

البنك العربي. الأسلامي الدولي. ISLAMIC INTERNATIONAL ARAB BANK





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The Arabic inscription catches the eye and Arouses astonishment and admiration



Thanks Allah who taught Man writing what Man was ignorant of with prayer and may peace and blessings be upon Mohammad the illiterate Prophet who was sent by Allah as mercy to all the worlds and made his illiterate nation, the best nation of all as it was engulfed with ignorance where Allah revealed to His Messenger the verse "Read" thus upon being read and written became a significant milestone and the conveyor of thought and knowledge to all people for centuries.

The Arabic inscription, this holy inscription in which the Holy Koran was revealed made the utterance thereof tantamount to worshiping Allah and only accepting prayers via such inscription and placing its inimitability and eloquence therein which increased the beauty of its characteristics rendering the calligraphists throughout the eras in all countries where they exist to compete in sketching its letters by writing it in an elegant style making such silent letter uttering with liveliness to express its beauty through such shapes and marks rendering it replete with life giving off the pleasantness through tracking the word letter by letter.

In commemoration of this magnificent heritage and legitimate magic being the pride of Arabs and others and to all those who work behind the scenes and live away from stardom, fame, power and money, those are truly the sincere ones.







البنك الحربي الأسلامي الدولي. ISLAMIC INTERNATIONAL ARAB BANK

(Public Shareholding Limited Company) Amman – Hashemite Kingdom of Jordan

Tel: 569 4901 Fax: 569 4914 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 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 Majesty King Abdullah II Bin Al Hussein



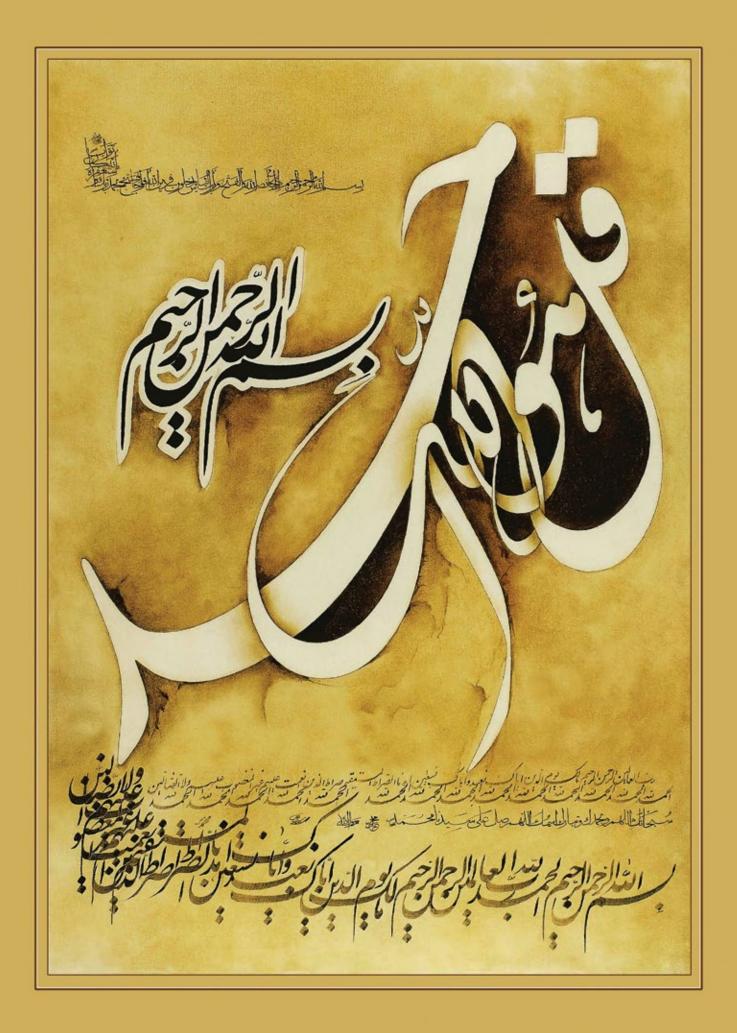


HRH the Crown Prince Hussein Bin Abdullah II



# Table of Contents

13	Shari'a Supervisory Commitee	
14	Shari'a Supervisory Commitee Report	
17	Message from the Chairman	
19	Message from the General Manager	
22	Board of Directors	
23	Executive Management	
24	Board of Directors Report	
43	Declarations of the Board of Directors	
45	Auditors' Report and Financial Statements	
109	General Disclosure Requirements	
119	Corporate Governance	
140	Agenda of the General Assembly Meeting	



# **Bank's Overview**



Islamic International Arab Bank (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, February 9, 1998. Today, the Islamic International Arab Bank is one of the leading Islamic banking institutions in Jordan and the region.

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



# Shariah Supervisory Committee

Allah Almighty says in the Holy Qur'an:

"So ask the people of the message if you do not know"

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

### **His Eminence Dr. Ahmad Hlayel**

**Committee Chairman** 

Dr. Ahmad Ayade Committee Executive Member

His Eminence Shaykh Saed Hejawe Committee Member

Considering the breadth of the field of Islamic Fiqh, and in light of the many developments and changes of the modern economy and its complexity, in addition to the need for a good judgment and deep honest diligence to understand the Fiqh rules to get the Shariah opinion in financial, transactions, and modern banking issues, the necessity of Shariah Supervisory Committee of The Bank emerged based on the Shariah principle: "who works hard and does it right, is rewarded twice and who works hard and does it wrong, is rewarded once". The Committee performs a significant role in issuing fatwas based on existing Shariah principles or effort that cope with the contemporary need. The committee approves all the contracts and agreements needed by the Bank with other bodies and institutions before they are accredited, sets an array of Shariah-compliant standards to govern the banking operations and offers consultations in issues presented by other relevant bodies.

13

# Shariah Supervisory Committee

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13

# The Annual Report of the Sharia Supervisory Committee

### For the Financial Period ending on 31/12/2014

Praise be to Allah, Lord of all worlds and may peace and blessings be upon our Prophet who was sent as mercy to the worlds and upon His family and His companions

#### **Dear Shareholders**,

May the peace, mercy and blessings of Allah be upon you,

The Shari'a Supervisory Board presents its Annual Report for the financial period ending on 31/12/2014 based on the Bank's Articles of Association.

The responsibility for the Shari'a Supervisory Board is to express an independent opinion and to illustrate the Shari'a compliant ruling in accordance with the controls, provisions and principles of Islamic Shari'a. The responsibility of the implementation of Fatwas and provisions of Islamic Shari'a falls upon the Bank's Management. On this basis and in our opinion:

- The contracts and operations which the Bank has executed during the period ending on 31/12/2014 of which we were apprised, are based on the provisions of Islamic Shari'a through the Management's cooperation with the Shari'a Supervisory Board in realizing the remarks given over certain practical implementations.
- The basis of distribution of dividends to the holders of the joint investment and the Investment Risk Hedge Fund conform to the prescribed rules and principles as per the Bank's Memorandum and Articles of Association and in accordance with the provisions of Islamic Shari'a.

The Shari'a Supervisory Board in cooperation with the Management of the Islamic International Arab Bank, technical and legal personnel operating thereat have studied all the issues presented to it and responded to all queries related thereto and asserted the observation of the Shari'a controls therein.

The Board has, through meetings, has set up the required principles and provisions and whatever mandated processing from all aspects dictated by the banking operation in light of the developments which were manifested through the practical application and in conformity with Shari'a provisions. It has also clarified and developed a number of new banking issues giving the Shari'a ruling therefor.

The Board reviewed the reports prepared by the Internal Shari'a Audit on the Bank's operations as well as the remarks and proposals presented by it and the procedures taken by the Executive Management in their regard. The Board reviewed the Bank's Balance Sheet as at 31/12/2014, Statement of Income for the period ending on 31/12/2014 and the Notes to the Financial Statements on account that they present a comprehensive picture about the Bank's operations which are required to be presented to the concerned entities at the Bank. No violation of Shari'a was apparent to the Board in respect of what has been reviewed by it.

The Board ascertained that all the Bank's investment accounts are sound and have realized profits as at 31/12/2014 and that there was no need to utilize the Investment Risk Hedge Fund to address deferments.

We pray to Allah, Almighty to grant success to the Bank's Management for more success and achievement, thanking them for their kind cooperation and compliance with the provisions of Islamic Shari'a.

This report has been made on Sunday 4th Rabie II, 1436H corresponding to 25/1/2015G.

May the peace, mercy and blessings of Allah be upon you,



**Committee Member** 

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Dr. Ahmad Ayadi

**Committee Executive Member** 

**His Eminence Dr. Ahmad Hlayel Committee Chairman** 

# Chairman's Message

### **Dear Shareholders,**

Al Salam Alaykum, and may peace and blessings be upon our Prophet Mohammed and upon His family and His companions.

On behalf of the Board of Directors of the Islamic International Arab Bank, I am pleased to present to you the Annual Report for 2014, I would like to express my appreciation to the Bank's staff at all levels for their continuous efforts and perseverance to bring success and continuous growth for the Bank. I also wish to thank the Shari'a Supervisory Commitee for their continuous and vital role at the core of this institution's operation which is based on full compliance with the principles of Islamic Shari'a.

### **Growth amid Challenges**

The financial results of 2014 show income before tax of (19) million Jordanian Dinars. The finances portfolio exceeded (819) million Jordanian Dinars at a growth rate of 28% compared with 2013, and customers' deposits exceeding one and a half billion Jordanian Dinars, an increase of 14% compared with 2013. This attests to the success of the management at the bank in applying the best practices in managing our assets and liabilities. In the context of the strategies laid out by the Board of Directors.

#### **Geographical Presence**

Throughout 2014 The bank opened new branches in Ma'an, Mu'ta, Al Khalidi and refurbished Hussun Branch in Irbid. Today ,we are providing Shari'a compliant financial and banking solutions throughout the Kingdom's Governorates in addition to the direct contribution towards sustainable growth through hiring a number of staff from areas at those branches and providing the financing solutions directed at the small and medium enterprises.



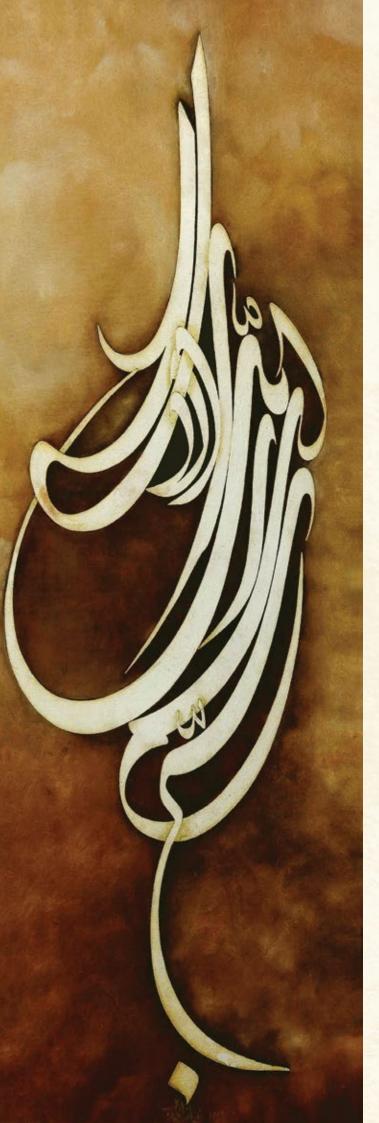
#### **Islamic Banking**

The Bank's stature, as one of the leading Shari'a compliant financial institutions at the local and regional level, assumes its duty to deliver the Islamic Banking message as one of the outcomes of our forgiving and moderate Islamic religion. This has been augmented by the revered Shari'a Supervisory Board through their strong desire to providing a superior role in the Shari'a research to provide whatever the jurisprudence provisions would grant in order to find banking solutions that go along with modern times and make the community aware of the banking industry which proved under all tests the power and strength that surpassed any other models despite that its existence has not exceeded four decades.

### **Human Capital**

The Bank's positive results indicate the Bank's success in managing its human resources and investing in human capital through the continuous development and training in the banking and Shari'a aspects. In addition to training in excellence service to our clients tangibly reflects the institutional harmony and the team work among all the Bank's staff.

17



The Bank's success in finalizing many projects and setting-out many innovative banking solutions give clear indicators about the Bank's capability to direct the human capital towards creativity and innovation which have become a real competitive feature in light of the severe competition in the local market.

# **Future Outlook**

Our optimistic outlook to the future stems from our deeprooted belief in the Bank's capability to face the difficulties and challenges through dedicated work; faithfulness of the Bank's staff; solid financial position, and our unwavering confidence in our Hashemite Leadership under the rule of His Majesty King Abdullah II Bin Al Hussein.

May the peace, mercy and blessings of Allah be upon you.

Faris Abdul Hamid Sharaf Chairman

# General Manager's Message

### **To the Shareholders**

Al Salam Alaykum, and may peace and blessings be upon our Prophet Mohammed and upon His family and His companions.

On behalf of the Management of the Islamic International Arab Bank I am honored to present to you the Annual Report of 2014 and on this occasion I would like to thank the Bank's Board of Directors and General Assembly for the high confidence in us, the Bank's operating team. I seize this opportunity as well to thank the Shari'a Supervisory Commitee for their continuous and vital role within the core of the institution's operations which is based on compliance with Islamic Shari'a.

### **Growth in light of Challenges**

The financial results of 2014 show income before tax of (19) million Jordanian Dinars; finances portfolio that exceeded (819) million Jordanian Dinars at a growth rate of 28% compared with 2013 with the customers' deposits growing to 14% compared with 2013 exceeding more than 1.5 billion Jordanian Dinars. This asserts the harmony of the Senior Management at the Bank with the directions of the Board of Directors in applying the best practices in managing assets and liabilities and revenues from commissions in light of the planned strategies.

The impending challenges in our Arab region and in many regions in the world were not an obstacle to the Bank to continue to grow in all aspects without exposing the Bank to any unacceptable risks.

### **Bank's Network**

The Bank asserts through opening new branches in Ma'an Governorate, Karak Governorate in Mu'ta District and the Capital's Governorate at Al Khalidi street and the opening of the refurbished Irbid Branch the continuity of its care to facilitate Shari'a compliant Bank products to all the Kingdom's Governorates in addition to realizing the Bank's strategic role through direct contribution towards sustained growth through appointing local people at those branches and providing the financing solutions directed to the SME's and individuals.



# Well-established Name in Islamic Banking

Day after day, the Bank establishes its name as one of the well-established names among Shari'a compliant financial institutions and realizes a pioneering position at the local and regional levels placing on us the duty to manifest the Islamic Banking message which is based on our True Religion which is known for its forgiveness and moderation. What we have achieved today is the outcome of full coordination between the Executive Management and the revered Shari'a Supervisory Board that seeks to provide banking solutions based on Islamic Jurisprudence that go along with modern times; meet the infinite needs of customers and communicate with the community to make it aware of Islamic Banking which proved under all tests the power and strength that surpassed any other models despite that its existence has not exceeded four decades.

#### **Our Human Capital**

The results of the Bank's operations show positively the efficiency of human resources and the effectiveness of investing in the Bank's human capital maintaining the continuous development of personnel in all banking and Shari'a aspects and any practical and scientific skills which would assist in providing the optimum service to the



Bank and reflecting its modern image as a distinguished contemporary service institution in the Kingdom. The number of employees who participated in training courses during 2014 was (1773) employees through (209) training courses held inside and outside the Bank.

### **Creativity, Innovation and Precision**

Setting-out numerous innovative banking solutions and accomplishing the projects and initiatives related to the Bank's infra-structure establish the Bank's capability in the balance among the creativity in presentation, innovation in operation and precision in accomplishment which gives us a real competitive advantage in light of the severe competition in the market.

The Bank has launched new products and signed agreements with significant entities specifically directed towards SME sector which the Bank lends great interest based on the directives of the Board of Directors in focusing on such sector due to the important role that it carries out in the movement of our national economy. Such initiatives realized significant successes in terms of growth in the finance and revenues portfolio over and above the appreciation of many entities for such initiatives including inter alia, the Central Bank of Jordan.

The Bank continued with launching products and marketing campaigns for individual customers contributing towards providing total financial solutions through expanding the network of the approved entities that sell at the cash price by installments to include educational and health services. Moreover, the Bank has, for the first time in the Kingdom, put forth the possibility of purchase of food stuffs by installments during the month of Ramadan, in addition to continuing, for the third year in a row, with the campaign for installments in respect of Audhia where such initiative aims at assisting citizens during all occasions and find alternative solutions that help them to bear the burdens of living and to maximize Allah rituals without additional burdens.

The Bank has accomplished a number of projects related to the Bank's infra-structure in a manner that enhances the customers' banking experience with the Bank in addition to improving the monitoring controls including:

- 1. accomplishment of PCI certificate of Compliance
- 2. Compliance Certificate in FATCA
- 3. E-Fawateercom Payment Service
- 4. IP Telephony project

#### **Corporate Identity and our CSR**

The Bank is aware of its mission as a Shrai'a compliant economic institution therefore, we seek to introduce the Bank in a manner that suits our forgiving and moderate Shari'a and focus on the youth factor. We were able to reach the community's sectors through the local and global media with effective participation in various social activities and initiatives, particularly those concerned with teaching the Holy Quran, fostering orphans, economic development and combating poverty. The Bank's activities are not severable from its responsibility towards its community through focusing on financing the economic activities that give added value to our economy; meeting the requirements of individual customers and focus on the growth of their savings through building the Bank's internal policies to be a model for the principles of responsible finance which would assist the citizen in managing his/her financial life with ease and to perform obligations towards his/her family and social surroundings in addition to his obligations towards the Bank.

#### **Future Outlook**

The Bank seeks to consider the investment opportunities due to the coming into effect of the Islamic Sukuk Law as the foremost Law concerning the Islamic Finance Instruments in the Kingdom in a manner indicating the development of the legislative framework governing the banking operations which conform to the provisions of Islamic Shari'a that would enable us in the future to launch products and finance instruments that focus on the methods of Musharka and Mudaraba. In this instance, we would like to thank the Central Bank of Jordan for its continuous support and attention to Islamic Banking and its efficient contribution in supporting constructive ideas that are conducive towards the enhancement of their contribution in the national economy.

Our optimistic outlook to the future emanates from our belief in our ideology and the Bank's strong base to face the challenges and work sincerely to serve the country and citizen under the rule of His Majesty King Abdullah II Bin Al Hussein.

At the end, we would like to thank you once more for your confidence hoping that through this Annual Report we shall present the results of the Bank's operations under the International Financial Disclosure Standards with full transparency and honesty, sincerely aiming at preserving the confidence of our customers and safeguard their funds securely realizing thereto abundant Halal profits.

