

In The Name of Allah, The Most Merciful, The Most Gracious

**That which ye lay out for increase through the property of (other) people, will have no increase with Allah:
but that which ye lay out for charity, seeking the Countenance of Allah, (will increase) : it is these who will
get a recompense multiplied**

(Surat Alroum, Verse 39)



Islamic International Arab Bank

**(Public Shareholding Limited Company)
Amman – Jordan**

**Financial Statement for the Fiscal Year Ended on 31/12/2009
Along with The External Auditor's Report**

Our Vision

Our vision is to be the leading Islamic financial institution in the Arab World.

Our Mission

Our mission is to be leaders in our target markets by providing our clients the best financial and banking services, in accordance with the Islamic Sharia. Our team is to be composed of very qualified professionals, who observe the highest ethical standards, work in a stimulating business environment supported by advanced technology and distribution channels, and achieve superior financial results.

Our Core Values

- Honesty and decency with ourselves and with others
- Pursuit of excellence and fulfillment of our promises
- Adherence to the principles and rules of the Islamic Sharia throughout all our operations
- Belief that there is always a better means and the challenge lies in discovering it
- Commitment to corporate governance
- Commitment to social responsibility

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Islamic International Arab Bank P. L.C.
(Public Shareholding Limited Company)

The Islamic International Arab Bank commenced its banking operations on Shawwal 12, 1418 AH, corresponding to 09/02/1998, to meet the increasing demand, locally and in the Arab and Islamic markets, for banking services and products that are in accordance with the Islamic Sharia.

Established as a public shareholding company in accordance with Companies' Act for the year 1989; the Bank was registered in the Public Shareholding Companies' Register under no. (327) on 30/03/1997.

Sharia Advisory Committee

Allah the Almighty says:

"IF YOU REALIZE THIS NOT, ASK OF THOSE WHO POSSESS THE KNOWLEDGE"
(Surat Al-Anbia', Verse 7 and Surat Al-Nahl, Verse 43)

His Eminence; Dr. Ahmad Helayyel

His Eminence; Sheikh Saeed Hijjawi

His Eminence; Dr. Ahmad Al Ayyadi

The field of Islamic jurisprudence is vast and the changes and developments in the modern economy are various and complicated. Sharp and truthful insight as well as serious effort to understand the Islamic rules is necessary to give the Islamic opinion for present-day financial and banking transactions. Consequently, the vital role of the IIAB's Sharia Advisory Committee emerged. The Committee operates in accordance with the Islamic Rule stating: "He who judges and is correct obtains two rewards, whereas he who is wrong obtains only one".

The Sharia Advisory Committee assists the Bank in fulfilling its obligations and achieving its objectives by providing it with the Islamic advisories and solutions to avoid unlawfulness in practices and activities as well as verifying all contracts of finances and investments.

Letter from the Chairman

In the Name of Allah, the Most Merciful, the Most Gracious
Allah's Peace and Blessings be upon Our Prophet Mohammad

Dear Shareholders,

It is a pleasure to meet you again this year now that IIAB has completed its twelfth year with increased stability and sustainability. The Bank was able to achieve good results compared to the performance of the banking system, despite the conditions experienced by the local, regional and international economy. In this respect, I have to draw attention to the exceptional performance of the executive management which was one of the most important factors that enhanced stability and maximized the Bank gains.

As Jordan's economy is open to the world, it was inevitable to be affected by the global financial crisis. However, the influence of this crisis was indirect thanks to the prudent monetary policy adopted by the Central Bank of Jordan in controlling banks, the risk management policies adopted by the banking system, and the excellent organization of securities market. On the other hand, the economy has benefited from the declining commodity prices in global markets in the aftermath of the financial crisis, which partly reduced the negative effects on the national economy and decreased the inflation rate. However, some negative indicators remained, notably the decline in remittances from abroad and foreign aid and the high levels of unemployment.

In terms of financial outcomes, the attached data indicates that the net profit of the Bank, before taxes, amounted to JD 4.4 million. Net shareholders' equity increased by 24 million dinars; following the capital increase up to JD 100 million; as well as the rise in total assets by JD 133 million, amounting to JD 1,040 million.

As for corporate governance, the Bank is fully committed to applying the best practices of management and administration, and practices its activities with the highest degree of transparency, disclosure, and integrity towards shareholders, employees and society. Hence, we assure our shareholders, regulators and the network of our correspondents and international credit rating agencies that the Bank is operating continuously in accordance with the best management practices on corporate governance and good governance in all its operations and activities.

Based on the Bank's belief in the importance of its social responsibility to support the community institutions, particularly the youth, the Bank signed with the Ministry of Social Development a Partnership and Cooperation Agreement under which the Bank makes donations to support and assist the project related to supporting marriage of children care institutions and asylums (orphans, illegitimate children, and children of disconnected families). In addition, the Bank provided support to orphans through the Orphans Security Trust Fund, and participated in a number of campaigns including the Charity Campaigns, Charity Packages Campaigns, and the distribution of school bags in the various governorates of the Kingdom in cooperation with the Jordanian Hashemite Fund for Human Resources Development. Furthermore, the Bank contributed to providing charity banquets during the holy month of Ramadan, and

sponsored several events during the holy month in the daily newspapers and radio stations by providing a large number of valuable cash prizes.

In line with the Bank's tireless efforts to participate in and support various academic events and the academic process in general, the Bank set up a classroom in the Faculty of Educational Sciences and Arts/UNRWA to meet the needs of college students for using the classroom for various purposes. Moreover, the Bank has assisted several public and private universities by providing material and in-kind support, including for example and without limitation, supporting research competition for the students of Jordanian universities, sponsoring Holy Quran competitions, supporting Needy Student Fund, and providing computers.

On the other hand, the Bank has signed agreements with several agencies, including the agreement of financing computers for Al Al-Bayt University students, and the agreement of sales tax payment service across its branches in the governorates of the Kingdom in order to meet the diverse needs and requirements of all taxpayers; to facilitate payment procedures; and provide more flexible and convenient means for completing the taxpayers' banking transactions and various business activities. In addition, the Bank signed an agreement for electronic connection between the Bank and the General Customs Department to facilitate the processes and procedures related to online bank guarantees which will benefit customers dealing with the two parties. Moreover, the Bank renewed the "Decent Housing for Decent Living" agreement signed with the General Organization for Housing and Urban Development.

Based on its expansion policy, the Bank has opened new branches in 2009 in Salt, Abu Alanda, Nuzha, Al-Hashemi, and Karak. The Bank intends, God willing, within its expansion plan, to set up new branches in 2010 in the governorates of Irbid, Jerash, Ajloun, Mafraq, and Tafila; and in the capital Amman, particularly in Tabarbour and Marj Al Hamam areas, in addition to transferring its branch in Aqaba to the new headquarters owned by the Bank in early 2010.

We are fully aware that the next year poses great challenges, as it is expected that the global financial crisis will continue. Yet, in order to avoid exposure to the risk of these challenges, the Bank has adopted a plan that observes utmost care and vigilance based on rationalization of expenses and selecting the best investment opportunities. We will take into account future prospects and expectations, and hope to take our services to the next level to ensure meeting the needs of our existing and potential clients.

In conclusion, and on behalf of the Board, I would like to take this opportunity to thank the wise government and its official institutions, most notably the Central Bank of Jordan, for its support, encouragement, and active role in maintaining the safety of the banking system in Jordan. I am also pleased to extend my thanks and appreciation to all the board members for their effort, and to the dedicated efforts of all the staff of Islamic International Arab Bank. Credit is also due to the esteemed members of the Sharia Supervisory Board for their valuable contributions to the operation of the Bank in accordance with the provisions of Sharia. I also wish to thank our customers who showed their confidence in and support to the Bank. Finally, I would like to

emphasize our concern and commitment to providing the best banking products and services in accordance with Sharia provisions.

Peace be upon you,

Dr. Tayseer Rodwan Al-Sumadi
Chairman of the Board of Directors

Board of Directors' Report

In the Name of Allah, Most Merciful, Most Gracious

Board of Directors' Twelfth Annual Report of the Fiscal Year Ending on December 31, 2009

Dear respectful shareholders,

Peace Be Upon You,

Allah the Almighty says:

**“WORK RIGHTEOUSNESS SOON WILL GOD OBSERVE YOUR WORK
AND HIS PROPHET AND THE BELIEVERS”**

IIAB's Board of Directors is pleased to present to you the twelfth annual report covering the results of the Bank's operations and achievements accompanied by the financial statements ended on 31/12/ 2009.

Financial Results

Similar to all other countries of the world, Jordan has been influenced by the global current economic crisis, which emerged in late 2008 and extended to 2009. As a result, the Islamic International Arab Bank took precautionary steps in order to achieve adequate liquidity and high degree of safety in investment and set the appropriate provisions and necessary precautions to guard against any risk in investment. This reduced the Bank profits for the same period compared to the previous year, amounting to JD (4.4) million, i.e. a decrease of JD (6.9) million compared to 2008, and by 61%.

General Economic Condition

Contrary to the developments in the world's economies which were most affected by the global financial crisis and showed slow improvement in the rates of economic growth, the national accounts data issued by the Department of Statistics during the third quarter of 2009 indicates increased vulnerability of the Jordanian economy to the repercussions of the economic crisis. GDP considerably slowed down at constant prices during the quarter in question, growing by (2.1%), compared to (4.1%) during the same quarter of 2008. GDP also slowed down compared to the growth achieved during the first two quarters of 2009, which amounted to (3.2%) and (2.8%), respectively. Thus, GDP slowed down at constant prices during the first three quarters of 2009, growing by (2.7%) compared to its significant growth of (9.1%) in the first three quarters of 2008, i.e. with a clear difference amounting to (6.4) percentage points. Due to the growth of the GDP reducer by (5.5%) compared to its significant growth rate of (15.8%) during the first three quarters of 2008, GDP at current prices increased by (8.3%), compared to a significant growth rate of (26.3%) during the same period in 2008, with a huge difference of (18) percentage points. There is no doubt that this difference is huge, based on various measures, which would affect many economic indicators attributable to the gross domestic product, such as fiscal deficit, indebtedness, and foreign deficit.

In terms of the general level of prices, the Department of Statistics data shows that it continued its sharp downward trend which was not recorded for more than two decades. The general level of prices declined in 2009 due to the falling prices of petroleum products and main commodities in the domestic market compared to their rates during the same period last year. This decline, as measured by the relative change in the index of consumer prices, amounted to (0.7%) in the first eleven months of 2009, while it saw inflationary pressures in 2008 which have brought the inflation rate to (13.9%). The inflation rate was below zero level which was not recorded since 1987 when it reached (-0.2%) in light of the slowdown experienced by the Jordanian economy in that year, and the real growth rate did not exceed (2.3%). The conditions prevailing at that period are comparable to the conditions experienced by the national economy in this period.

In terms of monetary policy, the Central Bank has continued its policy aiming to promote monetary stability, control inflation, and enhance the attractiveness of savings denominated in local currency, through its sagacious management of the structure of domestic interest rates and enhancing the attractiveness of the local currency as reflected in the convenient level of net reserves of foreign currencies. The Central Bank of Jordan strengthened its supervision over the banking system, which showed a marked improvement in the levels of solvency, liquidity and profitability within a more open and liberal banking environment.

Members of the Board of Directors

Chairman of the Board

HE Dr. Tayseer Radwan Al-Sumadi

Chairman of the Islamic International Arab Bank PLC

- Born in 1966, holder of PhD in Development and Business Economics, University of Utah, 1998
- Minister of Planning and International Cooperation, and Minister of Public Sector Development, 2005.
- Chairman of the Civil Service Council, 2005.
- Secretary General of the Ministry of Planning and International Cooperation 2004-2005.
- Deputy Governor and Governor of Jordan to the World Bank 2003-2005.
- Member of the Board of Trustees of the Jordanian Hashemite Fund for Human Development, 2006 - to date.
- Member of the Jordan University Hospital 2006 – to date.
- CEO of North Consultations and Organizing Conferences Company.
- Member of the Board of Directors of the Arab Bank, 2006-2008.
- Member of the Board of Directors of the Association of Banks in Jordan, 2009 - to date.
- Former member of the boards of several Jordanian institutions such as Jordan Investment Board, Industrial Development Bank, Electricity Generating Company and Jordan Water Authority.
- Chairman of the National Petroleum Company since January 2010.

Vice-Chairman

Mr. Mohamed Moussa Daoud "Mohammed Issa", as of 1/7/2009

- Vice-Chairman of the Islamic International Arab Bank.
- Born in 1956, holds of BA in Mathematics/ Business Administration / University of Jordan, 1978.
- Senior Vice President / Corporate Banking and Investments Management - Arab Bank / Jordan and Palestine.
- Joined the Arab Bank since 1978 and served in several positions in the Bank to date.
- Vice-President of the Board of Directors - Arab National Leasing Company.
- Member of the Board of Directors - Arab Bank Syria.
- Member of the Board of Directors - Association of Banks in Jordan.
- Member of the Board of Directors - Jordanian Mortgage Refinance Company.
- Member of the Board of Directors - Jordan Hotels and Tourism Company.

Members
CEO, Director General

Mr. Salem Abdulmunim Burqan

- CEO/Director General of IIAB as of 5/4/2009
- Member of the Board of Directors of the Islamic International Arab Bank P.L.C since 5/4/2009
- Born in 1952, and holds a BA in Accounting from the University of Jordan, 1975.
- Vice-Chairman of IIAB till 4/4/2009.
- Chairman of the Board of Directors of Al-Nisr Al-Arabi Insurance Company.
- Member in JACPA (Jordan Association of Certified Public Accountants)

Mr. Dawood Mohammed Al Ghouli (as of 7/1/2010)

- Born in 1971, Masters in Accounting and financing from University of Colorado.
- Member of IIAB board of directors
- Holds several professional certificates including CPA.
- Deputy CEO /Financial Dept. - Arab Bank.
- Joined Arab Bank since 2001.

Dr. Khalid Wasif Al-Wazani (Until 2/7/2009)

Mr. Ghassan Ahmed Bunduqji (Until 4/4/2009)

General Manager of the Islamic International Arab Bank P.L.C. until 4/4/2009

Mr. Mohammed Sadiq Al-Hasan (Until 30/6/2009)

Secretary of the Board

Dr. Muhsin Abu Awadh

Born in 1963, and holds a PhD in Banking from the Arab Academy for Financial and Banking Sciences.

Secretary of the Board

Director of Corporate Department in the Islamic International Arab Bank P.L.C

Auditors

Messrs/Deloitte & Touche (Middle East)

Executive Management

The Islamic International Arab Bank is proud that its senior management includes an elite group of bankers enjoying various achievements and wide knowledge and having high qualifications, advanced training and distinct experience in banks and management.

Mr. Salim Burqan	CEO/Director General	Born in 1952, he holds a BA in Accounting from the University of Jordan in 1975. He has a practical experience of almost 35 years, including 26 years in the Arab Bank, in which he served in various positions, most recently as Director of the Corporate Department in Jordan and Palestine. He is a member of the board of a group of companies and has joined IIAB on 5/4/2009.
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Mr. Nihad Maraqa	Head of Operations Department	Born in 1955, he holds a BA in Accounting from Ein Shams University in 1980. He has various banking experience of 27 years in both commercial and Islamic banking sectors in Jordan and Palestine, including 18 years in the Arab Bank. He joined IIAB on 18/2/1998.
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Mr. Yousif Al-Badri	Head of Corporate Credit Department	Born in 1961, he holds a BA in Economics from the University of Jordan in 1983. He enjoys an experience of 23 years in banking during which he worked for Jordan Kuwaiti Bank and the Arab Bank. He joined IIAB on 3 June 2007.
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Dr. Muhsin Abu Awad	Head of Corporate Sector Department	Born in 1963, and holds a PhD in Banking from the Arab Academy for Financial and Banking Sciences, has an experience of 22 years, 12 of which in Islamic Banking in Jordan (Jordan Islamic Bank). He joined IIAB in 28/8/2005.
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Dr. Nayef Abu Dheim	Head of Retail Department	Born in 1962, holds a BA in Accounting from the University of Jordan in 1985, Masters in Finance from University of Jordan in 1994, PhD in Finance from Amman Arab University in 2008. 22 years of experience in credit facilities and branches management, 10 of which in Jordan Islamic Bank, and joined IIAB in 1/12/1997.
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Mr. Tariq Awwad	Head of Internal Audit Department	Born in 1957, he holds a BA in Business Administration from the Arab University of Beirut in 1988. He enjoys 27 years of experience in both Banking Operations and External Audit Division in the Arab Bank where he occupied several administrative positions. He joined IIAB on 8/4/2007.
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Mr. Abbas Mar'ie	Head of Financial Control Department	Born in 1975, he holds a BA in Accounting from the Jordanian Zaytounah University in 1997. He enjoys 13 years of experience in accounting and financial management in commercial and Islamic banks. He joined IIAB on 2/5/2006.
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IIAB's Activities

The second bank in Jordan to perform banking operations in accordance with the Islamic rules, the Islamic International Arab Bank started operations on Shawwal 12, 1418 AH, corresponding to February 9, 1998. The Bank offers an integrated set of banking services (deposits, transfers, and commercial services) and financing (Murabaha, Istisna'a and Ijara) in addition to services of correspondence, all in compliance with the Islamic rules and regulations.

IIAB's Branches

The Bank performs its operations via its different branches in the major cities of Jordan. The twenty three branches of the Bank in Jordan are listed below:

Branch	Staff	Date of Commencement	Address	Phone Number
General Management	254	Feb. 09, 1998	Wasfi Al-Tall St. – bldg no. 20	5694901
Al-Gardens	18	Feb. 09, 1998	Wasfi Al-Tall St. Building no. 20	5694623
Amman	12	Feb. 09, 1998	Rashid Tuleia' St. – Petra Avenue	4643270
Al-Wehdat	9	Feb. 09, 1998	Yarmouk St.	4777801
Irbid	10	Feb. 09, 1998	Al-Hisn St. – Al-Nuzha Avenue	02-7276587
Ma'daba	6	May 02, 1998	Al-Hashemi St.	05-3248970
Al-Zarqa	9	Jan. 04, 1999	26 Abdulmunim Riyadh St. – Al-Shuwam Avenue	05-3989094
North Marka	8	Sep. 07, 2000	King Abdulla St. – Building no. 457 Opposite to Jabri	4886650
Wadi Al-Seir	7	Mar. 15, 2001	Wadi Al-Seir – Major St. – LG Campus – Building no. 47	5813600
Jabal Al-Hussein	7	May 02, 2001	Haifa St. – Building no. 3 Next to Luna Park	5657760
Aqaba	9	Oct. 31, 2002	Aqaba – Al-Yarmouk St. – down town.	03-2019495
Al-Jubeiha	9	Apr. 28, 2003	Jubeiha – Queen Rania St.	5343569
Al-Swefeyeh	7	Mar. 11, 2007	Al- Swefeyeh – Sufian Al-Thawri St. – Surat Building	5826669
Al-Shmeisani	7	Mar. 18, 2007	Al-Shmeisani – Abdul -Hamid Shuman St. – Opposite to Canadian Embassy	5651110
Al-Zarqa National University	3	May 01, 2007	Al-Zarqa – Al-Zarqa National University	05-3821022
Al-Ruseifa	6	Oct. 01, 2007	Al-Ruseifa King Hussein St. – Next to Arab Bank Building	05-3748474
Al-Zarqa el-Jadida	7	Oct. 24, 2007	Al-Zarqa el-Jadida – 36 St. – Al-Batravi Avenue – Next to Samih Mall	05-3854240
Dahyat Al-Yasmeen Hai Nazzal	7	Apr 16,2008	Dahyat Al Yasmeen- Hai Nazzal- Jabal Arafat St. Next to Alkhareta Circle	4202126
Khalda	7	May 18,2008	Khalda- Amer Bn Malik St. – Abu Hdeib Building No. 71	5511446
Al-Salt	7	Feb 22, 2009	Al-Salt-Al-Salalem Area- Shahateet Center-in front of Al-Balqaa' Building	05-3532316
Abu Alanda	7	Jan 22,2009	Abu Alanda-Abdelkarim Al-Hadid St.-Hussain Thawabteh Complex	4164426
Al-Hashmi Al Shamali	6	July 19, 2009	Amman-Al-Hashmi-Al-Bathaa' St.	5061993
Al-Nozha	6	July 26, 2009	Amman-Al-Nozha-Dahyat Prince Hasan- Al-Sultan Qlawoon St.	5684341
Al-Karak	7	Sept 1, 2009	Al-Karak- Hay Al-Baqaeen- AlOmari St.	03/2351728

IIAB's Key Shareholders

Shareholder	Number of Shares
Arab Bank P.L.C	100,000,000 Share/JD
Total	100,000,000 Share/JD

IIAB's Competitive Position

The Bank works hard to earn a market share well fitting its capital and technical, administrative and financial capabilities and to position itself well among the other Islamic banks in both Arab and Islamic worlds. At the end of 2009, the Bank's share of customers' deposits realized a percentage of 4.18% of total banking deposits in Jordan; the total direct facilities realized a percentage of 2.34% of total banking facilities in Jordan; and the Bank's assets realized a percentage of 3.88% of total banking assets in Jordan.

Key Customers

The Bank's portfolio is expansive, and the Bank does not rely on major (local or foreign) customers.

Governmental Concessions and Resolutions Issued by Government and/or International Organizations

The Bank does not enjoy any governmental concessions or resolutions issued by Government and/or international organizations, which may have any materialistic impact on the Bank's operations or competitive capability as per Article (6) of Disclosure Regulations and Accounting Standards issued by Jordan Securities Commission's Board of Commissioners.

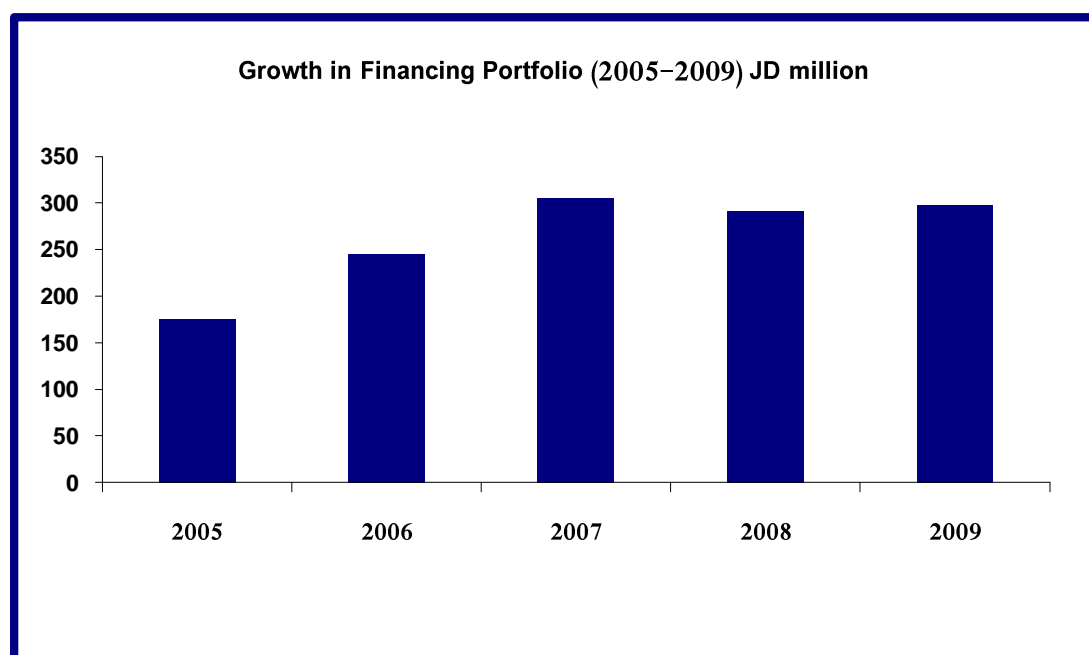
Investment Portfolio (Direct Credit Facilities)

The Bank's financing portfolio reached JD (297) million as on 31/12/2009, with an increase of JD (6) millions, a rate of (2%) compared with previous year.

