when events occur after the initial recognition of the facility that have an impact on the estimated future cash flows of the facilities that can be reliably estimated. The impairment is recorded in the income statement.

Interest and commission arising on non-performing facilities is suspended when loans become impaired according to the Central Bank of Jordan's regulations.

Loans and the related allowance for credit losses are written off when collection procedures become ineffective. The excess in the allowance of possible loan losses, if any, is transferred to the statement of income, and cash recoveries of loans that were previously written off are credited to the income statement.

**Financial assets available for sale**

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances.

After initial measurement, available-for-sale financial investments are measured at fair value. Unrealised gains and losses are recognised directly in equity as 'cumulative change in fair value reserve'. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement.

The losses arising from impairment of such investments are recognised in the income statement and removed from the cumulative change in fair value reserve. Reversal of impairment on equity instruments is reflected in the cumulative change in fair value, while reversal of impairment on debt instruments is transferred to the income statement.

Gains or losses on debt instruments resulting from foreign exchange rate changes are transferred to the income statement. On equity instruments, such gains and losses are transferred to the cumulative change in fair value.

Interest earned on available-for-sale financial investments is reported as interest income using the effective interest method.

Financial assets available for sale, which cannot be reliably measured at fair value, are recorded at cost. Impairment on such assets is recognised in the income statement.

**Fair value**

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For financial instruments where there is no active market fair value is normally based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Option pricing models.
- Recent market transactions.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

Where the fair value of an investment cannot be reliably measured, it is stated at the fair value of consideration given or amortised cost and any impairment in the value is recorded in the income statement.

**Impairment of financial assets**

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, the recoverable amount is estimated in order to determine the amount of impairment loss to be recognised in the income statement.

Impairment is determined as follows:

- For assets carried at amortised cost, impairment is based on the difference between the carrying value and the estimated cash flows discounted at the original effective interest method.
- For assets carried at fair value, impairment is the difference between the fair value of consideration given and the fair value.
- For assets carried at cost, impairment is based on the difference between the fair value of consideration given and the present value of future cash flows discounted at the current market rate of return from a similar financial asset.

Impairment is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognised in the income statement except for equity instruments classified as available for sale investments for which the reversal is recognised in the statement of equity.

**Property and equipment**

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. Depreciation rates used are as follows:

| | % |
|---|---|
| Buildings | 2 |
| Equipment and furniture | 9 -15 |
| Vehicles | 15 |
| Computers | 20 |

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is recorded in the income statement.

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal.

**Provisions**

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

**Employee end of service indemnity**

Provision for end of service indemnity is established by the Bank to face any legal or contractual obligations at the end of employees' services and is calculated based on the service terms as of the financial statements date.

**Income Tax**

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the income statement. Accounting profits may include non-taxable profits or tax-deductible expenses, which may be exempted in the current or subsequent financial years.

Tax is calculated based on tax rates and laws that are applicable in the country of operation.

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantially enacted at the balance sheet date.

The carrying values of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

**Fiduciary assets**

Assets held in a fiduciary capacity are not recognised as assets of the Bank. Fees and commissions received for administering such assets are recognised in the income statement.

**Offsetting**

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Revenue and expense recognition**

Interest income is recorded using the effective interest method except for fees and interest on non-performing facilities, on which interest is transferred to the interest in suspense account and not recognised in the income statement.

Expenses are recognised on an accrual basis.

Commission income is recognised upon the rendering of services. Dividend income is recognised when the right to receive payment is established.

**Trade date accounting**

Sale or purchase of financial assets is recognised at the trade date, i.e. the date that the Bank commits to purchase or sell the asset.

**Fair value hedges**

A fair value hedge is a hedge of the exposure to changes in the fair value of the Bank's recognised assets or liabilities that is attributable to a particular risk.

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as adjustment to the carrying value of the hedged item and is also recognised in the income statement.

**Cash flow hedges**

A cash flow hedge is a hedge of the exposure to variability in the Bank's actual and expected cash flows which is attributable to a particular risk associated with a recognised asset or liability.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity, and is subsequently transferred to the income statement in the period in which the hedged cash flows affect income, or at such time as the hedge becomes ineffective. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

**Hedge of net investments in foreign operations**

Hedges of net investments in a foreign operation are accounted for by measuring the fair value of the hedging instrument. The effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity, while the ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

For hedges which become ineffective, gains or losses resulting from the change in fair value of the hedge instrument is recognised directly in the income statement.

**Assets obtained by the Bank**

Assets obtained by the Bank through calling upon collateral are shown in the balance sheet under "Other Assets" at the lower of their carrying value or fair value. Assets are revalued at the balance sheet date on an individual basis and losses from impairment are transferred directly to the income statement, while revaluation gains are not recognised as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

**Intangible assets**

Intangible assets acquired through a business combination are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets with finite lives are amortised over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalised and are expensed in the income statement.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and programmes. These intangibles are amortized evenly over their estimated useful economic life of five years.

**Foreign currencies**

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into respective functional currencies at rates of exchange prevailing at the balance sheet date as issued by Central Bank of Jordan. Any gains or losses are taken to the income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of foreign subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is transferred to the income statement.

**Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and cash balances with banks and financial institutions that mature within three months, less banks and financial institutions deposits that mature within three months and restricted balances.

## (3) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required for non-performing credit facilities. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

- Provision for credit losses: The Bank reviews and provides for its loan portfolios according to the Central Bank of Jordan regulations and IFRS.
- Impairment losses on the valuation of dependant collateral are determined based on appraisal reports prepared by certified appraisers and reviewed periodically.
- The income tax provision is calculated based on the applications of relevant laws.
- Management periodically re-evaluates the tangible and intangible assets in order to assess the amortization and depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the income statement.
- A periodic review is performed on the estimated useful lives of assets. Moreover, assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Losses are recognised in the income statement.
- Legal provisions are provided for lawsuits raised against the Bank based on the Bank's legal advisors' opinion.

## (4) Cash And Balances With Central Banks

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Cash on hand | 35,876,827 | 33,402,849 |
| **Balances at Central Banks** | | |
| Current and demand deposits | 13,517,672 | 35,401,421 |
| Time deposits | 45,794,425 | 20,030,629 |
| Statutory cash reserve | 88,944,363 | 70,522,300 |
| Certificates of deposits | 45,399,583 | 132,299,874 |
| | 229,532,870 | 291,657,073 |

In addition to the statutory cash reserve held at Central Banks, restricted balances amounted to JD 7,090,000 as of 31 December 2008 (2007: JD 7,090,000).

No certificates of deposits mature after three months as of 31 December 2008 (2007: JD 37,000,000).

## (5) Balances At Banks And Financial Institutions

| | Local Banks and Financial Institutions | | Foreign Banks and Financial Institutions | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | JD | JD | JD | JD | JD | JD |
| Current and demand deposits | 460,967 | 38,272 | 9,706,133 | 7,411,004 | 10,167,100 | 7,449,276 |
| Deposits maturing within 3 months | 50,563,308 | 40,986,267 | 111,005,299 | 150,251,108 | 161,568,607 | 191,237,375 |
| | 51,024,275 | 41,024,539 | 120,711,432 | 157,662,112 | 171,735,707 | 198,686,651 |

Non-interest bearing balances at banks and financial institutions amounted to JD 4,270,454 as of 31 December 2008 (2007: JD 6,620,992).

**(6) Deposits At Banks And Financial Institutions**

| | Local Banks and Financial Institutions | | Foreign Banks and Financial Institutions | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | JD | JD | JD | JD | JD | JD |
| Certificates of deposit maturing within 3 to 6 months | - | - | - | 177,250 | - | 177,250 |

There are no restricted balances as of 31 December 2008 and 2007.

**(7) Financial Assets Held for Trading**

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Quoted equities | 69,637 | 329,405 |

**(8) Direct Credit Facilities**

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| **Consumer lending** | | |
| Overdrafts | 12,329,469 | 14,598,977 |
| Loans and bills * | 272,119,444 | 223,540,261 |
| Credit cards | 7,664,162 | 7,891,113 |
| Others | 6,703,967 | 8,175,209 |
| **Residential mortgages** | 102,434,609 | 95,625,033 |
| **Corporate lending** | | |
| Overdrafts | | |
| Loans and bills * | 37,703,714 | 31,539,743 |
| **Small and medium enterprises lending "SMEs"** | 85,419,868 | 63,607,284 |
| Overdrafts | 14,070,514 | 15,876,805 |
| Loans and bills * | 23,783,761 | 20,663,118 |
| **Lending to governmental sectors** | 125,246,422 | 113,693,447 |
| **Total** | 687,475,930 | 595,210,990 |
| Less: Suspended interest | 12,926,691 | 13,391,972 |
| Less: Allowance for impairment losses | 41,695,437 | 42,429,345 |
| **Direct credit facilities, net** | 632,853,802 | 539,389,673 |

* Net of interest and commissions received in advance of JD 12,591,767 as of 31 December 2008 (2007: JD 12,789,200).

At 31 December 2008, non-performing credit facilities amounted to JD 44,134,672 (2007: JD 46,150,378), representing 6.42% (2007: 7.75%) of gross facilities granted.

At 31 December 2008, non-performing credit facilities, net of suspended interest, amounted to JD 33,462,422 (2007: JD 35,175,307), representing 4,94% (2007: 6.02%) of gross facilities granted after excluding the suspended interest.

At 31 December 2008, credit facilities granted to the Government of Jordan amounted to JD 40,118,620 (2007: JD 47,638,624), representing 5.84% (2007: 8%) of gross facilities granted.

At 31 December 2008, credit facilities granted to the public sector in Palestine amounted to JD 42,641,737 (2007: JD 30,359,374), representing 6.19% (2007: 5.1%) of gross facilities granted.

A reconciliation of the allowance for impairment losses for direct credit facilities by class is as follows:

| | Consumer | Residential mortgages | Corporate | SMEs | Total |
|---|---|---|---|---|---|
| **2008** | **JD** | **JD** | **JD** | **JD** | **JD** |
| At 1 January 2008 | 25,634,642 | 316,949 | 13,976,283 | 2,501,471 | 42,429,345 |
| Charge (surplus) for the year | 1,498,455 | 72,629 | (1,216,037) | (355,047) | - |
| Amounts written off | ( 542,913) | - | - | ( 190,995) | ( 733,908) |
| At 31 December 2008 | 26,590,184 | 389,578 | 12,760,246 | 1,955,429 | 41,695,437 |
| Individual impairment | 23,118,320 | 375,123 | 12,550,475 | 1,935,515 | 38,127,448 |
| Collective impairment | 3,471,864 | 14,455 | 209,771 | 19,914 | 3,567,989 |
| At 31 December 2008 | 26,590,184 | 389,578 | 12,760,246 | 1,955,429 | 41,695,437 |
| **2007-** | | | | | |
| At 1 January 2007 | 24,748,154 | 409,881 | 15,375,079 | 3,951,773 | 44,484,887 |
| Charge (surplus) for the year | 2,442,393 | (89,831) | (768,917) | (697,022) | 886,623 |
| Amounts written off | (1,555,905) | (3,101) | (629,879) | (753,280) | (2,942,165) |
| At 31 December 2007 | 25,634,642 | 316,949 | 13,976,283 | 2,501,471 | 42,429,345 |
| Individual impairment | 15,591,859 | 259,080 | 13,860,663 | 2,414,332 | 32,125,934 |
| Collective impairment | 10,042,783 | 57,869 | 115,620 | 87,139 | 10,303,411 |
| At 31 December 2007 | 25,634,642 | 316,949 | 13,976,283 | 2,501,471 | 42,429,345 |

Allowance for impairment related to non-performing credit facilities that were settled or collected amounted to JD 3,920,011 during 31 December 2008 (2007: JD 2,816,924).

