



البنك العربي الإسلامي الدولي  
ISLAMIC INTERNATIONAL ARAB BANK

**Annual Report 2013**

تقارير  
أعمال  
واستثمارات  
حلال





البنك العربي الإسلامي الدولي  
ISLAMIC INTERNATIONAL ARAB BANK

**(Public Shareholding Company)**  
**Amman- Hashemite kingdom of Jordan**

**Tel: 5694901 /Fax: 5694914**

**P. O. Box: 925802 Amman, 11190 Jordan**



### **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 Sharia 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.

### **Our core values**

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







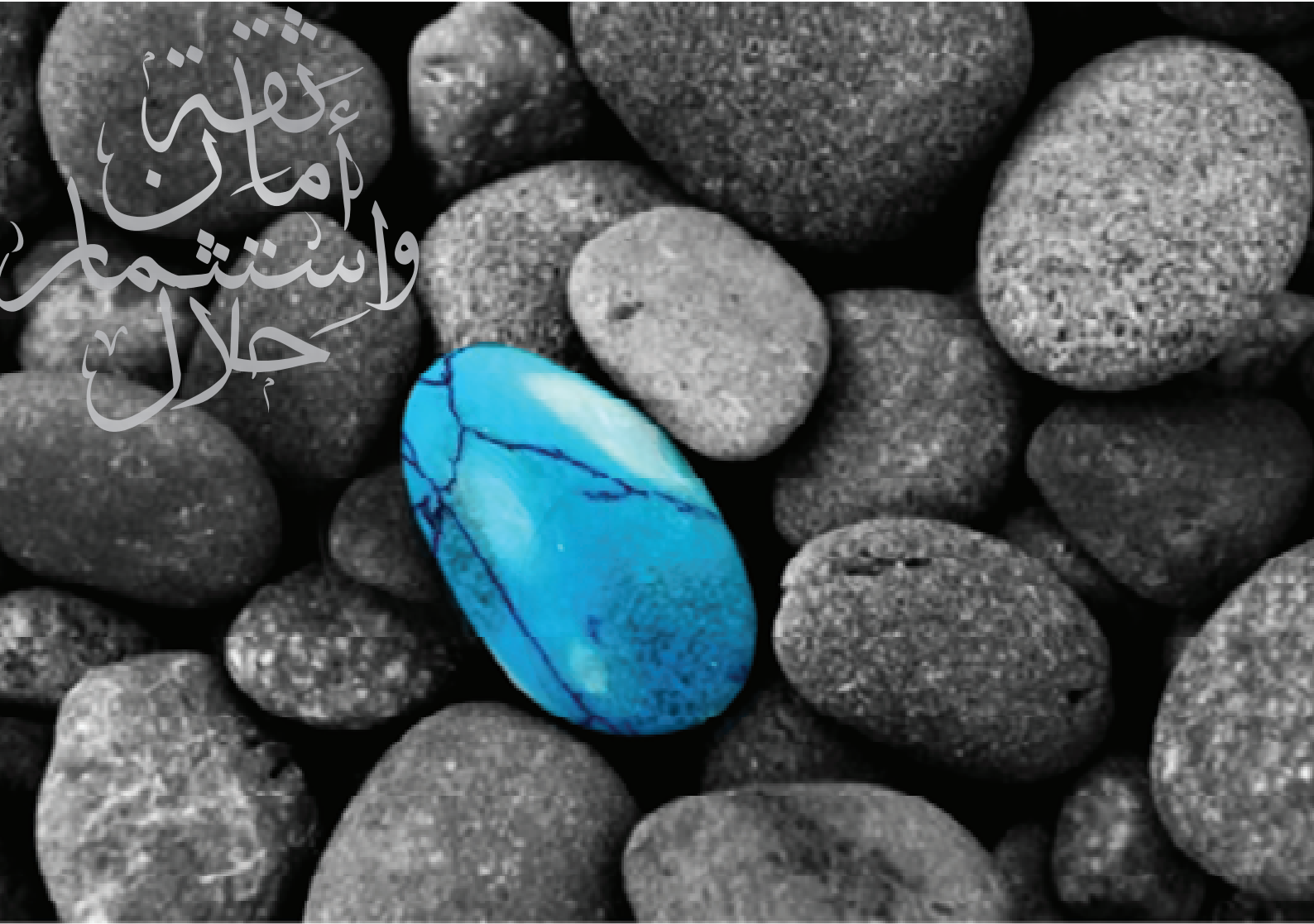
**His Hashemite Majesty  
King Abdullah II Ibn Al Hussein (may God protect him)**



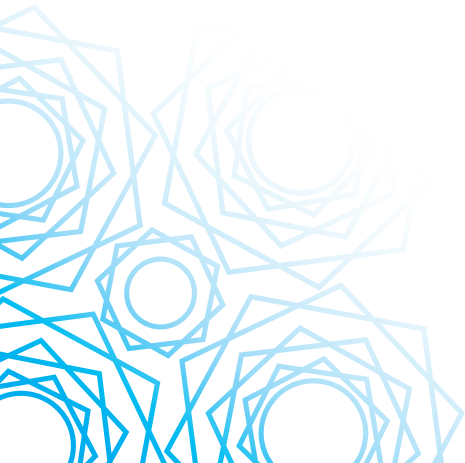


**His Royal Highness Crown  
Prince Hussein Bin Abdullah (may God protect him)**

# ARABI ISLAMI OFFERS YOU THE LEAD TO DISCOVER NEW ISLAMIC BUSINESS HORIZONS



Being part of Arab Bank Group and supported by distinguished Islamic Banking experience in the local market for over a decade, IIAB commits to provide innovative Islamic financial services through its 37 branches, 10 business centers, and specialized Relation Managers.



البنك العربي الإسلامي الدولي  
ISLAMIC INTERNATIONAL ARAB BANK



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## Overview

### **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.



# Financial Solutions and Services for the Corporate Entities & SME



**Islamic International Arab Bank provides Sharia' compliant financial Services and products that meets the needs of various commercial institutions**

- ⊗ Working Capital Finance
- ⊗ Fixed Assets Finance
- ⊗ Real Estate Finance
- ⊗ Cash Management
- ⊗ Commercial Services and Trade Finance



البنك العربي الاسلامي الدولي  
ISLAMIC INTERNATIONAL ARAB BANK



## 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)

**His Eminence Dr. Ahmad Hlayel**

Committee Chairman

**Dr. Ahmad Ayade**

Committee Executive Member

**His Eminence Shaykh Saed Hejawi**

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.



In the Name of Allah the Most Merciful the Most Compassionate

## **The Annual Report of the Sharia Supervisory Committee**

For the financial period ended on 31/12/2013

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

Dear Honorable Shareholders , , ,

May Allah's peace, mercy and blessing be upon you , , ,

The Sharia Supervisory Committee presents to your honor the annual report for the financial period ended on 31/12/2013 and the income statement for the period ended on 31/12/2013, in addition to the interpretations of the financial statement as they provide a comprehensive reflection of the Bank operations, which must be submitted to the concerned bodies of the Bank, however, the board did not find any Sharia violation in what we have previewed with the will of Allah Almighty.

The committee has reviewed the reports which have been prepared by the Sharia internal auditing on the branches operations as well as, it has reviewed the comments, suggestions and the procedures adopted by the executive management in this regard.

The committee has reviewed the procedures of the transform of the invested real-estates financed by the self-based investment portfolio to invested real estates financed by the owners of joint investment portfolio, as well as the transform of a property from the Bank own portfolio " the Bank fixed assets" to a real estate investment financed by the funds of the owners of joint investment accounts' holders, where the committee has approved the procedure implemented by the executive management.

The committee has confirmed that all the investment accounts of the Banks are correct and that they made profits as they are in 31/12/2013 and there was not a need to use the fund of facing the risks of investment to deal with the delays.

The Sharia Supervisory Committee in cooperation with the management, technicians, and legal department of Islamic International Arab Bank, has studied all the subjects presented to them, and answered all the enquires related to such subjects, and it ensured their compliancy with their Sharia principles.

The Sharia Supervisory Committee has continued to develop the principles and provisions in all fields and issues required by the Banking nature in the light of the new developments through practical application in accordance with Sharia rules, and it has explained and clarified a number of new Banking issues and stated the Sharia opinion in them.

The Sharia Supervisory Committee responsibility falls on giving an independent fruitful opinion and stating the Sharia rule in accordance with Islamic Sharia controls, principles and rules, and the responsibility of execution falls on the Fatwa and provisions of the Islamic Sharia, on these bases, we believe that:



- Contracts and operations executed by the Bank for the period ended on 31/12/2013 based on Islamic Sharia through cooperation with management and the Sharia Supervisory Committee to practically apply the comments and opinions submitted to it.
- The foundations of profit distribution to the owners of joint investments and the fund of investment risk management that comply with the determined rules and bases according to the memorandum of association and the articles of association of the Bank in accordance with the rules of Islamic Sharia principles.

We pray to Allah almighty to help the officials of this Bank to achieve further success, giving, achievements and commitments to the rules of Islamic Sharia.

This report has been edited on 20/Rabi I/1435 A. H. corresponding to 22/1/2014 A.D.

Peace and Allah's blessings be upon you

**His Eminence Sheikh Said Hijawi**

Committee member

**Dr. Ahmad Ayadi**

Committee Executive Member

**His Eminence Dr. Ahmad Hlayel**

Committee Chairman

## Chairman's Message



In the name of Allah,  
the Most Merciful the Most Compassionate

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 to the Judgment day.

Dear Shareholders , , ,

It is a great pleasure for me and on behalf of my colleagues, the members of the board of directors to present to you the annual report of the Islamic International Arab Bank for the year 2013, which reflects the positive financial results realized by the Bank and the main achievements of the Bank through 2013, in addition to Sharia Supervisory Committee's report, and the External Auditors' report on the results of their examination of those data.

Islamic International Arab Bank has continued its successful march with the help of Almighty Allah and managed to achieve (36%) growth in net profits before tax compared to 2012 amounting to (22.5) million JOD in 2013 compared to (16.5) million JOD in 2012. The accounts receivable and local financings portfolio reached (642) million JOD at the end of 2013 with (14%) increase compared to 2012, whereas deposits and cash margins (restricted and non-restricted accounts) reached (1344) million JOD at the end of 2013 with a growth rate of (11%) compared with the balances of 2012.

These results reflect the institution's ability to succeed despite the competitive environment and indicate the Bank's ability to deal with opportunities faced by the changing economic environment.

Services and products of the Bank were expand throughout the year through the development of many new products and services to meet the clients' needs. In addition, the Bank has opened new branches for the total branch network of (37) branches, supported by an ATM network of (47) ATMs at the end of 2013.

Within the framework of institutional capacities, the Bank continued to develop human resources, whether through training or holding specialized seminars covering the most modern developments in the banking industry, or through recruiting human competencies of distinguished expertise and specialties.

The Bank is committed to the rules of corporate governance in accordance with the best international practices and standards, insisting on a high degree of transparency, disclosure and integrity towards the society, shareholders and clients, and employees. In addition the bank



continues to implement effective policies in risk management and internal surveillance systems, and the adoption of anti-money laundry policies that meet the requirements of supervisory authorities and the international standards.

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

I would also like to thank the wise government and its official institutions, particularly the Central Bank of Jordan for its efforts in supervising the Banking system and employing prudent monetary policies.

I would also like to extend my gratitude to all current and previous members of the Board of Directors for the efforts that they have exerted over the previous years. In addition on behalf of the Board of Directors I wish to extend our gratitude to all IIAB employees for their sincere efforts.

I especially would like to thank the esteemed members of the Sharia Supervisory Committee for their efforts and their noble and invaluable contributions to advise in direct the Bank's business in compliance with the Islamic Sharia. We extend due thanks to our respected customers who entrusted and supported us assuring them our keenness and commitment to providing them with the best Sharia-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.

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

**Faris Abdul-Hamid Sharaf**  
**Chairman**

## General Manager Message



In the Name of Allah,  
The Most Merciful the Most Compassionate

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

Honorable Shareholders, , ,

I am pleased to present to you the results of the Islamic International Arab Bank's operations for 2013 through this sixteenth annual report. Hoping that year 2014 will be a year of good and blessing to all and a year where the Bank will achieve all of the planned goals and objectives.

Islamic Banking nowadays is witnessing probably one of its most flourishing eras, as the international performance indicators of the industry revel a substantial growth despite the worldwide financial instability including the Middle East, in particular the Syrian crises, Egyptian political turbulence , the American debts and the weak growth in the Eurozone.

Islamic International Arab Bank performance has continued to show positive growth in its assets and liabilities, and an increase in its revenues. Moreover, the Bank was able to grow in the Fees and Commissions income; despite the immaterial effect on the fee income following the implementation of the Central Bank of Jordan regulation pertaining to dealing with customers fairly and transparently, due to the fact that dealing with our clients in fairness and transparency is a habitual behavior of the organization.

The Bank has achieved an increase in gross income to supersede (49) million JOD in 2013 and achieving a profit before tax of (22.5) million JOD with 36% growth rate compared to 2012. In addition, the accounts receivable and local financings portfolio has continued its growth to reach (642) million JOD with a growth rate of 14%, whereas deposits and cash margins for the restricted and non-restricted accounts has reached (1344) million JOD realizing a growth rate of 11% compared to 2012.

The Bank had taken an unceasing innovative and development approaches to endure its growth rates at all conditions and circumstances, especially with the sever competition in the Islamic finance sector and the Banking sector as a whole. As a result the Bank launched a set of new products and initiatives that complies with Islamic Sharia, which provided innovative financial solutions that facilitated attracting new clients and developing the assets and liabilities of the Bank.

During 2013, the Bank has expanded his branch and ATM networks to reach (37) branches and (47) ATMs, as well as, the Bank re-launched the call center based on the best available technologies to empower the bank's clients with the ability to communicate with the Bank from any place in the world around the clock.

Moreover, the Bank has continued its commitment to the full compliance with the regulations of the supervisory bodies headed by the Central Bank of Jordan, in particular those related to the issues of anti-money laundry and terrorism financing, dealing with clients in fairness and transparency as well as all other applicable instructions.





The Bank also supported its mission as a fully Sharia compliant institution by maximizing on its role in spreading Islamic Banking and Finance awareness, in addition to its commitment to the application of responsible financing guidelines which helps the clients in managing their obligations towards the Bank in a form that does not weigh them down and helps the clients in fulfilling their other responsibilities towards own family and society.

Supporting the Social Responsibilities programs was always in focus at the organization, as the Bank continued to pay a special care to those programs, such as distributing of charity packages for needy people and supporting the orphans, poor and those with special needs, in addition to the anti-hunger program. Notwithstanding the programs of Quran memorizing, supporting the students in their tuition fees and other fields of human work as well, this all is encouraged by our honorable religion.

The Bank seeks to achieve its strategic goals and enhance its positioning as one of the best banks in Jordan in terms of products and service quality through:

- Adapting to the best practices in quality control over the service provided in the branches and the level of customer satisfaction.
- Enhancing the connection between the key performance indicators and score cards with the bank's strategic goals and to follow up their recognition.
- Implementation of the new telephones systems VOIP in all the branches and Head office and linking it to the Arab Islamic Center for telephone services.
- The application of the new technological enhancements in automating client based processes through different E-Channels.
- Rolling out the Clients' Service Management System in all branches to enhance the Bank ability in providing the quality services and to measure the branch network productivity and staffing needs.

Furthermore, the Bank is planning during 2014 to expand the branch network to reach 40 branches covering all the kingdom governorates, and to focus on innovating new products and services meeting the needs of our clients segments, in addition to carry out a number of dynamic projects aiming at servicing our clients and to further maintain the sustainability and smoothness of our operations.

Praying to Allah Almighty to make 2014 a good and a blessed year in our country Jordan and to keep it safe under the leadership of His Majesty king Abdullah bin al Hussein and his honorable Crown Prince.

I would like to extend my thanks to all the Bank staff for their efforts which made such achievements and also to the Chairman and the board of directors for their support during 2013.

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

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

Peace and Allah's blessings be upon you,

**Iyad G. Asali**  
**General Manager**



## Board of Directors Members

- **Chairman**

Sharif Faris Abdul Hamid Sharaf

- **Vice Chairman**

Mr. Mohammed Mousa Dawod “Mohammed Issa”

- **Members**

Dr. Ahmad Awad Abdul-Halim Al-Hussein

Mr. Dawod Moh’d Dawod Al-Ghoul

Dr. Tariq Mohammed Khalil Al-Hammouri

- **Board Secretary General**

Dr. Mohsin Fayez Abu Awad

- **Auditors**

Messers / Deloitte & Touché (Middle East)



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



## Executive Management

- **Mr. Iyad Ghasoub Jameel Asali**  
General Manager
- **Mr. Nihad Yacoub Asaad Maraqa**  
Chief Support Officer (2011-2013) Counselor of the General Manager (as of 2014)
- **Dr. Mohsen Fayez Abdel Salam Abu Awad**  
Head of Corporate Banking Division (2005-2013) Head of Business Sector (as of 2014)
- **Mr. Amjad Awni Hosni Hijazi**  
Chief Business Officer (2011-2013) Chief Support Sector (as of 2014)
- **Mr. Yousif Ali Mahmoud Al Badri**  
Chief Credit Officer
- **Mr. Abbas Jamal Mohamed Marei**  
Chief Finance Officer
- **Mr. Abdul-Karim Errsan Awad Sukari**  
Head of Risk Division
- **Mr. Tariq Mousa Shehadah Awwad**  
Head of Internal Audit Division
- **Mr. Akef Hussein Mohamed Hamam**  
Head of Human Resources Division
- **Mr. Hussam Aldeen Ahmad abed al Hamid Salah**  
Legal Counselor/ Head of Legal Division

Starting from 1/1/2014



**The General Manager and Senior Management**



## 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 2013.

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 IIAB 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 2013.

### The Financial Results

IIAB 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 22.5 million, which is (6) million JD more than what was achieved in 2012 with a growth rate of 36%.

### 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 JD18,298.2, 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.

### Volume of capital investment

Capital Investment Volume	
Authorized Capital	100,000,000 Share/JD

### Subsidiaries and Nature of Work

IIAB plc has no subsidiaries.

### Major Shareholders of IIAB

Shareholder's Name	No. of Sholders
Arab Bank plc	100,000,000 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 2013, IIAB's share of customers' deposits reached 4.71 % of total banking deposits in Jordan; the total direct facilities realized a percentage of 3.45 % of total banking facilities in Jordan; and the Bank's assets realized a percentage of 3.56% 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 (4) 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.