The following table shows the items of the customers' financing portfolio and related risks, inside and outside the balance sheet for the years (2005–2009):

(Jordanian Dinar)

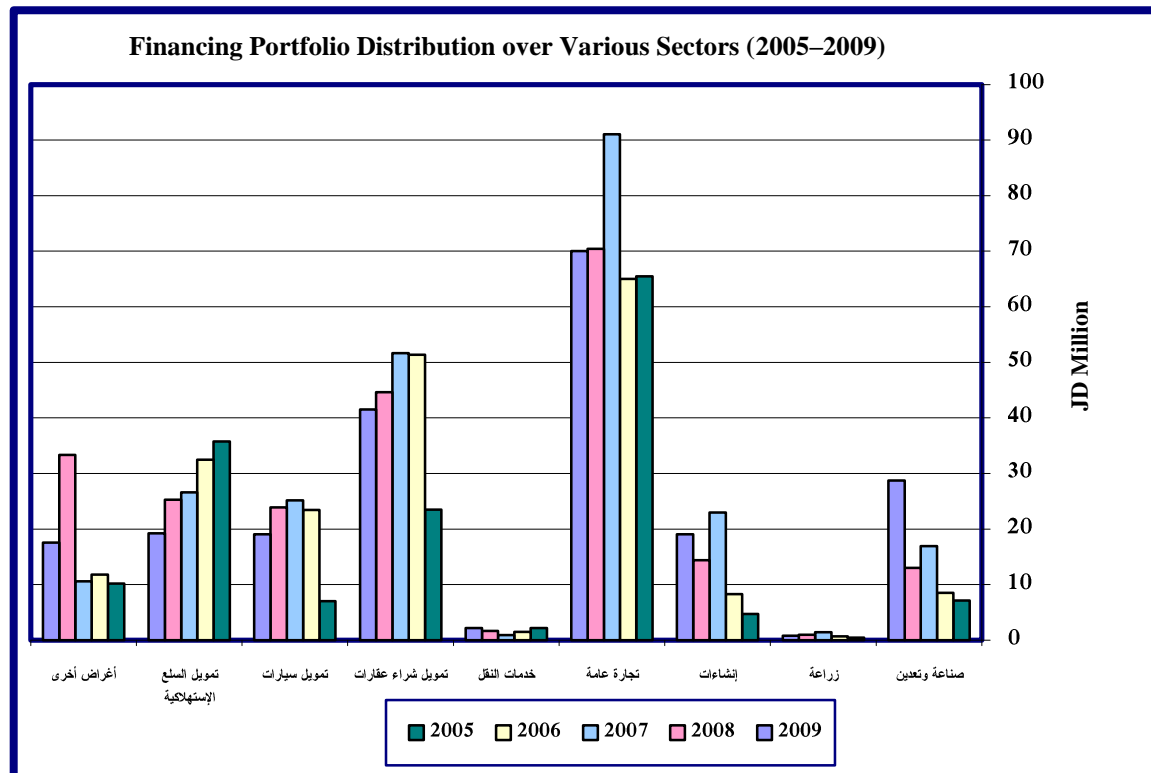
Item/Year	2005	2006	2007	2008	2009
Murabaha Financing	114,580,672	146,774,915	190,006,395	194,188,029	197,808,935
Mudaraba	38,396,244	52,646,865	51,785,154	26,067,417	14,771,509
Istisn'a	2,953,912	3,196,225	4,999,636	7,041,469	5,561,435
Musharka	500,022	410,855	357,240	308,080	42,239
Ijara	19,094,228	41,031,276	58,334,434	63,769,812	78,942,297
Investments (Customers)	10,302,078	21,118,688	16,286,309	131,154,600	255,911,983
Investments (Bank)	31,240,094	61,228,453	32,659,657	159,167,581	378,142,621
Specified Commodities Investments	131,156,631	194,090,846	222,157,139	205,809,884	179,001,566
Customers' Liabilities against Letters of Credit	16,069,962	11,891,685	13,163,233	13,075,475	23,200,012
Customers' Liabilities against Bills for Collection	5,084,606	6,242,375	12,063,637	12,342,668	11,637,213
Acceptances	5,755,867	4,369,219	3,885,536	4,316,491	4,618,422



The financing and investment portfolio was distributed over the following sectors:

(Jordanian Dinar)

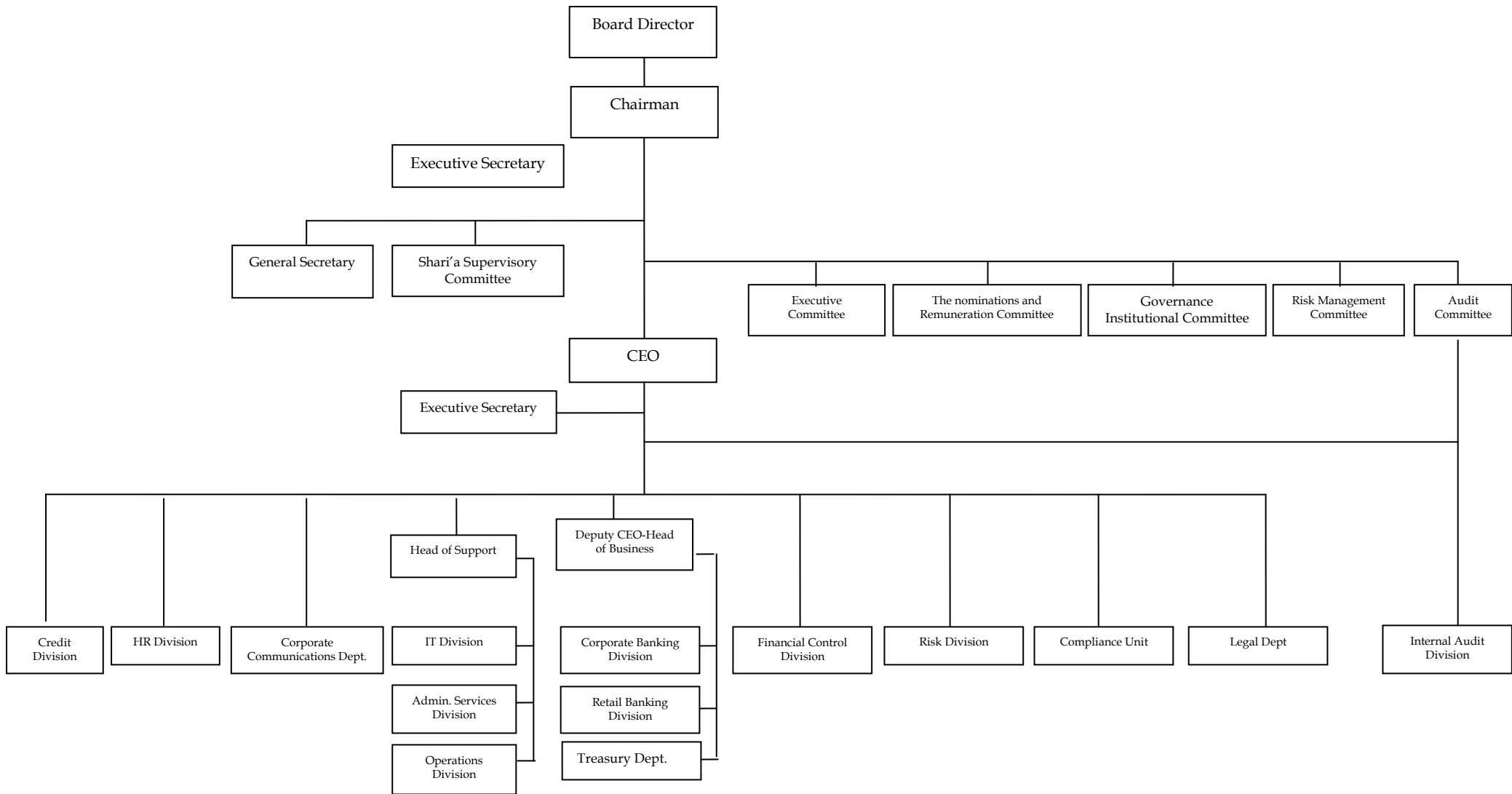
Item/Year	2005	2006	2007	2008	2009
Industry and Mining	7,134,632	8,493,464	16,908,006	13,033,742	28,755,394
Agriculture	420,219	691,021	1,445,678	943,808	807,436
Construction	4,711,033	8,292,822	22,946,704	14,413,203	19,030,751
General Trade	65,470,749	64,987,794	91,028,868	70,425,219	70,042,675
Transportation Services	2,172,161	1,510,043	892,421	1,642,681	2,189,857
Real Estate Financing	23,503,501	51,365,446	51,627,499	44,618,834	41,498,142
Automobile Financing	14,009,128	23,426,226	25,130,385	23,916,852	19,028,613
Consumers' Goods Financing	28,772,499	28,941,724	26,601,777	25,251,404	19,250,646
Others	10,236,928	15,320,320	10,567,087	33,359,252	17,580,604



Subsidiary Companies

The Islamic International Arab Bank Plc has no subsidiaries.

Organizational Structure



Human Resources

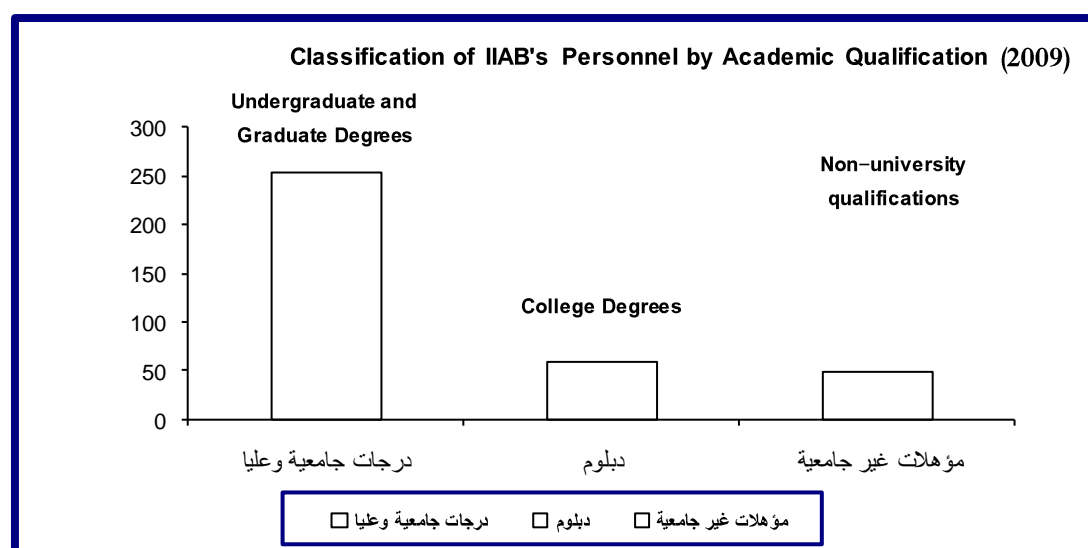
The Human Resources Division undertakes to support and facilitate the implementation of the strategic directions of human resources, systems and services, and maintains a vital and renewable work environment for employees.

At the end of 2009, the Bank's employees reached (435), 69% of which are university graduates. Due to the expansion of the volume of work in the currently existing branches and those branches that will be opened in the near future, the number of employees is expected to increase. The Bank was concerned as well with sponsoring scholarships for some of its ambitious employees who are looking to build their careers by earning various degrees (Diploma, BA, MA, and PhD) in fields of finance, management, and Islamic banking.

The following table shows the categories and qualifications of employees:

	2008	2009
As Per Category		
Classified	319	376
Unclassified	45	59
Total	364	435
As Per Qualification		
PhD	2	4
MA	30	33
Higher Diploma	1	-
BA	222	265
Diploma	60	66
Other	49	67
Total	364	435
Resignations and Retirement		
Resignations	52	35
Retirement	-	1
Total	52	36
Percentage to Total No. of Employees	14.3%	8.2%

The HR Division in the Bank, furthermore, held (141) training programs in different fields of banking and administration in which (1505) employees of both genders participated.



Capital Adequacy

The Bank's Management takes into account the Central Bank's requirements, which entail the availability of adequate capital to cover certain ratios of risk weighted assets that correspond to the nature of the granted finance and direct investment.

The Bank's capital adequacy ratio, based on the measurement standards set by the Committee of International Settlements Bank, according to the risk weighted assets, stood at 21.70% by the end of 2009, against 19.42% in the previous year. The minimum capital adequacy requirements set by the Central Bank of Jordan is 12% and 8% according to Basel Committee.

IIAB's Achievements in 2009

In 2009, the Bank achieved many accomplishments and was keen to provide Sharia-compliant banking products and services which meet the needs of the various segments of society. The Bank has developed its products including those that meet the market and customers' needs. Additionally, special attention was given in 2009 to retail products and individual services.

The bank has offered the products of financing new and used cars, and financing apartments using lease to own "Ijara" with competitive benefits, including Omra prizes.

In addition, the Bank expanded its electronic services by offering e-banking services so as to enable customers to access their accounts easily and safely.

Based on the Bank's belief in the importance of its social responsibility to support the community institutions, particularly the youth, the Bank signed with the Ministry of Social Development a Partnership and Cooperation Agreement under which the Bank makes donations to support and assist the project related to supporting marriage of children care institutions and asylums (orphans, illegitimate children, and children of disconnected families). In addition, the Bank provided support to orphans through the Aman Orphans Fund aiming to protect the future of orphans, and participated in a number of campaigns including the Charity Campaigns with Her Royal Highness Princess Basma, Charity Packages Campaigns, and the distribution of school bags in the various governorates of the Kingdom. Furthermore, the Bank contributed in providing charity banquets.

In line with the Bank's tireless efforts to participate in and support various academic and social events, the Bank set up a classroom in its name in the Faculty of Educational Sciences and Arts/UNRWA. Setting up this classroom marks the Bank concern to develop and support the various academic activities and to meet the needs of college students for using the classroom for various purposes. The Bank also has significant role in supporting academic institution and research councils.

Moreover, the Bank has supported several public and private universities by providing material and in-kind support, including for example, supporting the research competition for the students of Jordanian universities, sponsoring Holy Quran competitions, supporting Needy Student Fund, and providing computers.

On the other hand, the Bank has signed agreements with several parties, including the agreement of financing student computers with Al Al-Bayt University, and the agreement for providing the service of sales tax payment in all the Bank branches in the governorates of the Kingdom in order to meet the diverse needs and requirements of all taxpayers; to facilitate payment procedures; and provide more flexible and convenient means for completing their banking transactions and various business activities. In addition, the Bank signed an agreement for electronic connection between the Bank and the General Customs Department to facilitate the processes and procedures related to online bank guarantees which will benefit customers dealing with the two parties.

Moreover, the Bank renewed the "Decent Housing for Decent Living" agreement signed with the General Organization for Housing and Urban Development with improved features, including the useful life for customers, increasing funding duration, and increasing returns, according to Sharia rules and regulations. The Islamic International Arab Islamic Bank is the only bank which signed an agreement with the General Organization for Housing and Urban Development.

In addition, the Bank sponsored various events and conferences, in particular the Fourth Conference of Islamic Banks and Institutions in Syria, the Green and Sustainable Energy Conference in the Hashemite University, and the Economic Conference that was held in the Dead Sea, where the chairman of the Bank delivered a speech entitled (The role of Islamic banks in the development of the local economy).

Moreover, the Bank sponsored several competitions during the holy month of Ramadan in the daily newspapers and radio stations by providing large number of cash prizes.

Based on its expansion policy, the Bank has opened in 2009 new branches in Salt, Abu Alanda, Nuzha, Al-Hashemi, and Karak. The Bank intends, God willing, to set up new branches in 2010 in Tafila, Marj Al Hamam, Jerash, Tabrbour, and Irbid, in addition to transferring its branch in Aqaba to the new headquarters in early 2010.

On the other hand, the ATM network has expanded and ATMs were installed in the new branches. Some of the ATMs of the Bank were provided with special systems for protection of bank cards from theft and information copying.

The Service Quality Unit continued its efforts to promote and raise the level of customer satisfaction through promoting the services provided to reach the highest standards of quality.

Based on the fundamental values embraced by the Islamic International Arab Bank related to the need to communicate with the Bank customers, the Bank held a banquet in the Holy Month of Ramadan for its valuable clients. This comes within the Bank's annual programs for honoring its clients and fostering a special relationship with them.

The Bank continued to provide a full range of Sharia compliant banking services (accepting deposits, remittances and commercial services) and finance, including financing apartments based on Ijara principle, Istisna'a concept, and financing land, construction materials, vehicles, electrical appliances and computer hardware based on Murabaha principle.

Information Technology

The Islamic International Arab Bank made several achievements in 2009 in line with its targeted plan that aims in general to improve operation standards in the Bank and raise the level of service. The Bank lays specific emphasis on providing the best banking services to its customers and building a solid base that will enable the Bank to expand and renovate its services. The Bank is concerned with preserving the quality of its services to gain customer satisfaction using modern technology and developments.

The projects completed in 2009 focused on various fields. In terms of banking systems, a set of regulations were introduced to serve the Bank's departments and branches and facilitate their functions and performance in line with the highest standards of oversight and quality. In terms of customer service, a range of new customer services, such as e-banking and fee payment, were introduced. Furthermore, new branches were opened and new ATMs were installed. As far as infrastructure is concerned, security systems on the Bank's network were updated and the Emergency Centre for Information Systems was established in Al-Zarqa Al-Jadeeda Area in order to ensure business continuity in emergency situations.

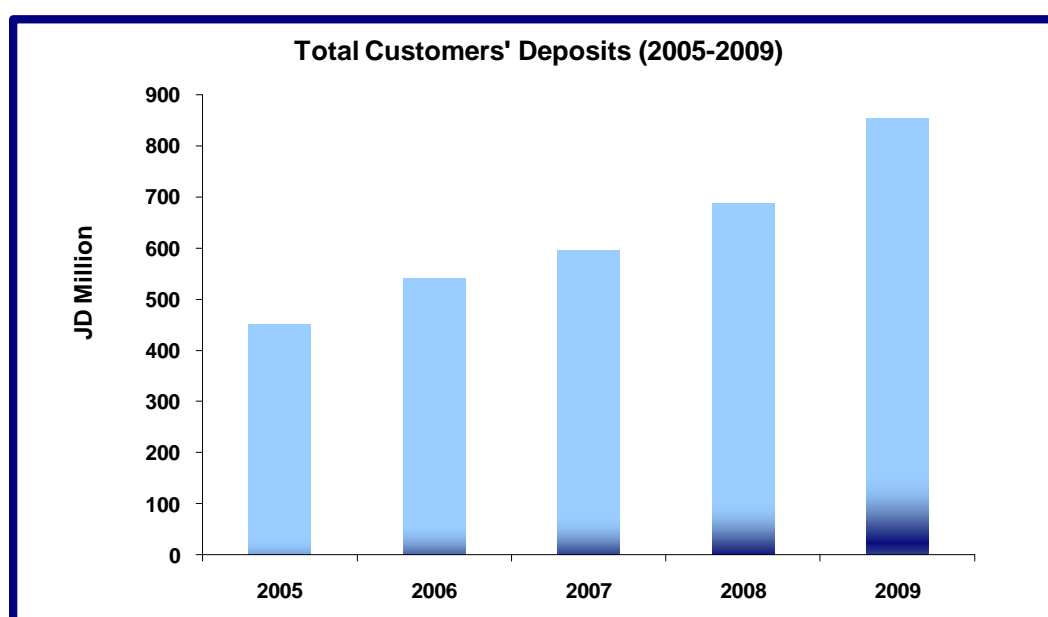
In 2010, we look forward to achieving more goals within an organized strategic plan, which aims to make radical changes to face the major challenges. The Bank is most concerned with maintaining and improving the quality of the services provided to customers and competing with local and regional banks to maintain the remarkable position and classification of the Bank. To that end, the Bank will introduce a new set of modern systems to serve customers and many other advanced systems such as: human resources systems, support centers systems, electronic archiving systems, new ATMs, stationery and expenses systems, in addition to other systems which will be implemented in full cooperation with the departments of the Bank.

Customers' Deposits

Customers' deposits are deemed as one of the most important sources of fund in the Bank. Customers' deposits portfolio in its various current, joint and specified investment accounts reached JD (855) million, representing a rate of growth of 28% than the previous year, reflecting customers' growing trust in the Bank.

The Bank's external resources of fund as on 31/12/2009 are as follows:

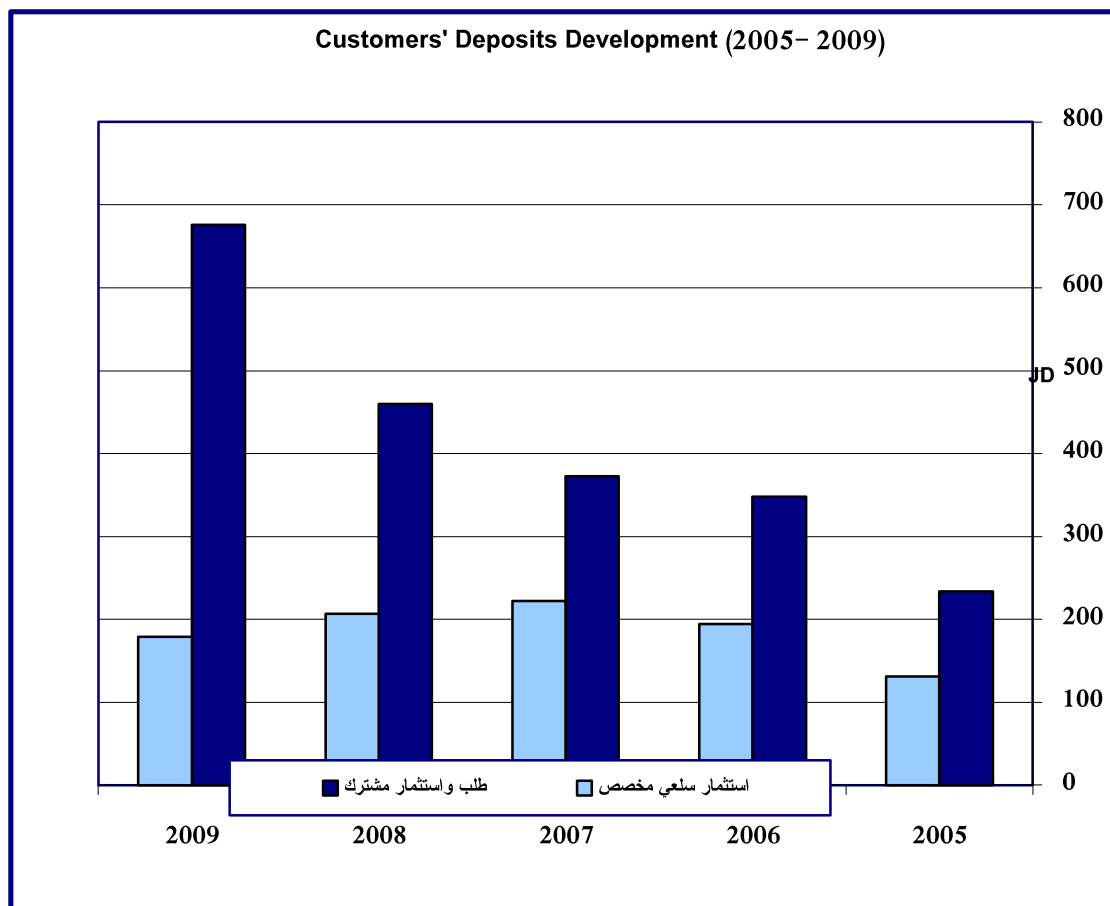
	JD
Customers' deposits	855,293,660
Banks' deposits	209,690,141
Cash margin deposits	17,761,723
Total	1,082,745,524



The following table shows the positive development in customers' deposits (current deposits and joint investment) and (specified investment) during the years 2005-2009:

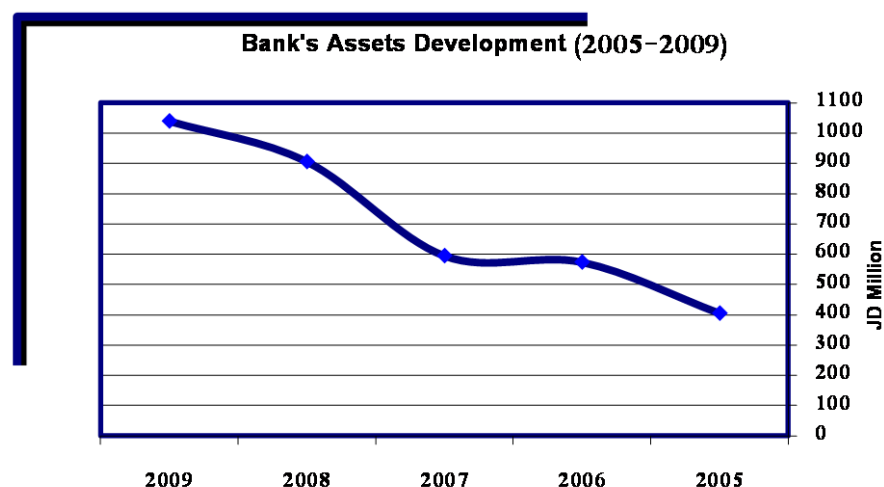
Jordanian Dinar

	2005	2006	2007	2008	2009
Customers' deposits (current accounts and joint investment)	233,519,376	347,786,087	372,512,868	460,257,755	676,292,094
Customers' deposits (specified investments)	131,156,631	194,090,846	222,157,139	205,809,884	179,001,566
Total	364,676,007	541,876,933	595,670,007	666,067,639	855,293,660



Financial Effect from Extraordinary Activities

No financial impact of any non-frequent activities was witnessed during Fiscal Year.

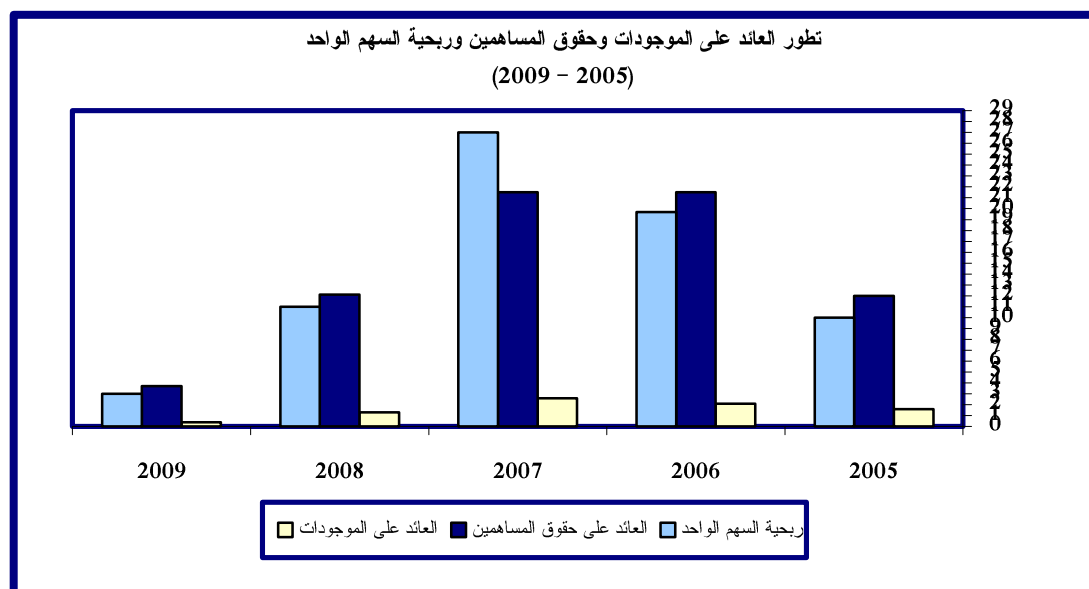


The following table shows the development in the Bank's profitability and net shareholders' equity and dividends (2005-2009):

Jordanian Dinar

Item / Year	2005	2006	2007	2008	2009
Operating Profits	11,395,353	17,698,669	23,687,556	19,528,582	15,597,967
Net Pre-Tax Profits	6,107,252	12,260,199	16,075,267	11,372,172	4,402,512
Net Shareholders' Equity	54,829,783	62,788,193	74,083,055	93,524,698	117,600,288
Dividends Per Share(after tax)	0.095	0.200	0.275	0.10	0.03
Revenues Received in Advance	16,894,115	20,638,701	19,821,772	15,674,766	14,647,744

The Bank's shares are not traded in Amman Stock Market.
The Bank does not issue any securities.