A reconciliation of suspended interest on direct credit facilities by class is as follows:

| | Consumer | Residential mortgages | Corporate | SMEs | Total |
|---|---|---|---|---|---|
| **2008** | JD | JD | JD | JD | JD |
| At 1 January 2008 | 5,538,885 | 44,560 | 6,757,475 | 1,051,052 | 13,391,972 |
| Add: Suspended interest during the year | 1,099,477 | 5,175 | 221,121 | 157,010 | 1,482,783 |
| Less: Amount transferred to income on recovery | (674,501) | - | (484,777) | (66,938) | (1,226,216) |
| Less: Amounts written off | (221,351) | - | (499,061) | ( 1,436) | ( 721,848) |
| **At 31 December 2008** | 5,742,510 | 49,735 | 5,994,758 | 1,139,688 | 12,926,691 |
| 2007- | | | | | |
| At 1 January 2007 | 5,058,785 | 87,830 | 7,587,021 | 1,328,836 | 14,062,472 |
| Add: Suspended interest during the year | 1,941,285 | - | 503,932 | 106,037 | 2,551,254 |
| Less: Amount transferred to income on recovery | (562,070) | (42,923) | (289,803) | (102,205) | (997,001) |
| Less: Amounts written off | (899,115) | ( 347) | (1,043,675) | (281,616) | (2,224,753) |
| **At 31 December 2007** | 5,538,885 | 44,560 | 6,757,475 | 1,051,052 | 13,391,972 |

## (9) Financial Assets Available for Sale

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| **Quoted investments** | | |
| Corporate debt securities | 22,458,431 | 42,025,555 |
| Other debt securities | 4,618,639 | 6,771,163 |
| Funds | 1,742,726 | 7,710,375 |
| Fixed rate fund | 1,070,590 | 1,169,850 |
| Equities | 54,004 346 | 62,131,119 |
| Total quoted investments | 83,894,732 | 119,808,062 |
| **Unquoted investments** | | |
| Treasury bills | 239,800,024 | 77,030,786 |
| Government debt securities | 6,142,692 | 4,139,224 |
| Corporate debt securities | 24,250,800 | 23,948,150 |
| Other debt securities | 105,644 | 104,566 |
| Equities | 1,491,289 | 1,410,541 |
| Total unquoted investments | 271,790,449 | 106,633,267 |
| **Total financial assets available for sale** | 355,685,181 | 226,441,329 |
| **Analysis of debt instruments** | | |
| Fixed rate | 268,207,610 | 107,152,979 |
| Floating rate | 30,239,210 | 48,036 315 |
| **Total** | 298,446,820 | 155,189,294 |

Included in equities are investments carried at cost with value of JD 1,491,289 as of 31 December 2008 (2007: JD 1,410,541). The investments were stated at cost since the fair value could not be measured reliably. There is no indication of impairment in the values as of the balance sheet date. There were no available for sale investments pledged as collaterals as of 31 December 2008 and 31 December 2007.

## (10) Property And Equipment

| 2008 | Land | Buildings | Furniture & fixtures | Vehicles | Computers | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Cost: | | | | | | |
| At 1 January 2008 | 1,274,880 | 13,349,796 | 21,279,374 | 1,040,221 | 15,027,476 | 51,971,747 |
| Additions | - | - | 6,100,039 | 174,762 | 3,627,100 | 9,901,901 |
| Disposals | - | - | ( 311,983) | ( 67,182) | ( 1,380,599) | (1,759,764) |
| At 31 December 2008 | 1,274,880 | 13,349,796 | 27,067,430 | 1,147,801 | 17,273,977 | 60,113,884 |
| Depreciation and impairment: | | | | | | |
| At 1 January 2008 | - | 1,482,343 | 13,254,498 | 699,046 | 9,119,865 | 24,555,752 |
| Depreciation charge during the year | - | 266,996 | 1,638,269 | 101,966 | 2,132,772 | 4,140,003 |
| Disposals | - | - | ( 263,341) | ( 38,042) | (1,343,126) | (1,644,509) |
| At 31 December 2008 | - | 1,749,339 | 14,629,426 | 762,970 | 9,909,511 | 27,051,246 |
| | 1,274,880 | 11,600,457 | 12,438,004 | 384,831 | 7,364,466 | 33,062,638 |
| Projects in progress | - | - | 539,639 | - | 967,647 | 1,507,286 |
| Net book value at 31 December 2008 | 1,274,880 | 11,600,457 | 12,977,643 | 384,831 | 8,332,113 | 34,569,924 |
| 2007- | | | | | | |
| Cost: | | | | | | |
| At 1 January 2007 | 1,267,880 | 13,349,796 | 17,763,461 | 1,096,277 | 11,888,938 | 45,366,352 |
| Additions | 7,000 | - | 4,038,399 | 52,736 | 3,271,641 | 7,369,776 |
| Disposals | - | - | ( 522,486) | ( 108,792) | ( 133,103) | ( 764,381) |
| At 31 December 2007 | 1,274,880 | 13,349,796 | 21,279,374 | 1,040,221 | 15,027,476 | 51,971,747 |
| Depreciation and impairment: | | | | | | |
| At 1 January 2007 | - | 1,215,347 | 12,658,030 | 696,121 | 7,883,727 | 22,453,225 |
| Depreciation charge during the year | - | 266,996 | 858,167 | 109,255 | 1,255,464 | 2,489,882 |
| Disposals | - | - | ( 261,699) | ( 106,330) | ( 19,326) | ( 387,355) |
| At 31 December 2007 | - | 1,482,343 | 13,254,498 | 699,046 | 9,119,865 | 24,555,752 |
| | 1,274,880 | 11,867,453 | 8,024,876 | 341,175 | 5,907,611 | 27,415,995 |
| Projects in progress | - | - | 2,026,956 | - | 1,538,788 | 3,565,744 |
| Net book value at 31 December 2007 | 1,274,880 | 11,867,453 | 10,051,832 | 341,175 | 7,446,399 | 30,981,739 |

Fully depreciated property and equipment amounted to JD 17,068,850 as of 31 December 2008 (2007: JD 18,403,164).

The estimated cost to complete the purchase of assets and project under construction amounts to JD 612,052 as of 31 December 2008 (2007: JD 3,628,634).

## (11) Intangible Assets

| | Computer software | |
|---|---|---|
| | 2008 | 2007 |
| Cost: | JD | JD |
| At 1 January | 3,425,747 | 1,541,754 |
| Additions | 820 139 | 2,462,712 |
| Amortisation during the year | ( 618,378) | ( 578,719) |
| | 3,627,508 | 3,425,747 |

## (12) Other Assets

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Accrued interest and revenue | 4,151,808 | 5,114,989 |
| Prepaid expenses | 4,829,512 | 4,575,323 |
| Clearing checks | 8,042,772 | 7,584,443 |
| Refundable deposits | 64,489 | 70,352 |
| Deposit at Visa International | 613,285 | 613,285 |
| Assets obtained by the Bank by calling on collateral | 12,710,293 | 8,620,374 |
| Trading settlement account | 1,078,546 | 210,000 |
| Settlement guarantee fund | 683,965 | - |
| Accounts receivable - net | 826,368 | 667,923 |
| Others | 1,168,799 | 699,674 |
| | 34,169,837 | 28,156,363 |

A reconciliation of assets obtained by the Bank by calling on collateral during the year is as follows:

| | 2008 | | | 2007 |
|---|---|---|---|---|
| | Real estate | Shares | Total | Total |
| | JD | JD | JD | JD |
| At 1 January | 8,478,275 | 142,099 | 8,620,374 | 9,728,590 |
| Additions | 4,922,682 | - | 4,922,682 | 993,822 |
| Retirements | (555,123) | (142,099) | (697,222) | (2,102,038) |
| Impairment loss | (135,541) | - | (135,541) | - |
| At 31 December | 12,710,293 | - | 12,710,293 | 8,620,374 |

## (13) Banks And Financial Institutions Deposits

| | | | | | | |
|---|---|---|---|---|---|---|
| | Inside Jordan | Outside Jordan | Total | Inside Jordan | Outside Jordan | Total |
| | JD | JD | JD | JD | JD | JD |
| Current and demand deposits | 1,177,172 | 13,888,941 | 15,066,113 | 2,328 314 | 14,234,807 | 16,563,121 |
| Time deposits | 14,866,983 | 14,515,107 | 29,382,090 | 31,390,708 | 4,514,823 | 35,905,531 |
| **At 31 December** | 16,044,155 | 28,404,048 | 44,448,203 | 33,719,022 | 18,749,630 | 52,468,652 |

## (14) Customers' Deposits

| 2008- | Consumer JD | Corporate JD | SMEs JD | Governmental sectors JD | Total JD |
|---|---|---|---|---|---|
| Current and demand deposits | 189,808,490 | 50,308,276 | 26,407,130 | 25,778,326 | 292,302,222 |
| Saving accounts | 208,711 598 | 574,190 | 2,816,647 | 57,217 | 212,159,652 |
| Time and notice deposits | 229,428 170 | 180,277,633 | 24,471,244 | 186,708,941 | 620,885,988 |
| **Total** | 627,948 258 | 231,160,099 | 53,695,021 | 212,544,484 | 1,125,347,862 |
| **2007-** | | | | | |
| Current and demand deposits | 200,115,005 | 28,246,837 | 24,239,671 | 14,943,076 | 267,544,589 |
| Saving accounts | 203,787,078 | 554,460 | 2,893 671 | 927,829 | 208,163,038 |
| Time and notice deposits | 234,099,859 | 91,323,199 | 18,008,097 | 175,720,649 | 519,151,804 |
| **Total** | 638,001,942 | 120,124,496 | 45,141,439 | 191,591,554 | 994,859,431 |

- Governmental institutions' deposits amounted to JD 171,875,460 as of 31 December 2008 (2007: JD 168,988,381) representing 15.27% (2007: 16.98%) of total customers' deposits.

- Non-interest bearing deposits amounted to JD 274,927,118 as of 31 December 2008 (2007: 243,632,276) representing 24.43% (2007: 24.49%) of total deposits.

- There are no restricted deposits as of 31 December 2008 and 2007.

- Dormant accounts amounted to JD 38,555,031 as of 31 December 2008 (2007: 36,714,885).

## (15) Margin Accounts

| | 2008 JD | 2007 JD |
|---|---|---|
| Margins on direct credit facilities | 23,599 719 | 17,045,091 |
| Margins on indirect credit facilities | 21,446 323 | 16,674,336 |
| Deposits against cash margin dealings' facilities | 1,977 107 | 1,263 487 |
| Others | 1,759,725 | 1,988,086 |
| | 48,782,874 | 36,971,000 |

## (16) Loans and Borrowings

| | Amount | Total no. of payments | Outstanding payments | Payable every | Collaterals | Interest rate |
|---|---|---|---|---|---|---|
| | JD | | | JD | | % |
| **31 December 2008** | | | | | | |
| Amounts borrowed from local institution* | 23,000,000 | 3 | 3 | At maturity | None | 8,5 – 9.57 % |
| Amounts borrowed from foreign institution** | 790,129 | | | Monthly | None | 5,5 % |
| **Total** | 23,790,129 | | | | | |
| | | | | | | |
| **31 December 2007** | | | | | | |
| Amounts borrowed from local institutions* | 23,000,000 | 3 | 3 | At maturity | None | 8,5 – 9.57 % |
| Amounts borrowed from foreign institutions** | 449,475 | | | Monthly | None | 5,5 % |
| **Total** | 23,449,475 | | | | | |

* Represents fixed interest loans borrowed from Jordan Mortgage Refinancing Company and is due on the maturity date of each loan (2010-2012)

** Represents amounts borrowed from Mortgage Refinancing Company – Palestine, bearing fixed interest of 5.5% and repayable in monthly installments.

## (17) Sundry Provisions

| | Balance at January 1 | Provided during the period | Utilised during the year | Transferred to income | Balance at December 31 |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| **2008** | | | | | |
| Provision for end of service indemnity | 5,196,743 | 848,261 | ( 440,280) | | 5,604,724 |
| Provision for lawsuits against the bank | 2,934,212 | - | ( 29,019) | - | 2,905,193 |
| Other contingent liabilities | 63,043 | - | - | - | 63,043 |
| **Total** | 8,193,998 | 848,261 | ( 469,299) | - | 8,572,960 |
| **2007** | | | | | |
| Provision for end of service indemnity | 4,089,554 | 1,324,898 | (217,709) | - | 5,196,743 |
| Provision for lawsuits against the bank | 1,988,713 | 1,000,000 | (54,501) | - | 2,934,212 |
| Other contingent liabilities | 150,500 | - | - | (87,457) | 63,043 |
| **Total** | 6,228,767 | 2,324,898 | (272,210) | (87,457) | 8,193,998 |

## (18) Income Tax

**Income tax liabilities**

The movements on the income tax liability were as follows:

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| At January 1 | 21,030,969 | 18,585,457 |
| Income tax paid | (5,376,609) | (7,240,652) |
| Income tax charge for the year | 6,858,936 | 9,686,164 |
| At December 31 | 22,513,296 | 21,030,969 |

Income tax appearing in the statement of income represents the following:

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Provision for income tax for the year | 6,858,936 | 9,637,026 |
| Provision for income tax of previous years | - | 49,138 |
| | 6,858,936 | 9,686,164 |

The Bank reached a final settlement with the Income Tax Department for the year ended 31 December 2003. The Bank appealed the Income Tax Department assessment for the years 2004,2005 and 2006, while 2007 was not yet reviewed by the Income Tax Department.

