



In the name of Allah, the Entirely Merciful, the Especially Merciful;  
«Whatever (debt) you lay out as usury, so that it may increase in the property of men, it will not increase for Allah. Whatever you give as charity, desiring Allah's pleasure- it is those charity givers who will get manifold.»

(Ar-Room/ The Romans, 30/39)



البنك العربي الاسلامي الدولي  
ISLAMIC INTERNATIONAL ARAB BANK

**Islamic International Arab Bank plc**  
**Amman-Jordan**

**Annual Report 2012**



And today, we underline this approach by presenting you with our new  
annual report with a contemporary design that exudes creativity in  
celebration of our fifteenth anniversary







His Hashemite Majesty King Abdullah the Second Ibn Al Hussein (may God protect him)





His Royal Highness Crown Prince Hussein Bin Abdullah (may God protect him)





## Our Vision

To be the leading Islamic banking institution in the Arab world.



## Our Mission

To achieve leadership in our chosen markets in accordance with Islamic Shariah rules as an organization dedicated to deliver highest quality products and the special services to the customer presented through a highly qualified staff in compliance with the best professional and ethical standards within a motivating environment, supported by advanced technologies and efficient distribution channels to achieve high and advanced financial results.

قيمنا الأساسية

## Our Core Values

Honesty and decency with ourselves and with others,  
Pursuit of excellence and fulfillment of our promises,  
Adherence to the provisions and rules of the Islamic Shariah 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 wherever we are.

الأمانة والصدق مع النفس ومع الآخرين.

نسعى دائماً للتميز ونصدق في وعودنا.

نلتزم بالأسس والأحكام الشرعية الإسلامية في جميع أنشطتنا.

هناك دائماً طريقة أفضل والتحدي أمامنا هو اكتشافها.

نلتزم بالحكم والشريعة الإسلامية في جميع أنشطتنا.

نلتزم دائماً بالمسؤولية الاجتماعية حيثما وجدنا.



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## **Islamic International Arab Bank plc**

### **(Public Shareholding Limited Co,)**

Based on the conclusive verse differentiating between permitted and prohibited, «Allah has permitted trading and forbidden usury» & our belief in the prominent message of Islam in economy being founded on equity and participation, and having the essential banking, commercial, investment and finance efficiency supported by distinguished banking expertise, IIAB commenced its banking operations on Shawwal 12, 1418 AH, corresponding to February 9, 1998. Today, the Islamic International Arab Bank is one of the leading Islamic banking institutions in Jordan and the region.

The Bank was established as a public shareholding company in accordance with the Companies' Act of 1989; IIAB was registered in the Public Shareholding Companies' Register under No, 327 on March 30, 1997.



## Shariah Supervisory Committee

Allah Almighty says in the Holy Qur'an:

«So ask the people of the message if you do not know.»

(Surah Al-Anbya' Verse 7, Surah An-Nahl Verse 43)

The Shariah Supervisory Committee comprise of the following esteemed members:



His Eminence Dr. Ahmad Hlayel  
Committee Chairman



Dr. Ahmad Ayade  
Committee Executive Member



His Eminence Shaykh Saed Hejawe  
Committee Member

Considering the breadth of the field of Islamic Fiqh, and in light of the many developments and changes of the modern economy and its complexity, in addition to the need for a good judgment and deep honest diligence to understand the Fiqh rules to get the Shariah opinion in financial, transactions, and modern banking issues, the necessity of Shariah Supervisory Committee of The Bank emerged based on the Shariah principle: "who works hard and does it right, is rewarded twice and who works hard and does it wrong, is rewarded once".

The Committee performs a significant role in issuing fatwas based on existing Shariah principles or effort that cope with the contemporary need. The committee approves all the contracts and agreements needed by the Bank with other bodies and institutions before they are accredited, sets an array of Shariah-compliant standards to govern the banking operations and offers consultations in issues presented by other relevant bodies.



## Chairman's Message

**In the name of Allah, the Entirely Merciful, the Especially Merciful;**

All Praise be to Allah, Lord of the worlds, And prayers and peace be upon Mohammed, His servant and messenger, all his kin, companions and followers;

**Dear Shareholders,**

**Peace and Allah's blessings be upon you,**

It is a great pleasure to me to greet you as our Bank has finished its fifteenth year. I would like also to present you with the annual report of the Islamic International Arab Bank for the year ended 31st December, 2012, including the Shariah Supervisory Committee report and going through the Bank results during the year, in addition to the External Auditors report concerning the results of their examination of those data.

Despite the current global economic conditions and the events of the Arab Spring and its consequent challenges to the global economies and the economies of the Arab region in particular, the Islamic International Arab Bank resumed its successful march with the help of Almighty Allah and managed to achieve 8% growth in net profits before tax compared to 2011 as the Bank's net profits before tax amounted to JD 16 million in 2012 compared to JD 15 million in 2011. The accounts receivable and local financings portfolio reached JD 564 million at the end of 2012 and with a 22 % increase compared to 2011, whereas deposits and cash margins (restricted and non-restricted accounts) reached JD 1,207 million at the end of 2012 with a 7 % increase over the balances of 2011.

I am proud to say, praise be to Allah, that the International Islamic Arab Bank managed through its march to win the trust of a large number of members of the local community where each of our clients finds the dedication he wants and the innovation in the appropriate banking solutions development at a time when Islamic banking services are seeing an increasing turnout and are highly estimated as a distinctive Islamic replacement to traditional commercial banking services.

The ambitions of the Board of Directors are accelerating day after day. It has been keen on providing its clients with distinguished services and achieving ambitious revenues and profits for them. The board also pays special interest to develop the gains of this pioneer institution and invest in infrastructure projects that support the efforts of the Bank's staff within its strategic plan.



To conclude, on behalf of the Bank's Board of Directors, I would like to seize this opportunity to provoke to Allah Al Mighty to keep this country safe under the command of His Majesty King Abdullah II Bin Al Hussein.

I would like also to thank the wise government and its official institutions, particularly the Central Bank of Jordan for its efforts exerted to supervise banks and its adopted rational monetary policy, in addition to its commitment to the standards of the regulatory authority through adhering to the best corporate governance practices according to the highest transparency, disclosure and credibility towards the Bank, local community, shareholders, clients and employees.

I am also glad to extend my thanks and gratitude to all current and previous members of the Board of Directors for the efforts that they have exerted over the previous years. At the same time, I am grateful to all IIAB employees in their own different positions for their sincere efforts.

I should not forget to thank the esteemed members of the Shariah supervisory Committee for their efforts and their noble and invaluable contributions to facilitate the Bank's business in compliance with the glorious Islamic Shariah. We extend due thanks to our respected customers who entrusted and supported us assuring them our keenness and commitment to provide them with the best Shariah -compliant banking services and products.

IIAB will remain a trustworthy place for depositors, a safe haven for investors and a halal investment for its shareholders.

Allah is the supporter.

Peace and Allah's blessings be upon you,

Fares Abdel Hamid Sharaf  
Chairman





### General Manager's Message

In the Name of Allah, the Entirely Merciful, the Especially Merciful;

**All Praise be to Allah, Lord of the worlds, and prayers and peace be upon Mohammed and all his kin, and companions;**

**Peace and Allah's blessings be upon you; a good and blessed greeting I convey to you from the executive team and all cadres of Islamic International Arab Bank.**

In light of the global financial crisis and the difficult economic challenges facing countries worldwide, we are proud, praise be to Allah, of the competent efforts of our dedicated staff who worked hard to achieve the goals of the Bank at steady pace in order to transform IIAB's plans into a tangible reality reaching high boundaries in optimism, hope and commitment to noble values and the best Islamic banking practices. Reviewing the growth rates, we find that growth in the balance of local funds portfolio as of 31/12/2012 is 22 % with an increase of 102 million compared to last year.

Customers' deposits increased at a rate of 7 % compared to last year and this indicates the increasing customers' confidence in the Bank despite challenging economic conditions. Also, the total revenues increased by 35 % as IIAB's share of investment revenues increased by 36 %. The percentage of banking service revenue grew 30 % and the revenue on assets before tax recorded 1.4 % against 1.3 % in 2011. As to assets and liabilities management, IIAB continued its efforts to increase growth in the funds available for investment in 2012, according to its investment needs and the available high-yielding money employment channels. In addition to that, IIAB is keen on managing its assets and liabilities so as to ensure the best return possible within an acceptable risk level.

We at IIAB are committed to provide the highest banking services according to Islamic Shariah provisions and employ the best and most advanced technologies throughout all our banking transactions using a number of solutions including: launching innovative Islamic banking services and products that would satisfy the needs of the banking market via a well-distributed network of branches, developing and implementing the electronic channels, boosting the culture of sale, commitment to fulfilling the clients' needs through enhancing the level and quality of client service staff and developing the client service centre, in addition to the constant implementation for interior monitoring and improving the competency and effectiveness of surveillance and control systems.





IIAB is keen on maintaining its growth with rising rates over the next ten years through enhancing the strengths and avoiding the weaknesses within the following key frames:

1. Execution management for Brand Health and Mystery Shopping projects and developing a plan to improve services;
2. Management and application of Key Performance Indicators (KPIs) and Scorecards projects.

In the light of developments in the field of international sanctions and ban programs issued by several organizations, IIAB developed new measures aimed at checking the names of customers requesting new facilities. In addition to that, all staff members completed e-learning programs on the subject of anti-money laundering- advanced level.

For purposes of modernization and ongoing monitoring to the mechanism of linking the banking system's accounts with Fortent's anti-money laundering (AML) solution, all operations codes in the banking system have been verified to be linked with AML Fortent codes.

The Bank will continue to work vigorously to develop its collection of products and services in 2013 through the expansion of the application of certain Islamic financing contracts, and studying the needs of its clients for new banking services and products, in accordance with the provisions of Islamic Shariah. It will focus on offering high-yielding and quality investment opportunities. The bank will expand to provide a bouquet of innovative products in order to make it easier for clients wishing to obtain Shariah-compliant products. With Allah's will, we are confident that that the Islamic International Arab Bank is able to maintain its leadership and excellence through taking all the necessary measures and setting plans considering at the same time both the application of international financial standards and the use of the latest banking systems and software in order to maintain the sustainability of development and increasing the profit. To conclude, I would like to extend our highest appreciation to His Majesty King Abdullah II Bin Al Hussein for his insightful guidance that served as the major motive for us to work towards further building this country of good land and people, I would also thank the Chairman and members of the Board of Directors for their dearest trust placed in me and my colleagues, as well, I would like also to thank each member of our staff in the Islamic International Arab Bank looking ahead for further contribution and success in achieving our future objectives, praying to Allah Almighty to guide us all for the advancement of Islam and Muslims.

The IIAB will remain a trustworthy place for depositors, a safe haven for investors and a halal investment for its shareholders.

Peace and Allah's blessings be upon you,

Iyad G. Asali  
General Manager

## Board of Directors Report

In the name of Allah, the Entirely Merciful, the Especially Merciful

The Fifteenth Annual Report of the Board of Directors for the Year Ended On 31st December 2012

Dear shareholders,

Peace and Allah's blessings be upon you.

Allah Almighty says:

«Act! Allah will behold your actions, and (so will) His messenger and the believers.»

“Allah Most Great has spoken the truth.”

The IIB Board of Directors is pleased to provide you with the fifteenth annual report that includes the results of its achievements and activities along with the financial statements for the year ended on 31st December 2012.

### The Financial Results

IIB managed, thanks to Allah, to achieve a record growth ratio and operating level through increasing the volume of activity and investments in local and international assets. The results indicated profits amounting to JD 16.4 million, which is JD 1.2 million more than what was achieved in 2011 with a growth rate of 8%.



## The General Economic Situation

Jordan enjoys a healthy economy that is capable of adapting to local and foreign changes and achieving stable and sustainable growth rates. The national economy is still achieving strong performance on several financial indicators

GDP rose by 2.8 % during the first three quarters of 2012 compared to 2.4 % during the same period in 2011. Consumer price index (CPI) rose by 4.8 % compared to a growth rate of 4.4 % in 2011. Unemployment slightly grew to 12.5 % during Q4 of 2012 against 12.1 % during the corresponding quarter a year earlier. With respect to monetary policy, the state budget for the central government recorded a deficit of JD 1,161.1 million after foreign aid during the first 10 months of 2012 compared to a deficit of JD 457.5 million during the same period in 2011.

As to public debt, net balance of domestic public debt increased to JD 11,533 million (51.9 % of GDP), as gross outstanding external public debt reached JD 4,743.8 (21.4 % of GDP). The ratio of net public debt (internal and external) amounted to 73.3 % of GDP at the end of October 2012.

In the external sector, total exports dropped during the first nine months of 2012 at a rate of 1.2 % to JD 4,224.5 million, while the imports increased by 10.5 % to JD 10,896 million resulting in a higher trade balance deficit by 19.5% to JD 6,671.5 million, compared to the same period a year earlier. Foreign direct investment (FDI) in the Kingdom showed a net inflow of JD 781.2 million during the first three quarters of 2012 compared with JD 784.3 million during the corresponding period in 2011. Net international investment position (NIIP) at the end of September of 2012 showed a net foreign debt obligation of JD 18,298.2, compared with a foreign obligation of JD 18,392.4 at the end of June 2012.

As to the monetary and banking sector, the balance of foreign reserves at the Central Bank dropped at the end of November of 2012 by \$4,205.5 million compared to the figure recorded at the end of 2011 to reach \$ 6,300.6 million . The balance of reserves at the end of 2012 amounted to JD 6,616.1 million.

The balance of credit facilities granted by licensed banks at the end of November of 2012 rose by JD 1,678.5 million at a growth rate of 10.6 % from the previous year. The balance of total deposits rose by JD 620.6 million at the end of November 2012 at a growth rate of 2.5 % from a year earlier.

In terms of monetary policy, the Central Bank continued to use the available monetary policy tools which enabled it to achieve the targeted monetary stability and maintain a balanced structure of interest rates.

On the other hand, Jordan enjoys a high level of security and stability in light of the instability that is dominating the region and the subsequent economic challenges. Jordan's economy enjoys a free and investment-attractive environment, an effective judicial system coupled with qualified human resources, an efficient banking sector, and one of the most advanced capital markets in the region. All this made investors view Jordan in isolation from unstable surroundings and focus more on what the Kingdom has to provide in regards to political stability, money and promising economic growth rates.

## Bank's Activities

IIAB's management has been keen since the early days of incorporation to provide a comprehensive range of Islamic banking products and services for individuals through its branches in all regions of the Kingdom, including:

- Acceptance of deposits and accounts in Jordanian Dinars and foreign currencies through: deposit accounts of all kinds, savings accounts, joint investments accounts, and specified investment accounts.
- Direct financing to customers in the areas of: sales of Murabaha, Mossawamah, Istisna' and exchange, the two types of lease (Ijarah) which are operational lease and lease ending with ownership, Musharakah, Mudarabah, and investment agencies.
- Buying and selling foreign currencies, issue and receive money orders, trust funds and local IPO's ...etc.

Meanwhile, IIAB did not overlook the provision of a range of Islamic investment products and tools that meet the Mudarabah and needs of corporate sector, including sales of Murabaha, Mossawamah and Istisna'; leasing ending with ownership; Musharakah, Mudarabah, Musharakh and Murabaha letter of credits, remittances, investment agencies, documentary bills, surety bonds and guarantees of all types.

### Capital Investment Volume

Authorized Capital	100,000,000 JD
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## Subsidiaries and Nature of Work

IIAB plc has no subsidiaries.

## Major Shareholders of IIAB

### Shareholder's Name

### No. of Shares

Arab Bank plc

100,000,000 Share/JD

## Competitive Position

IIAB works hard to get 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 2012, IIAB's share of customers' deposits reached 4.67 % of total banking deposits in Jordan; the total direct facilities realized a percentage of 3.28 % of total banking facilities in Jordan; and the Bank's assets realized a percentage of 3.6% of total banking sector assets in Jordan.



## **Key Customers**

IIAB's portfolio is diverse, and the Bank does not rely on major customers (locally or internationally).

## **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 material effect on the Bank's operations or its competitiveness as stipulated by Article (6) of Disclosure Regulations and Accounting Standards issued by the Board of Commissioners of Jordan Securities Commission.

## **The Banks Risks**

The bank was not exposed to any risks during this year or any possible risks foreseen next year that have a material effect on the bank.

## **The financial impact of transactions of non-occurring nature**

There is no financial impact to transactions of a non-recurring nature occurred during the financial year, and it does not fall within the official bank activity.

## Board of Directors Members

### Chairman



#### **Sharif Faris Abdul Hamid Sharaf**

- Chairman of the Islamic International Arab Bank plc as of 9/10/2011.
- Born in 1970. MS in Economics, Banking and Monetary Sciences.
- Governor of Central Bank of Jordan, November 2010- September 2011.
- Chairman of the Investment Unit in the Social Security Corporation, December 2008-Novemeber 2010.
- Member of the Board of Directors of the Arab Bank Europe from 2011 till now

### Members



#### **Mr. Mohammed Mousa Dawood "Mohammed Issa"**

- Vice Chairman of Islamic International Arab Bank plc
- Born in 1956. B.S in Mathematics/Business Administration/University of Jordan, 1978.
- Executive Vice President and Director of Arab Bank - Jordan.
- Worked at the Arab Bank plc since 1978 in several positions till now.
- Board member of The Tourism & Hotels Company of Jordan.



#### **Dr. Ahmad A'awad Abd Al Haleem Al Hossein**

- Board Member of Islamic International Arab Bank plc
- Born in 1966. Ph.D. in Finance Management in 2005.
- Director of the Department of Credit in the Arab Bank – Eastern Mediterranean.
- Member of the Board of Directors for the Arab National Leasing Company.
- Board member of The Arab Bank / Syria.



#### **Mr. Dawod Moh'd Dawod Al-Ghoul**

- Board Member of the Islamic International Arab Bank plc since 28/07/2011.
- Born in 1971. MS in Financial and Tax Consultations- University of Colorado, Denver.
- Experience in financial and tax consultations in KPMG Co., Dallas - Texas USA, 2000 - 2003.
- Executive Vice President in Arab Bank plc, 2003 – till now.





### **Dr. Tariq Mohammed Khalil Hammouri**

- Member of the Board of Directors of Islamic International Arab Bank plc since 11/10/2011.
- Born in 1975, Got his PhD in law from Bristol University in 2002.
- Associate Professor in the Faculty of Law / University of Jordan, 2002 - till now.
- Dean of Law School/ University of Jordan, 2012- till now.
- A legal expert in Legislation and Opinion Bureau, 2011 - till now.
- Member of the Board of the Investment Unit / Social Security 2011 till now.
- Lawyer and legal adviser / partner in Hammouri and Associates Law Firm 2004 till now
- Member of the Board of Directors of Rka'ez Investment Company, 2007 - till now.

### **Board Secretary General**



### **Dr. Mohsen Abu Awad**

- Born in 1963. PhD in Commercial Banks.
- Manager of Corporate sector in the Islamic International Arab Bank plc.

### **Auditors**

Messers / Deloitte & Touché (Middle East).



Chairman and members of the Board of Directors, General Manager, and Board Secretary



## Executive Management

Islamic International Arab Bank is proud of having a top management consisting of a number of elite bankers who enjoy diverse and extensive knowledge and experience besides having received a high standard of training, and who hold special expertise in banking and management.

The members of the executive management of the bank dedicate all their expertise and their efforts towards a common goal which is to achieve the Bank's vision and mission, by providing excellent banking services to our valued customers.

The executive management consists of the following members:

	<p><b>General Manager</b></p>	<p>Born in 1966. He holds MBA degree from the American University in Cairo in 1989. Enjoys 24 years of various banking and administrative experience in Jordan, Saudi Arabia and the United Arab Emirates in commercial and Islamic banks. He joined the Islamic International Arab Bank as of 1/3/2011.</p> <p>Board member of Institute of Banking Studies since 2011 till now.</p> <p>Board of Trustees Member - INJAZ – Jordan since 1/12/2012 till now.</p> <p>Board Member - Islamic Cultural Center at University of Jordan since 12/2012</p>
	<p><b>Chief Support Officer</b></p>	<p>Born in 1955. He holds BA in Accounting from Ain Shams University in 1980. He enjoys 30 years of various banking experience in Jordan and Palestine in commercial and Islamic banks, including 18 years in the Arab Bank. He joined the Islamic International Arab Bank as of 18/2/1998.</p>
	<p><b>Chief Business Officer</b></p>	<p>Born in 1969. He holds BA in Finance and Banking from the University of Yarmouk in 1991. He enjoys 22 years of various banking and administrative experience in Jordan, Saudi Arabia, United Arab Emirates and Qatar. He joined the Islamic International Arab Bank as of 11/5/2011.</p>



**Mr. Yousif Ali Mahmoud  
Al Badri**

**Chief Credit Officer**

Born in 1961. He holds BA in Economics from the University of Jordan in 1983. He enjoys 27 years of experience in banking where he worked at both Jordan Kuwait Bank and Arab Bank. He joined the Islamic International Arab Bank as the Credit Manager since 3/6/2007.



**Mr. Abbas Jamal Moh'd  
Marei**

**Chief Finance Officer**

Born in 1975. He holds BA degree in Accounting from Al-Zaytoonah Private University of Jordan in 1997. He has several specialized certificates and enjoys 15 years of experience in accounting and financial management in commercial banks. He joined the International Islamic Arab Bank as of 2/5/2006.



**Mr. Haitham Tawfiq  
Moh'd Murrar**

**Head of Business  
Transformation  
Division**

Born in 1974. He holds MBA degree from New York Institute of Technology in 2010. He enjoys 16 years of experience in consulting and project management. He joined the Islamic International Arab Bank as of 13/3/2011.



**Dr. Mohsen Fayez Abdel  
Salam Abu Awad**

**Head of Corporate  
Banking Division**

Born in 1963. He holds a PhD degree in commercial banks from the Arab Academy for Banking and Financial Sciences in 2006. He enjoys 27 years of various banking experience including 19 years in banking facilities in the Islamic banking sector in Jordan (Jordan Islamic Bank). He joined the Islamic International Arab Bank as of 28/8/2005.



**Dr. Nayef Mousa Hassan  
Abu Dhaim**

**Head of Retail Banking  
Division**

Born in 1962. He holds BS degree in Accounting from the University of Jordan in 1985, Master in Financing from the University of Jordan in 1994, and PhD degree in Financing from Amman Arab University in 2008. He enjoys 25 years of various banking experience in banking facilities and branches management in Islamic banks, including 10 years working at Jordan Islamic Bank. He joined the Islamic International Arab Bank as of 1/12/1997.



**Mr. Tariq Mousa  
Shehadah Awwad**

**Head of Internal  
Audit Division**

Born in 1957. He holds BA degree in Business Administration from Beirut Arab University in 1988. He enjoys 28 years of experience in Banking Operations Department and Internal Audit Department at Arab Bank where he held several managerial positions. He joined the Islamic International Arab Bank as of 8/4/2007.



**Mr. Akef Hussien  
Moh'd Hamam**

**Head of Human  
Resources Division**

Born in 1963. He holds BA degree from the University of Texas- USA in 1996. He joined the Arab Bank during 2/2/2005 until 5/8/2007. He enjoys various managerial experiences in the United States before 2005 and he joined the Islamic International Arab Bank as of 5/8/2007.



The General Manager and Senior Management

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## Achievements during 2012

### 1. Major Financial Indicators of 2012

During the course of the past years, the Islamic International Arab Bank achieved a significant success and its financial performance progressed steadily, here are a summary of indicators achieved during 2012 in comparison with previous years:

In (JD)

Major Operations Results	2008	2009	2010	2011	2012
Revenues received in advance	15,674,766	14,647,744	18,885,673	23,254,602	30,471,870
Commissions payable	1,600,423	1,791,288	2,601,505	3,982,323	5,193,959
Net profit before tax	11,372,172	4,402,512	10,013,634	15,202,079	16,418,495
Net profit after tax	7,823,727	2,596,472	7,009,544	10,641,371	11,493,645

### Major Balance Sheet Items

Total Assets	907,628,014	1,003,869,784	1,096,162,778	1,127,482,501	1,174,175,252
Total Customers' Deposits*	666,067,639	855,293,660	961,612,291	1,103,785,911	1,188,365,352
Financing and Investment	581,696,988	931,181,019	1,038,302,961	1,056,576,031	1,082,028,127
Total Shareholders' Equity	56,616,185	80,691,775	87,409,237	90,134,821	100,905,816
Number of Shares	73,000,000	100,000,000	100,000,000	100,000,000	100,000,000

### Some Financial Percentages

Return before tax against assets	1.3%	0.4%	0.9%	1.3%	1.5%
Return before tax against Shareholders' Equity	20.1%	3.7%	8%	17%	16%
Operation Expenses/ Operation Revenues	41.7%	71.7%	57.5%	50%	60%
Shareholders' Equity/ Total Assets	6.2%	11.2%	11%	8%	8.5%

### Off Balance Sheet Items

Letters of Credit	13,075,475	23,200,012	17,064,092	22,726,064	20,906,284
Guarantees	12,342,668	11,637,213	14,355,267	16,990,150	30,197,400
Acceptances	4,316,491	4,618,422	6,437,707	7,673,031	6,591,650

\* Including Specified Commodity Investments





## 2. Banking Services

Over the past years, IIAB has pursued an integrated vision and the inevitable result has been to continue building up and developing an integrated business model of its financing and investment activities and businesses within a balanced system. The bank offers its specialized banking services and products to companies in different sectors which include: large corporations, commercial entities and Small and Medium Enterprises (SME's) through a qualified and well-trained staff in the field of Islamic banking in addition to 10 business centre that fulfill the bank's goals in supporting and developing the commercial projects sector through meeting the increasing demand on Islamic banking services.

In terms of corporate products, the Bank offers an innovative set of products that are consistent with the principles of Shariah financing methods such as leasing ending with ownership (Ijara), Mudaraba, Istisna', Musharaka and Mossawamah. These methods of financing are used to acquire innovative solutions to finance the customers' needs which include:

- Working capital finance.
- Project finance.
- Tender finance.
- Expansion and development of infrastructure projects finance.

### **The Bank also provides foreign trade services finance through:**

- Murabaha letter of credits.
- Self financed letter of credits.
- Collection bills.
- Internal and external guarantees.

The Bank offers excellent services and reliable cash and investments management in Jordanian Dinars and foreign currencies, in addition to management of trading in foreign currencies, follow-up of the activities of monetary and financial markets, as well as liquidity management and asset and liability management. The Bank continued to focus on building a strong foundation to support and strengthen its capabilities in the markets by building excellent relationships with other banks locally and regionally, hiring highly efficient professionals and providing them with the latest advanced means of communication and for a quick response to market demands.