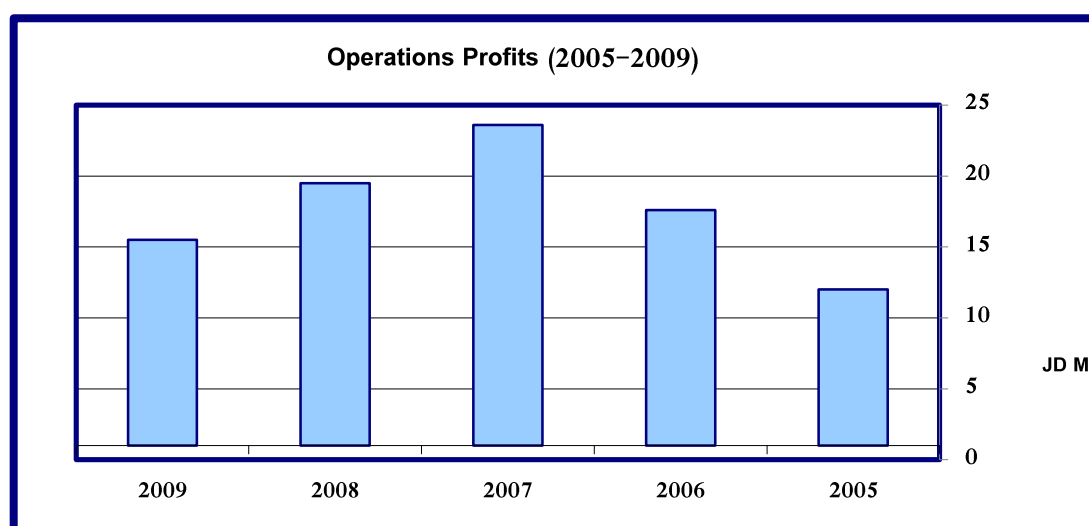


Additional Explanations

This part of the annual report includes some explanations and financial statements in addition to those mentioned in the Board of Directors' report. It is an integral part of the report in accordance with the provisions of "Auditing Instructions and Standards and Conditions Having to be fulfilled by Auditors under Control of Securities Commission, No. (1) for the year 1998" issued by the Board of Commissioners of Securities Commission based upon Articles no. (9) and (53) of Securities' Act no. (23) of 1997.

Financial Analysis of Bank's Position and Results of Operations

The Bank is committed with the widely approved international accounting standards, and with, since the first day of work, the accounting and auditing principles issued by the Accounting and Auditing Organization of Islamic Financial Institutions.



Investment Revenues

Investment revenues as on 31/12/2009 amounted to JD (16,411,024). These revenues were distributed as per the Bank's Articles of Association and Board of Directors' resolutions, as follows:

- | | |
|---|----------------|
| ▪ Joint Investment Risks Fund | JD (1,641,103) |
| ▪ Joint investment accounts' share | JD (9,240,625) |
| ▪ Bank's share of joint investments profits | JD (5,529,296) |

Joint investment accounts contribute at investment profitable results according to the ratios specified for Current Year, as follows:

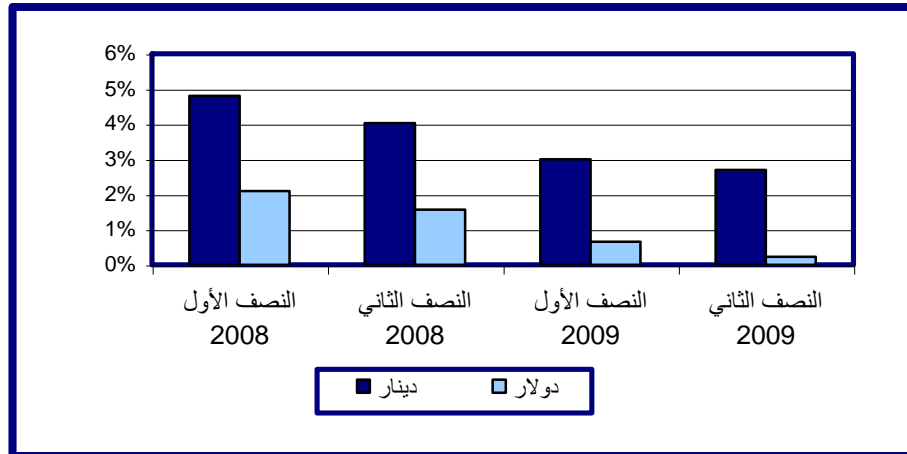
- | | |
|-------------------|-----|
| ▪ Term accounts | 90% |
| ▪ Saving accounts | 50% |

The general ratio of profits on joint investment accounts for the first half of 2009 was (3%), and (2.7%) for the second half in Jordanian Dinar, and in US Dollar (0.66%) for the first half and (0.23%) for the second half.

The following table shows the general development in profits on joint investment accounts for the period (2008-2009):

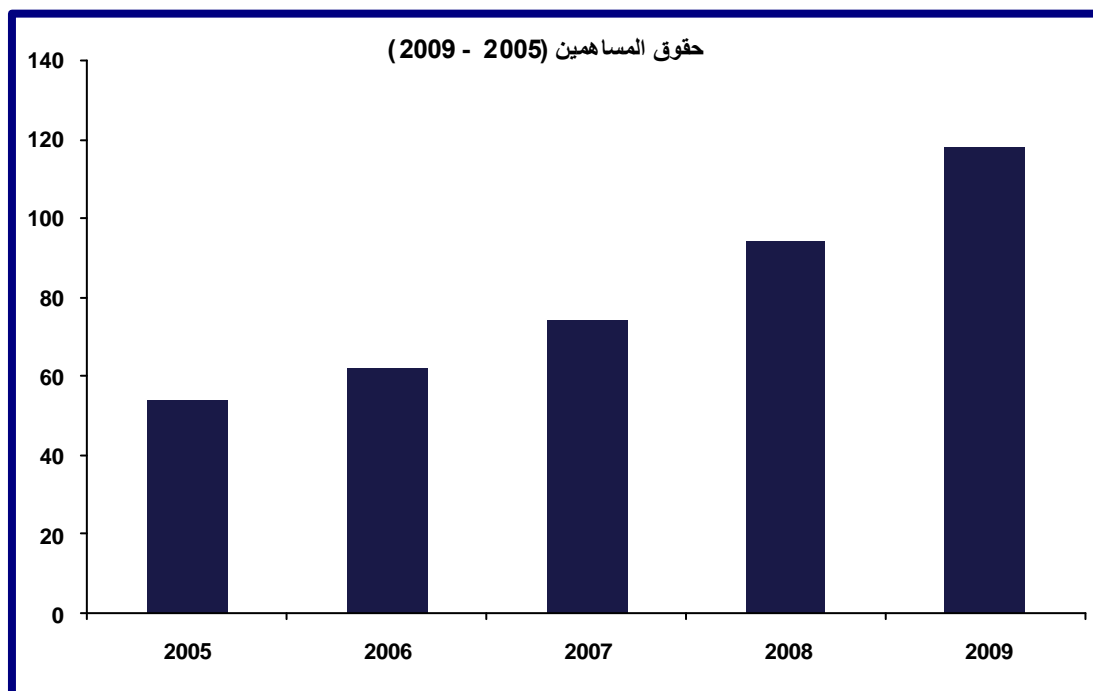
(%)

2008				2009			
First half		Second half		First half		Second half	
USD	JOD	USD	JOD	USD	JOD	USD	JOD
2.1	4.81	1.57	4.03	0.66	3	0.23	2.70



Shareholders' Equity Management

Shareholders' equity management is mainly thrown upon the shoulders of the Bank's Top Management, which in turn works constantly on developing these equities in a manner assuring realization of a feasible return for shareholders. In 2009, shareholders' equity reached JD (117,6) million with an increase of JD (24,1) million and at a rate of growth of (26%) compared with the previous year. This resulted in strengthening the capital base and enhancing the Bank's financial position. The ratio of total shareholders' equities to total assets reached (11%) compared with (10%) in 2008.



Credit Commissions

Total revenues on credit commissions for the year ending on 31/12/2009 amounted to JD (1,791,288). Net credit commissions represented (11%) of the Bank's total net revenues. Basically, this item covers credit commissions on all banking products and services.

Foreign Exchange Revenues

The foreign exchange trading revenues for the year ending on 31/12/2009 reached JD (1,042,169). This amount was mainly generated from the Bank customers' activities.

Revenues on Banking Services

The revenues of banking services for the year ending on 31/12/2009 amounted to JD (203,013). This amount was mainly generated out of various charges collected against servicing customers.

The Bank's Future Plan for 2010

- Expanding local distribution through opening five new branches and expanding the ATM network.
- Increasing the Bank's market share and deposits.
- Promoting the culture of sales, service and commitment to client requirements and needs in the present and future, and achieving customer satisfaction on ongoing basis.
- Earning excellence and superiority over competitors by raising the level of quality and efficiency of services provided to customers, increasing the efficiency of the technology used, and providing new products and services to meet the needs of the banking market.

First: Strategic Objectives

The Bank's strategic plan for 2010-2012 seeks to achieve the following:

1. Providing distinct high quality services to customers efficiently through creating and varying Islamic banking products offered by the Bank.
2. Upgrading the automatic systems used by the Bank in order to improve the Bank's services and operations offered to customers in a manner that enhances the Bank's internal control.
3. Maximizing profit returns through diversifying investment and finance portfolios offered by the Bank, which will help achieve rewarding and competitive returns, as well as maximizing shareholders' equity.
4. Increasing the Bank's geographical expansion inside and outside Jordan, and increasing customer's base.
5. Enhancing relationships with both individuals and corporates through offering distinct banking services and enhancing operation efficiency and high quality of services and products offered by the Bank.

6. Expanding customer base and focusing on financing individuals and small and medium enterprises, and satisfying their requirements by creating and diversifying products and services that meet their needs.

Second: Career Development

Plans for the year 2009 were prepared in accordance with the training needs of current employees and the Bank's plans of future expansion and branching. The Bank's Management will continue holding seminars on Islamic contracts, Islamic economy, computer applications, and advanced applications in financing, investment and excellence in performance.

Third: Development of Banking Services

The Bank will do the best of effort to develop its banking products and services during 2010 through expansion in performing Istisna' and Ijara contracts, in addition to some Islamic financing contracts. The Bank will continue as well examining customers' needs and expectations in order to develop new banking products and services as per the Islamic rules and regulations. Focus will be paid in this field upon creating investment opportunities of high quality and returns.

Fourth: Assets & Liabilities Management

The Bank will work on achieving a sustainable growth in the funds available for use during 2010 in accordance with its investment needs and fund employment channels available with high returns. The bank as well insists on managing its assets and liabilities in a manner assuring as good return as possible within an acceptable level of risk.

Fifth: Islamic Banking Awareness

The Bank insists on participating both positively and effectively in a number of local meetings and conferences, presenting research papers at some of these meetings. In 2009, the Bank accepted invitations of a number of Jordanian universities to deliver lectures on the principles of Islamic banking, IIAB's experience, the role of Islamic banks in investment and development, and others.

Auditing and Consultations Fees

The total fees paid by the Bank to all external auditors, accountants and consultation firms amounted to JD (72, 058).

The following table shows these expenses in details:

(Jordanian Dinar)

Item	JD (2009)
Quarterly and Annual Auditing Fees	23,310
Tax and Corporate Consultation Fees	12,748
Islamic Consultation Fees	36,000
Total	72,058

The following table shows the benefits given to the Chairman and members of the Board of Directors for the year 2009:

(Jordanian Dinar)

Name	Transport Expenses in Jordan in 2009	Net Membership Allowances Fees	Salaries and Benefits
Dr. Tayseer Rudwan Al Smadi	12,000	5000	-
Mr. Ghassan Ahmad Bunduqi	3,000	1,250	287,987
Dr. Khalid Wasif Al-Wazni	6,000	2,500	-
Mr. Salim Abdulmunim Burqan	12,000	5,000	141,873
Mr. Mohammad Sadiq Al-Hasan	6,000	25,000	-
Dr. Ahmed Awad Abdulhalim	6,000	2,500	-
Mr. Mohammad Dawoud Mousa	6,000	2,500	-

Donations

As an integral part of its general objectives, the Bank carried out some charitable, scientific, cultural and vocational activities, and offered financial donations to a number of charitable associations and public interest organizations amounting to JD (27,113). The following table shows the bodies which the Bank has donated for:

Organization	Amount
Aman Orphans Fund	12,550
Mosques and Projects Committee/ Ministry of Awqaf	1,000
Supporting academic institutions and research councils	3,000
Islamic Charity Center Society	673
Young Orphans Committee-Hittin Camp Club	450
Ministry of Social Development / first installment of institutions' members marriage project	6,000
Computers, University of Islamic Sciences	2,940
Needy Student's Fund / Yarmouk University	500
Total	27,113

Contracts and Affiliations with Members of Board of Directors and Executive Management

The Bank did not sign any contracts or affiliations with members of the Board of Directors. The contracts concluded by the Bank with the executive staff and their relatives fall under the Bank's normal scope of business. There are no exceptional or extraordinary contracts that require disclosure as per Article (6) of Disclosure and Accounting Standards Regulations issued by the Securities Commission's Board of Commissioners.

Local Community Service

The Bank's policies assure the importance of actual and serious contribution to the economic development of Islamic societies. This is achieved through providing the necessary financing and entering into active partnerships with various productive sectors. Servicing and developing local community is deemed as one of the most vital tenets of the mission upon which the Islamic International Arab Bank was founded.

Key Financial Indicators for the year 2009

The Islamic International Arab Bank achieved remarkable successes along the way over the last twelve years. The Bank's financial performance was increasingly advanced. Among the financial indicators for the year 2009 compared with previous years are as follows:

(Jordanian Dinar)

	2005	2006	2007	2008	2009
Key Operational Results					
Revenues Received in Advance	16,894,115	20,638,701	19,821,772	15,674,766	14,647,744
Credit Commissions	1,033,439	1,051,375	1,196,984	1,600,423	1,791,288
Net Pre-Tax Profits	6,107,252	12,260,199	16,075,267	11,372,172	4,402,512
Net Post-Tax Profits	3,801,439	7,990,691	10,870,118	7,823,727	2,596,472
Main Balance Sheet Items					
Total Assets	391,116,270	574,758,562	593,987,017	907,628,014	1,040,778,297
Total Customers' Deposits*	364,676,007	541,721,614	595,670,007	666,067,639	855,293,660
Financing and Investment	212,666,002	326,514,407	354,498,159	581,696,988	931,181,019
Total Shareholders' Equity	54,829,783	62,788,193	74,083,055	93,524,698	117,600,288
Number of Shares	40,000,000	40,000,000	40,000,000	73,000,000	100,000,000
Some Financial Ratios					
Pre-Tax Returns on Assets	1.6%	2.5%	2.8%	1.3%	0.4%
Pre-Tax Returns on Shareholders' Equity	12%	21%	23.4%	12.1%	3.7%
Operating Expenses / Operating Revenues	46%	30.7%	32%	41.7%	71.7%
Shareholders' Equity / Total Assets	14%	11%	12.5%	10.3%	11.2%
Off- balance sheet Items					
Letters of credit	16,069,962	11,891,685	13,163,233	13,075,475	23,200,012
Guarantees	5,084,606	6,242,375	12,063,637	12,342,668	11,637,213
Acceptances	5,755,867	4,369,219	3,885,536	4,316,491	4,618,422

* Including customers' deposits (specified commodity investments).

Board of Directors' Declaration

As per Clause (e) of Article (6) of Regulations of Disclosure and Accounting Standards issued by Securities Commission's Board of Commissioners, the Board of Directors of the Islamic International Arab Bank P.L.C declares it is responsible for preparing the financial statements and providing an effective internal auditing system, and affirms as well there are no vital issues which may affect the sustainability of the Bank's operations in the next fiscal year.

Mr. Mohammed Mousa Daoud Deputy Chairman (Signed)	Dr. Tayseer Rudwan Al Smadi Chairman (Signed)
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Declaration of Chairman, CEO and Financial Manager

According to Clause (e) of Article (6) of Regulations of Disclosure and Accounting Standards issued by Securities Commission's Board of Commissioners, we declare the financial information and statements provided in the report are correct, accurate and comprehensive.

Abbas Mar'ie Financial Manager (Signed)	Salim Burqan CEO (Signed)	Dr. Tayseer Rudwan Al Smadi Chairman (Signed)
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**Sharia Advisory Committee's Twelfth Annual
Report for the Fiscal Year Ending on 31/12/2009**

**In Name of Allah, Most Merciful, Most Gracious
Praise Be to Allah, and Allah's Peace and Blessings be upon Prophet Mohammad**

Dear Shareholders,
Peace Be Upon You,

The Sharia Advisory Committee would like to present its twelfth annual report for the fiscal ending on 31/12/2009 according to the Bank's Articles of Association:

1. The Sharia Advisory Committee, in cooperation with the Bank's Executive Management and technical and legal specialists working for the Bank, have examined all topics brought to the Committee, answered all related inquiries, and ensured that all Islamic rules and regulations were observed.
2. The Committee's regular meetings prepared all necessary provisions and regulations. The Committee tackled issues related to the various aspects of the banking operations in light of the developments that occurred during performance, in accordance with the Islamic rules and regulations. In addition, the Committee clarified some new banking issues, and provided the Islamic rules pertaining to them.
3. The Committee reviewed the Bank's balance sheet, statement of income, and notes to the financial statements which reflect comprehensively the Bank's operations and the information required to be submitted to any concerned party in the Bank. The committee did not notice any Sharia violations in this regard.
4. The Sharia Advisory Committee is responsible for providing an independent opinion in accordance with Sharia controls and principles. The management of the Bank is responsible for ensuring that the Bank operations are compliant with Sharia principles. Accordingly, in our point of view:
 - The contracts and transactions performed by the Bank during the year ending on 31/12/2009, reviewed and examined by us, are in compliance with the Islamic rules and regulations. The management has cooperated with the Sharia Advisory Committee by applying the remarks provided to the Committee to certain practical applications.
 - Principles of profit allocation and distribution to joint investment accounts and to the Investment Risk Fund are in compliance with the Bank's Articles of Association as well as with the Islamic rules and regulations.
5. The Committee reviewed and examined the reports prepared by the Sharia auditor of the branches' operations, and reviewed the auditors' observations and suggestions, and the procedures taken by the general management in this regard.
6. In respect of the non-operating receivables, the Committee verified that the Bank's investment accounts were all sound, and that the Bank was not exposed to any investment losses as at 31/12/2009. Accordingly, there was no need to perform Article (16) of the Bank's Articles of Association related to loss, if any.

We pray for Allah the Almighty to bless those in charge with this Bank for more effort and achievement as per the Islamic rules and regulations.

Report made on Wednesday Safar 4, 1431 AH, corresponding to 20/01/2010 AD.

Sheikh Saeed Al-Hijjawi
Member

Dr. Ahmad Al-Ayyadi
Executive

Dr. Ahmad Helayyel
Chariman of Committee

Guide of Corporate Governance

The Islamic International Arab Bank pays a big deal of interest to proper practices of corporate governance. Its Board of Directors is as well committed with implementation of highest professional standards of performance in all of the Bank's activities. In this course, the Bank follows both the Central Bank of Jordan's instructions based upon Basel II Committee's recommendations on corporate governance and Islamic Financial Service Council's recommendations.

The Bank was one of the institutions having firstly complied with concepts of corporate governance in the Middle East. The Auditing Committee was composed in early 1998 since the Bank's establishment. The Board of Directors as well holds regular and irregular full-house meetings to discuss the Bank's strategic direction and change in key indicators of general strategy.

This Guide has been prepared as based upon Guide of Corporate Governance of Jordanian banks as issued by the Central Bank of Jordan after matching provisions of both Banks' and Companies' Acts applicable in Jordan, and the Bank's both Contract of Establishment and Articles of Association.

The Bank will revise, develop and amend this Guide from time to time when necessary so as to compete any changes in needs and expectations of banking industry.

Guide's Basic Principles

First: Compliance with Corporate Governance

The Islamic International Arab Bank (the "Company") has a systematic set of relationships with members of Board of Directors and shareholders as well as all other related parties. These relationships tackle the Bank's general framework of strategy and means required to implement it. The general framework of corporate governance assures the fair equation based upon dealing equally with all shareholders, and as well recognizes all shareholders' equity stated by Law and affirms providing them with all important information about the Company's activities and Board of Directors' compliance with responsibility toward the Company and shareholders.

The Bank prepared this Guide as per requirements of Guide of Corporate Governance issued by the Central Bank of Jordan in a manner going with the Bank's needs and policies. Board of Directors approved this Guide in its meeting held on 19/01/2008 and publicized with an updated copy of it in the Bank's website and for people at request.

Within the annual report, the Bank includes a report for people regarding the Bank's compliance with the Guide's items, along with mentioning reasons behind incompliance of any of these items when not implemented.

Second: Board of Directors (the "Board")

1. General Principles

- a. The main duty tackled by Board of Directors is to protect and increase shareholders' equity on long terms. For such a duty, the Board is completely responsible for corporate governance, and this includes implementing the Bank's strategic direction, defining Executive Management's general goals and supervising the achievement of these goals.
- b. The Board is wholly responsible for the Bank's operations and financial safety, making sure that requirements of the Central Bank and interests of shareholders, depositors, debtors, employees, and other related bodies have been fulfilled, and that the Bank is managed prudently and within the framework of laws and regulations applicable and the Bank's internal policies.
- c. The Board is concerned with strengthening the principle of compliance of each member of the Board with the Bank and all of its shareholders, not only a certain one.
- d. The Board assumes designing the Bank's strategic goals in addition to monitoring its Executive Management concerned in turn with daily operations. The Board as well assumes approving all regulatory and internal control systems making sure of their efficiency and assuring the Bank's compliance with the strategic plan and the policies and procedures approved or required as per the laws and by-laws regarding them, besides making sure that all the Bank's risks have been managed properly.

2. Chairman of the Board / CEO

- a. Positions of Chairman of the Board (the "Chairman") and CEO shall be separated, and there shall be no any kinship between Chairman and CEO below third degree. Separation shall be as well in responsibilities as per written instructions approved by the Board and revised when necessary.
- b. In case that the Chairman is executive, the Bank shall appoint an independent member as a deputy chairman in sake of having an independent source to be a spokesperson of shareholders. The chairman of the Board can be executive (if he is unemployed and occupies a certain position in the Bank).
- c. Chairman's status as whether executive or non-executive shall be disclosed.

3. Role of Chairman of the Board (the "Chairman")

The Chairman assumes the following:

- a. Having a constructive relationship between Board of Directors and Executive Management, and between executive and non-executive members.
- b. Creating a culture – during the Board's meetings – encouraging constructive criticism regarding any controversial issues among members of the Board.
- c. Making sure that there is sufficient information conveyed to both members of the Board and shareholders on time.
- d. Making sure that there are high standards of corporate governance in the Bank.

4. Composition of the Board

- a. The Board of Directors in the Islamic International Arab Bank is composed of five members. The members of the Board are elected by the General Assembly for a period of four years. The Chairman of the Board is as well elected by the members of the Board themselves.
- b. Professional experiences and technical skills shall be considered in composing the Board. These are which qualify each member of the Board to give his opinion in the Board's discussions in an independent manner. The Board includes the CEO and non-executive members (members who do not occupy any positions in the Bank).
- c. There shall be three independent members at least among the members of the Board.
- d. An independent member is defined as the member (whether in his personal capacity or as a representative of a legal body) who hasn't any connection with the Bank other than his being a member in the Board of Directors where his judgments on any affairs are not anyhow affected by any external considerations. The following is the minimal limit required to be fulfilled by the independent member:
 - 1. He has not worked as an employee in the Bank during the latest three years for his being selected to be a member of the Board.
 - 2. He shall not have any kinship with any administrator in the Bank below second degree.
 - 3. He shall not earn any salaries or amounts from the Bank except for what he earns for his being a member of the Board.
 - 4. He shall not be a member of the board, or owner, of a company having relationships with the Bank except for those relationships arising from the ordinary services/operations offered by the Bank to its customers

provided that they are governed by the same conditions regulating any similar transactions with any other party with no any deliberate conditions.

5. He shall not be a partner of, or employee for, the external auditor during the latest three years for his being selected a member of the Board.
6. His equity shall not largely affect the Bank's capital, and he shall not be an ally of another shareholder.

5. Organization of the Board's Agenda

- a. Meetings of the Board shall not be less than (6) a year, for assuring that all topics presented in agenda are covered well.
- b. Executive Management shall propose any topics it deems vital to be presented in each meeting's agenda.
- c. The topics presented in the board's meetings shall be discussed in a comprehensive manner.
- d. There shall be, as per the Bank's policy, independent members in the Board so as to assure that the Board's resolutions are objective and there is a level of control assuring balanced effects on all parties including Executive Management and major shareholders. The resolutions made shall be directed toward the Bank's interest.
- e. The Bank shall provide the members of the Board with all information with a proper period of time before their certain meeting so that they can make proper resolutions.
- f. The Board's secretary shall assume documenting all discussions conducted during meetings of the Board.
- g. Responsibilities of the Board are specific and obvious in a manner going with any related legislations, and the bank shall provide each member of the Board with a letter explaining his rights and duties.
- h. All banking operations requiring the Board's consent shall be prepared in writing. Among them are:
 1. The Board's authority in providing banking facilities exceeding a certain amount.
 2. The Board's authority in regard with any transactions with any related parties.
- i. The members of the Board shall examine in a permanent manner all developments inside both the Bank and any local and international banking sectors. The Bank shall provide the members with a proper summary about the Bank's operations.
- j. All contacts between members of the Board and committees, and Executive Management are permitted.
- k. The Bank shall set a corporate hierarchy showing the administrative structure of the Bank (including the Board's committees and Executive Management). The public have the right to see part of hierarchy showing the higher administrative levels of the Bank.
- l. The Board's secretary shall make sure that the members of the Board follow the procedures specified by the Board, and that information is well tackled among the Board's member and committees, and Executive Management. The secretary shall as well define when the Board is to assemble along with writing minutes of the meetings. The Board shall specify the jobs and duties of the secretary in a formal manner in writing in a manner going with levels of

responsibility referred to above. The Board as well is in charge with making any resolutions regarding appointment or resignation of the secretary.