A final settlement has been reached for Palestine branches from the Income Tax Department up to the year 2007.

Al-Watanieh Financial Services Company has reached a final settlement with the Income Tax Department for the years ended 31 December 2006 except for the year 1996 which is at court. The Income Tax Department did not review 2007 records.

Al-Watanieh Securities Company – Palestine has reached a final settlement for the year 2007.

The Income Tax Department has not reviewed the accounts of Cairo Real Estate Investments Company for the years from 1997 to 2008.

No income tax was due on Cairo Amman Company – Marshall Islands as of 31 December 2008.

In the opinion of the Bank's management, income tax provisions as of 31 December 2008 are sufficient.

**Deferred tax liabilities**

The movement on temporary differences giving use to deferred tax liabilities are:

| | 2008 | | | | 2007 | |
|---|---|---|---|---|---|---|
| | Balance at January 1 | Released during the year | Additions during the year | Balance at December 31 | Deferred tax | Deferred tax |
| Unrealised gain – available for sale investments | 36,686,635 | 5,369,55 | (14,831,365) | 27,224,827 | 9,249,139 | 12,373,360 |

Included in deferred tax liabilities are amounts of JD 9,249,139 (2007: JD 12,373,360) resulting from gains from the revaluation of financial assets available for sale which are included in the cumulative change in fair value in equity.

The movement on deferred tax liabilities account is as follows:

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| At 1 January | 12,373,360 | 14,462,701 |
| Additions | 734,537 | 263,770 |
| Released | (3 858,758) | ( 2,353,111) |
| At 31 December | 9,249,139 | 12,373,360 |

A reconciliation between tax expense and the accounting profit is as follows:

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Accounting profit | 27 153,775 | 30,595,978 |
| Non-taxable profit | (11,341,062) | (8,306 699) |
| Expenses not deductible in determining taxable profit | 4,997,132 | 6,398,665 |
| Taxable profit | 20,809,845 | 28,687,944 |
| Effective rate of income tax | 25,26% | 31,66 % |

The statutory tax rate on banks in Jordan is 35% and the statutory tax rates on foreign branches and subsidiaries range between 15% and 31%.

## (19) Other Liabilities

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Accrued interest expense | 2,708,615 | 1,723,264 |
| Interest and commissions received in advance | 161,650 | 347,909 |
| Accounts payable | 4,103,216 | 2,454,888 |
| Accrued expenses | 4,125,046 | 4,720,571 |
| Temporary deposits | 8,219,040 | 5,416,713 |
| Checks and withdrawals | 3,540,062 | 5,238,510 |
| Employees saving fund | 3,561,148 | 3,175,813 |
| Negative fair value of forward contract | 195,006 | 247,866 |
| Others | 1,425,296 | 1,529,139 |
| | 28,039,079 | 24,854,673 |

## (20) Paid In Capital

The authorized and paid in capital amounted to JD 80,000,000 divided into 80,000,000 shares at a par value of JD 1 per share (2007: JD 75,000,000).

## (21) Reserves

**Statutory reserve**

As required by the law, 10% of the profit before tax is transferred to the statutory reserve. This reserve is not available for distribution to shareholders.

**Voluntary reserve**

The balance represents 20% of the profit before tax transferred to the voluntary reserve during previous years. The reserve shall be used at the discretion of the Board of Directors, and it is distributable to shareholders in part or in full.

**General banking risk reserve**

This reserve is appropriated from retained earnings in compliance with the regulations of the Central Bank of Jordan.

The use of the following reserves is restricted by law:

| Description | Amount | Restriction Law |
|---|---|---|
| General banking risk reserve | 6,337,932 | Central Bank of Jordan Regulations |
| Statutory reserve | 24,152,279 | Banks and Companies Law |

## (22) Cumulative Change In Fair Value

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Financial assets available for sale | | | Financial assets available for sale | | |
| | Stocks & fund | Bonds | Total | Stocks & fund | Bonds | Total |
| | JD | JD | JD | JD | JD | JD |
| Balance at 1 January | 28,137,445 | (3,824,170) | 24,313,275 | 31,622,008 | 43,406 | 31,665,414 |
| Net unrealised gains (losses) | (740,424) | (14,090,941) | (14,831,365) | (250,247) | (3,645,440) | (3,895,687) |
| Deferred tax liabilities | 3,124,221 | - | 3,124,221 | 2,065,969 | 23,373 | 2,089,342 |
| (Profit) loss transferred to income statement | (9,010,901) | 8,819,959 | (190,942) | (5,879,547) | (245,509) | (6,125,056) |
| Impairment loss transferred to income statement | 2,050,949 | 3,509,550 | 5,560,499 | 579,262 | - | 579,262 |
| Balance at 31 December | 23,561,290 | (5,585,602) | 17,975,688 | 28,137,445 | (3,824,170) | 24,313,275 |

The cumulative change in fair value is presented net of deferred tax liabilities of JD 9,249,139 as of 31 December 2008 (2007: JD 12,373,360).

## (23) Retained Earnings

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Balance at 1 January | 17,337,315 | 14,333 135 |
| Profit for the year | 20,294,839 | 20,909,814 |
| Transferred to statutory reserve | ( 2,468,742) | ( 2,955,634) |
| Transferred to general banking risk reserve | (950,000) | (700,000) |
| Increase in capital | (5,000 000) | (7,500,000) |
| Cash dividends | ( 7,500,000) | (6,750,000) |
| | 21,713,412 | 17,337,315 |

## (24) Proposed Dividends

The Board of Directors will propose the issue of dividends to its shareholders of JD 4,000,000 (2007: JD 7,500,000), equivalent to 5% (2007: 10%) of paid in capital.

The Board of Directors will propose the issue of bonus shares to the General Assembly in its meeting to be held during 2008 to increase the Bank's capital by JD 10,000,000 (2007: JD 5,000,000) which is equivalent to 10% (2007: 6.67%) of paid in capital.

## (25) Interest Income

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| **Consumer lending** | | |
| Overdrafts | 729,611 | 758,134 |
| Loans and bills | 26,929,295 | 20,361,108 |
| Credit cards | 1,688,511 | 1,388,118 |
| Others | 555,992 | 392,652 |
| **Residential mortgages** | 7,938,295 | 7,292,670 |
| **Corporate lending** | | |
| Overdrafts | 2,587,128 | 1,925 285 |
| Loans and bills | 5,450,373 | 3,833,860 |
| **Small and medium enterprises lending** | | |
| Overdrafts | 1,301,005 | 1,408,213 |
| Loans and bills | 1,674,738 | 989,671 |
| Public and governmental sectors | 10,342,286 | 10,501,784 |
| Balances at Central Banks | 8,557,565 | 11,023 511 |
| Balances at banks and financial institutions | 5 710,202 | 8,689,682 |
| Financial assets available for sale | 14,494,196 | 9,084,456 |
| Total | 87,959,197 | 77,649,144 |

## (26) Interest Expense and Similar Charges

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Banks and financial institution deposits | 1,669,189 | 1,483,458 |
| Customers' deposits - | | |
| Current accounts and deposits | 735,547 | 746,674 |
| Saving accounts | 2,221,748 | 1,946,043 |
| Time and notice placements | 25,800 882 | 23,788,352 |
| Margin accounts | 1,232,616 | 767,943 |
| Loans and borrowings | 2,204,665 | 1,816,272 |
| Deposit guarantee fees | 1,059,522 | 941,506 |
| | 34,924,169 | 31,490,248 |

## (27) Net Commission

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Commission income - | 6,175,154 | 5,492 831 |
| Direct credit facilities | 1,954,796 | 1,054 419 |
| Indirect credit facilities | 7,190,446 | 6,010,343 |
| Other commission | (24,005) | (5,207) |
| Less: commission expense | 15,296,391 | 12,552,386 |

## (28) Net Gain From Foreign Currencies

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Resulting from - | | |
| Trading in foreign currencies | 520,725 | 369,917 |
| Revaluation of foreign currencies | 2,474,989 | 2,215,201 |
| | 2,995,714 | 2,585,118 |

## (29) Net (Loss) Gain From Financial Assets Held For Trading

| | Realised gain (loss) | Unrealised gain (loss) | Cash dividends | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **2008** | | | | |
| Equities | 19,976 | (73,064) | 9,105 | (43,983) |
| | 19,976 | (73,064) | 9,105 | (43,983) |
| | | | | |
| Equities | 112,330 | 59,883 | - | 172,213 |
| | 112,330 | 59,883 | - | 172,213 |

## (30) Net (Loss) Gain From Financial Assets Available For Sale

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Dividend income | 2,441,688 | 2,056,432 |
| Gain from sale of financial assets available for sale | 190,942 | 6,125,056 |
| Less: impairment losses on investments | (5,560,499) | (579,262) |
| | (2,927,869) | 7,602,226 |

## (31) Other Income

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Suspended interest transferred to revenue | 1,226,216 | 997,001 |
| Safety deposit box rental income | 47,320 | 48,298 |
| Revenues from selling check books | 14,763 | 14,880 |
| Collections of debts previously written off | 460,095 | 304,976 |
| Credit cards income | 997,565 | 1,129,588 |
| Gain from sale of property and equipment | 158,089 | 15,317 |
| Gain from sale of assets obtained by the Bank | 157,624 | 1,856,989 |
| Rent revenue | 9,403 | 11,429 |
| Brokerage commission | 3,213,238 | 1,399,881 |
| Commission on investment products | 70,824 | 86,402 |
| Others | 171,138 | 81,015 |
| | 6 526,275 | 5 945,776 |

## (32) Other Expenses

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Rent | 1,961,935 | 1,758,939 |
| Cleaning and maintenance | 851 045 | 574,460 |
| Water, heat and electricity | 982,287 | 686,760 |
| License and governmental fees | 424,440 | 360,626 |
| Postage | 325,711 | 256,817 |
| Printings and stationery | 623,322 | 379,569 |
| Donations | 339,513 | 275,169 |
| Insurance fees and expenses | 446,570 | 516,186 |
| Subscriptions | 533,217 | 459,338 |
| Telephone and telex | 629,942 | 623,904 |
| Legal fees | 168 227 | 26,208 |
| Professional fees | 666,075 | 515,546 |
| Money transfer expenses | 367,774 | 272 628 |
| Advertising expenses | 2,374,118 | 3,276,823 |
| Loans guarantee expenses | 154,376 | 151,426 |
| Hospitality | 169,353 | 129,242 |
| Credit cards expenses | 131,367 | 107,655 |
| Board of directors expenses | 73,370 | 55,405 |
| Information system expenses | 2,979,582 | 1,997,120 |
| Security expenses | 79,475 | 54,662 |
| Consulting fees | 116,359 | 27,467 |
| Vehicles expenses | 205,013 | 190,147 |
| Travel and transportation | 492,904 | 400,658 |
| Jordanian universities fees | 144,998 | 201,285 |
| Scientific research and vocational training fees | 65,328 | 201,285 |
| Technical and vocational, education and training support fund fee | 111,564 | 123,224 |
| Board of directors remuneration | 60,000 | 60,000 |
| Impairment losses on collaterals acquired by the Bank | 135,541 | - |
| Post office project expenses | 190,051 | 100,051 |
| Other expenses | 254,539 | 158,215 |
| | 16,057,996 | 13,940,815 |

## (33) Employees' Expenses

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Salaries and benefits | 21,803,494 | 19,984,596 |
| Bank's contribution to social security | 1,377 867 | 1,187,765 |
| Bank's contribution to savings fund | 227,712 | 204,282 |
| End of service indemnity | 171,752 | 376,748 |
| Medical expenses | 1,060,315 | 913,112 |
| Training and research | 266,319 | 271,217 |
| Employee's clothes | 208,357 | 469,928 |
| Value – added tax | 931,749 | 840,333 |
| Others | 15,578 | 39,176 |
| | 26,063,143 | 24,287,157 |

## (34) Earnings Per Share

| | 2008 | 2007 |
|---|---|---|
| Profit for the year attributable to ordinary equity holders of the parent | 20,294,839 | 20,909,814 |
| Weighted average number of shares for basic earnings per share | 80,000,000 | 80,000,000 |
| | JD/Fils | JD/Fils |
| Basic and diluted earnings per share | 254/0 | 261/0 |

Diluted earnings per share equal basic earnings per share as the bank did not issue any potentially convertible instruments which would have an impact on earnings per share.