### Achievements during 2013

#### First: Major Financial Indicators of 2013

During the course of the past ten years, the Islamic International Arab Bank achieved a significant success and its financial performance progressed steadily, here are a summary of indicators achieved during 2013 in comparison with previous years:

(In JOD)

	2009	2010	2011	2012	2013
<b>The most important operations' results</b>					
Revenues received in advance	14,647,744	18,885,673	23,254,602	30,471,870	31,948,256
Commissions payable	1,791,288	2,601,505	3,982,323	5,193,959	5,418,488
Net profit before tax	4,402,512	10,013,634	15,202,079	16,495,001	22,511,480
Net profit after tax	2,596,472	7,009,544	10,641,371	11,547,199	15,749,445
<b>Major Balance Sheet Items</b>					
Total Assets	1,003,869,784	1,096,162,778	1,127,482,501	1,173,775,421	1,348,244,028
Total Customers' Deposits*	855,293,660	961,612,291	1,103,785,911	1,188,365,352	1,319,555,442
Financing and Investment	931,181,019	1,038,302,961	1,056,576,031	1,082,028,127	1,269,490,842
Total Shareholders' Equity	80,691,775	87,409,237	90,134,821	100,959,370	116,958,757
Number of Shares	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
<b>Some financial percentages</b>					
Return before tax against assets	0.4%	0.9%	1.3%	1.4%	1.7%
Return before tax against Shareholders' Equity	3.7%	8%	17%	16.3%	19.2%
Operation Expenses/ Operation Revenues	71.7%	57.5%	50%	47%	45%
Shareholders' Equity/ Total assets	11.2%	11%	8%	8.6%	8.7%
<b>Items outside the budget</b>					
Letters of Credit	23,200,012	17,064,092	22,726,064	20,906,284	22,410,252
Guarantees	11,637,213	14,355,267	16,990,150	30,197,400	31,666,799
Acceptances	4,618,422	6,437,707	7,673,031	6,591,650	10,305,263

\* Including Client deposits (Specified Commodity Investments)





## **Second: Banking Services**

The bank offers specialized Sharia compliant banking services and products to individuals and entities in line with an integrated strategy that aims at creating stability in business, where the provided bank services encompass all the different social and economic standards.

### **Corporate Banking:**

The Bank provides banking services to all large and commercial corporations, and SME's. It provides a set of Sharia-compliant financial contracts supervised by a qualified and well-trained staff who are able to understand and serve clients' needs in business centers distributed throughout the Kingdom.

In continuation of the Islamic Banks development mission, IIAB was one of the first banks to sign the Wakala agreement with the Central Bank of Jordan, agreeing to finance MSMEs. In addition, IIAB, in cooperation with Jordanian Loan Guarantee Corporation, expanded the "Kafala" program to include revolving finances, which confirms the bank's commitment to develop and support the economy, and particularly the SMEs and MSMEs.

### **Retail Banking**

#### **Ways to bank:**

The Bank continued to expand in serving its customers in all regions of the Kingdom. In 2013, IIAB opened new branches in the Kingdom to bring the number of the Bank branches operating in most of the governorates to 37 branches. The Bank aims to open more new branches in 2014, in Amman, Karak and Ma'an in order to fulfill its plan of providing the best services and access to the different segments of society, and cover all governorates of the Kingdom. The Bank has also expanded its ATM network capacity to reach 47 ATMs, and cover most regions of the Kingdom in order to facilitate client access to bank services. This is in addition to the establishment of external points of sale (POS) in malls and large companies for customers to access the bank services and meet their needs wherever they are.

During 2013, the Call Center was reinvented under a new identity with the name "Arabi Islami Call Center." The center provides all services related to inquiries and assists Bank customers in line with the latest international practices in terms of Call Centers' services. In addition, the number of Call Center agents has increased, and there is increased focus on training and development to guarantee the high quality of services provided and the required banking knowledge to provide service seven days a week, and even during weekends and public holidays.

#### **Products and marketing campaigns:**

In light of the growing demand for Sharia compliant products, and based on the Bank's plan to provide innovative financing solutions that meet the client's needs and aspirations, a number of projects and new products were released. The first Sharia compliant Installment Credit Card was launched in Jordan. The card offers a variety of benefits including installing the card's outstanding balance free from any additional charges or expenses, in addition to the possibility of using the card for international transactions and local cash withdrawals.



In line with the Bank's commitment to ease the burden on the client, the authorized vendors' network has been broadened, within the product "installment with the same cash price" through adding new suppliers to meet the customers' growing needs to pay their purchases of electric and electronic devices by installments up to 24 months. The bank also allows for Hajj and Umrah trips installments, in collaboration with leading providers of Hajj and Umrah at the Kingdom level.

During 2013, for the second consecutive year, the campaign for an Udhia installment was launched during Eid Al-Adha, to ease the payment burden on the clients, in addition of a variety of marketing campaigns for car financing, real estate and personal needs products were launched to cover all seasons of the year and occasions..

A precedent among Jordanian Banks, the Bank has signed a cooperation agreement with First Insurance Co., for the purpose of providing services to the Bank's clients through service points managed by the company within branches, these points have contributed to speedy service for the client and have managed to save significant time and effort. In light of this success, the company seeks to increase the number of service points during 2014.

The Bank applies the highest standards of service quality and distinction in its client service. Therefore the Bank operated a customer service management system, which is managed through a centralized system, in all the branches of the Bank, and aims to improve the service provided to the client, through evaluating the performance and enhancing productivity studies and resource planning in the branches.

Based on transparency instructions issued by the Central Bank of Jordan, effective since 24/05/2013, the Bank has amended all its products and services provided to comply with these instructions, reflecting the Bank's continuous commitment to the instructions of the legal and control bodies.


The Bank has completed the preparation necessary to implement the International Bank Account Number (IBAN) program pursuant to the instructions issued by the Central Bank regarding the IBAN requirement for foreign and local remittances, which will be effective in 2014. The Bank has also developed a work plan in order to inform the Bank's clients of their IBAN by several means, including an IBAN calculator on the bank's website which enables the clients to generate their own IBAN automatically.

### **Third: Human Resources**

The management of human resources commits to support and facilitate the strategic directions to plan the human resources and services, and to prepare vital work environment for the employees, as well as, the management seeks to recruit the best competencies in the Banking fields to join the Bank work team.

The Bank employees number has reached (758) employees at the end of 2013, and this number is increasable in the light of work volume at the branches currently existed and number of branches which will be opened in the future, moreover , the number of bachelor holders constitutes ( 75%) of the total employees number. the Bank also finances study





tuitions to his ambitious employees, who aspire to build their professional future and have their scientific degrees ( diploma, bachelor, master, PhD) in the fields of finance, management and Islamic Banking.

At the level of training and development, the Bank held 207 training program, (1669) employees have participated in the different management and Banking fields, and these programs are distinguished for their content, which is related to work requirements. These programs have been provided through a group of professional trainers from the Bank and outsourced.

#### **Fourth: Information Technology Division**

The Information Technology Division extends all types of technical support to various sectors in the bank through managing the different applications and the entire network to secure the operational continuity in the Head Office and branches while supported by adequate disaster recovery site (DRS) and a business alternative site (BAS).

All key objectives of the IT division were fully achieved in 2013 where the majority of these activities focused on upgrading the core data bases, operating systems, the development of new banking products/services, preparation of the new branches and providing key services to the clients. In addition to enhancing the technical work environment for all users across the bank to enable them access the applications and information in timely fashion. Moreover, the IT division was keen to maintain the high availability on all technical layers to assure the business and technical continuity, to this endeavor ITD managed to upgrade the entire network to a high quality and high speed one. Such efforts had positively affected the service levels offered to our customers and hence increasing their satisfaction.

The security systems and applications were also upgraded to ensure full compliance with the Central Bank of Jordan's and other regulatory bodies PCI requirements pertaining to the cards payments.

The IT division continues to work towards keeping updated with the new developments in the banking and other support systems technologies in order to achieve the bank strategic goal of implementing efficiently the best practices offered in this field.

#### **Fifth: Islamic Banking Awareness**

The Bank has spread awareness about Islamic finance contracts available for the different segments of society. It has participated in several local conferences specialized in Islamic Banking, and presented the IIAB experience and role in finance, investment and developments through:

- Holding lectures for PhD students in the disciplines of Islamic Banking in the University of Jordan and World Islamic Sciences and Education University.
- Participation in the second scientific conference titled "Islamic Banking between theory and practice" in the National University of Ajloun.
- Participation in the "Second International Conference in the Role of Excellence and Entrepreneurship in the Development of the Work Organizations" organized by the World Islamic Sciences and Education University.
- Participation in the first industrial exhibition for the Association of East Amman Investors.



In line with its long-standing belief in and support for in the Amman Chamber of Industry and its goals through five decades of giving, the Bank exclusively sponsored the Chamber's celebration on the occasion of the Golden Jubilee for its establishment. This sponsorship facilitated the opportunity to meet Chamber members and affiliates, who represent the industrial sector, in order to present Sharia-compliant financial solutions as well as the products and services offered by the Bank.

The Bank believes in the importance of the education sector and training the youth cadre in the field of Islamic Banking. As such, it has signed a Memorandum of Understanding with the faculty of Sharia in the University of Jordan, where the Bank provides internship opportunities to a number of students in the Islamic Banking department.


#### **Sixth: CSR, Local Community and Environment Protection**

In line with the Bank's belief in its social responsibility and the importance of the effective communication with the local community and in order to contribute to the development of a better social environment, the Bank has participated in a variety of activities that aim to develop the local community through the implementation and support of a set of charity projects and initiatives during 2013, in general and particularly in the seasons of giving and goodness.

IIAB is very keen to provide special care and support to learners of the Noble Quran, following the steps of the Messenger of Allah (peace be upon him and Allah prayers): "the best of you those who learn Quran and teach it." In addition to supporting and encouraging memorizers of the Quran, the Bank has sponsored and supported a large number of activities and events including:

- A contest for memorizing the Holy Quran organized by Al-Salheen society for memorizing the Holy Quran.
- The annual seventh contest of the Holy Quran organized by the board of Islamic societies and organizations.
- Holy Quran contest organized by the faculty of Sharia in the university of Al El-Bayt.
- The second contest of "Ramadan is Better with the Quran" organized by the Society of the Conversation of the Holy Quran.
- Establishing houses for the sciences of the Holy Quran and the Sunnah, as part of the Jordanian Relief Commission.

Supporting the orphans and aiding in their development is a humanitarian duty implemented by the Bank in recognition of the importance of raising an orphan in Islam and the vision of His Majesty King Abdullah II Bin Al-Hussein and Her Majesty Queen Rania Abdullah. The Bank is a pioneer in sponsoring initiatives and events including the Association of Safe Future for Orphans Fund, one of Her Majesty Queen Rania Abdullah's initiatives, which aims to support the orphans released from social care institutions after the age of eighteen and offer them financial support to continue their college studies in order to reach the stage of full self-independence and become productive individuals to serve themselves as well as the local community, as well as participation in Ifar events at orphan centers in Ajloun and Karak with a view to cheer and entertain the children of these centers.



The Bank has provided and sponsored many initiatives during the seasons of giving and goodness such as Ramadan, Eid Al Adha, and Eid Al-Fitr, in a way that enhances the status of the Bank in its communication with members of the local community. In addition, and for the fifth year in a row, the Bank has launched the IIAB campaign for goodness packages, where it distributes packages to poor and needy families as well as for families that care for orphans in cooperation with the Institution of Developing Orphans Funds. Moreover, the Bank, in cooperation with the Department of External Rounds of Public Security, initiated the campaign of Mawa'ad Al- Rahman for needy and homeless persons at the time of Iftar in Ramadan. The Bank has also participated in the campaign of “be their neighbor” run by Tkiyet Um Ali which aims to distribute “Udhia” to the needy families.

The Bank has contributed to many informative and educational activities for different age groups, whereby it has supported the research contest of Jordan universities in its fifth session organized by the Middle East Studies Center and the summer program for the Islamic Center in Jordan University, and the implementation of maintenance works in the Jordanian woman habilitation centers as part of the Committee for Supporting Mosques and Charity Projects in the Ministry of Islamic Awqaf Trust Affairs and the support for the Jordanian association for the prevention of road accidents.

The Bank was awarded an honorary reward from Her Highness Princess Basma, Chairman of Jordanian Fund Secretaries' Board for Human Development, in recognition of IIAB'S continuous efforts to develop the local community.



## Financial Indicators and their Analysis

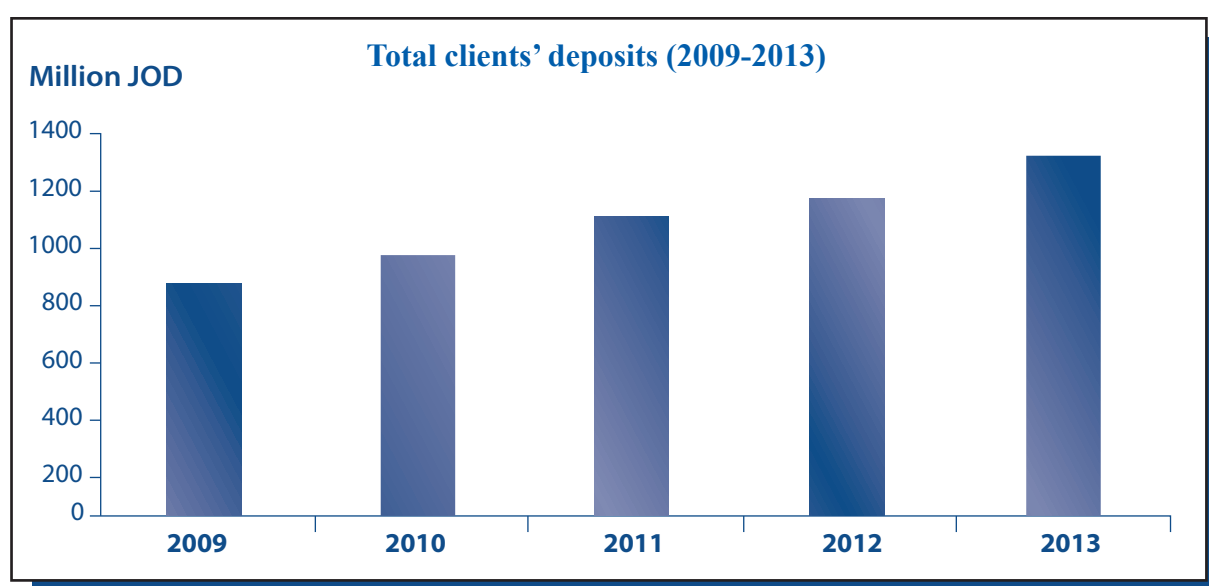
### Investment portfolio (direct credit facilities)

The balance of the local financing portfolio has reached (642) million JOD on 31/12/2013, with an increase of (78) million at a rate of 13.8% compared to the previous year.

The following table shows the items of the customers' financing portfolio for the period (2009–2013) which witnessed increased growth:

(In JOD)

Item	2009	2010	2011	2012	2013
Murabaha Financing	209,069,266	235,090,632	260,665,931	300,263,662	319,059,634
Mudaraba	3,511,178	7,416,717	3,853,146	3,353,762	4,021,517
Istisna	5,561,435	6,726,972	7,184,531	8,882,388	10,914,369
Musharaka	42,239	31,999	22,292	14,506	11,306
Lease ( Ijara)	78,942,297	120,106,427	190,611,473	251,536,917	306,723,429
Installed visa cards	-	-	-	-	1,333,679
Investments for Customers	255,911,983	247,937,680	213,687,620	211,108,939	617,432,336
Self-investments	378,142,621	421,464,542	380,551,038	306,867,953	9,994,572
Commodity specified investments	179,001,566	163,719,548	147,669,673	191,424,388	163,553,303
Customers Liabilities against Letters of Credit	23,200,012	17,064,092	22,726,064	20,906,284	22,410,252
Customers Liabilities Against Guarantees	12,812,069	14,355,267	16,990,150	30,197,400	31,666,799
Acceptances	3,443,567	6,437,707	7,673,031	6,591,650	10,305,263



The local financing portfolio is diversified over the following sectors:

(In JOD)

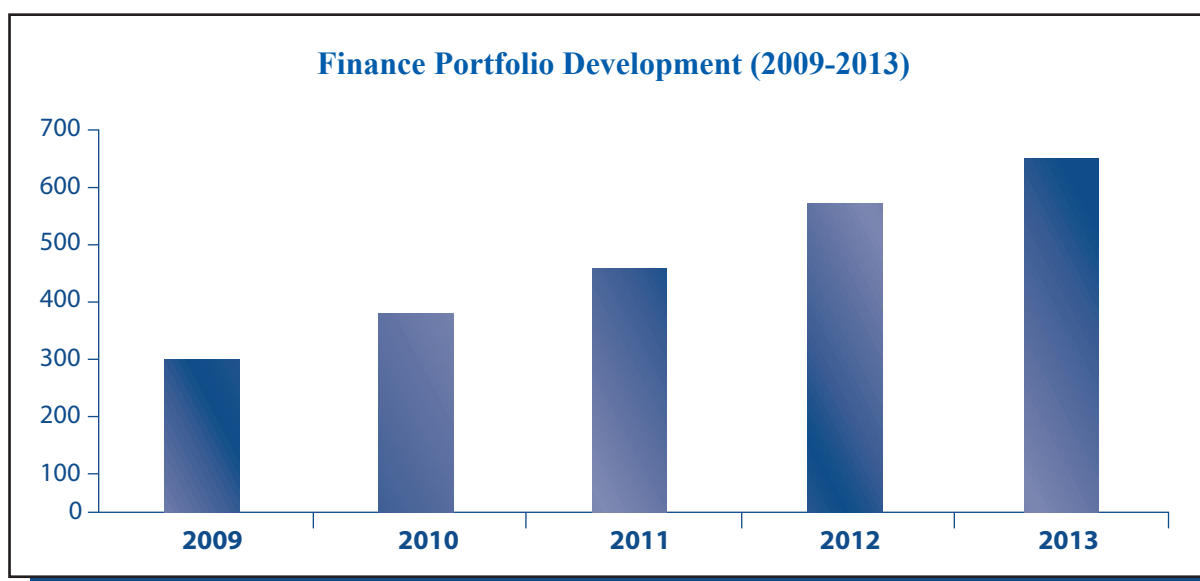
Item	2009	2010	2011	2012	2013
Industry and Mining	28,755,394	34,735,070	55,568,050	50,451,957	53,526,228
Agriculture	807,436	11,199,527	15,855,336	8,893,469	16,208,446
Constructions	19,030,751	1,500,118	124,610,280	205,262,447	280,292,814
General Trade	70,042,675	73,153,277	73,370,870	73,162,775	92,662,179
Transportation	2,189,857	7,677,779	6,077,354	8,503,294	7,032,319
Real Estate Financing	41,498,142	41,899,986	54,144,494	58,979,506	64,614,898
Vehicles Financing	19,028,613	34,785,069	40,959,981	90,183,341	84,797,837
Commodities Financing	19,250,646	13,387,153	82,260,240	23,614,377	23,630,711
Other	17,580,604	30,928,341	9,490,768	45,000,070	19,298,502

### Clients' Deposits

Clients' deposits are deemed as one of the most important sources of fund in the Bank. Customers' deposits portfolio in its various types current, joint and specified investment accounts has reached (1,320) million JOD, representing a growth at a rate of 11% compared to the previous year, reflecting customers' growing trust in the Bank.