6. Activities of the Board: Appointments, Succession and Development

- a. A CEO is to be appointed, as per the Board's policy, enjoying technical integrity and efficiency, and banking experience.
- b. The Board's consent shall be obtained at appointing some executive directors such Director of Internal Auditing and Financial Inspector, and the Board shall make sure of their proper experiences.
- c. The Board shall approve succession plans of executive directors of the Bank, and these plans shall include all qualifications and requirements having to be fulfilled by occupiers of these positions.

7. Activities of the Board: Self-based Assessment and CEO's Performance Assessment

- a. The Board shall assess its own performance at least once a year through following specific procedures duly approved in performance assessment in an objective manner including a comparison with other similar banks and financial institutions, and covering as well standards of safety and trueness of financial statements and compliance with control requirements.
- b. The Board of Directors shall assess the CEO annually.

8. Activities of the Board: Planning, Regulatory and Control Systems, Work Ethics Charter and Conflict of Interests

- a. The Board shall define the Bank's goals and objectives, and set and approve the strategies concerned with attaining these goals. Executive Management shall in turn set the work plans going with these strategies throughout a planning process including all of the Bank's divisions. The Board shall approve the strategy and work plan and make sure that Executive Management revises performance and achievement as per the work plan and that there are proper corrective procedures whenever necessary. The budget preparation process shall be an integral short-term part of the planning and performance assessment processes.
- b. The Board shall make sure in a permanent manner that the Bank enjoys high integrity in all of its operations. That is through providing policies and ethics charter including definitions of conflict of interests and deals conducted by the Bank's personnel for their personal interests as based upon internal information about the Bank obtained / examined as per their authorities. These policies and ethics charter shall be publicized to, and approved by, all of the Bank's personnel and members of the Board, and as well publicized to the public in general. These policies shall include the following:
 1. Rules and procedures regulating all operations with related parties whether between the Bank and its personnel, members of the Board or their [partners, or any related parties. This includes all joint financing and trading operations with the Bank. This includes as well what can assure that credit are provided to the members of the Board and their partners as per the prevailing rates in the market and not as per any deliberate conditions. The member shall not participate in any meeting of the Board where any transactions or contracts are

conducted or voted. Operations with related parties shall be disclosed in the Bank's annual report, and the Bank's divisions concerned with internal regulatory and control systems shall make sure that the related parties' operations have been conducted as per this policy.

2. Clear-cut regulatory systems preventing the members of the Board and personnel from utilizing any internal information regarding the Bank for their personal interest.
- c. There shall written policies approved by the Bank covering all of its banking activities. These shall be publicized to all administrative levels, and shall be as well revised in a regular manner to make sure that they cover all amendments or changes occurring to the laws and regulations in effect, and the economic conditions as well as any other affairs related to the Bank.
- d. The Bank shall, as part of approval of credit provisions, assess quality of corporate governance of corporate customers particularly public-shareholding companies in a manner including risk assessment of customers by strengths and weaknesses in their practices in field of governance.

Third: Committees of the Board:

1. General Provisions:

- a. The Board, in sake of increasing its efficiency, composes a number of committees out of it with specific goals. The Board gives these committees certain authorities and responsibilities for a certain period of time. The committees report on a regular basis to the Board as a whole, knowing that these committees do not exempt the Board from being in charge directly with all affairs related to the Bank.
- b. Transparency shall be a principle taken into account in appointing members of the Board's committees. These members' names shall be disclosed along with a summary about their duties and responsibilities within the Bank's annual report.
- c. The Board of Directors may merge the duties of a number of committees if appropriate or adequate from the administrative perspective.

2. Corporate Governance Committee

- a. The Corporate Governance Committee is composed of the Chairman of the Board and two non-executive members, directs the process of preparation, updating and implementation of the Guide of Corporate Governance.
- b. This Committee is charged with supervising the practice of corporate governance in the Bank and assuring that all elements required for corporate governance are available

3. Auditing Committee

- a. The Auditing Committee in the Bank is composed at least of three non-executive members. Names of these members shall be disclosed in the Bank's annual report.
- b. As per the Bank's policy, there shall be at least two members of the Auditing Committee having academic qualifications or practical experiences in field of financial administration, and there shall be at least two independent members in the Committee.
- c. The Auditing Committee assumes its authorities and responsibilities as per the Bank's Act and any other related regulations. This includes the following points:
 1. Scope, results and extent of adequacy of internal and external auditing in the Bank.
 2. Accounting issues having an essential impact on financial statements.
 3. Internal regulatory and control systems of the Bank.
- d. The Committee reports its recommendations to the Board in regard with appointment, resignation, remuneration of the external auditor, and any other related contractual conditions. This is beside assessment of how objective the external auditor is, taking into account any other works outside the auditing system in sake of assuring that extent of objectivity.
- e. The Auditing Committee is authorized to obtain any information from the Executive Management in addition to its right to call up any executive employee or member of the Board to attend its meetings.
- f. The Committee meets the external auditor, internal auditor, and compliance officer at least once a year in absence of the Executive Management.
- g. The responsibility of the Auditing Committee does not exempt the Board or the Executive Management in regard with monitoring the adequacy of the Bank's internal regulatory and control systems.
- h. The Committee as well approves the annual audit plan and monitors its implementation, beside its duty to revise audit notes. The Committee is deemed the direct body responsible for supervising the Internal Auditing Division's work and operations.

4. Selection and Remuneration Committee

- a. The Selection and Remuneration Committee is composed of at least three non-executive members, provided that most of them (including the Committee's Chairman) are independent members.
- b. This Committee is charged with defining whether a member is independent or not, taking into account the minimal limit of requirements having to be fulfilled by him as stated in this Guide.
- c. This Committee assumes the responsibility of providing any information and summaries regarding some certain vital topics about the Bank to members of the Board upon request. It shall ensure that they are constantly informed of any latest topics associated with banking. The Bank encourages the members of this Committee to attend any sessions or events which expose them to the opportunity to meet local and international companies and institutions.
- d. This Committee reports the remunerations (including monthly salaries and other benefits) to the CEO, and revises the remunerations (including the salaries) given to the members of the Executive Management.

- e. This Committee is charged with ensuring that there is a proper remuneration policy in the Bank. It ensures that these remunerations / salaries are suitable and adequate for attracting and retaining qualified personnel for the Bank, and that the remunerations / salaries are on par with similar banks in the market.
- f. A summary of the remuneration policy in the Bank shall be disclosed in the Bank's annual report, particularly the remunerations given to the members of the Board individually along with the highest salaries paid during the year to the executive managers.
- g. This Committee is in no way hindered to nominate certain members of the Board to be re-elected, as per the provisions of the Companies' Act, taking into account the number of times they attend and the quality and efficiency of their participation in the Board's meetings. Knowing that the Companies' Act states that the Board's validity ends four years after the date of its being elected, each member of the Board shall propose himself to election during the annual meeting of the General Assembly in order for his membership to be renewed.

5. Risk Management Committee

- a. The Risk Management Committee is composed of members of the Board and Executive Management.
- b. This Committee assumes the responsibility of revising the risk management policies and strategies before they are being approved by the Board. The Bank's Executive Management bears the responsibility of implementing these strategies in addition to developing the policies and procedures through which all sorts of risks shall be managed.
- c. The Bank's Executive Management shall propose the corporate hierarchy of the Risks Management Division and the process through which it is to be developed. These proposals shall also be reviewed by the Risk Management Committee and approved by the Board of Directors.
- d. This Committee shall follow up on any rapid developments and increasing complexities occurring in risk management within the Bank; it shall report regularly to the Board of Directors on these developments and complexities.
- e. The Board of Directors is concerned with ensuring that there is an effective internal control system and making sure of its effective operation. The Board as well defines, and sets the framework of, the risk management policies in the Bank.

IV. Internal Regulatory and Control Environment

1. Internal Regulatory and Control Systems

- a. The structure of internal regulatory and control systems is reviewed by both internal and external auditors at least once a year.
- b. The Board is concerned with enriching the Bank's annual report with a report about the adequacy of the internal regulatory and control systems in field of financial reporting. This report shall include the following:
 1. A paragraph explaining the responsibility of the Executive Management for setting and maintaining the internal regulatory and control systems in field of financial reporting in the Bank.
 2. A paragraph about the scope of work done by the Executive Management to assess the efficiency of the internal regulatory and control systems.
 3. An assessment by the Executive Management of the efficiency of the internal regulatory and control systems at the date of the financial statements included in the Bank's annual report.
 4. The disclosure of any significant weaknesses in the internal regulatory and control systems (one or more significant weaknesses resulting in the potential incapability for preventing or detecting any incorrect statements).
 5. A report by the external auditor showing his opinion of the assessment conducted by the Executive Management of efficiency of the internal regulatory and control systems.
 6. A report by the Sharia Advisory Committee showing their opinion of the Executive Management's implementation of the Islamic rules and regulations in the Bank's operations.
- c. The Bank sets the necessary procedures to enable employees to report, timely and confidentially, any fears regarding potential violations, in a manner allowing the independent investigation and following up of these fears. The Auditing Committee shall monitor the implementation of these procedures.

2. Internal Auditing

- a. The Bank provides the Internal Auditing Division with a sufficient number of qualified personnel who are trained and rewarded properly. The Internal Auditing Division may obtain any information and contact any employee inside the Bank and has been granted all authorities to be capable for performing its duties properly. The Bank documents the Internal Auditing Division's duties, authorities and responsibilities within Internal Audit Charter approved by the Board and publicized within the Bank.
- b. The Internal Auditing Division reports to the Chairman of the Auditing Committee.
- c. The Internal Auditing employees are not assigned any executive responsibilities, and the Internal Auditing Division shall be responsible for proposing both the hierarchy and scope of work of internal auditing in the Bank, and as well for informing the Auditing Committee of any potential conflict of interests.
- d. The Internal Auditing Division practices its duties and prepares its reports

completely without external interference, and it may discuss its reports with the division audited.

- e. The basic responsibilities of the Internal Auditing Division include:
 - 1. The financial reporting operations in the Bank (to make sure that the main information about the financial and administrative affairs and operations is accurate, reliable and punctual).
 - 2. Compliance with the Bank's internal policies and the international standards and procedures, as well as any related instructions.
- f. The basic responsibility of the Internal Auditing Division also includes examining the implementation of the banking operations in accordance with the Islamic rules and regulations, and with what the Sharia Advisory Committee sets and states.

3. Sharia Advisory Committee

- a. Board of Directors appoints the Sharia Advisory Committee, of which at least three members are to be Islamic scholars.
- b. This Committee's duties are to:
 - 1. Examine all financing topics, inquiries and formulas adopted by the Bank to make sure that they are in compliance with the Islamic rules and regulations.
 - 2. Ensure that there is a jurisprudence statement supporting any loss arisen in the joint investment operations.
 - 3. Ensure that the Islamic rules have been followed for all contracts, instructions and any other sort of operations and procedural requirements and to correct any non-compliance with Islamic rule.
 - 4. Issue the Sharia Advisory Committee's annual report at the end of each fiscal year, in which the Bank's balance sheet is reviewed and all profits and losses are stated with all required explanations and no violations committed.

4. External Auditing

- a. The Bank regularly rotates external auditing among auditing bureaus and requires a regular rotation of the major partner in charge of the external auditing in the Bank in case of difficult implementation of former rule.
- b. The external auditor provides the Auditing Committee with a copy of his report; and he shall meet with the Auditing Committee in absence of the Executive Management at least once a year.

5. Risk Management

- a. Risk Management Division reports to Risk Management Committee; however, it reports to CEO with regard to daily operations.
- b. The responsibilities of the Risk Management Division in the Bank include the following:
 - 1. Analyzing all risks including credit risks, market risks, liquidity risks, and operational risks.
 - 2. Developing proper methodologies of measurement and regulation of all sorts of risks.
 - 3. Giving recommendations to the Risk Management Committee about certain

- proof of risks, and reporting and recording any exceptions in the risk management policy.
4. Providing both the Board and higher Executive Management with proper information about measurement of risks and risk profile in the Bank (the Board, in turn, revises risk statistics in the Bank whether in quality or quantity in a regular manner at each meeting).
 5. Providing information about the risks in the Bank to be used for purposes of disclosure and publication.
- c. The Bank's committees, such as the Credit Committee, as well as the Assets and Liabilities Division, Treasury Division, and Operational Risk Division assist the Risk Management Division in fulfilling its duties as per the authorities stated for them.
 - d. The Bank's annual report shall include information about the Risk Management Division, with regard to its hierarchy, operations, and developments.

6. Compliance

- a. The Bank includes a unit concerned with compliance, and it provides this unit with well-trained and sufficiently rewarded personnel.
- b. The Compliance Unit is concerned with preparing an effective methodology to assure the Bank's compliance with all laws and regulations in effect and any related instructions and guides; and the Bank shall record and publicize this Unit's duties and responsibilities.
- c. The Board approves and monitors the Bank's policy of compliance. however preparing and developing it, and making sure that this policy is implemented in the Bank is the bank's Compliance division authority.
- d. The Compliance Unit reports to the Board the results of its operations and regulations of compliance, with a copy given to the Executive Management in accordance with the Central Bank's instructions issued in this regard.

V. Relationship with Shareholders

- a. The Bank undertakes certain steps to encourage shareholders to attend the General Assembly's annual meetings and to vote, whether in person or via a proxy in case of absence.
- b. The chairmen of both Audit and Remuneration Committees, as well as any other related committees composed out of the Board, shall attend the annual meeting of the General Assembly.
- c. Representatives for the external auditors shall attend the annual meeting of the General Assembly in order to answer any questions posed about the auditing and auditor's report.
- d. Each issue shall be voted on individually, as arisen during the annual meeting of the General Assembly.
- e. Members of the Board, as per the Companies' Act, shall be elected or re-elected during the annual meeting of the General Assembly in accordance with the Bank's Articles of Association. The external auditor is elected during the same meeting.
- f. After the annual meeting of the General Assembly is completed, a report shall be

prepared for the shareholders. It shall contain the notes of the discussions during the meeting, including the results of voting, and questions the shareholders have posed along with the Executive Management's answers to them.

VI. Relationships with Investment Accounts' Holders

- a. The Bank declares that investment accounts' holders may follow up on the performance of their investments and related risks faced, as well as setting any sufficient means to assure that their rights are well-preserved and practiced.
- b. The Bank is concerned with approving a proper strategy, for all risks and returns expected, for investment accounts' holders (taking into account distinction between restricted and unrestricted investment accounts' holders) along with approving transparency in supporting any returns.

VII. Transparency and Disclosure

- a. The Bank makes disclosures, as per Islamic accounting standards issued by Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI). In case that there are no certain Islamic accounting standards, the Bank implements the International Financial Report Standards (IFRS) in a manner complying with both the Islamic rules and regulations and the Central Bank of Jordan's instructions issued as per Banks' Act applicable and related legislations. Moreover, the Bank shall be informed of any changes occurring to the international practices regarding financial reporting and scope of transparency required by the certain financial institution. The Bank is also charged with making sure that any amendments to the international financial reporting standards are well implemented and performed. The Executive Management shall report to the Board of these changes, in addition to submitting recommendations regarding the means of enhancement of the Bank's practices in field of disclosure in a manner exceeding the Central Bank's requirements in this regard.
- b. The Bank undertakes to provide significant information about its activities to the Central Bank, shareholders, depositors of other banks and the public in general, concentrating upon the issues about which shareholders are concerned, and the Bank discloses this information regularly and conveniently to all.
- c. The Bank explains in its annual report its responsibility for providing accurate and adequate financial statements and information stated in its annual report.
- d. The Bank undertakes to preserve all lines of contact with control authorities, shareholders, depositors of other banks and the public in general, and these lines shall be via:
 1. A position for investor relationships, which is occupied by a well-qualified staff being capable of providing comprehensive, objective and updated information about the Bank along with its financial position, performance and activities.
 2. The annual report, which is issued at the end of each fiscal year.
 3. The regular meetings between the Executive Management of the Bank and both investors and shareholders.
 4. A regular summary which is provided to shareholders, investment accounts' holders, financial analysts and journalists concerned with financial issues by the higher Executive Management, and in particular by both the CEO and Financial

Manager.

5. Information provided, as stated in the Bank's annual report or in the lectures conducted by the Executive Management, through the position of investors' relationships and at the Bank's official website in an updated manner in both Arabic and English.
- e. The annual report of the Bank includes the Executive Management's disclosure, called as Management Discussion and Analysis (or "MD&A"), which allows the investors to understand the results of both current and future operations, and the Bank's financial position including as well any potential effect of known directions and events as well as uncertainties. The Bank undertakes to ensure that the explanations stated in this disclosure are approved, complete, fair, balanced, understandable and based upon the financial statements officially publicized.
- f. The annual report includes, as part of commitment to transparency and complete disclosure, the following specific points:
 1. Guide of Corporate Governance approved by the Bank and the annual details of the Bank's commitment to its items.
 2. Information about each member of the Board: qualifications, experiences, amount of share in capital, whether independent or not, whether executive or not, membership in the Board's committees, date of being elected in the Board, any memberships in any other boards, rewards / salaries obtained from the Bank, loans granted by the Bank and any other operations between the Bank and this member or any of his partners or related parties.
 3. A summary of the Bank's corporate hierarchy.
 4. A summary of duties and responsibilities of the Board's committees and any other authorities given by the Board to these committees.
 5. Number of meetings of the Board and the Board's committees.
 6. A summary for the remuneration policy in the Bank, and the highest salary paid to the Executive Management.
 7. The Board's certification that the internal regulatory and control systems are adequate.
 8. A description of the Risk Management Division's hierarchy and activities.
 9. Key shareholders of the Bank.
- g. The Bank shall provide essential and significant information about the investment accounts managed by it for investment accounts' holders and the public in a sufficient and timely manner.

In accordance with the Corporate Governance's instructions and the Central Bank of Jordan's requirements, the composition in 2008 of the following committees were:

1. Governance Committee

Dr. Tayseer Rudwan Al Smadi / Chairman of the Board	Chairman
Mr. Dawoud AL Ghoul / Member of the Board	Deputy Chairman
Dr. Ahmad Awad –Abdul Haleem / Member of the Board	Member

2. Selection and Remuneration Committee

Dr. Tayseer Rudwan Al Smadi / Chairman of the Board	Chairman
Mr. Mohammad Mousa Dawoud / Deputy Chairman	Deputy Chairman
Mr. Dawoud Mohammad AL Ghoul / Member of the Board	Member

3. Risks Management Committee

Dr. Tayseer Rudwan AL Smadi/ Chairman	Chairman
Mr. Salim Abdul Munim Burqan/ CEO	Deputy Chairman
Mr. Ahmad Awad Abdul Halim/ Member of the Board	Member
Director of Risks and Compliance Control / IIAB	Member
Director of Internal Auditing / IIAB	Member

4. Auditing Committee

Dr. Tayseer Rudwan AL Smadi/ Chairman	Chairman
Mr. Mohammad Mousa Dawoud/ Member of the Board	Deputy Chairman
Mr. Dawoud Mohammad AL Ghoul / Member of the Board	Member

5. Credit Facilities and Investments Committee

Dr. Tayseer Rudwan AL Smadi/ Chairman	Chairman
Mr. Mohammad Mousa Dawoud/ Deputy Chairman	Deputy Chairman
Mr. Salim Abdul Munim Burqan/ CEO	Member
Dr. Ahmad Awad Abdul Halim/ Member of the Board	Member

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In Name of Allah, The Most Merciful, The Most Gracious

External Auditors' Report

Ref.: 30233

Respectful Shareholders of Islamic International Arab Bank
Amman – Jordan

We have audited the attached financial statements of the Islamic International Arab Bank (a public-shareholding limited company). These include the balance sheet as at 31/12/2009, and statement of income, statement of comprehensive income, changes in shareholders' equity, and cash flows for the year then ending, along with a summary of the vital accounting policies and other necessary explanations.

Responsibility of Management for Financial Statements

The Bank's Management is totally responsible for preparing and fairly presenting the financial statements according to the Islamic accounting standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions, as adequate for the Bank's Articles of Association and the Islamic rules and regulations defined by the Bank's Sharia Advisory Committee. This responsibility includes the design, implementation and maintenance of internal control for purposes of preparing and presenting fair financial statements free of any material misstatements, whether arising from mistakes or frauds. The Management's responsibility also includes selection and adoption of appropriate accounting standards and conducting reasonable estimates according to the circumstances prevailing.

Responsibility of Auditors

Our responsibility is to express opinion regarding these financial statements as based on our audit. Our audit was conducted in accordance with international auditing standards, which require that we comply with the rules of professional conduct, plan and perform the audit to obtain a reasonable assurance as to whether these financial statements are free of any material misstatements.

The audit includes that we take certain procedures to obtain audit evidences supporting the amounts and disclosures in the financial statements concerned. These procedures selected depend on the auditor's discretion, including assessment of risks of material misstatements, whether arising from mistakes or frauds. When assessing these risks; the auditor takes into account the Bank's internal auditing procedures that are related to preparation and presentation, in a fair manner, of the financial statements, in order to design appropriate auditing procedures according to prevailing circumstances, and not to give opinion about the efficiency of the Bank's internal auditing system. Moreover, the audit includes assessment of suitability of the accounting policies followed and reasonability of the accounting estimates prepared by Management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidences we have obtained are adequate and suitable to provide a reasonable ground for our opinion on auditing.

Opinion

In our opinion, the financial statements fairly reflect, from all material aspects, the financial position of the Islamic International Arab Bank as at 31 December 2009, its financial performance, and cash flows for the year then ending according to the Islamic accounting standards by the Accounting and Auditing Organization of Islamic Financial Institutions, which are consistent with the Bank's Articles of Association and the Islamic rules and regulations.

Report on Legal Requirements

The Bank duly maintains organized accounting records and registers which are consistent with the financial statements attached and with the financial statements stated in the Board of Directors' report.

Amman – Jordan

Safar 10, 1431 AH

Cor. January 26, 2010 AD

Deloitte & Touche (Middle East) – Jordan

Balance Sheet as on 31/12/2009 and 2008

Statement (A)

Statement		Explanation	December 31	
			2009	2008 (Revised)
			JD	JD
Assets				
Cash and Balances with the Central Bank	4	46,324,466	42,998,924	
Balances at Banks and other Financial Institutions	5	67,085,126	289,191,523	
Net Receivables of Deferred Sales & Other Receivables	6/A	804,080,346	462,374,277	
Financing	6/B	3,553,416	4,802,986	
Financial Assets Available for Sale	7	12,857,577	11,644,492	
Financial Assets Held to Maturity	8	5,605,531	16,860,729	
Net Ijara Assets	9	78,942,297	63,769,812	
Investments in Real-Estate	10	3,485,296	–	
Net Qurd Hassan	List (A)	584,796	267,972	
Net Fixed Assets	11	11,872,584	10,357,866	
Intangible Assets	12	1,779,632	1,917,915	
Deferred Taxes Assets	18/C	2,696,591	1,780,585	
Other Assets	13	1,910,639	1,660,933	
Total Assets		1,040,778,297	907,628,014	
Liabilities				
Banks and Financial Institutions Accounts	14	209,690,141	314,267,433	
Customers' Current Accounts	15	168,607,606	105,221,323	
Cash Margin	16	17,761,723	21,060,814	
Other Provisions	17	1,105,654	937,275	
Income Tax Provision	18/A	3,049,663	5,373,724	
Other Liabilities	19	12,547,248	9,696,249	
Total Liabilities		412,762,035	456,556,818	
Unrestricted Investment Accounts Holders Rights				
Unrestricted Investment Accounts	20	507,684,488	355,036,432	
Investment Risks Fund				
Investment Risks Fund	22	2,185,485	1,849,396	
Income Tax on Investment Risks Fund Provision	22	546,001	660,670	
Total Investment Risks Fund		2,731,486	2,510,066	

Balance Sheet as on 31/12/2009 and 2008

(Statement A)

Statement	Explanation	December 31	
		2009	2008 (Revised)
		JD	JD
Shareholders' Equity			
Subscribed Capital (Paid)	23	100,000,000	73,000,000
Legal Reserves	24	7,076,782	6,624,292
Voluntary Reserves	24	3,509,356	3,304,376
General Banking Risks Reserves	24	882,000	882,000
Fair Value Reserves	21	443,720	(2,535,398)
Retained Earnings	25	5,688,430	12,249,428
Total Shareholders' Equity		117,600,288	93,524,698
Total Liabilities, Unrestricted Investment Account Holders Rights, and Shareholders' Equity		1,040,778,297	907,628,014
Restricted Investments – Customers - List (B)		179,001,566	205,809,884

Explanations attached from (1) to (52) constitute an integral part of these Financial Statements.