May the peace, mercy and blessings of Allah be upon you

**Iyad Ghasoub Asali** General Manager

# **Board of Directors**

# Chairman

Sharif Faris Abdul Hamid Sharaf

### Vice Chairman

Mr. Mohammed Mousa Dawod "Mohammed Issa"

#### Members

- Dr. Ahmad A'awad Abd Al Haleem Al Hossein
- Mr. Dawod Moh'd Dawod Al-Ghoul
- Dr. Tariq Mohammed Khalil Hammouri

# **Board Secretary General**

Dr. Mohsen Fayez Abdel Salam Abu Awad

### Auditors

Messers / Deloitte & Touché (Middle East)



# **Executive Management**

- Mr. Iyad Ghasoub Jameel Asali General Manager
- Dr. Mohsen Fayez Abdel Salam Abu Awad Chief Business Officer
- Mr. Amjad Awni Hosni Hijazi Chief Support Officer
- 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. Akef Hussein Mohamed Hamam Head of Human Resources Division
- Mr. Hussam Aldeen Ahmad abdul Hamid Salah Legal Consultant/ Head of Legal Department
- Mr. Tariq Mousa Shehadah Awwad Head of Internal Audit Division



# **Board of Directors Report**

#### In the name of God, Most Gracious, Most Merciful.

The 17th Board of Directors Report for the year ending 31 December, 2014.

May the peace, mercy and blessings of Allah be upon you

#### To the Shareholders,

#### God said:

(Say work (righteousness) soon will Allah observe your work and His Messenger and believers)

Allah Almighty.

The Board of Directors of the Islamic International Arab Bank is pleased to present to you the Bank's 17th Annual Report about the results and achievements of the Bank's activities accompanied with the Financial Statements as at 31/12/2014.

# **Financial Results**

With God's help, the Islamic International Arab Bank was able to realize a record growth rate and an operational level through increasing the volume of the activity and investment in respect of assets locally and internationally where it results showed a profit of (19) million Dinars.

# **General Economic Situation**

The Jordan Economy focuses on prudent economic policies that aim at maintaining the monetary and financial stability; enhancing the investment attraction environment; improving productivity and activating the market's mechanism thus expanding the role of the private sector in the economic activity. The most prominent economic performance indicators culminated in the continuous preservation of tangible growth rates in the GDP, where it realized real growth of 3% during the first half of 2014 compared with 2.8% during the same period of 2013. The inflation rate was reduced to 3% compared to

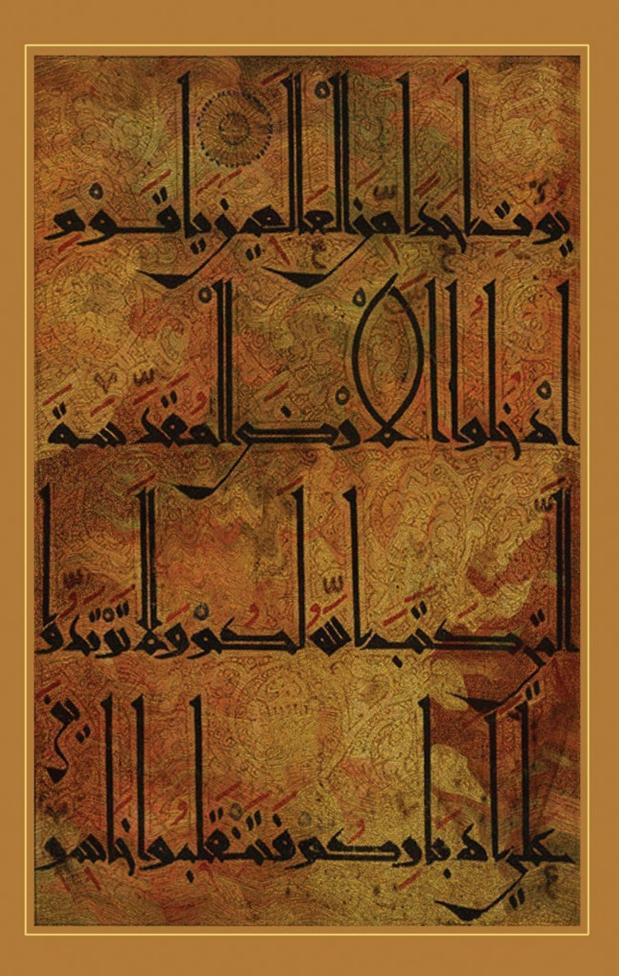
an inflation rate of 6.1% during the same period of 2013. Further, the rate of unemployment during the 3rd quarter of 2014 was reduced to 11.4% compared with 14% during the same quarter of 2013.

On the level of monetary policy, the Central Government's General Budget recorded, after foreign grants, a financial deficit of 561 million Dinars during the 1st nine months of 2014 compared with a deficit of 742 million Dinars during the same period of 2013. As for the Public Debt, the internal net public debt at the end of September 2014 increased from its level at the end of 2013 by an amount of 654 million Dinars reaching 12,516 million Dinars. In respect of the external debt, the net debt increased by 735 million Dinars reaching 7,970 million Dinars. The ratio of the internal and external net public debt to the GDP was 80% at the end of September 2014 which is a similar ratio as at the end of 2013.

As for the monetary and banking sector, the foreign currency reserves at the Central Bank increased at the end of the 1st ten months of 2014 by 2,208 million Dollars (18,4%) from the level recorded at the end of 2013 reaching 14,213 million Dollars. Moreover, the total deposits of the licensed banks at the end of the 1st ten month of 2014 increased by 2,384 million Dinars (8.6%) compared with its recorded level at the end of 2013, reaching 29,977 million Dinars.

The Trade Balance Deficit increased by 1.9% reaching 7,650 million Dinars compared with the same period of the preceding year. The initial statements indicate an increase in travel receipts by 7.4% during the 1st ten months of 2014 and an increase in the payments thereof by 3.9% in addition to an increase of transfers of Jordanians working abroad by 2.5%.

On the level of the monitory policy, the Central Bank maintained its policy that aims at enhancing the monetary stability; controlling inflation and enhancing the local savings attraction through managing the structure of local interest rates and enhancing the attraction of the local currency. The Central Bank of Jordan has also worked towards enhancing its control over the banking system which demonstrated a remarkable improvement in the levels of solvency, liquidity and profitability within a more open and free banking environment.



# The Bank's Activities

The Bank's Management has, since incorporation, sought to provide a comprehensive and integrated set of products and Islamic Banking Services directed at individuals through its branches throughout the Kingdom including inter alia:

- Acceptance of deposits and accounts in Jordanian Dinars and foreign currencies through: all types of deposit accounts, savings accounts, joint investment and allocated investment.
- Direct financing to customers in the aspects of: Sales of Murabaha, bargain, Istisna', Disbursement, Ijara of both types, the Operational and Hire- Purchase, Musharaka, Mudaraba and Wakala Investments.

# **Volume of Capital Investment**

Volume of Capital Investment

The authorized capital is

100,000,000 Dinars

No. of Shares

100.000.000 shares/Dinars

- Selling and buying foreign currencies, outgoing and incoming financial transfers, safe deposit boxes, receipt

The Bank has also offered a bouquet of products

and Islamic Investment Instruments which meet the

requirements and needs of the companies' sector which

includes inter alia: Sales of Murabaha, bargain, Istisna', Hire-Purchase, Musharaka, Mudaraba, Musharaka approvals

and Murabaha, transfers, Wakala Investment, bills and

of companies' subscriptions and others.

letters of guarantee of all types.

# Subsidiaries and Type of their Operations

The Islamic International Arab Bank does not have any subsidiaries

# **Major Shareholders of the Islamic International Arab Bank**

Name of Shareholder

Arab Bank PLC

**Bank's Competitive Position** 

The Bank operates to appropriate a share of the market that is commensurate with the volume of its capital and technical, administrative and financial capabilities and to occupy a superior position among the Islamic Banks in the Arab and Islamic Worlds. Customers' deposits share was 4.89% of the total deposits of the Jordanian Banking Sector at the end of 2014 and the direct facilities amounted to 4.22% of the total facilities of the Jordanian Banking Sector. Its assets amounted to 3.91% of the total assets of the Jordanian Banking Sectors.

# **Major Customers**

The Bank's portfolio is spread and the Bank does not rely on major customers (locally or abroad).

# **Government Privileges and Resolutions promulgated by the Government and/or International Organizations**

The Bank does not enjoy any Government privileges or resolutions promulgated by the Government and/or International Organizations that have a material impact on the Bank's operations or its competitive capability based

on the provision of Article (4) of Disclosure Instructions, Accounting Standards and Auditing Standards issued by the Board of Commissioners of the Jordan Securities Commission.

# **Bank's Risk Exposure**

There are no risks to which the Bank has been exposed or could be exposed during the subsequent year which have a material impact thereon.

# Financial Impact of operation of Nonrecurring nature

There is no financial impact for operations of non-recurring nature that occurred during the financial year which are not within the Bank's main activities.



# **Achievements during 2014**

# **First: Most Important Financial Indicators for 2014**

The Islamic International Arab Bank achieved a remarkable success in its course of business during the past ten years. The Bank's financial performance has been progressing constantly. Out of the financial success indicators during 2014 compared with previous years, we mention the following:

				(In Jo	ordanian Dinar
Operations Significant Results	2010	2011	2012	2013	2014
Prepaid Revenues	18,885,673	23,254,602	30,471,870	31,919,179	39,552,324
Interest Income	2,601,505	3,982,323	5,193,959	5,418,488	6,592,128
Net Profits before Tax	10,013,634	15,202,079	16,495,001	22,511,480	19,092,135
Net Profits after Tax	7,009,544	10,641,371	11,547,199	15,749,445	13,364,495
Significant Items of the Balance Sheet	1.18.53	2	X	X	× -
Total Assets	1,096,162,778	1,127,482,501	1,173,775,421	1,345,244,028	1,568,855,69
Total Customers' Deposits*	961,612,291	1,103,785,911	1,188,365,352	1,319,555,442	1,503,564,78
Finance and Investment**	1,038,302,961	1,056,576,031	1,082,028,127	1,266,461,765	981,313,049
Total Shareholders' Equity	87,409,237	90,134,821	100,959,370	116,958,757	130,486,200
Number of Shares	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Certain Financial Ratios			1	XD	A
Return on Assets before Tax	0,9%	1,3%	1,4%	1,7%	1,2%
Return of Shareholders' Equity before Tax	8%	17%	16,3%	19,2%	14,6%
Operating Expenses / Operating Revenue	57,5%	50%	47%	45%	57%
Shareholders' Equity / Total Assets	11%	8%	8,6%	8,7%	8,3%
Items Falling Outside the Balance Sheet			1		
Letters of Credit	17,064,092	22,726,064	20,906,284	22,410,252	27,346,206
Guarantees	14,355,267	16,990,150	30,197,400	31,666,799	38,241,126
Acceptances	6,437,707	7,673,031	6,591,650	10,305,263	8,715,445

\* Including Customers' Deposits (Allocated Commodities Investment)

\*\* Pursuant to the Letter of the Governor of Jordan Central Bank No. 1686/1/10 dated 20 February, 2014 International Murabaha has been ceased in the Jordanian Dinar considering all previous consents issued in that regard null and void.

#### Second: Banking Services

The Bank offers its banking services to all individuals and corporate dealing with it in light of an integrated strategic vision that aims at the stability in the methodology of business development whereby the provided banking services reach various economic and community sectors to provide them with a financial solutions that exceed their expectations in accordance with the highest service quality standards and within a set of diverse and comprehensive banking products which are compliant with the provisions of Islamic Shari'a.

#### **Corporate Banking**

Growth and development of business and projects in the Kingdom are the prime objective of the banking services provided to the corporate sector by the Bank. Through our comprehensive set of Shari'a compliant financial and banking solutions and which are directed to large and commercial companies and SMEs, we were able to provide them with all the facilities for maintaining continued growth of their business through trained and qualified staff capable of understanding their customer's needs throughout the Kingdom to facilitate the dealing of customers in addition to the Bank's Trade Finance which reach the customer in the five continents through our network of correspondents.

Continuing with the Bank's development mission, it has focused on the small, medium and micro enterprises through agreements with local and international entities which are concerned with supporting this sector of enterprises. An investment agency (Wakala) agreement was signed with the Central Bank of Jordan to support the MSMEs "Kafala" programme has been expanded in cooperation with the Jordanian Loan Guarantee Corp., through a special agreement to finance medical sectors (Jadded). In order to reach the largest possible sector of customers, a new agreement has been signed with Jordan Loan Guarantee Co., to guarantee finances of the industrial and service sector and for (ljara) finances whereby the "Kafala" programme umbrella covers finances amounting to 550 thousand Dinars instead of 70 thousand Dinars when the programme was launched in 2012. New products were released including , "Jadded" to finance medical clinics, laboratories and pharmacies.

#### **Retail Banking**

The banking services to individuals embraces diversity and innovation and going along with our customers' needs and aspirations in the provided products and services, which would cover the increasing demands of the local market. The Bank's first and foremost priority is to provide a high level service which consolidates our relationship with our customers and that grants them unique services within a high-level of the Shari'a compliant financial solutions which are characterized by precision and flexibility.

# Ways to Bank

The Bank continued to spread to deliver its banking services to its customers throughout the Kingdom whereby in 2014, new branches were opened at Al Khalidi Street in Amman, Mu'ta in Karak Governorate and Ma'an Governorate. The Bank's forty branches currently cover all the Kingdom's Governorates. In 2015, the Bank seeks to continue with opening new branches to complete the strategic plan that aims at providing the best services in order to reach various categories of those dealing with the Bank through the modern branches which would reflect the Bank's image. The Bank has expanded the ATM's network reaching 51 ATM that cover most of the Kingdom's areas to make it easy for the customers to reach the Bank's services in addition to establishing external points of sale at commercial Malls and large companies in order that customers can reach the Bank's services and to meet their needs where they are.

The Telephone Service Center continued under its new identity under the name "Arab Islamic Center for Tele Service" by providing inquiry and assisting services to the Bank's customers by applying state of the art international practices in the systems of the Telephone Service Centers focusing on the development of personnel of the Telephone Service Center by specialized training course, monitoring the performance to ensure the quality of the service provided; required banking knowledge and to provide the service throughout the week and during official holidays. In order to provide the service to the customers round the clock and wherever they are, the Bank's electronic banking channels allow the Bank's customers to accomplish many banking transactions at any time and in any place easily and securely.

### **Products and Marketing Campaigns**

The Bank provides the best innovative banking services which meet the various needs of its customers and go along with their aspirations in light of the increasing demand on the banking products which are Shari'a compliant that cover the personal, housing and vehicles financing products in addition to the accounts and liquidity management accounts which effectively contribute in facilitating the customers' financial life.

The Bank has also expanded the approved suppliers (Authorized merchants) network within the "installments at the same cash price" programme by adding new suppliers to cover the customers' increasing demand for dental treatments and university tuition in addition to the expansion in the purchase of electrical and electronic devices by installments for a period of up to 24 months as well as installments in respect of the cost of Hajj and Umrah in cooperation with the major service providers of Hajj and Umrah at the Kingdom's level.

In order to facilitate the life of customers during various occasions, a product called "Ramadan Basket" was launched during Ramadan in cooperation with Sameh Mall in addition to the World Cup 2014 Campaign in cooperation with the agents of Beln Sports operating in the Kingdom. In order to provide services that are suitable for all age categories, an installment at the cash price campaign for Iphone 6 has been released in cooperation with Smart Buy in addition to participating in the global shopping carnival campaign with Leaders. For consecutive 3rd year, a campaign for the installment of the cost of immolation was launched to mitigate the financial burden of customers.

Continuing with the cooperation agreement with First Insurance Company for the purposes of providing insurance services to the Bank's customers, the points of service have been increased which are managed by the Company within the branches independently from the Bank's services and products. These points have contributed towards accelerating the customer's service in obtaining insurance services in a manner that saves time. The Company is seeking to increase the number of the points of service during 2015.

#### **Media Sponsorships**

To reach out to our customers through the audio-visual media, the Bank has sponsored many television and radio programmes, the most important of which included (Umarah AL-Umar) 8" with Hayat FM which dispatched convoys to the Holy Lands from the Bank's General Administration Head office and the programme "Jawab on APP" during the month of Ramadan, which constituted a new outbreak for the Bank through interaction with social media networks where the number of those who followed and interacted with such programme exceeded a quarter of a million persons. The Bank has provided a set of prizes which contributed towards the promotion of the Bank's products and services encouraging the followers to visit the Bank's branches as well as "Economic talk radio" which provided a new presentation for the awareness of Islamic banking through dialogue with a number of specialists in Islamic Finance within and outside the Kingdom. The Bank has also continued its sponsorship for radio programmes and episodes which are broadcasted on the Holy Quran Radio. For the first time, the Bank has sponsored a programme on Igra' (TV) the programs of which have worldwide coverage in order to reach the largest sector possible of targeted customers particularly Jordanian expatriates.

#### **Third: Human Resources**

The Human Resources Administration abides by supporting and facilitating the implementation of strategic directives, regulations and services in respect of human resources and setting-up a lively and progressive work environment for staff members.

The number of employees at the Bank reached (795) at the end of 2014. University degree holders constitute 75% thereof. This number would increase in light of the increase in the work volume of the existing branches and the branches which shall be opened in the future. The Bank has also financed scholarships for some of its ambitious employees who look forward to building their professional career to acquire various scientific degrees (Diplomas, B.A's, M.A's and PHD's) in the fields of Finance, Management and Islamic Banking. The Bank's Human Resources Administration held (209) training courses including (95) internal programmes and (114) external programmes, in which 1773 male and female trainees participated, of which 1588 were internal trainees and 185 were external trainees, which addressed various aspects of banking and administrative operations.

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

The top management of the Islamic International Arab Bank paid the necessary attention to develop and support the Information Technology asserting the importance of using modern and advanced technology to preserve the Bank's advanced ranking in the market and to open up new avenues to provide the best services to the Bank's customers by developing the infrastructure of the Information Technology to go along and be consistent with the Bank's five-year plan in order to up-grade and codify the operating expenses, maintaining at the same time, development, expansion and spread.

Continuing with the Bank's methodology, development, expansion and spread, the Information Technology Division realized a set of strategic objectives of paramount importance the results of which were positively reflected on the level of banking services which the bank provides for its customers in conformity with the Bank's strategic plans which aim in their entirety at building a modern and developed work environment by using state of the art technology and taking optimum advantage thereof, by introducing set of services & financing instruments in a fast, valuable and low cost.

Based on the reality and importance of joint work, the Information Systems Administration in cooperation and coordination with the different Bank's Divisions, has implemented a large set of banking applications and acquired various compliance certificates as a requirement of the Central Bank's or international requirements including PCI and FATCA Compliance Certificates in addition to implementing a set of service systems which met with the customers' satisfaction, the most important of which, invoice payment services through e-Fawateer System and the inauguration of the Customer Service Center through a new telephone network system operated by IP telephone technology which was implemented in all the Bank's branches in addition to the new IVR (interactive voice recognition) as part of an advanced call center services.

Moreover, a set of internal systems has been implemented such as, electronic archiving, EMV Cards Printing and upgrading the operating systems of the main computers. At the same time, the Information Technology Division paid the necessary attention to enhance the security aspects providing same with modern equipment to ensure the highest levels of information security as well as enhancing the security controls to prevent hacking by closing the gaps through the usage of the most up-dated international applications.