The Bank's external resources of fund as on 31/12/2013 are as follows:

	JOD
Clients deposits	1,319,555,442
Banks' deposits	14,034,918
Cash Margin	24,846,545
<b>Total</b>	<b>1,358,436,905</b>

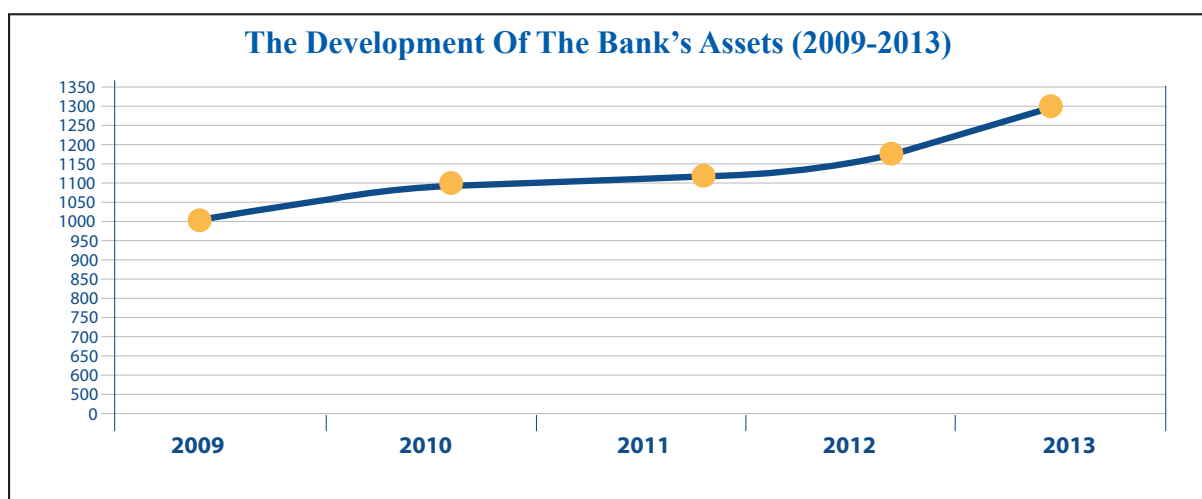
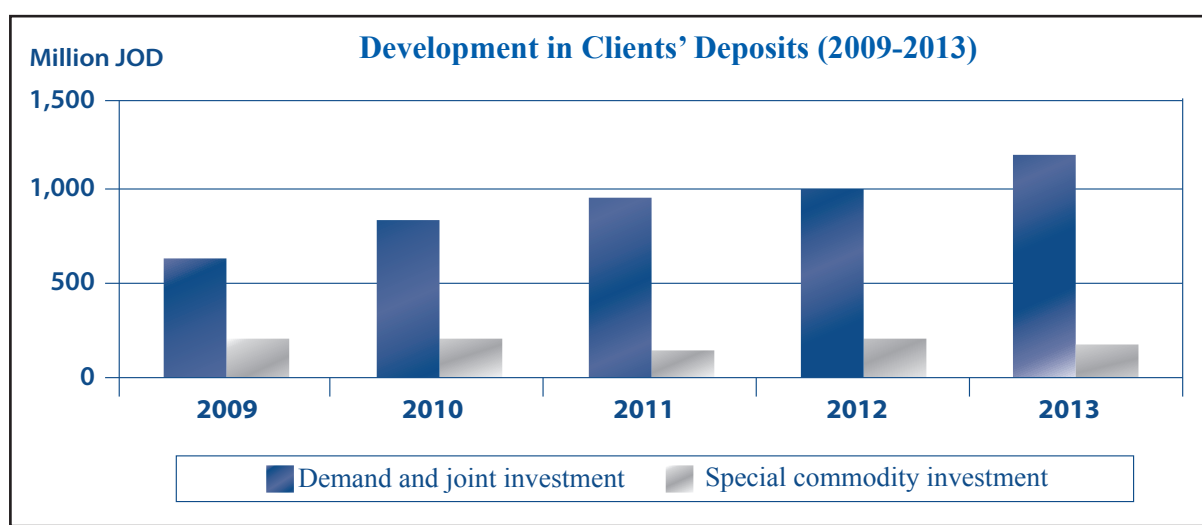




The following table shows the positive development in clients' deposits (under demand deposits and joint investment) and (specified investment) during the years 2009-2013:

(In JOD)

	2009	2010	2011	2012	2013
Clients' deposits (Demand and Joint Investment)	676,292,094	797,892,743	956,116,238	996,940,964	1,156,002,139
Client' deposits ( restricted investment)	179,001,566	163,719,548	147,669,673	191,424,388	163,553,303
<b>Total</b>	<b>855,293,660</b>	<b>961,535,060</b>	<b>1,103,785,911</b>	<b>1,188,365,352</b>	<b>1,319,555,442</b>

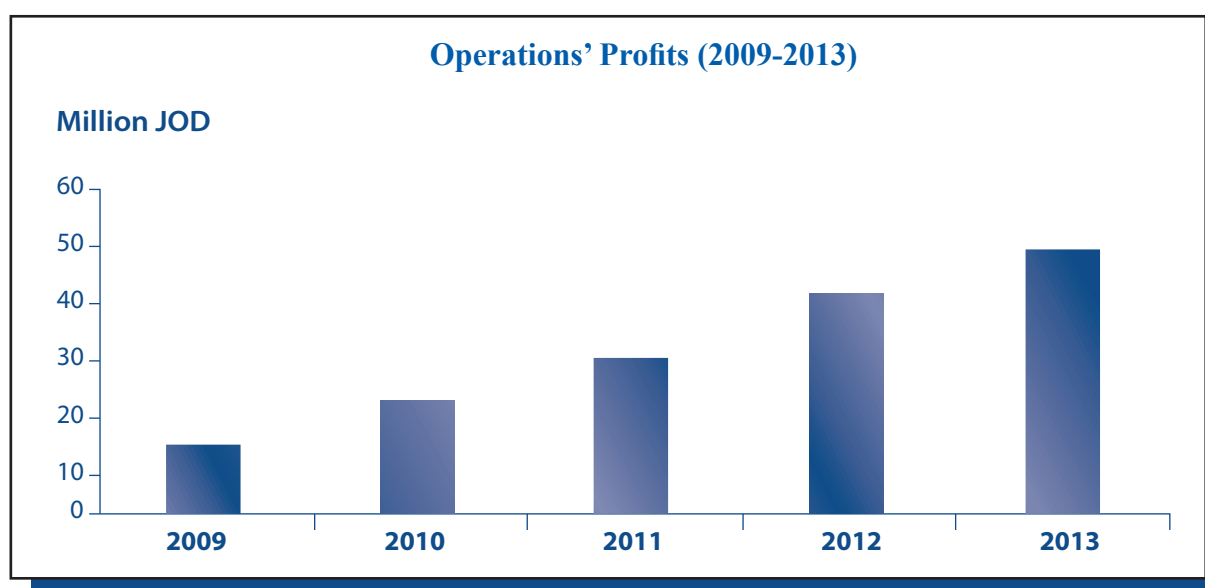


### Additional Notes

This section of the annual report contains financial statements and interpretations, in addition to the content of the board of directors' report, and it is considered an integral part of the report in accordance with the instructions Companies Disclosure and Auditing Standards issued by Commissioners of Securities Commission based upon Articles NO (12/F) of Securities' Act No ( 76 ) of 2002.

### 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 has amounted to (58,875,328) JOD as of 31/12/2013. 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:	(5,887,533) JOD
Customers' Joint investment accounts share:	(14,492,633) JOD
Bank's share of joint investments profits (as a Mudareb and capital owner):	(38,495,162) JOD

In addition, 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%

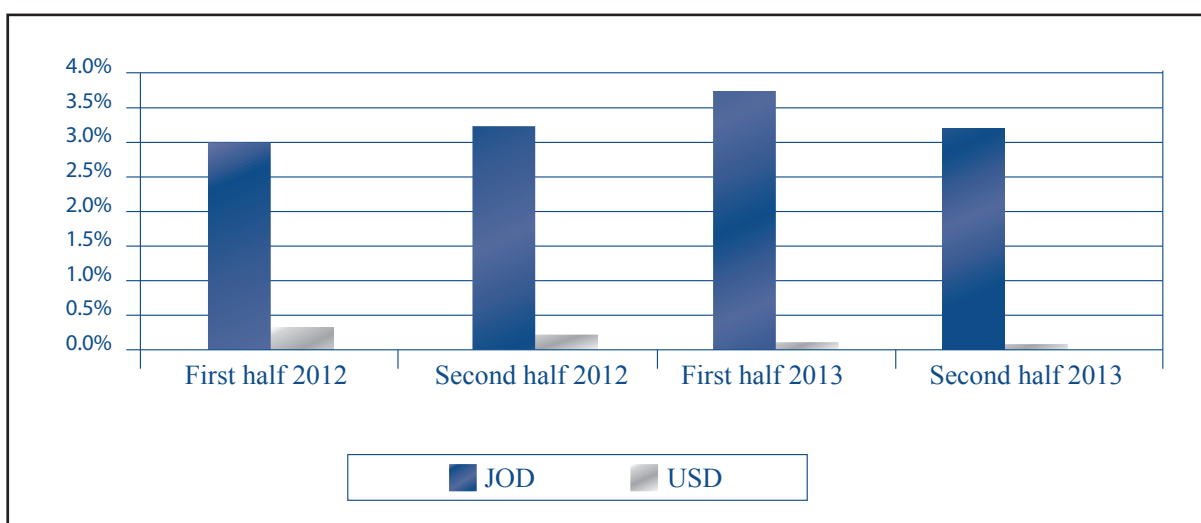
The general ratio of profits on joint investment accounts for the first half of 2013 were (3.667%) and (3.159%) for the second half in Jordanian Dinar, and in US Dollar (.139%) for the first half and (.123%) for the second half.



The following table shows the general development in profits on joint investment accounts for the period 2012-2013:

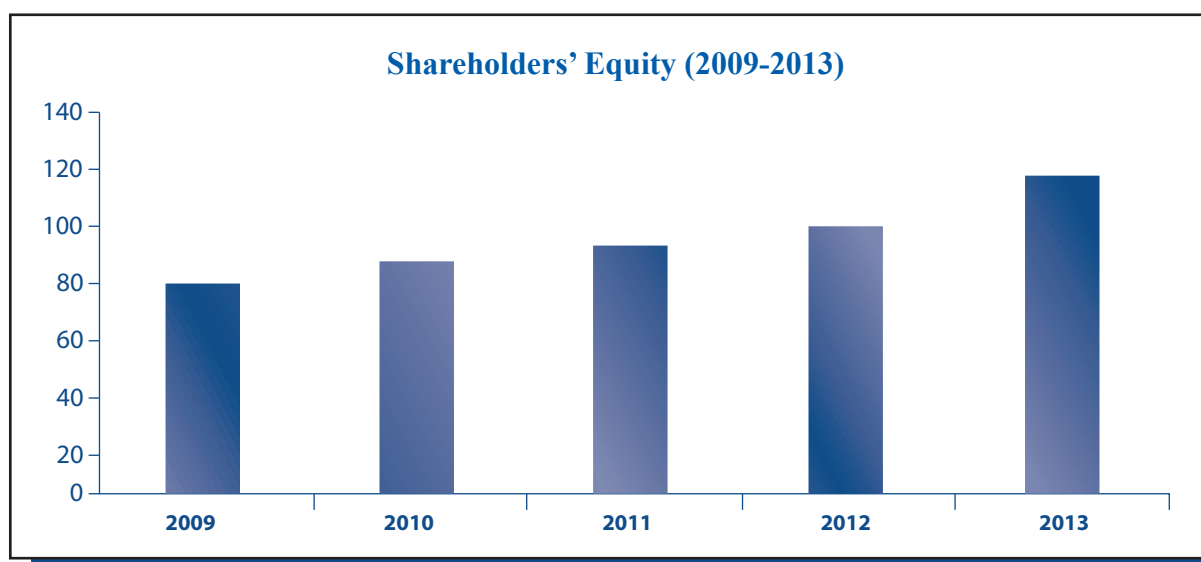
(Percentage)

2012				2013			
Second half		First half		Second half		First half	
Dinar	Dollar	Dinar	Dollar	Dinar	Dollar	Dinar	Dollar
3,267	0,199	2,967	0,314	3,159	,123	3,667	0,139



### 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. Shareholders' equity reached (117) million JOD with an increase of (16) million recording a growth of (16%) 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 (8.7%) compared with (8, 6%) in 2012.







### Credit Commissions

Total revenues on credit commissions for the year ending on 31/12/2013 amount to (5,418,488) Net credit commissions represented by (11%) of the Bank's total net revenues. Basically, this item covers credit commissions on all Banking products and services.

### Foreign Exchange Revenues

The foreign exchange trading revenues for the year ending on 31/12/2013 reached (1,649,606). 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 31/12/2013 amounts to (584,205) 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 (17.9%) by the end of 2013 whereas the minimum capital adequacy requirements set by the Central Bank of Jordan is 12%.

### Strategic Plan

The Bank always seek to provide all the new and innovative products and services in the Banking industry in particular providing Sharia-compliant Banking products, serving the clients and developing the infrastructure of information technology in a form enhances the Bank image as one of the elite Banks in the kingdom.

The Bank continues to focus on the quality of services provided to clients and their feedback, where it realizes their needs and aspirations and seeks to be distinguished in its service and exceeds their expectations.

The Bank continued the achievements of the strategic plan goals with the designated time frame, where it applied the system of customer service in the branches, as it continued to expand its branch and ATM networks and updated ways to communicate with the clients, where it launched the new call center "Arabic Islamic center for call service".

The Bank aims during 2014 to conclude projects aim at excellence in customer service as the project of Middle Ware and to promote the call banking service IVR and the distinguished clients VIP in addition to the project of the automatic payment systems linked to the national payment system and the project of security requirement and electronic protection PCI.



### Auditing and Consultations Fees

The total fees paid by the Bank to all external auditors and consultants amounted to (290,755) JOD.

The following table shows these expenses in details:

Item	2013
Quarterly and annually auditing fees	41,912
Legal fees	2,432
Sharia consultations fees	72,000
Other consultations fees	174,411
<b>Total</b>	<b>290,755</b>

The following table shows the benefits and remunerations paid to the Chairman and members of the Board of Directors for the year 2013:

(In JOD)

Name	Salaries and benefits	Supreme Credit Committee Membership	Transport Expenses in Jordan in 2012	Net Membership Allowances Fees
Sharif Faris Abdel Hamid Sharaf	-	12,000	14,400	5,000
Mr. Mohammad Mousa Dawoud "Mohammed Issa"	-	3,600	14,400	5,000
Dr. Ahmed Awad Abdulhalim	-	3,600	14,400	5,000
Mr. Dawood Mahmoud Al-Ghoul	-	3,600	14,400	5,000
Mr. Tareq Al-Hammurri	-	-	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	2013
MR. Iyad G. Al Asali	3,600	339,824
Mr. Nihad Yaqoub Maraqa	-	105,118
Mr. Amjad Awni Hijazi	-	155,442
Mr. Yousif Ali Mahmoud Al-Badri	-	105,524
Mr. Haitham Tawq Murrar	-	124,398
Dr. Muhsin Fayez Abdul Salam Abu Awad	-	93,168
Dr. Nayef Mousa Hasan Abu Dheim	-	90,581
Mr. Tariq Mousa Shehadah Awwad	-	86,743
Mr. Abbas Jamal Mohammed Mari	-	99,116
Mr. Akef Hussein Hamam	-	88,328

## 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 amount to (324,581)JOD . 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	32,524
Ramadan charitable food packages	66,680
Ramadan donations for different bodies	23,000
Tkiyet Um Ali	20,000
Tuition fees scholarships	6,300
Jordan Medical Aid for Palestinians	7,150
Others	8,927
<b>Total</b>	<b>324,581</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 (4) 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 (4) 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 (4) 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  
Chief Financial Officer (CFO)

MR. Iyad G. Al Asali  
General Manager

H. E. Mr. Fares Abdel Hamid Sharaf  
Chairman





**Auditors' Report and the Financial Statements for  
the Period Ended on 31/12/2013**



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In the Name of Allah, Most Merciful, Most Compassionate

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 (public shareholding limited company), which comprise the balance sheet as at 31/12/2013, and the income and comprehensive income statements, statement of changes in shareholders' equity, and cash flow statement for the year 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 have conducted our audit in accordance with the international auditing standards. Those standards require that we comply with the code of conduct requirements, and to 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 December 31, 2013, and its financial performance, cash flow for the year 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  
27 Jan 2014

Deloitte & Touche (Middle East) – Jordan

Karim Baha' Al-Nabulsi

License No. 611

Signed and sealed

دیلویت آڈیٹورز  
محاسبین قانونیہ  
عمان - الأردن

Member of Deloitte Touche Tohmatsu Limited



## Balance Sheet Statement

### Statement (A)

Assets	Note	31 December	
		2013	2012 (amended)
		JOD	JOD
Cash and balances with Central Bank	4	88,130,074	63,783,447
Balances with banks and financial institutions	5	10,305,374	46,552,540
Deferred sales receivables and other receivables - net	6	878,873,970	748,100,948
Deferred sales receivables through the income statement	7	-	1,313,267
Ijara assets - net	8	306,723,429	251,536,917
Finance investments	9	4,032,823	3,368,268
Financial assets at fair value through OCI	10	5,488,508	5,627,922
Financial assets at amortized cost - net	11	2,521,380	3,141,755
Real estate investments	12	20,942,995	22,932,216
Qurd Hassan loans - net	(List "A")	3,252,442	3,898,113
Fixed assets - net	13	19,918,174	18,867,600
Intangible assets	14	867,677	1,134,701
Deferred tax assets - self and joint	(20/c)	2,152,641	2,079,854
Other assets	15	5,034,541	1,437,873
<b>Total assets</b>		<b>1,348,244,028</b>	<b>1,173,775,421</b>
<b>Liabilities</b>			
Banks and financial institutions deposits	16	14,034,918	28,557,826
Customers current accounts	17	462,198,825	391,667,368
Cash margins	18	24,846,545	18,280,399
Other provisions	19	2,156,996	1,749,418
Income tax provision	(20/a)	6,006,510	4,323,390
Deferred tax liabilities	(20/c)	184,445	100,719
Other liabilities	21	14,635,219	12,688,556
<b>Total liabilities</b>		<b>524,063,458</b>	<b>457,367,676</b>
<b>Unrestricted Investment Accounts Holders' Equity</b>			
Unrestricted investment accounts	22	693,803,314	605,273,596
Fair Value Reserve-Net	26	-	-
Deferred tax liabilities	(20/c)	-	-
<b>Total Unrestricted Investment Accounts Holders' Equity</b>		<b>693,803,314</b>	<b>605,273,596</b>
Investment Risks Fund			
Investment Risks Fund	23	11,941,233	8,474,938
Provision for Income Tax on Investment Risks Fund	23	1,477,266	1,699,841
		<b>13,418,499</b>	<b>10,174,779</b>
<b>Shareholder's Equity</b>			
(Paid-up) capital	24	100,000,000	100,000,000
Statutory reserve	25	13,508,851	11,257,703
Voluntary reserve	25	5,537,312	5,537,312
General banking risks reserve	25	882,000	882,000
Fair value reserve- net	26	430,371	235,012
(Retained losses )	27	(3,399,777)	(16,952,657)
<b>Total shareholders' equity</b>		<b>116,958,757</b>	<b>100,959,370</b>
<b>Total liabilities, unrestricted investment accounts holders' equity and shareholders' equity</b>		<b>1,348,244,028</b>	<b>1,173,775,421</b>
<b>Restricted investments - customers - List "B"</b>		<b>163,553,303</b>	<b>191,424,388</b>

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

## Income Statement

## Statement (B)

	Note	For the year ended on 31 December	
		2013	2012 (amended)
		JOD	JOD
Joint deferred sales revenues	28	34,598,706	25,233,418
Financing revenues	29	337,897	124,085
Financial assets at amortized cost revenues	30	-	837,710
Real Estate Revenues	31	172,045	-
Ijarra Assets Revenues	32	23,753,029	18,152,746
Foreign currency profit	37	13,651	-
Total joint unrestricted investment accounts revenues		58,875,328	44,347,959
Unrestricted investment accounts holders' share	33	(14,492,633)	(13,613,085)
Investment risks fund share	23	(5,887,533)	(6,652,194)
Bank's share of unrestricted investment accounts revenues as Mudareb and Rab Mal	34	38,495,162	24,082,680
Bank's self-owned revenues	35	3,298,511	9,241,150
Bank's share in restricted investment accounts revenues as Mudareb	36	105,026	127,063
Foreign currency revenues	37	1,649,606	1,548,547
Banking services revenues	38	5,418,488	5,193,959
Other revenues	39	584,205	816,172
<b>Total income</b>		<b>49,550,998</b>	<b>41,009,571</b>
<b>Expenses</b>			
Employees' expenses	40	12,957,694	10,728,405
Depreciation and amortization	13 & 14	2,178,130	2,048,461
Other expenses	41	6,377,909	5,914,620
Ijara assets depreciation	8	93,768	275,541
Real estate investments depreciation	12	162,390	83,255
Impairment in deferred sales receivables	7&6	4,733,267	5,200,000
Other Provisions	19	536,360	264,288
<b>Total expenses</b>		<b>27,039,518</b>	<b>24,514,570</b>
Profit for the year before tax		22,511,480	16,495,001
Income tax	(20/b)	(6,762,035)	(4,947,802)
<b>Profit for the year</b>		<b>15,749,445</b>	<b>11,547,199</b>
Earnings per share for the year - Basic/reduced	42	-/15,75	-/11,55

The attached notes from 1 to 55 form part of these financial statements and are read with them and with the independent auditor's report.