## (35) Cash And Cash Equivalents

Cash and cash equivalents appearing in the statement of cash flows consist of the following balance sheet items:

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Cash and balances with Central Banks | 229,532,870 | 291,657,073 |
| Add: Balances at banks and financial institutions maturing within 3 months | 171,735,707 | 198,686,651 |
| Less: Banks and financial institutions' deposits maturing within 3 months | 44,448,203 | 50,468,652 |
| Certificate of deposit maturing after 3 months | - | 37,000,000 |
| Restricted cash balances | 7,090,000 | 7,090,000 |
| Cash and cash equivalents | 349,730,374 | 395,785,072 |

### (36) Derivative Financial Instruments

The table below shows the positive and negative fair values of derivative financial instruments together with the notional amounts analyzed by their term to maturity.

| | Positive fair value | Negative fair value | Total notional amount | Par value maturity | | | |
|---|---|---|---|---|---|---|---|
| | | | | Within 3 months | 3 – 12 months | 1 – 3 years | More than 3 years |
| | JD | JD | JD | JD | JD | JD | JD |
| **2008** | | | | | | | |
| Derivatives held as fair value hedges: | | | | | | | |
| - Interest rate swap | - | 152,105 | 1,418,000 | - | - | - | 1,418,000 |
| **2007** | | | | | | | |
| Derivatives held as fair value hedges: | | | | | | | |
| - Interest rate swap | 45,090 | 43,444 | 1,418,000 | - | - | - | 1,418,000 |

The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

### (37) Related Party Transactions

The accompanying consolidated financial statements of the Bank include the following subsidiaries:

| Company name | Ownership | Paid in capital | |
|---|---|---|---|
| | | 2008 | 2007 |
| | | JD | JD |
| Al-Watanieh Financial Services Co. | 100% | 5,000,000 | 5,000,000 |
| Al-Watanieh Securities Company | 100% | 1,500,000 | 1,500,000 |
| Cairo Amman Company | 100% | 5,000 | 5,000 |

The Bank entered into transactions with major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.  All the loans and advances to related parties are performing advances and are free of any provision for credit losses.

The following related party transactions took place during the year:

| | Board of Directors and Management | |
|---|---|---|
| | 2008 | 2007 |
| **Balance sheet items:** | | |
| Direct credit facilities | 11,352,475 | 6,083,286 |
| Deposits at the Bank | 10,484,727 | 6,996,535 |
| Margin accounts | 2,905,928 | 1,838,036 |
| **Off balance sheet items:** | | |
| Indirect credit facilities | 5,644,644 | 7,353,974 |
| **Income statement items:** | | |
| Interest and commission income | 367,042 | 415,039 |
| Interest and commission expense | 303,144 | 175,423 |

Debit interest rates on credit facilities in Jordanian Dinar range between 4% - 9.75%

Debit interest rates on credit facilities in foreign currency range between 3,6% - 6,25%

Credit interest rates on deposits in Jordanian Dinar range between 0% - 6.5%

Credit interest rates on deposits in foreign currency range between 0% - 0.85%

Compensation of the key management personnel is as follows:

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| Benefits (Salaries, wages, and bonuses) of senior management | 2,021,827 | 1,660,695 |

## (38) Fair Value of Financial Instruments

Financial instruments include cash balances, deposits at central banks and financial institutions, direct credit facilities, financial investments available for sale, financial assets held for trading, other financial assets, customers' deposits, banks' deposits and other financial liabilities.

As explained in note (9) to the financial statements, included in unquoted equities are investments carried at cost amounting to JD 1,491,289 as of 31 December 2008 (2007: JD 1,410,541) since the fair values could not be measured reliably. There is no indication of impairment in the values as of the balance sheet date.

There are no material differences between the carrying values and fair values of the on and off balance sheet financial instruments.

## (39) Risk Management

The existence of an efficient and effective risk management that can clearly depict all risks related to bank activities is considered an essential element to ensure the safety and soundness of the Bank's operations and to safeguard the position of the bank and its financial profitability.

The Bank manages its risks through a comprehensive strategy for risk management by which the roles and responsibilities of all parties concerned is identified, namely, the Board of Directors and subcommittees such as the Risk Committee, the Investment Committee and Audit Committee, in addition to the executive management and its subcommittees, such as Assets and Liabilities Committee, Procedures Development Committee, Credit committees in addition to other specialized departments such as The Risk Management Department and The Audit Department. Furthermore, all of the banks business units are considered responsible for identifying the risks associated within their banking operations and committed to applying the appropriate controls and monitoring their effectiveness and maintaining integrity within the internal control system .

The process of managing the risks within Cairo Amman Bank's activities include the identification, measurement, assessment and monitoring of financial and non-financial risks which could negatively affect the bank's performance and reputation or its goals ensuring that the Bank achieves optimum yield in return for the risks taken.

The Bank is exposed at least to the following risk categories:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Compliance Risk

The general framework of risk management at the Bank is in line with the size, complexity and nature of its operations, and in harmony with local regulations as well as taking into account the best international practices in this regard.
The bank's set of principles include the following:

1 - The Board of Directors' responsibility for risk management. The risk committee of the board of directors does a periodic review of policies, strategies and risk management procedures of the bank, including setting acceptable risk limits.
2 - The responsibility of the Board of Directors to approve the policies developed by the executive management.
3 - The risk management department, which is independent of other bank's operations, reports to the Risk Committee on risk issues, for daily operations its linked with the General Manager, and analyses all the risks including credit, market, liquidity and operational risk in addition to the development of measurement methodologies and controls for each type of risk as needed.
4 - Internal Audit Department provides independent confirmation of the commitment of the working units with the policies and procedures set to manage risks and their efficiency.
5 - Managing risk is considered the responsibility of each unit and every employee of the Bank, in relation to those risks, which are within their functions.

## Credit Risks

Credit risk is the risk that may result from a lack of commitment or the inability of the other party of the financial instrument to fulfil its obligations to the Bank, leading to a financial loss. The Bank manages its credit risk through the design and development of various policies that identify and address all aspects of granting and maintenance of credit in addition to determining the limits of credit facilities granted to clients and/or related groups as well as diversifying total credit facilities across sectors and geographical regions. The Bank also works continuously to evaluate the credit worthiness of customers, in addition to having appropriate collaterals. The general framework for Credit Risk Management includes:

Credit Policies:

The Bank manages its credit risk through the annual policies set by the Board of Directors including credit ceilings and various credit conditions, which are renewed annually, according to several changing factors and the results of the analysis, and studies. These policies define maximum credit limits given to any customer and / or group of related customers in addition to the distribution of credit according to geographical regions and different economic sectors. The Bank considers the diversification of portfolios as an important risk mitigation factor.

Customer Rating:

Customer credit risk rating is performed internally; customers are rated according to their creditworthiness and ability to pay, in addition to assessing the quality of the facilities granted to clients, in terms of account activity and regularity of payment of principal and interest. The collaterals are classified according to type and percentage coverage of risk. Moreover the Bank periodically monitors the portfolios and their diversification, according to several classifications.

Mitigation Methodologies:

The Bank follows different procedures to mitigate risks, including determining the acceptable types of collaterals and their conditions, whereby good collaterals that can be liquidated at a reasonable time and value are accepted by the Bank taking into consideration that the value of the collateral is not related to the business of the customer. Moreover, the Bank requires insurance policies on certain properties as a means of mitigating risks. The values of the collaterals are monitored on a regular basis and in the event of decrease in its value, additional collaterals are required.

Credit Granting:

The Bank adopts the principle of segregation of functions in line with best practices in this regard, clarifying the roles and responsibilities between each of the different credit functions (sales, credit approvals, credit administration, credit operations), to ensure a strong control over credit granting operations.
Credit decisions are checked against the credit policies and authority limits, all documentations and contracts are reviewed before executing the credit.

Maintenance and follow-up of credit

- The performance of the credit portfolio is continuously monitored to make sure it is within the acceptable risk limits and to identify any increasing risk levels.
- The Bank continuously monitors its performing portfolios to identify any need for additional provisions.

There are specialized and independent departments responsible for managing irregular credit facilities and handle the task of their administration and collection.

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

| | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| **Balance sheet items:** | | |
| Cash and balances at Central Banks | 193,656,043 | 258,254,224 |
| Balances at banks and financial institutions | 171,735,707 | 198,686,651 |
| Deposits at banks and financial institutions | - | 177,250 |
| Direct credit facilities | | |
| Consumer lending | 266,484,348 | 223,032,033 |
| Residential mortgages | 101,995 296 | 95,263,524 |
| Corporate lending: | | |
| Large corporations | 104,368,578 | 74,413,269 |
| Small and medium enterprises | 34,759,158 | 32,987,400 |
| Lending to governmental sectors | 125,246 422 | 113,693,447 |
| Bonds and treasury bills | | |
| Within financial assets available for sale | 298 446,820 | 155,189,294 |
| Other assets | 15,396,744 | 14,190,640 |
| Total | 1,312,089 116 | 1,165,887,732 |
| **Off balance sheet items** | | |
| Letters of guarantee | 40,605 369 | 25,910,141 |
| Letters of credit | 54,356,998 | 56,840,620 |
| Acceptances | 1,463,351 | 1,303,451 |
| Irrevocable commitments to extend credit | 62,812,319 | 57,564,521 |
| Total | 159,238,037 | 141,618,733 |
| | 1,471,327,153 | 1,307,506,465 |

(1) Ageing analysis of past due loans by class of financial assets

| | Consumer | Residential mortgages | Corporate | SMEs | Governmental sectors | Financial institutions | Total |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD |
| **2008** | | | | | | | |
| Low risk | 1,195,513 | 362,273 | 6,417,071 | 5,709,862 | 399,442,512 | - | 413,127,231 |
| Acceptable risk | 274,316,325 | 100,921,658 | 92,928,987 | 28,056,125 | 169,320,641 | 221,052,648 | 886,596,384 |
| Maturing (*): | | | | | | | |
| Up to 30 days | 897,566 | 141,200 | - | 421,107 | - | - | 1,459,873 |
| From 31 to 60 days | 426 824 | 82,260 | 224,888 | 54,995 | - | - | 788,967 |
| Watch list | 6,815,465 | 963,633 | 13,814,506 | 1,259,353 | - | - | 22,852,957 |
| Non-performing: | | | | | | | |
| Substandard | 849,028 | 393,116 | 663 | 210,134 | - | - | 1,452,941 |
| Doubtful | 1,561,884 | 574,754 | - | 4,079 | - | - | 2,140,717 |
| Loss | 16,308,946 | 665,170 | 17,954,145 | 5,612,753 | - | - | 40 541,014 |
| Tota | 301,047,161 | 103,880,604 | 131,115,372 | 40,852,306 | 568,763,153 | 221,052,648 | 1,366,711,244 |
| Less: Suspended interest | 5,742,510 | 49,735 | 5,994,758 | 1,139,688 | - | - | 12,926 691 |
| Less: provision for impairment losses | 26,590,184 | 389,578 | 12,760,246 | 1,955,429 | - | - | 41,695 437 |
| **Net** | 268,714,467 | 103,441,291 | 112,360,368 | 37,757,189 | 568,763,153 | 221,052,648 | 1,312,089,116 |
| | | | | | | | |
| **2007-** | | | | | | | |
| Low risk | 775,386 | - | 4,181,949 | 4,729,977 | 323,988,118 | - | 333,675,430 |
| Acceptable risk | 224,495,259 | 92,835,072 | 76,879,160 | 23,542,427 | 130,102,076 | 272,336,236 | 820 ,190,230 |
| Maturing (*): | | | | | | | |
| Up to 30 days | 911,996 | 52,595 | 9,172 | 83,145 | - | - | 1,056,908 |
| From 31 to 60 days | 1,580,988 | 1,378,282 | 11,360 | 13,616 | - | - | 2,984,246 |
| Watch list | 13,557,876 | 1,928,966 | 3,460,898 | 2,745,272 | - | - | 21,693,012 |
| Non-performing: | | | | | | | |
| Substandard | 1,572,810 | 193,052 | - | 195,003 | - | - | 1,960,865 |
| Doubtful | 1,578,912 | 239,830 | 259,426 | 165,169 | - | - | 2,243,337 |
| Loss | 14,147 190 | 620,626 | 19,046,245 | 8,132,114 | - | - | 41 946,175 |
| Total | 256,127,433 | 95,817,546 | 103,827,678 | 39,509,962 | 454,090,194 | 272,336,236 | 1,221,709,049 |
| Less: Suspended interest | 5,538 885 | 44,560 | 6,757 475 | 1,051,052 | - | - | 13,391,972 |
| Less: provision for impairment losses | 25,634,642 | 316,949 | 13,976,283 | 2,501,471 | - | - | 42,429,345 |
| **Net** | 224,953,906 | 95,456,037 | 83,093,920 | 35,957,439 | 454,090,194 | 272,336,236 | 1,165,887,732 |

* The entire balance of credit is deemed matured if one of its payments or interest were due. Overdrafts are deemed matured if their limits exceeded the ceiling.