The Information Technology Division paid great attention to maintaining the business continuity of and IT operations by securing such continuity on the main and back-up communications network supported by routine & regular reviews on both remote disaster recovery site and business alternate site located at our new Zarqa branch. The Information Technology Division abides by the highest standards of compliance with the policies, procedures and monitoring controls in order to maintain the service level; safety of the work environment and provision of the technical and logistic services at the highest level of professionalism and quality.

We look forward during next year, God willing, to continue with the development of the infrastructure which is the corner stone for modernity and development whereby the Bank's central systems and core banking applications shall be upgraded as well as the central computers by providing highly modern equipment in cooperation with one of the largest specialized companies in order to realize the integrated parallelism between the Management's plans and aspirations and the equivalent development at the technical level which avails to the Bank the service and geographical expansion and spread to go along with the contemplated development and to meet the expectations and directives of the Central Bank of Jordan in upgrading the Jordanian Banking System by providing it with advanced banking services; we shall, God willing, work towards realizing those objectives within our support division and in full coordinate with our business division.

#### Fifth: Islamic Banking Awareness

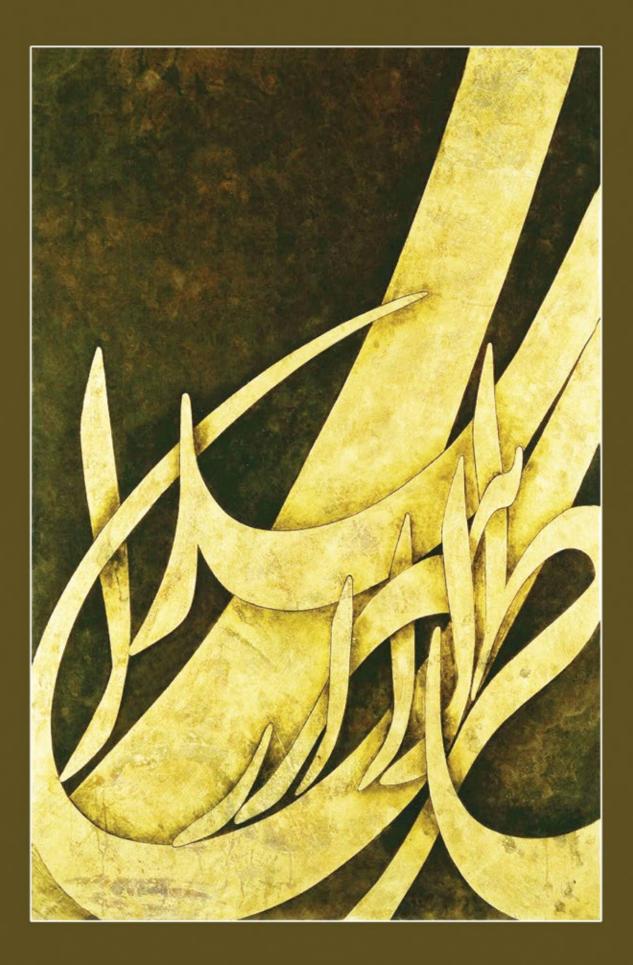
The Bank was keen for a positive and effective participation in a number of local gatherings and meetings and has presented working papers in some of them. In 2014, the Bank responded to invitations from Jordanian Universities and Ministries to deliver lectures about the principles of Islamic banking operations; the experience of the Islamic International Arab Bank and the role of Islamic banks in investment, development and others in addition to supporting the activities which build and enhance the educational part in Islamic Economy and Islamic Banking in implementation of its mission to promote Islamic Banking; where the Bank was keen to organize many specialized seminars and dialogues about the investment instruments in Islamic banks aiming at enriching the participants' knowledge and experiences, keeping them abreast of the developments in the field of Islamic banking as well as the various Shari'a juristic opinions which respond to the latest developments of Islamic banking issues.

# Sixth: Social Responsibility and the Service of the Local Community

Due to the Bank's obligation by its social responsibility towards its community, the Bank continued during 2014, with its attention to serve the local community due to its commitment towards creating a better and cooperative community united in solidarity, where it has participated in many activities that aim at developing the local community.

Due to its belief in the importance of the objective media and its high and dedicated mission, the Bank signed many joint media cooperation agreements with Hayat Radio, Holy Koran Radio and a number of dedicated websites to cover the Bank's events and activities and its advertising campaigns to communicate with the local community. Due to the belief of the Islamic International Arab Bank in its social responsibility; in assertion of the social solidarity principles and within its endeavors to consolidate the principles of its mission which is based on communication with the local community in supporting and participating in its institutions, the Bank has supported many charity societies and institutions as well as orphanages.

31



# **Financial Indicators and Analysis**

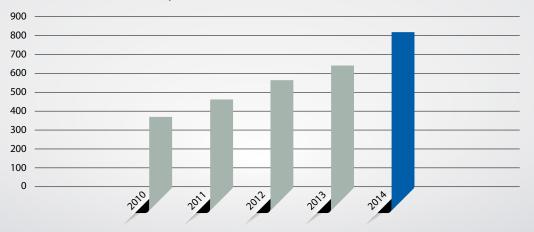
### **Investment Portfolio (Direct Credit Facilities)**

The balance of the local finance portfolio as at 31/12/2014 amounted to approximately (819) million Dinars, an increase amounting to (177) million Dinars over the previous year or 28%.

The following table shows the elements of the customers' finance portfolio for the period (2010 – 2014) which witnessed constant growth:

	X			(In Joi	(In Jordanian Dinars	
Item / Year	2010	2011	2012	2013	2014	
Murabaha Finance	234,076,283	259,473,581	296,146,226	315,681,007	382,832,411	
Mudaraba	7,416,717	3,853,146	3,353,762	4,021,517	813,354	
Istisna'	6,726,972	7,184,531	8,882,388	10,914,369	14,119,042	
Musharaka	31,999	22,292	14,506	11,306	-	
Ijara	120,106,427	190,611,473	251,536,917	306,723,429	412,660,857	
Visa Card by Installment	- X - X	$\wedge$		1,333,679	6,226,235	
Future Sale (Remuneration and Bargain)	478,923	599,785	1,210,902	1,046,207	1,185,149	
Qard Hasan	535,426	592,565	3,996,534	2,029,580	1,235,038	
Investments in favor of clients	247,937,680	213,687,620	211,108,939	614,706,099	154,794,310	
Self Investments	421,464,542	380,551,038	306,867,953	9,994,572	7,346,653	
Allocated Commodities Investment	163,719,548	147,669,673	191,424,388	163,553,303	135,556,109	
Customers' Commitments against Letters of Credit	17,064,092	22,726,064	20,906,284	22,410,252	27,346,206	
Customers' Commitments against Guarantees	14,355,267	16,990,150	30,197,400	31,666,799	38,241,126	
Acceptances	6,437,707	7,673,031	6,591,650	10,305,263	8,715,445	

### Development of the Finance Portfolio (2010 - 2014)



The Local Finance Portfolio was distributed over various economic sectors as follows:

(In Jordanian Dinars)

ltem	2010	2011	2012	2013	2014
Industry and Mining	34,735,070	55,568,050	50,451,957	53,526,228	66,420,588
Agriculture	11,199,527	15,855,336	8,893,469	16,208,446	17,444,105
Construction	1,500,118	124,610,280	205,262,447	280,292,814	357,154,367
General Trade	73,153,277	73,37 <mark>0,8</mark> 70	73,162,775	92,388,416	118,878,678
Transportation Services	7,677,779	6,077,354	8,503,294	7,032,319	8,063,624
Real Estate Purchase Financing	41,899,986	54,144,494	58,979,506	64,614,898	71,962,692
Vehicles' Financing	34,785,069	40,959,981	90,183,341	84,797,837	124,293,094
Consumable Commodities Financing	13,387,153	82,260,240	23,614,377	23,630,711	26,072,912
Other Purposes	30,928,341	9,490,768	45,000,070	19,298,502	28,882,026

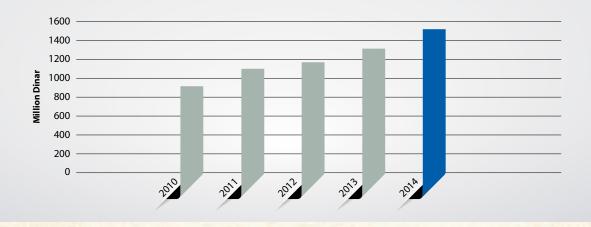
### **Customers' Deposits**

Customers' deposits are deemed to be an important monetary source at the Bank. Various current and joint and allocated investment accounts of the customers' deposits portfolio realized good growth reaching a total of (1,504) million Dinars with an increase of 14% over the previous year which indicates the increased confidence of customers in the Bank.

The Bank's external monetary sources as at 31/12/2014 consisted of the following:

		In Jordanian Dinars
Customers' Deposits		1,503,564,783
Banks' Deposits		82,369
Cash Margins	1.	23,318,331
Total		1,526,965,483
		/ Da Lan

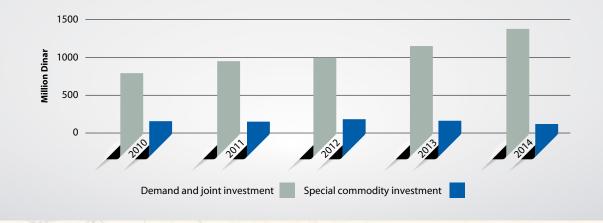
### Total Customers' Deposits (2010 - 2014)



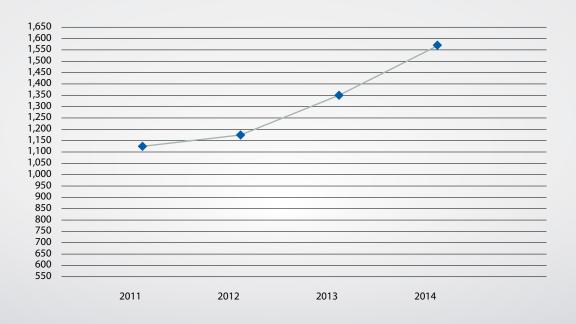
The following table shows the positive development in the customers' deposits (on call and joint investment) and (allocated investment) between 2010 and 2014

(In Jordanian						
Item	2010	2011	2012	2013	2014	
Customers' Deposits (On call and joint investment)	797,892,743	956,116,238	996,940,964	1,156,002,139	1,368,008,674	
Customers' Deposits Allocated Investments	163,719,548	147,669,673	191,424,388	163,553,303	135,556,109	
Total	961,535,060	1,103,785,911	1,188,365,352	1,319,555,442	1,503,564,783	

Development of Customers' Deposits (2010 - 2014)



Development of the Bank's Assets (2010 - 2014)



#### **Financial Impact of Non-recurring Operations**

There is no financial impact for operations of non-recurring nature that occurred during the financial year.

The following table shows the development of the Bank's profitability and Net Shareholders' Equity during the period from 2010 to 2014

				(In	Jordanian Dinars)
Description / Year	2010	2011	2012	2013	2014
Operating Income	23,554,658	30,412,632	41,009,571	49,550,998	44,697,615
Net Profits before Tax	10,013,634	15,202,079	16,495,001	22,511,480	19,092,135
Net Shareholders' Equity	87,409,237	90,134,821	100,959,370	116,958,757	130,486,200
Profit per Share (after Tax)	0,07	0,11	0,11	0,16	0,13
Revenues received in Advance	18,885,673	23,254,602	30,471,870	31,919,179	39,552,324

The Bank's shares are not traded at Amman Stock Exchange.

The Islamic International Arab Bank LLC does not issue securities.



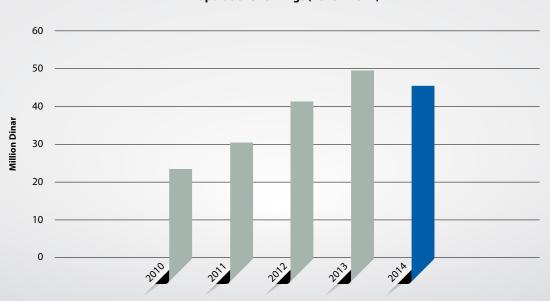
#### The Development of Return on Assets and Shareholders' Equity and Profit per Share (2010 - 2014)

#### **Additional Notes**

This section of the Annual Report contains notes and financial statements in addition to the contents of the Board of Directors' Report which shall be deemed to be an integral part thereof pursuant to the contents of the Disclosure Instructions, Accounting Standards and Auditing Standards issued by the Board of Commissioners of the Jordan Securities Commission based on the provisions of Article (12/q) of the Securities Law No. (76) of 2002.

#### Financial Analysis of the Bank's Position and Results of Operations

The Bank strictly complies with the prevailing International Accounting Standards and it complies, since the first day of commencement of operations, with the Accounting and Auditing Standards of the Islamic Financial Institutions issued by the Accounting and Auditing Organization of Islamic Financial Institutions.



Operations Earnings (2010 - 2014)

#### **Investment Revenues**

The joint investment revenues as at 31/12/2014 amounted to a total of (62,044,491) Dinars and the joint investment revenues were allocated as per the Bank's Articles of Association and the Board of Directors Resolutions as follows:

Joint Investment Risk Hedge Fund: 6,204,449 Dinars Share of the Accounts of the Customers' Joint Investment: 20,490,759 Dinars Bank's Share of the Joint Investment Profits: 35,349,283

The Joint Investment Accounts participate in the profitable results of investments as per the rates determined for participation during the current year as follows:

Time Deposit Accounts: 90% Savings Accounts: 50%

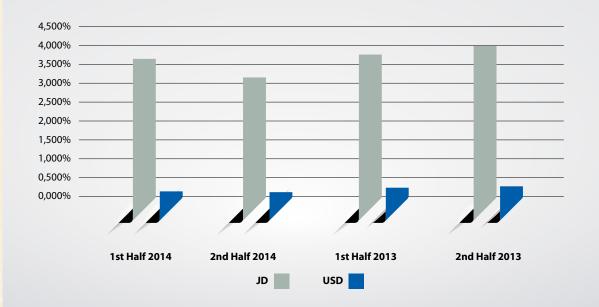
37

The general rate of profit of the Joint Investment Accounts for 2014 in Jordanian Dinars was 3.734% for the 1st half and 3.976% for the 2nd half and in US Dollars 0.253%0 for the 1st half and 0.279%0 for the 2nd half.

The following table shows the development of the general rate of profit of the Joint Investment Accounts for the years (2013, 2014)

(percentage)

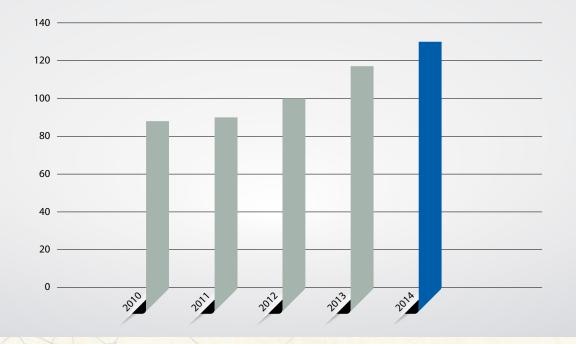
	20	14			20	13	
1st	Half	2nd	Half	1st Half		2nd	Half
USD	JD	USD	D	USD JD		USD	JD
0,253	3,734	0,279 3,976		0,139 3,667		0,123	3,159





#### **Management of Shareholders' Equity**

Primarily, the management of Shareholders Equity is assumed by the Bank's Senior Management which works towards developing such funds in a manner that ensures the realization of a feasible return to the shareholders. The Shareholders' Equity amounted to (130) million Dinars, by an increase of (14) million Dinars or 12% in comparison with the previous year, which would augment the capital base and strengthen the Bank's financial position. The ratio of the total Shareholders' Equity to total assets was 8.3% compared to 8.7% in 2013.



#### Shareholders' Equity (2010 – 2014)

#### **Commission Income**

The total commission income amounted to (6,592,129) Dinars during the year ending on 31/12/2014. The net commission income constituted 15% of the Bank's net revenues. This item primarily includes commission income on all the banking services and products.

#### **Gain from Foreign Currency Exchange**

The gain from foreign currency exchanged amounted to (1,785,941) Dinars during the year ending on 31/12/2014. Such gain was mainly realized from the Bank's customers' activity.

#### **Other Banking Services Income**

The other banking services income amounted to (396,572) Dinars during the year ending on 31/12/2014. Such income was mainly realized from various charges collected in respect of customers' services.

#### **Capital Adequacy**

The bank's Management takes into consideration the requirements of the Central Bank which require the existence of selfsufficient funds to cover a specific percentage of risk weighted assets which would be consistent within the type of the extended finance and direct investment.

As per the measurement rules determined by the Islamic Financial Services Board, the ratio of the capital adequacy at the bank was 17.91% at the end of 2014 on the basis of the risk weighted assets, while the Central Bank's requirements for capital adequacy set the minimum ratio to be 12%.

### **Strategic Plan**

The Bank always seeks to provide what is new and innovative in the Banking Industry, particularly, the provision of products that are compliant with the provisions of Islamic Shari'a and customer service as well as the development of the information technology infra-structure in a manner that enhances the Bank's image as one of the remarkable banks in the Kingdom.

The Bank extensively pursues the quality of service provided to the customers focusing on their feedback where it recognizes their needs and aspirations to deal with the Bank. It also seeks to be distinguished in their service by exceeding their expectations.

The Bank continued with achieving the objectives of the strategic plan within the time frame specified therefor while it implemented the Customer Service Management System at the branches. It has also continued with the expansion of its branches and ATMs and up-dating the communication methods with the public where the new identity of the Telephone Call Center was launched under the name of "Islamic Arab Telephone Services Center".

During 2014 the Bank aims at accomplishing projects which aim at distinction in the customer service such as the application of Middle Ware, up-grading the Tele-Banking Service System (IVR), releasing the VIP customer service in addition to implementing the automatic payment systems which are connected to the national payment system and the implementation of the electronic security and protection requirement PCI.

#### **Auditing, Consultancy and Services Fees**

The total amount paid by the Bank to the external auditors and consultancy corporations was (385,124) Dinars. Following are the details for such costs.