## Comprehensive Income Statement

### Statement (C)

	31 December	
	2013	2012 (amended)
	JOD	JOD
Profit for the Year - Statement (B)	15,749,445	11,547,199
Comprehensive income items:		
Not transferable items subordinate to the income statement		
Financial (losses) assets at fair value through shareholders' equity	54,583	(2,329)
Net change in fair value reserve - Statement "d"	195,359	99,161
<b>Total comprehensive income - Statement "D" attributable to IIAB shareholders</b>	<b>15,999,387</b>	<b>11,644,031</b>

The attached notes from 1 to 55 form part of these financial statements and are read with them and with the independent auditor's report.

## Changes in Shareholders' Equity Statement

### Statement (D)

	Note	Paid capital	Reserves		General risk banking reserve	Net fair value reserve	Accumulated (losses)	Total
			Statuary	Optional				
		JOD	JOD	JOD	JOD	JOD	JOD	JOD
For the year ended 31 December 2013								
Balance at the beginning of the year		100,000,000	11,257,703	5,537,312	882,000	235,012	(16,952,657)	100,959,370
Profit for the year (statement «B»)		-	-	-	-	-	15,749,445	15,749,445
Financial assets profits in fair value through shareholders' equity		-	-	-	-	-	54,583	54,583
Net change in fair value reserve after tax	26	-	-	-	-	195,359	-	195,359
Total comprehensive income (Statement «c»)		-	-	-	-	195,359	15,804,028	15,999,387
Transferred to reserves		-	2,251,148	-	-	-	(2,251,148)	-
Balance at the End of the Year		100,000,000	13,508,851	5,537,312	882,000	430,371	(3,399,777)	116,958,757
For the year ended on 31 December 2012 (amended)								
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 year adjustments		-	-	-	-	-	(819,482)	(819,482)
Amended balance at the beginning of the year		100,000,000	9,613,353	5,537,312	882,000	135,851	(26,853,177)	89,315,339
Profit of the year – (statement «B»)		-	-	-	-	-	11,547,199	11,547,199
Loss on financial assets at fair value through shareholders' equity		-	-	-	-	-	(2,329)	(2,329)
Net change in the fair value reserve after tax	26	-	-	-	-	99,161	-	99,161
Total comprehensive income (Statement «c»)		-	-	-	-	99,161	11,544,870	11,644,031
Transferred to reserve		-	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	(16,952,657)	100,959,370

\* Retained loss includes the amount of JOD 1,912,876 as at 31 December 2013, 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 882,000 JOD as at 31 December 2013 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 with them and with the independent auditor's report.

## Cash Flow Statement

### Statement (E)

	Note	For the year ended on 31 December	
		2013	2012 ( amended)
		JOD	JOD
Cash Flow from Operational Activities			
Profit before tax – (statement «B»)		22,511,480	16,495,001
Adjustments of Non-Cash Items:			
Depreciation and Amortization	13&14	2,178,130	2,048,461
Investments in real estate depreciation		183,685	83,255
Ijara Assets Depreciation		27,194,892	23,426,927
Impairment in deferred sales receivables	6&7	4,733,267	5,200,000
Investment Risks Fund	23	5,887,533	6,652,194
Impairment of investment in real estate and equipments		5,863	-
Other Provisions	19	536,360	264,288
Impact of change in exchange rates on cash and cash equivalents		27,302	(16,495)
Profit before changes in the operational capital		63,258,512	54,153,631
( increase) Decrease in deferred sales receivables and other receivables		(134,831,186)	31,503,072
( increase) Decrease in financing investments		(664,555)	507,170
(Increase) decrease in Ijara assets		(82,381,404)	(84,352,372)
(Increase) Decrease in Other Assets		(3,613,482)	9,002,523
(Increase) decrease in Qurd Hassan		645,671	(3,379,582)
Increase in current and demand Accounts		70,531,456	70,058,466
(Decrease) increase in cash margins		6,566,146	(6,348,919)
(Decrease) increase in other liabilities		1,946,664	(2,726,555)
Net (uses) of cash flow from operational activities before tax and paid end of service indemnity		(78,542,178)	68,417,434
Paid Provisions	19	(128,782)	-
Paid tax	20&23	(7,140,537)	(6,747,084)
Net (uses) of cash flow from operational activities		(85,811,497)	61,670,350
Cash Flow from Investment Activities			
Decrease in financial assets at amortized cost - net		620,375	9,906,089
Decrease in financial assets through shareholders «equity		473,082	22,671
(Purchase) of fixed assets		(1,831,526)	(6,794,693)
Collections of selling fixed assets		12,388	52,876
(Purchase) of intangible assets	14	-	(72,896)
(Purchase) of investment in real estate		657,131	(411,556)
Net cash flow from (uses in) investment activities		(68,550)	2,702,491
Cash Flow from Financing Activities:			
(Decrease) increase in unrestricted investment accounts		88,529,718	(29,233,740)
Net cash flow from financing operations		88,529,718	(29,233,740)
Impact of change in exchange rates on cash and cash equivalents		(27,302)	16,495
Net increase in cash and cash equivalents		2,622,369	35,155,596
Cash and cash equivalents at the beginning of the year		81,778,161	46,622,565
Cash and cash equivalents at the end of the year	43	84,400,530	81,778,161

The attached notes from 1 to 55 form part of these financial statements and are read with them and with the independent auditors' report



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

### List (A)

	For the year ended on 31 December	
	2013	2012
	JOD	JOD
Balance at the beginning of the year	3,755,642	266,924
Fund sources from:		
Shareholders' equity	9,449,659	1,982,878
Total sources of funds during the year	9,449,659	1,982,878
Using the funds for:		
Personal advances	2,453,277	1,288,496
Installed visa	1,333,679	-
Benevolent loan against flows guaranteed for IIAB interest	5,052,011	4,183,100
Total use during the year	8,838,967	5,471,596
Total balance	3,144,950	3,755,642
Current and overdraft accounts	218,309	240,892
Less: Provision for impairment	(110,817)	(98,421)
<b>Balance at the end of the year - net</b>	<b>3,252,442</b>	<b>3,898,113</b>

## List of Changes in Restricted Investments

List (B)

	International Murabaha For the Year Ended 31 December		Ijirara (Lease-to-Own) For the Year Ended 31 December		Local Murabaha (Real Estate Finance) For the Year Ended 31 December		Total For the Year Ended 31 December	
	2013	2012	2013	2012	2013	2012	2013	2012
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Investments at the beginning of the year	189,832,823	145,273,630	719,261	744,750	872,304	1,651,293	191,424,388	147,669,673
Add: deposits	45,168,273	144,849,207	-	-	-	-	45,168,273	144,849,207
Less: withdrawals	72,886,015	100,721,970	174,536	36,164	396,769	856,716	73,457,320	101,614,850
IIAB mudarib fees	88,502	93,504	2,525	4,052	13,999	29,507	105,026	127,063
Add: investment profit	432,682	525,460	13,800	14,727	76,506	107,234	522,988	647,421
Investments at the end of the year	162,459,261	189,832,823	556,000	719,261	538,042	872,304	163,553,303	191,424,388
Revenue received in advance	-	-	-	-	76,336	150,395	76,336	150,395
Ijara depreciation provision	-	-	308,134	321,400	-	-	308,134	321,400
Investment risks provision	-	-	-	-	243,361	223,964	243,361	223,964
Distributable revenue	-	-	-	-	59,130	57,067	59,130	57,067
<b>Total</b>	<b>-</b>	<b>-</b>	<b>308,134</b>	<b>321,400</b>	<b>378,827</b>	<b>431,426</b>	<b>686,961</b>	<b>752,826</b>

## Interpretation of the Financial Statements

### 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 37 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 27, 2014, 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 session No (1) held on January 22, 2014, which issued its report thereon.

### 2. Significant Accounting Policies

#### Basics of preparing the financial statements

- 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.
- Based on the decision of the board of directors held on 21 May 2013, the bank has adopted the principle of mixing money of the Shareholders' equity with the holder of unrestricted investment accounts as of May 2013, while keeping the investment financed by the funds of shareholders' equity (self) until due.
- 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 Bank shall invest the investment risks fund and the revenues realized of such deposits shall be included with the investment and distributed according to the specified rates for profit distribution.

- The accounting policies used for the financial statements of this year are consistent with those used in the year ended 31 December 2012. Except for the following:
- To decrease the investment risk fund from 15% to 10% as of 1/Jan/2013 in accordance with the central bank of Jordan decision No. 10/1/864, where any amendment of percentages shall be effective as of the beginning of the year in which was adopted and the following years.
- To apply the Islamic accounting standard No (26): investment in real estates.

The bank has adopted the Islamic accounting standard No (26) issued by the commission of accounting and review of the Islamic financial institutions, which include recognition, measurement, and presentation of investment in real estates, and include primarily recognition on investment in real estates by cost in addition to direct cost, followed by measurement based on application whether it is for use (the model of cost or fair value) or for sale, however, the impact of applying the standard is presented in elaboration (55) about the attached financial statements.

Islamic accounting standard No (26) has found new requirements to categorize and present investment of real estates, the most important new accounting policies as amended during the year ended on 31 December 2013 as follows:

**a- Investment in real-estate for the purpose of use:**

The model of cost or fair value shall apply as follows:

– Cost model:

Investments in real estates will be registered in cost minus the accumulative depreciation and the less allocation (if any) and in case the bank decided to apply this model, it shall be applied on all investment in real estates.

– Fair vale model:

Investment will be registered in fair value and the increase in value shall be registered in the fair value reserve, and any shortage in the fair value shall be deducted from the increase, which was previously registered, however in case there is not any increase in the value that has been registered, the difference shall be recognized in the income statement, but in case the bank decided to apply this model, this shall apply on all real estate's investments.

**b- Investment in real estates for sale:**

Investment will be registered in the book value of the fair value minus the cost of sale, whichever is less, and it shall not depreciate, the difference shall be listed in the income statement.

Real estates may be transferred from the real estate investment portfolio to fixed assets portfolio or vice versa, if change in the real estate use has been proven. The transform shall be in cost mince depreciation if the bank uses the cost model in measuring the portfolio real estates, but if the bank uses the fair value model, the real estate shall be transferred in its fair value as of the date of the transfer.

In case a real estate has been changed from the bank fixed assets to the real estate investment portfolio using the fair value model, the transfer shall be of the real estate cost minus the depreciation and the decrease allocation (if any) as it is in the date of stopping its use.

## 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	45%	i.e., 3.667% and 3.159% for the first and second halves of 2013 respectively in JOD (against 2.967% and 3.267% for the first and second halves of 2012) and 0.139% and 0.123% in USD for the first and second halves of 2013 respectively (against 0.314% and 0.199% in 2012)
Shareholders' Equity	45%	
Investment Risks Fund Share	10%	

- 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 0.123% and 0.139% in 2013 (against 0.339% and 0.213% in 2012).

## 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 Order).

- The Bank applies the principle of commitment to promise in Murabaha to purchase order contracts, however, in case of default, the Bank will sell the commodity and the purchase order 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 is 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 order.

- 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 flow 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 flow discounted at the original actual profit rate, any provisions resulting from impairment are deducted from the value of these assets, and 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, and 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 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 is 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 kind of investment entails acquisition of real estates for the purpose of generating periodic revenue, or retention for prospective increase in value, or both. Investment in real estate is initially recognized at cost added to the direct cost, to be measured later depending on their application whether they are acquired for the purpose of use (cost model or fair value model) or for the purpose of sale, noting that in case the bank adopted any of the models then it has to apply the same chosen model on all real estate investments.

Real estates may be converted from the portfolio of real estate investment to the portfolio of fixed assets or vice versa, if proven change in the use of such property, and the convert is done at cost less consumption only if the bank used the cost model in measuring the real estate portfolio, but in case of the bank use of fair value model, the property is converted at its fair value at the date of conversion.

in case the property was changed from the portfolio of fixed assets to the portfolio of real estate investment using fair value model, the convert is done at the property cost minus the consumption and impairment allocation (if any) at the date of stopping the usage.

### 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 10% 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,



and 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 to the determined rate accumulated in the Investment Risks Fund, as they are allocated to cover the losses resulting from the joint investment operations.
- If 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) is depreciated when they are ready for use on straight line basis over the estimated useful life at the following percentages:

	Percentage
Buildings	2%
Plant, Equipments, and Furniture	2,5%-15%
Transportation means	15%
Computers	25%
Improvements and decorations	10%

- The productive 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.

### Incom 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 deductible in the financial year but deductible in subsequent financial years, accumulated taxable losses or untamable or deductible 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, except 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 time of these transactions.
- Financial assets and liabilities' balances are transferred 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 transferred at fair value on the date of determining their fair value.
- Profit and loss arising from foreign currency translation is 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 whom 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.
- The share of investment risk fund was decrease out of total mutual investment profits from 15% to 10% as of 1<sup>st</sup> January 2013 based on the central bank of Jordan decision no. 10/1/864.
- The management periodically assesses the real estates within the real estate investment, and an allocation of any impairment in its value is taken from the investment risk fund, as the portfolio is within the joint investment and the building will be depreciated within this portfolio of 10% yearly.
- 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. The difference between level 2 and level 3 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	2013
	JOD	JOD
Cash in the treasury	18,915,865	16,786,812
Balances with the Central Bank		
Current and demand accounts	4,512,592	879,854
Cash reserve requirements	64,701,617	46,116,781
<b>Total</b>	<b>88,130,074</b>	<b>63,783,447</b>

Aside from the cash reserve, there are no restricted cash balances as in 31 December 2012 and 2013.

## 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	
	2013	2012	2013	2012	2013	2012
	JOD	JOD	JOD	JOD	JOD	JOD
Current and Demand Accounts	5,414,129	29,167,649	4,891,245	17,384,891	10,305,374	46,552,540
	5,414,129	29,167,649	4,891,245	17,384,891	10,305,374	46,552,540

There are no restricted cash balances as at 31 December 2012 and 2013.

## 6. Net Deferred Sales Receivables and Other Receivables

This item is detailed as follows:

	Joint		Self-based		Total	
	31 December		31 December		31 December	
	2013	2012	2013	2012	2013	2012
	JOD	JOD	JOD	JOD	JOD	JOD
Individuals (Retail)						
Murabaha for the purchase order	96,326,357	85,667,069	-	-	96,326,357	85,667,069
Deferred sales	822,099	924,985	-	-	822,099	924,985
Receivables – Ijara (lease-to-own)	1,668,768	1,717,328	-	-	1,668,768	1,717,328
Real estate finance	64,596,158	58,806,778	7,434	49,465	64,603,592	58,856,243
Large companies						
International Murabaha	595,755,354	209,097,223	1,984,684	275,487,629	597,740,038	484,584,852
Murabaha for the purchase order	126,154,026	109,353,412	7,591,745	17,462,925	133,745,771	126,816,337
Receivables – Ijara (lease-to-own)	-	-	142,804	-	142,804	-
Small- and medium sized enterprises						
Murabaha for the purchase order	30,317,502	30,403,065	93,422	478,573	30,410,924	30,881,638
Deferred sale	224,108	285,917	-	-	224,108	285,917
<b>Total</b>	<b>915,864,372</b>	<b>496,255,777</b>	<b>9,820,089</b>	<b>293,478,592</b>	<b>925,684,461</b>	<b>789,734,369</b>
Less: Deferred revenue	31,898,454	30,229,442	49,802	242,428	31,948,256	30,471,870
Impairment Provisions	8,258,304	8,334,196	5,475,746	2,068,142	13,734,050	10,402,338
Revenues in Suspense	944,116	751,569	184,069	7,644	1,128,185	759,213
Net sales receivables and other receivables	874,763,498	456,940,570	4,110,472	291,160,378	878,873,970	748,100,948



- The transactions related to deferred sale receivables are as follows:

	Deferred Sales	Receivables Deferred Revenue	Impairment Provision
	JOD	JOD	JOD
<b>Balance at beginning of the year</b>	<b>1,210,902</b>	<b>141,555</b>	<b>1,974</b>
Additions	862,411	2,025	4,030
Disposals	1,027,106	69,120	-
<b>Balance at end of the year</b>	<b>1,046,207</b>	<b>74,460</b>	<b>6,004</b>

### Impairment Provision of Deferred Sales, Finance Investments, Ijara, and Benevolent Loan/Self-Owned

The impairment provision is detailed as follows:

31 December 2013	Individuals	Real Estate	Large Corporates	Small and Medium Sized Enterprises	Total
	JOD	JOD	JOD	JOD	JOD
Balance at the beginning of the year	14,298	17,994	2,035,230	99,041	2,166,563
Deducted profits	-	-	3,420,000	-	3,420,000
Adjustment During the Year	13,499	(17,994)	6,423	(1,928)	-
<b>Balance at the end of the year</b>	<b>27,797</b>	<b>-</b>	<b>5,461,653</b>	<b>97,113</b>	<b>5,586,563</b>
Impairment provision of non- operating sales on one-client basis	27,528	-	5,450,694	97,113	5,575,335
Impairment provision of under control sales on one-client basis	269	-	10,959	-	11,228
<b>Balance at the end of the year</b>	<b>27,797</b>	<b>-</b>	<b>5,461,653</b>	<b>97,113</b>	<b>5,586,563</b>

31 December 2012	Individuals	Real estate	Large Corporates	Small and Medium Sized Enterprises	Total
	JOD	JOD	JOD	JOD	JOD
Balance at the beginning of the year	74,034	1,672	2,090,857	-	2,166,563
Adjustment During the Year	(95,736)	16,322	(55,627)	99,041	-
<b>Balance at the end of the year</b>	<b>14,298</b>	<b>17,994</b>	<b>2,035,230</b>	<b>99,041</b>	<b>2,166,563</b>
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
<b>Balance at the end of the year</b>	<b>14,298</b>	<b>17,994</b>	<b>2,035,230</b>	<b>99,041</b>	<b>2,166,563</b>

- Total general banking risks reserve towards receivables and self-finance is JOD 882,000 as at 31 December 2013 (compared to JOD 882,000 as at 31 December 2012).
- 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 1,738,553 as at 31 December 2013 (compared to JOD 2,487,229 as at 31 December 2012).