The Bank continued its expansion strategic plan, increasing the number of branches by the end of 2012 to 36 adding four new branches to the year 2011, with the opening of branches in the Al Ruseifa, Jabal Shamali, Abu Nseir, Hureyyah Street, and Deir Alla, in addition to moving Amman's branch to its new location in Quraish Street to reach the largest group of new customers and serve existing customers.



Amman Branch opening ceremony / Quraish Street

The ATM service has been expanded to cover all the bank's branches inside and outside Amman. The number of ATMs amounted to 41 at the end of 2012, 36 of which are located within branches and five outside. In continuation of the ATM network expansion plan aiming at serving the bank's clients in different regions, a number of agreements have been signed with third parties for the purposes of installing automated teller machines outside the city of Amman.

IIAB introduced the bill pay service which enables subscribers of the different service companies to pay water and electricity bills, whether clients of the bank (cash or debit) or non-clients (cash).

IIAB exerted all efforts to develop and improve its e-banking services, as it has been keen to constantly apply the latest technologies and IT developments, in addition to providing a number of contemporary electronic services to clients in order to facilitate transactions and to meet their banking and finance needs. The bank offers internet banking, phone banking, ATM services, as well as SMS service; as part of the bank's keenness to raise the level and quality of the services provided to its customers and dealers alike. The efficiency of the call center has been linked with the bank's available incoming and outgoing calls systems in order to provide prompt service to customers, in addition to developing a new short messaging system through modifying the mechanism of sending text messages upon spotting any transactions carried out on the client's bank accounts. It also added new types of financial and non-financial transactions, allowing the bank to notify its clients with all the transactions carried out on their accounts.

IIAB's Direct Sale Unit is establishing sale points in malls and ministries and crowded areas with the aim of facilitating customers' procedures and meeting their Shariah - complaint banking service or product requirements, such as the Jordanian Saudi Trading Company for Electronics Trading (SmartBuy), EMart, and Leaders Co.



Kafala Program signing ceremony





In light of the growing demand for financial Shariah-compliant products, and based on the bank's plan aimed at providing innovative financing solutions to suit their clients' needs and their aspirations, IIAB completed a number of projects during the past year and introduced a new range of products, where personal finance products were diversified to cover the needs of travel and therapy, in addition to education under the trademarks "My Journey," "My Treatment" and "My Education" in Murabaha and Mossawamah formats.

## Integrated solutions designed to cater your needs

 My Journey  My Education  My Treatment

from Islamic International Arab Bank

In addition, it has modified the network of companies working within the program "installment with the same cash price" through Mossawamah and Jua'aleh formats with a network of leading suppliers of electrical and electronic appliances, and furniture for a period of up to 12 months.

IIAB continuously develops products for asset personal financing solution, including financing of cars, construction materials, electrical appliances, furniture and furnishings in Murabaha format, in addition to financing apartments, and real estate in Ijara or lease ending in ownership at competitive revenue. The bank also expanded the application of Istisna for kitchens and Murabaha for construction materials.

This bank has signed a Jua'aleh agreement in Adha sacrifices within the campaign "Sacrifice and pay in installments" in cooperation with Delta corporation for meat trading by contributing to installments of the price of Udheya over ten months for the bank's customers at monthly installments of JD15 in order to enable clients to perform Islamic rituals and ease the financial burden arising during the holiday period.

In order to enhance the Bank's role in economic development and in continuation of the development message of Islamic banks, the Bank in cooperation with the Jordan Loan Guarantee Corporation developed "Kafala" program to finance small and medium enterprises (SME's), offering thus the first Shariah-compliant bail program in the Kingdom, and allowing a large segment of clients to obtain the funds without the need for sureties.

The Mystery Shopping project was completed with the aim of studying the quality of the provided services in order to apply the concept of quality excellence. Also, queuing systems in branches have been updated and installed, where the QM system has been chosen to cope with the latest global development

IIAB continues to study the needs and demands of its clients in order to develop new banking services and products in accordance with the provisions of Islamic Shariah. The focus will be directed to finding investment opportunities with premium profit and quality.

## Branch Addresses and Contact

No	Branch	No. of Employees	Starting Date	Phone No.	Address
	Head Office	409	February, 9, 1998	5694901	Wasfi Tall St. Bldg. 20
1	Gardens Branch	21	February, 9, 1998	5694623	Wasfi Tall St. Bldg. 20
2	Amman Branch	12	February, 9, 1998	4643270	Rashid Tuleia' St. – Petra Avenue
3	Al Wehdar Branch	10	February, 9, 1998	4777801	Yarmouk St.
4	Irbid Branch	12	February, 9, 1998	02/7276587	Al-Hisn St. – Al-Nozha Avenue
5	Ma'daba Branch	7	May, 2, 1998	05/3248970	Al-Hashemi St.
6	Az-Zarqa Branch	9	January, 4, 1999	05/3989094	26 Abdulmunim Riyadh St. – Al-Shuwam Avenue
7	North Marka Branch	8	September, 7, 2000	4886650	King Abdulla St. – Building no. 457 Opposite to Jabri
8	Wadi Al Seir Branch	10	March, 15, 2001	5813600	Wadi Al-Seir – Major St. – LG Campus – Building no. 47
9	Jabal Al Hussein Branch	8	May, 2, 2001	5657760	Haifa St. – Building no. 3 Ashnana Complex
10	Aqaba Branch	10	October, 31, 2002	03/2019495	Aqaba – Al-Tabari St. – 3rd Zone/ North City Avenue.
11	Al Jubeiha Branch	11	April, 28, 2003	5343569	Jubeiha – Queen Rania St.
12	Al Swefeyeh Branch	9	March, 11, 2007	5826669	Al- Swefeyeh – Suan Al-Thawri St. – Surat Building
13	Al Shmeisani Branch	6	March, 18, 2007	5651110	Al-Shmeisani – Abdul -Hamid Shuman St. – Opposite to Canadian Embassy - Building no. 47
14	Zarqa Private Univ. Branch	4	May, 1, 2007	05/3821022	Zarqa – Zarqa Private University
15	Al Ruseifa Branch	7	October, 1, 2007	05/3748474	Al-Ruseifa King Hussein St. – Next to Arab Bank Building
16	Al Zarqa El Jadida Branch	10	October, 24, 2007	05/3854240	Al-Zarqa el-Jadida – 36 St. – Al-Batrawi Avenue – Next to Samih Mall
17	Dahyat Al Yasmeen/ Hai Nazzal Branch	8	April, 15, 2008	4202126	Dahyat Al Yasmeen- Hai Nazzal- Jabal Arafat St. Next to Alkhareta Circle
18	Khalda Branch	9	May, 13, 2008	5511446	Khalda- Amer Bin Malik St. – Abu Hdeib Building No. 71



No	Branch	No. of Employees	Starting Date	Phone No.	Address
19	Al Sult Branch	7	February, 22, 2009	05/3532316	Al Sult - Al Salalem Area- Shahateet Center-in front of Al-Balqaa Building
20	Abu Alanda Branch	8	January, 22, 2009	4164426	Abu Alanda - Abdelkarim Al-Hadid St.-Hussain Thawabteh Complex
21	Al Hashmi Al Shamali Branch	7	July, 19, 2009	5061993	Amman - Al-Hashmi Al-Shamali - Al-Bathaa' St.
22	Al Nozha Branch	7	July, 26, 2009	5684341	Amman - Al-Nozha - Dahyat Prince Hasan - Al-Sultan Qlawoon St.
23	Al Karak Branch	8	September, 1, 2009	03/2351736	Al-Karak- Hay Al-Baqaeen-AIOmari St.
24	Al Mafrag branch	6	February, 16, 2010	02/6231941	Al-Mafrag – King Hussien Bin Ali St. – Opposite to Old Vegetables Market
25	Ajloun Branch	8	April, 5, 2010	02/6422624	Ajloun – Amman St. – Salah Al-Deen Building 2
26	Tariq Branch	8	August, 4, 2010	5066918	Tabarbour – Tariq St.
27	Al Tafileh Branch	6	November, 1, 2010	03/2241165	Al-Talah – King Hussien St.
28	Jerash Branch	8	December, 16, 2011	02/6342549	Jerash- King Abdullah St
29	Marj Al Hamam Branch	7	April, 25, 2011	5715607	Princess Tagreed St. - Ammon Commercial Complex
30	Irbid - Al Hashemi St. Branch	8	July, 18, 2011	02/7252326	Irbid- Al Hashemi St.
31	City Mall Branch	11	August, 14, 2011	5852035	King Abdullah St. (Medical City St.) - City Mall
32	Al Madina Al Munawarah Branch	7	October, 3, 2011	5524978	Amman- Al Madina Al Manawarah St.- Azzamel Bldg.
33	Al Ruseifa/ Jabal Shamali Branch	7	January, 2, 2012	05/3752664	Rsaifa - King Abdallah II St.
34	Deir Alla Branch	6	January, 19, 2012	05/3570009	Abu Ubaida St.
35	Abu Nseir Branch	6	April, 23, 2012	5238390	Near First Applied Circle
36	Hurreyah St. Branch	7	August, 13, 2012	4201580	Al Mogablen - Hurreyah St.

### 3. Human Resources

The Human Resources Department undertakes to support and facilitate the implementation of the strategic trends of human resources, systems and services, and maintains a dynamic and innovative work environment for the employees.

By the end of 2012, the total Bank's staff reached (712), where 83.8 % of which are university graduates, likely to increase due to the expansion of the volume of work in the currently existing branches and those planned to be opened in the near future. The Bank did finance certain scholarships for some of its ambitious employees seeking to build their future careers by earning various degrees (Diploma, BA, MA, and PhD) in fields of finance, management, and Islamic banking.

The following table shows the employees' categories and qualifications:

	2011	2012
As per Category		
Classified	572	631
Un-classified	75	81
<b>Total</b>	<b>647</b>	<b>712</b>
As per education		
PhD	4	4
MA	47	49
Higher Diploma	6	5
BA	402	450
Diploma	85	89
Other	103	115
<b>Total</b>	<b>647</b>	<b>712</b>
Turnover		
Registrations	47	37
Retirement	-	-
<b>Total</b>	<b>47</b>	<b>37</b>
Percentage to total number of employees	8.7%	5.2%



HR Department held a total of (198) training programs in different management and banking areas including (111) in-house programs attended by (2,371) employees and (87) external ones attended by (168) employees.

#### 4. Information Technology

Information Systems Department under the guidance of the top management accomplished the plan of 2012 and had a significant contribution to a range of strategic goals to develop the technological infrastructure and establish the basic foundations which aim at boosting quality and readiness of infrastructure to cope with global technological advancement and fulfill the bank's expansion goals in terms of banking services and products in a way that insures flexibility, accuracy and safety.

During the year 2012, the Information Systems Department developed various banking services in addition to improving the technical work environment to allow recipients of technical services in all sectors access to different systems, applications and the required information at the appropriate time and speed. Information Systems Department is keen on maintaining a high level of sustainability of workflow in addition to providing technical and logistic support services to all recipients of services within the desired quality and professionalism, which reflected positively on the level of service and increased customer satisfaction in terms of service quality.

Safety and security systems also have been upgraded in both physical and informational aspects in order to protect the work environment and its components and enhance the best controls in data confidentiality and privacy protection. This was also accompanied with constant upgrading for the central banking system in line with business requirements and their developments. Continuity of workflow was ensured through the Emergency Centre and the Backup Centre to handle emergencies.

As the Information Systems Department is working in full coordination with the various departments of the bank and is involved with all the other sectors in the implementation of plans and projects, a new set of banking regulations and services have been developed and implemented with regards to improving the central banking system, developing new systems designed to provide new banking services, automating manual procedures, developing the data classification system and presenting them for the purposes they exist for in order to enable decision makers to study and analyze the data within a group of policies and procedures relevant to the information systems or the bank in general.

We hope, with Allah's will, that next year with the support of the top management and its constant guidance to continue to grow and achieve more strategic goals at the level of the bank and the Information Systems Department to create an integrated balance between plans of the business sector and the corresponding development at the technical level and to maintain the bank's advanced status and classification among local and regional banks and enable it to provide clients with the best banking services and products through the latest techniques to meet the needs of the local market of electronic services and to support the national economy.

## 5. Islamic Banking Awareness

The Bank was very keen to positively and effectively participate in several local conferences and meetings where the bank had presented and discussed several papers. The Bank responded to the invitations of many Jordanian universities to give lectures about the principles of Islamic banking, the experience of IIAB and the role of Islamic banks in investment, development and other aspects. Moreover, the Bank supported events and activities aiming at developing and enhancing the educational aspects of Islamic economics and Islamic banking, as part of its efforts to spread Islamic banking. Among these are the lectures presented by Dr. Ahmed Al Ayyadi, member of the Bank's Shariah Supervisory Committee, to PhD students of the Islamic Banking Dept, World Islamic Sciences & Education University over five training lectures that strengthened students' knowledge of banking, especially the aspect of Islamic financing at IIAB, and introduced them to the Shariah principles in Islamic banking. The main aspects of the lectures focused on money in Islam, Islamic banking, the Islamic comprehensive definition of money, Islamic investment tools, the concept of organized Securitization, riba deceptions, and Islamic practices in banks.

In light of the bank's keenness to support meaningful activities in community and its efforts to cement Islamic banking awareness, it has supported and sponsored the activities of the "first scientific conference "Securitization and Riba Deceptions" in Ajloun National University" scientific conference which was held in Ajloun National Private University; the first edition of "Recent Developments of Conventional and Islamic Banking Business, Reality, Challenges and Future Prospects" held in Al-albayt University; the first "International Forum of Islamic Banks and Financial Institutions" which was organized by the General Council of Islamic Banks and Financial Institutions – Bahrain; the "5th International Conference on Islamic Banking and Finance: Risk Management, Regulation and Supervision" which was organized by the Central Bank of Jordan, the Islamic Research and Training Institute, affiliate to the Islamic Development Bank and the Institute of Banking Studies; the first scientific fatwa forum themed "Fatwa in Jordan: Reality and Prospects" which was held by the General Ifta' Department with the exclusive sponsorship of IIAB; the 19th Annual World Islamic Banking Conference (WIBC 2012) which was held in Bahrain under the theme "Islamic Finance: Adapting to the New Dynamics of Global Finance;" in addition to sponsoring the 15th Jordanian Civil Engineering Conference held annually by the Jordan Engineering Association – Civil Engineering Department. Continuing its efforts to increase the local society's awareness about the importance of Islamic banking, IIAB has sponsored the "Islamic Financing" page of the Souq Wa Mal section in Jordanian Al Ghad Newspaper for one year. Souq Wa Mal as a newspaper section covers the news of Islamic banks both locally and outside and posts analysis regarding all transactions done via Islamic banks.



Honoring of the Islamic International Arab Bank for its support of Al-Tawarruq Banking Conference held at Ajloun University





## 6. Social Responsibility and Local Community Service and Environmental Protection

As part of its commitment to create a better society, IIAB was involved in several activities over the course of 2012 with the aim of developing the local community. And as part of its faith in the meaningful media and its moral and committed mission, the bank signed several joint media cooperation agreements with Hayat FM Radio, the Holy Qur'an Radio and a number of committed websites to cover IIAB's events, activities and media campaigns to communicate with the local community. Moreover, based on the bank commitment to its social responsibilities, its belief in reinforcing the principles of social synergy, and as part of its attempt to establish the principles of its message to interact with the local community through supporting and sharing with its institutions, IIAB supported a number of charitable societies and institutions, the Ministry of Social Development and orphanages, and helped distribute sacrifices within "For Every Hair, You Will Be Rewarded" Campaign launched by Tkiyet Um Ali. The Bank also offered many charitable initiatives such as: distribution of charitable food packages during the Holy month of Ramadan in most of the Kingdom governorates for the fourth consecutive year. It also sponsors events related to orphans in Jordan, inspired by His Majesty King Abdullah II visions which call for promoting the welfare of children in general and orphans in particular through developing their scientific, cultural, artistic and sport skills. Hence, IIAB's annual sponsorship for the "The Arab Orphan Day" in cooperation with Society for the Welfare of Physically Disabled Children.

Furthermore, the Bank paid special attention to children and youth through carrying out a range of sponsored and supported programs of various social, educational and creative activities, including the sponsorship of the sixth "Annual Drawing Competition for Private Education Schools" organized by the Schools of Islamic Educational College.

In realization of the Bank's mission in supporting the memorizers of the Holy Quran through projects organized in all regions of the Kingdom, the Bank contributed in sponsoring and supporting the "Taj Al Waqar Project" for memorizing the Book of Allah Almighty for the youth held by the Islamic Schools of Dar Al Arqam and Amman International, as well as the Holy Quran competitions organized by the Islamic Associations & Organizations Council, the Islamic Cultural Center at the University of Jordan the Islamic and the Holy Quran memorization centers located in the Kingdom.

Based on the Bank's mission in supporting and sponsoring science and scholars and in continuation of acting out its vital role in the development of the local community via supporting events and activities that develop and enhance research skills among the students of Jordanian public and private universities of all scientific disciplines, IIAB supported the 14th Research Competition of Jordanian universities students which is organized by Middle East Studies Center through offering cash prizes to motivate students to continue to conduct scientific research and cope with the latest scientific and technological updates. The Bank intends to discover the creative energies to be employed or invested in for the interest of our beloved country and our Islamic nation.

Jordan's Central Traffic Department honored IIAB for its continuous support of the awareness campaign against traffic accidents which aim at limiting this serious problem that threatens the safety of citizens, as part of a national responsibility that obliges all, citizens and institutes, to intensify their efforts to limit car accidents.

IIAB will remain a trustworthy place for depositors, a safe haven for investors and a halal investment for its shareholders.





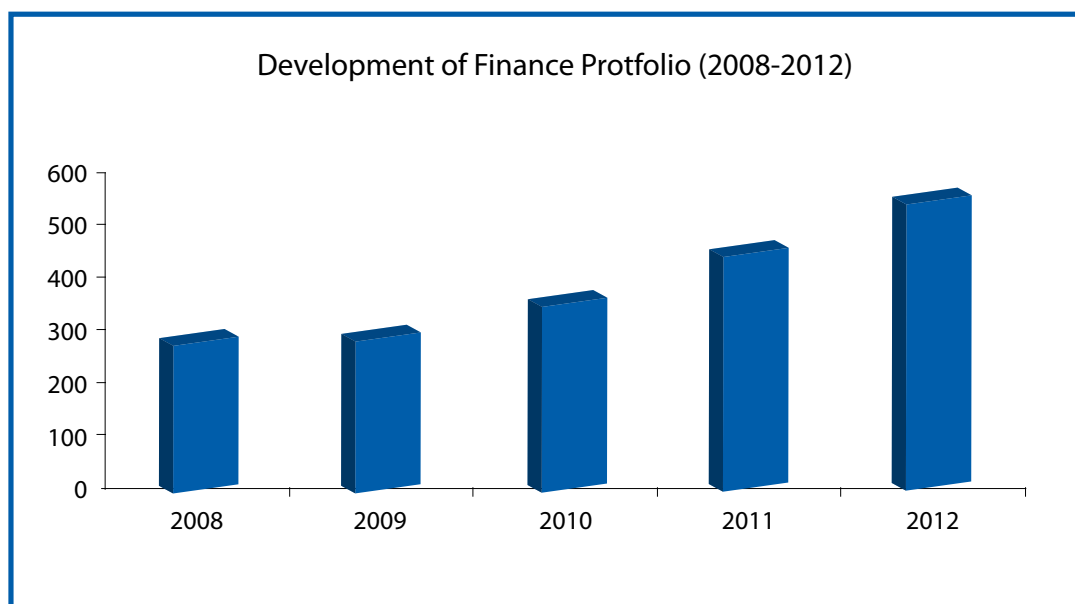
## Financial Indicators and its Analysis

### Investment Portfolio (Direct Credit Facilities)

The balance of the local financing portfolio reached JD 564 million on 31/12/2012, with an increase of JD 102 million at a rate of 22% compared to the previous year.

The following table shows the items of the customers' financing portfolio for the period 2008–2012 which witnessed steady growth:

JD					
Item/ Year	2008	2009	2010	2011	2012
Murabaha Financing	215,760,540	209,069,266	235,090,632	260,665,931	300,263,662
Mudaraba	4,494,906	3,511,178	7,416,717	3,853,146	3,353,762
Istisna	7,041,469	5,561,435	6,726,972	7,184,531	8,882,388
Musharaka	308,080	42,239	31,999	22,292	14,506
Ijara (Lease)	63,769,812	78,942,297	120,106,427	190,611,473	251,536,917
Investments for Customers	131,154,600	255,911,983	247,937,680	213,687,620	211,108,939
Self-investment (for the Bank)	159,167,581	378,142,621	421,464,542	380,551,038	306,867,953
Specified Investments	205,809,884	179,001,566	163,719,548	147,669,673	191,424,388
Customers Liabilities against Letters of Credit	13,075,475	23,200,012	17,064,092	22,726,064	20,906,284
Customers Liabilities Against Guarantees	12,342,668	12,812,069	14,355,267	16,990,150	30,197,400
Acceptances	4,316,491	3,443,567	6,437,707	7,673,031	6,591,650





The financing and investment portfolio is diversified over the following sectors:

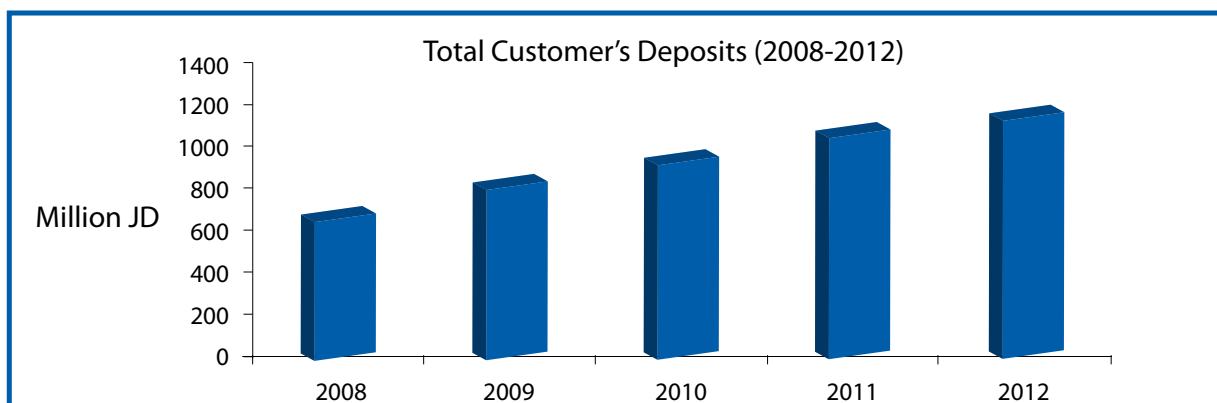
JD

Item	2008	2009	2010	2011	2012
Industry and Mining	13,033,742	28,755,394	34,735,070	55,568,050	50,451,957
Agriculture	943,808	807,436	11,199,527	15,855,336	8,893,469
Constructions	14,413,203	19,030,751	1,500,118	124,610,280	205,262,447
General Trade	70,425,219	70,042,675	73,153,277	73,370,870	73,162,775
Transportation	1,642,681	2,189,857	7,677,779	6,077,354	8,503,294
Real Estate Financing	44,618,834	41,498,142	41,899,986	54,144,494	58,979,506
Vehicles Financing	23,916,852	19,028,613	34,785,069	40,959,981	90,183,341
Financing commodities	25,251,404	19,250,646	13,387,153	82,260,240	23,614,377
Other	33,359,252	17,580,604	30,928,341	9,490,768	45,000,070

### Customers' Deposits

Customers' deposits are deemed as one of the most important sources of fund in the Bank. Customers' deposits portfolio in its various types current and joint and specified investment accounts reached JD 1,188 million, representing a growth at a rate of 8% compared to the previous year, reflecting customers' growing trust in the Bank. The Bank's external resources of fund as on 31/12/2012 are as follows:

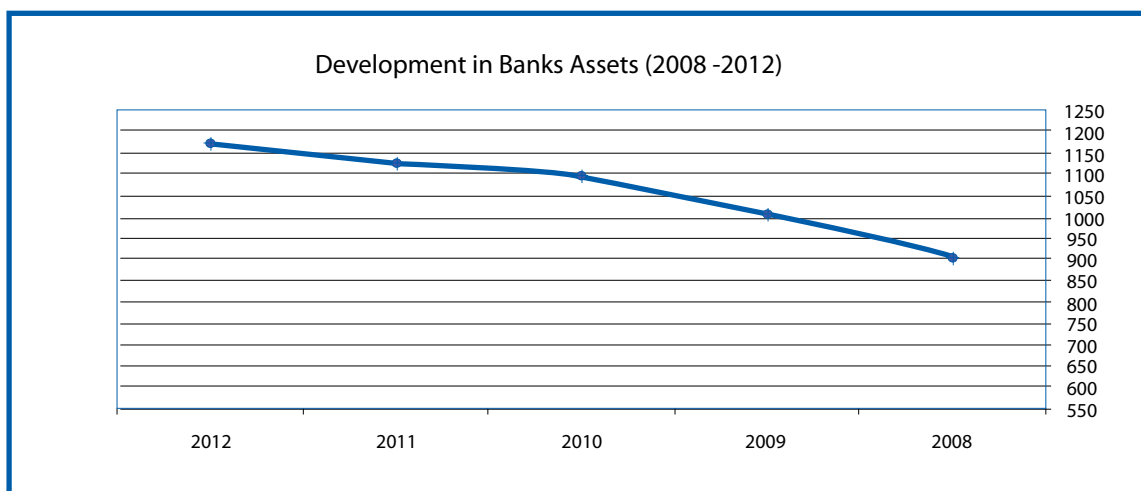
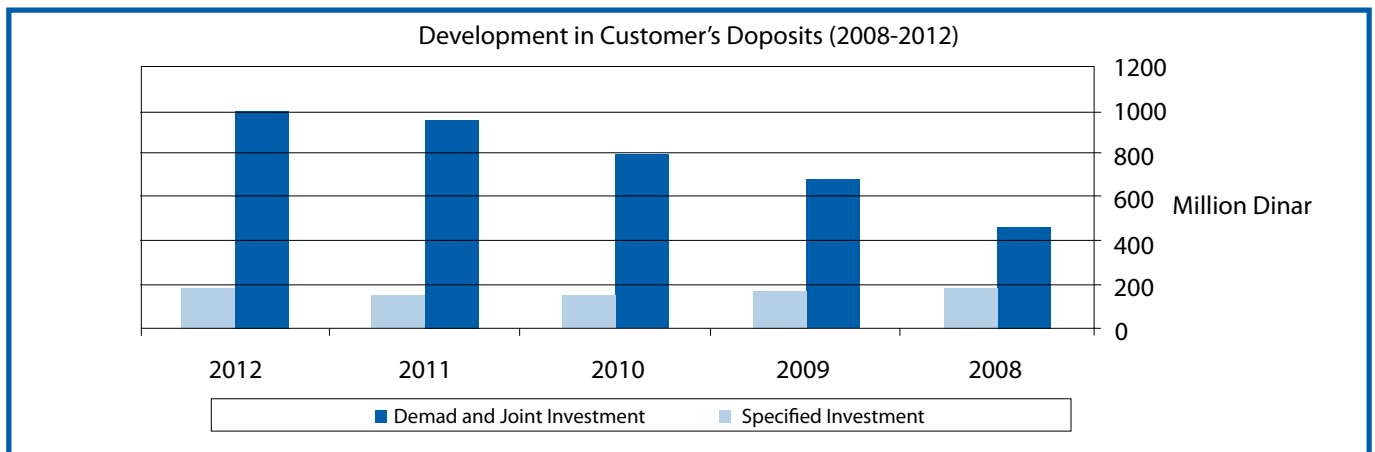
	JD
Customers' Deposits	1,188,365,352
Banks' Deposits	28,557,826
Cash Margin	18,280,399
Total	1,235,203,577