Income Statement for Fiscal Years Ending on 31/12/2009 and 2008

Statement (B)

Statement	Explanation	December 31	
		2009	2008 (Revised)
		JD	JD
Revenues			
Deferred Sales Revenues	26	11,619,699	13,968,090
Financing Revenues	27	241,043	493,029
Revenues from Ijara Assets	30	4,550,282	4,415,171
Unrestricted Investment Accounts Total Revenues		16,411,024	18,876,290
Unrestricted Investment Accounts holders’ Share	31	(9,240,625)	(11,125,411)
Investment Risks Fund Share	22	(1,641,103)	(1,887,629)
Bank’s Share of Unrestricted Investment Accounts Revenues as Mudarib	32	5,529,296	5,863,250
Bank Self-Owned Revenues	33	6,702,668	9,775,972
Bank’s Share of restricted Investment Accounts Revenues as Mudarib	34	229,522	1,036,804
Foreign Currency Profits	35	1,042,169	931,840
Banking Services Revenues	36	1,791,288	1,600,423
Other Revenues	37	303,024	320,293
Total Income		15,597,967	19,528,582
Expenses			
Staff Expenses	38	5,381,339	4,353,413
Depreciations and Amortizations	11 & 12	1,168,443	951,440
Other Expenses	39	3,508,749	3,125,874
Ijara Assets Depreciation	9	319,443	284,089
Allocation of Deferred Sales Receivables and Financing impairment – self owned	6/A	625,000	(700,000)
Other Provisions	17	192,481	141,594
Total Expenses		11,195,455	8,156,410
Pre-Tax Profit		4,402,512	11,372,172
Income Tax	18/B	1,806,040	3,548,445
Year’s Profit		2,596,472	7,823,727
Earnings Per Share for the year – basic/diluted	40	0.03	0.10

Explanations attached from (1) to (52) constitute an integral part of these Financial Statements.

Statement of Comprehensive Income

Statement (C)

Statement	For Year Ending on Dec. 31	
	2009	2008 (Revised)
	JD	JD
Profit for Year- Statement (B)	2,596,472	7,823,727
Comprehensive Income Items:		
Net Change in Fair Value Reserve- Statement (D)	2,979,118	(3,382,084)
Total Comprehensive Income - Statement (D)	5,575,590	4,441,643

Explanations attached from (1) to (52) constitute an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity for Fiscal Years Ending on 31/12/2009 and 2008

Statement (D)

Statement For Year Ending on Dec. 31, 2009	Subscribed capital (paid) JD	Reserves			Gen. Banking Risk Reserve JD	Net Fair Value Reserve JD	Retained Earnings* JD	Total JD
		Legal JD	Voluntary JD	Special JD				
Balance at Beginning of Year	73,000,000	6,624,292	3,304,376	-	882,000	(2,535,398)	12,249,428	93,524,698
Profit for Year – Stm. (B)	-	-	-	-	-	-	2,596,472	2,596,472
Net Change in Post-Tax Fair Value (Exp. 21)	-	-	-	-	-	2,979,118	-	2,979,118
Total comprehensive income - Stm. (C)	-	-	-	-	-	2,979,118	2,596,472	5,575,590
Transferred to Reserves	-	452,490	904,980	-	-	-	(1,357,470)	-
Capital increase (exp 23)	27,000,000	-	(700,000)	-	-	-	(7,800,000)	18,500,000
Balance at End of Year	100,000,000	7,076,782	3,509,356	-	882,000	443,720	5,688,430	117,600,288
For Year Ending on Dec. 31, 2008 (Revised)								
Balance at Beginning of Year	40,000,000	5,455,952	10,053,082	5,485,433	882,000	846,686	11,359,902	74,083,055
Profit for Year – Stm. (B)	-	-	-	-	-	-	7,823,727	7,823,727
Net Change in Fair Value (Exp. 21)	-	-	-	-	-	(3,382,084)	-	(3,382,084)
Comprehensive income - Stm. (C)	-	-	-	-	-	(3,382,084)	7,823,727	4,441,643
Transferred to Reserves	-	1,168,340	-	-	-	-	(1,168,340)	-
Capital increase	33,000,000	-	(6,748,706)	(5,485,433)	-	-	(5,765,861)	15,000,000
Balance at End of Year	73,000,000	6,624,292	3,304,376	-	882,000	(2,535,398)	12,249,428	93,524,698

* Retained earnings balance covers an amount of JD (2,696,591) as on 31/12/2009, unusable as per the Central Bank of Jordan's instructions, representing the deferred tax assets value.

* It is not permitted to use General Banking Risks Reserve balance amounting to JD (882,000) as on December 31, 2009 except by the Central Bank of Jordan's prior consent.

Explanations attached from (1) to (52) constitute an integral part of these Financial Statements.

Statement of Cash Flows for Fiscal Years Ending on 31/12/2009 and 31/12/2008

Statement (D)

Statement	Explanation	December 31	
		2009	2008
		JD	JD
Cash Flows from Operational Activities			
Pre-Tax Profit		4,402,512	11,372,172
Adjustments of Non-Cash Items:			
Depreciations and Amortizations		1,168,443	951,440
Ijara Assets Depreciation		8,976,815	7,072,994
Allocation of Deferred Sales Receivables and Financing Impairment –		625,000	(700,000)
Investment Risks Fund		1,641,103	1,887,629
Other Provisions		192,481	141,594
Impairment losses from financial assets available for sale		2,581,383	3,760,110
Effect of Exchange Rate Changes on Cash and Equivalents		(467,633)	(574,640)
Profit before Change in Assets and Liabilities		19,120,104	23,911,299
Change in Assets and Liabilities:			
(Increase) in Deferred Sales Receivables and Other Receivables		(343,090,082)	(228,981,409)
Increase (Decrease) in Financing		1,249,570	7,063,630
(Increase) in Ijara Assets		(24,149,300)	(12,508,372)
Decrease in Other Assets		(249,706)	1,879,288
(Increase) Decrease in Qurd Hassan		(316,824)	321,501
Increase in Current Accounts		63,386,283	26,345,331
Increase (Decrease) in Cash Margin Deposits		(3,299,091)	11,282,047
(Decrease) Increase in Other Liabilities		2,850,999	1,481,428
Paid Staff Indemnity compensation		(24,102)	(74,064)
Net (Uses) of Cash Flows from Operational Activities before Tax		(284,522,149)	(169,279,321)
Paid Taxes		(5,706,777)	(5,925,669)
Net (uses) of cash flows from operational Activities		(290,228,926)	(175,204,990)
Cash Flows from Investment Activities			
Redemption of Financial Assets held to maturity		11,255,198	1,573,271
(Purchasing) Financial Assets Available For Sale		(815,350)	(12,090,000)
(Purchasing) Selling investments in real estates		(3,362,472)	(2,380,590)
Selling Fixed Assets		67,096	487
(Purchasing) Intangible Assets		(171,192)	(965,055)
(Purchasing) Selling Investments in real estate		(2,563,606)	-
Net (uses) of cash flows from Investment Activities		4,409,674	(13,861,887)
Cash Flows from Financing Operations			
Increase in unrestricted Investment accounts		152,648,056	60,399,556
Increase in Capital		18,500,000	15,000,000
Net Cash flows from Financing Operations		171,148,056	75,399,556
Effect of Exchange Rate Changes on Cash and Equivalents		467,633	574,640
Net Increase of Cash and Equivalents		(114,203,563)	(113,092,681)
Cash and Equivalents at the beginning of year		17,923,014	131,015,695
Cash and Equivalents at the End of Year	41	(96,280,549)	17,923,014

Explanations attached from (1) to (52) constitute an integral part of these Financial Statements.

List of Sources and Uses of Qurd Hassan Fund

(List A)

Statement	December 31	
	2009	2008
	JD	JD
Balance at the Beginning of Year	71,052	69,334
Fund's Cash Sources:		
Shareholders' Equity	85,259	139,960
Total Cash Sources of Fund during Year	85,259	139,960
Uses of Fund's Cash:		
Personal Advances	134,137	141,678
Total Uses during Year	134,137	141,678
Total Balance	119,930	71,052
Current and overdrawn Accounts	784,568	398,252
Deduct: Impairment Provision	(319,702)	(201,332)
Net Balance at the End of Year	584,796	267,972

List of Changes in Restricted Investments (Customers' Deposits)

In accordance with the accounting and auditing standards and regulations for the financial institutions issued by the Accounting and Auditing Committee of Islamic Financial Institutions, the restricted investments for customers' deposits (Murabaha) have been presented in Restricted Investments Item off Balance Sheet.

The action taken on restricted investments is as follows:

(List B)

Statement	December 31							
	Global Murabaha		Ijara		Local Murabaha (real-estate financing)		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	JD	JD	JD	JD	JD	JD	JD	JD
Investments at Beginning	201,278,477	219,319,102	1,080,000	1,266,500	3,451,407	1,571,537	205,809,884	222,157,139
Add: Deposits	144,624,790	406,268,448	-	-	3,039,268	1,641,997	147,664,058	407,910,445
Deduct: Withdrawals	173,615,385	429,687,274	-	186,500	1,918,288	-	175,533,673	429,873,774
Deduct: Bank's Share As a Mudareb	144,624	932,971	-	-	84,898	103,833	229,522	1,036,804
Add: Profit on Investments	995,159	6,311,172	-	-	295,660	341,706	1,290,819	6,652,878
Investments at End of the year	173,138,417	201,278,477	1,080,000	1,080,000	4,783,149	3,451,407	179,001,566	205,809,884
Revenues received in advance	-	-	-	-	788,896	469,428	788,896	469,428
Ijara Provision	-	-	388,989	245,485	-	-	388,989	245,485
Investment Risk Provision	-	-	-	-	142,292	112,726	142,292	112,726
Dividends	-	-	-	-	104,397	9,606	104,397	9,606
Revenues in suspense	-	-	-	-	46,013	-	46,013	-
Total	-	-	388,989	245,485	1,081,598	591,760	1,470,587	837,245

Notes on the Financial Statements

1. Background Information

- The Islamic International Arab Bank is a Jordanian Public-Shareholding Company with its head office registered on March 30, 1997 in Amman – Jordan as per the Companies Registration Act no. 22 of 1997.
- The Bank conducts its organized banking, financial and investment operations in accordance with the Islamic rules and regulations via its network that includes 23 branches in Jordan. The Bank operates in compliance with the Banks' Act in effect.
- The Islamic International Arab Bank is wholly owned by the Arab Bank
- The financial statements were endorsed by the Bank's Board of Directors in the Meeting no. (1) held on January 26, 2010. The statements are subject to the Shareholders General Assembly's approval.
- The financial statements were examined and revised by the Sharia Advisory Committee in the Meeting no. (1) held on January 20, 2010, which issued its own report regarding these statements.

2. Significant Accounting Policies

Basics of Financial Statements Preparation

- The Bank's financial statements were prepared in accordance with the standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions, in accordance with the national laws in effect, and the regulations of the Central Bank of Jordan. In case of absence of standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions related to the financial statements items, the international standards on financial statements and their interpretations will be applied until related Islamic standards are issued.
- The financial statements were prepared according to the historical cost basis, except for financial assets available for sale and real estate investments that appear in fair value on the date of the financial statements.
- The Jordanian Dinar is the currency through which the financial statements are presented, which is the main currency used by the Bank.
- The accounting policies adopted this year are the same as those adopted in the year ending 31 Dec. 2008 except for the policies amended by Central Bank of Jordan as follows:
 - International Standard for Financial Reporting No. 7 “Financial Instruments: Disclosures”
The International Accounting Standards Board Amended the IAS 7 during March 2009, which became effective starting from year 2009. The Amendment enhances disclosures about fair value and liquidity risk. This amendment didn't have any materialistic effect on the bank's financial results and financial position.
 - IFRS 8 “Operational Segments” which replaced IAS 14 “Segments Reports” and this standard is applied for Fiscal years starting from January 2009. Upon adoption of IFRS 8, the identification an entity's segments may or may not change, depending on how the entity has applied IAS 14

in the past. And so it didn't have any effect on the bank's financial results and position.

- The objective of IAS 1 (2007) is to prescribe the basis for presentation of general purpose financial statements, to ensure compatibility both with the entity's financial statements of previous period and with the financial statements of other entities. IAS 1 sets out the overall requirements for the presentation of financial statements yet it didn't have any influence on the Bank's financial results and position. This revised standard requires the presentation of all recognized changes in assets and liabilities from transactions or other events except those related to transactions with owners as owners "Comprehensive Income" in a separate financial statement "Statement of Comprehensive Income".
- Shareholders' equity and unrestricted investment accounts' share will be dealt with independently.
- It should be taken into consideration that certain amounts will be deducted from Investment Risk Fund to offset the decline in collecting debts and funds financed by unrestricted investment accounts.
- The General Banking Risk Reserve is not allowed to be used without the Central Bank of Jordan's prior consent.
- The accounting policies, adopted this year, are the same as those adopted in the previous year.

Sectors' Information

- The business sector represents a set of assets and operations, which offer together products and services subject to risks and revenues different from those associated with other business sectors.
- The geographical sector is connected with provision of products and services in a specific economic environment which is subject in turn to risks and revenues different from those associated with sectors operating in other economic environments.

Basics of Profits Distribution among Shareholders and Unrestricted Investment Accounts' Holders

- Joint investment revenues are distributed among shareholders and joint investment accounts' holders for the year 2009 as follows:

	<u>Percentage</u>
Joint Investments Accounts' Holders	55%
	That is 3% and 2.7% by Jordanian Dinar for the first and second halves of 2009 respectively (against 4.81% and 4.03% for the first and second halves of 2008), and 0.66% and 0.23% by US Dollar for the first and second halves respectively of 2009 (against 2.1% and 1.57% for 2008)
Shareholders' Equity	35%
Investment Risks Fund Share	10%

- The Bank denotes a maximum of 5% of the shareholders' equity according to the segments announced in the branches for the profit sharing deposit accounts.
- The Bank gives priority in investment to unrestricted investment accounts' holders. Advertising expenses related to the new products offered by the Bank, invested from the profit sharing deposit accounts, are charged on these accounts.
- The annual rate of profits distributed on restricted investment accounts' holders during 2009 ranged between 0.6% and 0.23% compared to 1.64% and 4.21% during 2008.

Revenues, Earnings, and Losses Discrepant to Islamic sharia rules

The revenues, earnings, and losses discrepant to Islamic rules (if any) will be recognized by being recorded in a special account in the balance sheet within other credit accounts, and will not be recorded in the income statement. These shall be distributed among charities in accordance with the decisions of the Sharia Advisory Committee.

Zakat

Zakat is the obligation of depositors and shareholders, separately.

Deferred Sales Receivables

Murabaha Contracts

A Murabaha contract is one in which a commodity is sold at the former price paid by the seller (i.e. the Bank) plus a known and agreed profit. This sale might be an ordinary Murabaha contract (simple Murabaha, in which the Bank is concerned with trade) if the Bank buys a commodity without relying upon a prior promise from the customer to buy the commodity. The Bank then displays it for sale in a Murabaha manner with a price and profit agreed. The sale is known as a Murabaha contract for commander of purchase if there is a prior promise on the customer's part to buy the commodity, i.e. the Bank shall not buy the commodity unless the customer has shown his desire and promised to buy it.

The Bank applies the principle of commitment to obligations in Murabaha contracts for the commander of purchase. However, in case of default, the Bank will sell the related items and the commander of purchase shall compensate the Bank for the actual damages.

Murabaha receivables are recognized upon their occurrence at their nominal value, and they shall be calculated at the end of the fiscal year on basis of net estimated monetary value.

Profits are recognized in cash upon concluding Murabaha contracts, or until a term that does not exceed the current fiscal year.

The revenues of deferred sales are recognized in terms that may exceed the current fiscal year, by distributing them on future fiscal years for the term period, whereby the revenues will be allocated for each fiscal year regardless if delivery will be in cash or not.

Istisn'a

Istisn'a is a sale contract between a buyer (Mustasni'a) and seller (Sani'a). Upon the request of the buyer, the seller manufactures a specified commodity (Masnou'a), or obtains it at the time of delivery, provided that its materials and cost are the seller's responsibility. Delivery would be at an agreed price where by. The payment approach shall be specified: either at time of delivery, by installments, or in whole at a certain period of time.

- Istisn'a expenses include direct and indirect expenses related to Istisn'a contracts. Those expenses do not include administrative, general and marketing expenses, or

research and development costs.

- The costs of Istisn'a operations and pre-contracting are recognized in the fiscal year under In-Progress Istisn'a Item with the expenses incurred by the Bank. The invoices sent by the Bank to the buyer are charged on Istisn'a receivables and shall be deducted from the In-Progress Istisn'a account in the balance sheet.
- Istisn'a revenues are recognized at the completion of contract execution, and that is by the end of its execution, or at the expiry of the contract, whichever is closer.
- In case the buyer fails to pay the total agreed upon price, and the two parties agree to settle the payments during contract execution or after execution; the deferred profits shall be recognized and deducted from Istisn'a receivables accounts' in the balance sheet of the Bank, whether the method applicable in recognizing Istisn'a revenues is the completion rate method or the complete contract method, The deferred profits shall be allotted over the future fiscal years, where each year's share shall be decided regardless if payments are received in cash or not.
- In case the Bank retains the commodity (Masnou') for any reason, these assets shall be measured in monetary value expected to be realized or in its cost, whichever is less, and the difference (if any) shall be recognized as a loss in the income statement in the fiscal year in which they are realized.

Financings

Mudaraba Financing

Mudaraba is a partnership in profit between funds and effort. It is held between investment accounts' holders (investor) and the Bank (Mudarib), who declares a general acceptance for these funds to invest them and share the profits of this investment as agreed. The investor shall bear any loss except when the Bank fails or violates any of the conditions agreed, then The Bank shall bear the loss arising from that failure or violation. A Mudaraba is also held between the Bank as a fund-provider, in person or on behalf of investment accounts' holders, and between craftsmen and any other laborer, such as farmer, trader or manufacturer. This Mudaraba is different from any traditional form of Mudaraba (referred to as speculation); which mainly means a venture or hazard in sale and purchase operations.

- Mudaraba financing shall be registered upon delivering the capital to the Mudarib or putting it at his disposal. The delivered capital shall be measured in the paid amount or in the fair value if it was in-kind. If the in-kind assessment resulted in a difference between the fair value and the book value; then it shall be recognized as a profit (or loss) in the income statement and what the Bank recovered from Mudaraba capital shall be deducted at the end of the fiscal year.
- The Bank's share in profits (or losses) arising during a fiscal year is registered after settling the Mudaraba. However In cases when Mudaraba continues for more than one fiscal year, the Bank's share of profits is recorded after their total or partial calculation in the fiscal year in which they occurred according to profit distribution ratios. Any losses for that year shall be recognized within limits of the losses by which the Mudarib capital is decreased accordingly.
- The Mudarib is held responsible for any losses that occur as a result of his/her nonfeasance or breach and shall be debited to him.

Musharaka Financing

Musharaka is a form of partnership financing, where both the Bank and the customers provide equal or unequal amounts of funds for the sake of founding a new enterprise or contributing in an existing one, so that each of them owns a share in the capital paid in a constant or changing capacity and deserves a ratio of profit accordingly. Any loss shall be born by both, according to how much each of them owns in the main capital, and nothing different than that shall be conditioned.

- The Bank's share in Musharaka capital shall be recorded upon delivering the capital to the managing partner or when depositing it in the Musharaka account. It shall be measured in the amount paid in cash or in the fair value if it was an in-kind. If the in-kind assessment at the contract time resulted in a difference between the fair value and the book value; it shall be recognized as profit (or loss) in the income statement.
- The capital of decreasing Musharaka shall be measured at the end of the fiscal year, at the historical cost, while deducting the historical cost of the share sold in fair value which was agreed upon. The difference between the two values shall be recognized as profit (or loss) in the income statement.
- The Bank's share in profits (or losses) of Musharaka financing transactions, arising and ending during the fiscal year, is registered after settling the Musharaka. In cases when Musharaka continues for more than one fiscal year; the Bank's share of profits is recorded after the total or partial calculation between the Bank and the Musharik, in the fiscal year in which they occurred according to profit distribution ratios. Any losses for the bank's part recognized for that year shall be recorded in the Bank's books in that year, and shall be limited to the losses by which the Bank's share in Musharaka capital is decreased accordingly.
- An impairment provision shall be made for the deferred sales' receivables and other receivables, if there is a sign that the Bank's due amounts are not to be collected and when there is an objective evidence that an event occurred, which negatively affected the future cash flows of deferred sales' receivables and other receivables. When this impairment is estimated; it shall be recorded in the income statement.
- Financing assets, at the end of the fiscal year, shall be recorded in cost or in monetary value expected to be realized, whichever is less. The difference shall be recognized as financing impairment provision.
- The revenues of non-operating finances granted to customers and deferred sales receivables, shall be pended according to the Central Bank of Jordan regulations.
- The deferred sales' receivables and financings from unrestricted investment accounts, shall be canceled in case of infeasibility of followed procedures to collect them for investment risks fund (except for what is granted / financed then cancelled from deferred sales' receivables and financings in the same year, where they shall be recorded in the income statement / investment revenues). The collected receivables / financings that were previously cancelled shall be added to investment risks fund, except for what is recorded in the income statement / investment revenues. With regard to deferred sales' receivables and financings that

are financed by the Bank's self owned funds, for which an impairment provision is allocated; they shall be cancelled in case of infeasibility of followed procedures to collect them, by deducting it from the impairment provision. Any surplus in the total impairment provision shall be transferred to the income statement, and the collected bad receivables and financings shall be added to revenues.

Financial Assets Available for Sale

- Financial assets available for sale are the ones owned for purpose of being retained available for sale and not for trade or held to maturity
- Assets available for sale are recorded in fair value while adding the acquisition expenses upon purchase. They shall be re-evaluated later in fair value. And the Change in fair value shall be registered within the fair value reserve item, either in the unrestricted investment accounts holder's share if financed from it, or in the shareholders equity share if these assets are financed by the banks self-owned funds.
- In case of selling this asset or part of it or occurrence of impairment in its value, the profits (losses) resulting from that are registered in the income statement including the previously credited amounts to the unrestricted investment accounts holders or to the shareholder's accounts which relate to this asset.
- Any impairment loss previously recorded in the income statement can be recovered if it objectively appears that the increase in the fair value has occurred in a later period to the recording of the impairment losses through the fair value reserve.
- Profits realized from financial assets available for sale, shall be recorded in the income statement as of the date of announcing their distribution.
- Profits (losses) resulting from foreign currency exchange differences shall be registered in the shareholder's equity side within the fair value reserve item.
- Financial assets which fair value cannot be determined shall appear based on cost. Any impairment in their value shall be recorded in the income statement.

Financial Assets held to maturity

- Financial assets held to maturity are the ones having fixed installments or specified by due date, and the Bank intends and is able to retain them until due date.
- Financial assets held to maturity are recorded at cost while adding any direct costs related to acquisitions. In case there is an indicator that the Bank's principal or any portion of it, will not be collected by the end of the fiscal year; such impairment loss shall be recorded in the income statement.

Ijara

Ijara ended with purchase is a utility-ownership contract, ending with the lessee owning the leased asset.

- Assets possessed for Ijara purposes are recorded at historical cost including direct

expenses to make the asset usable. Leased assets shall be depreciated according to the (straight-line depreciation method throughout the time of Ijara contract.

- When the collectable amount from assets possessed for Ijara purposes, is less than their net book value, their value shall be depreciated to the expected recoverable value and impairment value shall be recorded in the income statement.
- Ijara revenues are distributed in proportion to the fiscal years included in the Ijara contract.
- Leased assets' expenses of maintenance are recorded in the income statement in the fiscal year in which they occur.

Investment Risks Fund

- The Bank deducts no less than 10% from the net realized profits in joint accounts as resulting from various current transactions during the year with accordance to the laws of banks. Such percentage may be raised according to the instructions of the Central Bank of Jordan. The amended percentage shall be effective in the fiscal year following the year of amendment.
- The balance of investment risks fund shall be transferred to Zakat fund after covering and amortizing all losses or expenses for which the fund was established. The investors in the Islamic International Arab Bank plc. have no right to the deducted amounts according to the determined rate accumulated in the investment risks fund, as they are allocated to cover the losses resulting from the joint investment operations.
- If any losses occurred in some investment operations that started and ended in a specified year; those losses shall be covered from the profits realized by other joint investment operations that started and ended at the same year. If losses exceeded profits in the same year; the losses shall covered from the investment risks fund.
- If a joint investment operation was started and continued in previous years; and it was concluded in a certain year that these investment operations were of loss; then the losses shall be covered from the investment risks fund.

Financial Assets Fair Value

- Closing rates (purchase / sale) on the date of financial statements in active markets shall represent the fair value of financial instruments that have quoted market prices. When no actual quoted market rates are available, or when no active trade of some financial assets is available, or when the market is not active; a reasonable estimate of the fair value shall be determined through comparing it to the current market value of a similar financial instrument.
- Evaluation methods aim at obtaining a fair value that reflects market expectations and takes into account market factors and any expected risks or profits when estimating the value of financial assets. In case the fair value of financial assets cannot be reliably measured; it is then represented at cost after deducting any impairment in their value.

Impairment in Financial Assets Value

The Bank reviews the amounts fixed in the financial assets records on date of Balance Sheet to identify whether there is indication of impairment in the value, individually or collectively. In case there are any such indicators, the retrievable value shall be estimated so as to specify the impairment loss and record it in the income statement.

Fixed Assets

Fixed assets shall be presented at cost after deducting accumulated depreciation and any impairment in its value. Fixed assets (except for lands) shall be depreciated when they are ready to be used, using the straight-line depreciation method over their expected useful life, using the following rates:

Item	Percentage
Buildings	2%
Equipments, Machines and Furniture	2.5%-15%
Transportation Means	15%
Computers	25%
Decorations	10%

- The productive age of fixed assets shall be reviewed at the end of each year. If the age expectations are different from the previously set estimations, the change in estimations of subsequent years shall be recorded as a change in estimations.
- If the retrievable amount of fixed assets is less than their net book value, its value shall be reduced to the retrievable value, and the impairment loss shall be recorded in the income statement.

Intangible Assets

- Intangible assets obtained by means other than incorporation, shall be recorded at cost.
- Intangible assets shall be classified according to their useful life for a specified or unspecified period of time. Intangible assets which useful life is limited shall be amortized during that life, and amortization shall be recorded in the income statement. As for intangible assets which useful life is unlimited; their impairment in value shall be reviewed at the date of financial statements and any impairment in their value shall be recorded in the income statement.
- Intangible assets arising from the Bank's operations shall not be capitalized and shall be recorded in the income statement of the same year.
- Any indicators of impairment of intangible assets shall be reviewed at the date of financial statements, in addition to reviewing the useful life of those assets and

performing any amendments on subsequent years.

- Software and computer systems are represented at cost after deducting accumulated depreciation. These items are depreciated when they are ready for use based on the straight-line depreciation method throughout their useful life and using rates that range between 20-25%.