## Revenues in Suspense

The detailed transactions on suspended revenues:

	Self -based					
	Large Corporates		Real estate financing		Total	
	31 December		31 December		31 December	
	2013	2012	2013	2012	2013	2012
	JOD	JOD	JOD	JOD	JOD	JOD
Balance at the beginning of the year	719	10,190	6,925	6,922	7,644	17,112
Added: Suspended revenues through the year	184,069	719	-	3	184,069	722
Deducted: suspended revenues transferred to revenues	(719)	(10,190)	(6,925)	-	(7,644)	(10,190)
<b>Balance at the end of the year</b>	<b>184,069</b>	<b>719</b>	<b>-</b>	<b>6,925</b>	<b>184,069</b>	<b>7,644</b>

31 December 2013	Joint				
	Individuals	Real estate	Companies		Total
			Large Corporates	Small and Medium Sized Enterprises	
	JOD	JOD	JOD	JOD	JOD
Balance at the beginning of the year	70,621	190,787	85,939	404,222	751,569
Add: Revenue in suspense for the year	39,047	39,771	186,801	117,605	383,224
Less: Revenue in suspense transferred to revenue	(23,343)	(15,614)	(31,674)	(120,046)	(190,677)
<b>Balance at the end of the year</b>	<b>86,325</b>	<b>214,944</b>	<b>241,066</b>	<b>401,781</b>	<b>944,116</b>
<b>Balance at 31 December 2012</b>					
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)
<b>Balance at the end of the year</b>	<b>70,621</b>	<b>190,787</b>	<b>85,939</b>	<b>404,222</b>	<b>751,569</b>

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

Deferred sale receivables were allocated through the income statement (self – based) amounts to JOD 1,313,267 JD as at 31 December under self-based finance impairment allocation.

## 8. Net Ijara Assets

Items are detailed as follows:

31 December 2013	Joint			Self-based			Total		
	Cost	Accumulated Depreciation	Net value	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Ijara assets – real estate	358,497,686	(62,514,056)	295,983,630	5,275,000	(786,070)	4,488,930	363,772,686	(63,300,126)	300,472,560
Ijara assets - Machines	12,788,062	(6,907,562)	5,880,500	-	-	-	12,788,062	(6,907,562)	5,880,500
Ijara assets - vehicles	576,243	(205,874)	370,369	-	-	-	576,243	(205,874)	370,369
<b>Total</b>	<b>371,861,991</b>	<b>(69,627,492)</b>	<b>302,234,499</b>	<b>5,275,000</b>	<b>(786,070)</b>	<b>4,488,930</b>	<b>377,136,991</b>	<b>(70,413,562)</b>	<b>306,723,429</b>
<b>31 December 2012</b>									
Ijara assets – real estate	295,129,057	(49,367,197)	245,761,860	1,338,000	(731,140)	606,860	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>

- Total due Ijara installments amounted to JOD 1,811,572 as at 31 December 2013 (against 1,717,328 JOD as at 31 December 2012), Ijara balances due from sale receivables and other receivables are recognized (Note 6).
- Non-Performing Ijara amounted to JOD 6,706,683, i.e., 2/186 % of the ijara balance as at 31 December 2013 (against JOD 2,335,460, i.e., 0/93% as at 31 December 2012).
- Non-Performing ijara, less revenue in suspense, amounted to JOD 6,278,770, i.e., 2% of the ijara balance as at 31 December 2013 (against JOD 2,114,021, i.e., 0.84% as at 31 December 2012).

## 9. Finance Investments

This item is detailed as follows:

	Joint	
	31 December	
	2013	2012
	JOD	JOD
Real estate finance	11,306	14,506
<b>Large Corporates</b>		
Mudaraba	4,021,517	3,353,762
Net finance	4,032,823	3,368,268

- Non-Performing deferred sales receivables, other receivables, finance, ijara, and benevolent loan amounted to JOD 25,570,623, i.e., 2% of the deferred sales receivables, other receivables, finance, ijara, and benevolent loan for the year (JOD 14,379,248, i.e., 1.4% of the balance granted at the end of the previous year).
- Non-Performing deferred sales receivables, other receivables, finance facilities, ijara, and benevolent loan, less revenue in suspense, amounted to JOD 24,442,438, i.e., 2% of the deferred sales receivables, other receivables, finance, ijara, and interest-free loan balance less revenue in suspense (JOD 13,620,035, i.e., 1.3% 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 -based	
	31 December	
	2013	2012
	JOD	JOD
Financial assets with market prices		
Companies' shares	-	439,650
Investment portfolios managed by third parties*	5,464,508	5,188,272
Financial assets without market prices		
Companies' shares	24,000	-
<b>Total financial assets at fair value through OCI</b>	<b>5,488,508</b>	<b>5,627,922</b>

\* 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 selling investment in the Company shares.

## 11. Financial Assets at Amortized Cost – Net

This item is detailed as follows:

	Self-based	
	31 December	
	2013	2012
	JOD	JOD
Islamic sukuk	2,521,380	3,141,755
	<b>2,521,380</b>	<b>3,141,755</b>

- The above assets are due in 21/OCT/ 2014 and 31 /AUG/ 2016.

## 12. Real Estate Investments

This item is detailed as follows:

### A. investment in real estates for the purpose of use:

	Joint	
	31 December	
	2013	2012
	JOD	JOD
Investments in real estate	21,921,947	-
Accumulated depreciation	(244,965)	-
Impairment Provision	(733,987)	-
	<b>20,942,995</b>	<b>-</b>

The buildings with the real estate portfolio are depreciated by installment method of 10% depreciation percentage.

The transaction occurred in the real estate investment portfolio throughout the year is as:

2013	The balance at the beginning of the year	Additions throughout the year	Disposals throughout the year	The balance at the end of the year
	JOD	JOD	JOD	JOD
Investments in real estates	23,015,471	844,787	1,938,311	21,921,947
Accumulated depreciation	(83,255)	(183,685)	(21,975)	(244,965)
<b>Total</b>	<b>22,932,216</b>	<b>661,102</b>	<b>1,916,336</b>	<b>21,676,982</b>
Real estates impairment Provision	-	(733,987)	-	(733,987)
<b>Net</b>	<b>22,932,216</b>	<b>(72,885)</b>	<b>1,916,336</b>	<b>20,942,995</b>

- The fair value of the real estate investment portfolio amounted to 22,702,571 JOD as on 31 December 2013.

B. acquired for the purpose of increase in value:

	Joined		Self-based		Total	
	31 December		31 December		31 December	
	2013	2012 (amended)	2013	2012	2013	2012
	JOD	JOD	JOD	JOD	JOD	JOD
Investments in real estates	-	1,558,332	-	13,496,107	-	15,054,439
	-	1,558,332	-	13,496,107	-	15,054,439

C. Property acquired for obtaining periodic revenue:

	Self-based			Self-based		
	31 December 2013			31 December 2012		
	cost	Accumulated depreciation	Net value (amended)	cost	Accumulated depreciation	Net value (amended)
	JOD	JOD	JOD	JOD	JOD	JOD
Investments in real estates	-	-	-	7,961,032	83,255	7,877,777
	-	-	-	7,961,032	83,255	7,877,777

- The Islamic financial standard No (26) has been applied as of January 2013 with retroactive effect, according to the standard, the investment in real estates for the purpose of use was measured by the method of cost and the investments in real-estate for the purpose of periodic revenue and for the purpose of potential increase in their value was amended to become investment for the purpose of use in accordance with their model of cost instead of fair value, note No (55).
- Pursuant to the Islamic financial accounting standard No (21) and the approval of the bank board of directors and the Sharia supervisory committee, the real estate investment portfolio owned by the bank's own funds has been transferred to become financed by the owners of mutual investment deposits due to the amendment of the principle of investment in the bank to the principle of mixed funds instead of separated funds.
- Pursuant to the Islamic financial accounting standard No (21) and the approval of the bank board of directors and the Sharia supervisory committee, a property of the bank calorized with the bank fixed assets, which was used for the bank interest has been transferred to the real estate investment portfolio financed by the owners of mutual investment deposits in the book value amounts to 180,899 (noting that the fair value of the property amounts to 557,380 JOD in the date of the transfer).
- Under the approval of the bank board of directors, a property consist of a land and a building of cost 1,351,279 JOD and its book value is 1,329,304 JOD has been transferred from the real estate investment portfolio financed from the bank owns funds ( shareholders' equity) to the bank fixed assets as it is totally used for the bank purposes.

### 13. Net Fixed Assets

This item is detailed as follows:

2013	Lands	Buildings	Equipments, Fixture and Furniture	Transportation media	Computers	Improvements and decor	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
<b>Cost:</b>							
Balance at the beginning of the year	6,628,108	4,261,789	4,677,053	163,308	4,098,110	9,215,599	29,043,967
Additions	524,400	804,904	509,627	94,000	364,576	293,795	2,591,302
Disposals	-	270,000	75,136	-	42,336	4,190	391,662
<b>Balance at the end of the year</b>	<b>7,152,508</b>	<b>4,796,693</b>	<b>5,111,544</b>	<b>257,308</b>	<b>4,420,350</b>	<b>9,505,204</b>	<b>31,243,607</b>
<b>Accumulated Depreciation:</b>							
Accumulated depreciation at the beginning of the year	-	951,037	2,458,612	88,960	2,838,258	3,849,302	10,186,169
Depreciation for the year	-	100,932	440,379	36,578	578,105	755,112	1,911,106
Disposals	-	89,101	61,020	-	41,190	1,201	192,512
Accumulated depreciation at the end of the year	-	962,868	2,837,971	125,538	3,375,173	4,603,213	11,904,763
Net book value of fixed assets	7,152,508	3,833,825	2,273,573	131,770	1,045,177	4,901,991	19,338,844
Projects in progress	-	-	166,944	-	306,722	105,664	579,330
<b>Net Fixed Assets at the End of the Year</b>	<b>7,152,508</b>	<b>3,833,825</b>	<b>2,440,517</b>	<b>131,770</b>	<b>1,351,899</b>	<b>5,007,655</b>	<b>19,918,174</b>
<b>2012</b>							
<b>Cost:</b>							
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
<b>Balance at the end of the year</b>	<b>6,628,108</b>	<b>4,261,789</b>	<b>4,677,053</b>	<b>163,308</b>	<b>4,098,110</b>	<b>9,215,599</b>	<b>29,043,967</b>
<b>Accumulated depreciation:</b>							
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 of 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 properties and equipments	6,628,108	3,310,752	2,218,441	74,348	1,259,852	5,366,297	18,857,798
Project- in progress	-	-	9,802	-	-	-	9,802
<b>Net Fixed Assets at the End of the Year</b>	<b>6,628,108</b>	<b>3,310,752</b>	<b>2,228,243</b>	<b>74,348</b>	<b>1,259,852</b>	<b>5,366,297</b>	<b>18,867,600</b>
Annual depreciation percentage	-	2	2,5 - 15	15	25	10	-

- The cost of fully depreciated equipment and property amounted to JOD 4,137,325 as at 31 December 2013 (JOD 3,174,610 as at 31 December 2012).
- Pursuant to the Islamic financial accounting standard No (21), a property of the bank's buildings has been transferred in its book value of 180,899, to the combined real estate investment portfolio (note 12).
- Under the decision of the board of the directors, a property consists of a land and a building of cost 1,351,279 JOD and its book value 1,329,304 JOD has been transferred from the real estate investment portfolio, which are financed by the shareholders' equity to the bank fixed assets as it is totally used for the bank's purposes (note 12).

## 14. Intangible Assets

This item is detailed as follows:

	Computer, Software, and Systems	
	31 December	
	2013	2012
	JOD	JOD
Balance at the beginning of the year	1,134,701	1,370,589
Additions	-	72,896
Amortization for the year	(267,024)	(308,784)
Balance at the end of the year	867,677	1,134,701
Annual amortization rate %	10-25	10-25

## 15. Other Assets

This item is detailed as follows:

	31 December	
	2013	2012
	JOD	JOD
Paid in advance expenses	955,321	778,853
Due and un-received revenue	3,312,602	394,365
Assets acquired by the bank as a settlement of due debts	133,351	-
Other	633,267	264,655
<b>Total</b>	<b>5,034,541</b>	<b>1,437,873</b>

A summary of the transaction on the assets acquired by the bank as a settlement of due debts:

	31 December	
	2013	2012
	JOD	JOD
Balance at the beginning of the year	-	-
Additions*	133,351	-
Disposals	-	-
<b>Balance at the end of the year</b>	<b>133,351</b>	<b>-</b>

\* Represent the balance of assets owned by the bank as a settlement of due debts none paid during 2013, the bank may not disposed for a year as of the registration of the property in the name of the bank under the law.

## 16. Banks and Financial Institutions Deposits

This item is detailed as follows:

	Outside the kingdom	
	31 December	
	2013	2012
	JOD	JOD
Current and demand accounts	14,034,918	28,557,826
<b>Total</b>	<b>14,034,918</b>	<b>28,557,826</b>

## 17. Customers Current Accounts

This item is detailed as follows:

	31 December 2013				
	Individuals	Large Corporates	Small- and Medium Enterprises	Government and public sector	Total
	JOD	JOD	JOD	JOD	JOD
Current accounts	382,668,600	31,293,948	45,412,825	2,823,452	462,198,825
<b>Total</b>	<b>382,668,600</b>	<b>31,293,948</b>	<b>45,412,825</b>	<b>2,823,452</b>	<b>462,198,825</b>

	31 December 2012				
	Individuals	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>

- Deposits of the Jordanian government and the public sector inside Jordan amounted to JOD 2,823,452 as at December 31, 2013, i.e., at the rate of 0.6% of total clients' current accounts (against JOD 4,019,936 as at December 31, 2012, i.e., at the rate of 1%).
- Reserved (withdrawal-restricted) accounts amounted to JOD 2,902,473 as at December 31, 2013, i.e., at the rate of 0.6% of total clients' current accounts (against JOD 2,778,680 as at December 31, 2012, i.e., at the rate of 0.7%).
- Dormant accounts amounted to JOD 12,811,108 as at December 31, 2013 (against JOD 1,380,955 as at December 31, 2012).



## 18. Cash Margins

This item is detailed as follows:

	31 December	
	2013	2012
	JOD	JOD
Sales receivables and finance margins	16,577,646	12,617,171
Indirect facilities margins	7,244,669	4,752,481
Other margins	1,024,230	910,747
<b>Total</b>	<b>24,846,545</b>	<b>18,280,399</b>

## 19. Other Provisions

Transactions related to other provisions are as follows:

2013	Opening balance	Balance during the year	Paid during the year	Closing balance
	JOD	JOD	JOD	JOD
End of service indemnity	1,735,281	475,860	124,145	2,086,996
Legal cases	14,137	60,500	4,637	70,000
<b>Total</b>	<b>1,749,418</b>	<b>536,360</b>	<b>128,782</b>	<b>2,156,996</b>
<b>2012</b>				
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>

## 20. Income Tax Provision

### a. Income Tax Provision

Transactions related to income tax provision are as follows:

	31 December	
	2013	2012
	JOD	JOD
Balance at the beginning of the year	4,323,390	4,665,330
Income tax paid for the year	(5,093,938)	(5,346,459)
Income tax paid for previous years	-	(15,069)
Due income tax on profit for the year	6,777,058	5,019,588
<b>Balance at the end of the year</b>	<b>6,006,510</b>	<b>4,323,390</b>

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

	2013	2012 (amended)
	JOD	JOD
due income tax on profit for the year	6,777,058	5,019,588
Deferred tax assets for the year	(160,908)	(79,286)
Amortized deferred tax assets	145,885	7,500
	<b>6,762,035</b>	<b>4,947,802</b>

- A final settlement was made with the Income and Sales Tax Department until the end of 2011 as well as the statement settlement has been submitted to the sales Tax department for 2012 and it has not been settled yet.
- The due income tax for the year ended on 31 December 2013 has been calculated in accordance with the applicable tax law.
- 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 2013 and there is no final settlement yet.

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

Accounts included	31 December 2013					31 December 2012
	Balance at the beginning of the year	Released Amounts	Added Amounts	Balance at the end of the year	Deferred tax	Deferred tax (amended)
	JOD	JOD	JOD	JOD	JOD	JOD
<b>1-Deferred tax assets -joint</b>						
Revenue in suspense	606.671	190.677	383.224	799.218	239.765	182.001
	606.671	190.677	383.224	799.218	239.765	182.001
<b>2- Deferred Tax Assets -Self-based</b>						
End of service indemnity	1,735,281	124,145	475,860	2,086,996	626,099	520,584
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	4,637	60,500	70,000	21,000	4,241
Impairment in financial assets at fair value through shareholders' equity	3,085,286	357,500	-	2,727,786	818,335	925,586
Impairment in real estate investments value	-	-	-	-	-	-
	6,326,177	486,282	536,360	6,376,255	1,912,876	1,897,853
<b>Total</b>	<b>6.932.848</b>	<b>676.959</b>	<b>919.584</b>	<b>7.175.473</b>	<b>2.152.641</b>	<b>2.079.854</b>
Deferred tax assets estimated at JOD 1,912,876 as at 31 December 2013 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.						
<b>3- Self- based deferred tax liabilities</b>						
financial assets in fair value through shareholders' equity	335,731	2,850	281,935	614,816	184,445	100,719
	335,731	2,850	281,935	614,816	184,445	100,719

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

	31 December 2013		31 December 2012	
	Assets	Liabilities	Assets	Liabilities
	JOD	JOD	JOD	JOD
Balance at the beginning of the year	182,001	-	-	-
Added during the year	114,967	-	325,610	-
Amortized during the year	(57,203)	-	(143,609)	-
<b>Balance at the end of the year</b>	<b>239,765</b>	<b>-</b>	<b>182,001</b>	<b>-</b>

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

	31 December 2013		31 December 2012	
	Assets	Liabilities	Assets	Liabilities
	JOD	JOD	JOD	JOD
Balance at the beginning of the year	1,897,853	100,719	1,826,067	58,219
Added during the year	160,908	84,581	79,286	42,500
Amortized during the year	(145,885)	(855)	(7,500)	-
<b>Balance at the end of the year</b>	<b>1,912,876</b>	<b>184,445</b>	<b>1,897,853</b>	<b>100,719</b>

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

	2013	2012 (amended)
	JOD	JOD
Accounting profit	22,511,480	16,495,001
Add: Non-taxable expenses	6,423,893	6,916,482
Nontaxable profits	(190,677)	(236,874)
Other adjustments	(74,422)	260,307
Tax profit	28,670,274	23,434,916
Quoted income tax rate	30%	30%
Net income tax provision	8,601,082	7,030,475
For:		
Declared provision - Bank	6,777,058	5,019,588
Declared provision- Investment risks fund	1,824,024	2,010,887
	<b>8,601,082</b>	<b>7,030,475</b>

## 21. Other Liabilities

This item is detailed as follows:

	31 December	
	2013	2012
	JOD	JOD
Sold notes	5,647,674	5,951,253
Exchange bills, collected policies, and received transfers	3,793,955	2,167,045
Due and unpaid expenses	690,998	726,905
Clients share in joint investment profit	3,227,420	2,877,406
Commissions received in advance	297,151	254,555
Temporary trusts and other items	953,021	686,392
Directors' remuneration	25,000	25,000
	<b>14,635,219</b>	<b>12,688,556</b>

## 22. Unrestricted Investment Accounts

This item is detailed as follows:

	31 December 2013				
	Individuals	Large Corporates	Small - and medium enterprises	Government and public sector	total
	JOD	JOD	JOD	JOD	JOD
Saving accounts	118,776,244	659,199	1,360,646	16,968	120,813,057
Term deposits	469,648,610	32,414,195	33,262,939	23,521,894	558,847,638
Total	588,424,854	33,073,394	34,623,585	23,538,862	679,660,695
Depositors shares in investment revenue	12,070,559	748,777	786,926	536,357	14,142,619
<b>Total unrestricted investment accounts</b>	<b>600,495,413</b>	<b>33,822,171</b>	<b>35,410,511</b>	<b>24,075,219</b>	<b>693,803,314</b>

	31 December 2012				
	Individuals	Large Corporates	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>

- 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 2013 was 3.667% and 3.159% respectively (against 2.967% and 3.267% in the previous years).
- Profit rate in US Dollar for the first and second halves of 2013 was 0.139% and 0.123% respectively (against 0.314% and 0.199% respectively for the previous year).
- Reserved (withdrawal- restricted) accounts amounted to JOD 690,299 as at December 31, 2013 (against JOD 621,461 as at December 31, 2012).
- Unrestricted investment accounts of the Jordanian government and the public sector inside Jordan amounted to JOD 24,075,219 as at December 31, 2013 at the rate of 3.5% of total unrestricted investment accounts (against JOD 17,013,280 as at December 31, 2012 at the rate of 2.8%).