(2) Distribution of collaterals measured at fair value over credit facilities

| 2008- | Consumer | Residential mortgages | Corporate | SMEs | Governmental sectors | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| **Collaterals** | | | | | | |
| Low risk | 1,160,107 | 362 273 | 6,417,071 | 5,689,736 | 5,813,800 | 19,442,987 |
| Acceptable risk | 15,528,497 | 93,600,678 | 39,058 476 | 22,697 905 | - | 170,885,556 |
| Watch list | 45 123 | 963,633 | 9,309 272 | 1,159,649 | - | 11,477,677 |
| Non-performing: | | | | | | |
| Substandard | - | 385,069 | - | 208,467 | - | 593,536 |
| Doubtful | 74,343 | 514,371 | - | 4 075 | - | 592,789 |
| Loss | 4,700,823 | 632,912 | 8,210,465 | 3,660 511 | - | 17,204,711 |
| **Total** | 21 508,893 | 96,458,936 | 62,995,284 | 33,420,343 | 5,813,800 | 220,197,256 |
| Comprising of: | | | | | | |
| Cash margin | 2,717,281 | 362 273 | 6,417,071 | 5,689,736 | 5,813,800 | 21,000,161 |
| Letters of guarantee | - | - | - | 372 453 | - | 372,453 |
| Real estate | 13,639,934 | 96,096 663 | 48,497,006 | 24,789 305 | - | 183,022 908 |
| Traded equities | 395,552 | - | 5,751,251 | 1 208,089 | - | 7,354,892 |
| Vehicles and machinery | 4,756,126 | - | 2 329,956 | 1,360 760 | - | 8,446,842 |
| **Total** | 21,508,893 | 96,458,963 | 62 995,284 | 33,420,343 | 5,813,800 | 220,197,256 |
| **2007-** | | | | | | |
| **Collaterals** | | | | | | |
| Low risk | 775,386 | - | 2,298,643 | 6,613,283 | - | 9,687 312 |
| Acceptable risk | 16,909,677 | 89,249,261 | 28,534,157 | 20,162,968 | - | 154,856,063 |
| Watch list | 462 263 | 1,928,966 | 3 164,343 | 842,001 | - | 6,397,573 |
| Non-performing: | | | | | | |
| Substandard | - | 193,052 | - | 169,604 | - | 362,656 |
| Doubtful | 4,514,984 | 239,830 | 235,538 | 165 169 | - | 5 155,521 |
| Loss | 105,627 | 620 626 | 9,182,994 | 6,729 847 | - | 16,639 094 |
| **Total** | 22,767,937 | 92,231,735 | 43,415 675 | 34,682 872 | - | 193 098,219 |
| Comprising of: | | | | | | |
| Cash margin | 4 109,061 | - | 2,298,643 | 9,331,508 | - | 15 739,212 |
| Letters of guarantee | - | - | 726,796 | 864,774 | - | 1,591 570 |
| Real estate | 12,230,700 | 92,231,735 | 30,400,419 | 21,295,072 | - | 156,157 926 |
| Traded equities | 2,489 840 | - | 9,802,617 | 2,842,311 | - | 15,134,768 |
| Vehicles and machinery | 3,938,336 | - | 187,200 | 349 207 | - | 4,474,743 |
| **Total** | 22,767,937 | 92,231,735 | 43,415,675 | 34,682,872 | - | 193,098,219 |

The fair value of individual collaterals shown in the above table does not exceed the balance of the facilities granted to individual customers.

3) Bonds and treasury bills:

The table below shows the classifications of bonds and treasury bills and their gradings according to external rating agencies:

| Risk Rating Class | External rating agency | Included in financial assets available for sale |
|---|---|---|
| | | JD |
| AAA | S&P | 35,450 |
| A+ | S&P | 17,814,588 |
| A | S&P | 3,252,927 |
| A- | S&P | 3,526,495 |
| BBB | S&P | 2,447,610 |
| Non-rated | | 25,427,034 |
| Governmental | | 245,942,716 |
| **Total** | | 298,446,820 |

4) The Bank's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

| 2008 | Inside Jordan | Other Middle Eastern countries | Europe | Asia * | Americas | Other | Total |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD |
| Balances at Central Banks | 105,444,291 | 88,211,752 | - | - | - | - | 193,656,043 |
| Balances at banks and financial institutions | 15,113,308 | 77,552,231 | 59,996,563 | 88,690 | 18,850,641 | 134,274 | 171,735,707 |
| Direct credit facilities: | | | | | | | |
| Consumer lending | 252,967 349 | 13,516,999 | - | - | - | - | 266,484,348 |
| Residential mortgages | 96,120,311 | 5,874,985 | - | - | - | - | 101,995,296 |
| Corporate lending: | | | | | | | |
| Large corporations | 91,875,263 | 12,493,315 | - | - | - | - | 104,368,578 |
| Small and medium enterprises | 26,292,909 | 8,466,249 | - | - | - | - | 34,759,158 |
| Lending to governmental sectors | 82,604,685 | 42,641,737 | - | - | - | - | 125 246,422 |
| Bonds and treasury bills within: | | | | | | | |
| Financial assets available for sale | 270,193,516 | 17,695,239 | 10,522,615 | - | 35,450 | - | 298,446,820 |
| Other assets | 7 806,353 | 6,651,852 | 867 822 | - | 69,987 | 730 | 15 396,744 |
| **Total 2008** | 948,417 985 | 273,104,359 | 71,387 000 | 88,690 | 18,956,078 | 135,004 | 1,312,089,116 |
| **Total 2007** | 787,650,261 | 255,914,938 | 116,891,999 | 165,323 | 5,202,299 | 62,912 | 1,165,887,732 |

* Excluding Middle Eastern countries

5) An industry sector analysis of the Bank's financial assets, before and after taking into account collateral held or other credit enhancements, is as follows:

| 2008 | Financial | Industrial | Commercial | Real estate | Agriculture | Trading | Consumer | Public and governmental | Total |
|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Balances at Central Banks | - | - | - | - | - | - | - | 193,656,043 | 193,656,043 |
| Balances at banks and financial institutions | 171,735,707 | - | - | - | - | - | - | - | 171 735,707 |
| Direct credit facilities | 459,419 | 21,207,596 | 90 117,629 | 121,726,424 | 2,901,125 | 2,638,194 | 268,556,993 | 125,246,422 | 632,853,802 |
| Bonds and treasury bills within: | | | | | | | | | |
| Financial assets available for sale | 48,307,466 | 850,800 | 2 275,248 | 1,070,590 | - | - | - | 245 942,716 | 298 446,820 |
| Other assets | 1,009,475 | 391,134 | 7 472,639 | 375,405 | - | - | 2,230,120 | 3,917,971 | 15,396,744 |
| **Total 2008** | 221,512,067 | 22,449,530 | 99,865 516 | 123,172,419 | 2,901,125 | 2,638,194 | 270,787,113 | 568,763 152 | 1,312 089,116 |
| **Total 2007** | 273,196,260 | 7,496 784 | 81,285,444 | 117,065,117 | 2,836,255 | 11,594,708 | 218,322,970 | 454,090,194 | 1,165,887,732 |

## Market Risk

Is the risk resulting from fluctuations in the fair value or cash flows of financial instruments caused by the change in market prices such as interest rates, exchange rates and equity prices. Market risk arises due to the existence of open positions in interest rates, currencies and equity investments. Such risks are controlled in accordance to a specific set of policies and procedures and through specialized committees and related departments.

Market risk includes interest rates risk, foreign exchange risk and the risk of change in equity prices.

Market risk is measured and controlled through several methods including sensitivity analysis and stress testing in addition to stoploss limits.

## Interest Rate Risk

Interest rate risk results from the possible impact of changes in interest rates on the profits of the Bank or the value of financial instruments, the Bank is exposed to interest rate risk due to repricing mismatches between its interest rate sensitive assets and liabilities according to the different maturities and repricing terms. The Bank manages these risks through the continuous review of interest rates on its assets and liabilities in the course of its risk management strategy.

The ALM Committee reviews the sensitivity gaps of interest rates during its regular meetings and studies its effect on the Bank's profitability in the light of any expected changes in market interest rates.

The Bank seeks to obtain long-term financing to fund long-term investments at fixed rates whenever possible, Furthermore, the Bank uses hedging instruments such as interest rate swaps to reduce any negative effects.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's income statement. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate, non-trading financial assets and financial liabilities held at 31 December 2008 and 2007, including the effect of hedging instruments.

| Currency | Increase in interest rate | Sensitivity of net interest income | Decrease in interest rate | Sensitivity of net interest income |
|---|---|---|---|---|
| | Basis points | JD | Basis points | JD |
| **2008-** | | | | |
| U.S.D | 100 | (35,033) | 100 | 35,033 |
| EURO | 100 | 93,661 | 100 | ( 93,661) |
| GBP | 100 | 3,992 | 100 | (3,992) |
| YEN | 100 | 16,022 | 100 | ( 16,022) |
| Other Currency | 100 | 528,415 | 100 | (528,415) |
| **2007-** | | | | |
| U.S.D | 100 | 25,700 | 100 | ( 25,700) |
| EURO | 100 | 445,084 | 100 | (445,084) |
| GBP | 100 | 40,561 | 100 | ( 40,561) |
| YEN | 100 | 24,757 | 100 | ( 24,757) |
| Other Currency | 100 | 318,531 | 100 | (318,531) |

**Sensitivity of interest rates as of 31 December 2008:**

| 2008- | Less than 1 month | 1-3 months | 3- 6 months | 6-12 months | 1-3 years | 3 or more years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| **Assets** | | | | | | | | |
| Cash and balances at Central Banks | 73,294,008 | 17,900,000 | - | - | - | - | 138,338,862 | 229,532,870 |
| Balances at banks and financial institutions | 166,349,935 | 1,115,318 | - | - | - | - | 4,270,454 | 171,735,707 |
| Financial assets held for trading | - | - | - | - | - | - | 69,637 | 69,637 |
| Direct credit facilities | 467,346,854 | 54,225,048 | 31,492,499 | 24,001,013 | 46,554,477 | 9,233,911 | - | 632,853,802 |
| Financial assets available for sale | 51,446,998 | 69,139,798 | 22,149,315 | 36,237,914 | 104,787,139 | 14,685,656 | 57,238,361 | 355,685,181 |
| Property and equipment | - | - | - | - | - | - | 34,569,924 | 34 569,924 |
| Intangible assets | - | - | - | - | - | - | 3,627,508 | 3,627,508 |
| Other assets | - | - | - | - | - | - | 34,169,837 | 34,169,837 |
| **Total Assets** | 758,437,795 | 142,380,164 | 53,641,814 | 60,238,927 | 151,341,616 | 23,919,567 | 272,284,583 | 1,462,244,466 |
| **Liabilities** | | | | | | | | |
| Banks and financial institution deposits | 32,343,243 | 2,000,000 | - | - | - | - | 10,104,960 | 44,448,203 |
| Customers' deposits | 507,205,445 | 133,797,383 | 57,294,202 | 66,886,369 | 85,237,345 | - | 274,927,118 | 1,125,347,862 |
| Margin accounts | 11,929,929 | 4,948,604 | 4,878,791 | 4,786,632 | 9,528,785 | 2,032,821 | 10,677,312 | 48,782,874 |
| Loans and borrowings | 308,150 | 158,026 | 134,322 | 110,618 | 15,079,013 | 8,000,000 | - | 23 790,129 |
| Sundry provisions | - | - | - | - | - | - | 8,572,960 | 8,572,960 |
| Income tax liabilities | - | - | - | - | - | - | 22,513,296 | 22,513,296 |
| Deferred tax | - | - | - | - | - | - | 9,249,139 | 9,249,139 |
| Other liabilities | - | - | - | - | - | - | 28,039,079 | 28,039,079 |
| **Total Liabilities** | 551,786,767 | 140,904,013 | 62,307,315 | 71,783,619 | 109,845,143 | 10,032,821 | 364,083,864 | 1,310,743,542 |
| **Interest rate sensitivity gap** | 206,651,028 | 1,476,151 | (8,665,501) | (11,544,692) | 41,496,473 | 13,886,746 | (91,799,281) | 151,500,924 |
| **2007-** | | | | | | | | |
| **Total Assets** | 574,672,857 | 229,702,337 | 98,785,852 | 35,830,102 | 78,552,902 | 18,558,949 | 283,142,231 | 1,319,245,230 |
| **Total Liabilities** | 575,912,454 | 149,104,097 | 50,570,522 | 41,012,225 | 26,100,713 | 9,131,967 | 322,369,580 | 1,174,201,558 |
| **Interest rate sensitivity gap** | ( 1,239,597) | 80,598,240 | 48,215,330 | (5,182,123) | 52,452,189 | 9,426,982 | (39,227 349) | 145,043,672 |

## Currency Risk

Foreign currency risk is the risk of change in value of financial instruments due to the change in the foreign currency prices. The Bank's functional currency is the Jordanian Dinar (JD). The Board of Directors identifies the set of currencies in which it is acceptable to take positions in and the limits of these positions for each currency, foreign currencies positions are monitored on a daily basis to make sure that the Bank will not exceed those acceptable levels.