Item	2014
Quarterly and Annual Auditing Fees	30,312
Legal Fees	134,832
Shari'a Consultancy Fees	72,000
Other Consultancy Fees	147,980
Total	385,124

### **Benefits and Remunerations of the Chairman and Directors in 2014**

Name	Total Annual Salaries	Annual Transportation allowances	Annual Bonuses	Total Annual Benefits
H.E. Sharif Fares Sharaf	1.	26,400	5,000	31,400
Mr. Mohammad Musa Daoud "Mohammad Issa"	-	18,000	5,000	23,000
Dr. Ahmad Awad Abdul Halim		18,000	5,000	23,000
Mr. Daoud Mohammad Al Ghoul		18,000	5,000	23,000
Mr. Tareq Hammouri		14,400	5,000	19,400

# Following is a summary of the Benefits (Salaries and Bonuses) of the Bank's Senior Executive Management:

Name	Total Annual Salaries and Allowances	Transportation Allowances	Travel Expenses (does not include accommodation and air tickets)	Total
Mr. Iyad Ghassoub Al Asali	368,400	3,600	de la compañía de la comp	372,000
Mr. Amjad Awni Hijazi	167,446			167,446
Mr. Yousef Ali Mahmoud Al Badri	114,897			114,897
Dr. Muhsen Fayez Abdul Salam Abu Awad	113,122	and a second		113,122
Dr. Nayef Musa Hasssan Abu Dhaim	98,794			98,794
Mr. Tareq Musa Shihadeh Isamail Awad	105,053			105,053
Mr. Abbas Jamal Mohammad Mirie'	118,280			118,280
Mr. Akef Hussein Hamam	102,412	- 1	0.000	102,412
Mr. Abdul Karim Al Sukkari	106,491			106,491
Mr. Husam Eddine Ahmad Salah	78,167	-	-	78,167
Mr. Bilal Issa Mustafa	74,669	S		74,669
Mr. Abdul Karim Sammour	79,352		1.5.5.5	79,352
Mr. Samer Mohammad Amr	88,197			88,197
Mr. Mohammad Bashar Mohammad Munir Al Saraj	81,905			81,905

(In Jordanian Dinars)

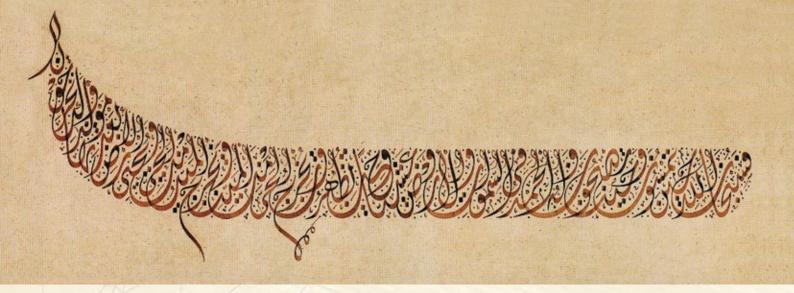
#### **Donations**

As part of its general objectives in participating in various activities in certain charity, scientific, cultural and professional aspects, the Bank provided financial donations to a number of charity societies and public benefit institutions amounting to (275,519) Dinars. Following is a list of the entities to which donations were made.

Entity	Amount
The Royal Al Al Bayt Institute for Islamic Thought	160,000
Jordanian Hashemite Fund for Human Development	36,627
Tkiyet Um Ali – Al Khair Campaign during the Holy month of Ramadan	50,000
Support for Scientific Institutions and Scientific Research	3,000
Mental Health Association of Orphans and the Disabled	10,000
Buildings and Roof Tax Department / Zarka	5,400
Clothes Bank	3,000
Al Afaf Charity Society	3,675
Others	3,817
Total	275,519

#### **Contracts and Commitments with the Directors and Executive Management**

The bank did not enter into any contracts or commitments with the Directors and the contracts concluded by the Bank with the executive staff and their relatives fall under the scope of the normal Bank's business. There are no distinguished or exceptional contracts that mandate disclosure based on the provision of Article (6) of Disclosure Instructions, Accounting Standards and Auditing Standards issued by the Board of Commissioners of the Jordan Securities Commission



### **Declaration of the Board of Directors**

Pursuant to the provisions of Clause (e) of Article (4) of the Disclosure Instructions, Accounting Standards and Auditing Standards issued by the Board of Commissioners of the Jordan Securities Commission, the Board of Directors of the Islamic International Arab Bank PLC declares its responsibility for the preparation of the Financial Statements and for providing an efficient control system at the Bank. It also declares that there are no material matters that might affect the Bank's continuity to do business during the next financial year.

Mr. Mohammed Mousa Dawod Vice Chairman



### H.E. Mr. Sharif Faris Abdul Hamid Sharaf Chairman

# Declaration of the Chairman, General Manager and Financial Manager

Pursuant to the provisions of Clause (e) of Article (4) of the Disclosure Instructions, Accounting Standards and Auditing Standards issued by the Board of Commissioners of the Jordan Securities Commission, we acknowledge the correctness, accuracy and completeness of the information and data stated in the Report.

Mr. Abbas Jamal Mohamed Marei Chief Financial Officer (CFO)

Mr. Iyad Ghasoub Jameel Asali General Manager

H.E. Mr. Sharif Faris Abdul Hamid Sharaf Chairman

43

Auditor's Report and Financial Statements For the Period Ending on 31/12/2014



# Table of Contents

Independent Auditor's Report	48
Balance Sheet Statement	51
Income Statement	52
Comprehensive Income Statement	53
Changes in Shareholders' Equity Statement	54
Cash Flow Statement	55
List of Sources and Uses of Qard Hasan Fund	56
List of Changes in Restricted Investments	57
List of Changes in the Restricted Wakala Investment	58
Financial Statements Notes	59

#### Independent Auditor's Report

#### AM/ 30233

To the Shareholder of Islamic International Arab Bank Amman – The Hashemite Kingdom of Jordan

We have audited the accompanying financial statements of Islamic International Arab Bank (Public Shareholding Limited Company) which comprises of the statement of financial position as of December 31, 2014, the statements of income, comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### 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 Accounting and Auditing Organization for Islamic Financial Institutions, which are consistent with the bank's Articles of Association and aligned with Sharia rules and principles that are determined by Sharia Supervisory Board of the Bank. These responsibility include maintains internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Islamic International Arab Bank as of December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Islamic Accounting Standards Issued by Accounting and Auditing Organization for Islamic Financial Institutions which are consistent with the Bank's Articles of Association and aligned with Sharia rules and principles that are determined by Sharia Supervisory Board of the Bank.

#### Report on the Legal and Regulatory Requirements

The Bank maintains proper accounting records duly organized and aligned with the accompanying financial statements and with the financial statements presented within the Board of Directors' report. We recommend that the General Assembly of Shareholders approve these financial statements.

#### Explanatory Paragraph

The accompanying financial statements are a translation of the statutory financial statements which are Arabic Language to which reference is to made to.

Amman – The Hashemite Kingdom of Jordan January 26, 2015 Deloitte & Touche (M.E) - Jordan

- 2 -

50 ANNUAL REPORT ISLAMIC INTERNATIONAL ARAB BANK

# **Balance Sheet Statement**

#### Statement (A)

		31st Dec	cember	
Assets	Notes	2014	2013	
		JOD	JOD	
Cash and Balances with the Central Bank	4	604,712,891	88,130,074	
Balances with Banks and Financial Institutions	5	12,151,329	10,305,374	
Deferred Sales Receivables and other Receivables – Net	6	467,855,001	875,873,970	
Deferred Sales Receivables through the Income Statement	7	-	-	
jara assets – Net	8	412,660,857	306,723,429	
Finance Investments	9	813,354	4,032,823	
Financial Assets at Fair Value through OCI	10	5,786,487	5,488,508	
Financial Assets at Amortized Cost – Net	11	8,820,542	2,521,380	
Real Estate Investments	12	21,727,227	20,942,995	
Qard Hasan Loans Net	(List A)	7,309,590	3,252,442	
Fixed Assets – Net	13	20,926,560	19,918,174	
Intangible Assets – Net	14	971,560	867,677	
Deferred Tax Assets	(20/c)	2,553,972	2,152,641	
Other Assets	15	2,566,325	5,034,541	
Total Assets		1,568,855,695	1,345,244,028	
Liabilities				
Banks and Financial Institutions Deposits	16	82,369	11,034,918	
Customers Current Accounts	17	550,161,451	462,198,825	
Cash Margins	18	23,318,331	24,846,545	
Other Provisions	19	2,330,777	2,156,996	
Income Tax Provision	(20/a)	5,421,533	6,006,510	
Deferred Tax Liabilities	(20/c)	319,479	184,445	
Other Liabilities	21	22,078,398	14,635,219	
Total Liabilities		603,712,338	521,063,458	
Holders of Joint Investment Accounts				
Joint Investment Accounts	22	817,847,223	693,803,314	
Total of Joint Investment Accounts		817,847,223	693,803,314	
Investment Risk Fund				
Investment Risk Fund	23	15,088,416	11,941,233	
Provision for Income Tax on Investment Risk Fund	23	1,721,518	1,477,266	
		16,809,934	13,418,499	
Shareholders' Equity				
Capital (Paid-up)	24	100,000,000	100,000,000	
Statutory Reserve	25	15,418,065	13,508,851	
Voluntary Reserve	25	5,537,312	5,537,312	
General Banking Risks Reserve	25	882,000	882,000	
Fair Value Reserve – Net	26	593,319	430,371	
Retained Earnings (Cumulative Losses)	27	8,055,504	(3,399,777)	
Total Shareholders' Equity		130,486,200	116,958,757	
Total Liabilities, Holders of Joint Investment Accounts and Shareholders' Equi	tv	1,568,855,695	1,345,244,028	
Restricted Investments – Customers - List B	9	135,556,109	163,553,303	
		133,330,103	10,00,000	

The accompanying notes from No. (1) to No. (54) shall be deemed to be an integral part of the Financial Statements and shall be read together therewith and with the Independent Auditor's Report

#### Inco

Income Tax

Profit for the Year

Profit for the Year before Tax

Earnings per Share - Basic / Diluted

ncome Statement			Statement (B)
		For the year ending	on 31st December
	Notes	2014	2013
	1000	JOD	JOD
Joint deferred sales revenues	28	32,060,425	34,598,706
Financing revenues	29	101,542	337,897
Financial assets at amortized cost revenues	30	87,581	-
Real Estate revenues (Expenses)	31	(37,516)	172,045
ljara assets revenues	32	29,848,070	23,753,029
Net (Expenses) Gain from Foreign Currencies	37	(15,611)	13,651
Total Joint Investments Accounts revenues	1	62,044,491	58,875,328
Share of Joint Investment Accounts Holders	33	(20,490,759)	(14,492,633)
Share of Investment Risk Fund	23	(6,204,449)	(5,887,533)
Bank's Share of Joint Investments Accounts revenues as Mudareb and Rab Mal	34	35,349,283	38,495,162
Bank's Self-revenues	35	507,112	3,297,566
Bank's Share from the Restricted Investment revenues as Mudareb	36/a	59,098	105,026
Bank's Share from the Restricted Investment revenues as Agent (Wakeel)	36/b	7,480	945
Gain from Foreign Currency	37	1,785,941	1,649,606
Banking Services revenues	38	6,592,129	5,418,488
Other Revenues	39	396,572	584,205
Gross Income		44,697,615	49,550,998
Expenses	/		
Employees' Expenses	40	14,813,831	12,957,694
Depreciation and Amortization	13&14	2,244,041	2,178,130
Other Expenses	41	7,545,626	6,377,909
Depreciation of Ijara Assets	8	292,299	93,768
Depreciation of Investments in Real Estate	12	-	162,390
Impairment Provisions deferred Sales Receivables	6&7	168,000	4,733,267
Other Provisions	19	541,683	536,360
Total Expenses		25,605,480	27,039,518

The accompanying notes from No. (1) to No. (54) shall be deemed to be an integral part of the Financial Statements and shall be read together therewith and with the Independent Auditor's Report

19,092,135

(5,727,640)

13,364,495

-/13,37

(20/b)

42

22,511,480

(6,762,035)

15,749,445

-/15,75

# **Comprehensive Income Statement**

#### Statement (C)

	31st De	ecember
	2014	2013
	DOL	JOD
Profit for the Year – Statement B	13,364,495	15,749,445
Comprehensive Income Items		
Non Transferable Items to the Income Statement		
Gain from Sale of Financial Assets at Fair Value through Shareholders' Equity	-	54,583
Net Change in the Fair Value Reserve – Statement D	162,948	195,359
Total Comprehensive Income for the Year – Statement D	13,527,443	15,999,387

The accompanying notes from No. (1) to No. (54) shall be deemed to be an integral part of the Financial Statements and shall be read together therewith and with the Independent Auditor's Report

# **Changes in Shareholders' Equity Statement**

**Statement (D)** 

		Capital	Rese	rves	General Banking	Fair Value Reserve –	Retained Earnings	
	Note	(Paid-up)	Statutory	Voluntary	Risks Reserve	Net	(Cumulative Losses)*	Total
	÷.	JOD	JOD	JOD	JOD	JOD	JOD	JOD
		For the <b>Y</b>	/ear Ending o	on 31 Decemb	oer 2014			
Balance at the beginning of the Year		100,000,000	13,508,851	5,537,312	882,000	430,371	(3,399,777)	116,958,757
Profit for the year – Statement B		-	-	-	-	-	13,364,495	13,364,495
Net Change in the Fair Value Reserve after Tax	26	-	-	-	-	162,948	-	162,948
Total Comprehensive Income – Statement C		-	-	-	-	162,948	13,364,495	13,527,443
Transfer to Reserves		-	1,909,214	-	-	-	(1,909,214)	-
Balance at the End of the Year		100,000,000	15,418,065	5,537,312	882,000	593,319	8,055,504	130,486,200
		For the	Year Ending o	n 31 Decemb	er 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
Profit realized from sale of Financial Assets at 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
Transfer 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

\*Retained Earnings include an amount of 2,240,494 as at 31 December 2014 that cannot be utilized based on the instructions of the Central Bank of Jordan representing the value of the deferred taxes.

- The General Banking Risks Reserve amounting to 882,000 as at 31 December 2014 cannot be utilized without the prior approval of the Central Bank of Jordan.

The accompanying notes from No. (1) to No. (54) shall be deemed to be an integral part of the Financial Statements and shall be read together therewith and with the Independent Auditor's Report

## **Cash Flows Statement**

#### Statement (E)

		For the year ending	
	Notes	2014	2013
		JOD	JOD
Cash Flow from Operating Activities			
Profit before Tax – Statement B		19,092,135	22,511,480
Amendments to Non- Cash Items:			
Depreciation and Amortization	13&14	2,244,041	2,178,130
Depreciation of Real Estate Investments	12	196,338	183,685
Depreciation of Ijara Assets		41,267,156	27,194,892
Impairment of Deferred Sales Receivables Reserve	6	168,000	4,733,267
Investment Risk Fund	23	6,204,449	5,887,533
Properties & Equipment Sales Losses		7,806	5,863
Other Provisions	19	541,683	536,360
Effect of Change in Exchange Rates on Cash & Cash Equivalents		(15,611)	27,302
Profit before Changes in Operating Capital		69,705,997	63,258,512
Increase (Decrease) in deferred Sales Receivables and other Receivables		409,536,069	(131,831,186
Increase (Decrease) in Investment Financing	1.75-	3,219,469	(664,555)
(Increase) in Ijara Assets		(147,204,584)	(82,381,404)
Decrease (Increase) in other Assets		2,480,236	(3,613,482)
(Increase) Decrease in Qard Hasan	122.00	(4,057,148)	645,671
Increase in current Accounts		87,962,627	70,531,456
(Decrease) Increase in Cash Margins		(1,528,214)	6,566,146
Increase in other Liabilities		7,443,180	1,946,664
Net Cash Flow from (Cash Utilizations in) Operating Activities before Tax and Paid Provisions		427,557,632	(75,542,178)
Paid Provisions	19	(367,902)	(128,782)
Paid Taxes	20&23	(8,497,847)	(7,140,537)
Net Cash Flows from (Cash Utilizations in) Operating Activities		418,691,883	(82,811,497)
Cash Flows from Investment Activities			
(Increase) Decrease in Financial Assets at Amortized Costs – Net		(6,299,161)	620,375
Decrease in Financial Assets through Shareholders' Equity		-	473,082
(Purchase) Properties and Equipment		(3,021,508)	(1,831,526)
Gain from Sale of Properties and Equipment	-	5,385	12,388
(Purchase) Intangible Assets	14		12,500
(Purchase) Sale of Investment in Real Estate	14	(347,991) (980,570)	657,131
Net (Cash Utilization in) Investment Activities		(10,643,845)	(68,550)
Cash Flow from Financing Activities	1		
Increase in Equity of Joint Investment		124,043,909	88,529,718
Net Cash Flow from Financing Activities		124,043,909	88,529,718
Effect of Change in Exchange Rates on Cash and Cash Equivalents	33	15,611	(27,302)
Net Increase in Cash and Cash Equivalents		532,107,558	5,622,369
Cash and Cash Equivalent - Beginning of the Year		84,674,293	81,778,161

The accompanying notes from No. (1) to No. (54) shall be deemed to be an integral part of the Financial Statements and shall be read together therewith and with the Independent Auditor's Report

# List of Sources and Uses of Qard Hasan Fund

	For the Year End	ing 31 December
	2014	2013
	dof	JOD
Balance at the Beginning of the Year	3,144,950	3,755,642
Resources of Fund's Assets From:		
Shareholders' Equity	6,841,048	9,449,659
Total Resources of Fund's Assets during the Year	6,841,048	9,449,659
Utilization of the Fund's Assets On:	101	
Personal advances	1,312,033	2,453,277
Visa Revolving Card	9,197,940	1,333,679
Qard Hasan against Guaranteed Flows in the Bank's favor	325,008	5,052,011
Total Utilization during the Year	10,834,981	8,838,967
Total Balance	7,138,883	3,144,950
Overdrawn Current Accounts	322,390	218,309
Less: Impairment Provision	(151,683)	(110,817)
Balance at the End of the Year – Net	7,309,590	3,252,442

List A

# List of Changes in Restricted Investments

	International Murabaha	ljara Assets	Local Murabaha (Real Estate financing)	Cash Balances	Total
For the Year ending 31 December 2014	1				1946
	JOD	JOD	JOD	JOD	JOD
Investments at the Beginning of the Year	162,459,261	556,000	538,042	-	163,553,303
Add: Deposits	53,628,980	-	-	3,007,689	56,636,669
Less: Withdrawals	(84,463,868)	(117,975)	(314,765)	-	(84,896,608)
Bank's Remuneration as Mudareb	(45,530)	(2,019)	(11,549)	-	(59,098)
Add: Investment Gains	247,953	10,994	62,896	-	321,843
Investments at the End of the Year	131,826,796	447,000	274,624	3,007,689	135,556,109
Revenues received in Advance	-	-	30,215	-	30,215
Ijara Depreciation Provision	-	241,657	-	-	241,657
Investment Risk Provision	-	-	255,040	-	255,040
Revenues for distribution	-	-	16,071	-	16,071
Total	_	241,657	301,326	_	542,983

AXX	International Murabaha	ljara Assets	Local Murabaha (Real Estate financing)	Cash Balances	Total
For the Year ending 31 December 2013	> >	A			
AAX I	Dſ	Dſ	D	Dſ	Dſ
Investments at the Beginning of the Year	189,832,823	719,261	872,304	-	191,424,388
Add: Deposits	45,168,273	-	-	-	45,168,273
Less: Withdrawals	(72,886,015)	(174,536)	(396,769)	-	(73,457,320)
Bank's Remuneration as Mudareb	(88,502)	(2,525)	(13,999)	-	(105,026)
Add: Investment Gains	432,682	13,800	76,506	-	522,988
Investments at the End of the Year	162,459,261	556,000	538,042	-	163,553,303
Revenues received in Advance	-	-	76,336	-	76,336
Ijara Depreciation Provision	-	308,134	-	-	308,134
Investment Risk Provision	-	-	243,361	-	243,361
Revenues for distribution	-	-	59,130	-	59,130
Total	-	308,134	378,827	-	686,961

# List of Changes in the Restricted Investment Wakala

	International Murabaha	Local Murabaha	Cash Balances	Total
For the Year ending 31 December 2014	A STAN		1	/
	JOD	JOD	JOD	JOD
Investments at the Beginning of the Year	2,697,160	302,840	-	3,000,000
Add: Deposits	-	1,760,770	3,436,390	5,197,160
Less: Withdrawals	(2,697,160)	-	-	(2,697,160)
Add: Investment Gains	42,863	46,306	-	89,169
Less: Bank's Remuneration as Agent (Wakeel)	(3,596)	(3,884)	-	(7,480)
Less: Principal's Share	(39,267)	(42,422)	-	(81,689)
Investments at the End of the Year	-	2,063,610	3,436,390	5,500,000

List C

	International Murabaha	Local Murabaha	Cash Balances	Total
For the Year ending 31 December 2013	0.845	$\rightarrow$	~ *	C Y ~
	JOD	JOD	JOD	JOD
Investments at the Beginning of the Year	2 -	-	-	-
Add: Deposits	2,697,160	302,840	-	3,000,000
Less: Withdrawals	-	-	-	-
Add: Investment Gains	12,924	-	-	12,924
Less: Bank's Remuneration as Agent (Wakeel)	(945)	-	-	(945)
Less: Principal's Share	(11,979)	-	-	(11,979)
Investments at the End of the Year	2,697,160	302,840	-	3,000,000

## Notes to Financial Statements

### **1-General Information**

- The Islamic International Arab Bank, a Jordanian Public Shareholding Company with its headquarters at Amman – Hashemite Kingdom of Jordan was incorporated on 30th March 1997 by virtue of the Companies' Law No. 22 of 1997.