The following table shows the positive development in customers' deposits (Demand deposits and joint investment) and (specified investment) during the years 2008-2012:

JD

	2008	2009	2010	2011	2012
Customers' Deposits (Demand and Joint Investment)	460,257,755	676,292,094	797,892,743	956,116,238	996,940,964
Customers' Deposits (Restricted Investments)	205,809,884	179,001,566	163,719,548	147,669,673	191,424,388
<b>Total</b>	<b>70,425,219</b>	<b>70,042,675</b>	<b>73,153,277</b>	<b>73,370,870</b>	<b>73,162,775</b>



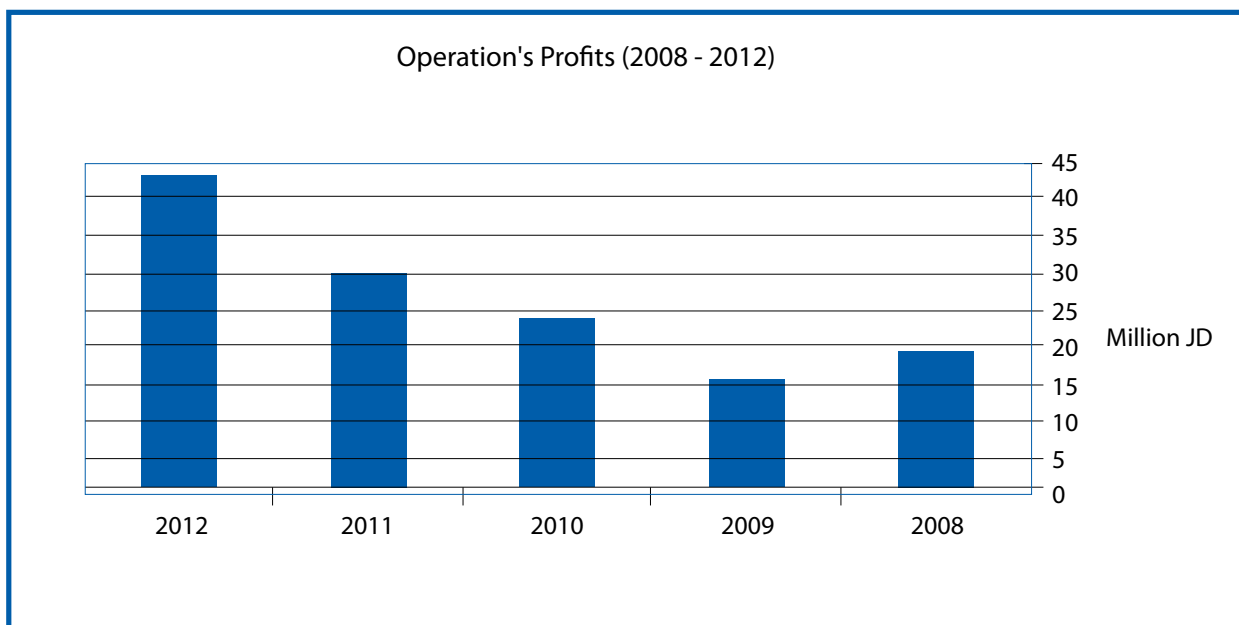


## Additional Notes

This part of the annual report includes some notes to the 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 instructions of "The Instructions and Auditing Standards and the Conditions to be fulfilled in Auditors of the Entities Subject to Securities Commission's supervision 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 applicable international accounting standards, and with the accounting and auditing principles of the Islamic financial institutions issued by The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).



## Investment Revenues

Joint Investment revenues amounted to JD 44,347,959 as of 31/12/2012. These revenues were distributed as per the Bank's Articles of Association and according to the Board of Directors' resolutions, as follows:

- Joint Investment Risks Fund: **JD 6,652,194**
- Customers' Joint investment accounts share: **JD 13,613,085**
- Bank's share of joint investments profits: **JD 24,082,680**

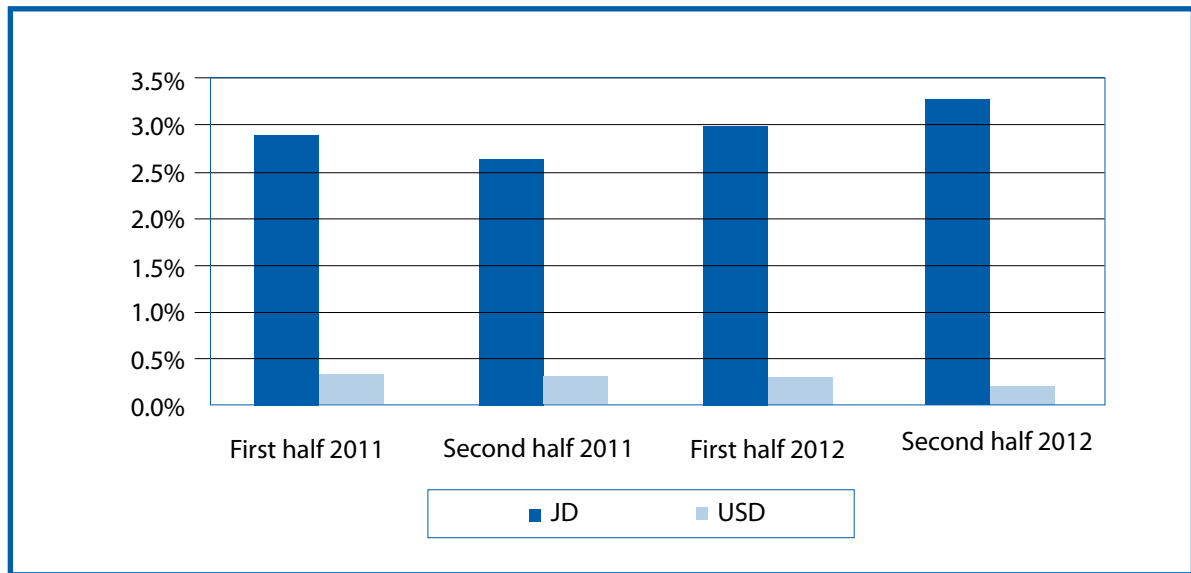
Joint investment accounts contribute to the profitable results of investment according to the ratios specified for Current Year, as follows:

- Term accounts **90%**
- Saving accounts **50%**

The general ratio of profits on joint investment accounts for the first half of 2012 were 2.96%, and 3.26% for the second half in Jordanian Dinar, and in US Dollar 0.31% for the first half and 0.19% for the second half.

The following table shows the general development in profits on joint investment accounts for the period 2011-2012:

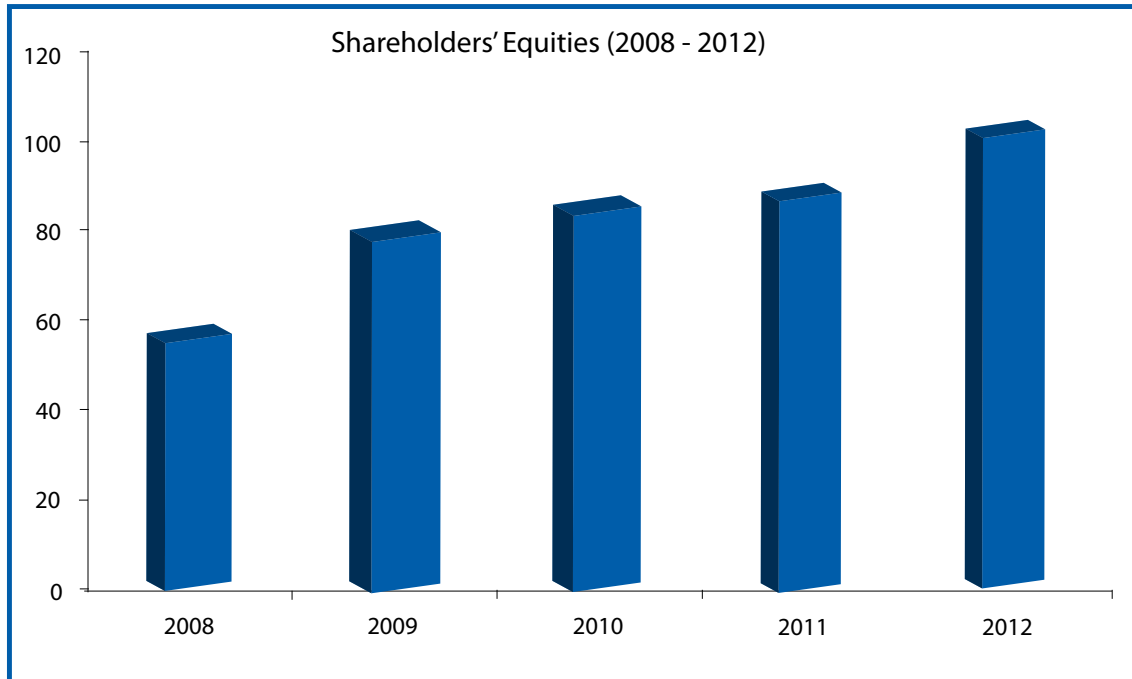
2011				2012			
First Half		Second Half		First Half		Second Half	
USD	JD	USD	JD	USD	JD	USD	JD
0.314	2.967	0.199	3.267	0.34	2.89	0.31	2.64





## Shareholders' Equities Management

Shareholders' equity management is mainly the task of the Bank's Senior Management which works constantly on maximizing these equities in a manner assuring realization of a feasible return for shareholders. In 2012, shareholders' equity reached JD 101 million with an increase of JD 11 million recording a growth of 12% compared to 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 8.5% compared with 8% in 2011.



## Credit Commissions

Total revenues on credit commissions for the year ending on 31/12/2012 amounted to JD 5,193,959. Net credit commissions represented 12% 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 31/12/2012 reached JD 1,548,547. This amount was mainly generated from the Bank customers' activities.

## Revenues on Other Banking Services

The revenues of banking services for the year ending on 31/12/2012 amounted to JD 629,139. This amount was mainly generated out of various charges collected against servicing.

## 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, according to the measuring standards set by the Islamic Financial Services Board, based on the risk weighted assets, stood at 25.19% by the end of 2012 whereas the minimum capital adequacy requirements set by the Central Bank of Jordan is 12%.



## Strategic Plan

Since its establishment, IIAB was keen to provide integrated and all-inclusive Shaira-compliant banking services and products in order to meet the developments in the banking industry with high professionalism. This was achieved through the Bank constant efforts to cater to the requirements of its retail and corporate clients.

Furthermore, IIAB always strives to provide the highest levels of services to its clients through continued monitoring and measurement of client satisfaction levels. This measure helps the Bank identify the expectations and desires of its clients in order to develop new banking services and products or amend the existing services and products. The Bank aims to cope with the progressive requirements of its clients in line with the Islamic finance controls.

Indeed, IIAB is concerned with enhancing and promoting the technical environment of the Bank in order to keep abreast with new technology through providing state-of-the-art solutions to foster its infrastructure with banking security and safety systems. This supports controls and protects the privacy of the various Bank data. The Bank also seeks to develop its banking system according to business requirements and development, support the Bank staff in its departments and divisions, and provide services of the highest quality.

In line with the strategic plan of the Bank that aims at measured expansion and spread, the annual plan related to expansion of branches and ATM network was implemented. In addition, the provision of banking services plan was improved through designing modern and outstanding branches that meet the requirements of the clients visiting the branches of the Bank across Jordan.

Our aspirations for next year are built around our ambition and goals to achieve the strategic objectives of the Bank which aim at developing the various services and products of the Bank, particularly in terms of the banking services provided to individuals and SME. The Bank also looks forward providing new e-banking services such as internet and mobile banking. The Bank will continue to focus on considered expansion of its branches, side by side with ever-developing internal control tools aimed at the highest levels of banking safety and security. This will ensure complete peace of mind to our clients concerning their investments and funds.

## Auditing and Consultations Fees

The total fees paid by the Bank to all external auditors and consultants amounted to JD 233,058. The following table shows these expenses in details:

Item	2012
Quarterly and Annual Auditing Fees	33,808
Legal Fees	123,097
Shariah Consultation Fees	56,800
Other Consultation Fees	19,353
<b>Total</b>	<b>233,058</b>

The following table shows the benefits and remunerations paid to the Chairman and members of the Board of Directors for the year 2012:

Name	Salaries & Benefits	Supreme Credit Committee Membership	Transport Expenses in Jordan in 2012	Net Membership Allowances Fees
H. E. Fares Abdel Hamid Sharaf	-	8,000	14,400	5,000
Mr. Mohammad Mousa Dawoud "Mohammed Issa"	-	3,000	12,000	5,000
Dr. Ahmed Awad Abdulhalim	-	3,600	14,400	5,000
Mr. Dawoud Mohammed Al-Ghoul	-	1,200	14,400	5,000
Mr. Tariq Al Hammouri	-	-	14,400	5,000



The following tables represents a summary of the (salaries and remunerations) paid to the executive senior management of the Bank:

Name	Committee Membership	2012
MR. Iyad G. Al Asali	1,200	291,984
Mr. Nihad Yaqoub Maraqa	-	89,845
Mr. Amjad Awni Hijazi	-	139,907
Mr. Yousif Ali Mahmoud Al-Badri	-	87,599
Mr. Abbas Jamal Mohammed Mar'ie	-	55,748
Dr. Muhsin Fayez Abdul Salam Abu Awad	-	74,353
Dr. Nayef Mousa Hasan Abu Dheim	-	74,846
Mr. Tariq Mousa Shehadah Awwad	-	73,757
Mr. Haitham Tawq Murrar	-	111,963
Mr. Akef Hussein Hamam	-	75,170

## 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 253,228. The following table shows the bodies which the Bank has donated for:

Organization	Amount
The Royal Aal al-Bayt Institute for Islamic Thought	160,000
The Jordanian Hashemite Fund for Human Development	30,083
Ramadan charitable food packages	49,320
Ramadan donations for different bodies	7,850
Jordan Medical Aid for Palestinians	1,200
Others	4,775
<b>Total</b>	<b>253,228</b>

## 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.

## 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 Dawoud  
Deputy Chairman



H. E. Mr. Fares Abdel Hamid Sharaf  
Chairman





## Declaration of Chairman, General Manager 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 Chairman  
Financial Manager

MR. Iyad G. Al Asali  
General Manager

H. E. Mr. Fares Abdel Hamid Sharaf  
Chairman

## **In Name of Allah, Most Merciful, Most Gracious**

### **Shariah Supervisory Committee's Annual Report**

**for the Fiscal Year Ending on 31/12/2012**

Praise Be to Allah, and Allah's Peace and Blessings be upon Prophet Mohammad  
Dear Shareholders,

The Shariah Supervisory Committee would like to present its annual report for the –fiscal year ending on 31/12/2012 according to the Bank's Articles of Association:

The Shariah Supervisory Committee is responsible for providing an independent opinion in accordance with Shariah controls and principles. The management of the Bank is responsible for ensuring that the Bank operations are compliant with Shariah principles. Accordingly, in our point of view:

- The contracts and transactions performed by the Bank during the year ending on 31/12/2012, reviewed and examined by us, are in compliance with the Islamic rules and regulations. The management has cooperated with the Shariah Supervisory Committee by the implementation of remarks provided by the Committee pertaining to certain practical applications.
- The bases of profit allocation and distribution to the owners of 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.

The Shariah Supervisory 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.

The Committee, through its meeting, continued to address all the necessary provisions and regulations to deal with all aspects of the banking businesses in light of the developments that occurred during practical implementation, 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.

The Committee reviewed the Bank's balance sheet, statement of income, and notes to the financial statements of the year ended on 31/12/2012 which reflect comprehensive representation of the Bank's operations and the information required to be submitted to any concerned party in the Bank. The committee did not notice any Shariah violations in this regard.

The Committee reviewed the reports prepared by the Shariah auditor of the branches' operations, and the auditors' observations and recommendations along with the measures taken by the executive management in this regard.

The Committee verified that all the Bank's investment accounts are sound and achieved profits as of 31/12/2012. Indeed, there was no need to use Investment Risk Fund to act against the outstanding amounts.

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 Sunday Rabi' Al-Awwal 15, 1434 AH, corresponding to 27/01/2013 AD.

Sheikh Saeed Al-Hijjawi  
Member

Dr. Ahmad Al-Ayyadi  
Executive Member

Dr. Ahmad Helayyel  
Chairman of Committee





## IIAB Corporate Governance Guide

IIAB dedicates great attention to sound corporate governance practices. In addition, IIAB board of directors is committed to applying the highest professional performance standards to all IIAB activities. In this regard, the Bank complies with the instructions of Central Bank of Jordan which adopted the recommendations of the Basel Committee on corporate governance. The Bank also complies with the recommendations of the Islamic Financial Services Board (IFSB).

IIAB was among the first institutions that adopted corporate governance concepts in the Middle East. The Audit Committee was formed since the date of the Bank establishment. The Board holds periodic and non-periodic plenary meetings to discuss the strategic direction of the Bank and the change in important indicators affecting the Bank's public strategy. This guide has been prepared based on the Corporate Governance Guide of Banks in Jordan issued by the Central Bank of Jordan, which is in line with the provisions of the Banking and Companies Laws of Jordan, in addition to IIAB Memorandum and Articles of Association.

The Bank will review, update, and amend this Guide from time to time and whenever necessary in order to keep pace with changes to its needs and expectations and the banking market.

### Basics of the Guide:

#### First: Commitment to Corporate Governance:

The Islamic International Arab Bank (the Company) has a systematic set of relations with its Board of Directors, shareholders and all other stakeholders. These relations deal with the general framework of the Bank's strategy and the necessary means to implement its objectives. The overall framework of corporate governance ensures fair and equal treatment among all shareholders, and recognizes all rights of the shareholders set out by the law. It emphasizes providing them with all the important information about the activity of the Company, and the directors' commitment to their responsibilities towards the Company and its shareholders.

The Bank has prepared this Guide according to the requirements of the Corporate Governance Guide issued by the Central Bank of Jordan in line with the Bank's requirements and policies. This Guide has been approved by the Board of Directors at its thirteenth meeting for 2009 held on 17.12.2009, and it has been published. An updated version of the Guide is available on IIAB website for the public access upon request.

In its annual report, the Bank incorporates a report to the public on the commitment of the Bank's management to the Guide clauses, and the reasons for non-compliance with any clause, if any.

The Bank composed a board committee called the Corporate Governance Committee, comprising a chairman and two non-executive directors to guide the process of preparing, updating and applying the Guide.

#### Second: Board of Directors:

##### First: General Principles:

- a. The basic duty of the Board of Directors is to protect and develop the shareholders' equity on the long term. In order to fulfill this role, the Board of Directors has an overall responsibility for corporate governance, including the Bank's strategic direction, setting the overall objectives of the Executive Management and overseeing the achievement of these objectives.
- b. The Board has an overall responsibility for the Bank's operations and financial soundness, and ensures meeting the requirements of the Central Bank and the interests of shareholders, depositors, creditors, employees, and other stakeholders, and the prudent management of the Bank pursuant to the laws, regulations and internal policies of the Bank.
- c. The Board shall establish the principle of commitment by each director towards the Bank and its shareholders.
- d. The Board draws the strategic objectives of the Bank and controls its Executive Management which is in charge of day-to-day operations. In addition, the Bank approves and ensures the effectiveness of internal control systems and the Bank's compliance with the strategic plan and policies and procedures approved or required under the laws and regulations issued thereunder. In addition, the Board ensures that the Bank risks are properly managed.

**Chairman of the Board/ General Manager:**

- a. The positions of the Chairman of the Board (Chairman) and General Manager are separated, provided that there is no blood relation up to the third degree between the chairman and director general. Responsibilities are segregated under written instructions approved by the Board and are reviewed whenever necessary.
- b. If the Chairman is an executive officer, the Bank appoints an independent member as vice chairman of the Board in order to ensure an independent spokesman for the shareholders. The chairman is considered an executive officer if he is employed on full-time basis and holds a position in the Bank.
- c. The position of the Chairman as executive or non-executive officer should be disclosed.

**Role of the Chairman of the Board (Chairman):****The Chairman shall:**

- a. Establish a constructive relationship between the Board and the Executive Management of the Bank and between executive and non-executive directors.
- b. Create a culture - during the Board meetings – that fosters constructive criticism on controversial issues among the directors and promote debate and voting on those issues.
- c. Ensure the provision of sufficient information to the directors and the shareholders in a timely manner.
- d. Ensure that there are high standards of corporate governance in place at the Bank.

**Composition of the Board:**

- a. IIAB Board of Directors is composed of five members. The directors are elected by the General Assembly for four years. The Chairman of the Board is elected by the directors.
- b. The directors of the Board shall have various practical and professional experience and specialized skills. The Board shall have executive directors (directors holding positions in the Bank) and non-executive directors (directors not holding positions in the Bank).
- c. The number of independent directors shall not be less than two, subject to the Bank's particularity in this respect (The instructions of the Central Bank of Jordan provide that the number of independent directors shall not be less than three).
- d. An independent director is a director (whether in his personal capacity or as a representative of a legal body) who has no connection with the Bank other than being a director in the Board of Directors, and whose judgments are therefore not likely to be influenced by any external considerations or matter. The independent director shall meet the following minimum requirements:
  - 1. Not have been employed by the Bank during the last three years prior his election as director.
  - 2. Not having any blood relationship up to the second degree with any administrator in the Bank.
  - 3. Not receiving any salaries or amounts from the Bank except in consideration of his position as director.
  - 4. Not a director, or owner, of a company having business with the Bank except for those transactions arising from the ordinary services/operations offered by the Bank to its customers, provided that such transactions are governed by the same conditions regulating any similar transactions with any other party without any preferential conditions.
  - 5. Not a partner of, or employee for, the external auditor during the three years prior to his election as director.
  - 6. Has neither a controlling interest in the Bank's capital, nor affiliated with another shareholder.

**Organization of the Board's Business**

- a. In order to ensure the comprehensiveness of the issues deliberated during the Board meetings, the Board shall meet at least six times a year.
- b. The 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. The Bank's policy shall require the presence of independent directors in the Board so as to assure that the Board's resolutions are objective, to maintain a level of control to balance the influence of all parties including the Executive Management and major shareholders, and to ensure that resolutions are taken in the Bank's interest.
- e. The Bank shall provide the directors of the Board with sufficient information within a proper period of time before the Board meetings to enable the directors to take informed resolutions.
- f. The Board's secretary shall document all deliberations, proposals and votes taken during the meetings of the Board.
- g. The responsibilities of the Board are specific and well-defined in line with the relevant legislation. The Bank shall provide each director with a letter explaining his rights, responsibilities, and duties.
- h. All banking operations requiring the Board's consent shall be prepared in writing, including:
  - The Board's authority to provide banking facilities exceeding a certain amount.
  - The Board's authority with regard to the transactions conducted with related parties.
  - Any other banking operations that fall within the authorities of the Board.
- i. The directors of the Board shall be constantly updated with any developments in the Bank and the local and international banking sectors. The Bank shall provide the directors with a proper summary about the Bank's operations (upon appointment, during their term of office, or upon request).
- j. Communications are allowed between the Board directors and committees, and the Executive Management.
- k. The Bank shall set a corporate organizational structure which determines the administrative hierarchy of the Bank (including the Board's committees and Executive Management). The part of the organizational structure that shows senior management levels of the Bank shall be made public.
- l. The Board's secretary shall make sure that the directors of the Board follow the procedures specified by the Board, and that information are circulated among the Board's directors and committees, and the Executive Management. Moreover, the secretary shall determine the dates of holding the Board meetings and shall take note of the minutes of the meetings. The Board shall formally specify the tasks and duties of the secretary in writing in line with the levels of duties referred to above. Any resolutions regarding the appointment or resignation of the secretary shall be taken unanimously by the Board.

#### **Activities of the Board: Appointments, Succession and Development**

- a. The Board policy shall include appointing a director general of integrity, technical competence and banking experience.
- b. The Board's consent shall be obtained on appointing certain executive officers, such as the director of internal auditing and financial inspector, and shall ensure that these officers have the required experience.
- c. The Board shall approve succession plans for the executive officers of the Bank, which shall set out the qualifications and requirements for these positions.

#### **Activities of the Board: Self-Assessment and Appraisal of the General Manager Performance**

- a. The Board shall assess its own performance at least once a year by adopting specific duly approved performance assessment procedures. The performance assessment standard shall be objective and shall include a comparison with other similar banks and financial institutions, in addition to the soundness and accuracy standards of the financial statements of the Bank, and compliance with control requirements.
- b. The Board of Directors shall evaluate the director general annually.

#### **Activities of the Board: Planning, Control Systems, Code of Conduct, and Conflict of Interests**

- a. The Board shall define the Bank's objectives, and shall draw up and approve the strategies for achieving these objectives. The Executive Management shall establish business plans consistent with these strategies through a planning process that covers the Bank's divisions. The Board shall approve the strategy and business plans and ensure that the Executive Management revises performance and achievements against the business plans and that proper corrective procedures are taken when necessary. Preparing the estimated balance sheets shall be an integral part of short-term planning and performance assessment.
- b. The Board shall at all times ensure that the Bank maintains a high level of integrity in conducting its operations.