The table below indicated the currencies to which the Bank had significant exposure at 31 December 2008. The analysis calculates the effect of a reasonably possible movement of the currency rate against the JD, with all other variables held constant on the income statement and equity:

| Currency | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Increase in exchange rate | Effect on profit before tax | Sensitivity of equity | Increase in exchange rate | Effect on profit before tax | Sensitivity of equity |
| | % | JD | JD | % | JD | JD |
| EURO | +1 | 7,317 | 704 | +1 | 105,166 | (17,370) |
| GBP | +1 | (1,031) | - | +1 | 564 | - |
| YEN | +1 | 39,367 | - | +1 | 31,368 | - |
| Other Currency | +1 | 27,913 | - | +1 | 25,734 | 441 |

Concentration in currency risk:

| | US Dollar | Euro | British Pound | Japanese Yen | Other | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| **2008** | | | | | | |
| **Assets** | | | | | | |
| Cash and balances at Central Banks | 60,767,238 | 25,396 | 314 | 1,693,800 | 29,593,356 | 92,080,104 |
| Balances at banks and financial institutions | 96,535,210 | 3,205,064 | 1,660,632 | 26,260,518 | 32,623,043 | 160,284 467 |
| Direct credit facilities | 54,501,098 | - | 2,175,397 | 185,141 | 56,344,284 | 113,205,920 |
| Financial assets available for sale | 28,606,551 | - | - | 5,070,931 | 105,644 | 33,783,126 |
| Other assets | 1,874,653 | ( 136,012) | 104,411 | 256,481 | 3,768,709 | 5,868,242 |
| **Total Assets** | 242,284,750 | 3,094,448 | 3,940,754 | 33,466,871 | 122,435,036 | 405,221,859 |
| **Liabilities** | | | | | | |
| Banks and financial institution deposits | 11,299,428 | 184,836 | 2,547 | 11,466,195 | 3,337,919 | 26,290,925 |
| Customers' deposits | 218,133,214 | 2,561,093 | 695 | 18,934 903 | 113,356,875 | 352,986,780 |
| Margin accounts | 26,596,656 | 16,826 | - | 2,089,169 | 589,378 | 29,292,029 |
| Loans and borrowings | 790,129 | - | - | - | - | 790,129 |
| Other liabilities | 1,806,336 | 427,709 | 1,916 | 174,563 | 2,365,548 | 4,776,072 |
| **Total Liabilities** | 258,625,763 | 3,190,464 | 5,158 | 32,664,830 | 119,649,720 | 414,135,935 |
| Net concentration in the balance sheet | (16,341,013) | (96,016) | 3,935,596 | 802,041 | 2,785,316 | (8,914,076) |
| Contingent liabilities | 49,966,832 | 445,637 | 5,055,792 | 24,197,729 | 4,429,250 | 84,095,240 |
| **2007** | | | | | | |
| Total Assets | 290,687,940 | 5,517,778 | 3,340,837 | 33,031,308 | 93,478,360 | 426,056,223 |
| Total Liabilities | 308,617,774 | 5,461,385 | 204,067 | 24,251,665 | 90,860,761 | 429,395,652 |
| Net concentration in the balance sheet | (17,929,834) | 56,393 | 3,136,770 | 8,779,643 | 2,617 599 | ( 3,339,429) |
| Contingent liabilities | 54,179,683 | 75,962 | 362,934 | 26,699,712 | 4,513,405 | 85,831,696 |

### Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the levels of equity indices and the value of individual stocks. The Bank manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The majority of the bank's investments are quoted on Amman Stock Exchange and the Palestine Securities Exchange.

The effect on income statement and equity due to a reasonably possible change in prices, with all other variables held consent, is as follows:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Increase in exchange rate | Effect on profit before tax | Sensitivity of equity | Increase in exchange rate | Effect on profit before tax | Sensitivity of equity |
| | % | JD | JD | % | JD | JD |
| Amman Stock Exchange | +5 | 1,530 | 924,454 | +5 | 4,679 | 1,030,329 |
| Palestine Securities Exchange | +5 | - | 1,027,461 | +5 | 2,565 | 1,155,895 |
| New York Stock Exchange | +5 | - | 9,130 | +5 | - | - |
| Oman Stock Exchange | +5 | 675 | - | +5 | 4,127 | 2,642 |
| Kuwait Stock Exchange | +5 | 171 | - | +5 | 1,320 | - |
| Casablanca Stock Exchange | +5 | - | - | +5 | 3,780 | - |
| Egypt Stock Exchange | +5 | 1,011 | - | +5 | - | - |

### Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances, without incurring high costs or loss, the Bank adopts the following principles for the management of liquidity risk.

**- Diversification of funding sources**

Bank's management seeks to diversify sources of funding and prevent the concentration in the funding sources. The Bank can also borrows from institutions and local and foreign banks which would provide sources of funding at appropriate costs and maturities.

The Bank had also established a Liquidity Contingency Plan, which provides the basic framework for the management of liquidity; this includes defining an effective mechanism to manage liquidity during times of crisis, within reasonable costs and preserving the rights of depositors, borrowers, and shareholders. The Liquidity Contingency Plan is regularly reviewed and updated by the ALM Committee.

**- Analyzing and monitoring the maturities of assets and liabilities**

The Bank studies the liquidity of its assets and liabilities as well as any changes that occur on them on a daily basis, The Bank, seeks through the ALM Committee to match between the maturities of its assets and liabilities and control the liquidity gaps within the limits defined in the banks policies.

The Bank maintains statutory deposits with the Central Banks equal to JD 88,944,363.

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December based on contractual undiscounted repayment obligations:

| | Less than 1 month | 1-3 months | 3- 6 months | 6-12 months | 1-3 years | 3 or more years | No Fixed maturity | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| **2008** | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Banks and financial institution deposits | 42,532,027 | 2,015,550 | - | - | - | - | - | 44,547,577 |
| Customers' deposits | 631,844,245 | 187,746,233 | 100,437,031 | 100,985,206 | 110,674,634 | - | - | 1,131,687,349 |
| Margin accounts | 22,634,679 | 4,982,749 | 4,946,119 | 4,918,743 | 10,054,774 | 2,257,244 | - | 49,794,308 |
| Loans and borrowings | 309,563 | 160,199 | 1,197,766 | 1,176,451 | 17,882,513 | 8,514,000 | - | 29,240,492 |
| Sundry provisions | - | - | 20,000 | 269,965 | 274,230 | 8,008,765 | - | 8,572,960 |
| Income tax liabilities | 6,953,914 | - | - | 7,532,260 | 8,027,122 | - | - | 22,513,296 |
| Deferred tax | - | - | - | - | - | - | 9,249,139 | 9,249,139 |
| Other liabilities | 12,278,542 | 2,445,661 | 1,686,076 | 3,592,050 | 1,468,017 | 6,568,733 | - | 28 039,079 |
| Total Liabilities | 716,552,970 | 197,350,392 | 108,286,992 | 118,474,675 | 148,381,290 | 25,348,742 | 9,249,139 | 1,323,644,200 |
| Total Assets | 481,951,265 | 100,112,433 | 66,491,911 | 101,815,900 | 335,597,361 | 282,512,892 | 93,762,704 | 1,462,244,466 |
| **2007** | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Banks and financial institution deposits | 49,207,714 | 1,412,530 | 2,035,800 | - | - | - | - | 52,656,044 |
| Customers' deposits | 656,720,449 | 196,081,936 | 83,034,313 | 62,091,984 | 146,231 | - | - | 998,074,913 |
| Margin accounts | 15,752,251 | 1,975,544 | 2,822,774 | 4,526 056 | 11,632,037 | 1,269,162 | - | 37,977,824 |
| Loans and borrowings | 248,344 | 91,131 | 1,129,025 | 1,107,170 | 19,239,000 | 9,197,000 | - | 31,011,670 |
| Sundry provisions | - | - | 50,000 | 339,965 | 459,966 | 7,344,067 | - | 8,193,998 |
| Income tax liabilities | 5,000,000 | - | 14,029,681 | 2,001,288 | - | - | - | 21,030,969 |
| Deferred tax | - | - | - | - | - | - | 12,373,360 | 12,373,360 |
| Other liabilities | 7,654,647 | 2,115,145 | 5,899,920 | 1,878,826 | 924,671 | 6,381,464 | - | 24,854,673 |
| **Total Liabilities** | 734,583,405 | 201,676 286 | 109,001,513 | 71,945,289 | 32,401,905 | 24,191,693 | 12,373,360 | 1,186,173 451 |
| **Total Assets** | 386,155,365 | 165,927,252 | 102,694,845 | 73,157,723 | 218,039,146 | 274,992,348 | 98,278,551 | 1,319,245,230 |

The table below summarises the maturities of financial derivatives as of the date of the financial statements:

- Financial assets/liabilities that are settled net:

| | Less than 1 month | 1-3 months | 3- 6 months | 6-12 months | 1-3 years | 3 or more years | Total |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD |
| **2008** | | | | | | | |
| Derivatives held for hedging | | | | | | | |
| Interest rate swap | - | - | - | - | - | 1,418,000 | 1,418,000 |
| | - | - | - | - | - | 1,418,000 | 1,418,000 |
| **2007** | - | - | - | - | - | 1,418,000 | 1,418,000 |

**Off balance sheet items**

| | Less than 1 month | 1 – 5 years | 5 years or more | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **2008** | | | | |
| Acceptances and letters of credit | 55,820,349 | - | - | 55,820,349 |
| Irrevocable commitments to extend credit | 62,812,319 | - | - | 62,812,319 |
| Letters of guarantee | 38,895,614 | 1,709,755 | - | 40,605,369 |
| **Total** | 157,528,282 | 1,709,755 | - | 159,238 037 |
| **2007** | | | | |
| Acceptances and letters of credit | 57,432,191 | 711,880 | - | 58,144 071 |
| Irrevocable commitments to extend credit | 57,564,521 | - | - | 57,564,521 |
| Letters of guarantee | 25,022,144 | 887,997 | - | 25,910 141 |
| **Total** | 140,018,856 | 1,599,877 | - | 141,618,733 |

## Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The general framework for the operational risk management is as follows:

- Managing operational risk is the responsibility of all employees in the Bank through the proper application of policies and procedures that would curb these risks and exposures that arise during daily operations. A special department was established since 2005 to facilitate and support all departments of the Bank to carry out their duties in managing those risks.
- Because of the constant change in the environment of work as a result of the willingness of the Bank management to keep pace with technology and new banking products and services, The Bank has adopted and implemented several procedures to help the different departments identifying, measuring, following-up and controlling operating risks that arise from the introduction of new products and services.
- An Operational Risk Policy was developed to cover all the bank's departments, branches and subsidiaries which include risk appetite thresholds and risk limits.
- Defining the general operational risk management framework of risk management, including defining the roles and responsibilities of all: the Board of Directors, the Risk committee, senior management, directors of departments, Risk Management and Audit.

Implementing Operational Risk measurement techniques that aim at identifying risks to the Bank and evaluating them in terms of the magnitude of the impact and frequency of occurrence, in order to take appropriate action that would mitigate these risks through the implementation of the Control and Self Assessment System (CRSA), as well as data collection and review of actual and potential losses resulting from operations.