Real Estate Investments

Real estate investments are recorded in order to expect the increase in their value at cost, in addition to any expenses related to their acquisition. Real estate investments are evaluated at fair value, and any subsequent change in fair value is evidenced in the same manner used for evaluating the financial assets available for sale.

Provisions

Provisions shall be recognized, when the Bank has liabilities at the date of the balance sheet, resulting from previous events, and it is possible to pay these liabilities and their value can be reliably measured.

Staff Indemnity Provision

The annual provision for staff indemnity for the employees who quit shall be recorded on the indemnity provision when they are paid. The increase in paid indemnity shall be taken from their provision in the income statement when they are paid. The provision of Bank's liabilities resulting from staff indemnity shall be recorded in income statement according to the Bank's by-laws and the regulations of the Labor Law.

Income Tax

- Tax expenses represent the accrued taxes and deferred taxes.
- Expenses of accrued taxes shall be accounted for, on basis of taxable profits. Taxable profits are different from those stated in the financial statements, since the stated profits include non-taxable revenues or non-impaired expenses in the fiscal year, and shall be impaired in subsequent fiscal years, or accumulated taxable losses or items that are not subject to taxes or accepted for impairment, for tax purposes.
- Taxes shall be accounted for, in accordance with the taxing rates determined by the laws and regulations of the Hashemite Kingdom of Jordan.
- Deferred taxes are those expected to be recovered or paid as a result of temporary time differences between the value of assets and liabilities in the financial statements, and the value upon which tax profits are calculated. Deferred taxes shall be calculated using the method of commitment to the balance sheet, and shall be accounted for according to tax rates expected to be applicable when settling tax liabilities or when realizing deferred tax assets.
- The balance of deferred tax assets shall be reviewed in the date of financial statements and shall be impaired in case of infeasibility of these tax assets, fully or partially.

Accounts Managed for Customers

These accounts are managed by the Bank on behalf of customers, and are not part of the Bank's assets.

The commissions and fees to manage those accounts are registered in the income statement.

Revenue Realization and Expense Recognition

- Revenues and expenses are recognized on an accrual basis, except for the revenues of deferred sales and non-operating financings, which are not recognized as revenues, and shall be recorded in the outstanding revenues' account.
- The commissions shall be recognized as revenues when related services are rendered. Companies' dividends shall be recognized when they are realized (when approved by Shareholders' General Assembly).

Financial Assets Recognition Date

Sale and purchase of financial assets shall be recognized on the date of trading (the date of Bank's commitment to sell or purchase the financial assets).

Foreign Currencies

- Transactions in foreign currencies during the year shall be recorded at the prevailing exchange rates at the time of executing such transactions.
- Financial assets and liabilities' balances denominated in foreign currencies are transferred at the average exchange rate at the date of the balance sheet as announced by the Central Bank of Jordan.
- Non-financial assets and liabilities denominated in foreign currencies stated at fair value are transferred at date of determining their fair value.
- Profits and losses resulting from foreign currency transfers shall be recorded in the income statement.

Cash and Cash Equivalents

Such is the cash and monetary balances that are due within three months. They include: cash in hand, balances at the Central Bank, cash at banks and other financial institutions. Deposits of banks and other financial institutions that are due within three months in addition to withdrawal-restricted balances shall be deducted.

3. Accounting Estimates

The Bank's Management adopts, through the application of accounting policies, opinions, estimates and assumptions with substantial effect on the recognition of recorded balances in the financial statements. The most important of which are the following:

- A provision shall be made for lawsuits filed against the Bank (if necessary) depending on a legal study prepared by the Bank's consultants, according to which the potential future risks are determined. Those studies shall be periodically reconsidered.
- A provision shall be made for impairment on self-financed facilities based on the foundations and assumptions adopted by the Bank's management for estimating the provision to be made and comparing the result with the provision to be made as per the regulations of the Central Bank. The most strict results that comply with the standards issued by the Accounting and Auditing Assembly for Islamic Financial Institutions shall be adopted.
- The Management shall periodically re-estimate the productive ages of tangible and intangible assets for purposes of calculating annual amortizations and depreciations based on the general condition of those assets and the estimates of future productive operations. Impairment loss (if any) shall be recorded in the income statement.
- The Management shall periodically review the financial assets represented at cost in order to estimate any impairment in their value, and shall record any impairment (if any) in the income statement.

4. Cash and Balances at The Central Bank

This item is detailed as follows:

Item	December 31	
	2009	2008
	JD	JD
Cash in Treasury	6,436,837	6,141,850
Balances with Central Bank	-	-
Current and Demand Accounts	37,107,689	33,887,085
Mandatory Cash Reserves	2,779,940	2,969,989
Total	46,324,466	42,998,924

Except for cash reserve, there are no restricted cash balances as on December 31, 2009 and 2008.

5. Banks and Financial Institutions Balances

This item is detailed as follows:

Item	December 31					
	Local Banks and Financial Institutions		International Banks and Financial Institutions		Total	
	2009	2008	2009	2008	2009	2008
	JD	JD	JD	JD	JD	JD
Current and on Demand Accounts	64,043,606	276,868,015	3,041,520	12,323,508	67,085,126	289,191,523

There are no restricted cash balances as on December 31, 2008 and 2007.

6/a. Net Deferred Sales Receivables and Other Receivables.

This item is detailed as follows:

Item	December 31					
	Joint		Self-owned		Total	
	2009	2008	2009	2008	2009	2008
	JD	JD	JD	JD	JD	JD
Individuals (Retail)						
Murabaha for Commander of Purchase	13,200,612	17,364,133	-	-	13,200,612	17,364,133
Receivables – Ijara	463,378	351,400	-	-	463,378	351,400
Real-Estate Financing	39,370,910	42,932,887	2,127,232	1,377,867	41,498,142	44,310,754
Large Companies						
International Murabaha	255,911,983	131,154,600	356,194,217	130,662,360	612,106,200	261,816,960
Murabaha for Commander of Purchase	122,965,692	110,632,371	28,598,766	43,716,415	151,564,458	154,348,786
Receivables – Ijara	-	-	73,191	31,524	73,191	31,524
Small- and Medium Sized Companies						
Murabaha for Commander of Purchase	2,402,292	5,031,209	4,524,129	894,899	6,926,421	5,926,108
Total	434,314,867	307,466,600	391,517,535	176,683,065	825,832,402	484,149,665
Deduct: Deferred Revenues	13,636,786	13,945,487	1,010,958	1,729,279	14,647,744	15,674,766
Revenues in suspense	559,142	758,460	17,140	-	576,282	758,460
Impairment Provision	5,306,242	4,627,004	1,221,788	715,158	6,528,030	5,342,162
Net Deferred Sales Receivables and Other Receivables	414,812,697	288,135,649	389,267,649	174,238,628	804,080,346	462,374,277

6/b. Financings

This item is detailed as follows:

Item	December 31	
	Joint	
	2009	2008
	JD	JD
Real-Estate Financings	42,238	308,080
Large Corporates		
Mudaraba	3,511,178	4,494,906
Total Financing	3,553,416	4,802,986

- Deferred sales receivables and other receivables and non-operating financings amounted to JD 60,988,240 i.e.: at a percentage of 7.4% of total deferred sales receivables, other receivables and financings as on December 31, 2009 (compared with JD 17,264,287 at a percentage of 3.5% as on the end of the previous year).
- Deferred sale receivables and other receivables and non-operating financings amounted, after deducting revenues in suspense, to JD 60,507,688 i.e.: at a percentage of 7.3% of total deferred sales receivables and other receivables and financings (compared with JD 16,538,780 i.e. : at a percentage of 3.4% as on the end of the previous year).
- The Balance of international Murabaha covers an amount of JD 43.4 Million, for which provisions were made in the books of the owning company as of 31 Dec 2009.

Deferred Sales and Financings Impairment Provision / Self-Owned

Action on impairment provision is detailed as follows:

2009	Real-Estate Financings	Large Corporates	Total
Balance at Beginning of Year	-	916,490	916,490
Amount transferred to Profit	-	625,000	625,000
Balance at End of Year	-	1,541,490	1,541,490

2008	Real-Estate Financings	Large Corporates	Total
Balance at Beginning of Year	69,667	1,546,823	1,616,490
Amount transferred to Profit	(69,667)	(630,333)	(700,000)
Balance at End of Year	-	916,490	916,490

- Total General Banking Risks Reserve amounted, against self-owned receivables and financings, to JD 882,000 as on December 31, 2009 (compared with JD 882,000 as on December 2008).
- Provisions that were not utilized as a result of settlements or debt payments and transferred against other receivables and financings amounted to JD 2,805,923 as on December 31, 2009 (compared to JD 2,527,355 as on December 31, 2008).

Revenues in Suspense

Movements on revenues in suspense is detailed as follows:

Item	Self-owned			
	Real-Estate Financings		Large Corporates	
	2009	2008	2009	2008
	JD	JD	JD	JD
Balance at Beginning of Year	-	8,054	-	-
Add: Revenues in suspense During Year	-	-	17,140	-
Deduct: Revenues in suspense Written Off	-	(8,054)	-	-
Balance at End of Year	-	-	17,140	-

2009	Joint				
	Individuals	Real-Estate Financings	Corporate		Total
			Large	Small/Medium	
	JD	JD	JD	JD	JD
Balance at Beginning of Year	137,290	168,479	320,450	132,241	758,460
Add: Revenues in suspense During Year	13,635	122,939	379,057	153,919	669,550
Deduct: Revenues in suspense Transferred to Revenues	63,578	193,958	487,412	123,920	868,868
Balance at End of Year	87,347	97,460	212,095	162,240	559,142

2008	Joint				
	Individuals	Real-Estate Financing	Individuals		Total
			Large	Small/Medium	
	JD	JD	JD	JD	JD
Balance at Beginning of Year	40,895	181,908	74,717	46,741	344,261
Add: Revenues in suspense during Year	108,799	22,205	421,195	97,482	649,681
Deduct: Revenues in suspense Transferred to Revenues	12,404	35,634	175,462	11,982	235,482
Balance at End of Year	137,290	168,479	320,450	132,241	758,460

7. Financial Assets Available For Sale

This item is detailed as follows:

Item	Self-Owned	
	December 31	
	2009	2008
	JD	JD
Total Financial Assets With Market Rates	1,353,100	730,500
Investment Portfolio Managed by Third Party*	11,504,477	10,913,992
Total Financial Assets Available For Sale	12,857,577	11,644,492

* This item represents the investment portfolio managed by the Al-Arabi Investment Group including local and foreign cash and shares and Islamic Sukuk.

8. Financial Assets Held to Maturity

This item is detailed as follows:

Item	Self-Owned	
	December 31	
	2009	2008
	JD	JD
Financial Assets without Market Rates:		
Islamic Sokouk	5,605,531	16,860,729
Total	5,605,531	16,860,729

The financial assets Held to Maturity are due, as follows:

From one Month to Six Months	From 6 Months to One Year	From One Year to Three Years	More than 3 Years
JD	JD	JD	JD
-	1,418,000	-	4,187,531

From which JD 4,187,531 is settled on a quarterly basis, and JD 1,418,000 is settled on a semi-annual basis.

9. Net Ijara Assets

This item is detailed, as follows:

Item	Joint			Self-owned			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
December 31, 2009									
Ijara Assets – Real Estate	93,165,367	(19,580,000)	73,585,367	1,338,000	(505,199)	832,801	94,503,367	(20,085,199)	74,418,168
Ijara Assets – Machines	6,446,920	(2,608,069)	3,838,851	1,150,000	(464,722)	685,278	7,596,920	(3,072,791)	4,524,129
Total	99,612,287	(22,188,069)	77,424,218	2,488,000	(969,921)	1,518,079	102,100,287	(23,157,990)	78,942,297
December 31, 2008									
Ijara Assets – Real Estate	71,381,935	(13,193,043)	58,188,892	1,338,000	(273,198)	1,064,802	72,719,935	(13,466,241)	59,253,694
Ijara Assets – Machines	5,368,980	(1,753,567)	3,615,413	1,150,000	(249,295)	900,705	6,518,980	(2,002,862)	4,516,118
Total	76,750,915	(14,946,610)	61,804,305	2,488,000	(522,493)	1,965,507	79,238,915	(15,469,103)	63,769,812

- Total due Ijara installments amounted to JD 536,569 as on December 31, 2009 (compared to JD 382,924 as on December 31, 2008). The due Ijara balances were presented within sale receivables and other receivables (Explanation 6/A).
- Non-performing Ijara amounted to JD 1,445,621 i.e.: 1.8% of the Ijara balances as on December 31, 2009 (compared to JD 1,137,841 i.e.: 1.8% as on December 31, 2008).
- Non-performing Ijara after deducting profits in suspense amounted to JD 1,349,891, i.e.: 1.7% of Ijara balances as on December 31, 2009 (compared to JD 1,104,888, i.e.: 1.7% as on December 31, 2008).

10. Real Estate Investments

Real estate investments are investments acquired for the expected increase in their value. The details of this item are as follows

	December 31	
	Self-owned	
	2009	2008
	JD	JD
Investments in Real-State	3,485,296	-
Total	3,485,296	-

* Real estate investments appear in book value, equal to the fair value, since the project was initially received from the contractor in January 2010. The abovementioned amount includes a plot in the amount of JD 921,690 which was reclassified into real estate investments in 2009.

11. Net Fixed Assets

This item is detailed, as follows:

Item	Lands	Buildings	Equipment, Devices and Furniture	Transports	Computers	Decorations	Total
	JD	JD	JD	JD	JD	JD	JD
December 31, 2009							
Cost							
Balance at the Beginning of the Year	2,884,592	3,316,013	2,538,806	163,192	2,317,022	3,527,478	14,747,103
Additions	717,807	1,047,640	623,828	59,600	336,918	1,016,843	3,802,636
Disposals	(921,690)	(56,307)	(3,697)	(46,500)	(2,831)	-	(1,031,025)
Balance at the End of the Year	2,680,709	4,307,346	3,158,937	176,292	2,651,109	4,544,321	17,518,714
Accumulated Depreciation:							
Accumulated Depreciation at the Beginning of the Year	-	700,765	1,428,488	80,599	1,462,310	2,174,044	5,846,206
Depreciation of the Year	-	75,509	218,743	23,694	333,070	207,952	858,968
Disposals	-	-	(3,440)	(36,594)	(2,205)	-	(42,239)
Accumulated Depreciation at the End of the Year	-	776,274	1,643,791	67,699	1,793,175	2,381,996	6,662,935
Net Book Value of Fixed Assets	2,680,709	3,531,072	1,515,146	108,593	857,934	2,162,325	10,855,779
Projects in Progress	-	1,016,805	-	-	-	-	1,016,805
Net Fixed Assets at the End of the Year	2,680,709	4,547,877	1,515,146	108,593	857,934	2,162,325	11,872,584
December 31, 2008							
Cost							
Balance at the Beginning of the Year	1,672,085	3,952,418	2,328,607	148,592	2,129,369	3,156,041	13,387,112
Additions	1,212,507	-	228,283	14,600	188,755	371,437	2,015,582
Disposals	-	(636,405)	(18,084)	-	(1,102)	-	(655,591)
Balance at the End of the Year	2,884,592	3,316,013	2,538,806	163,192	2,317,022	3,527,478	14,747,103
Accumulated Depreciation:							
Accumulated Depreciation at the Beginning of the Year	-	623,777	1,254,892	57,217	1,163,550	2,013,870	5,113,306
Depreciation of the Year	-	76,988	191,200	23,382	299,855	160,174	751,599
Disposals	-	-	(17,604)	-	(1,095)	-	(18,699)
Accumulated Depreciation at the End of the Year	-	700,765	1,428,488	80,599	1,462,310	2,174,044	5,846,206
Net Book Value of Fixed Assets	2,884,592	2,615,248	1,110,318	82,593	854,712	1,353,434	8,900,897
Projects in Progress	-	1,456,969	-	-	-	-	1,456,969
Net Fixed Assets at the End of the Year	2,884,592	4,072,217	1,110,318	82,593	854,712	1,353,434	10,357,866

The cost of total depreciated fixed assets amounted to JD 2,020,395 as on December 31, 2009 (compared to JD 1,759,664 as on December 31, 2008).

12. Intangible Assets

This item is detailed, as follows:

Item	Computer Systems and Software	
	31 December	
	2009	2008
	JD	JD
Balance at the Beginning of the Year	1,917,915	251,137
Additions	171,192	1,866,619
Amortizations of the Year	(309,475)	(199,841)
Balance at the End of the Year	1,779,632	1,917,915

13. Other Assets

This item is detailed, as follows:

Item	31 December	
	2009	2008
	JD	JD
Prepaid Expenses	308,921	276,991
Accrued Due Earnings	534,176	341,959
Real-estate Assets *	472,007	750,000
Others	595,535	291,983
Total	1,910,639	1,660,933

- This item represents the value of a plot which the Bank acquired in order to transfer its ownership to one of its clients under Murabaha financing agreement in the amount of JD 750,000. However, this transaction was not completed since it was not possible to be implemented. The guarantee provided by the client was settled, taking into consideration that the balance of the client amounted to JD 277,993 as at 31 December 2009. The Bank intends to sell the plot once an appropriate price is offered. The fair value of these real estate assets amounted to JD 651,040 according to the last available evaluation.

14. Balances with Banks and Financial Institutions

This item is detailed, as follows:

Item	Outside Jordan	
	31 December	
	2009	2008
	JD	JD
Current Accounts	209,690,141	314,267,433
Total	209,690,141	314,267,433

15. Customers' Current Accounts

This item is detailed, as follows:

Item	December 31, 2009				
	Individuals	Large Corporates	Small- and Medium Enterprises	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current Accounts	114,889,625	27,128,616	18,246,648	8,342,717	168,607,606
Total	114,889,625	27,128,616	18,246,648	8,342,717	168,607,606

Item	December 31, 2008				
	Individuals	Large Corporates	Small- and Medium Enterprises	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current Account	74,024,758	18,376,664	11,162,610	1,657,291	105,221,323
Total	74,024,758	18,376,664	11,162,610	1,657,291	105,221,323

- Deposits of the public sector inside Jordan amounted to JD 8,342,717 as on December 31, 2009 at a percentage of 4.9% of total customers' current accounts (against JD 1,657,291 as on December 31, 2008 at a percentage of 1.5%).
- Blocked accounts amounted in total to JD 1,131,834 as on December 31, 2009 at a percentage of 0.6% of total customers' current accounts (against JD 243,372 as on December 31, 2008 at a percentage of 0.2%).
- Dormant accounts amounted to JD 13,663,654 as on December 31, 2009 (against JD 4,507,048 as on December 31, 2008).

16. Cash Margin

This item is detailed, as follows:

Item	31 December	
	2009	2008
	JD	JD
Cash Margin Against Sales' Receivables and Financings	13,657,106	17,062,457
Cash Margin Against Indirect Facilities	3,618,612	3,668,955
Other Cash Margins	486,005	329,402
Total	17,761,723	21,060,814

17. Other Provisions

Action occurring to other provisions is detailed, as follows:

2009	Balance at the Beginning of the Year	Accumulated During the Year	Paid During the Year	Balance at the End of the Year
	JD	JD	JD	JD
Staff Indemnity Provision	937,275	180,081	24,102	1,093,254
Suits against Bank Provision	-	12,400	-	12,400
Total	937,275	192,481	24,102	1,105,654

2008	Balance at the Beginning of the Year	Accumulated During the Year	Paid During the Year	Balance at the End of the Year
	JD	JD	JD	JD
Staff Indemnity Provision	869,745	141,594	74,064	937,275
Total	869,745	141,594	74,064	937,275

18. Income Tax Provision

a. Income Tax Provision

Action occurring to income tax provision is detailed, as follows:

Item	2009	2008
	JD	JD
Balance at the Beginning of the Year	5,373,724	5,665,545
Income Tax Paid	(5,046,107)	(5,292,058)
Income Tax due on Year's Profit	2,722,046	5,000,237
Balance at the End of the Year	3,049,663	5,373,724

b. Income Tax Balance

Income tax balance stated in income statement consists of the following:

Item	2009	2008
	JD	JD
Income Tax due on Year's Profit	2,722,046	5,000,237
Tax Deferred Assets for the Year	(1,177,606)	(1,722,714)
Amortization of Deferred Tax Assets	261,600	270,922
Total	1,806,040	3,548,445

A final settlement was made with the Income and Sales Tax Department until the end of 2008. And as per the Bank's Management and Tax consultant opinion there is no need to take additional provisions for the year 2009.

c. Deferred Tax Assets / Liabilities – Self owned

Item	2009					2008
	Balance at the Beginning of the Year	Released amounts	Added amounts	Balance at the End of the Year	Deferred Taxes	Deferred Taxes
	JD	JD	JD	JD	JD	JD
Included Accounts						
a. Deferred Tax Assets						
End of Service Indemnity	937,275	24,102	180,081	1,093,254	327,976	328,046
Provision for doubtful debts-specific	390,000	-	1,151,490	1,541,490	462,447	136,500
Law suits against the Bank Provision	-	-	12,400	12,400	3,720	-
Impairment in Financial Assets Available for Sale	3,760,110	-	2,581,383	6,341,493	1,902,448	1,316,039
Total	5,087,385	24,102	3,925,354	8,988,637	2,696,591	1,780,585

* The balance at the beginning of the year did not include the amount of JD 526,490 which was allocated for covering the deficit in the Investment Risk Fund in 2008. This balance was no longer needed in 2009 and deferred taxes were calculated on this balance.

- Deferred income tax in the amount of JD 2,696,591 as at 31 December 2009 resulting from time differences of the end of service indemnity provision, provision for doubtful debts - specific, the lawsuits filed against the Bank provision, and the impairment in the investment portfolios calculated on a 30% tax rate. The management believes that these tax benefits will be utilized from expected profits in the future.

Transactions made to the self deferred tax assets/liabilities are as follows:

Item	2009		2008 (revised)	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the Beginning of the Year	1,780,585	-	328,793	301,363
Added During the Year	1,177,606	-	1,722,714	-
Amortized During the Year	(261,600)	-	(270,922)	301,363
Balance at the End of the Year	2,696,591	-	1,780,585	-

d. Reconciliation of Taxable Income:

Item	2009	2008
	JD	JD
Accounting Profit	4,402,512	11,372,172
Deduct: Tax Exempt Revenues	-	(878,309)
Add: Non-deductable expenses	2,353,382	1,920,047
Add: Other adjustments	2,581,383	3,760,110
Taxable income	9,337,277	16,174,020
Announced Rate of Income Tax	35%	35%
Net Income Tax Provision	3,268,047	5,660,907
Referring to:		
Announced Provision – the Bank	2,722,046	5,000,237
Announced Provision – Investment Risk Fund	546,001	660,670
	3,268,047	5,660,907

19. Other Liabilities

This item is detailed, as follows:

Item	31 December	
	2009	2008
	JD	JD
Items in transit (between branches)	-	24,168
Outstanding Issued Cheques	4,077,287	2,314,230
Bills for Settlement & Incoming Transfers	6,013,942	4,162,098
Unpaid Accrued Expenses	111,658	86,190
Customers' Share from Joint Investments Profits	1,211,238	1,782,724
Commissions Received in Advance	153,104	99,112
Temporary Trusts	857,632	916,497
Jordanian Universities' Fees Provision	45,249	116,834
Board's Members Remuneration	25,000	25,000
Scientific Research Fund	45,249	116,834
Technical and Vocational Education and Training Support Fund	6,889	52,562
Total	12,547,248	9,696,249

20. Unrestricted Investment Accounts

This item is detailed, as follows:

Item	December 31, 2009				
	Individuals	Large Corporates	Small- and Medium Enterprises	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Saving Accounts	36,233,695	-	-	-	36,233,695
Time deposits	361,345,560	78,127,933	3,105,169	19,060,020	461,638,682
Total	397,579,255	78,127,933	3,105,169	19,060,020	497,872,377
Customers' Share from Investment Revenues	6,256,950	3,076,003	46,148	433,010	9,812,111
Total Unrestricted Investment Accounts	403,836,205	81,203,936	3,151,317	19,493,030	507,684,488

Item	December 31, 2008				
	Individuals	Large Corporates	Small- and Medium Enterprises	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Saving Accounts	20,773,325	-	-	-	20,773,325
Time deposits	253,496,201	60,823,265	2,099,756	10,172,608	326,591,830
Total	274,269,526	60,823,265	2,099,756	10,172,608	347,365,155
Customers' Share from Investment Revenues	4,891,791	2,404,872	36,079	338,535	7,671,277
Total Unrestricted Investment Accounts	279,161,317	63,228,137	2,135,835	10,511,143	355,036,432

Unrestricted investment accounts contribute to profits according to the following ratios:

- 50% of the saving accounts' monthly balance
- 90% of the time accounts' minimum balance.
- Profits' general percentage in Jordanian Dinar for the first and second halves of 2009 amounted to 3% and 2.7% respectively (against 4.81% and 4.03% in the previous year).
- Profits' general percentage for the first and second halves of 2009 in US Dollar amounted to 0.66% and 0.23% respectively (against 2.1% and 1.57% respectively in the previous year).
- Blocked accounts amounted to JD 775,681 as on December 31, 2009 (against JD 118,555 as on December 31, 2008).
- Unrestricted investment accounts (public sector) inside Jordan amounted to JD 19,493,030 as on December 31, 2009, i.e. 3.8% of total unrestricted investment accounts (against JD 10,511,143 as on December 31, 2008, i.e. 3%).