This is achieved through providing policies and code of conduct that include definitions of conflict of interests and transactions conducted by the Bank's personnel for their personal interests based upon internal information about the Bank obtained/accessed through the authorities vested upon them. These policies and code of conduct shall be circulated to, and approved by, the Bank's personnel and directors, and shall be circulated to the public in general. These policies shall include the following:

1. Rules and procedures regulating transactions with related parties, whether between the Bank and its personnel, directors of the Board or their companies, or any related parties, including all joint finance and trading operations with the Bank. These rules shall include confirmation that credit is provided to the directors of the Board and their companies as per the prevailing rates in the market rather than on preferential conditions. A director may not participate in any meeting of the Board in which such transactions or contracts are conducted or voted upon. These transactions shall be disclosed in the Bank annual report and the Bank's divisions concerned with internal control systems shall make sure that related parties transactions are conducted as per this policy.
  2. Well-defined control regulations preventing the directors of the Board and personnel from taking advantage of any internal information regarding the Bank for their personal interest.
  3. The Bank shall have in place written policies covering its banking activities to be circulated to all administrative levels. These policies shall be revised regularly to ensure that they conform to any amendments or changes to the laws, regulations, and the economic conditions, and any other affairs related to the Bank.
  4. The Bank shall, as part of approval of its credit provision process, assess the quality of the corporate governance of its corporate customers, particularly public-shareholding companies. The risk assessment of customers shall include the strengths and weaknesses of the governance practices of these companies.
- c. The Board shall ensure that there is a proper mechanism for obtaining Sharia opinions from the competent parties, and shall ascertain compliance with Sharia opinions in order control observance of Sharia provisions in all products, operations, and activities.

### **Third: Board Committees:**

#### **General Provisions**

- a. In order to increase its efficiency, the Bank shall compose a number of committees for specific goals. The Board shall grant these committees certain authorities and responsibilities for a certain period of time according to a charter indicating such authorities and responsibilities. The committees shall report to the Board as a whole on a regular basis. It is to be noted that these committees shall not exempt the Board from its direct responsibility for all affairs related to the Bank.
- b. Transparency shall be adopted in appointing the members of the Board's committees. The names of these members shall be disclosed along with a summary about the duties and responsibilities of the committees within the Bank's annual report.
- c. The Board of Directors may combine the duties of a number of its committees if appropriate or if administratively more convenient.

#### **Corporate Governance Committee**

- a. The Bank shall compose a board committee called Corporate Governance Committee. This committee shall be composed of the Chairman of the Board and two non-executive members to direct preparing, updating, and implementing the Guide.
- b. The Committee shall be in charge of supervising the Bank's corporate governance practices and ensuring that all corporate governance requirements are fulfilled.

#### **Audit Committee**

- a. The Bank Audit Committee shall be composed of at least three non-executive directors. Names of these directors shall be disclosed in the Bank's annual report.

- b. As per the Bank's policy, at least two members of the Audit Committee shall have academic qualifications and/or practical experience in financial administration. There shall be at least two independent members in the Committee.
- c. The Audit Committee shall assume its authorities and responsibilities as per the Banking Act and any other relevant regulations. The duties of the Committee shall include reviewing the following:
  - 1. Scope, outcomes and adequacy of the internal and external audit of the Bank.
  - 2. Accounting issues having an essential impact on the financial statements.
  - 3. The Bank internal control systems.
- d. The Audit Committee shall represent its recommendations to the Board with regard to appointment, resignation, remuneration of the external auditor, and any other related contractual conditions, in addition to assessment of the objectiveness of the external auditor, including the consideration of any other non-audit work performed by the external auditors in order to ensure such objectivity.
- e. The Audit Committee shall be authorized to obtain any information from the Executive Management in addition to its right to invite any executive officer or director to attend its meetings.
- f. The Committee shall meet the external auditor, internal auditor, and compliance officers at least once a year without the presence of the Executive Management.
- g. The responsibility of the Audit Committee shall not exempt the Board or the Executive Management from monitoring the adequacy of the Bank's internal regulatory and control systems.
- h. The Audit Committee shall also approve and monitor the implementation of the annual audit plan, and shall review the audit notes. The Committee shall be deemed the direct body responsible for supervising the operations of the Internal Audit Department.

### **Nomination and Remuneration Committee**

- a. The Bank shall compose the Nomination and Remuneration Committee consisting of at least three non-executive members, the majority of whom (including the Committee's Chairman) shall be independent members.
- b. The Committee shall determine the independence of its members, taking into account the minimum requirements to be fulfilled by the members as stated in this Guide.
- c. The Committee shall be responsible for providing the directors of the Board, upon request, with any information and summaries on certain vital topics about the Bank. The Committee shall make sure that the directors are updated on the latest issues related to the banking business. For this purpose, the Bank shall encourage its directors to attend seminars or events that grant them the opportunity to meet global and local companies and institutions.
- d. The Committee shall recommend the remuneration (including monthly salaries and other benefits) of the director general, and shall revise the remuneration (including the salaries) given to the other members of the Executive Management.
- e. The Committee shall be responsible for providing the directors of the Board, upon request, with any information and summaries on certain vital topics about the Bank. The Committee shall make sure that the directors are updated on the latest issues related to the banking business. For this purpose, the Bank shall encourage its directors to attend seminars or events that grant them the opportunity to meet global and local companies and institutions.
- f. A summary of the Bank remuneration policy shall be disclosed in the Bank's annual report, particularly the remunerations given to the directors of the Board individually, along with the highest salaries paid during the year to non-director executive officers.
- g. The Committee may nominate certain persons from the directors of the Board to be re-elected as per the provisions of the Companies' Law, taking into account the frequency of their attendance and the quality and efficiency of their participation in the Board's meetings. The Companies' Law provides that the tenure of the Board is four years from the date of its election. Renewal of directorship requires the director to stand for election during the annual meeting of the General Assembly.





## **Risk Management Committee**

- a. The Bank shall compose the Risk Management Committee from the directors of the Board and a number of the Executive Management members.
- b. The Committee shall be responsible for revising the Bank risk management policies and strategies before approval by the Board. The Bank's Executive Management shall be responsible for implementing these strategies in addition to developing the policies and procedures for management of the various types of risks.
- c. The Bank's Executive Management shall propose the organizational structure and development of the Risks Management Department. The organizational structure shall be revised by the Risk Management Committee and approved by the Board of Directors.
- d. The Committee shall keep abreast with the rapid developments and the increasing complexity of risks management inside the Bank. The Committee shall report these developments and complexity to the Board of Directors on a regular basis.
- e. The Board of Directors shall ensure that there is an effective internal control system in place and shall ensure its proper performance. In addition, the Board shall decide upon and set the framework of the Bank risk management policies.

## **Fourth: Internal Control Environment**

### **1. Internal Control Systems**

- a. The structure of internal control systems shall be revised by internal and external auditors at least once a year.
- b. The Board shall incorporate in the the Bank's annual report a report on the adequacy of the internal control systems. This report shall include the following:
  1. A statement indicating the responsibility of the Executive Management for setting and maintaining internal controls over financial reporting in the Bank.
  2. A statement on the framework adopted by the Executive Management to assess internal control efficiency.
  3. The Executive Management assessment of the efficiency of internal control as on the date of the financial statements included in the Bank's annual report.
  4. Disclosure of any material weaknesses in the internal controls (a material weakness is a significant deficiency or combination of significant deficiencies that result in the possibility that a material misstatement will not be prevented or detected); and
  5. Report by the external auditor indicating his opinion on the Executive Management assessment of the efficiency of the internal controls.
  6. Report by the Sharia Supervisory Committee indicating its opinion on the Executive Management compliance with Islamic rules and regulations regarding the Bank's banking operations.
- c. The Bank sets up arrangements whereby staff can confidentially raise concerns on time about possible irregularities, and that allow for such concerns to be independently investigated and followed up. Such arrangements shall be overseen and monitored by the Audit Committee.

## **Internal Audit**

- a. The Bank shall provide the Internal Audit Department with adequate qualified staff, who shall be trained, and appropriately remunerated. The Internal Audit Department shall be provided full access to Bank records and staff members, and shall be given sufficient authority to adequately carry out the tasks assigned to it. The functions, powers and responsibilities of the Internal Audit Department shall be documented by the Bank within the Internal Audit Charter approved by the Board and published within the Bank.
- b. The Internal Audit Department shall primarily report to the Chairman of the Audit Committee.



- c. The internal audit staff shall not assume any operational responsibilities. The Internal Audit Department shall be responsible for proposing the audit structure and scope, and reporting any potential conflicts of interest to the Audit Committee.
- d. The Internal Audit Department shall perform its duties and prepare its report without any sort of external interference, and it may discuss its reports with the divisions being audited.
- e. The basic responsibility of the Internal Auditing Department shall include reviewing at least the following:
  1. The Bank's financial reporting ensuring that the significant financial, managerial, and operating information is accurate, reliable, and timely.
  2. Compliance with the Bank's internal policies and international standards and procedures, as well as any relevant instructions.
  3. Ensuring that the banking operations are conducted in accordance with Islamic rules and regulations, and the regulations set by the Sharia Supervisory Committee for the Bank.

### **Sharia Supervisory Committee**

- a. The Board of Directors shall appoint a Sharia Supervisory Committee consisting of at least three Islamic scholars as members.
- b. The duties of the Sharia Supervisory Committee shall be as follows:
  1. Considering topics, inquiries and the various finance forms adopted by the Bank to ensure consistency with Islamic rules and regulations.
  2. The Sharia Supervisory Committee shall ensure that there is a jurisprudential statement supporting any loss arising in the joint investment operations.
  3. The Sharia Supervisory Committee shall ensure the compliance of contracts, instructions, and operations with Islamic rules and procedural requirements, and that there is no Islamic rule prohibiting such contracts, instructions, or operations in order to be approved or amended to comply with the Islamic regulations.
  4. The Sharia Supervisory Committee shall release an annual report for each ending year in which the Bank's balance sheet, statement of profit and loss, and accompanying notes are revised indicating that no Sharia violations have been committed.

### **External Audit**

1. The Bank adopts regular rotation of the external audit among auditing firms. Should this no longer be practical, then the Bank will at a minimum require the regular rotation of the principal partner in charge of the Bank external audit.
2. The external auditor shall submit a copy of his report to the Audit Committee. The external auditor shall also meet the Audit Committee, without the executive management presence, at least once per year.

### **Risk Management**

- a. The Risk Management Department within the Bank shall report to the Risk Management Committee. As for day-to-day operations, the Risk Management Department shall report to the Director General.
- b. The responsibilities of the Bank's Risk Management Department shall include:
  1. analysis of all risks including credit risks, market risks, liquidity risks and operational risks;
  2. development of methodologies for the measurement and control of each risk type;
  3. recommending risk limits to the Risk Management Committee, and approving, reporting, and recording of exceptions to the risk management policy;
  4. providing information on risk measurement and on the Bank's risk profile to the Senior Executive Management and to the Board (the Board shall regularly review the qualitative and quantitative risk statistics of the Bank during the board meetings); and
  5. providing risk information to the Bank for use for the purpose of disclosure and publication to the public.



- c. The Bank's committees such as the Credit Committee, Assets and Liabilities Department/ Treasury Department, and Operational Risks Department shall assist the Risk Management Department in fulfilling its duties as per the authorities vested with these committees.
- d. The Bank's annual report shall include information about the structure, operations, and developments of the Risk Management Department.

### **Compliance**

- a. The Bank has an independent compliance department which is adequately resourced, trained and remunerated.
- b. The Compliance Department establishes an effective mechanism to ensure that the Bank complies with all applicable laws and regulations, and any relevant guidelines and codes. The functions, powers and responsibilities of the Compliance Department shall be documented and published within the Bank.
- c. The Board is responsible for approving the compliance policy and overseeing its implementation. The Compliance Department is responsible for developing the compliance policy of the Bank and ensuring its implementation across the Bank.
- d. The Compliance Department shall report on the outcomes of its activities and compliance control to the Board or the competent committee. A copy of each report shall be sent to the Executive Management in accordance with the Central Bank's instructions in this regard.

### **Fifth: Treatment of Shareholders**

- 1. The Bank shall take active steps to encourage shareholders to participate in the Annual General Assembly, and also to vote either in person or by proxy in the event of their absence.
- 2. The chairmen of the Audit Committee, the Nomination and Remuneration Committee, and any other Board committee, shall attend the Annual General Assembly.
- 3. Representatives of external auditors shall attend the Annual General Assembly to respond to any questions raised on the audit or the auditor's report.
- 4. Votes shall be taken on each issue raised during the Annual General Assembly.
- 5. Directors of the Board, as per the Companies' Law, shall be elected or re-elected, during the Annual General Assembly in accordance with the Bank's Articles of Association. The external auditor shall be elected during the Annual General Assembly.
- 6. Notes, results, including the results of voting, and the questions raised by shareholders and the Executive Management's responses thereto shall be prepared and made available to shareholders after the Annual General Assembly.

### **Sixth: Relationship with Investment Accounts' Holders**

- a. The Bank acknowledges that investment accounts' holders may follow up the performance of their investments, and any relevant risks. The Bank shall develop sufficient means to assure that these rights are maintained and exercised.
- b. The Bank shall approve a proper strategy in line with the risks and returns expected for investment accounts' holders (taking into account the distinction between restricted and unrestricted investment accounts' holders). Transparency shall be adopted in supporting any returns.

### **Seventh: Transparency and Disclosure**

- 1. The disclosures of the Bank shall be as per the Islamic accounting standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI). In case that there are no Islamic accounting standards, the Bank shall implement the International Financial Reporting Standards (IFRS) which are consistent with Islamic rules and regulations and the Central Bank of Jordan's instructions issued as per the applicable Banking Law issued pursuant thereto and any relevant legislation. Moreover, the Bank shall be informed of any changes to

international financial reporting practices and the level of transparency required of financial institutions. The Bank shall also be responsible for ensuring strict compliance with any amendments to the International Financial Reporting Standards. The Executive Management shall report any such developments to the Board and shall propose recommendations regarding means of enhancement of the Bank's disclosure practices beyond those required by the Central Bank of Jordan.

2. The Bank shall provide adequate and timely essential and material information on the investment accounts managed by the Bank to the investment accounts holders and to the public.
3. The Bank shall provide meaningful information on its activities to the Central Bank, shareholders, depositors, other banks and the public in general. The Bank also has a duty to address shareholder concerns. The Bank shall disclose such information on a regular basis, and make it publically available.
4. The Bank shall indicate in its annual report its responsibility for the accuracy and adequacy of the financial statements of the Bank and the information stated in its annual report.
5. The Bank shall maintain the following contact channels with regulators, shareholders, depositors, other banks and the public in general:
  - a. a professionally-staffed investor relations function that provides comprehensive, objective, and up-to-date information on the Bank, its financial condition and performance, and its activities;
  - b. the Annual Report, produced after the end of the financial year;
  - c. regular meetings between the Executive Management of the Bank and investors and shareholders;
  - d. regular briefings by the Senior Executive Management of the Bank, especially the Director General and the Chief Financial Officer, for shareholders, financial market analysts, and financial journalists; and
  - e. information provided through the Bank's Annual Report, or the lectures presented by the Executive Management, made available and updated in writing in English and Arabic through the Bank's investor relations function and on the Bank website.
6. In its Annual Report, the Bank's Executive Management shall include 'Management Discussion and Analysis' (MD&A) disclosure that allows investors to understand current and future operating results and the financial condition of the Bank, including the possible impacts of known trends and events and uncertainties. The Bank shall ensure that any notes stated in such disclosure shall be reliable, complete, fair, balanced, understandable, and based on the published financial statements of the Bank.
7. As part of the Bank commitment to transparency and full disclosure, the annual report of the Bank shall include the following information:
  - a. the Bank Corporate Governance Guide, and annual details of its compliance therewith;
  - b. information on each individual director: qualifications and experience; shareholding in the Bank; whether an independent, non-executive, or executive director; membership in the Board Committees; date of appointment to the Board; any membership in other boards of directors; remuneration/salaries obtained from the Bank; loans from the Bank and other transactions between the Bank and the director or his companies or other related parties.
  - c. summary organizational chart of the Bank;
  - d. summary of the duties and responsibilities of the Board Committees, and any authorities delegated by the Board to the Board Committees;
  - e. the frequency of Board and Board Committee meetings;
  - f. summary of the remuneration policy; and the highest salary paid to the executive management;
  - g. statement by the Board on the adequacy of internal controls;
  - h. a description of the structure and activities of the Risk Management Department; and
  - i. the major shareholders of the Bank.
8. The Bank shall provide adequate and timely essential and material information on the investment accounts managed by the Bank to the investment accounts holders and the public.



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

### **1. Governance Committee**

Sharif Faris Sharaf / Chairman	Chairman
Mr. Mohammad Mousa Dawood/Deputy Chairman	Member
Dr. Tariq Mohammed Khalil Hammouri/Board Member	Member
One meeting was held by the Committee in 2012.	

### **2. Nomination and Remuneration Committee**

Sharif Faris Sharaf / Chairman	Chairman
Mr. Dawood Mohammad Al-Ghoul /Board Member	Member
Dr. Tariq Al-Hamawi / Board Member	Member
Two meetings were held by the Committee in 2012	

### **3. Risks Management Committee**

Sharif Faris Sharaf / Chairman	Chairman
Dr. Ahmad Awad Abdul Halim /Board Member	Member
General Manager	Member
Head of Risks Management Division / IIAB	Member
Head of Internal Auditing / IIAB	Member
Three meetings were held by the Committee in 2012	

#### 4. Audit Committee

Mr. Mohammad Mousa Dawood/Deputy Chairman	Chairman
Mr. Dawood Mohammad Al-Ghoul /Board Member	Member
Dr. Tariq Al-Hamawi / Board Member	Member
Five meetings were held by the Committee in 2012	

#### 5. Senior Facilities and Investment Committee

Sharif Faris Sharaf / Chairman	Chairman
Mr. Mohammad Mousa Dawood / Deputy Chairman	Member
Dr. Ahmad Awad Abdul Halim/Board Member	Member
The committee holds annual meetings through the year	

#### 6. Strategic Committee

Sharif Faris Sharaf /Chairman	Chairman
Mr. Mohammad Mousa Dawood/Deputy Chairman	Member
General Manager	Member
Three meetings were held by the Committee in 2012	



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Deloitte & Touche (Middle East)- Jordan

In the Name of Allah, Most Merciful, Most Gracious

### **Independent Auditors' Report**

Ref.: 30233

To the Shareholders of the Islamic International Arab Bank  
Amman – Jordan

We have audited the accompanying financial statements of the Islamic International Arab Bank (a public shareholding limited company), which comprise the balance sheet as at 31/12/2012, and the income and comprehensive income statements, statement of changes in shareholders' equity, and cash flows statement for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Islamic accounting standards issued 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 set out by the Bank's Sharia Supervisory Committee. This responsibility includes maintaining internal control which the Management deems appropriate for the fair preparation of the financial statements that are free of any material misstatements, whether due to fraud or errors.

#### **Auditors' Responsibility**

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

The audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatements of the financial statements, whether due to fraud or errors. In making those risk assessment; the auditor considers the Bank's internal control procedures relevant to the preparation and fair presentation of the financial statements, in order to design appropriate auditing procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and reasonableness of accounting estimates prepared by Management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements present fairly in all material respects the financial position of the Bank as at December 31, 2012, and its financial performance, cash flows for the year then ended in accordance with the Islamic accounting standards issued 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 set out by the Sharia Supervisory Committee for the Bank.



### **Report on Legal Requirements**

The Bank duly maintains organized accounting entries and records which are consistent with the attached financial statements and with the financial statements stated in the Board of Directors' report. We recommend the Shareholders' General Assembly to approve these financial statements.

Amman – Jordan  
3 April 2013

Deloitte & Touche (Middle East) – Jordan  
Karim Baha' Al-Nabulsi  
License No. 611  
Signed and sealed



## Balance Sheet

		31 December	
Assets	Note	2012	2011
		JOD	JOD
Cash and balances with Central Bank	4	63,783,447	56,883,960
Balances with banks and financial institutions	5	46,552,540	20,276,772
Deferred sales receivables and other receivables - net	6	748,100,948	779,955,526
Deferred sales receivables through the income statement	7	1,313,267	6,513,267
Ijara assets - net	8	251,536,917	190,611,472
Finance investments	9	3,368,268	3,875,438
Financial assets at fair value through OCI	10	5,627,922	5,511,261
Financial assets at amortized cost - net	11	3,141,755	13,047,844
Real estate investments	12	23,309,095	22,603,915
Qurd Hassan loans - net (Statement "a")		3,898,113	518,531
Fixed assets - net	13	18,867,600	13,865,462
Intangible assets	14	1,134,701	1,370,589
Deferred tax assets - self and joint	(20/c)	2,102,806	1,826,067
Other assets	15	1,437,873	10,622,397
Total assets		1,174,175,252	1,127,482,501
Liabilities			
Banks and financial institutions deposits	16	28,557,826	30,538,167
Customers current accounts	17	391,667,368	321,608,902
Cash margins	18	18,280,399	24,629,318
Other provisions	19	1,749,418	1,485,130
Income tax provision	(20/a)	4,323,390	4,665,330
Deferred tax liabilities	(20/c)	100,719	58,219
Other liabilities	21	12,688,556	15,415,111
Total liabilities		457,367,676	398,400,177
Unrestricted Investment Accounts Holders' Equity			
Unrestricted investment accounts	22	605,273,596	634,507,336
Net fair value reserve	26	317,370	-
Deferred tax liabilities	(20/c)	136,015	-
Total Unrestricted Investment Accounts Holders' Equity		605,726,981	634,507,336
Investment Risks Fund			
Investment Risks Fund	23	8,474,938	3,571,693
Provision for Income Tax on Investment Risks Fund	23	1,699,841	868,474
		10,174,779	4,440,167
Shareholder's Equity			
(Paid-up) capital	24	100,000,000	100,000,000
Statutory reserve	25	11,257,703	9,613,353
Voluntary reserve	25	5,537,312	5,537,312
General banking risks reserve	25	882,000	882,000
Fair value reserve- net	26	235,012	135,851
Retained losses	27	(17,006,211)	(26,033,695)
Total shareholders' equity		100,905,816	90,134,821
Total liabilities, unrestricted investment accounts holders' equity and shareholders' equity		1,174,175,252	1,127,482,501
Restricted investments - customers - Statement "b"		191,424,388	147,669,673

The attached notes from 1 to 55 form part of these financial statements and are read in conjunction therewith.

## Income Statement

## Statement "B"

	For the Year Ended 31 December		
	Note	2012	2011
		JOD	JOD
Joint deferred sales revenues	28	25,233,418	16,676,184
Financing revenues	29	124,085	381,127
Joint ijara assets revenues	32	18,152,746	9,138,192
Financial assets at amortized cost revenues	30	837,710	583,918
Total joint unrestricted investment accounts revenues		44,347,959	26,779,421
Unrestricted investment accounts holders' share	33	(13,613,085)	(13,103,327)
Investment risks fund share	23	(6,652,194)	(4,016,919)
Bank's share of unrestricted investment accounts revenues as Mudareb and Rab Mal	34	24,082,680	9,659,175
Bank's self-owned revenues	35	9,164,644	14,699,165
Bank's share in restricted investment accounts revenues as mudareb	36	127,063	147,537
Foreign currency profit	37	1,548,547	1,466,087
Banking services revenues	38	5,193,959	3,982,323
Other revenues	39	816,172	458,345
Total income		40,933,065	30,412,632
Expenses			
Employees' expenses	40	10,728,405	8,451,697
Depreciation and amortization	13 & 14	2,048,461	1,752,837
Other expenses	41	5,914,620	4,468,132
Ijara assets depreciation	8	275,541	281,943
Real estate investments depreciation	12	83,255	-
Impairment in deferred sales receivables through P&L	7	5,200,000	-
Other provisions	19	264,288	255,944
Total expenses		24,514,570	15,210,553
Profit for the year before tax		16,418,495	15,202,079
Income tax	(20,b)	(4,924,850)	(4,560,708)
Profit for the year		11,493,645	10,641,371
Earning per share for the year - Basic/reduced	42	-/11.5	-/ 11

The attached notes from 1 to 55 form part of these financial statements and are read in conjunction therewith.



## Comprehensive Income Statement

### Statement "C"

31 December		
	2012	2011
	JOD	JOD
Profit for the Year - Statement (B)	11,493,645	10,641,371
Comprehensive income items:		
Financial (losses) assets at fair value through shareholders' equity	(2,329)	-
Net change in fair value reserve - Statement "d"	99,161	(15,787)
Total comprehensive income - Statement "D" attributable to IIAB shareholders	11,590,477	10,625,584

The attached notes from 1 to 55 form part of these financial statements and are read in conjunction therewith.



## Changes in Shareholders' Equity Statement

Statement "D"

		Subscribed Capital (Paid)	Reserves		General Banking Reserve	Fair Value Reserve - Net	Retained	
			Statutory	Voluntary			Losses	Total
	Note	JOD	JOD	JOD	JOD	JOD	JOD	JOD
For the year ended 31 December 2012								
Balance at the beginning of the year		100,000,000	9,613,353	5,537,312	882,000	135,851	(26,033,695)	90,134,821
Previous years adjustments	55	-	-	-	-	-	(819,482)	(819,482)
Beginning of year adjusted balance		100,000,000	9,613,353	5,537,312	882,000	135,851	(26,853,177)	89,315,339
Profit for the year (Statement "b:)		-	-	-	-	-	11,493,645	11,493,645
Losses on financial assets at fair value through shareholders' equity		-	-	-	-	-	(2,329)	(2,329)
Net change in fair value reserve after tax	26	-	-	-	-	99,161	-	99,161
Total comprehensive income (Statement "c")		-	-	-	-	99,161	11,491,316	11,590,477
Transferred to reserves		-	1,644,350	-	-	-	(1,644,350)	-
Balance at the end of the year		100,000,000	11,257,703	5,537,312	882,000	235,012	(17,006,211)	100,905,816
For the year ended 31 December 2011								
Balance at the beginning of the year		100,000,000	8,090,760	5,537,312	882,000	151,638	(27,252,473)	87,409,237
Profit for the year (Statement "b:)		-	-	-	-	-	10,641,371	10,641,371
Net change in fair value reserve after tax	26	-	-	-	-	(15,787)	-	(15,787)
Total comprehensive income (Statement "c")						(15,787)	10,641,371	10,625,584
Transferred to reserves		-	1,522,593	-	-	-	(1,522,593)	-
Distributed profit		-	-	-	-	-	(7,900,000)	(7,900,000)
Balance at the end of the year		100,000,000	9,613,353	5,537,312	882,000	135,851	(26,033,695)	90,134,821

\* Retained losses includes the amount of JOD 1,920,805 as at 31 December 2012 which may not be disposed of according to the Central Bank of Jordan instructions, consisting of the value of deferred tax assets (self-based)

It is prohibited to dispose of the general banking risks reserve balance estimated at JOD 882,000 as at 31 December 2012 without the prior approval of the Central Bank of Jordan.