- The Bank provides all banking and financial activities and the investment activities which are compliant with the provisions of Islamic Shari'a through its headquarters and its 40 branches within the Kingdom. The Bank's activities are subject to the provisions of the Banks' Law in force.

- The Islamic International Arab Bank is fully owned by the Arab Bank.

- The Financial Statements have been ratified by the Bank's Board of Directors during Session No. (1) on 26 January 2015 and they are subject to the approval of the Shareholders' General Assembly and the Central Bank of Jordan.
- The Bank's Shari'a Supervisory Board has reviewed the Financial Statements during Session No. (1) on 25 January 2015 and has issued its Shari'a Report in respect thereof.

### **2- Significant Accounting Policies**

#### **Bases of Financial Statements Preparation**

- The Bank's Financial Statements are prepared in accordance with the standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions; in accordance with the local laws in force and the instructions of the Central Bank of Jordan.
- In the event that there are no standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions relating to the Financial Statements' items, the International Financial Reporting Standards and the notes issued therefor shall be applied in conformity with the Shari'a Standards, pending the promulgation of Islamic Standards therefor.
- -The Financial Statements are prepared on the historical cost basis except financial assets at fair value through Shareholders' Equity and sales receivables through the Statement of Income which are recognized at fair value at the date of the Financial Statements.
- The Financial Statements have been presented in the Jordanian Dinar which is the primary functional currency at the Bank.
- Based on the resolution of the Board of Directors on 21 May 2013, the Bank adopted the principle of mixing the equity assets with the deposit assets of the holders of joint investment as from the beginning of May 2013 maintaining the existing investments which are financed by the holders of equity until maturity.
- Reduction of the amounts of the Investment Risk Hedge Fund shall be observed to cover the impairment in receivables and finances collection and the impairment in the real estate investments and any other investments which are financed from the Joint Investments Accounts.
- The general banking risk reserve can only be utilized with the prior consent of the Central Bank of Jordan.
- The Bank invests the assets of the Investment Risk Hedge Fund and the realized return from such amounts is recorded under the profits of investment and shall be distributed as per the determined rates for distribution of dividends.
- The Accounting Policies adopted in preparing the Financial Statements for the year ending on 31 December 2014 are identical to the policies which were adopted in preparing the Financial Statements for the year ending on 31 December 2013.

#### Segments' Information

- The business segment represents a group of assets and operations which jointly provide products or services which are subject to risks and returns that are different from those relating to other business sectors which are measured in accordance with the reports used by the Chief Operating decision maker at the Bank.
- The Geographical Sector relates to providing products or services in a specific economic environment which is subject to risks and returns that are different from those relating to segments operating in other economic environments.

#### Bases of Dividends Distribution among owners of Shareholders' Equity and owners of the Joint Investment Accounts

	Rate	
Share of Joint Investment Accounts Holders	45%	ie, 3.734% and 3.976% for the 1st and 2nd halves of 2014 respectively on JOD (compared with 3.667% and 3.159% for the 1st and 2nd halves of 2013 respectively) and 0.252% and 0.279% on the US Dollar for the 1st and 2nd halves of 2014 respectively (compared with 0.139% and 0.123% for 2013 respectively)
Shareholders Equity	45%	
Investment Risk Fund Share	10%	

- The Bank donates a maximum of 5% of the share of the holders of Shareholders Equity as per the layers announced for customers at the branches for the deposits participating in profits.
- The Bank gives the priority in investment for the holders of the joint investment accounts. Such accounts are charged with the advertisement and publicity expenses in respect of the products which the Bank releases such as, the expenses of life insurance in respect of those financed by hire-purchase contracts and the expenses related to the investment in real estate which are invested from the deposits accounts that participate in profits.
- The rate of dividends distributed to the holders of the restricted investment deposits in US Dollars ranged between 0.158% and 0.170% for 2014 (compared with 0.123% and 0.139% for 2013)

#### **Revenues, Earnings and Losses in violation of Islamic Shari'a**

The revenues, earnings and losses consequent on the Bank which are in violation of the Islamic Shari'a (if any) are recorded in a special account shown in the Financial Position within other payables. They are not recorded in the Statement of Income and are disbursed on charity as determined by the Shari'a Supervisory Board.

#### Zakat

The responsibility of Zakat is assumed by the holders of deposits and shareholders separately.

#### **Deferred Sales Receivables**

#### **Murabaha Contracts**

These are sale of a commodity at its first purchase price which was paid for by the seller (the Bank) with an agreed upon mark-up. The sale may be on ordinary Murabaha basis called (Simple Murabaha) in which the Bank practices trade and it buys the commodities without reliance on a prior promise by a customer to buy them and then it offers such commodities for sale by Murabaha and at an agreed upon price and profit or it could be Murabaha coupled with a promise from a customer ie the Bank, only buys the commodity after the customer determines his desires with the existence of a prior promise to buy, which is then called (Murabaha for Commander of Purchase).

- The Bank applies the principle of commitment of promise in the sale contracts of Murabaha for Commander of Purchase, but in the event of abstention, the Bank shall sell the commodity and shall have recourse against the Commander of Purchase for indemnifying the actual damage.

- Murabaha receivables are recorded upon the occurrence thereof at their nominal value. They are measured at the end of the financial year at the expected net cash value to be realized.
- The profits are recorded upon concluding the cash Murabaha contracts or to a time period not exceeding the financial year.
- Income of future sales for a time period exceeding the financial year are recorded by distributing same over the future financial years for the term, whereby a share of the profits shall be allocated for each financial year regardless of whether or not it is a cash delivery.

#### Al Istisna'

It is a sale contract between Al Mustasnee (buyer) and Al Sanee' (seller) whereby the latter, upon the request of the former, manufactures a described commodity (Masnou') or obtains it upon the delivery date, provided that the material of the manufacture and/or cost of work shall be by the manufacturer against the price agreed upon by both of them and on the method of payment thereof becoming due upon signing the contract, by installments or deferment.

- Cost of Istisna' includes direct and indirect costs related to Istisna' contracts. Such costs shall not comprise administrative, general and marketing expenses and costs of research and development.
- The costs of Istisna' process and the costs prior to signing the contract shall be recorded in the financial year under the item under-Istisna' process at the amounts disbursed by the Bank. The invoices sent to Al Mustasnee (the buyer) by the Bank shall be recorded under Istisna' receivables account which shall be deducted from the account of under-Istisna' process in the Statement of Financial Position.
- Istisna' income is recorded upon concluding the contract and finalization of execution or expiry of the contract whichever is earlier.
- In the event that Al Mustasnee (the buyer) does not pay the agreed upon price in full with an agreement for payment by installments during the execution of the contract or after finalizing the execution of the contract, deferred profits are recorded in and deducted from the balance of Istisna' receivables account in the Financial Position whether the method followed in recording Istisna' income is the method of the rate of completion or the concluded contracts method. The deferred profits distribution shall be made over the future financial years whereby a share of the profits shall be allocated for each financial year whether the settlement is made by cash or not.
- In the event that the Bank retains the manufactured item for any reason, such assets are measured at the expected cash value to be realized or at cost whichever is less. The difference (if any) shall be recorded as a loss in the Statement of Income in the financial year in which it was realized.

#### Assets available for Future Sale

- These are assets which the Bank acquires for the purpose of future sale (by installments). The sale of such assets is called bargain sale by installments in order to differentiate same from Murabaha sale by the Commander of Purchase.
- The assets available for future sale shall be recorded at cost at the time of contracting and shall be measured on cost basis (purchase value and any direct expenses which are acquisition-related).
- The assets available for future sale are valued at the end of the financial period at fair value. The amount of change resulting from the re-evaluation process (if any) shall be measured on the basis of book value compared with fair value and the unrealized profit (loss) shall be recorded in the fair value reserve account.
- Profits from the future sale operations shall be recorded according to the maturity principle distributed over the financed periods for the contract term. The profits for future years shall be recorded in the revenues of future sales account.

- Receivables of future sale shall be recorded upon contracting at its par value (the contracted for).

#### **Financing Investments**

#### **Mudaraba Financing**

It is a partnership in profit regarding money and work and it is instituted between the holders of investment accounts (Arbab Al Mal) and the Bank (Mudarib) which announces the general acceptance of such funds for the investment thereof and the division of gain as agreed, where losses are charged to Rab Al Mal save in the events of infringement of the Bank (Al Mudarib), its default or violation of the conditions where it shall bear the consequences arising therefrom. It is also instituted between the Bank in its capacity as the capital holder in its own name or on behalf of the holders of investment than the traditional speculation which involves adventure and taking risks in the sale and purchase activities.

61

- Mudaraba finance is recorded upon delivering the capital to Al Mudarib or putting it at its disposal. The provided capital is measured by the paid amount or at fair value if in-kind. If a difference results from the evaluation of the in-kind item between the fair value and the book value, it is recognized as a profit (loss) in the Statement of Income and at the end of the financial year; whatever the Bank redeems from the Mudaraba capital shall be deducted.
- The Bank's share of the gains (losses) which arise and expire during a financial year shall be recorded after the settlement of the Mudaraba process. In events where Mudaraba process continues for more than a financial year, the Bank's share of the profits shall be recorded upon the realization thereof by fully accounting therefor or any part thereof in the financial year in which it occurred within the distributed profits. As for the losses, they are recorded for such year within the losses by which the Mudaraba capital is reduced.
- In the event of losses being incurred due to Al Mudaraba infringement or default, such losses shall be recorded as receivables debited to Al Mudaraba account.

#### **Musharaka Financing**

It is the provision of funds by the Bank and customer equally or differently in order to create a new project or to participate in an existing one whereby each of them would own a share in the capital either on a fixed or diminishing basis and would be entitled to its share of the gains. The losses are divided proportionately to the share of the partner in the capital whereby it would be inappropriate to stipulate otherwise.

- The Bank's share in Musharaka capital is recorded upon delivery to the managing partner or when it is deposited in Musharaka account as it shall be measured at the cash paid value or at fair value if in-kind. If a difference results from the evaluation of the in-kind item between the fair value and the book value, it is recognized as a profit (loss) in the Statement of Income
- The capital in the diminishing Musharaka is measured at the end of the financial year at the historical value less the historical value of the sold share at fair value which is agreed upon and the difference between both values shall be recorded as a profit or loss in the Statement of Income.
- The Bank's share of the gains or (losses) of Musharaka financing which arise or expire during the financial year shall be recorded after settlement. In the event that Musharaka continues for more than a financial year, the Bank's share of the profits shall be recorded upon the realization thereof by fully accounting therefor or any part thereof between the Bank and the partner in the financial year in which it occurred within the distributed profits. As for its share of the losses for a financial year, it shall be recorded in such year within the losses by which the Bank's share in the Musharaka capital is reduced.
- An impairment provision for the future sales receivables and other receivables shall be formed, if it would not be possible to collect the amounts due to the Bank and when there is an objective evidence that an occurrence has adversely impacted the future cash flows of the future sales receivables and other receivables and when such impairment is measurable, it shall be recorded in the Statement of Income.
- At the end of the financial year the financing assets at cost or at fair value which is expected to be realized, whichever is less, shall be registered and the difference shall be recorded as an impairment finances provision.
- The income from future sales and dormant financing extended to customers shall be held in suspense in accordance with the instructions of the Central Bank.
- The future sales receivables and financing financed from the joint investment accounts shall be written off in the event of the infeasibility of the procedures taken for the collection thereof [and shall be debited] against the Investment Risk Hedge Fund (save what has been extended / financed and then written off of the future sales receivables and finances in the same year where it shall be recorded in the Statement of Income on investment income). Any amount collected from the previously written off receivables and finances shall be added to the Investment Risk Hedge Fund, save what has been recorded in the Statement of Income on investment income. As for the future sales receivables and finances financed from the Bank's own funds for which an impairment provision was taken, such shall be written off in the event that the procedures taken for the collection thereof are not feasible and shall be deducted from the impairment provision. Any surplus in the total impairment provision shall be transferred to the Statement of Income and any amount of the previously written-off receivables and finances collected shall be added to the income.

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

These are financial assets that the Bank's Management aims at holding in accordance with its business model to collect their contractual cash flows which represent fixed or determinable payments for the capital and gains of such assets.

These assets are recorded at cost upon purchase plus acquisition expenses. Subsequently, they are re-valued at the end of the current period by using the effective interest rate method. Any profits or losses resulting from the amortization process are recognized in the Statement of Income and any impairment in value is recorded in the Statement of Income.

The amount of impairment in the value of these assets consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate whereby any provisions resulting from impairment in the value of these assets shall be deducted. It shall not be permitted to re-classify any financial assets to/ from such item.

If any of these financed assets which are financed from the Bank's own funds is sold before maturity the result of such sale shall be recorded in a separate item within the Statement of Comprehensive Income and shall be so declared.

#### Financial Assets at Fair value through Shareholders' Equity

- These assets represent investments in equity instruments which are financed from the Bank's funds for the purpose of retaining same for the long term.
- These assets are recorded upon purchase at fair value plus acquisition expenses. Subsequently, these assets are re-valued at fair value. The change in fair value is recognized under the fair value reserve within the Shareholders' Equity.
- If such assets or any part thereof are sold, gains or losses resulting therefrom shall be recorded in the retained earnings (accumulated losses).
- The impairment loss which was previously recorded in the income statement may be recovered if it is found objectively that the increase in the fair value occurred in a subsequent period to recording the impairment losses through the fair value reserve recognized within Shareholders' Equity accounts.
- Gains generated from such financial assets are recorded on the date of the declaration of the distribution thereof in the income statement.
- Gains or losses resulting from the differences in foreign currency exchange of such assets shall be recorded in the fair value reserve.
- The fair value of the financial assets which cannot be determined with reliability shall be recognized at cost and the impairment test shall be carried out at the end of every financial period. The impairment in its value shall be recorded in the income statement and the impairment loss of such assets cannot be recovered during subsequent periods.

#### Sales Receivables through the Income Statement

- These are sale receivables (International Murabaha) due to the Bank buying commodities with the purpose of selling same in the near future.
- The receivables are recorded at fair value upon sale and they are subsequently re-valued at fair value through the market indicators of such receivables and the change in fair value is recognized in the Statement of Income.
- The Bank may dispose off of such receivables by a debt assignment to another person at its net nominal or book value whereby the difference shall be recorded in the Statement of Income.

#### Ijara - (Lease to Own)

- It is an alienation contract for a consideration which expires by the acquisition of the leased assets by the lessee.
- The assets which are acquired for the purpose of Ijara upon the acquisition thereof at the historical cost including direct costs to render same suitable for utilization. The leased assets are depreciated by the straight line method over the life of Ijara contract.
- When the amount which would be recovered from any of the acquired assets for the purpose of Ijara is lower than its net book value, such value shall be reduced to the amount which could be recovered and the impairment amount shall be recorded in the Statement of Income.
- The income from Ijara is distributed over the financial years which the Ijara contract covers.

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

It is an acquisition of real estate for the purpose of obtaining periodical income or in anticipation of the increase of value thereof or both. Initially, the investment in real estate is recognized at cost plus direct cost and it shall be subsequently measured depending on its application whether for utilization (cost or fair value model) or for the purpose of sale; noting that when the Bank approves either model, it must apply it on all investments in real estate.

#### A- Investment in Real Estate for the Purpose of Utilization

The cost or fair value model shall be applied as follows:

#### - Cost Model

The investments in real estate are recorded at cost less the accumulated depreciation provision (if any). In the event that the Bank decides to apply this model, it must apply it for all investments in real estate.

#### Fair Value Model

Investments are measured at fair value and the increase in value shall be recorded in the fair value reserve and any decrease in the fair value shall be reduced from the increase that has been previously recorded. In the event that there is no increase in the value that was previously recorded, the difference shall be recognized in the Statement of Income and in the event that the Bank decides to apply this model, it must apply it for all investments in real estate.

#### B- Investments in Real Estate for the Purpose of Sale

Investments in real estate are recorded at the book value or fair value less costs of sale, whichever is less and such investments shall not be depreciated. The difference shall be listed in the Statement of Income.

The real estate may be transferred from the investment portfolio to the fixed assets portfolio or vice versa if the change in the purpose of utilization of such real estate can be established. The transfer shall be made at cost less deprecation if the Bank were using the cost model in measuring the portfolio's real estate otherwise, in the event that the Bank uses the fair value model, the real estate shall be transferred at its fair value at the date of transfer.

In the event that the real estate is transferred from the Bank's fixed assets to the real estate investment portfolio, such transfer shall be made at the cost of the real estate less depreciation and impairment provision (if any) as at the date of cessation of use.

#### **Provisions**

Provisions are recognized when the Bank has obligations at the date of the Financial Position arising from past events and that the settlement of obligations is probable and can be measured with reliability.