21. Net Fair Value Reserve- Self Owned

This item is detailed, as follows:

Item	Financial Assets Available for Sale			
	2009			2008
	Shares	Investment portfolio	Total	Total
	JD	JD	JD	JD
Balance at the Beginning of the Year	(119,500)	(2,415,898)	(2,535,398)	846,686
Unrealized Profits (Losses)	(192,750)	590,485	397,735	(7,443,557)
Deferred Tax Liabilities	-	-	-	301,363
(Gain) loss during the period transferred to income	312,250	2,269,133	2,581,383	3,760,110
Balance at the End of the Year	-	443,720	443,720	(2,535,398)

2. Investment Risks Fund

Action occurring to investments risks fund is detailed, as follows:

Item	2009	2008
	JD	JD
Balance at the Beginning of the Year	6,476,400	5,249,441
Transferred from Joint Investment Revenues of the Year – Income Statement	1,641,103	1,887,629
<u>Deduct:</u> Income Tax	(546,001)	(660,670)
Bad Debts	(81,100)	-
<u>Add:</u> Foreign Currency Evaluation Difference	1,325	-
Balance at the End of the Year	7,491,727	6,476,400

The balance of investment risks fund is distributed, as follows:

Item	31 December	
	2009	2008
	JD	JD
Deferred Sales Receivables Impairment Provision (Exp. 6/a)	5,306,242	4,627,004
Residual Balance	2,185,485	1,849,396

Action occurring to investment risks fund income tax is detailed, as follows:

Item	2009	2008
	JD	JD
Balance at the Beginning of the Year	660,670	633,611
<u>Deduct:</u> Paid Income Tax	(660,670)	(633,611)
<u>Add:</u> Accrued Income Tax for the Year	546,001	660,670
Balance at the End of the Year	546,001	660,670

- A final settlement was reached with the Income and Sales Tax Department until the end of 2008.

23. Capital

The subscribed (paid-up) capital amounted to JD 100 million at the end of the year, distributed on 100 million shares, with a nominal value per share of one Jordanian Dinar, (against JD 73 million shares with a nominal value of one Jordanian Dinar per share for the previous year).

Pursuant to the decision of the general assembly in its extraordinary meetings held on 25 March 2009 and 27 July 2009, and the resolution by Jordan Securities Commission, it was agreed to increase the bank's capital with an amount of JD 27 million by the following means:

- Capitalizing JD 700,000 of the voluntary reserve.
- Capitalizing JD 7,800,000 of the retained profit (Note 25)
- Underwriting for JD 18,500,000 by the Arab Bank (the sole shareholder).

24. Reserves

Statutory Reserve

The accumulated amounts in this account represent the transferred annual profits before taxes by (10%) during the year and the previous years, according to Bank's Act. This reserve is non-distributable to shareholders.

Voluntary Reserve

The accumulated amounts in this account represent the transferred annual profits before taxes by a maximum of 20% during the year and the previous years. This reserve is used for purposes determined by the Board of Directors, and the General Assembly is entitled to distribute it in part or in whole to shareholders.

Special Reserve

This reserve shall be made to account for any future contingent liabilities.

General Banking Risks Reserve

This item represents the general banking risks reserve for deferred sales receivables and the Bank's self-financing according to the Central Bank of Jordan's regulations.

The restricted reserves are as follows:

Item	December 31, 2009	
	JD	Nature of Restriction
Statutory Reserve	7,076,782	Legal Requirements
General Banking Risks Reserve	882,000	Central Bank's Instructions

25. Retained Earnings

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Balance at the Beginning of the Year	12,249,428	11,359,902
Profit of the Year	2,596,472	7,823,727
(Transferred to) Reserves	(1,357,470)	(1,168,340)
Capital Increase	(7,800,000)	(5,765,861)
Balance at the End of the Year*	5,688,430	12,249,428

* Retained earnings' balance includes an amount of JD 2,696,591 as restricted to be used against deferred tax utilities as on December 31, 2009 (against JD 1,780,585 as on December 31, 2008).

26. Deferred Sales Revenues

This item is detailed, as follows:

Item	Joint		Self	
	2009	2008	2009	2008
	JD	JD	JD	JD
International Murabaha	2,304,641	432,736	5,363,322	6,396,201
Murabaha for Commander of Purchase	9,315,058	13,535,354	3,206,939	5,214,775
Total	11,619,699	13,968,090	8,570,261	11,610,976

27. Financing Revenues

This item is detailed, as follows:

Item	Joint	
	2009	2008
	JD	JD
Real-estate Financings	(27,741)	-
Large Corporates		
Mudaraba	268,784	493,029
Total	241,043	493,029

28. (Loss) Revenues from Assets Available for Sale

This item is detailed, as follows:

Item	Self	
	2009	2008
	JD	JD
Shares Distribution Revenues	-	104,000
Investment Portfolio Revenues	-	400,000
Islamic Sokouk Revenues Available for Sale	7,982	-
<u>Deduct:</u> Impairment Loss from Available for Sale Financial Assets	(2,581,383)	(3,760,110)
Total	(2,573,401)	(3,256,110)

29. Revenues from Financial Assets held to Maturity

This item is detailed, as follows:

Item	Self	
	2009	2008
	JD	JD
Islamic Sokouk – Ijara	267,963	960,938
Total	267,963	960,938

30. Ijara Revenues

This item is detailed, as follows:

Item	Joint		Self	
	2009	2008	2009	2008
	JD	JD	JD	JD
Ijara – Real-estates	11,741,605	9,960,424	235,465	247,470
Ijara – Machines	1,466,049	1,243,652	202,380	212,698
Ijara Assets Depreciation	(8,657,372)	(6,788,905)	-	-
Total	4,550,282	4,415,171	437,845	460,168

31. Unrestricted Investment Account Holders' Share

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Customers:		
Savings Investment Accounts Revenues	288,308	347,113
For-term Investment Accounts Revenues	8,952,317	10,778,298
Total	9,240,625	11,125,411

32. Bank's Share of Unrestricted Investment Accounts' Revenues as Mudarib

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Bank's Share as Mudarib	5,529,296	5,863,250
Total	5,529,296	5,863,250

33. Bank's Self Revenues

This item is detailed, as follows:

Item	Explanation	2009	2008
		JD	JD
Deferred Sales' Revenues	26	8,570,261	11,610,976
(loss)Revenues of Financial Assets-Available for Sale	28	(2,573,401)	(3,256,110)
Revenues of Financial Assets-Held to Maturity	29	267,963	960,938
Ijara Revenues	30	437,845	460,168
Total		6,702,668	9,775,972

34. Bank's Share of Restricted Investment Accounts As Agent

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Restricted Investments Revenues	1,419,323	6,776,986
<u>Deduct:</u> Real-estate Ijara Depreciation	(128,504)	(124,108)
Net Restricted Investment Revenues (List B)	1,290,819	6,652,878
<u>Deduct:</u> Restricted Investment Accounts Share	(1,061,297)	(5,616,074)
Total	229,522	1,036,804

35. Foreign Currency Profits

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Resulted from Trading / Transaction	574,536	357,200
Resulted from Evaluation	467,633	574,640
Total	1,042,169	931,840

36. Revenues from Banking Services

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Sold Securities Commissions	157,817	114,609
Letters of Credit Commissions	650,050	637,795
Guarantees Commissions	219,223	183,744
Incoming Transfers Commissions	18,831	11,821
Visa Commissions	199,741	194,990
Others	545,626	457,464
Total	1,791,288	1,600,423

37. Other Revenues

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Rents Revenues	-	2,064
Mail, Telephone and Telex Revenues	203,013	191,785
Other Revenues	100,011	126,444
Total	303,024	320,293

38. Staff Expenses

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Salaries, Benefits and Allowances	4,480,095	3,631,308
Bank's Contribution at Social Security	422,491	326,896
Medical Expenses	252,356	218,721
Staff Training Expenses	44,594	8,890
Travel Per Diem Expenses	173,514	158,514
Insurance Expenses	8,289	9,084
Total	5,381,339	4,353,413

39. Other Expenses

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Rents	330,382	229,965
Stationery and Prints	197,482	152,005
Telephone and Mail	250,109	375,768
Maintenance and Cleaning	202,592	169,901
Fees and Licensing	14,681	12,184
Advertising and Promotion Fees	663,063	400,897
Insurance Expenses	17,080	42,262
Water and Electricity	217,624	174,486
Donations	27,113	18,640
Subscriptions	380,370	390,836
Transport and Travel Expenses	152,656	145,979
Consultations & Professional Services Expenses	72,058	71,935
Information Systems Expenses	735,141	520,580
Jordanian Universities Fees	45,249	116,834
Scientific Research Fund	45,249	116,834
Board Members' Remuneration	25,000	25,000
Technical and Vocational Education and Training Fund	6,889	52,562
Miscellaneous	126,011	109,206
Total	3,508,749	3,125,874

40. Earnings per Share

This item is detailed, as follows:

Item	2009	2008
	JD	JD
Profit of the Year – Statement (B)	2,596,472	7,823,727
Weighted Average of Number of Shares*	90,875,000	75,250,000
Profit Per Share for the Year - basic	0.03	0.10

We calculated the weighted average of number of shares from year 2008 (75,250,000) shares instead of (59,250,000) shares and that is because the increase in the capital of the bank to (JD 8,500,000) comes from shares dividend.

41. Cash and Cash Equivalents

This item is detailed, as follows:

Item	December 31	
	2009	2008
	JD	JD
Central Bank's Cash and Balances Due in Three Months	46,324,466	42,998,924
<u>Add:</u> Banks and Financial Institutions' Balances Due in Three Months	67,085,126	289,191,523
<u>Deduct:</u> Banks and Financial Institutions' Deposits Due in Three Months	209,690,141	314,267,433
Total	(96,280,549)	17,923,014

42. Transactions with related Parties

The Bank considers, within its normal activities, transactions with shareholders, members of Board of Directors, members of Top Executive Management and sister companies using Murabaha rates and trade commissions. Transactions with concerned parties are detailed, as follows:

Item					Total	
	Arab Bank (Owning Party)	Members of Board of Directors	Sister Companies	Members of Sharia Advisory Committee	December 31 2009	December 31 2008
	JD	JD	JD	JD	JD	JD
Balance Sheet Items						
Banks and Financial institutions' Balances	66,734,105	-	-	-	66,734,105	277,953,537
International murabaha (investments in commodities)	560,707,693	-	-	-	560,707,693	183,143,668
Mudaraba financing	-	-	3,511,178	-	3,511,178	4,494,906
Banks and Financial institutions' Accounts	144,545,293	-	-	-	144,545,293	268,133,310
Unrestricted Investment Accounts	-	105,784	-	52,279	158,063	386,230
Financial asset available for sale	-	-	11,504,477	-	11,504,477	10,913,992
Sales receivables and Ijara	-	101,868	-	-	101,868	-
Off-balance sheet Items						
Guarantees	-	1,200	-	-	1,200	-
Income Statement Elements						
Investment Portfolio Revenues	-	-	-	-	-	400,000
Received Profit	-	-	268,784	-	268,784	232,352
Distributed Profits	-	-	-	632	632	4,456
Bonuses	-	25,000	-	-	25,000	25,000
Transport Expenses	-	51,000	-	-	51,000	60,000

The minimal Murabaha rate earned by the Bank was (none), maximal Murabaha rate (none), minimal profit distribution rate 2.7% and the maximum profit distribution rate 3 %.

In 2009, the international Murabaha balance in the amount of JD 42 Million was transferred from the Bank's records to the owner company's records as per a sale agreement.

As detailed in Note (6), the international Murabaha balance includes the amount of JD 43,4 Million, for which the required provisions were made in the owner company records as at 31 December 2009.

A summary of the benefits (salaries and bonuses) of the Bank's Senior Executive Management is detailed as follows:

Item	2009	2008
	JD	JD
Salaries and Bonuses	632,498	442,444
Total	632,498	442,444

43. Fair Value of Financial Assets and Liabilities Unrecorded in Fair Value in the Financial Statements

There are no significant differences between book value and fair value of the financial assets and liabilities in the financial statements.

44. Risk Management

The Bank manages its various banking risks via several means according to a comprehensive and objective strategy that defines these risks and eliminates their impact through a department and committees concerned with risk management. The Bank's Board of Directors is deemed the highest body in charge with carrying out the operations of the Bank. Accordingly, the Board ultimately is responsible for managing the risks faced by the Bank through its committees.

Risk Management and Regulatory Compliance Department reports and is subject to the Bank's Control Line as well as internal control through the Internal Audit Division, the CEO, Sharia Advisory Committee, and the Board of Directors. This Division designs policies concerned with managing, analyzing and measuring all sorts of risks; and developing advanced techniques to hedge against all risks affecting the Bank's profitability and capital adequacy. It also reports on a regular manner to the Board of Directors describing the latest developments regarding work programs of all departments of Risk Management Division in the Bank for assessment and recommendation purposes.

The Bank seeks, in coordination with the Central Bank of Jordan, to attain a proper level of capital to cover risks included in Basel II Agreement. In this context, the Bank developed its technologies at all levels to promote the Bank's services, closely control risks and develop necessary programs to measure these risks in accordance with the nature and size of the Bank's activity. The Bank as well pays deep attention to human resources by enhancing employees' skills and enrolling them in training

programs related to the application of Basel II properly, in addition to focusing on technology and risks management according to Basel II.

The Risk Management and Regulatory Compliance Department includes the following divisions:

1. Credit Risks

Credit risks can be generally defined as risks arising from the borrower or any third party's failure or unwillingness to fulfill his liabilities, according to the agreed conditions, which in turn causes financial losses to the Bank.

Credit Risk Department is concerned with enhancing the Bank's credit policy and meeting requirements of systems and regulations set by the Central Bank of Jordan and Basel II Committee.

Credit risks in the Bank arise from financing and investment operations, including:

- Credit and financing operations risks.
- Risks of the borrower himself and his activities.
- Risks of one-formula financing operations.
- Risks of Islamic financing instruments.

In this respect, the Bank is concerned with controlling and regulating credit risks throughout:

- Managing and regulating credit portfolio risks through a number of committees, namely the Risk Management Committee of the Board of Directors.
- Monitoring credit, defining authorities of providing facilities, and adopting clear and specific conditions in financing operations.
- Monitoring permitted credit and facility limits, issuing reports necessary for ensuring non occurrence of any violations of these limits and controlling quality.
- Having various financing and investment activities to avoid credit concentration risks for individuals, groups, or customers in certain geographical areas, a certain economic activity, or in financing instruments or products.
- Managing problematic debts, to achieve less credit losses by the Bank.
- Separating marketing divisions from credit and risk management divisions.

Risk Management and Regulatory Compliance Department presents risk reports to the Board of Directors to make the necessary recommendations. These reports shall include a summary of the most significant risks faced by the Bank along with techniques of measurement, control and regulation.

Credit Risk Measurement:

The Bank controls its capital's degree of adequacy through adopting the proper methods to measure credit risks so it is possible to measure capital's degree of adequacy compared with assets, contracts and commitments enrolled in the balance sheet according to their extent of riskiness.

Credit Risk Classification System:

The Bank prepares a system for the classification of credit risks so as to define the credit quality for each facility at provision and monitor this quality along the life of such a facility on a regular basis, in order to define any deterioration potentially occurring and assess the quality of the facilities of credit portfolio as a whole on a regular basis to enhance credit portfolio management, reflecting in turn prices and profits of financing. This system classifies: country risks, customer risks, and facility risks depending upon specific risk elements such as (industry, competitive position, management, cash flow, financial position, and operational performance).

Credit Risk Reduction:

The Bank uses different techniques to prevent and reduce credit risks through defining the volume and value of required guarantees and the value of mortgage receipts based upon credit provision standards followed by the Bank and upon the credit study of facilities and degree of riskiness expected along with completion of all aspects of control on facilities and sources of payment.

The Bank resorts to several procedures to reduce credit risks. Among which, for instance, are reduction of the credit period and value, increase of guarantees, and control of conduct of facilities at provision and renewal. It also sets certain covenants for using facilities.

2. Market Risks:

Market risks can be defined as those risks faced by the Bank as a result of changes in profit rates and in rates of exchange, financial securities and commodities prices. The Bank adopts a conservative policy, having riskiness reduced or set within minimal limits. It also follows the Central Bank of Jordan's instructions in regard to market risks measurement.

3. Operational Risks

The Operational Risks Unit works according to a certain framework of operational risks management. This framework includes policies and procedures explaining the mechanism through which risks are defined, assessed, processed in priority, and then reduced or brought under control through available reduction mechanisms and control activities, which can in turn work on reducing the possibility of occurrence of risks and control of any negative effects arising from any event classified as an operational risk.

This Unit also has started, in cooperation with all other work lines and career areas within the Bank, to establish workshops for purposes of self-based assessment of risks and regulations in order to define and measure all factors of riskiness surrounding the Bank's operations, activities, products and services, along with assessment of control effectiveness; preparation of practical plans to process any problems and faults potentially appearing within this process; development of risk profile at the Bank's level; designation and identification of key risk indicators to assure continuity of control on risk factors, and reporting and recommendations regarding them.

This Unit, in cooperation with certain bodies, will develop a program concerned with

collecting and reporting operational losses potentially faced, and training those in charge in all work units and career areas on using this program.

Operational risks are measured, as stated in the Central Bank of Jordan's instructions as per Basel II, by basic indicator approach or standardized approach. The Bank seeks actually to carry out the standardized approach to measure its operational risks.

Operational risks are as well known as: "risks of loss arising from inadequacy or failure in internal operations, personnel or systems, from external events, or even from events caused by incompliance with the Islamic rules and regulations. This definition of operational risks includes legal risks".

Operational Risks Management Unit includes as well the following departments:

A. Business Continuity Department

Business Continuity Department is concerned with managing risks and monitoring compliance with preparation and management of a number of schemes and plans. This helps assure continuous work in the Bank in case of any failure or breakdown arising from different accidents, disasters or crises caused by different threats whether internal or external. The breakdown of the bank's operations is measured by minutes and hours. This Department designs preset plans across the Bank's divisions and branches. This actually assures continuous work in all operations having failure or breakdown as a result of any accident during work in a substitute location built for this purpose.

B. Information Security Department

This department is concerned with examining risks threatening information security elements through assessing these risks on a regular basis and making use of the international standards and best practices followed in this field at the banking level.

The Duties of this Department are as follows:

- Developing policies and procedures aimed at reducing risks related to information to minimum limits, in line with the Bank's plans' for enhancing work efficiency, implementing information security strategy, and setting regulations to activate policies on the Bank's systems and devices.
- Establishing control standards necessary for protecting information across the Bank's divisions and branches, as well as addressing any recommendations in this respect.
- Perceiving the needs and requirements of modern banking activity related to information security in cooperation with the other concerned departments in order to eliminate risks in light of the changing internal environment.

4. Compliance Control

The Bank's compliance with control bodies' requirements is deemed as one of the most important factors of success and development of the Bank's operations and quality of services offered to customers. The Bank established the Compliance Control Department that is concerned with revising all requirements of control bodies

and ensuring their reflection on internal procedures and policies. This protects the Bank from any risks arising from incompliance with these requirements, such as legal, reputation and concentration risks.

This Department also plays an effective role in protecting the utilization of the Bank's services and products in money laundering and terror financing operations. All banking operations are monitored and verified. In addition, the Compliance Control Department has an important role in supervising the Bank's identification of customers and the validity of their activities and cash resources which ensures that the Bank deals with customers of good reputation and status.

5. Legal Risks

Legal risks are these which may arise directly or indirectly from one or more of events stated in the Operations Risks Definition (individuals, internal operations, systems and external events), or from the Bank's incompliance with the laws and regulations in effect which may incur fines or financial liabilities. Legal risks may arise also from judicial procedures charged by third parties against the Bank, where insufficiency of documents, absence of legal capacity, and invalidity or unenforceability of contracts resulting from improper documentation are deemed as causes of legal risks.

The Legal Division assumes the responsibility for these risks. It verifies all contracts and documents related to the Bank's transactions in addition to the legal follow-up of the debited parties to the Bank in coordination with the Risk Management and Regulatory Compliance Division, and the close follow-up of lawsuits to which the Bank is a party.

6. Reputation Risks

We consider reputation risks as being the negative effects on the Bank's reputation arising from its incompliance with the Islamic rules and regulations and/or failure to fulfill its credit duties toward all cash providers, and/or manage its affairs in an efficient and effective manner, and/or manage all other sorts of risks faced by the Bank. This will lead to several negative impacts; including loss of trust and accordingly decrease of the customers' base, increase in expenses, decrease in profits, and most negatively the collapse of the Bank—may Allah forbid.

The Bank's Reputation Division is based upon three basic rules:

1. The Bank's base of reputation is the quality of its personnel, customers and shareholders.
2. The Bank's reputation depends upon the quality of banking services and products offered to customers in addition to its good relationships with others.
3. The Bank must preserve its strong character before customers in particular and before the entire local community in general.

The principles and values the Bank must preserve are:

1. Preserving its credibility and capability for protecting stakeholders' equities.
2. Looking for the best banking services and products and fulfilling promises.
3. Working in an efficient and effective manner.
4. Respecting others' opinions.

45-a. Credit Risks

1. Expositions to Credit Risks (After Impairment Provision, and Before Guaranties and Other Risk Reducers):

Item	December 31			
	Joint		Self	
	2009	2008	2009	2008
	JD	JD	JD	JD
On- balance Items				
Central Bank's Balances	39,887,629	36,857,074	-	-
Banks and Financial Institutions' Balances	67,085,126	278,522,430	-	10,669,093
Deferred Sale Receivables and Other Receivables				
Individuals	86,705,788	71,133,323	610,223	-
Real-estate Financings	37,775,727	41,930,193	2,127,232	1,377,867
Companies				
Large Companies	375,454,067	247,806,315	381,761,788	175,660,647
Small- and Medium Sized Companies	6,497,262	3,774,071	7,899,379	894,899
Financings	-	-	-	-
Contribution	-	-	-	-
Individuals	-	-	-	-
Real-estate Financings	42,238	308,080	-	-
Mudaraba	-	-	-	-
Companies	-	-	-	-
Large Companies	3,511,178	4,494,906	-	-
Sukouk	-	-	-	-
Financial Assets Held to Maturity	-	-	5,605,531	16,860,729
off-balance Items	-	-	-	-
Guaranties	-	-	11,637,213	12,342,668
Letters of Credit	-	-	23,200,012	13,075,475
Acceptances	-	-	4,618,422	4,316,491
Undrawn loans	-	-	64,064,536	72,551,557
Total	616,959,015	684,826,392	501,524,336	307,749,426

2. Classification of Sale Receivables and Financings According to Degree of Riskiness and As Per Central Bank's Instructions:

2009	Joint					
	Individuals	Real-estate	Large Corporates	Medium Size Enterprises	Banks and Financial Institution	Total
	JD	JD	JD	JD	JD	JD
Low Risk	2,776,795	164,700	-	-	67,085,126	70,026,621
Acceptable Risk	79,148,863	23,748,099	352,480,391	-	-	455,377,353
Past Due						
Past Due up to 30 days	2,868,584	2,996,950	8,899,178	1,270,041	-	16,034,753
Past due 31-60 days	1,238,255	5,231,309	2,099,407	1,337,512	-	9,906,483
Watch list:	270,346	195,827	11,621,100	1,674,989	-	13,762,262
Non-performing:						
Sub-standard debts	268,444	3,350	494,182	597,217	-	1,363,193
Doubtful debts	212,146	550	268,991	429,917	-	911,604
Problematic debts	465,924	7,030,125	5,049,764	2,449,546	-	14,995,359
Total	87,249,357	39,370,910	380,913,013	7,759,222	67,085,126	582,377,628
Deduct: Revenues in suspense	87,347	97,460	212,095	162,240	-	559,142
Provision for impairment	543,569	1,595,183	1,905,530	1,261,960	-	5,306,242
Net	86,618,441	37,678,267	378,795,388	6,335,022	67,085,126	576,512,244

2009	Self						Total
	Real-estate	Large Corporates	Banks and Financial Institutions	Medium Size Enterprises	Individuals	Total	
	JD	JD	JD	JD		JD	
Low Risk	-	-	-	-	-	-	70,026,621
Acceptable Risk	-	338,329,928	-	1,518,079	541,688	340,389,695	795,767,048
Past Due							
Past Due up to 30 days	-	-	-	3,098,259	-	3,098,259	19,133,012
Past due 31-60 days	2,127,232	10,080	-	-	-	2,137,312	12,043,795
Watch list:	-	-	-	3,101,311	49,830	3,151,141	16,913,403
Non-performing:							
Sub-standard debts	-	43,421,780	-	-	312,980	43,734,760	45,097,953
Doubtful debts	-	-	-	494,100	15,869	509,969	1,142,157
Problematic debts	-	-	-	909,416	9,560	918,976	15,914,335
Total	2,127,232	381,761,788	-	9,121,165	929,927	393,940,112	976,317,740
Deduct: Revenues in suspense	-	-	-	17,140	-	17,140	576,282
Provision for impairment	-	-	-	1,221,786	319,704	1,541,490	6,847,732
Net	2,127,232	381,761,788	0	7,882,239	610,223	392,381,482	968,893,726

2008	Joint						Total
	Individuals	Real-estate	Large Corporates	Medium Size Enterprises	Banks and Financial Institutions	Total	
	JD	JD	JD	JD	JD	JD	
Low Risk	1,135,003	241,754	-	-	315,379,504	316,756,261	
Acceptable Risk	63,495,110	33,366,621	229,022,470	-	-	325,884,201	
Past Due							
Past Due up to 30 days	2,991,660	1,696,537	8,755,037	467,245	-	13,910,479	
Past due 31-60 days	1,956,068	1,419,223	3,419,625	321,488	-	7,116,404	
Watch list:	892,348	766,199	5,684,750	899,111	-	8,242,408	
Non-performing:							
Sub-standard debts	644,943	2,991,707	4,162,552	1,180,237	-	8,979,439	
Doubtful debts	323,289	78,019	2,443,504	243,830	-	3,088,642	
Problematic debts	489,647	2,372,827	1,373,730	1,919,298	-	6,155,502	
Total	71,928,068	42,932,887	254,861,668	5,031,209	315,379,504	690,133,336	
Deduct: Revenues in suspense	137,290	168,479	320,450	132,241	-	758,460	
Provision for impairment	794,745	694,615	1,880,506	1,257,138	-	4,627,004	
Net	70,996,033	42,069,793	252,660,712	3,641,830	315,379,504	684,747,872	