The attached notes from 1 to 55 form part of these financial statements and are read in conjunction therewith.

## Cash Flows Statement

## Statement "C"

31 December			
		JOD	JOD
Cash Flows from Operational Activities			
Profit before tax		16,418,495	15,202,079
Adjustments of Non-Cash Items:			
Depreciation and Amortization	13 & 14	2,048,461	1,752,837
Ijara Assets Depreciation		23,426,927	18,429,592
Investments in real estate depreciation		83,255	-
Impairment in deferred sales receivables and finance facilities - self-owned through P&L	7	5,200,000	-
Investment Risks Fund	23	6,652,194	4,016,919
Other provisions	19	264,288	255,944
Impairment of investment in real estate	12	76,506	-
Impact of change in exchange rates on cash and cash equivalents		(807,965)	(220,688)
Profit before changes in the working capital		53,362,161	39,436,683
Decrease in deferred sales receivables and other receivables		31,503,072	30,276,123
Decrease in financing investments		507,170	3,573,278
(Increase) in Ijara assets		(84,352,372)	(88,934,637)
Decrease (Increase) in Other Assets		9,002,523	(6,978,834)
(Increase) in qurd hassan		(3,379,582)	(39,122)
Increase in current and demand Accounts		70,058,466	101,107,953
(Decrease) increase in cash margins		(6,348,919)	3,198,567
(Decrease) increase in other liabilities		(2,726,555)	4,462,746
Net (uses) of cash flows from operational activities before tax and paid end of service indemnity		67,625,964	86,097,736
Paid tax	20 and 23	(6,747,084)	(3,023,232)
Paid end of service indemnity	19	-	(5,021)
Net (uses) of cash flows from operational activities		60,878,880	83,074,504
Cash Flows from Investment Activities			
Decrease (increase) in financial assets at amortized cost - net		9,906,089	(8,665,338)
Decrease in financial assets through OCI		22,671	-
(Purchase) of fixed assets		(6,794,693)	(2,763,414)
Collections of selling fixed assets		52,876	550
(Purchase) of intangible assets	14	(72,896)	(90,468)
(Purchase) of investment in real estate		(411,556)	(5,597,651)
Net cash flows from (uses in) investment activities		2,702,491	(17,116,321)
Cash Flow from Financing Activities:			
(Decrease) increase in unrestricted investment accounts		(29,233,740)	57,115,542
Distributed dividends		-	(7,900,000)
Net cash flows from financing operations		(29,233,740)	49,215,542
Impact of change in exchange rates on cash and cash equivalents		807,965	220,688
Net increase in cash and cash equivalents		35,155,596	115,394,413
Cash and cash equivalents at the beginning of the year		46,622,565	(68,771,848)
Cash and cash equivalents at the end of the year	43	81,778,161	46,622,565

The attached notes from 1 to 55 form part of these financial statements and are read in conjunction therewith.

## List of Sources and Uses of Funds - Qurd Hassan Fund

List "A"

	For the Year Ended	
	2012	2011
	JOD	JOD
Balance at the beginning of the year	266,924	175,264
Fund sources from:		
Shareholders' equity	1,982,878	279,037
Total sources of funds during the year	1,982,878	279,037
Using the Fund funds for		
Personal advances	1,288,496	370,697
Benevolent laon against flows guaranteed for IIAB interest	4,183,100	-
Total use during the year	5,471,596	370,697
<b>Total balance</b>	<b>3,755,642</b>	<b>266,924</b>
Current and overdraft accounts	240,892	325,641
Less: Provision for impairment	(98,421)	(74,034)
<b>Balance at the end of the year - net</b>	<b>3,898,113</b>	<b>518,531</b>

## List of Changes in Restricted Investments

List "B"

	International Murabaha		Ijirara (Lease-to-Own)		Local Murabaha (Real Estate Finance)		Total	
	For the Year Ended 31 December		For the Year Ended 31 December		For the Year Ended 31 December		For the Year Ended 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Investments at the beginning of the year	145,273,630	159,509,446	744,750	862,250	1,651,293	3,347,852	147,669,673	163,719,548
Add: deposits	144,849,207	95,044,718	-	-	-	1,052,010	144,849,207	96,096,728
Less: withdrawals	100,721,970	109,704,356	36,164	117,500	856,716	2,924,440	101,614,850	112,746,296
IIAB mudarib fees	93,504	78,594	4,052	-	29,507	68,943	127,063	147,537
Add: investment profit	525,460	502,416	14,727	-	107,234	244,814	647,421	747,230
Investments at the end of the year	189,832,823	145,273,630	719,261	744,750	872,304	1,651,293	191,424,388	147,669,673
Revenue received in advance	-	-	-	-	150,395	271,733	150,395	271,733
Ijara depreciation provision	-	-	321,400	327,869	-	-	321,400	327,869
Investment risks provision	-	-	-	-	223,964	202,687	223,964	202,687
Distributable revenue	-	-	-	-	57,067	77,973	57,067	77,973
<b>Total</b>	<b>-</b>	<b>-</b>	<b>321,400</b>	<b>327,869</b>	<b>431,426</b>	<b>552,393</b>	<b>752,826</b>	<b>880,262</b>

## 1. General Information

- The Islamic International Arab Bank (IIAB) is a Jordanian Public Shareholding Company, having its head office in Amman – Jordan, It was established on March 30, 1997, as per the Companies Act No, 22 of 1997.
- IIAB conducts its banking, financial and investment operations, organized in accordance with the Islamic rules and regulations, through its head office and 36 branches across Jordan, IIAB is governed by the applicable Banking Act provisions.
- IIAB is wholly owned by the Arab Bank.
- The financial statements were approved by IIAB Committee of Directors in its meeting number (1) held on January 28, 2013, These financial statements are subject to the approval of the Central Bank of Jordan and the Shareholders' General Assembly.
- The financial statements were examined and revised by the Sharia Supervisory Committee in its Meeting no, (1) held on January 27, 2013, which issued its report thereon.

## 2. Significant Accounting Policies

### Basis of Financial Statements Preparation

- IIAB 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 the event there are no standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions, the international financial reporting standards and interpretations will be applied in accordance with Sharia standards until the relevant Islamic standards are issued.
- The financial statements were prepared according to the historical cost basis, except for the financial assets at fair value through shareholders' equity and investment in property with prospective value increase that appear at fair value on the date of the financial statements.
- The Jordanian Dinar is the currency of the presentation of the financial statements, which is the main currency used by the Bank.
- Shareholders' equity and unrestricted investment accounts holders are separated.
- Amounts are reduced from the investment risks fund to cover the decline in collecting receivables and advances financed by the unrestricted investment accounts.
- The General Banking Risks Reserve may not be used without the prior approval of the Central Bank of Jordan.
- The accounting policies used for the financial statements of this year are consistent with those used in the year ended 31 December 2011.

### Sectors Information

- The business sector represents a set of assets and operations which jointly offer products and services that are subject to risks and revenue different from those associated with other business sectors measured according to the reports used by the CEO, and the major decision maker in the Bank.
- The geographical sector provides products and services in a specific economic environment which is subject in turn to risks and revenue different from those associated with sectors operating in other economic environments.



## Basics of Profit Distribution among Shareholders and Unrestricted Investment Accounts Holders

	Percentage	
Shares of the Joint Investment Accounts Holders	40%	i.e, 2,967% and 3,267% for the first and second halves of 2012 respectively in JOD (against 2,892% and 2,638% for the first and second halves of 2011) and 0,314% and 0,199% in USD for the first and second halves of 2012 respectively (against 0,345% and 0,31% in 2011)
Shareholders' Equity	45%	
Investment Risks Fund Share	15%	

- The Bank denotes up to 5% of the shareholders' equity for profit-earning deposits, according to the segments announced to the clients in the branches.
- The Bank gives investment priority to unrestricted investment accounts' holders, Advertisement expenses related to the new products offered by the Bank are charged on these accounts which are invested from the profit-earning deposit accounts.
- Profit distributed to USD investment deposits holders ranged between 0,339% and 0,213% in 2012 (against 0,19% and 0,28% in 2011).

### Non-Sharia Compliant Revenue, Earnings, Expenses and Losses

Non-Sharia compliant revenue, earnings, and losses incurred to the Bank (if any) are recognized in a special account in the financial position statement within other credit accounts, These items are not charged on the income statement and are disbursed for charity in accordance with the decisions of the Sharia Supervisory Committee.

### Zakat

Depositors and shareholders are independently liable for Zakat.



## Deferred Sales Receivables

### Murabaha Contracts

A Murabaha contract involves selling a commodity at the original price at which it was bought by the seller (i.e, the bank) with increasing a known and agreed profit, This sale might be an ordinary Murabaha (simple Murabaha) in which the Bank acts as a trader that buys a commodity without relying upon a prior promise for its purchase by the customer, The Bank then offers the commodity for sale under Murabaha principle with an agreed upon price and profit, Alternately, the sale might be a Murabaha coupled with a promise on the customer's part, i.e, the Bank does not buy the commodity unless the customer has shown his desire and promised to buy it, In this case, the sale is known as (Murabaha to Purchase Orderer).

- The Bank applies the principle of commitment to promise in Murabaha to purchase orderer contracts, However, in case of default, the Bank will sell the commodity and the purchase orderer will compensate the Bank for the actual damages.
- Murabaha receivables are recognized upon their occurrence at nominal value, and they are measured at the end of the financial year on the basis of the net estimated monetary value,
- Profits are recognized in cash upon concluding Murabaha contracts, or within a term that does not exceed the current financial year.
- The revenue of deferred sales are recognized for a term that may exceed the current financial year, by distributing it to future financial years for the term period, whereby the revenue will be allocated for each financial year regardless if payment will be in cash or not.

### Istisn'a

Istisn'a is a sale contract between a buyer (Mustasni'a) and seller (Sani'a), whereby the latter, upon the request of the former, manufactures a described commodity (Masnou'a) or obtains it at the time of delivery, provided that the manufacturing material and cost are at the seller's account against an agreed-upon price, according to the payment method specified at the time of the contract, in installments or on credit.

- Istisn'a expenses include direct and indirect expenses related to Istisn'a contracts, Those expenses do not include administrative, general and marketing expenses and research and development costs,
- The costs of Istisn'a operations and pre-contracting are recognized in the financial 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 are deducted from the in progress Istisn'a account in the financial position statement.
- Istisn'a revenue are recognized at the completion of contract execution, at the end of its execution, or at the expiry of the contract, whichever is earlier.
- In case the buyer fails to pay the total agreed upon price, and the two parties agreed to pay in installments during the contract execution or after its execution; the deferred profit will be recognized and deducted from Istisn'a receivables account in the financial position statement of the Bank, whether the method used for recognizing Istisn'a revenue is the completion rate method or the complete contract method, The deferred profit will be distributed to the future financial years and is recognized according to each year share in the profit, regardless if payments are made in cash or not.
- In case the Bank retains the manufactured goods for any reason, these assets will be measured at the monetary value expected to be realized or at cost, whichever is less, The difference (if any) is recognized as a loss in the income statement in the financial year in which it is generated.



### **Assets Available for Deferred Sale**

- These are the assets acquired by the Bank for sale on credit (in installments), The sale of these assets is called bargain sale in installments to be distinguished from murabaha sale for the purchaser orderer.
- Assets available for deferred sale are recorded at cost upon concluding the contract and are measured at cost (purchase value and any expenses directly related to acquisition).
- Assets available for deferred sale are recorded at fair value at the end of the financial period, The variation resulting from evaluation, if any, is measured on the basis of the difference between the book value and the fair value, Unrealized profit (loss) is recognized in the fair value reserve account.
- Profit resulting from deferred sale transactions are recognized according to the accrual principle distributed to the financial periods of the contract duration, Profit for future years is recorded in the deferred sales revenue account.
- Deferred sale receivables are recorded upon the contract date at (the contracted upon) nominal value,

### **Finance Investments**

#### **Mudaraba Financing**

Mudaraba is profit sharing between funds and effort, It is concluded between investment accounts' holders (investors) and the bank (Mudarib) which declares general acceptance of these funds for investment and profit sharing according to the agreement, The investor bears any loss except in the event of the Bank's default or violation of the conditions, whereby the Bank bears the loss arising from such default or violation, Mudaraba is also concluded between the Bank as fund-provider acting on its own behalf or on behalf of investment accounts' holders and craftsman and any other businessmen, whether farmers, traders or manufacturers, Mudaraba is different from any traditional forms of Mudaraba (referred to as speculation) which refers to venture or conjecture in sale and purchase operations.

- Mudaraba financing is registered upon delivering the capital to the Mudarib or putting it at his disposal, The delivered capital is measured in the paid amount or at fair value if it is in-kind, If the in-kind assessment results in a difference between the fair value and the book value; then it will be recognized as profit (loss) in the income statement, The amount recovered by the Bank from Mudaraba capital is deducted at the end of the financial year.
- The Bank's share in the profit (loss) resulting and ending during a financial year is registered after settling the Mudaraba, In cases where Mudaraba continues for more than one financial year; the Bank's share in profit is recorded after its settlement, in whole or in part, in the financial year in which it was generated according to profit distribution ratios, Any losses recognized for that year will be limited to the losses by which the Mudarib capital is decreased accordingly.
- In the event of any losses arising from the Mudarim default or violation, these losses will be recognized as receivables due from the Mudarib.

#### **Musharaka Financing**

Musharaka financing entails provision of money at equal or unequal rates by the Bank and the client for the purpose of establishing a new enterprise or participating in an existing enterprise with profit sharing pro rata their capital contribution, Any loss is distributed to the partners proportionately to the capital provided by each party, and any condition to the contrary is not valid.

- The Bank's share in Musharaka capital is recorded upon delivering the capital to the managing partner

or upon its deposit in the Musharaka account, It is measured according to the amount paid in cash or at fair value if it is in-kind, If the assessment of the in-kind asset results in a difference between fair and book values; it will be recognized as profit (loss) in the income statement.

- The capital of the decreasing Musharaka is measured at the end of the financial year, at historical cost, less the historical cost of the share sold at the fair value agreed upon, The difference between the two values will be recognized as profit or loss in the income statement.
- The Bank's share in the profit (loss) resulting and ending during a financial year is registered after settling the Musharaka, In cases where Musharaka continues for more than one financial year; the Bank's share in profit is recorded after its estimation, in whole or in part, between the Bank and the partner in the financial year in which it was generated according to profit distribution ratios, Any losses recognized for that year will be limited to the losses by which the Bank's share is decreased accordingly.
- An impairment provision will be made for the deferred sales' receivables and other receivables, if it is not possible to collect the amounts due to the Bank and where there is an objective evidence that an event occurred, and negatively affected the future cash flows of deferred sales' receivables and other receivables, When this impairment is estimated; it will be recorded in the income statement.
- Finance assets, at the end of the financial year, will be recorded at cost or in the monetary value expected to be realized, whichever is less, The difference is recognized as finance impairment provision.
- Deferred sales revenue and non-operating finance facilities granted to clients are suspended according to the Central Bank instructions.
- Deferred sales receivables and finance facilities funded by the unrestricted investment accounts are written off, in case the procedures taken to collect them under the Investment Risks Fund are ineffective (except for deferred sales receivables and finance facilities granted/financed and subsequently written off in the same year which will be charged to the income statement under investment revenue), The collected receivables and finance facilities which were previously written off are added to the Investment Risks Fund, except for the items charged to the income statement under investment revenue, Deferred sales receivables and finance facilities, which are funded by the Bank own funds and for which an impairment provision is made, will be written off if the collection procedures taken are ineffective by deduction from the impairment provision, Any surplus in the total impairment provision will be transferred to the income statement and the collected amount of previously written off receivables and finance facilities will be added to revenue.

### **Financial Assets at Amortized Cost**

These are the financial assets which the Bank management, according to its business structure, aims to retain to collect the contractual cash flows accounting for fixed or determinable payments towards the capital and profit of these assets.

These assets are recorded upon purchase at cost in addition to acquisition expenses, They are reevaluated upon the end of the current period using effective profit ratio, Any profit or loss arising from amortization is stated in the income statement, and any impairment is recorded in the income statement.

The impairment in these assets value represents the difference between the value stated in the records and the current value of cash flows discounted at the original actual profit rate, Any provisions resulting from impairment are deducted from the value of these assets, Any financial assets may not be re-categorized from/to this item.

In the event any of these assets funded by the Bank own funds are sold before the maturity date, the sale proceeds will be stated in an independent item in the comprehensive income statement, provided that



this fact will be disclosed.

#### Financial Assets at Fair Value through Shareholders' Equity – Self-Based

- These assets represent investments in equity instruments financed by the Bank own funds for the purpose of long-term retention.
- These assets are recognized upon purchase at fair value in addition to acquisition expenses, They are re-evaluated subsequently at fair value, Change in fair value is stated under the fair value reserve item in the shareholders' equity accounts.
- In the event these assets, or part thereof, are sold, the resulting profit or loss will be stated in the retained profit (loss).
- If there is impairment in value of these assets value, the resulting profit or loss will be stated in the income statement.
- The impairment loss previously charged to the income statement may be recovered if there is an objective evidence that the increase in the fair value occurred subsequently to recording the impairment loss in the fair value reserve stated in the shareholders' equity accounts.
- Profit resulting from these financial assets is recorded in the income statement on the date profit distribution is declared.
- Profit and loss resulting from foreign currency translation of these assets are recorded in the fair value reserve item.
- Financial assets whose fair value may not be reliably determined are recognized at cost, The impairment of these assets is tested at the end of each financial period, Any impairment is recorded in the income statement and the impairment loss of these assets may not be recovered in subsequent periods,
- Sales Receivables on the Income Statement – Self-Based
- These sales receivables are international murabaha resulting from the Bank purchase of commodities for sale in the near future.
- These receivables are stated at fair value upon sale, and are subsequently re-evaluated at fair value through the market indicators of these receivables, The change in the fair value is recognized in the income statement.
- The Bank can dispose of these receivables as per transfer of debt to another person at net nominal or book value, so that the difference is recognized in the income statement.

#### **Ijara (Lease-to-Own)**

Ijara is a utility ownership contract at the end of which the lessee owns the leased assets,

- Assets acquired for Ijara purposes are recorded at historical cost including direct expenses necessary to make the assets usable, Leased assets are depreciated on a straight line basis throughout the Ijara contract period.
- When the collectable amount of the assets acquired for Ijara purposes is less than net book value, the assets value is depreciated to the expected recoverable value and impairment value is recorded in the income statement.
- Ijara revenues are distributed in proportion to the financial years covered by the Ijara Contract,
- Maintenance expenses of the leased assets are recorded in the income statement in the fiscal year in which they accrue.

#### **Investment in Real Estate**

This investment entails acquisition of real estate or lands, or part thereof, for the purpose of generating

periodic revenue, or retention for prospective increase in value, or both.

- Investments in the real estate acquired for prospective increase in value are stated at cost in addition to acquisition expenses upon purchase, and are subsequently re-evaluated at fair value, Change in fair value is recognized in the fair value reserve item under unrestricted investment accounts holders equity and the equity accounts, since these assets are funded by the Bank own funds.
- Unrealized losses arising from appraisal of investments in the real estate acquired for prospective increase in value are stated in the fair value reserve, to the extent permitted by the balance of such reserve, If the unrealized losses exceed this reserve balance, any excess amount is stated in the income statement under unrealized profit (loss) from the appraisal of investments in the real estate acquired for prospective increase in value.
- If there are unrealized losses recognized in a previous financial period and there are appraisal (unrealized) profit in a subsequent financial period, such profit is recorded in the income statement until it equals the unrealized losses recognized in the previous periods in the income statement, Any surplus profit will be added to the fair value reserve.
- Profit (loss) arising from the sale of any investments in real estate acquired for prospective increase in value is measured based on the difference between book value and the net sale proceeds, The outcome is recorded in addition to this investment previous share in the fair value reserve, if any, in the income statement for the current financial period.
- Investments in real estate acquired for periodic revenue are stated at cost in addition to any acquisition expenses, These real estate properties are depreciated according to the depreciation policy adopted by the Bank, When the recoverable amount of these properties is less than book value, the value of these properties is written off to the recoverable value and the impairment value is charged to the income statement.

### Provisions

Provisions are recognized when the Bank has obligations at the date of the financial position arising from past events, and the costs to settle the obligation are both probable and able to be reliably measured.

### Investment Risks Fund

- The Bank deducts no less than 15% of the gross joint investment profit realized from various current transactions during the year according to the Banking Law, This percentage may be raised according to the instructions of the Central Bank of Jordan, The amended percentage becomes effective in the financial year following the year in which the amendment is enacted.
- The balance of Investment Risks Fund is transferred to Zakat fund after covering and amortizing all losses or expenses for which the fund was established, This indicates that investors in IIAB has no right in the deducted amounts according at the determined rate accumulated in the Investment Risks Fund, as they are allocated to cover the losses resulting from the joint investment operations.
- If there are any losses in the joint investment operations that started and ended in a specified year, these losses will be covered by the profit realized by other joint investment operations that started and ended at the same year, If loss exceeds profit in the same year, the loss will be covered from the Investment Risks Fund.
- If joint investment operations have started and continued in previous years; and it appears that these operations are losing in a certain year, then these losses will be covered by the Investment Risks Fund,





### Fair Value of Financial Assets

- Closing prices (purchase / sale) on the date of financial statements in active markets represent the fair value of the financial instruments that have market prices, Where there are no quoted actual market prices, where there is no active trading of some financial instruments, or where the market is not active; the fair value is estimated compared to the current market value of a substantially 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 the financial assets, In case the fair value of the financial assets cannot be reliably measured; it is then stated at cost after deducting any impairment in their value.

### Impairment in Financial Assets Value

The Bank reviews the values stated in the financial assets records as at the financial position date in order to determine if there is any indication of impairment in value individually or collectively, In case there are any such indicators, the recoverable value is estimated so as to determine the impairment loss.

### Fixed Assets

Property and equipment are stated at cost after deducting accumulated depreciation and any impairment in value, Property and equipment (excluding lands) are depreciated when they are ready for use on straight line basis over the estimated useful life at the following percentages:

	Percentage
Buildings	2%
Plant, equipment, and furniture	2,5%-15%
Transportation means	15%
Computers	25%
Improvements and decoration	10%

- The useful life of property and equipment is reviewed at the end of each financial year, If the useful life estimates are different from the estimates previously prepared, the change in the estimate for the subsequent years is stated as change in estimates.
- When the recoverable amount of property and equipment is less than the net book value, the assets are written down to their recoverable value and are recognized as impairment loss in the income statement.

### Intangible Assets

- Intangible assets obtained by means other than combination are stated at cost.
- Intangible assets are classified according to their estimated useful life for a definite or indefinite period, Intangible assets with definite useful life are amortized during such life, and amortization is accounted for in the income statement, As for intangible assets with indefinite useful life, impairment in value is



reviewed at the date of the financial statements and any impairment in value is accounted for in the income statement.

- Intangible assets arising from the Bank's operations are not capitalized and are recorded in the income statement in the same year.
- Any indicators of impairment in the intangible assets value are reviewed at the date of the financial statements, in addition to reviewing the useful life of those assets, and performing any amendments on subsequent years.
- Software and systems are stated in the financial position at cost less accumulated depreciation, These assets are amortized when they are ready for use on a straight-line basis over their estimated useful life using annual rates ranging between 10-25%.

### **End of Service Indemnity**

The annual benefits paid to the employees who leave service are accounted for in the end of service provision when these benefits are paid, The benefits paid in excess of the provision in the income statement is accounted for as they are paid, The provision of the Bank's liabilities resulting from the employees' end of service benefits is recorded in the income statement according to the Bank's employees regulation and the regulations of the Labor Law.

### **Income Tax**

- Tax expenses represent accrued and deferred taxes,
- Accrued tax expenses are accounted for on taxable profit, Taxable profit is different from the profit declared in the financial statements, since declared profit includes non-taxable revenue, expenses that are undeductible in the financial year but deductible in subsequent financial years, accumulated taxable losses or untaxable or undeductible items for tax purposes,
- Tax is accounted for at the tax rates determined by the Hashemite Kingdom of Jordan laws and regulations.
- Deferred tax is the tax expected to be recovered or paid as a result of temporary timing differences between the value of assets and liabilities in the financial statements, and the value based on which tax profit is calculated, Deferred taxes are calculated using the method of commitment to the financial position, and are accounted for according to the tax rates expected to be applicable when tax liabilities are settled or when the deferred tax assets are realized.
- The balance of deferred tax assets are reviewed on the date of financial statements and are impaired in case of infeasibility of these tax assets, in whole or in part.

### **Accounts Managed for Customers**

These are the accounts managed by the Bank on behalf of the customers, and are not part of the Bank's assets, The management fees and commissions of these accounts are recognized in the income statement.

### **Revenue Realization and Expense Recognition**

- Revenue and expenses are recognized on accrual basis, expect for deferred sales revenue and non-operating finance facilities, which are not recognized as revenue, and are recorded in the outstanding revenue account.
- Commissions are recognized as revenue when the relevant services are rendered, Companies shares dividends are recognized as the dividend is realized (when approved by Shareholders' General Assembly).

### **Financial Assets Recognition Date**

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

### **Foreign Currencies**

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the



time of these transactions.

- Financial assets and liabilities' balances are translated at the average exchange rate ruling at the date of the financial position as quoted by the Central Bank of Jordan.
- Non-financial assets and liabilities denominated in foreign currencies are translated at fair value on the date of determining their fair value.
- Profit and loss arising from foreign currency translation are taken to the income statement,

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and cash balances that are due within three months, including cash in hand, Central Bank balances, and balances with banks and other financial institutions, Deposits of banks and other financial institutions that are due within three months in addition to withdrawal-restricted balances are deducted.