## Compliance Risk

Compliance risk is the risk of non-compliance with law, regulations and standards issued by domestic and international governing bodies.

The Bank has established a designated Compliance Department that monitors issues related to this risk, Moreover, all policies are reviewed on a regular basis to ensure that it reflects any amendment to law or regulations.

## (40) Segment Information

**Primary segment information**

For management purposes the Bank is organised into three major business segments:

**Retail banking:** Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;

**Corporate banking:** Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

**Treasury:** Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking,

These segments are the basis on which the Bank reports its primary segment information,

| 2008 | Retail Banking | Corporate Banking | Treasury | Other | Total 2008 | Total 2007 |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Total profits | 50,537,403 | 26,840,310 | 28,668,682 | 3,783,335 | 109,829,730 | 106,512,070 |
| Impairment loss on credit facilities | 340,449 | ( 340,449) | - | - | - | 886,623 |
| Segmental results | 39,936,892 | 19,258,339 | 11,902,990 | 3,783,335 | 74,881,556 | 74,129,992 |
| Unallocated expenses | - | - | - | - | 47,727,781 | 43,534 014 |
| Profit before tax | - | - | - | - | 27,153,775 | 30,595,978 |
| Income tax | - | - | - | - | 6,858,936 | 9,686,164 |
| Net profit | - | - | - | - | 20,294,839 | 20,909,814 |
| Other information | | | | | | |
| Segmental assets | 372,155,758 | 260,698,041 | 757,023,395 | 72,367,272 | 1,462,244,466 | 1,319,245,230 |
| Segmental liabilities | 368,322,792 | 266,347,258 | 616,158,028 | 59,915,464 | 1,310,743,542 | 1,174,201,558 |
| | | | | | | |
| Capital expenditure | | | | | 8,663,582 | 13,398,232 |
| Depreciation and amortisation | | | | | 4,758,381 | 3,068,601 |

**2. Geographical Information**

The following table shows the distribution of the Bank's profit assets and capital expenditure by geographical segment:

| | Jordan | | Outside Jordan | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | JD | JD | JD | JD | JD | JD |
| Total profits | 89,625,592 | 74,545,295 | 20,204,138 | 31,966,775 | 109,829,730 | 106,512,070 |
| Total assets | 1,035,922,451 | 856,105,192 | 426,322,015 | 463,140,038 | 1,462,244,466 | 1,319,245,230 |
| Capital expenditure | 6,618,925 | 10,257,343 | 2,044,657 | 3,140,889 | 8,663,582 | 13,398,232 |

## (41) Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Jordan,

According to Central Bank of Jordan regulation (17/2003), the minimum paid in capital of Jordanian banks should be JD 40 million before the end of 2008, In addition, the regulation requires a minimum leverage ratio of 6%,

The Bank, since its inception, has always maintained an adequate capital adequacy ratio that exceeds the minimum required by the Central Bank of Jordan of 12% (8% as per BIS rules/ratios),

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities, No changes were made in the objectives, policies and processes from previous years.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, reserves, retained earnings including current year profit, less accrued dividends, Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Jordan, The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt, preference shares and revaluation reserves.

Capital adequacy ratio is calculated according to Central Bank of Jordan regulation that is compliant with BIS rules as follows:

| | 2008<br>JD | 2007<br>JD |
|---|---|---|
| **Primary capital** | | |
| Paid in capital | 80,000,000 | 75,000,000 |
| Statutory reserve | 24,152,279 | 21 683,537 |
| Voluntary reserve | 1,321,613 | 1,321,613 |
| Retained earnings | 17,713,412 | 9,837,315 |
| **Less:** | | |
| Investment in banks and financial company | 189,752 | - |
| Intangible assets | 3,627,508 | - |
| **Total Primary capital** | 119,370,044 | 107,842,465 |
| **Additional capital** | 8,089,060 | 10,940,974 |
| Cumulative changes in fair value | 6,337,932 | 5,387,932 |
| General banking risk reserve | 14,426,992 | 16,328,906 |
| **Less:** | | |
| Investment in banks and financial companies | 189,752 | 3,000 |
| **Total regulatory capital** | 133,607,284 | 124,168,371 |
| **Total risk weighted assets** | 858,617,887 | 731,004,118 |
| **Capital adequacy (regulatory capital) (%)** | 15,56 | 16,99 |
| **Capital adequacy (primary capital) (%)** | 13,90 | 14,75 |

## (42) Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

| | Within 1 year | More than 1 year | Total |
|---|---|---|---|
| | JD | JD | JD |
| **2008-** | | | |
| **Assets** | | | |
| Cash and balances at Central Banks | 229,532,870 | - | 229,532,870 |
| Balances at banks and financial institutions | 171,735,707 | - | 171,735,707 |
| Financial assets held for trading | 69,637 | - | 69,637 |
| Direct credit facilities | 178,644,508 | 454,209,294 | 632,853,802 |
| Financial assets available for sale | 151,548,131 | 204,137,050 | 355,685,181 |
| Property and equipment | 4,756,129 | 29,813,795 | 34,569,924 |
| Intangible assets | 950 727 | 2,676,781 | 3,627,508 |
| Other assets | 18,910,293 | 15,259,544 | 34 169,837 |
| **Total Assets** | 756,148,002 | 706,096,464 | 1,462,244,466 |
| **Liabilities** | | | |
| Banks and financial institution deposits | 44 448,203 | - | 44 448,203 |
| Customers' deposits | 1,015,368 704 | 109,979,158 | 1,125,347,862 |
| Margin accounts | 36,221,268 | 12,561,606 | 48,782,874 |
| Loans and borrowings | 711,116 | 23,079,013 | 23,790 129 |
| Sundry provisions | 289 965 | 8,282,995 | 8,572,960 |
| Income tax liabilities | 14,486,174 | 8,027,122 | 22,513,296 |
| Deferred tax liabilities | - | 9,249,139 | 9,249,139 |
| Other liabilities | 20,002,329 | 8,036,750 | 28,039,079 |
| **Total Liabilities** | 1,131,527,759 | 179,215,783 | 1,310,743,542 |
| **Net Assets** | (375,379,757) | 526,880,681 | 151,500,924 |
| | | | |
| Assets | | | |
| Cash and balances at Central Banks | 291,657,073 | - | 291,657,073 |
| Balances at banks and financial institutions | 198,686,651 | - | 198,686,651 |
| Deposits at banks and financial institutions | 177,250 | - | 177,250 |
| Financial assets held for trading | 329,405 | - | 329,405 |
| Direct credit facilities | 140,018,365 | 399,371,308 | 539,389,673 |
| Financial assets available for sale | 86,354,703 | 140,086,626 | 226,441,329 |
| Property and equipment | 4,372,800 | 26,608,939 | 30,981,739 |
| Intangible assets | 1,093,200 | 2,332,547 | 3,425,747 |
| Other assets | 18,436,144 | 9,720,219 | 28 156,363 |
| **Total Assets** | 741,125,591 | 578,119,639 | 1,319 245,230 |
| | | | |
| Banks and financial institution deposits | 52,468,652 | - | 52,468,652 |
| Customers' deposits | 994,726,130 | 133,301 | 994,859,431 |
| Margin accounts | 22,980,339 | 13,990,661 | 36,971,000 |
| Loans and borrowings | 449,475 | 23,000,000 | 23,449,475 |
| Sundry provisions | 389,965 | 7,804,033 | 8,193,998 |
| Income tax liabilities | 21,030,969 | - | 21,030,969 |
| Deferred tax liabilities | 2,272,155 | 10,101,205 | 12,373,360 |
| Other liabilities | 17,550,037 | 7,304,636 | 24,854,673 |
| **Total Liabilities** | 1,111,867,722 | 62,333,836 | 1,174,201,558 |
| **Net Assets** | ( 370,742,131) | 515,785,803 | 145,043,672 |

### (43) Fiduciary Accounts

Fiduciary accounts amounted to JD 4,285,446 as of 31 December 2008 (2007: JD 15,575,285). Such assets or liabilities are not included in the Bank's balance sheet.

### (44) Contingent Liabilities and Commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Bank.

| a) The total outstanding commitments and contingent liabilities are as follows: | 2008 | 2007 |
|---|---|---|
| | JD | JD |
| **Letters of credit:** | | |
| Issued | 54,356,998 | 56,840,620 |
| Received | 35,357,899 | 35,021,578 |
| Acceptances | 1,463,351 | 1,303,451 |
| **Letters of guarantee:** | | |
| Payments | 12,865,045 | 6,888,876 |
| Performance | 12,325,655 | 8,552,506 |
| Other | 15,414,669 | 10,468,759 |
| Irrevocable commitments to extend credit | 62,812,319 | 57,564,521 |
| | 194,595,936 | 176,640,311 |
| **b) The contractual commitments of the Bank are as follows:** | | |
| Contracts to purchase property and equipment | 612,052 | 3,628,634 |
| **Total** | 612,052 | 3,628,634 |

Annual rent of the Bank's main building and the branches amounted to JD 1,961,935 as of 31 December 2008 (2007: JD 1,758,939).

### (45) Lawsuits

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 27,532,408 as of 31 December 2008 (2007: JD 28,840,018).

Provision for possible legal obligations amounted to JD 2,905,193 as of 31 December 2008 (2007: JD 2,934,212).

An amount of JD 17,820,410 out of the total lawsuits represents cases filed against the Bank by the customers of Wadi Al-Tuffah Branch.

In the opinion of the Bank's management and legal counsel, the Bank maintains adequate provisions against the lawsuits.

## (46) New Issued International Financial Reporting Standards

The following standards and interpretations have been issued but are not yet effective:

**IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements**

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results, IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction, Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss, Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary, Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures, The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests,

**IAS 1 Revised Presentation of Financial Statements**

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009, The Standard separates owner and non-owner changes in equity, The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line, In addition, the Standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements, The Bank is still evaluating whether it will have one or two statements,

**IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items**

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009, The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations, It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item, The Bank has concluded that the amendment will have no impact on the financial position or performance of the Bank, as the Bank has not entered into any such hedges,

**IFRIC 16 Hedges of a Net Investment in a Foreign**

IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008, The interpretation is to be applied prospectively, IFRIC 16 provides guidance on the accounting for a hedge of a net investment, As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment, The Bank is currently assessing which accounting policy to adopt for the recycling on disposal of the net investment,

**IFRS 2 Share-based Payment (Revised)**

The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled, This amendment becomes effective for annual periods beginning on or after 1 January 2009, The amendment is not expected to have any impact on the financial position or performance of the Bank,

**IFRS 8 Operating Segments**

The IASB issued IFRS 8 in November 2006, IFRS 8 replaces IAS 14 Segment Reporting (IAS 14) upon its effective date, This amendment becomes effective for annual periods beginning on or after 1 January 2009, operating segments are expected to be the same as currently identified business segments under IAS 14,

**IAS 23 Borrowing Costs (Revised)**

The IASB issued an amendment to IAS 23 in April 2007, The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, This amendment becomes effective for annual periods beginning on or after 1 January 2009, The amendment is not expected to have any impact on the financial position or performance of the Bank.

Management do not expect these interpretations to have a significant impact on the Bank's financial statements when implemented in 2008.

## (47) Comparative Figures:

Some of 2007 balances were reclassified to correspond with those of 2008 presentation. The reclassification has no effect on the profit for the year and equity.