2008	Self						Total
	Real-estate	Large Corporates	Banks and Financial	Medium size Enterprises	Individuals	Total	
	JD	JD	JD	JD	JD	JD	
Low Risk	-	-	10,669,093	-	-	10,669,093	327,425,354
Acceptable Risk	709,346	174,918,252	-	894,899	-	176,522,497	502,406,698
Past Due						-	-
Past Due up to 30 days	-	1,059,652	-	-	-	1,059,652	14,970,131
Past due 31-60 days	668,521	-	-	-	-	668,521	7,784,925
Watch list:	-	8,720	-	-	-	8,720	8,251,128
Non-performing:						-	-
Sub-standard debts	-	56,315	-	-	-	56,315	9,035,754
Doubtful debts	-	943	-	-	-	943	3,089,585
Problematic debts	-	121,287	-	-	-	121,287	6,276,789
Total	1,377,867	176,165,169	10,669,093	894,899	0	189,107,028	879,240,364
Deduct: Revenues in suspense	-	-	-	-	-	-	758,460
Provision for impairment	-	916,490	-	-	-	916,490	5,543,494
Net	1,377,867	175,248,679	10,669,093	894,899	0	188,190,538	872,938,410

The distribution of fair value of guarantees offered against deferred sale receivables and other receivables and financings is detailed, as follows:

2009	Joint					Self				
	Individuals	Real-estate Financing	Corporates		Total	Real-estate Financings	Corporates		Total	Total
			Large Corporates	Small- and Medium size enterprises			Large Corporates	Small and medium size enterprises		
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Guarantees Against:										
Low Risk	2,776,795	164,700	-	-	2,941,495	-	-	-	-	2,941,495
Acceptable Risk	19,921,475	4,732,056	289,572,058	14,382,584	328,608,173	-	330,439,620	315,699	330,755,319	659,363,492
Watch list	275,629	22,672	9,187,472	1,601,405	11,087,178	-	1,315,206	194,962	1,510,168	12,597,346
Non performing:-										
Sub-standard	83,583	13,459	5,920,478	459,037	6,476,557	-	-	-	-	6,476,557
Doubtful debts	92,005	10	1,879,538	652,377	2,623,930	-	-	-	-	2,623,930
Problematic debts	440,123	33,108	3,451,050	1,487,143	5,411,424	-	536,175	-	536,175	5,947,599
Total	23,589,610	4,966,005	310,010,596	18,582,546	357,148,757	-	332,291,001	510,661	332,801,662	689,950,419
Among Which:										
Cash Collaterals	2,776,795	164,700	12,428,755	1,390,588	16,760,838	-	5,864,975	152,720	6,017,695	22,778,533
Real-estate	812,317	4,772,978	32,363,835	12,802,897	50,752,027	-	12,895,624	194,962	13,090,586	63,842,613
Traded Shares	-	-	7,559,000	-	7,559,000	-	-	-	-	7,559,000
Cars and Vehicles	20,000,498	28,327	1,747,023	4,389,061	26,164,909	-	757,965	162,979	920,944	27,085,853
Bank's Guarantees	-	-	255,911,983	-	255,911,983	-	312,772,437	-	312,772,437	568,684,420

2008	Joint					Self				
	Individuals	Real-estate Financing	Corporates		Total	Real-estate Financings	Corporates		Total	Total
			Large Corporates	Small- and Medium size enterprises			Large Corporates	Small and medium size enterprises		
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Guarantees Against:										
Low Risk	1,135,003	335,412	-	490,865	1,961,280	-	-	-	-	1,961,280
Acceptable Risk	43,563,411	36,775,134	184,815,842	11,359,453	276,513,840	543,512	144,082,167	212,740	144,838,419	421,352,259
Watch list	892,348	784,127	3,306,140	628,034	5,610,649	-	-	-	-	5,610,649
Non performing:										
Sub-standard	702,238	3,799,819	3,160,076	705,453	8,367,586	-	-	-	-	8,367,586
Doubtful debts	380,820	143,879	2,382,777	137,588	3,045,064	-	-	-	-	3,045,064
Problematic debts	547,396	2,387,261	587,261	951,506	4,473,424	-	-	-	-	4,473,424
Total	47,221,216	44,225,632	194,252,096	14,272,899	299,971,843	543,512	144,082,167	212,740	144,838,419	444,810,262
Among Which:										
Cash Collaterals	1,135,003	352,305	9,524,584	1,104,834	12,116,726	-	2,672,500	151,545	2,824,045	14,940,771
Real-estate	33,366,850	43,638,167	43,249,796	9,106,168	129,360,981	543,512	10,444,334	61,195	11,049,041	140,410,022
Traded Shares	-	-	7,189,753	-	7,189,753	-	-	-	0	7,189,753
Cars and Vehicles	12,719,363	235,160	3,133,363	4,061,897	20,149,783	-	307,950	-	307,950	20,457,733
Bank's Guarantees	-	-	131,154,600	-	131,154,600	-	130,657,383	-	130,657,383	261,811,983

3. Sukouk

Sukouk classifications are detailed as follows according to external rating agencies:

(Jordanian Dinar)

Rating	Rating Agency	Within Financial Assets held to maturity	Total
AA-	S&P	1,418,000	1,418,000
Unrated	Unrated	4,187,531	4,187,531
Total		5,605,531	5,605,531

4. Concentration of Credit Expositions According to Geographical Distribution:

Area	Inside Jordan	Other Middle East Countries	Europe	United States of America	Australia	Total
Item	JD	JD	JD	JD	JD	JD
Central Bank's Balances	39,887,629	-	-	-	-	39,887,629
Banks and Financial Institutions' Balances	64,043,616	1,322,046	1,680,963	9,822	28,679	67,085,126
Deferred Sale Receivables and Other Receivables and financing						
Individuals	87,316,011	-	-	-	-	87,316,011
Real-estate Financings	39,902,959	-	-	-	-	39,902,959
Corporates						
Large Corporates	148,620,833	612,106,200	-	-	-	760,727,033
Small- and Medium Sized Enterprises	14,438,879	-	-	-	-	14,438,879
Sukouk:						
Within Financial Assets held to maturity	-	5,605,531	-	-	-	5,608,531
Total/2009	394,209,927	619,033,777	1,680,963	9,822	28,679	1,014,963,168
Total/2008	861,105,389	17,280,469	8,997,361	2,775,808	130,599	890,289,626

Deferred Sales Receivables, Other Receivables, and Scheduled Financings:

These are the receivables that have been classified as non-operating receivables/financings and were removed from non-operating receivables and financing under due scheduling. These receivables were classified as watchlist receivables/financings and amounted to JD 16,327 as at 31 December 2009 (against 4,215,880 in the previous year).

Deferred Sales Receivables, Other Receivables, and Rescheduled Financings:

Rescheduling means reorganizing the status of receivables/financing in terms of amending the installments, prolonging the maturity of receivables/financing, deferring certain installments, or extending the grace period. This item was classified as watchlist receivables/financings which amounted to JD 17,695,948 as at 31 December 2009 (against 7,499,223 in the previous year).

5. Concentration of Credit Exposure According to Economic Position:

Item/Sector	Financial	Industry	Trade	Real-estate	Agriculture	Shares	Individuals	Total
	JD	JD	JD	JD	JD	JD	JD	
Central Bank's Balances	39,887,629	-	-	-	-	-	-	39,887,629
Banks and Financial Institutions' Balances	67,085,126	-	-	-	-	-	-	67,085,126
Deferred Sale Receivables and Other Receivables	37,291,649	28,530,713	690,830,769	39,902,909	801,127	17,392,000	87,635,715	902,384,882
Sukouk:								
Within Financial Assets Held to Maturity	1,418,000	-	-	4,187,531	-	-	-	5,605,531
Total/2009	145,682,404	28,530,713	690,830,769	44,090,440	801,127	17,392,000	87,635,715	1,014,963,168
Total/2008	335,974,597	15,160,742	408,265,288	48,423,868	943,808	10,388,000	71,133,323	890,289,626

45-b. Market Risks

The Bank follows certain financial policies concerned with managing different risks within a specific strategy. There is also a committee concerned with managing assets and liabilities in the Bank and is charged with monitoring and regulating risks, and conducting the best strategic distribution for all assets and liabilities whether inside or outside the balance sheet. Its responsibilities include:

- Updating the investment policy followed by the Bank, submitting it to the Board of Directors to be approved on a regular basis, and revising the investment policy implemented and assessing its results against the banking market and competitive indicators.
- Composing investment decision-making committees and distributing authorities, going with the Bank's investment policy.
- Preparing an annual investment plan, in line with its expectations of revenues and changes in market rates, including risk-reduced investment instruments available in the market.
- Preparing reports for the Board of Directors, in which any unexpected changes in rates of financial investments are monitored to mitigate risks of change in market rates.

1. Rate of Return Risks

Risks of return rate arise from the increase of long-term fixed rates in the market, since they do not immediately match with the changes in high returns index. Necessary procedures must be taken to ensure the existence of administrative procedures related to reviewing, measuring and monitoring of return rate risks in addition to reporting, controlling them and ensuring the soundness of their structure.

The Bank is exposed to return rate risks as a result of a gap between assets and liabilities according to their various terms and re-pricing return rate and subsequent transactions in a certain period. The Bank manages these risks by determining the rates of future profits according to the expectations of market conditions and developing new instruments that comply with the Islamic rules and regulations through the Bank's risk management strategy.

1. Attaining the best returns available in the market based on the (Libor) indicator as a standard and a (Benchmarks) for both the investments and the portfolios managed by the Bank.
2. Risks resulting from these investments are taken into account, depending on the option of diversity based on countries, institutions and regions in a manner that ensures the elimination of risks' impacts resulting from those investments.
3. The Bank is committed to managing investments based on matching between the Bank's liabilities, represented by deposits and assets in foreign currencies represented in turn by investments in foreign currencies, where specified term deposits are invested in short term investments and the long term deposits are invested in medium or long term investments.

2. Foreign Currency Risks

Foreign currency risks are managed on basis of (spot) transactions rather than (forward) transactions, where foreign currency positions are monitored daily in addition to the position limits of each currency, as the general policy adopted by the Bank in managing foreign currency is based on the immediate liquidation of positions and covering the required positions according to customers' needs. The regulations of the Central Bank of Jordan shall be adopted with relation to open positions in foreign currency against each other, which stipulate that the licensed banks must possess open (long and short) positions in foreign currencies not exceeding 5% of shareholders' equity for each currency. The US Dollar shall be excluded since it can be regarded as a base currency for this purpose, provided that the gross position of all currencies would not exceed 15% of the total shareholders' equity.

(Jordanian Dinar)

2009			
Currency	Change in Currency Exchange Rate (%)	Impact on Profits and Losses	Impact on Ownership Equity
US Dollar	149,693	149,693	-

(Jordanian Dinar)

2008			
Currency	Change in Currency Exchange Rate (%)	Impact on Profits and Losses	Impact on Ownership Equity
US Dollar	12,450	12,450	-

3. Stock Price Risks

The policy followed by Treasury Department as related to shares and securities management is based on analyzing financial indicators of these prices and fairly assessing them depending on shares' assessment forms, taking into consideration the change in fair value of investments managed by the Bank through diversifying investments and economic sectors.

2009			
Currency	Change in Currency Exchange Rate (%)	Impact on Profits and Losses	Impact on Ownership Equity
Amman Stock Market	5%	-	642,878

2008			
Currency	Change in Currency Exchange Rate (%)	Impact on Profits and Losses	Impact on Ownership Equity
Amman Stock Market	5%	-	582,224

4. Commodities Risks

Commodities risks are caused by any fluctuations in prices of tradable or leasable assets, and related to the current and future fluctuations in market values of specific assets. The Bank is exposed to fluctuations in prices of fully-paid commodities after concluding the sale contracts and during the year of possession, in addition to being exposed to the fluctuation in the residual value of leased asset as in the end of lease term.

Concentration in Foreign Currency Risks:

(To JD One Thousand)

Item	December 31, 2009					
	US Dollar	Euro	Sterling Pound	Japanese Yen	Others	Total
Assets:						
Central Bank's Balances	5,308	80	55	-	3	5,446
Banks and Financial Institutions' Balances	589	1,677	1,030	42	2,510	5,848
Deferred Sale Receivables and other Receivables, Financings and Leases	167,003	1,945	342	-	514	169,804
Financial Assets Held to Maturity	5,605	-	-	-	-	5,605
Other Assets	5,724	-	-	-	-	5,724
Total Assets	184,229	3,702	1,427	42	3,027	192,427
Liabilities:						
Banks and Financial Institutions' Balances	145,726	-	-	-	-	145,726
Customers' Deposits (Current, Saving, term)	33,998	3,653	1,225	40	2,613	41,529
Cash Margin	1,037	195	-	-	84	1,316
Other Liabilities	815	31	11	-	6	863
Total Liabilities	181,576	3,879	1,236	40	2,703	189,434
Net Concentration inside Current Year's Balance Sheet	2,653	(177)	191	2	324	2,993
Potential Liabilities outside Current Year's Balance Sheet	22,369	3,615	265	0	2,066	28,315
31 December 2008						
Total Assets	296,721	2,703	539	1	3,433	303,397
Total Liabilities	299,211	2,714	411	1	2,884	305,221
Net Concentration inside Balance Sheet	(2,490)	(11)	128	-	549	(1,824)
Potential Liabilities off Balance Sheet	14,397	2,258	130	32	462	17,279

45-c. Liquidity Risks

Within the framework of the Bank's general strategy to generate optimal return on its investments, the Liquidity Division ensures the Bank's ability to meet short- and long-term cash obligations. The Bank's cash liquidity is reviewed and managed in periods. The cash obligations and available funds are assessed daily at the branch level by the branch's management and treasury department, and by the financial control and treasury department at the Bank's level. Moreover, review and analysis of cash liquidity and the Bank's assets and

liabilities are done on a monthly basis, in addition to analyzing maturity terms of assets and liabilities to ensure balance. This also includes the analysis of sources of funds in accordance with the nature of sources and uses.

First: Distribution of Liabilities

Distribution of (non-deducted) liabilities on grounds of residual periods as of the date of financial statements is detailed as follows:

(To JD One Thousand)

2009	Due in Less Than a Month	Due in 1- 3 Months	Due in 3 – 6 Months	Due in 6 Months – 1 Year	Due in 1 – 3 Years	Due in More Than 3 Years	Without Maturity	Total
Liabilities:								
Banks and Financial Institutions' Balances	209,690	-	-	-	-	-	-	209,690
Customers' Current Accounts	168,608	-	-	-	-	-	-	168,608
Cash Securities	61	9,088	7,926	687	-	-	-	17,762
Staff Indemnity Provision	-	-	-	-	-	-	1,106	1,106
Income Tax Provision	3,050	-	-	-	-	-	-	3,050
Other Liabilities	12,547	-	-	-	-	-	-	12,547
Investment Risk Fund	546	-	-	-	-	-	2,185	2,731
Unrestricted Investment Accounts	-	289,789	161,832	56,063	-	-	-	507,684
Total	394,502	298,877	169,758	56,750	-	-	3,291	923,178
Total Assets (As Expected Maturities)	120,295	665,296	69,609	40,043	121,485	5,002	19,048	1,040,778

(To JD One Thousand)

2008	Due in Less Than a Month	Due in 1- 3 Months	Due in 3 – 6 Months	Due in 6 Months – 1 Year	Due in 1 – 3 Years	Due in More Than 3 Years	Without Maturity	Total
Liabilities:								
Banks and Financial Institutions' Balances	314,267	-	-	-	-	-	-	314,267
Customers' Current Accounts	105,221	-	-	-	-	-	-	105,221
Cash Margin	4,578	12,411	1,206	2,866	-	-	-	21,061
Staff Indemnity Provision	-	-	-	-	-		937	937
Income Tax Provision	5,374	-	-	-	-	-	-	5,374
Other Liabilities	7,189	-	-	-	-	-	2,507	9,696
Investment Risk Fund	661	-	-	-	-	-	1,849	2,510
Unrestricted Investment Accounts	21,119	287,423	11,921	34,573	-	-	-	355,036
Total	458,409	299,834	13,127	37,439	-	-	5,293	814,102
Total Assets (As Expected Maturities)	650,392	12,204	41,295	51,432	136,690	-	15,615	907,628

Second: Off-Balance Sheet Items

	Until Year	
	2009	2008
	JD	JD
Credit Letters of credit and Acceptances	27,818,434	17,391,966
Unutilized Financing Limits	64,064,536	72,551,557
Guarantees	11,637,213	12,342,668
Total	103,520,183	102,286,191

46. Information on the Bank's Business Sectors

a. Information on the Bank's Activities

The Bank is structured for administrative purposes, where the sectors are measured according to the reports used by the CEO and chief decision maker in the Bank through four major business sectors.

Individuals' Accounts:

This sector includes follow-up of unrestricted investment accounts, deferred sale receivables, financings, credit cards and other services.

Corporate Accounts:

This sector includes follow-up of unrestricted investment accounts, deferred sales receivables, financings, and other banking services related to corporate customers.

Treasury:

This sector includes providing services of trading, treasury and management of the Bank's funds.

Information on the Bank's segments according to activities (amounts in JD one thousand) is shown as followed:

Item	Individuals	Institutions	Treasury	Others	Total	
					2009	2008
Total Revenues (Joint and Self)	1,409	7,750	7,776	303	17,238	21,416
Investment Risks Fund Share of Joint Investment Accounts' Revenues	(445)	(1,196)	-	-	(1,641)	(1,888)
Results of Segment's Operations	964	6,554	7,776	303	15,597	19,528
Undistributed Expenses	(927)	(4,317)	(5,951)	-	(11,195)	(8,156)
Profit before Tax	37	2,237	1,825	303	4,402	11,372
Income Tax	(13)	(945)	(742)	(106)	(1,806)	(3,548)
Years' Net Profit	24	1,292	1,083	197	2,596	7,824
Segment's Assets	87,228	191,312	743,979	-	1,022,519	892,013
Undistributed Assets on Segments	-	-	-	18,259	18,259	15,615
Total Assets	87,228	191,312	743,979	18,259	1,040,778	907,628
Segments' Liabilities	518,726	175,328	209,690	-	903,744	795,586
Undistributed Liabilities on Segments	-	-	-	137,034	137,034	112,042
Total Liabilities	518,726	175,328	209,690	137,034	1,040,778	907,628
Capital Expenses	-	-	-	-	3,802	3,882
Depreciations and Amortizations	-	-	-	-	1,168	951

b. Information on Geographical Distribution

The Bank performs its operations mainly in Jordan.

Distribution of the Bank's revenues, assets and capital expenses according to geographical area is detailed as follows:

(To JD One Thousand)

Item	Inside Jordan		Outside Jordan		Total	
	2009	2008	2009	2008	2009	2008
Total Revenues	10,600	13,881	6,638	7,535	17,238	21,416
Total Assets	419,209	617,013	621,569	290,615	1,040,778	907,628
Capital Expenses	3,802	3,882	-	-	3,802	3,882

47. Capital Management

The Bank takes into account the Central Bank's instructions requiring adequate capitals to cover a specific ratio of risk weighted assets in line with the nature of the financing provided and direct investment. Capital is composed for this purpose of the Central Bank requirements related to corporate capital (which is the basic capital and additional capital).

Capital Division aims at investing funds in financial instruments of different risks (between high and low risks) for attaining a good return and achieving the capital adequacy ratio required by the Central Bank of Jordan estimated at 12%.

The main reasons for the change in the corporate capital during the year is the non-distribution of the profit realized in the year which was capitalized in the shareholders' equity through statutory, voluntary, and special provisions.

The amount deemed by the Bank as capital along with capital adequacy are detailed as follows:

(To JD One Thousand)

Item	December 31	
	2009	2008
Basic Capital's Items	111,798	93,259
Paid up Capital	100,000	73,000
Statutory Reserve	7,077	6,624
Voluntary Reserve	3,509	3,304
Retained Earnings	2,992	12,249
Deduct : Intangible Assets	(1,780)	(1,918)
Additional Capital	-	117
Accumulated Change in Fair Value	-	-
Financial Assets available for Sale	200	(2,535)
General Provision on Credit Facilities	3,067	2,652
Total Corporate Capital	115,065	93,376
Total risk weighted Assets	530,299	461,606
Capital Adequacy Ratio (%)	21.70%	19.42%
Basic Capital Ratio (%)	21.08%	19.40%

48. Assets and Liabilities Maturity Analysis:

Analysis of both assets and liabilities, expected to be retrieved or settled, is detailed per period as follows:

(To JD One Thousand)

December 31, 2009	For One Year	More Than Year	Total
Assets:			
Cash and Balances with Central Bank	46,324	-	46,324
Balances with Banks and Financial Institutions	67,085	-	67,085
Deferred Sale Receivables and Other Receivables – Net	762,891	41,189	804,080
Financings – Net	-	3,553	3,553
Financial Assets Available for Sale	12,043	815	12,858
Financial Assets Held to Maturity (Net)	-	5,606	5,606
Ijara Assets – Net	6,315	72,627	78,942
Real States Investments	-	3,485	3,485
Qurd Hasan	585	-	585
Fixed Assets – Net	-	11,873	11,873
Intangible Assets	-	1,779	1,779
Deferred Tax Assets	-	2,697	2,697
Other Assets	-	1,911	1,911
Total Assets	895,243	145,535	1,040,778
Liabilities and Unrestricted Investment Accounts' Equity:			
Bank's and Financial Institutions' Deposits	209,690	-	209,690
Customers' Current Accounts	168,608	-	168,608
Cash Margin	17,762	-	17,762
Other Provisions	-	1,106	1,106
Income Tax Provision	3,050	-	3,050
Other Liabilities	12,547	-	12,547
Unrestricted Investment Accounts	507,684	-	507,684
Investment Risk Fund	-	2,185	2,185
Investment Risk Fund's Income Tax Provision	546	-	546
Total Liabilities and Unrestricted Investment Accounts' and Shareholders' Equity	919,887	3,291	923,178
Net	(24,644)	142,244	117,600

(To JD One Thousand)

2008	For One Year	More Than Year	Total
Assets:			
Cash and Balances with Central Bank	42,999	-	42,999
Balances with Banks and Financial Institutions'	289,191	-	289,191
Deferred Sale Receivables and Other Receivables – Net	397,711	64,663	462,374
Financings – Net	-	4,803	4,803
Financial Assets Available for Sale	11,644	-	11,644
Financial Assets Held to Maturity (Net)	9,217	7,644	16,861
Ijara Assets – Net	4,309	59,461	63,770
Qurd Hasan	252	16	268
Fixed Assets – Net	-	10,358	10,358
Intangible Assets	-	1,918	1,918
Deferred Tax Assets	-	1,781	1,781
Other Assets	-	1,661	1,661
Total Assets	755,323	152,305	907,628
Liabilities and Unrestricted Investment Accounts' Equity:			
Bank's and Financial Institutions' Deposits	314,267	-	314,267
Customers' Current Accounts	105,221	-	105,221
Cash Margin	21,061	-	21,061
Other Provisions	-	937	937
Income Tax Provision	5,374	-	5,374
Other Liabilities	7,189	2,507	9,696
Unrestricted Investment Accounts	355,036	-	355,036
Investment Risk Fund	-	1,849	1,849
Investment Risk Fund's Income Tax Provision	661	-	661
Total Liabilities and Unrestricted Investment Accounts' and Shareholders' Equity	808,809	5,293	814,102
Net	(53,486)	147,012	93,526

49. Fair Value levels

The following table includes the financial instruments recorded in fair value based on the method of evaluation, which is defined at different tiers as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Information other than quoted price in level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (i.e. derived from the prices);
- Level 3: Information on the asset or liability is not based on those observed from the market (non observable information).

December 31 2009	First Level	Second Level	Third Level	Total
	JD	JD	JD	JD
Financial Instruments Assets:				
Financial Assets Available for Sale	12,857,577	-	-	12,857,577
Financial Assets held to maturity	-	5,605,531	-	5,605,531
Total	12,857,577	5,605,531	-	18,463,108

50. Contingent Commitments (Off Balance Sheet)

Item	December 31	
	2009	2008
	JD	JD
Credit Letters	23,200,012	13,075,475
Acceptances	4,618,422	4,316,491
Guarantees:		
Payment	5,227,932	4,692,353
Performance	2,674,974	3,810,463
Others	3,743,307	3,839,852
Unutilized Financing Limits	64,064,536	72,551,557
Total	103,520,183	102,286,191

51. Lawsuits against the Bank

There are lawsuits filed against the Bank in the amount of JD 81,135 as at December 31, 2009. According to the Legal Advisor, the lawsuits provision in the amount of JD 12,400 was made. Therefore, no additional amounts will be incurred on the Bank against these lawsuits (compared to JD 86,141 as at 31 December 2008).

52. Comparative Figures

In 2009, the management of the Bank made certain adjustments to the comparative figures in the financial statements of 2008 as a result of reconsidering the manner of calculating the deferred tax assets detailed as follows:

31 December 2008			
<u>Item</u>	Announced Balance	Adjustment Effect	Adjusted Balance
	JD	JD	JD
Assets			
Deferred Tax Assets	464,546	1,316,039	1,780,585
Shareholders' Equity			
Retained earnings	10,933,389	1,316,039	12,249,428
Statement of Income			
Income Tax	4,864,484	(1,316,039)	3,548,445
Profit for the Year	6,507,688	1,316,039	7,823,727

Some of the comparative figures were reclassified to be in line with the classification of the figures of the current year.

Islamic International Arab Bank plc

Thirteenth Annual Ordinary General Assembly Meeting Agenda

Rabi' Al-Thani 7, 1431 AH

March 23, 2010 AD

1. Presentation of minutes of the twelfth General Assembly's session
2. Presentation and approval of Board of Directors' Report for the year 2009, and Corporate Work Plan of 2009
3. Presentation of Auditors' report on financial statements for the year 2009
4. Presentation and approval of the Bank's accounts and balance sheet for the year 2009
5. Approval of General Assembly on allocation of profits realized for the year 2009
6. Discharge of members of Board of Directors for the year 2009
7. Election of the External Auditors for the year 2010 and setting their fees.
8. Other reasonable issues proposed by General Assembly to be listed in an ordinary meeting agenda, provided that this proposal shall be approved by a number of shareholders owning not less than (10%) of shares represented in the meeting