### **3. Accounting Estimates**

The preparation of the financial statements and application of accounting policies require the Bank to make judgments and estimates with substantial effect on the financial assets and liabilities, and the fair value reserve, as well as disclosure of contingent liabilities, These judgments and estimates also affect revenue, expenses, provisions, and changes in fair value accounted for in the comprehensive income statement, In particular, the Bank management is required to make significant judgments and estimates to estimate the future cash flows amounts and times, The said estimates are necessarily based on assumptions and several factors with varying degrees of estimation and uncertainty, Actual outcomes may vary from such estimates as a result of the changes resulting from the conditions and circumstances of these estimates in the future.

- A provision is made for the lawsuits filed against the Bank based on a legal study prepared by the Bank's consultant, according to which the potential future risks are determined, Those studies are periodically reconsidered.
- A provision is made for impairment in the facilities financed by the Bank based on principles and assumptions adopted by the Bank's management through estimating the provision to be made and comparing the results of issuing these principles and assumptions with the provision to be made as per the regulations of the Central Bank of Jordan, The most stringent results that comply with the standards set by the Accounting and Auditing Organization of Islamic Financial Institutions are adopted.
- The Management periodically re-evaluates the useful lives of tangible and intangible assets for the purpose of calculating annual amortization and depreciation based on the general condition of those assets and the estimates of projected future production operations, Impairment loss (if any) is recorded in the income statement.
- The income tax expenses are charged to the financial year according to the rules, regulations, and accounting standards, The necessary tax provision is allocated.
- IIAB Management periodically reviews the financial assets recognized at cost in order to estimate any impairment in value, Any impairment is charged to the income statement of the year.
- Fair value levels: The level has to be determined and disclosed in the fair value hierarchy in which the full fair value measurements are classified, The fair value measurements have to be separated according to the levels set out in the International Financial Reporting Standards, The difference between level 1 and level 2 of the fair value measurements means evaluating if the information or input is observable and the significance of the unobservable information, This requires developing judgments and accurately analyzing the used inputs for measuring the fair value, including taking into account all elements related to the asset or liability

#### 4. Cash and Balances with Central Bank

This item is detailed as follows:

	31 December	
	2012	2011
	JOD	JOD
Cash in the treasury	16,786,812	10,492,321
Balances with the Central Bank		
Current and demand accounts	879,854	123,950
Cash reserve requirements	46,116,781	46,267,689
<b>Total</b>	<b>63,783,447</b>	<b>56,883,960</b>

Aside from the cash reserve, there are no restricted cash balances as at 31 December 2012 and 2011.

#### 5. Balances with Banks and Financial Institutions

This item is detailed as follows

	Local Banks and Financial Institutions		International Banks and Financial Institutions		Total	
	31 December		31 December		31 December	
	2012	2011	2012	2011	2012	2011
	JOD	JOD	JOD	JOD	JOD	JOD
Current and Demand Accounts	29,167,649	5,004,939	17,384,891	15,271,833	46,552,540	20,276,772
	29,167,649	5,004,939	17,384,891	15,271,833	46,552,540	20,276,772

There are no restricted cash balances as at 31 December 2012 and 2011.



## 6. Net Deferred Sales Receivables and Other Receivables

This item is detailed as follows:

	Joint		Self-Owned		Total	
	31 December		31 December		31 December	
	2012	2011	2012	2011	2012	2011
	JOD	JOD	JOD	JOD	JOD	JOD
Individuals (Retail)						
Murabaha for the purchase orderer	85,667,069	37,829,198	-	-	85,667,069	37,829,198
Deferred sales	924,985	288,365	-	-	924,985	288,365
Receivables – Ijara (lease-to-own)	1,717,328	949,715	-	-	1,717,328	949,715
Real estate finance	58,806,778	53,979,474	49,465	142,728	58,856,243	54,122,202
Large companies						
International murabaha	209,097,223	202,843,574	275,487,629	343,718,797	484,584,852	546,562,371
Murabaha for the purchase orderer	109,353,412	113,956,936	17,462,925	26,079,107	126,816,337	140,036,043
Receivables – Ijara (lease-to-own)	-	-	-	65,506	-	65,506
Small- and medium-sized enterprises						
Murabaha for the purchase orderer	30,403,065	32,368,292	478,573	1,287,155	30,881,638	33,655,447
Deferred sale	285,917	311,420	-	-	285,917	311,420
<b>Total</b>	<b>496,255,777</b>	<b>442,526,974</b>	<b>293,478,592</b>	<b>371,293,293</b>	<b>789,734,369</b>	<b>813,820,267</b>
Less: Deferred revenue	30,229,442	22,514,348	242,428	740,254	30,471,870	23,254,602
Impairment provision	8,334,196	7,799,695	2,068,142	2,092,529	10,402,338	9,892,224
revenue In suspense	751,569	700,803	7,644	17,112	759,213	717,915
<b>Net sales receivables and other receivables</b>	<b>456,940,570</b>	<b>411,512,128</b>	<b>291,160,378</b>	<b>368,443,398</b>	<b>748,100,948</b>	<b>779,955,526</b>

The transactions related to deferred sale receivables are as follows:

	Deferred Sales Receivables	Deferred Revenue	Impairment Provision
	JOD	JOD	JOD
Balance at beginning of the year	599,785	136,750	1,974
Additions	1,676,973	77,053	-
Disposals	1,065,856	72,248	-
Balance at end of the year	1,210,902	141,555	1,974

**Impairment Provision of Deferred Sales, Finance Investments, Ijara, and Benevolent Loan/Self-Owned:  
The impairment provision is detailed as follows:**

31 December 2012	Retail	Real Estate	Large Corporates	Small & Medium Enterprises	Total
	JOD	JOD	JOD	JOD	JOD
Balance at the beginning of the year	74,034	1,672	2,090,857	-	2,166,563
Recovered bad debts	-	-	-	-	-
Deducted profit	-	-	-	-	-
Used provision during the year (written-off receivables and finance facilities)	(59,736)	16,322	(55,627)	99,041	-
Adjustments during the year	14,298	17,994	2,035,230	99,041	2,166,563
Closing Balance					
Impairment provision of non-operating sales on one-client basis	14,007	17,994	1,918,606	89,435	2,040,042
Impairment provision of under control sales on one-client basis	291	-	116,624	9,606	126,521
Balance at the end of the year	<b>14,298</b>	<b>17,994</b>	<b>2,035,230</b>	<b>99,041</b>	<b>2,166,563</b>

31 December 2011	Retail	Real Estate	Large Corporates	Small & Medium Enterprises	Total
	JOD	JOD	JOD	JOD	JOD
Balance at the beginning of the year	56,017	41,483	2,068,973	-	2,166,473
Recovered bad debts	90	-	-	-	90
Deducted profit	-	-	-	-	-
Used provision during the year (written-off receivables and finance facilities)	-	-	-	-	-
Adjustments during the year	17,927	(39,811)	21,884	-	-
Closing balance	74,034	1,672	2,090,857	-	2,166,563
Impairment provision of non-operating sales on one-client basis	71,424	-	2,038,481	-	2,109,905
Impairment provision of under control sales on one-client basis	2,610	1,672	52,376	-	56,658
Balance at the end of the year	<b>74,034</b>	<b>1,672</b>	<b>2,090,857</b>	<b>-</b>	<b>2,166,563</b>

- Total general banking risks reserve towards receivables and self-finance is JOD 882,000 as at 31 December 2012 (compared to JOD 882,000 as at 31 December 2011).
- Total provisions made for debts estimated on one-client basis were disclosed.



- Total provisions that are no longer required as a result of adjustments or repayment of debts that were transferred to receivables and other finance facilities amounted to JOD 2,487,229 as at 31 December 2012 (compared to JOD 3,085,641 as at 31 December 2011).

## Revenue in Suspense

Self-Owned						
	Large Corporates		Real Estate Finance		Total	
	31 December		31 December		31 December	
	2012	2011	2012	2011	2012	2011
	JOD	JOD	JOD	JOD	JOD	JOD
Balance at the beginning of the year	10,190	17,240	6,922	18,307	17,112	35,547
Add: Revenue in suspense for the year	719	-	3	16,232	722	16,232
Less: Revenue in suspense transferred to revenue	(10,190)	(7,050)	-	(27,617)	(10,190)	(34,667)
Balance at the end of the year	<b>719</b>	<b>10,190</b>	<b>6,925</b>	<b>6,922</b>	<b>7,644</b>	<b>17,112</b>

31 December 2012	Retail	Corporates			Total
		Real Estate Finance	Large	Medium and Small	
Balance at the beginning of the year	60,074	167,297	41,149	432,283	700,803
Add: Revenue in suspense for the year	26,759	99,917	55,646	105,318	287,640
Less: Revenue in suspense transferred to revenue	(16,212)	(76,427)	(10,856)	(133,379)	(236,874)
Balance at the end of the year	<b>70,621</b>	<b>190,787</b>	<b>85,939</b>	<b>404,222</b>	<b>751,569</b>
31 December 2011					
Balance at the beginning of the year	57,365	164,946	249,508	247,309	719,128
Add: Revenue in suspense for the year	16,240	17,401	4,882	184,974	223,497
Less: Revenue in suspense transferred to revenue	(13,531)	(15,050)	(213,241)	-	(241,822)
Balance at the end of the year	<b>60,074</b>	<b>167,297</b>	<b>41,149</b>	<b>432,283</b>	<b>700,803</b>

## 7. Deferred sale receivables through the income statement-self-Owned

Deferred sale receivables through the income statement amounted to JOD 1,313,267 as at 31 December 2012, against JOD 6,513,267 as at 31 December 2011, The provision of JOD 5,200,000 of the deferred sale receivables was recorded in the income statement under self-based finance impairment provisions.



## 8. Net Ijara Assets

This item is detailed as follows:

Joint				Self-Owned			Total		
31 December 2012	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Ijara assets – real estate	JOD 295,129,057	(49,367,197)	245,761,860	JOD 1,338,000	(731,140)	606,860	JOD 296,467,057	(50,098,337)	246,368,720
Ijara assets - Machines	10,664,071	(6,107,376)	4,556,695	1,150,000	(1,111,162)	38,838	11,814,071	(7,218,538)	4,595,533
Ijara assets - vehicles	694,469	(121,805)	572,664	-	-	-	694,469	(121,805)	572,664
<b>Total</b>	<b>306,487,597</b>	<b>(55,596,378)</b>	<b>250,891,219</b>	<b>2,488,000</b>	<b>(1,842,302)</b>	<b>645,698</b>	<b>308,975,597</b>	<b>(57,438,680)</b>	<b>251,536,917</b>
31 December 2011									
Ijara assets – real estate	218,894,125	(36,113,848)	182,780,277	1,338,000	(681,137)	656,863	220,232,125	(36,794,985)	183,437,140
Ijara assets - Machines	10,553,423	(3,830,557)	6,722,866	1,150,000	(885,624)	264,376	11,703,423	(4,716,181)	6,987,242
Ijara assets - vehicles	203,690	(16,600)	187,090	-	-	-	203,690	(16,600)	187,090
<b>Total</b>	<b>229,651,238</b>	<b>(39,961,005)</b>	<b>189,690,233</b>	<b>2,488,000</b>	<b>(1,566,761)</b>	<b>921,239</b>	<b>232,139,238</b>	<b>(41,527,766)</b>	<b>190,611,472</b>

- Total due ijara installments amounted to JOD 1,717,328 as at 31 December 2012 (against JOD 949,715 as at 31 December 2011), Ijara balances due from sale receivables and other receivables are recognized (Note 6).
- Non-operating ijara amounted to JOD 2,335,460, i.e, 0.93% of the ijara balance as at 31 December 2012 (against JOD 1,830,117, i.e, 1% as at 31 December 2011).
- Non-operating ijara, less revenue in suspense, amounted to JOD 2,114,021, i.e, 0.84% of the ijara balance as at 31 December 2012 (against JOD 1,754,617, i.e, 0.8% as at 31 December 2011).



## 9. Finance Investments

This item is detailed as follows:

Joint 31 December		
	2012	2011
	JOD	JOD
Real estate finance	14,506	22,292
Large corporates		
Mudaraba	3,353,762	3,853,146
Net finance	3,368,268	3,875,438

- Non-operating deferred sales receivables, other receivables, finance, ijara, and benevolent loan amounted to JOD 14,379,248, i.e, 1,4% of the deferred sales receivables, other receivables, finance, ijara, and benevolent loan balance for the year (against JOD 16,701,535, i.e, 1,6% of the balance granted at the end of the previous year.
- Non-operating deferred sales receivables, other receivables, finance facilities, ijara, and benevolent loan, less revenue in suspense, amounted to JOD 13,620,035, i.e, 1,3% of the deferred sales receivables, other receivables, finance, ijara, and interest-free loan balance less revenue in suspense (against JOD 15,983,620, i.e, 1,6% of the balance granted at the end of the previous year.

## 10. Financial assets at fair value through OCI

This item is detailed as follows:

Self-Owned 31 December		
	2012	2011
	JOD	JOD
Financial assets with market prices		
Companies' shares	439,650	421,000
Investment portfolios managed by third parties*	5,188,272	5,090,261
Total financial assets at fair value through OCI	5,627,922	5,511,261

- \* This item represents investment portfolios managed by the Arab Investment Group Company and comprises foreign shares, Islamic sukuk, and international murabaha.
- The financial assets at fair value losses are recorded in the shareholders' equity as a result of the impairment in investment in shares of the Professional Company for Real Estate Investments.

## 11. Financial Assets at Amortized Cost – Net

This item is detailed as follows (with details included):

	Joint		Self-Owned		Total	
	31 December		31 December		31 December	
	2012	2011	2012	2011	2012	2011
	JOD	JOD	JOD	JOD	JOD	JOD
Islamic sukuk	-	9,285,714	3,141,755	3,762,130	3,141,755	13,047,844
	-	9,285,714	3,141,755	3,762,130	3,141,755	13,047,844

- The above assets are due through 2014 to 2016.
- The sukuk that fell due or were repaid early amounted to JOD 9,285,714 for the year ended 31 December 2012.

## 12. Real Estate Investments

This item is detailed as follows:

a. Property acquired for prospective increase in value:

	Joint		Self-Owned		Total	
	31 December		31 December		31 December	
	2012	2011	2012	2011	2012	2011
	JOD	JOD	JOD	JOD	JOD	JOD
Investments in real estate	2,011,717	1,558,332	13,496,107	13,496,107	15,507,824	15,054,439
Impairment in value	-	-	(76,506)	-	(76,506)	-
	2,011,717	1,558,332	13,419,601	13,496,107	15,431,318	15,054,439

- Investments in real estate are stated at fair value, less impairment in value, The book value (cost) of these investments is JOD 15,507,824 as at 31 December 2012, against JOD 15,054,439 as at 31 December 2011.



b. Property acquired for obtaining periodic revenue:

	Self-Owned					
	31 December 2012			31 December 2011		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	JOD	JOD	JOD	JOD	JOD	JOD
Investments in real estate:	7,961,032	83,255	7,877,777	7,549,476	-	7,549,476
	7,961,032	83,255	7,877,777	7,549,476	-	7,549,476

- Total investments in real estate amounted to JOD 23,309,095 as at 31 December 2012 (JOD 22,603,915 as at 31 December 2011).

### 13 . Net Fixed Assets

This item is detailed as follows:

	Lands	Buildings	Furniture Fixture and Equipment	Motor Vehicle	Computers	Improvements and Decoration	Total
2012	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cost:							
Balance at the beginning of the year	2,104,607	4,364,789	4,399,251	207,571	3,823,633	6,916,484	21,816,335
* Additions	4,523,501	-	485,040	-	749,560	2,299,115	8,057,216
Disposals	-	103,000	207,238	44,263	475,083	-	829,584
Balance at the end of the year	6,628,108	4,261,789	4,677,053	163,308	4,098,110	9,215,599	29,043,967
Accumulated depreciation							
Accumulated depreciation at the beginning of the year	-	953,228	2,261,741	90,415	2,727,274	3,190,540	9,223,198
Depreciation for the year	-	100,808	399,839	26,861	553,407	658,762	1,739,677
Disposals	-	102,999	202,968	28,316	442,423	-	776,706
Accumulated depreciation at the end of the year	-	951,037	2,458,612	88,960	2,838,258	3,849,302	10,186,169
Net book value of property and equipment	6,628,108	3,310,752	2,218,441	74,348	1,259,852	5,366,297	18,857,798
* Projects in progress	-	-	9,802	-	-	-	9,802
Balance at the end of the year	6,628,108	3,310,752	2,228,243	74,348	1,259,852	5,366,297	18,867,600

	Lands	Buildings	Furniture Fixture and Equipment	Motor Vehicle	Computers	Improvements and Decoration	Total
2011	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cost:							
Balance at the beginning of the year	2,104,607	4,364,789	3,647,896	175,571	3,508,535	5,522,078	19,323,476
Additions	-	-	751,355	32,000	315,648	1,394,406	2,493,409
Disposals	-	-	-	-	(550)	-	(550)
Balance at the end of the year	2,104,607	4,364,789	4,399,251	207,571	3,823,633	6,916,484	21,816,335
Accumulated Depreciation							
Accumulated depreciation at the beginning of the year	-	866,910	1,900,072	61,154	2,267,567	2,723,919	7,819,622
Depreciation for the year	-	86,318	361,669	29,261	460,113	466,621	1,403,982
Disposals	-	-	-	-	(406)	-	(406)
Accumulated depreciation at the end of the year	-	953,228	2,261,741	90,415	2,727,274	3,190,540	9,223,198
Net book value of property and equipment	2,104,607	3,411,561	2,137,510	117,156	1,096,359	3,725,944	12,593,137
Projects in progress	-	1,272,325	-	-	-	-	1,272,325
Balance at the end of the year	2,104,607	4,683,886	2,137,510	117,156	1,096,359	3,725,944	13,865,462
Annual depreciation percentage %	-	2	2,5 - 15	15	25	10	

The cost of fully depreciated equipment and property amounted to JOD 3,174,610 as at 31 December 2012 (against JOD 2,997,766 as at 31 December 2011).

In 2012, the amount of JOD 1,262,523 was capitalized from the account of projects in progress which consist of property and equipment owned by the branches opened in 2012.



## 14. Intangible Assets:

This item is detailed as follows

	Computer Software and Systems	
	31 December	
	2012	2011
	JOD	JOD
Balance at the beginning of the year	1,370,589	1,628,976
Additions	72,896	90,468
Amortization for the year	(308,784)	(348,855)
Balance at the end of the year	1,134,701	1,370,589
Annual amortization rate %	10-25	10 - 25

## 15. Other Assets:

This item is detailed as follows:

	31 December	
	2012	2011
	JOD	JOD
Clearance cheques	-	9,002,309
Pre-paid expenses	778,853	579,209
Due and un-received revenue	394,365	621,373
Other	264,655	419,506
<b>Total</b>	<b>1,437,873</b>	<b>10,622,397</b>

## 16. Bank's and Financial Institutions Deposits

This item is detailed as follows:

	Abroad Jordan	
	31 December	
	2012	2011
	JOD	JOD
Current and demand accounts	28,557,826	30,538,167
<b>Total</b>	<b>28,557,826</b>	<b>30,538,167</b>



## 17. Customers Current Accounts:

This item is detailed as follows:

31 December 2012					
	Retail	Large Corporates	Small- and medium-enterprises	Government and public sector	Total
	JOD	JOD	JOD	JOD	JOD
Current accounts	281,268,458	28,701,617	77,677,357	4,019,936	391,667,368
<b>Total</b>	<b>281,268,458</b>	<b>28,701,617</b>	<b>77,677,357</b>	<b>4,019,936</b>	<b>391,667,368</b>

31 December 2011					
	Retail	Large Corporates	Small- and medium-enterprises	Government and public sector	Total
	JOD	JOD	JOD	JOD	JOD
Current accounts	223,371,768	23,724,296	71,476,213	3,036,625	321,608,902
<b>Total</b>	<b>223,371,768</b>	<b>23,724,296</b>	<b>71,476,213</b>	<b>3,036,625</b>	<b>321,608,902</b>

- Deposits of the Jordanian government and the public sector inside Jordan amounted to JOD 4,019,936 as at December 31, 2012, i.e, at the rate of 1% of total clients' current accounts (against JOD 3,036,625 as at December 31, 2011, i.e, at the rate of 0,9%).
- Reserved (withdrawal-restricted) accounts amounted to JOD 2,778,680 as at December 31, 2012, i.e, at the rate of 0,7% of total clients' current accounts (against JOD 2,370,779 as at December 31, 2011, i.e, at the rate of 0,7%).
- Inactive accounts amounted to JOD 1,380,955 as at December 31, 2012 (against JOD 1,900,699 as at December 31, 2011).

## 18. Cash Margins

This item is detailed as follows:

	31 December	
	2012	2011
	JOD	JOD
Sales receivables and finance margins	12,617,171	18,685,096
Indirect facilities margins	4,752,481	5,197,681
Other margins	910,747	746,541
<b>Total</b>	<b>18,280,399</b>	<b>24,629,318</b>

## 19. Other Provisions

Transactions related to other provisions are as follows:

2012	Opening balance	Addition during the year	Paid during the year	Closing balance
	JOD	JOD	JOD	JOD
End of service indemnity	1,485,130	250,151	-	1,735,281
Legal cases	-	14,137	-	14,137
<b>Total</b>	<b>1,485,130</b>	<b>264,288</b>	<b>-</b>	<b>1,749,418</b>
2011				
End of service indemnity	1,234,207	255,944	5,021	1,485,130
<b>Total</b>	<b>1,234,207</b>	<b>255,944</b>	<b>5,021</b>	<b>1,485,130</b>

## 20. Income Tax Provision

### a. Income Tax Provision

Transactions related to income tax provision are as follows:

	31 December	
	2012	2011
	JOD	JOD
Balance at the beginning of the year	4,665,330	2,279,433
Income tax paid for the year	(5,346,459)	(2,250,088)
Income tax paid for previous years	(15,069)	-
Due income tax on profit for the year	5,019,588	4,635,985
Balance at the end of the year	<b>4,323,390</b>	<b>4,665,330</b>



**b. The income tax balance stated in the income statement consists of the following:**

	2012	2011
	JOD	JOD
Due income tax on profit for the year	5,019,588	4,635,985
Deferred tax assets for the year	(102,238)	(76,783)
Amortized deferred tax assets	7,500	1,506
	4,924,850	4,560,708

- The income tax payable for the year ended 31 December 2012 was estimated according to the applicable income tax law.
- A final settlement was made with the Income and Sales Tax Department until the end of 2011.
- The management and the tax consultant are of the opinion that there is no need to make additional provisions for the year ended 31 December 2012.

**c. Deferred Tax Assets/Liabilities Self-Owned /Joint**

Accounts included	31 December 2012					31 December 2011
	Balance at the Beginning of the Year	Released Amounts	Added Amounts	Balance at the End of the Year	Deferred Tax	Deferred Tax
a. Deferred tax assets - joint	JOD	JOD	JOD	JOD	JOD	JOD
revenue in suspense	-	(478,696)	1,085,367	606,671	182,001	-
	-	(478,696)	1,085,367	606,671	182,001	-
b. Deferred Tax Assets -Self-Owned						
End of service indemnity	1,485,130	-	250,151	1,735,281	520,584	445,539
Provision for impairment in Self-owned finance	1,491,473	-	-	1,491,473	447,442	447,442
Provision for fees of the lawsuits against the Bank	-	-	14,137	14,137	4,241	-
Impairment in financial assets at fair value through shareholders' equity	3,110,286	25,000	-	3,085,286	925,586	933,086
Impairment in real estate investments value	-	-	76,506	76,506	22,952	-
	6,086,889	25,000	340,794	6,402,683	1,920,805	1,826,067

Deferred tax assets estimated at JOD 1,920,805 as at 31 December 2012 resulting from timing differences of the end of service benefits provision and the provision for deferred sales receivables impairment, provision for lawsuits, impairment in financial assets, and impairment in real estate investments on the income statement are calculated based on a tax rate of 30%. In the management's opinion, these tax benefits will be utilized from the future estimated profit.