### 23. Investment Risks Fund

Transaction related to the Investment Risks Fund is as follows:

	31 December	
	2013	2012
	JOD	JOD
Balance at the beginning of the year	16,809,134	11,371,388
Previous years adjustments	-	819,482
Beginning of year adjusted balance	16,809,134	12,190,870
Added: transferred from the joint investments revenue for the year-income statement	5,887,533	6,652,194
Less: income tax	(1,766,260)	(2,034,922)
Foreign currency evaluation difference	3,117	992
<b>Balance at the end of the year</b>	<b>20,933,524</b>	<b>16,809,134</b>

Represents the item of the fund income tax as follows:

	31 December	
	2013	2012
	JOD	JOD
Due income tax of the investment profits	1,824,024	2,010,887
Income tax for the previous years	-	206,036
Deferred tax liabilities	(57,764)	(182,001)
	<b>1,766,260</b>	<b>2,034,922</b>

The balance of the investment risk fund is distributed as follows:

	31 December	
	2013	2012
	JOD	JOD
Impairment in deferred sales (note 6)	8,258,304	8,334,196
Impairment in real states investment (note 12)	733,987	-
<b>Remained balance</b>	<b>11,941,233</b>	<b>8,474,938</b>

The transaction occurred on the investment risk fund income tax is as follows:

	31 December	
	2013	2012
	JOD	JOD
Balance at the beginning of the year	1,699,841	868,474
Less: paid income tax	(2,046,599)	(1,179,520)
Added: due income tax of the year	1,824,024	2,010,887
<b>Balance at the end of the year</b>	<b>1,477,266</b>	<b>1,699,841</b>

- A final stamen was made with the sales tax department until the end of 2011.
- Based of the fund's investment basis adopted by the bank, that has invested the funds of risk investment fund and the funds profits due date as on 31 December 2013 an amount of 143,405 and it shall recorded in favor of the fund in its due date , which is 31 September 2014.

## 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 2013, (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:

Reserve name	31 December		Restriction type
	2013	2012	
	JOD	JOD	
Legal reserve	13,508,851	11,257,703	Law requirement
General banking risks Reserve	882,000	882,000	The central bank instructions

## 26. Fair Value Reserve – Net

This item is detailed as follows:

	Joined		Self –based	
	31 December		31 December	
	2013	2012	2013	2012 Amended
	JOD	JOD	JOD	JOD
Financial assets in fair value through shareholder's equity	-	-	430,371	235,012
Investments in real estates	-	-	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>430,371</b>	<b>235,012</b>

The transaction on the fair value reserve was as follows:

	Joined		Self –based	
	31 December		31 December	
	2013	2012	2013	2012 Amended
	JOD	JOD	JOD	JOD
Balance at the beginning of the year	-	-	235,012	135,851
Unrealized profit	-	-	276,235	135,661
Tax liabilities - deferred	-	-	(83,726)	(42,500)
Realized losses transferred to accumulated losses	-	-	2,850	6,000
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>430,371</b>	<b>235,012</b>

The net fair value reserve is recognized less deferred tax liabilities – self-based, the reserve balance amounted to JOD 430,371 as at 31 December 2013 (against JOD 235,012 as at 31 December 2012).

## 27. (Retained Loss)

This item is detailed as follows:

	31 December	
	2013	2012 ( amended)
	JOD	JOD
Balance at the beginning of the year	(16,952,657)	(26,033,695)
Previous years adjustment	-	(819,482)
Amended balance at the beginning of the year	(16,952,657)	(26,853,177)
Profit for the year	15,749,445	11,547,199
( transferred ) to reserves	(2,251,148)	(1,644,350)
Financial assets profits ( losses) at fair value through OCI	54,583	(2,329)
<b>Balance at the end of the year *</b>	<b>(3,399,777)</b>	<b>(16,952,657)</b>

\* Accumulated loss balance includes the restricted amount of JOD 1,912,876 against deferred tax benefits as at 31 December 2013 (JOD 1,897,853 as at 31 December 2012)

## 28. Deferred Sales Revenue

This item is detailed as follows:

	Joined		Self –based		Total	
	31 December		31 December		31 December	
	2013	2012	2013	2012	2013	2012
	JOD	JOD	JOD	JOD	JOD	JOD
<b>Individuals (Retail)</b>						
Murabaha for purchase order	7,617,271	6,108,054	-	-	7,617,271	6,108,045
Deferred sale	51,262	65,234	-	-	51,262	65,234
Real estate finance	4,724,853	4,325,293	-	-	4,724,853	4,325,293
<b>Large Corporates</b>						
International murabaha	10,449,019	2,870,330	2,813,636	7,164,327	13,262,655	10,034,657
Murabaha for purchase order	9,232,118	7,768,521	241,283	1,574,745	9,473,401	9,343,266
<b>Small and medium sized companies</b>						
Murabaha for purchase	2,506,325	4,088,972	-	58,510	2,506,325	4,147,482
Deferred sale	17,858	7,014	-	-	17,858	7,014
<b>Total</b>	<b>34,598,706</b>	<b>25,233,418</b>	<b>3,054,919</b>	<b>8,797,582</b>	<b>37,653,625</b>	<b>34,031,000</b>

## 29. Finance Investments Revenue

This item is detailed as follows:

	Joined	
	31 December	
	2013	2012
	JOD	JOD
Real Estate Finance	800	1600
Large Corporates		
Mudaraba	337,097	122,485
	<b>337,897</b>	<b>124,085</b>



### 30. Financial Assets at Amortized Cost Revenue

The item details are as follows:

	Joined		Self-based	
	31 December		31 December	
	2013	2012	2013	2012
	JOD	JOD	JOD	JOD
Islamic Sukuk- Lease	-	837,710	70,855	85,279
	-	837,710	70,855	85,279

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

	Self-based					
	31 December 2013			31 December 2012		
	Realized Profit	Impairment Loss	Total	Realized Profit	Impairment Loss	Total
	JOD	JOD	JOD	JOD	JOD	JOD
a. Acquired for prospective increase in value	-	-	-	-	-	-
b. Acquired for obtaining periodic revenue	-	-	-	24,392	-	24,392
	-	-	-	24,392	-	24,392

	Self-based	
	31 December	
	2013	2012
	JOD	JOD
Acquired for use		
Properties lease	38,095	-
	38,095	-

	Joined	
	31 December	
	2013	2012
	JOD	JOD
Acquired for use		
Real estate rentals	25,153	-
Properties sale profit	169,817	-
Other expenses	(1,630)	-
Buildings depreciation	(21,295)	-
	172,045	-

The portfolio of real estate investment financed by the bank fund has been transferred to real estate's financed by the funds of the owners' deposits as of 1/OCT/2013.

### 32. Ijara Assets Revenue

This item is detailed as follows

	Joined		Self-based	
	2013	2012	2013	2012
	JOD	JOD	JOD	JOD
Ijarar– Real Estate	47,909,914	38,807,439	95,534	99,757
Ijara - Machines	2,767,640	2,404,757	39,108	234,140
Ijara- Vehicles	176,599	91,936	-	-
Ijara Assets Depreciation	(27,101,124)	(23,151,386)	-	-
<b>Total</b>	<b>23,753,029</b>	<b>18,152,746</b>	<b>134,642</b>	<b>333,897</b>

### 33. Unrestricted Investment Accounts Holders Share

This item is detailed as follows

Clients	2013	2012
	JOD	JOD
Saving investment accounts revenue	1,149,673	947,645
Term investment accounts revenue	13,342,960	12,665,440
<b>Total</b>	<b>14,492,633</b>	<b>13,613,085</b>

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

This item is detailed as follows:

	2013	2012
	JOD	JOD
Bank's share as mudarib	12,744,649	13,499,994
Bank's share as Rab-Mal	25,750,513	10,582,686
<b>Total</b>	<b>38,495,162</b>	<b>24,082,680</b>

### 35. Bank's Own Revenue

This item is detailed as follows:

	2013	2012
	JOD	JOD
Deferred sales revenue (Note 28)	3,054,919	8,797,582
Financial assets revenue at amortized cost (Note 30)	70,855	85,279
Real estate investments revenue (loss) (Note 31)	38,095	24,392
Ijara revenue (Note 32)	134,642	333,897
<b>Total</b>	<b>3,298,511</b>	<b>9,241,150</b>

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

This item is detailed as follows:

	2013	2012
	JOD	JOD
Restricted investments revenue	579,325	709,057
Less: Real estate development ijara Depreciation	(56,337)	(61,636)
Net restricted investments revenue (Statement B)	522,988	647,421
Less: Restricted investment accounts holders' equity	(417,962)	(520,358)
<b>Total</b>	<b>105,026</b>	<b>127,063</b>

### 37. Foreign currency Revenues

This item is detailed as follows:

	Joined		Self- based	
	2013	2012	2013	2012
	JOD	JOD	JOD	JOD
Arising from trading/transaction	-	-	1,666,101	1,537,492
Arising from evaluation	13,651	-	(16,495)	11,055
<b>Total</b>	<b>13,651</b>	<b>-</b>	<b>1,649,606</b>	<b>1,548,547</b>

### 38. Banking Services Revenue

This item is detailed as follows

	2013	2012
	JOD	JOD
Sold notes commissions	42,989	36,647
Documentary letters of credit commissions	889,630	976,559
Guarantee commissions	467,565	409,065
Transfers commissions	303,117	266,226
Visa commissions	863,517	923,897
Other	2,851,670	2,581,565
<b>Total</b>	<b>5,418,488</b>	<b>5,193,959</b>

### 39. Other Revenue

This item is detailed as follows:

	2013	2012
	JOD	JOD
Mail, Telephone and Telex Revenue	581,690	629,139
Other revenues	2,515	187,033
<b>Total</b>	<b>584,205</b>	<b>816,172</b>

## 40. Employees' Expenses

This item is detailed as follows:

	2013	2012
	JOD	JOD
Salaries, benefits and allowances	11,171,995	9,143,565
Social security contribution	1,127,641	943,749
Medical expenses	508,898	470,320
Employees' training	131,780	154,115
Insurance expenses	17,380	16,656
<b>Total</b>	<b>12,957,694</b>	<b>10,728,405</b>

## 41. Other Expenses

This item is detailed as follows:

	2013	2012
	JOD	JOD
Rent	728,130	581,679
Stationary and prints	355,152	389,667
Telephone and Mail	415,631	358,358
Maintenance and Cleaning	501,659	440,981
Advertising and Promotion Fees	356,893	601,876
Insurance Expenses	62,164	55,371
Water and Electricity	994,094	853,763
Donations	324,581	253,228
Subscriptions and Fees	497,848	311,345
Transport and Travel Expenses	424,650	349,948
Consultations & Professional Services Expenses	290,755	233,059
Information Systems Expenses	1,134,499	1,231,232
Directors' Remuneration	25,000	25,000
Miscellaneous	266,853	229,113
<b>Total</b>	<b>6,377,909</b>	<b>5,914,620</b>

## 42. Earnings per Share

This item is detailed as follows:

	2013	2012
	JOD	JOD
Profit for the year (Statement B)	15,749,445	11,547,199
Weighted average of the share number	100,000,000	100,000,000
Earnings per share for the year - basic	-/15,75	-/11,55

### 43. Cash and Cash Equivalents

This item is detailed as follows:

	31 December	
	2013	2012
	JOD	JOD
Central Bank's Cash and Balances Due in Three Months	88,130,074	63,783,447
Add: Banks and Financial Institutions' Balances Due in Three Months	10,305,374	46,552,540
Less: Banks and Financial Institutions' Accounts Due in Three Months	(14,034,918)	(28,557,826)
	<b>84,400,530</b>	<b>81,778,161</b>

### 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:

On-Balance Sheet Items	Arab Bank (Parent Company)	Members of the board of directors	Sister companies	Members of the Sharia Supervisory Committee	Executive management	Total	
						31 December	
						2013	2012
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Balances with banks and banking institutions	8,866,333	-	-	-	-	8,866,333	34,049,644
International murabaha (commodity investments)	538,602,139	-	-	-	-	538,602,139	448,349,671
Mudaraba finance	-	-	4,021,517	-	-	4,021,517	3,353,762
Banks and banking institutions accounts	96,878	-	-	-	-	96,878	307,826
Unrestricted investment accounts	-	65,078	-	22,854	338,947	426,879	204,417
Financial assets at fair value through shareholders' equity/ managed by sister companies	-	-	5,464,508	-	-	5,464,508	5,188,272
Sales, finance, and Ijara receivables	-	377,518	-	235,427	1,381,305	1,994,250	1,493,794
Off-balance sheet items							
Guarantees	12,537,369	-	-	-	-	12,537,369	12,537,369
Statement of Income Items:							
Received profit - receivables	-	18,829	337,097	8,825	60,285	425,036	192,035
Distributed profit - deposits accounts	-	-	-	-	3,417	3,417	2,322
Rewards	-	25,000	-	60,000	-	85,000	81,800
Movements	-	94,800	-	-	3,600	98,400	85,400

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 3.667% and the highest distribution rate was 3.159%.

All 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:

2013	2012
JOD	JOD
1,288,242	1,075,172
1,288,242	1,075,172

#### **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 board 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 board of Directors' Risk Management Committee.
- Monitoring credit, defining facility provision authority, and adopting clear and well-defined credit conditions.
- Monitoring credit 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, such disruption of banks operations is measured in minutes and hours, however, 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)**

Statement	Joint		Self –based	
	31 December		31 December	
	2013	2012	2013	2012
	JOD	JOD	JOD	JOD
Items on the financial position:				
Central Bank balances	69,214,209	46,996,635	-	-
Banks and banking institutions balances	10,305,374	46,552,540	-	-
Deferred sales receivables and other receivables				
Individuals	357,582,582	300,577,204	2,124,385	689,461
Real-estate finance	64,421,719	56,803,908	7,434	31,471
Companies:				
Large Corporates	743,321,548	338,079,837	9,875,855	294,153,111
Small and medium enterprises	44,514,718	43,351,950	78,041	1,080,218
Finance investments				
Joint				
Individuals				
Real estate investments	11,306	14,506	-	-
Mudaraba				
Companies				
Large Corporates	4,021,517	3,353,762	-	-
Sukuk				
Items in the financial assets at amortized cost		-	2,521,380	3,141,755
Items off the financial position	-	-	-	-
Guarantees		-	31,666,799	30,197,400
Letters of credit	-	-	22,410,252	20,906,284
Acceptances	-	-	10,305,263	6,591,650
Unutilized ceilings	52,527,369	61,284,070	-	-
<b>Total</b>	<b>1,345,920,342</b>	<b>897,014,313</b>	<b>78,989,409</b>	<b>356,791,350</b>

## 2. Sales and finance receivables, and other receivables are distributed by degree of risks in line with the Central Bank of Jordan instructions:

2103	Joined						Self- based						Total
	Individuals	Real estate	Big companies	Middle size companies	Banks and financial institutions	total	Real estate	Big companies	Middle companies	Individuals	Total		
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD		
Low risk													
Acceptable risk	351,516,026	62,116,102	739,405,229	41,860,220	79,519,583	1,274,417,160	7,434	1,861,990	77,987	2,118,466	4,065,877	1,278,483,037	
Past Due													
Thirty days	374,274	302	23,976	128,745	-	527,297	-	-	-	-	-	527,297	
From 31 days to 60 days	5,298,399	626,795	281,504	28,430	-	6,235,128	-	-	-	-	-	6,235,128	
Watch-List	239,546	1,176,151	6,078,752	281,326	-	7,775,775	-	725,506	-	6,188	731,694	8,507,469	
Non-performing Debts													
Sub-Standard Debts	160,966	118,864	235,744	19,005	-	534,579	-	-	6,088	-	6,088	540,667	
Doubtful Debts	111,922	305,644	1,593,020	682,452	-	2,693,038	-	11,414,491	6,682	-	11,421,173	14,114,211	
Bad debts	345,950	263,606	3,204,504	5,654,240	-	9,468,300	-	1,335,521	84,397	27,528	1,447,446	10,915,746	
Total	358,047,083	64,607,464	750,822,729	48,654,418	79,519,583	1,301,651,277	7,434	15,337,508	175,154	2,152,182	17,672,278	1,319,323,555	
Less: revenue In suspense	86,325	214,944	241,066	401,781	-	944,116	-	184,069	-	-	184,069	1,128,185	
Impairment provision	464,501	174,439	3,479,664	4,139,700	-	8,258,304	-	5,461,653	97,113	27,797	5,586,563	13,844,867	
Net	357,496,257	64,218,081	747,101,999	44,112,937	79,519,583	1,292,448,857	7,434	9,691,786	78,041	2,124,385	11,901,646	1,304,350,503	
2012													
Low risk	-	-	-	-	-	-	-	-	-	-	-	-	
Accepted 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	
Under control	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	-	0	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	

The following is the distribution of fair value for the guarantees provided against deferred sale receivables and other liabilities and finances:

2103	Joined					Self-based					Total
	Individuals	Real estate finance	Big companies	Middle size companies	total	Real estate finance	Big companies	Middle companies	Total		
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD		
Guarantees											
Low risk	-	-	-	-	-	-	--	-	-	-	
Acceptable risk	57,376,280	20,318,904	656,033,759	7,949,264	741,678,207	7,434	1,984,684	-	1,992,118	743,670,325	
Watch-List	1,118,419	765,498	2,150,295	1,161,963	5,196,175	-	953,234	246,411	1,199,645	6,395,820	
Non-performing Debts											
Sub-standard Debts	114,810	6,087	-	631,487	752,384	-	-	-	-	752,384	
Doubtful Debts	589,270	217,700	788,699	282,209	1,877,878	-	5,094,787	-	5,094,787	6,972,665	
Bad debt	2,768,711	424,661	3,273,269	1,630,067	8,096,735	-	843,469	-	843,469	8,940,204	
Total	61,967,490	21,732,850	662,246,049	11,654,990	757,601,379	7,434	8,876,174	246,411	9,130,019	766,731,398	
Including:											
Cash margins	3,618,981	158,362	17,642,156	1,885,311	23,304,810	7,434	-	173,777	181,211	23,486,021	
Real estate	13,886,722	20,714,571	47,523,529	7,955,444	90,080,266	-	6,891,490	72,634	6,964,124	97,044,390	
Traded shares	1,055,260	-	-	-	1,055,260	-	-	-	-	1,055,260	
Vehicles and equipment	43,406,527	859,917	1,325,010	1,814,235	47,405,689	-	-	-	-	47,405,689	
Accepted bank guarantees	-	-	595,755,354	-	595,755,354	-	1,984,684	-	1,984,684	597,740,038	
	61,967,490	21,732,850	662,246,049	11,654,990	757,601,379	7,434	8,876,174	246,411	9,130,019	766,731,398	
2012											
Guarantees against:											
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	
Under control	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											
Sub-standard	126,215	-	-	119,625	245,840	-	-	-	-	245,840	
Doubted	89,390	133,649	-	306,013	529,052	-	-	-	-	529,052	
Bad debt	336,778	509,659	5,274,045	2,689,117	8,809,599	29,685	843,469	72,222	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	327,854	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	
Trade 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	

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

Classification degree	Classification institution	Within Financial Assets at Amortized Cost	Total
		JOD	JOD
AA	S&P	815,350	815,350
Unrated		1,706,030	1,706,030
<b>Total</b>		<b>2,521,380</b>	<b>2,521,380</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 1,072 thousand as at 31 December 2013, whether they remained controlled or removed to operating receivables (against JOD 3,971 thousand as at 31 December 2012).