#### **Investment Risk Fund**

- The Bank deducts at least 10% of the gross gains of the joint investment realized on different running activities through the year in accordance with the Banks' laws. The rate is increased based on the instructions of the Central Bank of Jordan. The amended rate, after being increased, becomes valid in the financial year subsequent to the year in which such amendment has been decided.
- The balance of the Investment Risk Hedge Fund shall be vested in the Zakat Fund after covering all expenses and losses for which the Fund was established for the coverage or amortization thereof, thus concluding that the investors in the Bank have no right in the deducted amount at the determined rate which accrue in the Investment Risk Hedge Fund but rather such amounts are allocated to cover the losses that the joint investment activities may be subjected to.
- If losses occur in some joint investment activities which began and ended in a certain year such losses shall be covered from the gains realized by the other joint investment activities which began and ended in the same year.

If the losses were more than the gains in the same year, the loss shall be covered from the Investment Risk Hedge Fund.

- Yet, if the joint investment activities began and continued in past years and as a result it was found out during a certain year that such investment activities were, as a result, loosing activities, their losses shall be covered from the Investment Risk Hedge Fund.

#### **Fair Value of Financial Assets**

- The closing prices (purchase/sale) at the date of the Financial Statements in an active market represent the fair value of financial instruments which have a market value. If there are no actual rates or there is no active circulation for certain financial instruments or there is no active market, its fair value is then estimated by comparison with the current market value of a highly similar financial instrument.
- The objective of the measurement methods is to obtain a fair value that reflects the market and takes into consideration the market factors and any expected risks or benefits upon estimating the value of financial assets. If there are financial assets, the fair value of which cannot be measured with reliability, they shall be stated at cost after deducting any impairment in their value.

#### **Impairment of Financial Assets**

The Bank reviews the values that are established in the financial assets registers at the date of the Financial Position to determine whether there are indicators evidencing impairment in their value individually or collectively. If such indicators exist, the recoverable value shall be estimated in order to determine the impairment loss.

#### **Property and Equipment**

 Property and equipment are stated at cost after deducting the accumulated depreciation and any impairment in their value. Property and equipment are depreciated (except lands) when they are ready for use by the straight line method over the expected useful life thereof by using the following annual rates:

	Percentage
Buildings	2%
Equipment, Devices & Furniture	2.5%-15%
Transportation Means	15%
Computers	25%
Improvements & Decorations	10%

- The useful life of property and equipment is revised at the end of every financial year, so if the useful life expectations are different from the previously prepared estimates, the change in the estimate for the subsequent years shall be registered on account that it is a change in estimates.
- When the amount which may be recoverable from any property and equipment is less than their net book value, their value shall be reduced to the value which may be recoverable and the impairment loss shall be registered in the Statement of Income.

#### Intangible Assets

- -The intangible assets which are acquired through a different method other than incorporation in cost shall be registered.
- Intangible assets are classified based on the estimation of their useful life for a definite or indefinite period. The intangible assets which have a definite useful life shall be amortized during such life and the amortization shall be recorded in the Statement of Income. As for the intangible assets which have an indefinite useful life, the impairment in their value shall be revised at the date of the Financial Statements and any impairment in their value shall be recorded in the Statement of Income.
- Intangible assets resulting from the Bank's activities are not capitalized and shall be registered in the Statement of Income in the same year.
- Indications of impairment of intangible assets are reviewed at the date of the Financial Statements as well as the useful life of such assets shall be reviewed and any adjustments shall be reflected in the subsequent years.
- Software and systems are stated in the Financial Position at cost after deducting the accumulated amortization. It shall be amortized when it is ready for use by the straight line method over the expected useful life thereof by using the annual rates of 10-25%.

#### **End of Service Indemnity Provision**

- The annual indemnities paid to the employees who leave employment are debited to the end of service indemnity provision upon being paid. The increase in the indemnity paid in excess of the amortized provision shall be registered in the Statement of Income upon payment and a provision for the obligations consequent on the Bank in respect of the end of service indemnity shall be taken in the Statement of Income in accordance with the Bank's personnel bylaws and the provisions of the Labor Law.

#### **Income Tax**

- Tax expense comprises current tax and deferred taxes.
- Current tax is calculated on taxable profits which may differ from the accounting profits declared in the Financial Statements because the declared profits comprise revenues which are not subject to taxation or expenses which cannot be deducted in the financial year but rather in subsequent years or the accumulated losses which are tax deductible or items which are not subject or could not be deducted for taxation purposes.
- Taxes are calculated at the tax rates determined by virtue of the Laws, Regulations and Instructions of the Hashemite Kingdom of Jordan.
- Deferred taxes are taxes expected to be paid or recovered due to temporary time differences between the tax bases of assets and liabilities in the financial statements and the value on the basis of which the taxable profit is calculated. The deferred taxes shall be calculated by using the financial position obligation method and such deferred taxes shall be calculated in accordance with the taxation rates which are expected to be applied upon settling the tax obligation or the realization of the deferred tax assets.
- The carrying values of the deferred tax assets are reviewed at the date of the Financial Statements and shall be reduced to the extent that it is no longer probable to benefit from such tax assets in part or in whole.

#### **Fiduciary Assets**

Assets held in a fiduciary capacity are not recognized as assets of the Bank. Fees and commissions for administering such accounts are recognized in the Statement of Income.

#### **Accounts Managed by Proxy**

These represent the accounts which the Bank administers by proxy and within a programme determined with the Central Bank of Jordan. The funds which are invested by proxy are recognized outside the Statement of Financial Position and the Bank's share from the proxy (returns) within the Statement of Income.

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

- Revenues are recorded and expenses are recognized on the basis of maturity save revenues from future sales and nonperforming finances which shall not be recognized as revenues and are recorded in the revenue in suspense account.
- Commissions are recorded upon rendering the services related thereto. Dividend income is recognized when earned (when approved by the General Assembly of Shareholders).

#### **Recognition Date of Financial Assets**

Purchase and sale of financial assets are recognized on the trading date (the date on which the Bank commits to purchase or sell financial assets).

#### **Foreign currencies**

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transactions.
- Financial assets and financial liabilities denominated in foreign currencies are translated at the average rates prevailing on the date of the Statement of Financial Position which are declared by the Central Bank of Jordan.
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.
- Gains and losses resulting from foreign currency translation are recorded in the Statement of Income.

#### **Cash and Cash Equivalent**

- It is cash and cash balances that mature within three months and comprise cash on hand, cash balances with the Central Bank and cash balances with banks and financial institutions less banks and financial institution deposits that mature within three months and restricted balances.

### **3- Accounting Estimates**

Preparation of the Financial Statements and the application of accounting policies require the Bank's Management to make estimates and assumptions that affect the amounts of assets and liabilities, fair value reserve and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses and provisions as well as in the changes in fair value reported in the Statement of Comprehensive Income. In particular the Bank's Management is required to make significant judgments for the estimation of the amounts and timing of future cash flows. The said estimates are necessarily based on multiple assumptions and factors that have different degrees of estimation and uncertainty and the actual results may differ from the estimates due to the changes resulting from situations and conditions of such estimates in the future.

- A provision shall be taken for lawsuits raised against the Bank based on a legal study prepared by the Bank's attorney according to which the potential risks that may occur in the future are determined. Such studies shall be revised periodically.
- A provision for impairment in the financed facilities by the bank shall be taken depending on bases and assumptions approved by the Bank's Management in respect of the estimation of the provision which must be taken comparing the results of such bases and assumptions with the provision that must be taken by virtue of the instructions of the Central Bank of Jordan. The more stringent results shall be approved which are consistent with the Islamic Accounting and Auditing Organization of Financial Institutions.
- Noting that the Bank has implemented the new classification instructions in respect of hire-purchase (Ijara) promulgated by the Central Bank of Jordan on 17 November 2014 which resulted in realizing a saving in the finances provisions amounting to 1,002,298 JOD for the year ending 31 December 2014.
- Management periodically re-evaluates the useful lives of tangible and intangible assets for the purposes of calculating the annual depreciation and amortization depending on the general status of such assets and the estimates of the productive activities expected in the future. The impairment loss (if any) is charged to the Statement of Income.
- The financial year shall be charged with its share of the income tax expense in accordance with the accounting regulations, laws and standards and the necessary tax provision shall be calculated.
- Management carries out periodical review of financial assets which are recorded at cost in order to estimate any impairment in their value and such impairment (if any) shall be recorded in the Statement of Income of the year.
- Management periodically appraises the real estate within the real estate investment portfolio and a provision shall be taken for any impairment in their value within the Investment Risk Hedge Fund as the portfolio is within the joint investment whereby buildings within such portfolio shall be depreciated at 10% per annum.
- Levels of fair value: the standard requires the determination and declaration about the level of the sequence of fair value by virtue of which the standards of full fair value are classified with segregation of the fair value measurements in accordance with the levels specified in the International Financial Reporting Standards. The difference between level (2) and level (3) of the fair value standards means the evaluation whether the information or inputs could be observed and the extent of importance of the information which cannot be observed which requires setting up precise judgments and analysis in respect of the inputs utilized to measure the fair value including taking into account all the factors associated with the asset or obligation.

67

# 4- Cash and Balances with Central Bank

This item consists of the following:

	31 December		
	2014	2013	
	JOD	JOD	
Cash in Treasury	23,894,443	18,915,865	
Balances with Central Bank			
Current and demand accounts	501,908,054	4,512,592	
Statutory Cash Reserve	78,910,394	64,701,617	
Total	604,712,891	88,130,074	

- Except for statutory cash reserve there are no restricted balances as at 31 December 2014, 2013.

# **5- Balances with Banks and Financial Institutions**

This item consists of the following:

	Local Banks and Banking Institutions					Total		
	31 December		31 December		31 Dec	ember		
	2014	2013	2014	2013	2014	2013		
TRUE AND	JOD	JOD	DOL	JOD	JOD	DOL		
Current and demand accounts	3,322,291	5,414,129	8,829,038	4,891,245	12,151,329	10,305,374		
	3,322,291	5,414,129	8,829,038	4,891,245	12,151,329	10,305,374		

- There are no restricted cash balances as at 31 December 2014, 2013.

# 6- Deferred Sales Receivables and other Receivables - Net

This item consists of the following:

	Joi	Joint Self		То	tal	
1 1000	31st De	cember	31st De	cember	31st De	cember
/	2014	2013	2014	2013	2014	2013
1	JOD	JOD	JOD	JOD	JOD	JOD
Individuals (Retail)						
Murabaha for the Purchase Order	120,182,945	96,326,357	-	-	120,182,945	96,326,357
Deferred Sale	1,124,376	822,099	-	-	1,124,376	822,099
Receivables – Ijara (lease to own)	717,724	499,960	-	-	717,724	499,960
Real Estate Finances	71,962,692	64,596,158	-	7,434	71,962,692	64,603,592
Large Corporates						
International Murabaha *	122,699,197	593,029,117	474,509	1,984,684	123,173,706	595,013,80
Murabaha for the Purchase Order	156,811,259	126,154,026	4,706,627	7,288,905	161,517,886	133,442,93
Receivables – Ijara (lease to own)	1,678,196	1,168,808	711,306	142,804	2,389,502	1,311,612
SMEs						
Murabaha for the Purchase Order	40,180,706	30,317,502	-	93,422	40,180,706	30,410,924
Deferred Sale	160,773	224,108	-	-	160,773	224,108
Total	515,517,868	913,138,135	5,892,442	9,517,249	521,410,310	922,655,38
Less Deferred Revenues	39,539,457	31,898,454	12,867	20,725	39,552,324	31,919,179
mpairment Provision	8,087,748	8,258,304	4,395,772	5,475,746	12,483,520	13,734,050
Revenues in Suspense	1,040,548	944,116	478,917	184,069	1,519,465	1,128,185
Net Deferred Sales Receivables and other Receivables	466,850,115	872,037,261	1,004,886	3,836,709	467,855,001	875,873,97

\*Pursuant to the letter of the Governor of Jordan Central Bank No. 10/1/1686 dated 20 February 2014, international Murabaha in Jordan JOD has been ceased considering any previous consents rendered in such regard null and void.

The movement on Future Sales Receivables was as follows:

	Deferred Sale Receivables	Deferred Revenues	Impairment Provision
	DOL	JOD	DOL
Balance at the Beginning of the Year	1,046,207	74,460	6,004
Additions	2,158,717	115,133	3-3 5 M
Disposals	(1,919,775)	(137,078)	
Balance at the End of the Year	1,285,149	52,515	6,004

#### Impairment Provision of Deferred Sales, Investment Finances, Ijara and Qard Hasan

Following is the movement on the allowance for Impairment

	Individuals	Real Estate	Large Corporates	SMEs	Total
31 December 2014					
	JOD	JOD	JOD	JOD	JOD
Balance at the Beginning of the Year	27,797	-	5,461,653	97,113	5,586,563
Charged to Income during the year	-	-	168,000	-	168,000
Amounts used from the Allowance during the Year (Written Off Receivables)*	-	-	(1,207,108)	-	(1,207,108)
Adjustments during the Year	36,850	-	60,263	(97,113)	-
Balance at the End of the Year	64,647		4,482,808		4,547,455
Provision for Impairment of Non- Performing Sales Receivables Basis on a single Customer	63,665	-	4,375,239	98,314	4,537,218
Provision for Impairment of Watch List Sales Receivables Basis on a single Customer	982	-	7,701	1,554	10,237
Balance at the End of the Year	64,647		4,382,940	99,868	4,547,455
	Individuals	Real Estate	Large Corporates	SMEs	Total
31 December 2013	- 7		- (.	\$	< $>$
	JOD	JOD	JOD	DOL	JOD
Balance at the Beginning of the Year	14,298	17,994	2,035,230	99,041	2,166,563
Charged to Income during the year	-	-	3,420,000	-	3,420,000
Adjustments during the Year	13,499	(17,994)	6,423	(1,928)	-
Balance at the End of the Year	27,797		5,461,653	97,113	5,586,563
Provision for Impairment of Non- Performing Sales Receivables Basis on a single Customer	27,528	-	5,450,694	97,113	5,575,335
Provision for Impairment of Watch List Sales Receivables Basis on a single Customer	269	-	10,959	-	11,228

\*During 2014, the Bank requisitioned real estate from one of the customers at the value of the mortgage securities which are higher than the market value (fair value) for such properties at the date of acquisition and registered the difference (as written-off receivables) in the allowance for the impairment of own future sales receivables as it was self-financed noting that the value of the real estate was registered at the market value (fair value) in the real estate investment portfolio (joint) after taking into consideration the amount of impairment mentioned above.

- The total General Banking Risks Reserve against receivables and self financing amounted to 882,000 JOD as at 31 December 2014 (compared with 882,000 JOD as at 31 December 2013).

- The total prepared provisions were declared against debts calculated on the individual customer basis.

- The amount of the provisions which is no longer required due to settlements or re-payment of debts and which was transferred against receivables and other finances amounted to 2,999,079 JOD as at 31 December 2014 (compared with 1,738,553 JOD as at 31 December 2013).

#### **Revenues in Suspense**

The movement in the Revenues in suspense is as follows:

	Self						
	Large Corporates 31st December		Real Estate Finances 31st December		Total 31st December		
1 AF	2014	2013	2014	2013	2014	2013	
	JOD	JOD	JOD	JOD	JOD	JOD	
Balance at the Beginning of the Year	184,069	719	-	6,925	184,069	7,644	
Add: Revenues in Suspense during the year	326,177	184,069	-	-	326,177	184,069	
Less: Revenues in Suspense transferred to Income	(31,329)	(719)	-	(6,925)	(31,329)	(7,644)	
Balance at the End of the Year	478,917	184,069			478,917	184,069	

A ALA	Joint							
		Real	Corp					
TAAL	Individuals	Estate	Large	Small & Medium	Total			
31 December 2014	10		-					
XXX/	JOD	JOD	JOD	JOD	JOD			
Balance at the Beginning of the Year	86,325	214,944	241,066	401,781	944,116			
Add: Revenues in Suspense during the year	37,758	25,060	163,407	59,850	286,075			
Less: Revenues in Suspense transferred to Income	(31,612)	(30,288)	(37,201)	(90,542)	(189,643)			
Adjustments during the Year	(13,250)	13,250	288,864	(288,864)	-			
Balance at the End of the Year	79,221	222,966	656,136	82,225	1,040,548			
	115-	S.U.	8. C < 3	See. A				
31 December 2013					- 1 <sup>76</sup>			
Balance at the Beginning of the Year	70,621	190,787	85,939	404,222	751,569			
Add: Revenues in Suspense during the year	39,047	39,771	186,801	117,605	383,224			
Less: Revenues in Suspense transferred to Income	(23,343)	(15,614)	(31,674)	(120,046)	(190,677)			
Balance at the End of the Year	86,325	214,944	241,066	401,781	944,116			

# 7- Deferred Sales Receivables through Income Statement

The sales receivables through the Statement of Income amounted to 6,513,267 JOD and an impairment provision for the sales receivables was taken against it for an amount of 6,513,267.

## 8- Ijara Assets – Net

This item consists of the following:

		Joint			Self			Total	
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
31st December 2014							k.		1
	JOD	JOD	JOD	JOD	JOD	JOD	DOL	JOD	JOD
ljara Assets–Real Estate	479,361,372	(81,973,036)	397,388,336	5,275,000	(1,078,369)	4,196,631	484,636,372	(83,051,405)	401,584,96
ljara Assets– Machinery	13,394,006	(5,425,951)	7,968,055	-	-	-	13,394,006	(5,425,951)	7,968,05
lj <mark>ara A</mark> ssets – Vehicles	3,693,638	(585,803)	3,107,835	-	-	-	3,693,638	(585,803)	3,107,83
Total	496,449,016	(87,984,790)	408,464,226	5,275,000	(1,078,369)	4,196,631	501,724,016	(89,063,159)	412,660,8
				1	1932	A	2-0	N	~
31 December 2013					2	~	X	1	5

ljara 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
ljara Assets – Machinery	12,788,062	(6,907,562)	5,880,500	-	-	-	12,788,062	(6,907,562)	5,880,500
ljara Assets – Vehicles	576,243	(205,874)	370,369	-	-	-	576,243	(205,874)	370,369
Total	371,861,991	(69,627,492)	302,234,499	5,275,000	(786,070)	4,488,930	377,136,991	(70,413,562)	306,723,429

- Total Ijara installments due amounted to 3,107,226 JOD as at 31 December 2014 (1,811,572 as at 31 December 2013) noting that the Ijara balances due were presented within the sales receivables and other receivables (Note 6).

- Non-Performing (Ijara) amounted to 1,430,455 JOD ie.0.3% of the balance of Ijara as at 31 December 2014 (6,706,683 JOD ie. 2.186% as at 31 December 2013) where the new classification instructions in respect of Ijara issued by the Central Bank on 17 November, 2014 were applied.

- Non-Performing Ijara after deducting profits in suspense amounted to 626,406 JOD ie. 0.2% of the balance of Ijara as at 31 December 2014 (6,278,770 JOD ie. 2% as at 31 December 2013) where the new classification instructions in respect of Ijara issued by the Central Bank on 17 November, 2014 were applied.