	31 December 2012					31 December 2011
Accounts included	Balance at the Beginning of the Year	Released Amounts	Added Amounts	Balance at the End of the Year	Deferred Tax	Deferred Tax
c. Joint Deferred Tax Liabilities	JOD	JOD	JOD	JOD	JOD	JOD
Real estate assets at fair value through joint deposits holders' equity	-	-	453,385	453,385	136,015	-
	-	-	453,385	453,385	136,015	-
d, Self-Based Deferred Tax Liabilities						
1, Financial Assets at fair value through shareholders' equity	194,070	-	141,661	335,731	100,719	58,219
	194,070	-	141,661	335,731	100,719	58,219

The transaction related to the joint deferred tax assets and liabilities is as follows:

	31 December 2012		31 December 2011	
	Assets	Liabilities	Assets	Liabilities
	JOD	JOD	JOD	JOD
Balance at the beginning of the year	-	-	-	-
Added during the year	325,610	136,015	-	-
Amortized during the year	(143,609)	-	-	-
<b>Balance at the end of the year</b>	<b>182,001</b>	<b>136,015</b>	<b>-</b>	<b>-</b>

The transaction related to the (self-based) deferred tax assets and liabilities is as follows:

	31 December 2012		31 December 2011	
	Assets	Liabilities	Assets	Liabilities
	JOD	JOD	JOD	JOD
Balance at the beginning of the year	1,826,067	58,219	1,750,790	64,988
Added during the year	102,238	42,500	76,783	58,219
Amortized during the year	(7,500)	-	(1,506)	(64,988)
<b>Balance at the end of the year</b>	<b>1,920,805</b>	<b>100,719</b>	<b>1,826,067</b>	<b>58,219</b>



#### d. Summary of Accounting Profit Adjustment with Tax Profit:

	2012	2011
	JOD	JOD
Accounting profit	16,418,495	15,202,079
Add: Non-taxable expenses	7,280,623	3,750,429
Other adjustments	(264,202)	-
Tax profit	23,434,916	18,952,508
Quoted income tax rate	30%	30%
Net income tax provision	7,030,475	5,685,752
For:		
Declared provision - Bank	5,019,588	4,635,985
Declared provision- Investment risks fund	2,010,887	1,049,767
	7,030,475	5,685,752

## 21. Other Liabilities

This item is detailed as follows:

31 December 2012		
	2012	2011
	JOD	JOD
Sold notes	5,951,253	5,488,667
Exchange bills, collected policies, and received transfers	2,167,045	4,760,195
Due and unpaid expenses	726,905	51,311
Clients share in joint investment profit	2,877,406	3,289,868
Commissions received in advance	254,555	232,430
Temporary trusts and other items	686,392	1,568,794
Directors' remuneration	25,000	23,846
	12,688,556	15,415,111

## 22. Unrestricted Investment Accounts

This item is detailed as follows:

31 December 2012					
	Retail	Large Corporate	Small-and medium-enterprises	Government and public sector	Total
	JOD	JOD	JOD	JOD	JOD
Saving accounts	99,415,215	905,125	2,272,435	11,990	102,604,765
Term deposits	390,578,365	33,058,195	48,622,299	16,384,425	488,643,284
Total	489,993,580	33,963,320	50,894,734	16,396,415	591,248,049
Depositors shares in investment revenue	11,245,421	992,718	1,170,543	616,865	14,025,547
<b>Total unrestricted investment accounts</b>	<b>501,239,001</b>	<b>34,956,038</b>	<b>52,065,277</b>	<b>17,013,280</b>	<b>605,273,596</b>



31 December 2012

	Retail	Large Corporate	Small-and medium-enterprises	Government and public sector	Total
	JOD	JOD	JOD	JOD	JOD
Saving accounts	79,007,065	974,929	2,252,985	6,491	82,241,470
Term deposits	423,981,278	40,698,659	46,249,572	29,556,840	540,486,349
Total	502,988,343	41,673,588	48,502,557	29,563,331	622,727,819
Depositors shares in investment revenue	8,978,982	1,195,568	1,072,502	532,465	11,779,517
Total unrestricted investment accounts	511,967,325	42,869,156	49,575,059	30,095,796	634,507,336

- Unrestricted investment accounts contribute in profit, according to the following ratios:
- 50% of the saving accounts' monthly balance
- 90% of term accounts' minimum balance.
- Profit rate in Jordanian Dinar for the first and second halves of 2012 was 2.967% and 3.267% respectively (against 2.892% and 2.638% in the previous years).
- Profit rate in US Dollar for the first and second halves of 2012 was 0.314% and 0.199% respectively (against 0.345% and 0.31% respectively for the previous year).
- Reserved(withdrawal- restricted) accounts amounted to JOD 621,461 as at December 31, 2012 (against JOD 851,349 as at December 31, 2011).
- Unrestricted investment accounts of the Jordanian government and the public sector inside Jordan amounted to JOD 17,013,280 as at December 31, 2012 at the rate of 2.8% of total unrestricted investment accounts (against JOD 30,095,796 as at December 31, 2011 at the rate of 4.7%).

### 23. Investment Risks Fund

Transaction related to the Investment Risks Fund is as follows:

31 December		
	2012	2011
	JOD	JOD
Balance at the beginning of the year	11,371,388	8,921,931
Previous years adjustments refer to appendix (55)	819,482	-
Beginning of year adjusted balance	12,190,870	8,921,931
Transferred from the joint investments revenue for the year-income statement	6,652,194	4,016,919
Less: Loss amortized during the year	-	(517,043)
Less: Income tax due for the year	(2,010,887)	(1,049,767)
Income tax paid for the previous years	(206,036)	-
Recovered bad debts	-	283
Add: Deferred tax assets	182,001	-
Foreign currency evaluation difference	992	(935)
Balance at the end of the year	16,809,134	11,371,388



The Investment Risks Fund balance is distributed as follows:

31 December		
	2012	2011
	JOD	JOD
Deferred sales receivables impairment provision (Note 6)	8,334,196	7,799,695
Remaining balance	8,474,938	3,571,693

The transaction related to the income tax on the Investment Risks Fund is as follows:

31 December		
	2012	2011
	JOD	JOD
Balance at the beginning of the year	868,474	591,851
Less: Paid income tax	(1,179,520)	(773,144)
Add: Income tax due for the year	2,010,887	1,049,767
Balance at the end of the year	1,699,841	868,474

- A final settlement was made with the Income and Sales Tax Department until the end of 2011.

## 24. Capital

The subscribed for (paid-up) capital amounted to JOD 100 Million at the end of the fiscal year, distributed into 100 million shares, The nominal value per share is one Jordanian Dinar as at 31 December 2012, (against JD million 100 shares with a nominal value of one Jordanian Dinar per share for the previous year).

## 25. Reserves

### Statutory Reserve

The accumulated amounts in this account represent the transferred annual profit before tax at the rate of (10%) according to the Banking Act, This reserve is non-distributable to shareholders.

### Voluntary Reserve

The accumulated amounts in this account represent the transferred annual profit before tax at the maximum rate of 20% during the previous years, This reserve is used for purposes determined by the Committee of Directors, and the General Assembly is entitled to distribute it in part or in whole as profit to shareholders.

### General Banking Risks Reserve

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

The restricted reserves are as follows:

31 December 2012		Reserve Type
Restriction Type	JOD	
Law requirements	11,257,703	Statutory reserve
Central Bank instructions	882,000	General banking risks reserve

## 26. Fair Value Reserve – Net

This item is detailed as follows

	Joint		Self-owned	
	31 December		31 December	
	2012	2011	2012	2011
	JOD	JOD	JOD	JOD
Balance at the beginning of the year	-	-	135,851	151,638
Unrealized profit (loss)	453,385	-	135,661	(22,556)
Tax liabilities - deferred	(136,015)	-	(42,500)	6,769
Realized losses	-	-	6,000	-
Balance at the end of the year	<b>317,370</b>	<b>-</b>	<b>235,012</b>	<b>135,851</b>

- The net fair value reserve is recognized less deferred tax liabilities – self-based, The reserve balance amounted to JOD 235,012 as at 31 December 2012 (against JOD 135,851 as at 31 December 2011).



## 27. (Retained Loss)

This item is detailed as follows:

	31 December	
	2012	2011
	JOD	JOD
Balance at the beginning of the year	(26,033,695)	(27,252,473)
Previous years adjustments (Note 55)	(819,482)	-
Beginning of year adjusted balance	(26,853,177)	(27,252,473)
profit for the year	11,493,645	10,641,371
Transferred to reserves	(1,644,350)	(1,522,593)
Distributed dividends	-	(7,900,000)
Financial assets at fair value through OCI losses	(2,329)	-
Balance at the end of the year	(17,006,211)	(26,033,695)

\* Accumulated loss balance includes the restricted amount of JOD 1,920,805 against deferred tax benefits as at 31 December 2012 (JOD 1,826,067 as at 31 December 2011)

## 28. Deferred Sales Revenue

This item is detailed as follows:

	Joint		Self-Owned	
	31 December		31 December	
	2012	2011	2012	2011
	JOD	JOD	JOD	JOD
Retail				
Murabaha for purchase orderer	6,108,054	3,246,948	-	-
Deferred sale	65,234	38,131	-	-
Real estate finance	4,325,293	2,838,157	-	20,218
Large corporates				
International murabaha	2,870,330	2,793,895	7,164,327	4,185,048
Murabaha for purchase orderer	7,768,521	4,559,396	1,574,745	2,077,682
Small- and medium-enterprises				
Murabaha for purchase orderer	4,088,972	3,198,195	58,510	154,156
Deferred sale	7,014	1,462	-	-
IIAB share in unrestricted investment accounts revenue as fund owner	-	-	-	7,804,592
<b>Total</b>	<b>25,233,418</b>	<b>16,676,184</b>	<b>8,797,582</b>	<b>14,241,696</b>

## 29. Finance Investments Revenue

This item is detailed as follows:

	Joint	
	2012	2011
	JOD	JOD
Real Estate Finance	1,600	4,410
Large Corporates:		
Mudaraba	122,485	376,717
	124,085	381,127



### 30. Financial Assets at Amortized Cost Revenue

	Joint		Self-Owned	
	31 December		31 December	
	2012	2011	2012	2011
	JOD	JOD	JOD	JOD
Islamic Sukuk- Lease	837,710	583,918	85,279	90,529
	837,710	583,918	85,279	90,529

### 31. Real Estates Investment Earnings (Loss)

	Self-Owned					
	31 December 2012			31 December 2011		
	Realized Profit	Impairment Loss	Total	Realized Profit	Impairment Loss	Total
	JOD	JOD	JOD	JOD	JOD	JOD
a. Acquired for prospective increase in value	-	(76,506)	(76,506)	-	-	-
b. Acquired for obtaining periodic revenue	24,392	-	24,392	8,876	-	8,876
	24,392	(76,506)	(52,114)	8,876	-	8,876

### 32. Ijara Assets Revenue

This item is detailed as follows

	Joint		Self-Owned	
	2012	2011	2012	2011
	JOD	JOD	JOD	JOD
Ijara – Real Estate	38,807,439	24,377,890	99,757	234,193
Ijara - Machines	2,404,757	2,903,624	234,140	123,871
Ijara- Vehicles	91,936	20,927	-	-
Ijara Assets Depreciation	(23,151,386)	(18,164,249)	-	-
<b>Total</b>	<b>18,152,746</b>	<b>9,138,192</b>	<b>333,897</b>	<b>358,064</b>



### 33. Unrestricted Investment Accounts Holders Share

This item is detailed as follows

	2012	2011
Clients	JOD	JOD
Saving investment accounts revenue	947,645	611,398
Term investment accounts revenue	12,665,440	12,491,929
<b>Total</b>	<b>13,613,085</b>	<b>13,103,327</b>

### 34. Bank's Share in Unrestricted Investment Accounts' Revenue as Mudarib and Rab-Mal

This item is detailed as follows

	2012	2011
	JOD	JOD
Bank's share as mudarib	13,499,994	9,659,175
Bank's share as Rab-Mal	10,582,686	-
<b>Total</b>	<b>24,082,680</b>	<b>9,659,175</b>

### 35. Bank's Own Revenue

This item is detailed as follows

	2012	2011
	JOD	JOD
Deferred sales revenue (Note 28)	8,797,582	14,241,696
Financial assets revenue at amortized cost (Note 30)	85,279	90,529
Real estate investments revenue (loss) (Note 31)	(52,114)	8,876
Ijara revenue (Note 32)	333,897	358,064
<b>Total</b>	<b>9,164,644</b>	<b>14,699,165</b>



### 36. Bank's Share in Restricted Investment Accounts Revenue as Mudarib

This item is detailed as follows

	2012	2011
	JOD	JOD
Restricted investments revenue	709,057	823,896
Less: Real estate development ijara depreciation	(61,636)	(76,666)
Net restricted investments revenue (statement b)	647,421	747,230
Less: Restricted investment accounts holders equity	(520,358)	(599,693)
<b>Total</b>	<b>127,063</b>	<b>147,537</b>

### 37. Foreign

This item is detailed as follows:

	2012	2011
	JOD	JOD
Arising from trading/transaction	740,582	439,856
Arising from evaluation	807,965	1,026,231
<b>Total</b>	<b>1,548,547</b>	<b>1,466,087</b>

### 38. Banking Services Revenue

This item is detailed as follows

	2012	2011
	JOD	JOD
Sold notes commissions	36,647	180,801
Documentary letters of credit commissions	976,559	853,233
Guarantee commissions	409,065	330,538
Transfers commissions	266,226	56,820
Visa commissions	923,897	751,701
Other	2,581,565	1,809,230
<b>Total</b>	<b>5,193,959</b>	<b>3,982,323</b>

### 39. Other Revenue

This item is detailed as follows:

	2012	2011
	JOD	JOD
Mail, Telephone and Telex Revenue	629,139	438,169
	187,033	20,176
<b>Total</b>	<b>816,172</b>	<b>458,345</b>

### 40. Employees' Expenses

This item is detailed as follows:

	2012	2011
	JOD	JOD
Salaries, benefits and allowances	9,143,565	7,264,437
Social security contribution	943,749	697,654
Medical expenses	470,320	360,884
Employees' training	154,115	114,656
Insurance expenses	16,656	14,066
<b>Total</b>	<b>10,728,405</b>	<b>8,451,697</b>



## 41. Other Expenses

This item is detailed as follows:

	2012	2011
	JOD	JOD
Rent	581,679	419,601
Stationary and prints	389,667	361,616
Telephone and Mail	358,358	465,753
Maintenance and Cleaning	440,981	343,969
Advertising and Promotion Fees	601,876	403,650
Insurance Expenses	55,371	58,323
Water and Electricity	853,763	362,821
Donations	253,228	100,664
Subscriptions and Fees	311,345	242,414
Transport and Travel Expenses	349,948	217,435
Consultations & Professional Services Expenses	233,059	99,601
Information Systems Expenses	1,231,232	1,077,971
Directors' Remuneration	25,000	23,846
Miscellaneous	229,113	290,468
<b>Total</b>	<b>5,914,620</b>	<b>4,468,132</b>

## 42. Earnings per Share

This item is detailed as follows:

	2012	2011
	JOD	JOD
Profit for the year (Statement b)	11,493,645	10,641,371
Weighted average of the share number	100,000,000	100,000,000
Earnings per share for the year - basic	0/11.5	0/11

## 43. Cash and Cash Equivalents

This item is detailed as follows:

	2012	2011
	JOD	JOD
Central Bank's Cash and Balances Due in Three Months	63,783,447	56,883,960
Add: Banks and Financial Institutions' Balances Due in Three Months	46,552,540	20,276,772
Less: Banks and Financial Institutions' Accounts Due in Three Months	(28,557,826)	(30,538,167)
	81,778,161	46,622,565

#### 44. Transactions with Related Parties

Within its normal course of business, IIAB concludes transactions with shareholders, directors, the senior executive management, and sister companies using murabaha rates and commercial commissions.

Transactions with related parties are summarized as follows:

	Arab Bank Parent Company	Directors of the Committee	Sister Companies	Members of the Sharia Supervisory Committee	Executive Management	2012	2011
On-Balance Sheet Items:	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Balances with banks and banking institutions	34,049,644	-	-	-	-	34,049,644	9,622,784
International murabaha (commodity investments)	448,349,671	-	-	-	-	448,349,671	524,894,255
Mudaraba finance	-	-	3,353,762	-	-	3,353,762	3,853,146
Banks and banking institutions accounts	2,057,826	-	-	-	-	2,057,826	1,797,524
Unrestricted investment accounts	-	47,964	-	33,001	123,452	204,417	440,560
Financial assets at fair value through shareholders' equity/ managed by sister companies	-	-	5,188,272	-	-	5,188,272	5,090,261
Sales, finance, and ijara receivables	-	389,928	-	104,723	999,143	1,493,794	1,049,464
Off-balance sheet items							
Guarantees	12,537,369	-	-	-	-	12,537,369	-
Statement of Income Items:							
Paid Commissions	-	-	-	-	-	-	-
Received profit - receivables	-	18,936	122,485	6,935	43,679	192,035	430,616
Distributed profit - deposits accounts	-	-	-	578	1,744	2,322	1,259
Rewards	-	25,000	-	56,800	-	81,800	71,846
Movements	-	85,400	-	-	-	85,400	58,678

The lowest murabaha rate charged by the bank was 3%, while the highest murabaha rate was 3.75%, The lowest profit distribution rate in Jordanian Dinar was 2.967% and the highest distribution rate was 3.267%

In 2012, a land was purchased from the Arab Bank after obtaining three appraisals by three approved appraisers

All finance facilities granted to related parties are operating, No provisions were made for these facilities

The benefits (salaries and rewards) of IIAB senior executive management are summarized as follows:

2012	2011
JOD	JOD
1,075,172	845,708
1,075,172	845,708



## 45. Fair Value of Financial Assets and Liabilities not Stated at Fair Value in the Financial Statements:

There are no significant differences between book and fair values of the financial assets and liabilities which are not stated at fair value in the financial statements.

## 46. Risk Management

The Bank manages its various banking risks through several means, according to a comprehensive and objective strategy that defines these risks and eliminates their impact through the risk management department and committees, The Bank's Committee of Directors is the highest authority tasked with performing the Bank operations, Accordingly, the Committee only is responsible for managing the risks encountered by the Bank through the Committee committees.

The Risk Management Department reports to the control line which prepares the policy related to all types of risks management, analysis, and measurement, and develops advanced measurement methods to hedge against the risks that affect the Bank's profitability and assets, and its capital adequacy, It also produces periodic reports to the Committee of Directors through the Risk Management Committee.

The Bank seeks, in coordination with the Central Bank of Jordan, to attain a proper level of capital which includes risk coverage stated in Basel II Agreement, In this context, the Bank develops its technologies at all business levels to promote its services, closely control risks and to develop necessary programs to measure these risks in accordance with the nature and size of the Bank's activity, The Bank pays particular attention to human resources by enhancing its employees' skills and enrolling them in specialized training programs.

The Risk Management Department includes the following divisions:

### 1. Credit Risks

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

The Credit Risk Division enhances the Bank's credit policy and meets the regulations requirements and controls set by the Central Bank of Jordan and Basel Committee.

The Bank credit risks arise from its finance and investment operations, including:

- Finance operations, grant, and execution risks.
- The borrower and his activities risks.
- One-form finance risks.
- Islamic finance instruments risks.

### In this context, the Bank is concerned with controlling and regulating credit risks through:

- Managing and regulating credit portfolio risks through a number of committees, namely the Committee of Directors' Risk Management Committee.
- Monitoring credit, defining facility provision authority, and adopting clear and well-defined credit conditions,
- Monitoring credit ceilings and permitted facility limits and issuing the necessary reports to ensure not exceeding the ceilings and control quality.
- Diversifying finance and investment activities to avoid credit concentration risks for individuals, groups, or customers in certain geographical areas, a certain economic activity or finance instruments or products.
- Managing distressed debts, to reduce credit losses sustained by the Bank.
- Separating marketing, credit provision and credit control departments.
- The Risk Management Department presents the risk reports to the Committee of Directors for the necessary recommendations, These reports include a summary of the most significant risks faced by the Bank along with risks measurement, control and regulation techniques.

### Credit Risk Measurement:

The Bank controls its capital adequacy by applying the standard credit risks measurement method, Capital adequacy is measured against assets, commitments, and liabilities stated in the financial position statements according to their respective risk degree.



### **Credit Risks Rating System:**

The Bank adopted Moody's credit risks rating so as to define credit quality for each client and facility upon its provision and monitor this quality throughout the life of the facility on a regular basis, This helps determine any possible deterioration and assess the quality of the facilities of the credit portfolio as a whole on a regular basis in order to facilitate credit portfolio management, This in turn reflects on finance rates and determines its profitability, This rating system classifies risks into: 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 Mitigation:**

The Bank adopts various techniques to prevent and mitigate credit risks through defining the volume and value of the requested guaranties and the mortgage repayment value based upon credit provision standards followed by the Bank, credit consideration of the facilities and the potential risk degree, All control aspects related to facilities and sources of repayment are considered.

The Bank carries out several procedures to mitigate credit risks, including without limitation, reducing the credit period and value, increasing guaranties, and monitoring the conduct of facilities at the time of provision and renewal, The Bank also sets certain covenants for using facilities.

### **2. Market Risks:**

Market risks are those risks faced by the Bank as a result of changes in revenue rates, and fluctuations in exchange rates, and securities and commodities rates, The Bank adopts a conservative policy that ensures the Bank's reduced and minimum exposure to risk factors, The Bank also abides by the Central Bank of Jordan's instructions related to market risks measurement.

### **3. Operational Risks**

This Division works according to the operational risks management framework, This framework includes policies and procedures explaining the mechanism through which risks are defined, assessed, prioritized, and then reduced or controlled through the available mitigation mechanisms and developing control activities which in turn reduce the probability of risk occurrence and control any negative effects arising from any event classified as an operational risk,

This Division, in cooperation with other business lines and functions within the Bank, conducts workshops for risk and control self- assessment in order to identify the risk factors threatening the Bank's operations, activities, products and services, evaluate control effectiveness, prepare practical plans to address any problems and faults that may occur within this process, develop risk profile at the Bank's level, and develop and define key risk indicators to assure continuity of controlling and reporting risk factors, and taking the appropriate action in this regard.

The Division, in cooperation with the competent authorities, will develop a special program for collecting and reporting potential operational losses, and training the staff in all work units and functions on using this program,

Operational risks are measured, as stated in the Central Bank of Jordan's instructions based on Basel II, according to the Basic Indicator Approach or the Standardized Approach, The Bank seeks to adopt the Standardized Approach in measuring its operational risks.

Operational risks are defined as: "Loss risks arising from inadequacy of or failure in internal operations, personnel or systems, external events, or the Bank non-compliance with the Islamic rules and regulations", This definition of operational risks includes legal risks.

### **4. Information Security and Business Continuity Department**

Information Security and Business Continuity Department is concerned with managing risks through preparing and managing projects and plans that ensure the continuation of the Bank's operations in the event any operation breaks down or is disrupted as a result of any accidents, disasters, or crises arising from various internal and external threats, The disruption of banks operations is measured in minutes and hours, This Department prepares advance plans that cover all of the Bank departments and branches, which would ensure the continued operations of the disrupted department or branch as a result of any accident by running its operations at an alternative site built for this purpose.



Among the most important projects carried out by the Information Security and Business Continuity Department is conducting partial and comprehensive periodical tests of the "Alternative Business Site" to ensure its readiness and resume the critical processes of the Bank departments in cases of interruption and disruption. An emergency center is equipped with the necessary applications and technical equipment in case the main computer center is interrupted. This ensures the continuation of the Bank's operations in cases of any natural emergency situations and other incidents that may arise. On the other hand, the Information Security and Business Continuity Department is charged with many tasks and responsibilities to identify risks related to information security, anticipate potential threats and their implications in all branches / departments of the Bank and develop solutions and controls to avoid or reduce risks to the lowest levels according to the latest international standards in this area. The Department is provided with specialized and professional expertise to support these functions. Risks are measured and assessed at the level of all information resources and information technology at the Bank through various means and projects conducted to consider the risks that threaten safe information and data characteristics.

**The duties of this Department include the following:**

- Developing policies and procedures, aimed at reducing risks to information to the lowest levels, in line with the Bank's plans to expedite work and implement information security and protection strategy, including setting regulations to activate policies on the Bank's systems and devices.
- Setting the due control standards on information security and protection at the level of the Bank's divisions and branches, and addressing any recommendations in this respect.
- Considering modern banking requirements with regard to information security and confidentiality in cooperation with other relevant departments to reduce the risks in light of the changing internal environment.

## 47. a Credit Risks

### 1. Exposure to credit risk (after impairment provision by guarantees and other risk relievers)

	Joint		Self-Owned	
	31 December		31 December	
	2012	2011	2012	2011
	JOD	JOD	JOD	JOD
Items on the financial position:				
Central Bank balances	46,996,635	46,391,639	-	-
Banks and banking institutions balances	46,552,540	20,276,772	-	-
Deferred sales receivables and other receivables:				
Individuals:	300,577,204	192,695,417	689,461	369,426
Real-estate finance	56,803,908	52,759,624	31,471	141,056
Companies:				
Major Companies	338,079,738	319,084,556	294,153,111	369,297,682
Small and medium enterprises	43,351,950	59,877,915	1,080,218	832,370
Finance investments:				
Joint:				
Individuals:				
Real-estate finance	14,506	22,292	-	-
Mudaraba:				
Companies:				
Major Companies	3,353,762	3,853,146	-	-
Sukuk:				
Items in the financial assets at amortized cost:	-	9,285,714	3,141,755	3,762,130
Items off the financial position:	-	-		
Guarantees	-	-	30,197,400	16,990,150
Letters of credit	-	-	20,906,284	22,726,064
Acceptances	-	-	6,591,650	7,673,031
Unutilized ceilings:	-	-	61,284,070	67,844,101
<b>Total</b>	<b>835,730,243</b>	<b>704,247,075</b>	<b>418,075,420</b>	<b>489,636,010</b>

**2- Credit exposures are distributed by degree of risk according to the following table:  
Sales and finance receivables, and other receivables are distributed by degree of risks in line with the Central Bank of Jordan instructions:**

	Joint						Self-Owned					
2012	Retail	Real Estate	Large Corporates	Small &medium enterprises	Banking Institutions	Total	Real Estate	Large Corporates	Small &medium enterprises	Retail	Total	Total
Low risk	JOD -	JOD -	JOD -	JOD -	JOD -	JOD -	JOD -	JOD -	JOD -	JOD -	JOD -	JOD -
Acceptable risk	299,028,107	47,442,111	327,155,953	40,154,902	93,549,175	807,330,248	19,465	286,324,738	1,080,218	687,256	288,111,677	1,095,441,925
Past due												
past 30 days	116,093	446,043	-	18,000	-	580,136	-	-	-	-	-	580,136
From 31 to 60 days	1,076,379	6,206,380	-	9,000	-	7,291,759	-	-	-	-	-	7,291,759
Watch-list	228,475	1,383,482	13,352,846	1,101,101	-	16,065,904	-	8,423,795	-	2,496	8,426,291	24,492,195
Non-performing debts:											-	-
Sub-standard	147,656	279,922	291,881	-	-	719,459	-	-	3,577	-	3,577	723,036
Doubtful debts	126,994	177,711	-	300,251	-	604,956	-	-	38,426	-	38,426	643,382
Bad debts	337,748	2,871,129	3,712,447	4,550,653	-	11,471,977	30,000	1,439,808	57,038	14,007	1,540,853	13,012,830
Total	301,061,452	58,806,778	344,513,127	46,133,907	93,549,175	844,064,439	49,465	296,188,341	1,179,259	703,759	298,120,824	1,142,185,263
Less: revenue In suspense	70,620	190,787	86,105	404,057	-	751,569	3	7,641	-	-	7,644	759,213
Impairment provision	469,742	2,002,870	3,079,627	2,781,957	-	8,334,196	17,994	2,035,230	99,041	14,298	2,166,563	10,500,759
Net	300,521,090	56,613,121	341,347,395	42,947,893	93,549,175	834,978,674	31,468	294,145,470	1,080,218	689,461	295,946,617	1,130,925,291
2011												
Low risk	-	-	-	-	-	-	-	-	-	-	-	-
Acceptable risk	191,436,692	50,180,942	294,603,481	45,039,491	66,668,411	647,929,017	52,108	354,346,187	-	-	354,398,295	1,002,327,312
Past due	-	82,715	10,194,586	2,377,706	-	12,655,007	-	11,130,553	149,105	331,711	11,611,369	24,266,376
past 30 days	-	-	-	-	-	-	-	-	-	-	-	-
From 31 to 60 days	-	543,083	963,762	2,056,371	-	3,563,216	-	-	683,265	12,735	696,000	4,259,216
Watch-list	877,691	902,186	15,520,123	7,194,376	-	24,494,376	90,620	3,401,128	-	27,590	3,519,338	28,013,714
Non-performing debts:												
Sub-standard	316,349	26,703	1,004,063	185,435	-	1,532,550	-	-	-	71,424	71,424	1,603,974
Doubtful debts	136,020	223,358	807,866	510,262	-	1,677,506	-	-	-	-	-	1,677,506
Bad debts	349,857	2,020,487	1,799,691	6,739,349	-	10,909,384	-	2,510,671	-	-	2,510,671	13,420,055
Total	193,116,609	53,979,474	324,893,572	64,102,990	66,668,411	702,761,056	142,728	371,388,539	832,370	443,460	372,807,097	1,075,568,153
Less: revenue In suspense	60,074	167,297	41,149	432,283	-	700,803	6,922	10,190	-	-	17,112	717,915
Impairment provision	421,192	1,197,558	1,955,870	4,225,075	-	7,799,695	1,672	2,090,857	-	74,034	2,166,563	9,966,258
Net	192,635,343	52,614,619	322,896,553	59,445,632	66,668,411	694,260,558	134,134	369,287,492	832,370	369,426	370,623,422	1,064,883,980