**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 15,737 thousand as at 31 December 2013 (against JOD 16,461 thousand as at 31 December 2012).

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

Geographical area item	Inside the kingdom	Other Middle East Countries	Europe	USA	Australia	Total
	JOD	JOD	JOD	JOD	JOD	JOD
Balances with Central Bank	69,214,209	-	-	-	-	69,214,209
Balances with banks and financial institutions	5,414,129	1,562,443	2,805,039	128,103	395,660	10,305,374
Deferred sales receivables, other receivables, and finance facilities:						
Individuals	359,706,967	-	-	-	-	359,706,967
Real estate	64,440,459	-	-	-	-	64,440,459
Companies						
Large Corporates	169,546,340	542,811,076	44,861,504	-	-	757,218,920
Small- and medium - enterprises	44,592,759	-	-	-	-	44,592,759
Within financial assets at amortized cost	-	2,521,380	-	-	-	2,521,380
<b>Total /2013</b>	<b>712,914,863</b>	<b>546,894,899</b>	<b>47,666,543</b>	<b>128,103</b>	<b>395,660</b>	<b>1,308,000,068</b>
<b>Total /2012</b>	<b>630,238,866</b>	<b>492,658,030</b>	<b>4,450,695</b>	<b>7,256,361</b>	<b>222,307</b>	<b>1,134,826,259</b>

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

Item \ Sector	Financial	Industry	Commercial	Real Estate	Agriculture	Shares	Individuals	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Balances with Central Bank	69,214,209	-	-	-	--	-	-	69,214,209
Balances with banks and financial institutions	10,305,374	-	-	-	-	-	-	10,305,374
Deferred sales receivables, other receivables, and finance facilities	43,930	53,526,228	730,597,075	64,440,459	16,208,446	1,436,000	359,706,967	1,225,959,105
Sukuk:								
Within financial assets at amortized cost	-	-	815,350	1,706,030	-	-	-	2,521,380
<b>Total /2013</b>	<b>79,563,513</b>	<b>53,526,228</b>	<b>731,412,425</b>	<b>66,146,489</b>	<b>16,208,446</b>	<b>1,436,000</b>	<b>359,706,967</b>	<b>1,308,000,068</b>
<b>Total /2012</b>	<b>93,642,342</b>	<b>50,451,957</b>	<b>619,734,537</b>	<b>59,161,784</b>	<b>8,893,468</b>	<b>1,661,000</b>	<b>301,281,171</b>	<b>1,134,826,259</b>

### 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
- Forming 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 risks 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.

2013	Change in Exchange Rate	Impact on Profit and Loss	Impact on Shareholder's Equity
Currency	(%)	JOD	JOD
USD	5%	239,365	-

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

## 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.

2013	Change in Index	Impact on Profit and Loss	Impact on Shareholder's Equity
Index	(%)	JOD	JOD
Amman Stock Exchange	5%	-	274,425

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



#### 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 Thousand JOD)

31 December 2013	USD	EUR	GBP	JPY	Other	Total
<b>Assets :</b>						
Cash and balances with Central Bank	18,308	287	159	-	114	18,868
Balances with Banks and financial institutions	3,583	1,835	306	74	4,088	9,886
Sales receivables, other receivables, finance, and Ijara	147,055	6,907	2,338	-	5,407	161,707
Deferred sales receivables through the income statement	-	-	-	-	-	-
Financial assets at fair value through the shareholders' equity	5,310	-	-	-	-	5,310
Financial assets at amortized cost	2,521	-	-	-	-	2,521
Other assets	34	-	-	-	1	35
<b>Total Assets</b>	<b>176,811</b>	<b>9,029</b>	<b>2,803</b>	<b>74</b>	<b>9,610</b>	<b>198,327</b>
<b>Liabilities</b>						
Banks and financial institutions accounts	438	-	-	-	-	438
Client deposits (current, saving, term)	166,310	8,505	2,790	74	8,849	186,528
Cash margin	4,222	440	-	-	33	4,695
Other liabilities	1,809	50	13	-	6	1,878
<b>Total liabilities</b>	<b>172,779</b>	<b>8,995</b>	<b>2,803</b>	<b>74</b>	<b>8,888</b>	<b>193,539</b>
Net concentration on-balance sheet for the current year	4,032	34	-	-	722	4,788
Contingent liabilities off-balance sheet for the current year	25,492	8,248	-	-	1,185	34,925

31 December 2012	USD	EUR	GBP	JPY	Other	Total
<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>Total liabilities</b>	<b>196,146</b>	<b>10,364</b>	<b>3,647</b>	<b>140</b>	<b>7,649</b>	<b>217,991</b>
Net concentration on-balance sheet	(1,994)	14	(1)	-	585	(1,369)
Contingent liabilities off-balance sheet	20,306	6,675	8	75	485	27,549

#### 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, however, 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 analyzed on monthly basis. Cash liquidity review includes analyzing the maturity terms of assets and liabilities to ensure consistency. It also includes analyzing 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 Thousand JOD)

31 December 2013	Less than a month	From 1-3 months	From 3-6 months	From 6 months to 1 year	Up to 3 years	More than 3 years	Without maturity	Total
<b>Liabilities</b>								
Banks and Financial Institutions' Balances	14,035	-	-	-	-	-	-	14,035
Customers Current Accounts	462,199	-	-	-	-	-	-	462,199
Cash margins	14,785	4,689	2,215	3,158	-	-	-	24,847
Other provision	-	-	-	-	-	-	2,157	2,157
Income tax provision	2,253	3,754	-	-	-	-	-	6,007
Other liabilities	10,282	234	3,330	974	-	-	-	14,820
Investment Risks Fund	-	1,477	-	-	-	-	11,941	13,418
Unrestricted Investment Accounts	45,671	264,502	166,327	217,303	-	-	-	693,803
<b>Total</b>	<b>549,225</b>	<b>274,656</b>	<b>171,872</b>	<b>221,435</b>	<b>-</b>	<b>-</b>	<b>14,098</b>	<b>1,231,286</b>
<b>Total assets (as per expected maturities)</b>	<b>129,912</b>	<b>44,006</b>	<b>633,211</b>	<b>95,365</b>	<b>199,612</b>	<b>201,490</b>	<b>44,648</b>	<b>1,348,244</b>
<b>31 December 2012</b>								
<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	2,878	-	-	-	-	12,790
Investment Risks Fund	-	1,700	-	-	-	-	8,475	10,175
Unrestricted Investment Accounts	39,814	237,583	96,162	231,715	-	-	-	605,274
<b>Total</b>	<b>480,062</b>	<b>246,710</b>	<b>101,045</b>	<b>234,775</b>	<b>-</b>	<b>-</b>	<b>10,224</b>	<b>1,072,816</b>
<b>Total assets (as per expected maturities)</b>	<b>319,869</b>	<b>254,360</b>	<b>64,734</b>	<b>72,357</b>	<b>231,553</b>	<b>177,962</b>	<b>52,940</b>	<b>1,173,775</b>

## Second: Off-Balance Sheet Items

	Up to one year	
	2013	2012
Letters of credit and acceptances	32,715,515	27,497,934
Unutilized ceilings	52,527,369	61,284,070
Guarantees	31,666,799	30,197,400
<b>Total</b>	<b>116,909,683</b>	<b>118,979,404</b>

## 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.

Information about the bank's business sectors distributed according to the activities

(in thousand JOD)

					31 December	
	Retail	Corporate	Treasury	Other	2013	2012
	JOD	JOD	JOD	JOD	JOD	JOD
Total Revenue	-	22,185	14,376	-	55,439	47,661
Provision for impairment in the receivables granted to customers	-	(5,888)	-	-	(5,888)	(6,652)
Outcomes of the sector business	18,878	16,297	14,376	-	49,551	41,009
Undistributed expenses	(7,566)	(7,206)	(2,118)	(10,150)	(27,040)	(24,514)
Profit before tax	11,312	9,091	12,258	(10,150)	22,511	16,495
Income tax	(3,349)	(2,727)	(641)	-	(6,762)	(4,948)
Profit for the period	7,918	6,364	11,617	(10,150)	15,749	11,547
Sector assets	394,371	215,666	689,291	-	1,299,328	1,127,322
Assets not distributed to sectors	-	-	-	48,916	48,916	46,453
Total sector assets	394,371	215,666	689,291	48,916	1,348,244	1,173,775
Sector liabilities	994,382	198,591	14,035	-	1,207,008	1,052,254
Liabilities not distributed to sectors	-	-	-	24,278	24,278	20,562
<b>Total sector liabilities</b>	<b>994,382</b>	<b>198,591</b>	<b>14,035</b>	<b>24,278</b>	<b>1,231,286</b>	<b>1,072,816</b>

					31 December	
					2013	2012
					JOD	JOD
Capital expenses	-	-	-	2,591	2,591	6,868
Depreciation and amortization	955	11	2	1,210	2,178	2,048

## 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:

	Inside the kingdom		Outside the kingdom		Total	
	2013	2012	2013	2012	2013	2012
Total revenue	41,542	25,176	13,897	22,485	55,439	47,661
Total assets	743,094	669,188	605,150	504,587	1,348,244	1,173,775
Capital expenditure	2,591	6,868	-	-	2,591	6,868

## 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	
	2013	2012
	JOD	JOD
<b>Basic capital items</b>	<b>112,865</b>	<b>96,733</b>
(Paid-up) subscribed capital	100,000	100,000
Statutory reserve	13,509	11,258
Voluntary reserve	5,537	5,537
Accumulated loss	(5,313)	(18,927)
<b>Less: intangible assets</b>	<b>(868)</b>	<b>(1,135)</b>
<b>Additional capital</b>		
Fair value reserve	194	106
General banking risks reserve	882	882
IIAB share in the general bank risks reserve - joint	2,573	2,172
IIAB share in the investment risks fund surplus - joint	2,561	1,473
<b>Total regulatory capital</b>	<b>119,075</b>	<b>101,366</b>
<b>Total risk weighted assets</b>	<b>665,343</b>	<b>402,436</b>
Capital Adequacy Ratio %	17.90%	25/19%
Basic Capital Ratio %	16.96%	24/04%

## 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:

31 December 2013	Up to one year	More than one year	Total
	JOD	JOD	JOD
<b>Assets</b>			
Cash and balances with central banks	88,130	-	88,130
Banks and financial institutions balances	10,305	-	10,305
Deferred sales receivables and other receivables- net	750,578	128,296	878,874
Finance investments - net	-	4,033	4,033
Financial assets at fair value through the shareholders' equity	-	5,489	5,489
Financial assets at amortized cost	-	2,521	2,521
Ijara assets - net	45,960	260,763	306,723
Real estate investments	-	20,943	20,943
Qurd Hassan loans	3,252	-	3,252
Properties and equipment - net	-	19,918	19,918
Intangible assets	-	868	868
Deferred tax assets	-	2,153	2,153
Other assets	4,269	766	5,034
<b>Total assets</b>	<b>902,494</b>	<b>445,750</b>	<b>1,348,244</b>
<b>Liabilities and unrestricted investment accounts holders equity</b>			
Banks and financial institutions accounts	14,035	-	14,035
Clients current and demand accounts	462,199	-	462,199
Cash margin	24,847	-	24,847
Other provisions	-	2,157	2,157
Income tax provision	6,007	-	6,007
Other liabilities	14,820	-	14,820
Unrestricted investment accounts	693,803	-	693,803
Investment risks fund	-	11,941	11,941
Investment risks fund income tax provision	1,477	-	1,477
<b>Total liabilities and joint investment accounts holders equities</b>	<b>1,217,188</b>	<b>14,098</b>	<b>1,231,286</b>
Net	(314,694)	431,652	116,958

(Rounded to JOD Thousand)

December 2012	Up to one year	More than one 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		22,932	22,932
Qurd Hassan loans	3,898	-	3,898
Properties and equipment - net	-	18,868	18,868
Intangible assets	-	1,135	1,135
Deferred tax assets	-	2,080	2,080
Other assets	-	1,438	1,438
<b>Total assets</b>	<b>711,320</b>	<b>462,455</b>	<b>1,173,775</b>
<b>Liabilities and unrestricted investment accounts holders' equity</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	-	605,274
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>10,224</b>	<b>1,072,816</b>
<b>Net</b>	<b>(351,272)</b>	<b>452,231</b>	<b>100,959</b>

## 51. Fair Value Levels

### A. The fair value of the financial assets and liabilities of the bank determine continuously in fair value:

Some of the financial assets and liabilities of the bank evaluated in fair value at the end of each financial period, the following table clarifies information about determining the fair value of such financial liabilities and assets (methods of evaluation and the used inputs).

Financial assets / liabilities	Fair value	Level of fair value	Methods of evolution and used inputs	Intangible significant input	Relation between intangible significant input and fair value
	31 December 2013				
	JOD				
Financial assets in fair value					
Financial assets at fair value through shareholders' equity					
Share have market prices	5,464,508	First level	Declared prices in the stock markets	Not applicable	Not applicable
Share don not have market prices	24,000	Second level	Comparing it to market value for a similar financial instrument	Not applicable	Not applicable
Total	5,488,508				

There were not any transfers between first level and second level in 2013.

### B. The fair value of the financial assets and liabilities of the bank is not determined continuously in fair value:

Except for the content of the table below, we believe that the book value of the financial assets and liabilities sates in the financial statements of the bank are close to their fair value.

	31 December 2013		Level of fair value
	Book value	Fair value	
	JOD	JOD	JOD
Financial assets of non-determined fair value			
Deferred sale receivables	878,873,970	882,176,208	Level 2
Real estate’s investments	20,942,995	22,702,571	Level 2
Financial assets at amortized cost	2,521,380	2,531,744	Level 1
Total financial assets with undermined fair value	902,338,345	907,410,523	
Financial liabilities with undermined fair value			
Clients’ deposits	1,156,002,139	1,159,229,559	Level 2
Cash margins	24,846,545	24,846,545	Level 2
Total financial liabilities undermined fair value	1,180,848,684	1,184,076,104	

For the above mentioned items, the fair value of the financial liabilities and assets of level 2 and 3 has been determined in accordance with agreed upon pricing forms, which reflects credit risks for the parties dealing with.

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

– Credit commitments and liabilities:

	31 December	
	2013	2012
	JOD	JOD
Letters of credit	22,410,252	20,906,284
Acceptances	10,305,263	6,591,650
Guarantees		
Payment	22,493,643	21,071,173
Performance	4,527,443	3,997,533
Other	4,645,713	5,128,694
Unutilized ceilings	52,527,369	61,284,070
<b>Total</b>	<b>116,909,683</b>	<b>118,979,404</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. The impact of its application is on (note 55).

## 54. Lawsuits against IIAB

There are lawsuits filed against IIAB an amount of JOD 657,413 as at 31 December 2013 (against JOD 405,708 as at 31 December 2012), a provision in the amount of JOD 70,000 was made. According to the legal consultant opinion, the Bank will not incur any additional amounts for these lawsuits.

## 55. The impact of the application of the Islamic Financial accounting Standard No (26)

The bank has applied Islamic Financial accounting issued Standard (26) as of January 2013 (effective date) and in retroactive effect, according to the standard, investment will be measured for the purpose of use under the method of cost and amend their investments in real estates for their purpose of use previously recognized under the fair value method to comply with the cost model, the result as follows:



The balance sheet	1 <sup>st</sup> January 2013		
	Declared balance	The impact of applying the accounting financial standard No 26	Amended balance
	JOD	JOD	JOD
Assets			
Real estate investments	23,309,095	(376,879)	22,932,216
Deferred taxable assets	2,102,806	(22,952)	2,079,854
Joined investment shareholders' equity			
Fair value net reserve	317,370	(317,370)	-
Deferred tax liabilities	136,015	136,015	-
Shareholders' equity			
(Accumulated loss)	(17,006,211)	53,554	(16,952,657)
Income statement			
<b>Profit after tax</b>	<b>11,493,645</b>	<b>53,554</b>	<b>11,547,199</b>



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## **Statement of Disclosure**

In accordance with the disclosure regulations, the accounting and auditing standards issued by Jordan Securities Commission.

## Board of Directors Members

### Sharif Faris Abdul Hamid Sharaf

Chairman

- Date of membership: 9/01/2011.
- Date of birth: 1970.
- Qualification: MS in Economics, Banking and Monetary Sciences.

#### Experience:

- Member of the Board of Directors of the Arab Bank - Europe .
- Governor of the central bank of Jordan (2010-2011).
- Chairman of the investment unit in the public institution of social security (2008-2010).



### Mr. Mohammed Mousa Dawod “Mohammed Issa”

Vice Chairman

- Date of membership : 9//9/2012.
- Date of birth: 1956.
- Qualifications: Bachelor degree in Mathematics/Business Administration.

#### Experience:

- Board member of The Tourism & Hotels Company of Jordan.
- Jordan Region Manager - Arab Bank plc.



### Dr. Ahmad A’awad Abd Al Haleem Al Hossein

Board Member

- Date of membership : 30/6/2009.
- Date of birth: 1966.
- Qualification: Ph.D. in Finance Management.

#### Experience:

- Director of the Department of Credit in the Arab Bank – Jordan and Palestine.
- 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

- Date of membership : 28/7/2011.
- Date of birth: 1971.
- Qualifications: Master degree in accounting.

#### Experience:

- Executive Vice President - CFO in Arab Bank.
- Experience in financial and tax consultations in KPMG Co., Dallas - Texas USA (2000 – 2003).





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

Board Member

- Date of membership: 11/10/2011.
- Date of birth: 1975.
- Qualification: PhD in law.

#### **Experience:**

- Dean of Law faculty/ University of Jordan.
- Legal expert in Legislation and Opinion Bureau.
- Member of the Board of the Investment Unit / Social Security.
- Member of the Board of Directors of Rka'ez Investment Company.
- Lawyer and legal adviser / partner in Hammouri and Associates Law Firm.



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

Board Secretary General

- Date of appointment : 1/7/2007.
- Date of birth: 1963.
- Qualifications: PhD in Banking.