## 9- Finance Investments

This item consists of the following:

	J	pint
	31 De	cember
	2014	2013
	DOL	JOD
Real Estate Financings		11,306
Large Corporates		
Mudaraba	813,354	4,021,517
Net Financings	813,354	4,032,823

- Non-Performing deferred sales receivables, other receivables, financings, Ijara and Qard Hasan amounted to 15,525,582 JOD ie. 1.6% of the balance of future sales receivables, other receivables, financings, Ijara and Qard Hasan for the year (25,570,623 JOD ie. 2% of the balance granted at the end of the previous year), where the new classification instructions in respect of Ijara issued by the Central Bank on 17 November, 2014 were applied.

- Non-Performing deferred sales receivables, other receivables, financings, Ijara and Qard Hasan after deducting revenues in suspense amounted to 14,006,117 JOD ie. 1.5% of the balance of future sales receivables, other receivables, financings, Ijara and Qard Hasan after deducting revenues in suspense (24,442,438 JOD ie. 2% of the balance granted at the end of the previous year), where the new classification instructions in respect of Ijara issued by the Central Bank on 17 November, 2014 were applied.

## **10- Financial Assets at Fair Value through OCI**

This item consists of the following:

	S	elf	
1 A A A	31 December		
X X X X X	2014	2013	
A F I	JOD	JOD	
Financial Assets quoted in the Market			
Investment Portfolios managed by Third Parties*	5,762,487	5,464,508	
Financial Assets Non- quoted in the Market			
Companies' Shares	24,000	24,000	
Total Financial Assets at Fair Value through OCI	5,786,487	5,488,508	

\* This item represents the investment portfolios managed by Arab Investment Group Company and comprises external shares and Islamic Sukuk.

- There was no transfer of retained earnings under Shareholders' Equity relating to financial assets through Shareholders' Equity.

73

## 11- Financial Assets at Amortized Costs – Net

	Joint		Se	elf	Total		
	31st December		31st December		31st December		
	2014	2013	2014	2013	2014	2013	
	JOD	JOD	JOD	JOD	JOD	JOD	
Islamic Sukuk quoted in the Market	7,734,886	-	1,085,656	2,521,380	8,820,542	2,521,380	
Total	7,734,886		1,085,656	2,521,380	8,820,542	2,521,380	

This item consists of the following:

The above assets mature within the period from 2016 until the end of 2018.

No impairment provisions against financial assets at amortized cost were taken.

### **12-Investments in Real Estate**

This item consists of the following:

Investment in Real Estate for the purpose of Usage

	Joint	
	31 Dec	cember
	2014	2013
	JOD	DOL
Investments in Real Estate	24,801,530	21,921,947
Accumulated Depreciation	(441,303)	(244,965)
Impairment Provision	(2,633,000)	(733,987)
Total	21,727,227	20,942,995

Buildings within the real estate portfolio above are depreciated by the straight line method at a depreciation rate of 10%.

The movement in the real estate investment portfolio during the year was as follows:

2014	Balance at the Beginning of the year	Additions during the year	Disposals during the year	Balance at the End of the year
	JOD	JOD	JOD	JOD
Investments in Real Estate	21,921,947	3,436,606	(557,023)	24,801,530
Accumulated Depreciation	(244,965)	(196,338)	-	(441,303)
Total	21,676,982	3,240,268	557,023	24,360,227
Real Estate Impairment Provision	(733,987)	(1,899,013)	-	(2,633,000)
Net	20,942,995	1,341,255	(557,023)	21,727,227
2013	Balance at the Beginning of the year	Additions during the year	Disposals during the year	Balance at the End of the year
2013		5		
2013 Investments in Real Estate	Beginning of the year	the year	the year	of the year
	Beginning of the year JOD	the year JOD	the year JOD	of the year JOD
Investments in Real Estate	Beginning of the year JOD 23,015,471	the year JOD 844,787	the year JOD (1,938,311)	of the year JOD 21,921,947
Investments in Real Estate Accumulated Depreciation	Beginning of the year JOD 23,015,471 (83,255)	the year JOD 844,787 (183,685)	the year JOD (1,938,311) (21,975)	of the year JOD 21,921,947 (244,965)
Investments in Real Estate Accumulated Depreciation Total	Beginning of the year JOD 23,015,471 (83,255)	the year JOD 8444,787 (183,685) 661,102	the year JOD (1,938,311) (21,975)	of the year JOD 21,921,947 (244,965) 21,676,982

The fair value of the real estate investment portfolio amounted to 23,135,980 [JOD] as at 31 December 2014 (compared with 22,702,571 JOD as at 31 December 2013).

During 2014, the Bank appropriated real estate from one of the customers at the value of mortgage deeds which are higher than the market value (fair value) of such real estate at the date of acquisition and the difference (as written off receivables) was recorded in the impairment provision of the self future sales receivables as it was self-financed noting that the value of the real estate at market value (fair value) was recorded in the real estate investments portfolio (joint).

## 13- Property and Equipment - Net

This item consists of the following:

	Land	Buildings	Equipment, Devices & Furniture	Transportation Media	Computers	Improvements & Decorations	Total
2014		Real Providence					
/	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cost:							
Balance at the Beginning of the Year	7,152,508	4,796,693	5,111,544	257,308	4,420,350	9,505,204	31,243,60
Additions	-	-	945,263	-	686,234	1,010,008	2,641,50
Disposals	-	-	(153,970)	-	(144,213)	-	(298,183
Balance at the End of the Year	7,152,508	4,796,693	5,902,837	257,308	4,962,371	10,515,212`	33,586,92
Accumulated Depreciation:							
Accumulated Depreciation at the Beginning of the Year	-	962,868	2,837,971	125,538	3,375,173	4,603,213	11,904,76
Depreciation of the Year	-	100,969	515,600	32,541	549,595	801,228	1,999,93
Disposals	-	-	(144,354)	-	(140,638)	-	(284,992
Accumulated Depreciation at the End of the Year	-	1,063,837	3,209,217	158,079	3,784,130	5,404,441	13,619,70
Net Book Value for Property and Equipment	7,152,508	3,732,856	2,693,620	99,229	1,178,241	5,110,771	19,967,2
Projects under Process	-	-	633,315	-	101,447	224,573	959,335
Net property and Equipment at the End of the Year	7,152,508	3,732,856	3,326,935	99,229	1,279,688	5,335,344	20,926,5
AX	Land	Buildings	Equipment, Devices & Furniture	Transportation Media	Computers	Improvements & Decorations	Total
2013	2	÷.,		S			
Cost:		No.					
Balance at the Beginning of the Year	6,628,108	4,261,789	4,677,053	163,308	4,098,110	9,215,599	29,043,96
Additions	524,400	804,904	509,627	94,000	364,576	293,795	2,591,30
Disposals	-	(270,000)	(75,136)	-	(42,336)	(4,190)	(391,662
Balance at the End of the Year	7,152,508	4,796,693	5,111,544	257,308	4,420,350	9,505,204	31,243,60
Accumulated Depreciation:							
Accumulated Depreciation at the Beginning of the Year	-	951,037	2,458,612	88,960	2,838,258	3,849,302	10,186,16
Depreciation of the Year	-	100,932	440,379	36,578	578,105	755,112	1,911,10
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	11,904,76
Net Book Value for Property and Equipment	7,152,508	3,833,825	2,273,573	131,770	1,045,177	4,901,991	19,338,84
Projects under Process	-	-	166,944	-	306,722	105,664	579,330
Net property and Equipment at the	7,152,508	3,833,825	2,440,517	131,770	1,351,899	5,007,655	19,918,17
End of the Year	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	5,055,025	2,110,517	151,770			

- The cost of property and equipment totally depreciated amounts to 4,684,006 JOD as at 31 December 2014 (4,137,325 JOD as at 31 December 2013)

## 14- Intangible Assets – Net

This item consists of the following:

	Computer Systems and Programmes		
	31 De	cember	
	2014	2013	
	DOL	DOL	
Balance at the Beginning of the Year	867,677	1,134,701	
Additions	347,991	-	
Amortization for the Year	(244,108)	(267,024)	
Balance at the End of the Year	971,560	867,677	
Annual Amortization Rates%	10 - 25	10 – 25	

## **15-Other Assets**

This item consists of the following:

	31 Dec	cember
	2014	2013
	DOL	JOD
Pre-paid Expenses	1,188,912	955,321
Accrued Receivable Revenues	65,190	3,312,602
Foreclosed Assets	347,048	133,351
Others	965,175	633,267
Total	2,566,325	5,034,541

Following is a summary of the movement on the foreclosed assets:

	31 Dece	mber
	2014	2013
	DOL	JOD
Balance at the Beginning of the Year	133,351	-
Additions*	213,697	133,351
Balance at the End of the Year	347,048	133,351

\*The balance of foreclosed assets represents settlement of bad debts. The Bank is prohibited from the disposition thereof for one year from the date of registration of the real estate in the name of the Bank by virtue of the law.

## **16- Banks and Financial Institutions Accounts**

This item consists of the following

	31 De	31 December	
	2014	2013	
	JOD	JOD	
Current and Demand Accounts	82,369	11,034,918	
Total	82,369	11,034,918	

## **17- Customers' Current Accounts**

This item consists of the following:

1 Down		31 December, 2014							
XIA	Individuals	Large Corporates	SMEs	Government & Public Sector	Total				
4 X	JOD	JOD	JOD	JOD	JOD				
Current Accounts	460,155,557	31,267,825	55,182,738	3,555,331	550,161,451				
Total	460,155,557	31,267,825	55,182,738	3,555,331	550,161,451				
N/			31 December 2013						
$\langle \rangle \Rightarrow \langle$	Individuals	Large Corporates	SMEs	Government & Public Sector	Total				
Current Accounts	382,668,600	31,293,948	45,412,825	2,823,452	462,198,825				
Total	382,668,600	31,293,948	45,412,825	2,823,452	462,198,825				

- The deposits of the Government of Jordan and public sector within the Kingdom amounted to 3,555,331 JOD as at 31 December 2014 ie. 0.6% of the total customers' current accounts (2,823,452 JOD as at 31 December 2013 ie. 0.6%).

Restricted Deposits amounted to 5,397,868 JOD as at 31 December 2014 ie. 1% of the total customers' current accounts (2,902,473 JOD as at 31 December 2013 ie. 0.6%).

- Dormant Accounts amounted to 11,694,330 as at 31 December 2014 (12,811,108 as at 31 December 2013)

## **18- Cash Margins**

This item consists of the following:

	31 Dec	cember	
	<b>2014</b> 2013		
	JOD	JOD	
Margins against Sales Receivables and Financings	17,071,119	16,577,646	
Margins against Indirect Credit Facilities	5,054,249	7,244,669	
Other Margins	1,192,963	1,024,230	
Total	23,318,331	24,846,545	

77

## **19-Other Provisions**

The movement on Sundry Provisions is as follows:

2014	Balance at the Beginning of the year	Provision for the year	Provision used during the year	Balance at the End of the year
	JOD	JOD	JOD	JOD
Provision for end of Service Indemnity	2,086,996	516,683	279,902	2,323,777
Provision for Legal Cases	70,000	25,000	88,000	7,000
Total	2,156,996	541,683	367,902	2,330,777
	1000			
2013			X	× A
Provision for end of Service Indemnity	1,735,281	475,860	124,145	2,086,996
Provision for Legal Cases	14,137	60,500	4,637	70,000
Total	1,749,418	536,360	128,782	2,156,996

## 20- Provision for Income Tax

### **A- Provision for Income Tax**

The movement for the provision of Income Tax is as follows:

	31 Dec	ember
	2014	2013
	DOL	JOD
Balance at the Beginning of the Year	6,006,510	4,323,390
Income Tax paid during the Year	(6,594,809)	(5,093,938)
Income Tax paid for previous years	(45,426)	-
Current Income Tax	6,055,258	6,777,058
Balance at the End of the Year	5,421,533	6,006,510

### B- The Income Tax Balance presented in the Income Statement consists of the following:

	31 December		
	2014	2013	
	DOL	DOL	
Current Income Tax	6,055,258	6,777,058	
Deferred Tax Assets for the Year	(482,576)	(160,908)	
Amortization of Deferred Tax Assets	154,958	145,885	
Total	5,727,640	6,762,035	

- A final settlement took place with the Income and Sales Tax Department until the end of 2012. Self Tax Return for the year 2013 was submitted and the declared taxes were paid and were not yet reviewed by the Income and Sales Tax Department.

- The Income Tax due for the year ending 31 December, 2014 was calculated in accordance with the Income Tax Law in force.

- According to the opinion of the Management and the Tax Consultant, there is no need to take further provisions in respect of the year ending 31 December, 2014.

	31 December 2014					31 December 2013
Covered Accounts	Beginning Balance	Released Amounts	Added Amounts	Ending Balance	Deferred Tax	Deferred Tax
1- Deferred Tax Assets - Joint	JOD	JOD	JOD	JOD	JOD	JOD
Revenues in Suspense	799,218	189,643	286,075	895,650	313,478	239,765
	799,218	189,643	286,075	895,650	313,478	239,765
2- Deferred Tax Assets - Self						
Provision for end of Service Indemnity	2,086,996	279,902	516,683	2,323,777	813,322	626,099
Impairment Provision for Self Financings	1,491,473	148,625	-	1,342,848	469,997	447,442
Legal Provision	70,000	88,000	25,000	7,000	2,450	21,000

2.727.786

6.376.255

7,175,473

### C- Deferred Income Tax Assets / Liabilities – Self – Joint

Impairment in the Financial Assets at

**Grand Total** 

Fair Value through Shareholders' Equity

The deferred tax assets amounting to 2,240,494 [JOD] as at 31 December, 2014 resulting from time differences for the provision for end of service indemnity, provision for impairment in future sales receivables, provision for lawsuits and impairment in financial assets have been calculated at an average tax rate of 35% and in the Management's opinion, benefit shall be derived from these tax benefits from the profits which are expected to be realized in the future.

516.527

706,170

541.683

827,758

The Bank's deferred income tax assets and liabilities have been calculated at a rate of 35% as at 31 December, 2014 instead of 30% as at 31 December, 2013 by virtue of the income tax rate for banks in accordance with the Income Tax law No. 34 of 2014 which has come into force with effect from 1st January, 2015. As a result of such amendment, a difference amounting to 364,854 JOD resulted therefrom of which an amount of 320,071 JOD appeared as an increase in the income tax provision representing the increase in deferred tax assets - self and 44,783 JOD as an increase in the Investment Risk Hedge Fund representing an increase in the deferred tax assets - joint and a difference in the deferred tax liability amounting to 45,640 JOD as a reduction in the reserve for assessing financial assets within sundry comprehensive income items and shareholders' equity.

3- Deferred Tax Liabilities - Self		2/2				200
Financial Assets at Fair Value through Shareholders' Equity	614,816	4-	297,982	912,798	319,479	184,445
Grand Total	614,816		297,982	912,798	319,479	184,445

- The deferred tax liabilities amounting to 319,479 JOD as at 31 December, 2014 (184,445 JOD as at 31 December, 2013) resulted from gains from valuation of financial assets which are presented within the fair value reserve of shareholders' equity.

The movement on the deferred tax assets and liabilities – Joint is as follows:

	31 Decer	31 December 2014		nber 2013
	Assets	Liabilities	Assets	Liabilities
	JOD	JOD	JOD	JOD
Balance at the Beginning of the Year	239,765	-	182,001	-
Additions During the Year	130,606	-	114,967	-
Amortized During the Year	(56,893)	-	(57,203)	-
Balance at the End of the Year	313,478		239,765	

79

818,335

1,912,876

2,152,641

2.727.786

6.401.411

7,297,061

954,725

2,240,494

2,553,972

The movement on the deferred tax assets and liabilities – Self is as follows:

	31 Decen	31 December 2014		nber 2013
	Assets	Liabilities	Assets	Liabilities
	JOD	JOD	JOD	JOD
Balance at the Beginning of the Year	1,912,876	184,445	1,897,853	100,719
Additions During the Year	482,576	135,034	160,908	84,581
Amortized During the Year	(154,958)	-	(145,885)	(855)
Balance at the End of the Year	2,240,494	319,479	1,912,876	184,445

## D- Reconciliation of the Accounting profit with Taxable Profit

		~
	2014	2013
	JOD	DOL
Accounting Profit	19,092,135	22,511,480
Add: Expenses not Deductable for Tax Purposes	7,871,789	6,423,893
Non-Taxable Profits	(189,643)	(190,677)
Other Adjustments	836,451	(74,422)
Taxable Profit	27,610,732	28,670,274
Tax Rate	30%	30%
Net Income Tax Provision	8,283,220	8,601,082
For:		
Declared Provision – Bank	6,055,258	6,777,058
Declared Provision – Investment Risks Fund	2,101,864	1,824,024
Declared Provision – Joint Insurance Fund*	126,098	-
	8,283,220	8,601,082

\*The joint insurance fund has been created for the purposes of covering default in settlement as a result of death or total disability of the customers' credit facilities as per the incorporation regulations of the fund which was approved by the Central Bank of Jordan.

## **21- Other Liabilities**

	31 Dec	cember
	2014	2013
	JOD	JOD
Cheques in Transit	8,375,447	5,647,674
Transfers in Transit	6,513,560	3,793,955
Accrued Expenses	326,448	690,998
Accrued Profits Payable	4,825,979	3,227,420
Commissions Received in Advance	382,450	297,151
Intermediate Accounts	1,503,416	953,021
Joint Insurance Fund Tax	126,098	-
Remuneration of Board of Directors	25,000	25,000
	22,078,398	14,635,219

## 22- Joint Investment Accounts

This item consists of the following:

	31 December, 2014						
	Individuals	Large Corporates	SMEs	Government & Public Sector	Total		
	JOD	JOD	JOD	JOD	JOD		
Savings Accounts	153,093,310	1,038,740	2,412,222	27,339	156,571,611		
Time Deposits*	532,580,155	41,575,627	47,637,691	20,589,939	642,383,412		
Total	685,673,465	42,614,367	50,049,913	20,617,278	798,955,023		
Depositors' Share of the Investment Returns	14,654,652	1,317,924	1,732,265	1,187,359	18,892,200		
Total Joint Investment Accounts	700,328,117	43,932,291	51,782,178	21,804,637	817,847,223		

	31 December, 2013					
AA	Individuals	Large Corporates	SMEs	Government & Public Sector	Total	
A A A	JOD	JOD	JOD	JOD	JOD	
Savings Accounts	118,776,244	659,199	1,360,646	16,968	120,813,057	
Time 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' Share of the Investment Returns	12,070,559	748,777	786,926	536,357	14,142,619	
Total Joint Investment Accounts	600,495,413	33,822,171	35,410,511	24,075,219	693,803,314	

\*Time Deposits comprise an amount of 2,380,895 JOD (net after tax) which is the balance of the joint insurance fund which has been created during 2014 for the purposes of covering the settlement of financings as a result of the customer's death or total disability as per the incorporation regulations of the fund which was approved by the Central Bank of Jordan. The Investment Profits to the account of the fund was 65,426 JOD.