**The fair value of guarantees provided against deferred sales receivables, other receivables, and finance facilities are distributed as follows:**

2012	Joint					Self-Owned				
	Retail	Real Estate Finance	Large Corporates	Small & Medium Enterprises	Total	Real Estate Finance	Large Corporates	Small & Medium Enterprises	Total	Total
Guarantees against:	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Low risk	-	-	-	-	-	-	-	-	-	-
Acceptable risk	38,497,561	24,324,171	270,338,502	17,231,874	350,392,108	-	278,474,185	255,632	278,729,817	629,121,925
Watch-list	300,124	1,485,513	2,449,544	2,296,945	6,532,126	19,779	5,931,145	-	5,950,924	12,483,050
Non-performing debts					-				-	
Substandard debts	126,215	-	-	119,625	245,840	-	-	-	-	245,840
Doubtful debts	89,390	133,649	-	306,013	529,052	-	-	-	-	529,052
Bad debts	336,778	509,659	5,274,045	2,689,117	8,809,599	29,685	843,469	72,232	945,386	9,754,985
Total	39,350,068	26,452,992	278,062,091	22,643,574	366,508,725	49,464	285,248,799	327,864	285,626,127	652,134,852
Including:										
Cash margins	959,936	292,366	19,403,416	2,540,719	23,196,437	-	350,000	-	350,000	23,546,437
Real estate	3,084,671	25,594,755	47,020,552	13,061,896	88,761,874	49,464	9,411,169	259,182	9,719,815	98,481,689
Traded shares	-	-	1,055,260	-	1,055,260	-	-	-	-	1,055,260
Vehicles and equipment	35,305,461	565,871	1,485,640	7,040,959	44,397,931	-	-	68,682	68,682	44,466,613
Accepted bank guarantees	-	-	209,097,223	-	209,097,223	-	275,487,630	-	275,487,630	484,584,853
	39,350,068	26,452,992	278,062,091	22,643,574	366,508,725	49,464	285,248,799	327,864	285,626,127	652,134,852
2011	-	-	-	-	-	-	-	-	-	-
Guarantees against:										
Low risk	-	-	-	-	-	-	-	-	-	-
Acceptable risk	36,493,507	24,099,454	260,154,396	16,575,593	337,322,950	31,230	361,360,929	534,058	361,926,217	699,249,167
Watch-list	238,432	1,422,551	3,543,812	821,405	6,026,200	-	324,970	-	324,970	6,351,170
Non-performing debts										
Substandard debts	105,635	194,286	1,335,350	636,358	2,271,629	-	-	194,344	194,344	2,465,973
Doubtful debts	105,125	168,817	290,721	904,686	1,469,349	-	-	-	-	1,469,349
Bad debts	353,095	673,040	7,015,948	2,225,251	10,267,334	-	1,433,460	-	1,433,460	11,700,794
Total	37,295,794	26,558,148	272,340,227	21,163,293	357,357,462	31,230	363,119,359	728,402	363,878,991	721,236,453
Including:										
Cash margins	1,280,929	649,390	12,713,795	1,805,301	16,449,415	-	11,830,552	-	11,830,552	28,279,967
Real estate	2,319,009	25,550,584	55,245,598	11,669,740	94,784,931	31,230	7,245,039	619,671	7,895,940	102,680,871
Traded shares	-	55,754	1,055,260	-	1,111,014	-	-	-	-	1,111,014
Vehicles and equipment	33,695,856	302,420	482,000	7,688,252	42,168,528	-	324,970	108,731	433,701	42,602,229
Accepted bank guarantees	-	-	202,843,574	-	202,843,574	-	343,718,798	-	343,718,798	546,562,372
	37,295,794	26,558,148	272,340,227	21,163,293	357,357,462	31,230	363,119,359	728,402	363,878,991	721,236,453



### 3. Sukouk

Sukouk classifications are detailed as follows according to the external rating firms:

Rating	Rating Firm	Within Financial Assets at Amortized Cost	Total
		JOD	JOD
AA	S & P	815,350	815,350
	unrated	2,326,405	2,326,405
<b>Total</b>		<b>3,141,755</b>	<b>3,141,755</b>

#### Deferred sales receivables, other receivables, and scheduled finance facilities:

These are the receivables that were classified as non-operating receivables/finance facilities and were removed from non-operating receivables and finance facilities as per a due scheduling and classified as controlled receivables/finance facilities, The value of these receivables amounted to JOD 3,971 Million as at 31 December 2012, whether they remained controlled or removed to operating receivables (against JOD 8,296 Million as at 31 December 2011).

#### Deferred sales receivables, other receivables, and rescheduled finance facilities:

Rescheduling means rearranging receivables/finance facilities in terms of amending installments, prolonging the receivables/finance, deferring certain installments, or extending the grace period, These receivables are classified as controlled receivables/finance and amounted to JOD 16,461 Million as at 31 December 2012 (against JOD 27,033 Million as at 31 December 2011).



4. Concentration in credit exposures by geographical distribution, as follows:

Geographical Area	Item	Inside Jordan	Other Middle East Countries	Europe	USA	Australia	Total
		JOD	JOD	JOD	JOD	JOD	JOD
	Balances with Central Bank	46,996,635	-	-	-	-	46,996,635
	Balances with banks and financial institutions	29,167,649	5,455,528	4,450,695	7,256,361	222,307	46,552,540
	Deferred sales receivables, other receivables, and finance facilities:						
	For Individuals:	301,281,171	-	-	-	-	301,281,171
	Real estate finance	56,835,379	-	-	-	-	56,835,379
	For Corporates:						
	Large corporates	151,525,864	484,060,747	-	-	-	635,586,611
	Small- and medium - enterprises	44,432,168	-	-	-	-	44,432,168
	Within financial assets at amortized cost	-	3,141,755	-	-	-	3,141,755
	Total/2012	630,238,866	492,658,030	4,450,695	7,256,361	222,307	1,134,826,259
	Total/2011	503,767,691	561,169,537	4,382,940	9,263,786	65,785	1,078,649,739

5. Concentration in credit exposures by economic concentration as follows:

Sector	Item	Financial	Industry	Commercial	Real Estate	Agriculture	Shares	Retail	Total
		JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
	Balances with Central Bank	46,996,635	-	-	-	-	-	-	46,996,635
	Balances with banks and financial institutions	46,552,540	-	-	-	-	-	-	46,552,540
	Deferred sales receivables, other receivables, and finance facilities:	93,167	50,451,957	618,919,187	56,835,379	8,893,468	1,661,000	301,281,171	1,038,135,329
	Sukuk:								
	Within financial assets at amortized cost	-	-	815,350	2,326,405	-	-	-	3,141,755
	Total/2012	93,642,342	50,451,957	619,734,537	59,161,784	8,893,468	1,661,000	301,281,171	1,134,826,259
	Total/2011	66,668,411	63,657,033	682,010,418	55,869,753	15,513,871	1,865,410	193,064,843	1,078,649,739





#### **47-b. Market Risks**

The Bank follows certain financial policies for managing various risks within a specific strategy, There is a committee for managing the Bank assets and liabilities which is in charge of monitoring and regulating risks, and conducting the optimum strategic distribution of the assets and liabilities whether inside or outside the financial position statement, These risks include:

- Upgrading and presenting the Bank investment policy to the Committee of Directors for periodic approval, and revising and assessing the outcomes of the investment policy against the banking market and competitive indicators,
- Composing investment decision-making committees and distributing authorities in line with the Bank's investment policy.
- Preparing an annual investment plan that takes into accounts the Assets and Liabilities Committee's projections of revenue and changes in market rates, The plan includes the low risk investment instruments available in the market.
- Preparing and presenting market rates reports to the Assets and liabilities Committee to monitor any sudden decrease in the rates of the invested financial instruments to avoid the risks of changes in market prices.

#### **1. Return Rate Risks**

Return rate risks arise from the increase of long-term fixed rates in the market, since they do not immediately conform with the changes in high returns index, Necessary procedures must be taken to ensure that administrative procedures are in place for renovating, measuring and monitoring return rate risks in addition to reporting and controlling these riskd and ensuring the soundness of their structuring.

The Bank is exposed to return rate risks as a result of the gap between assets and liabilities according to the various terms or re-pricing the return on subsequent transactions rate in a certain period, The Bank manages these risks by determining future profit rates 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 LIBOR indicator as a standard and benchmark for both the investments and the portfolios managed by the Bank.
- 2, Risks resulting from these investments are taken into account depending on the diversity option based on countries, institutions and regions in a manner that ensures the elimination of risks' impacts resulting from the management of those investments.
- 3, The Bank is committed to managing investments based on matching between the Bank's liabilities, consisting of its deposits and assets in foreign currencies represented in turn by investments in foreign currencies, Term deposits are invested in short term investments, while long term deposits are invested in medium or long term investments.

#### **2. Foreign Currency Risks**

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

2012	Change in Exchange Rate	Impact on Profit and Loss	Impact on Shareholder's Equity
Currency	(%)	JOD	JOD
USD	5%	-	-

2011	Change in Exchange Rate	Impact on Profit and Loss	Impact on Shareholder's Equity
Currency	(%)	JOD	JOD
USD	5%	242,170	-

### 3. Securities Price Risks

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

2012	Change in Index	Impact on Profit and Loss	Impact on Shareholder's Equity
Index	(%)	JOD	JOD
Amman Stock Exchange	5%	-	281,396

2012	Change in Index	Impact on Profit and Loss	Impact on Shareholder's Equity
Index	(%)	JOD	JOD
Amman Stock Exchange	5%	-	275,563



## 4. Commodity Risks

Commodity risks arise from any fluctuations in the prices of tradable or leasable assets, and are associated with the current and future fluctuations in the market values of specific assets, The Bank is exposed to fluctuations in the prices of fully-paid commodities after concluding the sale contracts during the acquisition year, in addition to exposure to fluctuation in the residual value of the leased asset at the end of lease term.

### Concentration in Foreign Currency Risks:

(Rounded to JOD Thousand)

31 December 2012	USD	Euro	GPB	JPY	Other Currencies	Total
<b>Assets</b>						
Cash and balances with Central Bank	18,001	283	45	-	770	19,099
Banks and financial institutions balances	36,826	1,653	738	140	6,986	46,343
Sales receivables, other receivables, finance, and Ijara	129,725	8,442	2,863	-	523	141,553
Deferred sales receivables through the income statement	1,313	-	-	-		1,313
Financial assets at fair value through the shareholders' equity	5,101	-	-	-	-	5,101
Financial assets at amortized cost	3,142	-	-	-	-	3,142
Other assets	44	-	-	-	-	44
<b>Total assets</b>	<b>194,152</b>	<b>10,378</b>	<b>3,646</b>	<b>140</b>	<b>8,279</b>	<b>216,595</b>
<b>Liabilities</b>						
Banks and financial institutions accounts	-	-	-	-	248	248
Client deposits (current, saving, term)	192,101	10,010	3,634	140	7,369	213,254
Cash margin	2,723	310	1		73	3,107
Other liabilities	1,322	44	12	-	4	1,382
<b>Total liabilities</b>	<b>196,146</b>	<b>10,364</b>	<b>3,647</b>	<b>140</b>	<b>7,694</b>	<b>217,991</b>
Net concentration on-balance sheet for the current year	(1,994)	14	(1)	-	585	(1,396)
Contingent liabilities off-balance sheet for the current year	20,306	6,675	8	75	485	27,549

31 December 2011	USD	Euro	GPB	JPY	Other Currencies	Total
<b>Total assets</b>	<b>77,506</b>	<b>7,657</b>	<b>3,564</b>	<b>10</b>	<b>7,753</b>	<b>96,490</b>
<b>Total liabilities</b>	<b>73,045</b>	<b>7,824</b>	<b>3,553</b>	<b>7</b>	<b>7,218</b>	<b>91,647</b>
Net concentration on-balance sheet	4,461	(167)	11	3	535	4,843
Contingent liabilities off-balance sheet	26,412	4,272	2	127	95	30,908

#### 47. c- Liquidity Risks

Cash liquidity management is a clear reflection of the Bank ability to meet its cash liabilities on short- and long-terms within its general strategy to achieve an optimum return on its investments, The Bank's cash liquidity is reviewed and managed over several years. At the branch level, the branch and treasury management reviews and considers cash liabilities. and available funds on daily basis. At the Bank level in general, cash liquidity is considered by the Financial Control and Treasury Department on daily basis, Cash liability and the Bank assets and liabilities are reviewed and analysed on monthly basis, Cash liquidity review includes analysing the maturity terms of assets and liabilities to ensure consistency, It also includes analysing funds sources according to the nature of their sources and applications.

**First:** The following table summarizes the distribution of (undiscounted) liabilities on the basis of the remaining contractual maturity period as at the date of the financial statement:

(Rounded to JOD  
Thousand)

31 December 2012	Less than one 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
<b>Liabilities</b>								
Banks and Financial Institutions' Balances	28,558	-	-	-	-	-	-	28,558
Customers' Current Accounts	391,667	-	-	-	-	-	-	391,667
Cash margins	9,856	3,359	2,005	3,060	-	-	-	18,280
Other provision	-	-	-	-	-	-	1,749	1,749
Income tax provision	1,221	3,102	-	-	-	-	-	4,323
Other liabilities	8,946	966	2,877	-	-	-	-	12,789
Investment Risks Fund	-	1,700	-	-	-	-	8,475	10,175
Unrestricted Investment Accounts	39,814	237,583	96,162	231,715	-	-	453	605,727
Total	480,062	246,710	101,044	234,775	-	-	10,677	1,073,268
Total assets (as per expected maturities)	319,869	254,360	64,734	72,357	231,553	177,962	53,340	1,174,175
31 December 2011								
<b>Liabilities</b>								
Banks and Financial Institutions' Balances	30,538	-	-	-	-	-	-	30,538
Customers' Current Accounts	321,609	-	-	-	-	-	-	321,609
Cash margins	8,578	8,675	4,629	1,115	1,632	1,485	-	24,629
Other provision	-	-	-	-	-	-	-	1,485
Income tax provision	1,165	3,500	-	-	-	-	-	4,665
Other liabilities	10,300	1,885	3,290	-	-	-	-	15,475
Investment Risks Fund	-	868	-	-	-	-	3,572	4,440
Unrestricted Investment Accounts	82,852	144,903	203,777	202,975	-	-	-	634,507
Total	455,042	159,831	211,696	204,090	1,632	1,485	3,572	1,037,348
Total assets (as per expected maturities)	145,542	505,600	89,732	60,047	194,559	114,942	17,061	1,127,483



## Second: Off-Balance Sheet Items

	Up to one year	
	2012	2011
	JOD	JOD
Letters of credit and acceptances	27,497,934	30,399,095
Unutilized ceilings	61,284,070	67,844,101
Guarantees	30,197,400	16,990,150
Total	118,979,404	115,233,346

## 48. Information on the Bank Business Sectors

### a. Information on the Bank's Activities

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

#### Retail Accounts:

This sector includes following up unrestricted investment accounts, deferred sale receivables, finance, credit cards and other services.

#### Corporate Accounts:

This sector includes following up unrestricted investment accounts, deferred sales receivables, finance facilities, and other banking services related to wholesale customers.

#### Treasury:

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

The following table indicates information on the Bank business sectors distributed by activity (in JOD Thousand)

	Total 31 December					
	Retail	Corporate	Treasury	Other	2012	2011
	JOD	JOD	JOD	JOD	JOD	JOD
Total Revenue	14,711	19,950	12,801	123	47,585	34,430
Provision for impairment in the receivables granted to customers	-	(6,652)	-	-	(6,652)	(4,017)
Outcomes of the sector business	14,711	13,298	12,801	123	40,933	30,413
Undistributed expenses	(7,593)	(2,711)	(5,411)	(8,799)	(24,514)	(15,211)
Profit before tax	7,118	10,587	7,390	(8,676)	16,419	15,202
Income tax	(2,560)	(1,212)	(1,116)	(37)	(4,592)	(4,561)
Profit for the period	4,558	9,375	6,274	(8,713)	11,494	10,641
Sector assets	331,667	204,538	591,571	-	1,127,776	1,099,797
Assets not distributed to sectors	-	-	-	46,399	46,399	27,685
Total sector assets	331,667	204,538	591,571	46,399	1,174,175	1,127,482
Sector liabilities	787,365	234,663	28,558	-	1,050,586	1,019,079
Liabilities not distributed to sectors	-	-	-	22,684	22,684	18,268
Total sector liabilities	787,365	234,663	28,558	22,684	1,073,270	1,037,347
					31 December	
					2012	2011
					JOD	JOD
Capital expenses	-	-	-	6,868	6,868	2,763
Depreciation and amortization	746	142	3	1,157	2,048	1,753



## b. Geographical Distribution Information

This note represents the geographical distribution of the Bank's operations, The Bank performs its activities primarily in Jordan which represents its local operations.

The Bank's revenue, assets and capital expenditure by geographical area are detailed as follows based on the adopted measurement method according to the reports used by the CEO, and chief decision maker in the Bank

(Rounded to JOD  
Thousand)

	Inside Jordan		Abroad Jordan		Total	
	2012	2011	2012	2011	2012	2011
Total revenue	25,100	19,905	22,485	14,525	47,585	34,430
Total assets	669,588	561,282	504,587	566,200	1,174,175	1,127,482
Capital expenditure	6,868	2,763	-	-	6,868	2,763

## 49. Capital Management

The Bank takes into account the Central Bank's instructions requiring adequate funds to cover a specific ratio of risk weighted assets commensurate with the nature of the provided finance and direct investment, Capital is composed for this purpose of regulatory capital requirements set by the Central Bank (comprising basic capital and additional capital), Capital management aims at investing funds in financial instruments of various risks (ranging from high to low risks) in order to attain good return and achieve the capital adequacy ratio required by the Central Bank of Jordan estimated at 12%.

The most significant reason for the change in the regulatory capital for the year is not distributing the profit realized in the year and capitalizing it in the shareholders' equity through statutory, voluntary, and special reserves.

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



(Rounded to JOD Thousand)

	31 December	
	2012	2011
	JOD	JOD
Basic capital items	96,733	85,920
(Paid-up) subscribed capital	100,000	100,000
Statutory reserve	11,258	9,614
Voluntary reserve	5,537	5,537
Accumulated loss	(18,927)	(27,860)
Less: intangible assets	(1,135)	(1,371)
Additional capital		
Fair value reserve	106	61
General banking risks reserve	882	882
IIAB share in the general bank risks reserve - joint	2,172	-
IIAB share in the investment risks fund surplus - joint	1,473	-
Total regulatory capital	101,366	86,863
Total risk weighted assets	402,436	380,349
Capital Adequacy Ratio (%)	25/19%	22/84%
Basic Capital Ratio (%)	24/04%	22/6%



## 50. Assets and Liabilities Accrual Analysis:

Analysis of both assets and liabilities as per the estimated period for their recovery or settlement is detailed as follows:

(Rounded to JOD  
Thousand)

31 December 2012	Up to one year	More than a year	Total
	JOD	JOD	JOD
<b>Assets</b>			
Cash and balances with central banks	63,783	-	63,783
Banks and financial institutions balances	46,553	-	46,553
Deferred sales receivables and other receivables- net	576,372	171,728	748,100
Deferred sales receivables through the income statement	-	1,313	1,313
Finance investments - net	-	3,368	3,368
Financial assets at fair value through the shareholders' equity	-	5,628	5,628
Financial assets at amortized cost	-	3,142	3,142
Ijara assets - net	20,714	230,823	251,537
Real estate investments	-	23,309	23,309
Qurd Hassan loans	3,898	-	3,898
Properties and equipment - net	-	18,868	18,868
Intangible assets	-	1,135	1,135
Deferred tax assets	-	2,103	2,103
Other assets	-	1,438	1,438
<b>Total assets</b>	<b>711,320</b>	<b>462,855</b>	<b>1,174,175</b>
<b>Liabilities and unrestricted investment accounts holders equities</b>			
Banks and financial institutions accounts	28,558	-	28,558
Clients current and demand accounts	391,667	-	391,667
Cash margin	18,280	-	18,280
Other provisions	-	1,749	1,749
Income tax provision	4,324	-	4,324
Other liabilities	12,789	-	12,789
Unrestricted investment accounts	605,274	453	605,727
Investment risks fund	-	8,475	8,475
Investment risks fund income tax provision	1,700	-	1,700
<b>Total liabilities and joint investment accounts holders equities</b>	<b>1,062,592</b>	<b>10,677</b>	<b>1,073,265</b>
<b>Net</b>	<b>(351,272)</b>	<b>452,178</b>	<b>100,906</b>

(Rounded to JOD Thousand)

31 December 2011	Up to one year	More than a year	Total
	JOD	JOD	JOD
<b>Assets</b>			
Cash and balances with central banks	56,884	-	56,884
Banks and financial institutions balances	20,277	-	20,277
Deferred sales receivables and other receivables- net	685,347	94,609	779,956
Deferred sales receivables through the income statement	6,513	-	6,513
Finance investments - net	-	3,875	3,875
Financial assets at fair value through the shareholders' equity	5,511	-	5,511
Financial assets at amortized cost	-	-	-
Financial assets at fair value through the shareholders' equity	-	13,048	13,048
Financial assets at amortized cost	15,248	175,363	190,611
Real estate investments	-	22,604	22,604
Qurd Hassan loans	519	-	519
Properties and equipment - net	-	13,866	13,866
Intangible assets	-	1,371	1,371
Cash and balances with central banks	-	1,826	1,826
Deferred tax assets	10,622	-	10,622
Other assets	800,921	326,562	1,127,483
<b>Total assets</b>			
<b>Liabilities and unrestricted investment accounts holders equities</b>			
Banks and financial institutions accounts	30,538	-	30,538
Clients current and demand accounts	321,609	-	321,609
Cash margin	22,997	1,632	24,629
Other provisions	-	1,485	1,485
Income tax provision	4,665	-	4,665
Other liabilities	15,475	-	15,475
Unrestricted investment accounts	634,507	-	634,507
Investment risks fund	-	3,572	3,572
Investment risks fund income tax provision	868	-	868
<b>Total liabilities and joint investment accounts holders equities</b>	<b>1,030,659</b>	<b>6,689</b>	<b>1,037,348</b>
<b>Net</b>	<b>(229,738)</b>	<b>319,873</b>	<b>90,135</b>



## 51. Fair Value Levels

The following table analyses the financial instruments recorded at fair value based on the evaluation method, The various levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2012	Level 1	Level 2	Level 3	Total
	JOD	JOD	JOD	JOD
Financial instruments assets:				
Financial assets at fair value through shareholders' equity	5,627,922	-	-	5,627,922
Financial assets at amortized cost	-	3,141,755	-	3,141,755
Deferred sales receivables through the income statement	1,313,267	-	-	1,313,267
<b>Total</b>	<b>6,941,189</b>	<b>3,141,755</b>	<b>-</b>	<b>10,082,944</b>

## 52. Contingent Commitments (Off-balance sheet)

	31 December	
	2012	2011
	JOD	JOD
Letters of credit	20,906,284	22,726,064
Acceptances	6,591,650	7,673,031
Letters of guarantees:		
Payment	21,071,173	8,233,620
Performance	3,997,533	3,743,135
Other	5,128,694	5,013,395
Unutilized ceilings	61,284,070	67,844,101
<b>Total</b>	<b>118,979,404</b>	<b>115,233,346</b>

## 53. New Islamic Standards

The Accounting and Auditing Organization for Islamic Financial Institutions issued Standard 26 related to investment in real estate which will be effective on the first of January 2013.

## 54. Lawsuits against IIAB

There are lawsuits filed against IIAB in the amount of JOD 405,708 as at 31 December 2012 (against JOD 236,066 as at 31 December 2011), A provision in the amount of JOD 14,137 was made, According to the legal consultant opinion, the Bank will not incur any additional amounts for these lawsuits.

## 55. Change of previous years adjustments:

The Bank changed the accounting of the share of Bank of the joint investment accounts earnings in its capacity as owner in the year 2011 against the balance of cumulative losses at the beginning of 2012. This is because it is impossible to amend the comparison figures retroactively. The effect of the change is shown below:

Change the Bank's share of the earnings of the joint investment accounts and the cumulative losses:

31 December 2012			
Financial position statement	Disclosed balance	Change of previous years	Modified balance
Liabilities	JOD	JOD	JOD
Investment Risks Fund	3,571,693	819,482	4,391,175
Shareholders' equity (Retained)	(26,033,695)	(819,482)	(26,853,177)



**The sixteenth ordinary annual meeting of the  
shareholders' general assembly  
of the Islamic International Arab Bank,  
18 Jumada al-Oula 1434 AH  
29 April 2013**

1. Reciting the proceedings of the previous meeting of the fifteenth general assembly.
2. Discussing and approving the Committee of directors' report for the financial year 2012, and the business plan of the Company for next year.
3. Hearing the auditor's report of the Bank for the financial year 2012.
4. Discussing and adopting the accounts and balance sheet of the Bank for the financial year 2012.
5. Approving the appropriation of profit realized in 2012 by the general assembly.
6. Discharging the Committee of directors for the said year.
7. Electing the new Committee directors of the Islamic International Arab Bank for four years as of the election date.
8. Electing and determining the fees the auditors of the Bank for the financial year 2013.
9. Any matters proposed by the General Assembly to be included in the agenda within the scope of the ordinary meeting of the general assembly, providing that including this proposal is approved by a number of shareholders representing no less than 10% of the shares represented in the meeting.