#### **Experience:**

- Head of Corporate Division in the Islamic International Arab Bank (2005-2013).
- Chief Business Sector in IIAB (as of 2014)



## The Executive Management Members

### Mr. Iyad Ghasoub Jameel Asali

General Manager

- Date of appointment: 1/3/2011.
- Date of birth: 1966.
- Qualifications: Master degree in management.

#### Experience:

- Over 25 years' experience in traditional and Islamic banking in Jordan and Saudi Arabia and UAE.
- Board member in banks' association (2011-2012).
- Board member of Institute of Banking Studies (2011-2013).
- Board Member - Islamic Cultural Center - University of Jordan.
- Board of Trustees Member - INJAZ – Jordan.
- Board member in Strategies' Forum Jordan.

### Mr. Nihad Yacoub Asaad Maraqa

General Manager Consulter (as of 2014)

- Chief support officer (2011-2013).
- Date of appointment; 18/2/1998.
- Date of birth: 1955.
- Bachelor degree in Accounting.

#### Experience:

- Over 30 years in the field of traditional and Islamic banks.

### Dr. Mohsen Fayeze Abdel Salam Abu Awad

Chief Business Sector (as of 2014)

- Head of Corporate Banking Division (2005-2013).
- Date of appointment: 28/5/2005.
- Date of birth: 1963.
- PHD in Banking.

#### Experience:

- Over 28 in the field of banking facilities in Islamic banks.

### Mr. Amjad Awni Hosni Hijazi

Chief Support Sector (as of 2014)

- Chief Business Officer (2011-/2013).
- Date of appointment: 11/5/2011.
- Date of birth: 1969.
- Bachelor degree in finance and banking sciences.

#### Experience:

- Over 23 years of experience in various banking and administrative fields locally and abroad.



### **Mr. Yousif Ali Mahmoud al-badri**

Chief Credit Officer

- Date of appointment: 3/6/2007.
- Date of birth: 1961.
- Bachelor degree in Economics.

#### **Experience:**

- over 28 years in banking and credit in a number of local banks.

### **Mr. Abbas Jamal Mohamed Marei**

Chief Financial Officer(CFO)

- Date of appointment: 2/5/2006.
- Date of birth: 1975.
- Master degree in Islamic banking.

#### **Experience:**

- More than 16 years Experience in the financial and accounting field and financial management in banks.

### **Mr. Abdul-karim Ersan Awad Sukari**

Head of Risk Division

- Date of appointment: 6/11/2007.
- Date of birth: 1976.
- Master degree in Economics.

#### **Experience:**

- More than 14 years experience in the field of risk management.

### **Mr. Tariq Mousa Shehadah Awwad**

Head of Internal Audit Division

- Date of appointment: 8/4/2007.
- Date of birth: 1957.
- Bachelor degree in business administration.

#### **Experience:**

- More than 29 years in the field of banking operations and internal auditing.

### **Mr. Akef Hussein Moh'd Hamam**

Head of Human Resources Division

- Date of appointment: 5/8/2007.
- Date of birth: 1963.
- Bachelor degree in business administration.

#### **Experience:**

- Long experience in various administrative fields and human resources.

### **Mr. Hussam Aldeen Ahmad Abdul Hamid Salah**

Legal Consultant/ Head of Legal Department

- Date of appointment: 11/9/2005.
- Date of birth: 1966.
- Bachelor degree in law with practice license.

#### **Experience:**

- Experience in legal consultation for public and private financial institutions for 20 years.

## IIAB Branches' Addresses and the Number of Employees

Branch	Phone No	Date of operating	address	Number of employees
<b>Head Office</b>	<b>5694901</b>	<b>9 February 1998</b>	<b>Wasfi Tall St. Bldg. 20</b>	<b>420</b>
Gardens	5694623	9 February 1998	Wasfi Tall St. Bldg. 20	22
Amman	4643270	9 February 1998	Rashid Tuleia' St. – Petra Avenue	12
Al Wehdat	4777801	9 February 1998	Yarmouk St.	10
Irbid	02/7276587	9 February 1998	Al-Hisn St-Al-Nozha Avenue	12
Madaba	05/3248970	2 May 1998	Hashmi Str.	8
Az-Zarqa	05/3989094	4 Jan 1999	26 Abdulmunim Riyadh St. – Al-Shuwam Avenue	11
North Marka	4886650	7 Sep. 2000	King Abdulla St. – Building no. 457 Opposite to Jabri	9
Wadi Al Seir	5813600	15 Mar. 2001	Wadi Al-Seir – Major St. – LG Campus – Building no. 47	11
Jabal Al Hussein	5657760	2 May 2001	Haifa St. – Building no. 3 Ashnana Complex	9
Aqaba	03/2019495	31 Oct. 2002	Aqaba – Al-Tabari St. – 3rd Zone/ North City Avenue.	10
Al Jubeiha	5343569	28 Apr.2003	Jubeiha – Queen Rania St.	12
Al Swefeyeh	5826669	11 mar. 2007	Al- Swefeyeh – Suan Al-Thawri St. – Surat Building	9
Al Shmeisani	5651110	18 Mar. 2007	Al-Shmeisani – Abdul -Hamid Shuman St. – Opposite to Canadian Embassy - Building no. 10	8
Zarqa private	05/3821022	1 May 2007	Zarqa Private University	4
Al Ruseifa	05/3748474	1 Oct. 2007	Al-Ruseifa King Hussein St. – Next to Arab Bank Building	8
Al Zarqa El Jadida	05/3854240	24 Oct. 2007	Al-Zarqa el-Jadida – 36 St. – Al-Batrawi Avenue – Next to Samih Mall	8
Khalda	5511446	15 Apr. 2008	Amerr Bin Malek Str./Abu-Hodeeb Complex/building No. 71	8
Dahyat Al Yasmeen	4202126	13 May. 2008	Dahyat Al Yasmeen- Hai Nazzal- Jabal Arafat St. Next to Alkhareta Circle	8
Abu Alanda	4164426	22 Feb. 2009	Abu Alanda - Abdelkarim Al-Hadid St.-Husain Thawabteh Complex	9
Al Sult	05/3532316	22 Jan. 2009	Al Salalem Area- Shahateet Center-in front of Al-Balqaa Building	8
Al Hashmi Al Shamali	5061993	19 Jul. 2009	Amman - Al-Hashmi Al-Shamali - Al-Bathaa' St.	9
Al Nozha	5684341	26 Jul. 2009	Amman - Al-Nozha - Dahyat Prince Hasan - Al-Sultan Qlawoon Str.	7
Al Karak	03/2351736	1 Sep. 2009	Al-Karak- Hay Al-Baqeen-AlOmari St.	9
Al Mafraq	02/6232920	16 Feb. 2010	Al-Mafraq – King Hussein Bin Ali St and Ammer Bin Mohamed Str.	9
Ajloun	02/6422624	5 Apr. 2010	Ajloun- Amman str. – against civil status department	8
Tariq	5066463	4 Aug. 2010	Amman- Tabarrbour-Tareq Str.	8
Al Tafileh	03/2241165	1 Nov. 2010	Al-Tafelah – King Hussein St.	8
Jerash	06/6342549	16 Dec. 2011	Jerash- King Abdullah St	9
Marj Al Hamam	5715607	25 Apr. 2011	Princess Tagreed St. - Ammon Commercial Complex	9
Irbid / Al Hashemi	02/7252326	18 Jul. 2011	Irbid - Al Hashemi St.	8
City Mall	5852035	14 Aug. 2011	King Abdullah St. (Medical City St) - City Mall	11
Al Madina Al Munawarah	5527978	3 Oct. 2011	Al Madina Al Manawarah St	8
Al Ruseifa Shamali	05/3752664	2 Jan. 2011	King Abdallah II St. against Alhatham hole	7
Deir alla	05/3570009	2 Jan 2012	Deir Alla, Abu Obaidah str.	7
Abu Nseir	5238390	19 Jan 2012	Near applied Univ. first circle	6
Hurreyah str	4201580	13 Aug. 2012	Amman Almoqablain -Hurreyah str.	7
Arabela mall	02/7251929	7 Jul. 2013	King Abdul Allah II str. Arabela complex	12

## Employees data and training programs

### a. Employees' grades and their analyses:

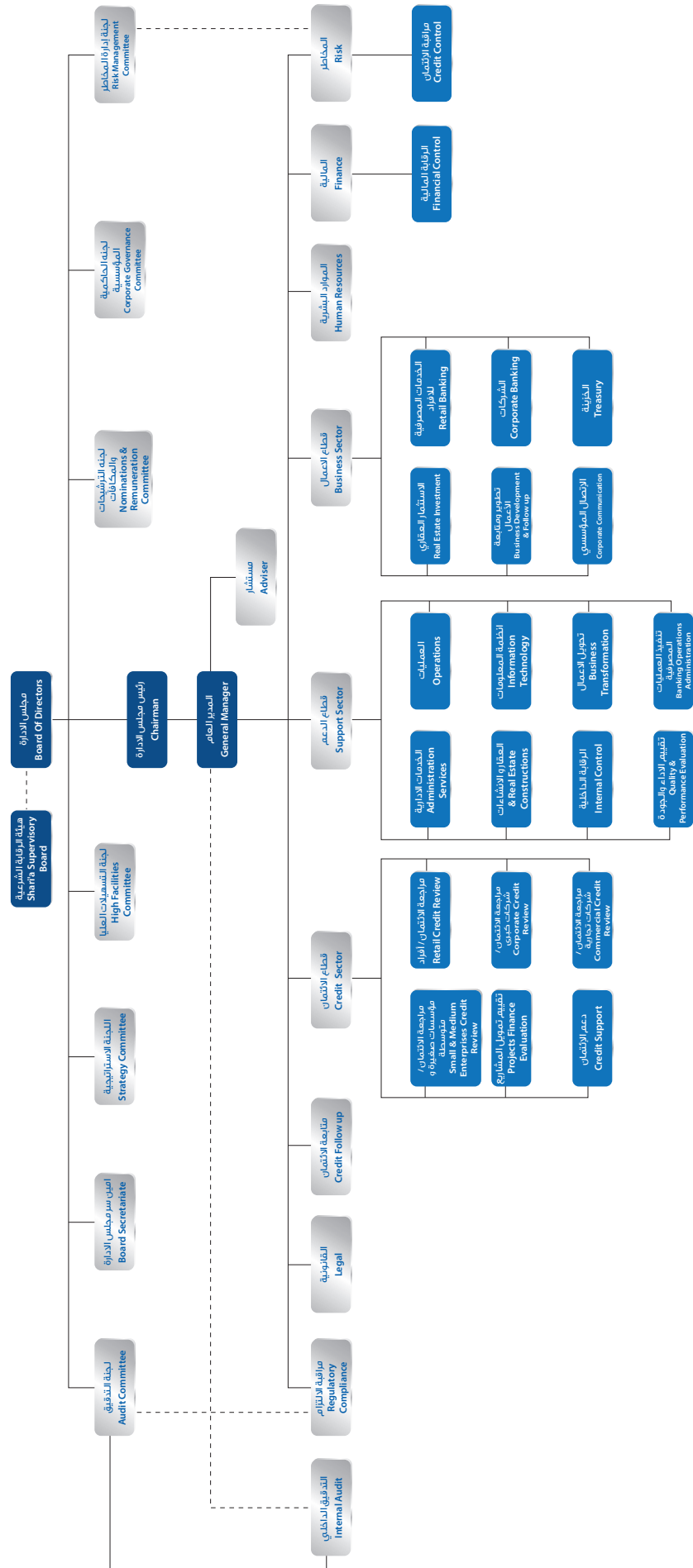
	2012	2013
<b>As per Category</b>		
Classified	631	665
Un-classified	81	93
<b>Total</b>	<b>712</b>	<b>758</b>
<b>As per qualifications</b>		
PhD	4	4
Master	49	68
Higher diploma	5	4
Bachelor	450	493
Diploma	89	90
Other	115	99
<b>Total</b>	<b>712</b>	<b>758</b>
Turnover		
Resignation	37	29
Retirement	-	-
<b>Total</b>	<b>37</b>	<b>29</b>
Percentage to total number of employees	5.2%	3.8%

### b. Training programs:

Program type	No of programs	No of participants
Internal	53	1,050
External	154	619
<b>Total</b>	<b>207</b>	<b>1,669</b>



## Organizational Structure



# **Corporate Governance Guide**

for Islamic International Arab Bank

## 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:

##### 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 is circulated among the Board's directors and committees, and the Executive Management. 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**

1. 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 those proper corrective procedures are taken when necessary. Preparing the estimated balance sheets shall be an integral part of short-term planning and performance assessment.
2. 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:
  - a. 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.
  - b. 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.
5. 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:
  - c/a. Scope, outcomes and adequacy of the internal and external audit of the Bank.
  - c/b. Accounting issues having an essential impact on the financial statements.
  - c/c. 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, provided that shall be in writing in the (charter) , which includes the tasks and responsibilities of this committee.
- 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


#### 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 Bank's annual report a report on the adequacy of the internal control systems. This report shall include the following:
  - b/a. A statement indicating the responsibility of the Executive Management for setting and maintaining internal controls over financial reporting in the Bank.
  - b/b. A statement on the framework adopted by the Executive Management to assess internal control efficiency.
  - b/c. 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.
  - b/d. 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
  - b/e. Report by the external auditor indicating his opinion on the Executive Management assessment of the efficiency of the internal controls.
  - b/f. 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 jurisprudent statement supporting any loss arising in the joined 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:
  - b/1. analysis of all risks including credit risks, market risks, liquidity risks and operational risks;
  - b/2. development of methodologies for the measurement and control of each risk type;
  - b/3. recommending risk limits to the Risk Management Committee, and approving, reporting, and recording of exceptions to the risk management policy;
  - b/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
- b/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: relation with 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, Nomination and Remuneration Committees, 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 same meeting.
- 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**

- 1. 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.
- 2. 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

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- 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
<b>One meeting was held by the Committee in 2013.</b>	

### 2. Nomination and Remuneration Committee

Sharif Faris Sharaf / Chairman	Chairman
Mr. Dawood al Ghoul / board member	Member
Dr. Tariq Mohammed Khalil Hammouri/Board Member	Member
<b>two meeting were held by the Committee in 2013.</b>	

### 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	Member
Head of Internal Auditing	Member
<b>Three meetings were held by the Committee in 2013</b>	

### 4. Audit Committee

Mr. Mohammad Mousa Dawood/Deputy Chairman	Chairman
Mr. Dawood Mohammad Al-Ghoul /Board Member	Member
Dr. Tariq Al-Hamouri / Board Member	Member
<b>six meetings were held by the Committee in 2013</b>	

### 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
<b>The committee holds periodical meetings through 2013</b>	

### 6. Strategic Committee

Sharif Faris Sharaf /Chairman	Chairman
Mr. Mohammad Mousa Dawood/Deputy Chairman	Member
General Manager	Member
<b>Three meetings were held by the Committee in 2013</b>	

**The seventeenth ordinary annual meeting of the  
Shareholders' general assembly  
of the Islamic International Arab Bank,  
30 Jumada al-Oula 1435 AH  
31 March 2014**

1. Reciting the proceedings of the previous meeting of the sixteenth general assembly.
2. Discussing and approving the Committee of directors' report for the financial year 2013, and the business plan of the Company for next year.
3. Hearing the auditor's report of the Bank for the financial year 2013.
4. Discussing and adopting the accounts and balance sheet of the Bank for the financial year 2013.
5. Approving the appropriation of profit realized in 2013 by the general assembly.
6. Discharging the Committee of directors for the said year.
7. Electing and determining the fees the auditors of the Bank for the financial year 2014.
8. 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.

## Bank Branches (Capital)

- **Gardens**  
Tel: 06/5694623 fax: 06/5675802
- **Amman**  
Tel: 06/4643270 fax: 06/4643267
- **Wehdat**  
Tel: 06/4777801 fax: 06/4777817
- **Marka**  
Tel: 06/4886650 fax: 06/4885355
- **Wadi Alseir**  
Tel: 06/5813600 fax: 06/5819478
- **Jabal Hussein**  
Tel: 06/5657760 fax: 06/5657761
- **Jubaiha**  
Tel: 06/5343569 fax: 06/5343469
- **Swaifah**  
Tel: 06/5826669 fax: 06/5856160
- **Shmesani**  
Tel: 06/5651110 fax: 06/5663995
- **Yasmeen**  
Tel: 06/4202126 fax: 06/4202927
- **Khalda**  
Tel: 06/5511446 fax: 06/5511878
- **Abu Alanda**  
Tel: 06/4164426 fax: 06/4164473
- **Hashmi Shamali**  
Tel: 06/5061993 fax: 06/5063071
- **Nuzha**  
Tel: 06/5684341 fax: 06/5684170
- **Tareq**  
Tel: 06/5066918 fax: 06/5050384
- **Marj AlHamam**  
Tel: 06/5715607 fax: 06/5715624
- **City Mall**  
Tel: 06/5851629 fax: 06/5851932
- **Madina Munwara**  
Tel: 06/5524987 fax: 06/5513798
- **Abu Nusair**  
Tel: 06/5238390 fax: 06/5238310
- **Hurrya**  
Tel: 06/4201580 fax: 06/4201508

## Middle Governorates

- **Zarqa**  
Tel: 05/3989094 fax: 05/3989096
- **Zarqa University**  
Tel: 05/3821022 fax: 05/3821026
- **Rusaifa**  
Tel: 05/3748474 fax: 05/3755591
- **New Zarqa**  
Tel: 05/3854240 fax: 05/3854354
- **Jabal Shamali – Rusaifa**  
Tel: 05/3752664 fax: 05/3752665
- **Madaba**  
Tel: 05/3248970 fax: 05/3248975
- **Sult**  
Tel: 05/3532316 fax: 05/3532318
- **Deir Alla**  
Tel: 05/3570009 fax: 05/3570014

## North Governorates

- **Irbid**  
Tel: 02/7276587 fax: 02/7276904
- **Irbid Alhasmi**  
Tel: 02/7252326 fax: 02/7252136
- **Arabela Mall**  
Tel: 02/7251929 fax: 02/7251749
- **Mafrag**  
Tel: 02/6231941 fax: 02/6230399
- **Ajloun**  
Tel: 02/6422624 fax: 02/6422623
- **Jerash**  
Tel: 02/6342545 fax: 02/6342543

## South Governorates

- **Aqaba**  
Tel: 03/2019495 fax: 03/2035851
- **Karak**  
Tel: 03/2351736 fax: 03/2351728
- **Tafelah**  
Tel: 03/2241165 fax: 03/2241229

## ATMs locations

### Bank branches (Capital)

Gardens	Khalda
Amman	Abu Alanda
Wehdat	Hashmi Shamali
Marka	Nuzha
Wadi Alsair	Tareq
Jabal Hussein	Marj Alhamam
Jubaiha	City Mall
Swaifah	Madina Munawara
Shmesani	Abu Nusair
Yasmeen	Al Horya

### Locations of ATMs (outside bank's branches) Amman

Customs Department
Professional Association Complex
University of Islamic Sciences
Leaders Stores
Amman Municipality
Haboub Supermarket
Orange Pharmacy
Mecca Mall

### Middle Governorates

Zarqa
New Zarqa
Zarqa University
Rusaifa
Jabal Shamali - Rusaifa
Madaba
Sult
Deir Alla

### North Governorates

Irbid
Irbid Hashmi
Arabela Mall
Mafrag
Ajloun
Jerash

### South Governorates

Aqaba
Karak
Tafela





البنك العربي الإسلامي الدولي  
ISLAMIC INTERNATIONAL ARAB BANK