# Bank’s Branches & Offices

## The Bank's Branches and Offices

**Head Office**
Number of Employees: 765
Arar Street, Wadi Saqra
Telephone: 500 6000, Fax: 500 7124
P.O. Box 950661, Amman 11195, Jordan

**Wadi Saqra Branch**
Number of Employees: 24
Tel 06 461 6910, Fax 06 462 5901
P.O. Box 940533, Amman 11194, Jordan

**Amman Branch**
Number of Employees: 24
Tel 06 463 9321, Fax 06 463 9328
P.O. Box 715, Amman 11118, Jordan

**Jabal Amman Branch**
Number of Employees: 12
Tel 06 462 5228, Fax 06 461 8504
P.O. Box 2018, Amman 11181, Jordan

**Al Zarqa Branch**
Number of Employees: 19
Tel 05 398 2729, Fax 05 396 1224
P.O. Box 39, Zarqa 13110, Jordan

**Jordan InterContinental Branch**
Number of Employees: 6
Tel 06 465 7311, Fax 06 464 2534
P.O. Box 715, Amman 11118, Jordan

**Al Weibdeh Branch**
Number of Employees: 11
Tel 06 463 7404, Fax 06 463 7438
P.O. Box 715, Amman 11118, Jordan

**Al Mahata Branch**
Number of Employees: 10
Tel 06 465 1325, Fax 06 465 1991
P.O. Box 6180, Amman 11118, Jordan

**Jordan University Branch**
Number of Employees: 23
Tel 06 534 2225, Fax 06 533 3278
P.O. Box 13146, Amman 11942, Jordan

**Irbid/ Al Hashimi Street Branch**
Number of Employees: 20
Tel 02 637 4604, Fax 02 727 9207
P.O. Box 236, Irbid 21110, Jordan

**Al Wehdat Branch**
Number of Employees: 9
Tel 06 477 1171, Fax 06 475 3388
P.O. Box 715, Amman 11118, Jordan

**Al Queismeh Branch**
Number of Employees: 17
Tel 06 476 6061, Fax 06 477 0524
P.O. Box 38971, Amman 11593, Jordan

**Yarmouk University Branch**
Number of Employees: 10
Tel 02 724 6035, Fax 02 724 1983
P.O. Box 336, Irbid 21110, Jordan

**Jordan University Hospital Branch**
Number of Employees: 10
Tel 06 535 3666, Fax 06 533 3248
P.O. Box 13146, Amman 11942, Jordan

**Ma'adi Branch**
Number of Employees: 8
Tel 05 357 0030, Fax 05 357 1904
P.O. Box 27, Ma'adi 18261, Jordan

**Al Bayader Branch**
Number of Employees: 17
Tel 06 585 9504, Fax 06 581 4933
P.O. Box 140285, Amman 11814, Jordan

**C-Town Branch**
Number of Employees: 8
Tel 06 586 1724, Fax 06 581 6145
P.O. Box 715, Amman 11118, Jordan

**Marriott Hotel Branch**
Number of Employees: 5
Tel 06 566 0149, Fax 06 562 3161
P.O. Box 715, Amman 11118, Jordan

**Marj Al Hamam Branch**
Number of Employees: 8
Tel 06 571 2383, Fax 06 571 1895
P.O. Box 30, Marj Al Hamam 11732, Jordan

**Al Rusaifeh Branch**
Number of Employees: 9
Tel 05 374 1106, Fax 05 374 2275
P.O. Box 41, Rusaifeh 13710, Jordan

**Al Fuheis Branch**
Number of Employees: 8
Tel 06 537 3061, Fax 06 537 3064
P.O. Box 180, Fuheis 19152, Jordan

**Mu'ta University Branch**
Number of Employees: 18
Tel 03 237 0182, Fax 03 237 0181
P.O. Box 7, Mu'ta, Jordan

**Science & Tech. University Branch**
Number of Employees: 10
Tel 02 720 1000, Fax 02 709 5168
P.O. Box 336, Irbid 21110, Jordan

**Al Aqaba Branch**
Number of Employees: 18
Tel 03 201 3355, Fax 03 201 5550
P.O. Box 1166, Aqaba 7710, Jordan

**Abu Alanda Branch**
Number of Employees: 7
Tel 06 416 2857, Fax 06 416 4801
P.O. Box 153, Amman 11592, Jordan

**Al Salt Branch**
Number of Employees: 14
Tel 05 355 0636, Fax 05 355 6715
P.O. Box 1101, Salt, Jordan

**Al-Madinah Street Branch**
Number of Employees: 15
Tel 06 553 6576, Fax 06 553 7957
P.O. Box 1301, Amman 11953, Jordan

**Jabal Al Hussein Branch**
Number of Employees: 11
Tel 06 464 0605, Fax 06 461 7160
P.O. Box 8272, Amman 11121, Jordan

**Safeway Branch**
Number of Employees: 10
Tel 06 568 5074, Fax 06 568 7721
P.O. Box 962297, Amman 11196, Jordan

**Al Yasmeen Branch**
Number of Employees: 9
Tel 06 470 0747, Fax 06 420 1459
P.O. Box 38971, Amman 11593, Jordan

**Hakama Branch**
Number of Employees: 8
Tel 02 740 1736, Fax 02 741 2545
P.O. Box 336, Irbid 21110, Jordan

**Al Sweifieh Branch**
Number of Employees: 12
Tel 06 585 3430, Fax 06 586 3140
P.O. Box 715, Amman 11118, Jordan

**Sweileh Branch**
Number of Employees: 15
Tel 06 533 5210, Fax 06 533 5159
P.O. Box 1400, Amman 11910, Jordan

**Al Beit University Branch**
Number of Employees: 7
Tel 02 629 7000, Fax 02 623 4655
P.O. Box 130066, Al Mafraq 25113, Jordan

**Mecca Street Branch**
Number of Employees: 13
Tel 06 554 0493, Fax 06 552 2850
P.O. Box 1172, Amman 11821, Jordan

**Al Baq'a Branch**
Number of Employees: 8
Tel 06 472 8190, Fax 06 472 6810
P.O. Box 1400, Sweileh 19381, Jordan

**Jerash Branch**
Number of Employees: 10
Tel 02 635 4010, Fax 02 635 4012
P.O. Box 96, Jerash, Jordan

**New Zarqa Branch**
Number of Employees: 8
Tel 05 386 4117, Fax 05 386 4120
P.O. Box 12292, Zarqa 13112, Jordan

**Marka Branch**
Number of Employees: 8
Tel 06 489 6044, Fax 06 489 6042
P.O. Box 715, Amman 11118, Jordan

**Qasr Al Adel Branch**
Number of Employees: 6
Tel 06 567 7286, Fax 06 567 7287
P.O. Box 950661, Amman 11195, Jordan

**Al Karak Branch**
Number of Employees: 10
Tel 03 235 5721, Fax 03 235 5724
P.O. Box 110, Karak, Jordan

**Ramtha Branch**
Number of Employees: 9
Tel 02 738 4126, Fax 02 738 4128
P.O. Box 526, Ramtha, Jordan

**Al Abdali Branch**
Number of Employees: 12
Tel 06 565 0753, Fax 06 560 2420
P.O. Box 928507, Amman 11190, Jordan

**Al Mafraq Branch**
Number of Employees: 11
Tel 02 623 5516, Fax 02 623 5518
P.O. Box 1308, Al Mafraq 25110, Jordan

**Aswaq Al Salam Branch**
Number of Employees: 11
Tel 06 585 9045, Fax 06 585 7631
P.O. Box 140285, Amman 11814, Jordan

**Army Street Branch**
Number of Employees: 19
Tel 05 396 8031, Fax 05 396 8033
P.O. Box 39, Zarqa 13110, Jordan

**King Abdullah Hospital Branch**
Number of Employees: 8
Tel 02 709 5723, Fax 02 709 5725
P.O. Box 2066, Irbid 21110, Jordan

**Philidelphia University Branch**
Number of Employees: 3
Tel 02 637 4604, Fax 02 637 4605
P.O. Box 1, Jerash 12392, Jordan

**King Abdullah Square Branch**
Number of Employees: 10
Tel 02 724 0071, Fax 02 724 0069
P.O. Box 2066, Irbid 21110, Jordan

**Abu Nssir Branch**
Number of Employees: 8
Tel 06 510 5718, Fax 06 510 5716
P.O. Box 2459, Amman 11941, Jordan

**Omar Mokhtar Street Branch**
Number of Employees: 11
Tel 02 725 0950, Fax 02 725 0954
P.O. Box 150002, Amman 21141, Jordan

**City Mall Branch**
Number of Employees: 10
Tel 06 582 0028, Fax 06 586 4726
City Mall, Amman, Jordan

**Hashmi Al-Shamali Branch**
Number of Employees: 8
Tel 06 505 5390, Fax 06 505 5401
P.O. Box 231106, Amman 11123, Jordan

**Prince Hamzah Hospital Branch**
Number of Employees: 4
Tel 06 505 5226, Fax 06 505 5204
Amman, Jordan

**Madaba Branch**
Number of Employees: 10
Tel 05 325 3471, Fax 05 325 3465
Madaba, Jordan

**Taberbour Branch**
Number of Employees: 8
Tel 06 505 4170, Fax 06 505 3916
P.O. Box 273, Amman 11947, Jordan

**Zara Mall Branch**
Number of Employees: 15
Tel 06 500 6220, Fax 06 520 1762
Zara Mall, Wadi Saqra, Amman, Jordan

**Student Office / Yarmouk University**
Number of Employees: 7
Tel 02 724 6053, Fax 02 724 1983
Yarmouk University, Irbid, Jordan

**King Hussein Bin Talal University**
Number of Employees: 10
Tel 03 213 5181, Fax 03 213 4985
P.O. Box 20, Amman 71110, Jordan

**Ports Corporation Office**
Tel 03 201 9117, Fax 03 203 0973
Aqaba, Jordan

**Arab Bridge Office**
Tel 03 201 3170
Aqaba, Jordan

### Consulting Centers

**Consulting Center – Amman**
Tel 06 465 3317, Fax 06 464 2890
P.O. Box 940533, Amman 11194, Jordan

**Consulting Center – Irbid**
Tel 02 725 7527, Fax 02 725 7530
P.O. Box 2066, Irbid, 21110, Jordan

**Consulting Center - Zarqa**
Tel 05 397 5201, Fax 05 393 1424
P.O. Box 39, Zarqa, 13110, Jordan

## Palestine Branches and Offices

**Regional Management**
Number of Employees: 252
Telephone 9702 298 3500, Fax 9702 295 2764
P. O. Box 1870, Ramallah, Palestine

**Nablus Branch**
Number of Employees: 36
Tel 09 238 1301, Fax 09 238 1590
P.O. Box 50, Nablus, Palestine

**Ramallah Branch**
Number of Employees: 31
Tel 02 298 3500, Fax 02 295 2764
P.O. Box 1870, Ramallah, Palestine

**Al-Shalalah Branch**
Number of Employees: 16
Tel 02 222 9803, Fax 02 222 9327
P.O. Box 662, Al Khalil, Palestine

**Jenin Branch**
Number of Employees: 35
Tel 04 250 5124, Fax 04 250 3110
P.O. Box 66, Jineen, Palestine

**Toulkarem Branch**
Number of Employees: 28
Tel 09 267 2770, Fax 09 267 2773
P.O. Box 110, Toulkarem, Palestine

**Jerusalem Street Branch**
Number of Employees: 20
Tel 02 298 6006, Fax 02 295 1433
P.O. Box 1870, Ramallah, Palestine

**Bethlehem Branch**
Number of Employees: 23
Tel 02 274 4971, Fax 02 274 4974
P.O. Box 709 Bethlehem, Palestine

**Qalqiliah Branch**
Number of Employees: 23
Tel 09 294 1115, Fax 09 294 1119
P.O. Box 43, Qalqeliah, Palestine

**Jericho Branch**
Number of Employees: 13
Tel 02 232 3627, Fax 02 232 1982
P.O. Box 55, Jericho, Palestine

**Wadi Tufah Branch**
Number of Employees: 26
Tel 02 222 5353, Fax 02 222 5358
P.O. Box. 662, Al Khalil, Palestine

**Faisal Street Branch**
Number of Employees: 20
Tel 09 238 3250, Fax 09 238 3256
P.O. Box 1559, Nablus, Palestine

**Khan Younis Branch**
Number of Employees: 12
Tel 08 286 5775, Fax 08 282 1088
P.O. Box 167, Gaza, Palestine

**Al-Saraya Branch**
Number of Employees: 13
Tel 08 282 4950, Fax 08 282 4830
P.O. Box 167, Gaza, Palestine

**Dair AL-Balah Branch**
Number of Employees: 10
Tel 08 253 1220, Fax 08 253 1221
P.O. Box167, Gaza, Palestine

**Rafah Branch**
Number of Employees: 13
Tel 08 213 6251, Fax 08 213 6250
P.O. Box 1095, Gaza, Palestine

**Al-Rimal Branch**
Number of Employees: 20
Tel 08 282 6097 Fax 08 282 1088
P.O. Box 5350, Gaza, Palestine

**Al Masyon Branch**
Number of Employees: 16
Tel 08 282 6097, Fax 08 282 1088
P.O. Box 5350, Gaza, Palestine

### Subsidiary Companies

**Al-Watanieh for Financial Services Company "Awraq Investment"**
Number of Employees: 37
Tel 06 550 3800, Fax 06 550 3802
P.O. Box 925102, Amman, 11110, Jordan

**Al-Watanieh Securities Company**
Number of Employees: 24
Tel 970 229 8042, Fax 970 229 87277
P.O. Box 1983, Ramallah, Palestine

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