The Joint Investment Accounts participate in profits based on the following:

- 50% from the balance of the Savings Accounts monthly.
- 90% of the lowest balance of Time Deposits.
- The General Rate of Profit on the Jordanian Dinar for the first and second halves of 2014 was 3.734% and 3.976% respectively (3.667% and 3.159% in the previous year).
- The General Rate of Profit on USD for the first and second halves of 2014 was 0.253% and 0.279% respectively ( 0.139% and 0.123% in the previous year)
- The Restricted Accounts amounted to 1,462,103 JOD as at 31 December 2014 (690,299 JOD as at 31 December, 2013)
- The Joint Investment Accounts of the Government of Jordan and Public Sector within the Kingdom amounted to 21,804,638 JOD as at 31 December, 2014 ie. At 2.7% of the total Joint Investment Accounts (24,075,219 JOD as at 31 December 2013 ie. 3.5%).

## 23- Investment Risk Fund

The movement on the Investment Risk Fund is as follows:

	31 Dec	cember
	2014	2013
	JOD	JOD
Balance at the Beginning of the Year	20,933,524	16,809,134
Add: Transferred from Joint Investment Revenues for the Year through the Income Statement	6,204,449	5,887,533
Investment Profits of the Fund	705,330	-
Less: Income Tax	(2,028,151)	(1,766,260)
Difference in Translation of Foreign Currencies	(5,988)	3,117
Balance at the End of the Year	25,809,164	20,933,524

## The Fund's Income Tax Item represents the following:

	31 December		
	2014	2013	
	DOL	JOD	
Accrued Income Tax on the Transferred from Investment Profits	1,890,264	1,824,024	
Deferred Tax Assets	(130,606)	(114,967)	
Amortization of Deferred Tax Assets	56,893	57,203	
Accrued Income Tax on the Fund's Investments Profit	211,600	-	
	2,028,151	1,766,260	

### The Balance of the Investment Risk Fund is distributed as follows:

	31 December		
	2014	2013	
	JOD	DOL	
Against Impairment of deferred Sales Receivables (Note 6)	8,087,748	8,258,304	
Against Impairment in Investments in Real Estate (Note 12)	2,633,000	733,987	
Remaining Balance	15,088,416	11,941,233	

The Movement on the Tax of the Investment Risk Fund is as follows:

	31 Dec	31 December		
	2014	2013		
	JOD	JOD		
Balance at the beginning of the Year	1,477,266	1,699,841		
Less: Paid Income Tax	(1,857,612)	(2,046,599)		
Add: Accrued Income Tax for the Year	2,101,864	1,824,024		
Balance at the End of the Year	1,721,518	1,477,266		

- A final settlement took place with the Income and Sales Tax Department until the end of 2012. Self Tax Return for the year 2013 was submitted and the declared taxes were paid and were not yet reviewed by the Income and Sales Tax Department.

- The remaining balance represents the undistributed portion over the joint investments accounts.

## 24- Capital (Paid-up)

- The authorized and Paid-up Capital at the end of the financial year amounted to 100 million JOD distributed over 100 million shares at a par value of one Dinar per share as at 31 December, 2014 (100 million shares at a par value of one Dinar per share as at 31 December, 2013).

### 25- Reserves

### - Statutory Reserve

The accumulated amounts in this account represent what has been transferred from the annual pre-tax profits at a rate of 10% in accordance with the Banks' Law which is not available for distribution to shareholders.

### - Voluntary Reserve

The accumulated amounts in this account represent what has been transferred from the annual pre-tax profits at a rate not exceeding 20% during the previous years. This voluntary reserve shall be utilized for the purposes determined by the Board of Directors and the General Assembly shall be entitled to distribute it in whole or in part as dividends to shareholders.

### - General Banking Risk Reserve

This reserve represents General Banking Risk Reserve on future sales receivables and the Bank's own financings in accordance with the instructions of Central Bank of Jordan.

- Restricted Reserves are as follows:

		31 December			
Reserve	2014	2013	Regulation		
	, dor	JOD			
Statutory Reserve	15,418,065	13,508,851	Requirement of the Law		
General Banking Risk Reserve	882,000	882,000	Central Bank Instructions		

### - Proposed Dividends to Shareholders

During its session No. 1 held on 26 January, 2015, the Board of Directors recommended a distribution of 7,090,000 JOD to the shareholders (Arab Bank) ie. 7.09% of the paid-up capital from the retained profits which are distributable and the voluntary reserve which shall be subject to the approval of the Shareholders' General Assembly.

## 26- Fair Value Reserve – Net

This item consists of the following:

	Self		
	31 December		
	2014	2013	
	DOL	JOD	
Financial Assets at Fair Value through Shareholders' Equity	593,319	430,371	
Balance at the End of the Year	593,319	430,371	

The Movement on the Fair Value Reserve was as follows:

	S	elf	
	31 December		
	2014	2013	
	DOL	DOL	
Balance at the Beginning of the Year	430,371	235,012	
Unrealized Gains	297,982	281,935	
Deferred Tax Liabilities	(135,034)	(83,726)	
Realized Losses Transferred to Accumulated Losses	-	(2,850)	
Balance at the End of the Year	593,319	430,371	

The Net Fair Value Reserve is presented after deducting the self deferred tax liabilities for an amount of 593,319 JOD as at 31 December, 2014 (430,371 JOD as at 31 December, 2013).

## 27- Retained Earnings (Accumulated Losses)

This item consists of the following:

	Sei	lf
	31 Dece	ember
	2014	2013
	DOL	JOD
Balance at the Beginning of the Year	(3,399,777)	(16,952,657)
Profit for the Year	13,364,495	15,749,445
(Transferred) to Reserves	(1,909,214)	(2,251,148)
Gains (Losses) of Financial Assets at Fair Value through Shareholders' Equity	-	54,583
Balance at the End of the Year *	8,055,504	(3,399,777)

\*The retained earnings balance includes 2,240,494 JOD which is restricted against deferred tax benefits as at 31 December, 2014 (1,912,876 JOD as at 31 December 2013).

## **28- Deferred Sales Revenues**

This item consists of the following:

	Jo	int	S	elf	То	tal
	31 Dec	ember	31 Dec	cember	31 Dec	ember
	2014	2013	2014	2013	2014	2013
	JOD	JOD	JOD	JOD	JOD	JOD
Individuals (Retail)						
Murabaha for Commander of Purchase	10,049,879	7,617,271	-	-	10,049,879	7,617,271
Deferred Sale	119,606	51,262	-	-	119,606	51,262
Real Estate Financings	5,204,757	4,724,853	-	-	5,204,757	4,724,853
Large Corporates						
International Murabaha	2,272,458	10,449,019	10,056	2,813,636	2,282,514	13,262,655
Murabaha for Commander of Purchase	11,174,281	9,232,118	106,371	240,338	11,280,652	9,472,456
SMEs						
Murabaha for Commander of Purchase	3,221,972	2,506,325	-	-	3,221,972	2,506,325
Deferred Sale	17,472	17,858	-	-	17,472	17,858
Total	32,060,425	34,598,706	116,427	3,053,974	32,176,852	37,652,680

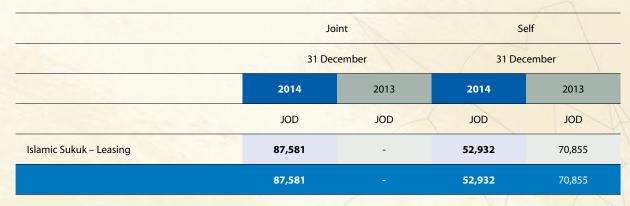
Pursuant to the Letter of the Governor of Jordan Central Bank No. 10/1/1686 dated 20 February, 2014 International Murabaha has been ceased in the Jordanian Dinar considering all previous consents issued in that regard null and void.

## **29- Financing Revenues**

	Joint		
	31 De	31 December	
	2014	2013	
	JOD	JOD	
Real Estate Financings	2,133	800	
Large Corporates			
Mudaraba	99,409	337,097	
	101,542	337,897	

## **30- Financial Assets at Amortized Costs Revenues**

This item consists of the following:



## 31- Net (Expenses) Real Estate revenues

	s	elf
	31 De	cember
	2014	2013
	DOL	DOL
Acquired for the purpose of Usage		
Real Estate Rents		38,095
		38,095

	)(	pint	
	31 De	31 December	
	2014	2013	
	JOD	DOL	
Acquired for the purpose of Usage			
Real Estate Rents	166,505	25,153	
Gains from Real Estate Sales	<u>/</u> -	169,817	
Other Expenses	(7,683)	(1,630)	
Depreciation of Buildings	(196,338)	(21,295)	
	(37,516)	172,045	

The Real Estate Investment Portfolio financed by the Bank's self funds was transferred to the real estate investment portfolio which is financed by the holders of deposits / joint as from 1st November, 2013.

## 32- Ijara Assets Revenues

This item consists of the following:

	ol	Joint		Self	
	31 De	31 December		ember	
	2014	2013	2014	2013	
	DOL	JOD	JOD	JOD	
Ijara –Real Estate	67,031,813	47,909,914	329,748	95,534	
Ijara –Machinery	3,258,519	2,767,640	-	39,108	
Ijara – Vehicles	532.595	176,599	-	-	
Depreciation of Ijara Assets	(40,974,857)	(27,101,124)	-	-	
Total	29,848,070	23,753,029	329,748	134,642	

## 33- Share of Joint Investment Accounts Holders

This item consists of the following:

	2014	2013
ALD C	JOD	JOD
Customers		
Revenues of Investments Savings Accounts	1,740,900	1,149,673
Revenues of Time Deposit Accounts	18,749,859	13,342,960
Total	20,490,759	14,492,633

## 34- The Bank's Share of the Joint Investment Accounts as Mudareb and Rab Mal

	2014	2013
	JOD	JOD
Bank's Share as Mudareb	18,157,808	12,744,649
Bank's Share as Rab Mal	17,191,475	25,750,513
Total	35,349,283	38,495,162

## **35- Bank Self Revenues**

This item consists of the following:

	2014	2013
	JOD	JOD
Income from Deferred Sales (Note 28)	116,427	3,053,974
Income from Financial Assets at Amortized Cost (Note 30)	52,932	70,855
Income from Real Estate Investments (Note 31)	-	38,095
Income from Ijara Assets (Note 32)	329,748	134,642
Returns of Distributions of Financial Assets at Fair Value through Shareholders' Equity	8,005	-
total	507,112	3,297,566

## 36- Bank's Share from Restricted Investment Revenues as Mudareb and Wakeel

Bank's Share from Restricted Investment Revenues in its Capacity as Mudareb

		All I All
	2014	2013
	JOD	JOD
Income from Restricted Investments	367,365	579,325
Less: Depreciation	(45,522)	(56,337)
Net Income from Restricted Investments (Statement B)	321,843	522,988
Less: Share of Holders of Restricted Investments Accounts	(262,745)	(417,962)
Bank's Share as Mudareb – Statement (B)	59,098	105,026

Bank's Share from the Restricted Investment Wakaleh\*

	2014	2013	
	JOD	JOD	
Income from Deferred Sales Receivables	46,306	-	
Income from International Murabaha	42,863	12,924	
Total Income	89,169	12,924	
Less: Principal's Share	(81,689)	(11,979)	
Bank's Share (Wakeel) – Statement (c)	7,480	945	

\*This item represents income from Murabaha of the Commander of Purchase for small enterprises and within the investment Wakaleh signed with the Central Bank of Jordan.

## 37-Net (Expenses) Gains from Foreign Currencies

	Joint		Self	
	2014	2013	2014	2013
	JOD	JOD	JOD	JOD
Resulting from Trading / Dealing	-	-	1,785,941	1,666,101
Resulting from Valuation	(15,611)	13,651	-	(16,495)
Total	(15,611)	13,651	1,785,941	1,649,606

## 38- Banking Services Revenues

This item consists of the following:

	2014	2013
	JOD	JOD
Commissions on Sold Cheques	54,146	42,989
Commissions on Documentary Credits and Bills	954,984	889,630
Commissions on Guarantees	526,607	467,565
Commissions on Transfers	315,279	303,117
Commissions on Visa Cards	1,003,798	863,517
Commissions on Cheques	372,562	311,405
Commissions on Automatic Services	800,141	380,344
Commissions on Implementation of Receivables and Financings	507,227	429,938
Commissions on Transferred Salaries	1,031,615	785,959
Other Commissions	1,025,770	944,024
Total	6,592,129	5,418,488

## **39- Other Revenues**

This item consists of the following:

	2014	2013
	JOD	JOD
Post, telephone and telex income	385,840	581,690
Other Income	10,732	2,515
Total	396,572	584,205

## 40- Employees' Expenses

	2014	2013
	JOD	JOD
Employees' Salaries, Benefits and Allowances	12,681,523	11,171,995
Bank's Contribution in Social Security	1,311,313	1,127,641
Medical Expenses	679,003	508,898
Employees' Training	123,827	131,780
Insurance Expenses	18,165	17,380
Total	14,813,831	12,957,694

## **41- Other Expenses**

This item consists of the following:

	2014	2013
	JOD	JOD
Rents	885,006	728,130
Stationary and Printing	402,804	355,152
Post and Telephone	465,121	415,631
Maintenance and Cleaning	598,104	501,659
Advertising and Promotion Fees	565,004	356,893
Insurance Expenses	85,887	62,164
Electricity and Water	1,224,073	994,094
Donations	275,519	324,581
Subscriptions and Fees	382,670	497,848
Travel and Transportation Expenses	510,395	424,650
Consultancy and Professional Fees	385,124	290,755
Information Systems Expenses	1,292,064	1,134,499
Remuneration of Board of Directors	25,000	25,000
Others	457,855	266,853
Total	7,545,626	6,377,909

## 42- Earnings Per Share

This item consists of the following:

	2014	2013
	JOD	DOL
Profit for the Year – Statement (B)	13,364,495	15,749,445
Weighted Average of Number of Shares	100,000,000	100,000,000
Basic and Diluted Earnings of the Year Per Share	-/13,37	-/15,75

## 43- Cash and Cash Equivalent

	2014	2013
	JOD	JOD
Cash and Balances with the Central Bank maturing within Three Months	604,712,891	88,130,074
Add: Balances with Banks and Banking Institutions maturing within Three Months	12,151,329	10,305,374
Less: Banks' and Banking Institutions' Deposits maturing within Three Months	(82,369)	(11,034,918)
	616,781,851	87,400,530

## 44- Balances and Transactions with Related Parties

This item consists of the following:

		1		Members		То	tal
	Arab Bank (Owning	Members of the	Sister Companies	of Shari'a Supervisory	Executive Management	31 Dec	ember
/	Company)	Board		Board		2014	2013
On - Balance Sheet Items	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Balances with Banks and Financial Institutions	8,985,698		-		-	8,985,698	8,866,333
International Murabaha (Commodities Investment)*	95,652,337					95,652,337	535,875,902
Mudaraba Financings	7 -	-	813,354			813,354	4,021,517
Banks' and Financial Institutions Deposits	82,369	~	-		1.2	82,369	96,878
Joint Investment Accounts and Current Accounts	-	184,440		126,251	275,355	586,046	426,879
Financial Assets at Fair Value through Shareholders' Equity managed by Sister Company	7		5,762,487			5,762,487	5,464,508
Sales Receivables, Financings and Ijara	(	1,003,100	/ -	304,122	1,661,808	2,969,030	1,994,250
$\times$ > 4	$\rangle$		16				
Off - Balance Sheet Items	1				<u> </u>		
Guarantees	12,537,369	-	1		1.	12,537,369	12,537,369
AAN	2						
Income Statement Item							
Received Profit – Receivables		21,143	99,409	15,643	78,469	214,664	425,036
Distributed Profit – Deposit Accounts	-	27	1.0	307	3,148	3,482	3,417
Salaries and Remunerations**	-	25,000	2012	60,000	1,697,185	1,782,185	1,373,242
Transportation	1	94,800		100 <u>-</u> 210	3,600	98,400	98,400

- The lowest Murabaha rate that the Bank received was (3%) and the highest Murabaha was (3.75%) and the lowest distribution of dividends in Jordan in JOD was 3.734% and the highest rate of distribution was 3.976%.

The financings extended to the related parties are deemed to be active and no provisions have been taken therefor.

\* Pursuant to the Letter of the Governor of Jordan Central Bank No. 10/1/1686 dated 5 February, 2014 International Murabaha has been ceased in the Jordanian Dinar considering all previous consents issued in that regard null and void.

\*\* The Circular of the Central Bank of Jordan No. 4676/2/10 regarding the definition of Executive Management has been applied.

# 45- Fair Value of Financial Assets and Liabilities not presented at Fair Value in the Financial Statements

There are no material differences between the book value and the Fair Value of Financial Assets and Liabilities not presented at Fair Value in the Financial Statements.

## 46- Risk Management

- The Bank manages its various banking risks by various means through a comprehensive and objective strategy that determines the risks and methods of facing and mitigating them through a Department and Risks Management Committees.
- The Board of Directors is the highest authority responsible for the Bank's activities, hence it is the foremost party responsible for managing the risks that face the Bank through the committees emanating therefrom.
- The Risk Management reports to the Control Line where it prepares the policy for managing all types of risks, analysis and measurement thereof and for developing advanced measurement methods to hedge various risks which affect the Bank's profitability, assets and capital adequacy. It also reports periodically to the Board of Directors through the Risk Management Committee.
- The Bank, in coordination with the Central Bank of Jordan, is keen to realize an appropriate level of capital which covers the risks comprised under Basel II. In this regard, the Bank develops the technology it uses at the level of all lines of business in order to up-grade the level of the Bank's services and consolidate control over all types of risks and develop the necessary programmes for the measurement thereof which are compatible with the nature and size of the Bank's activity. Moreover, the Bank lends importance to the human factor through developing the employees' skills by attending specialized training courses.

The Bank is currently preparing for the Basel III requirements particularly the necessary data and technology in addition to the associated amendments to the relevant policies and procedures.

The Risk Management at the Bank has the following Divisions:

### **1- Credit Risk**

Generally, the credit risk is defined as risks arising from the possible inability or default of the borrower or third party to fulfill its obligations in accordance with the agreed upon conditions which causes financial losses to the Bank.

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

### The Credit Risk arises at the Bank from the financing and investment operations that it carries out including inter alia:

- Risks of operations, process of granting and implementation of financing.
- The borrower's risk per se and its activities.
- Risks of focusing on a simple method of financing.
- Risks of Islamic Finance Instruments.

### In this regard the Bank monitors and controls Credit Risk through:

- Risk management and control of the credit portfolio through a number of committees, the most significant one being the Risk Management Committee emanating from the Board of Directors.
- Credit control, determination of authorities to extend credit and adoption of clear and specific rules and conditions in extending financings.
- Control over credit limits and the allowed limits for facilities and issuance of the necessary reports to ensure that the limits are not exceeded and monitoring the quality thereof.
- Diversification in the financing and investments activities to avoid the credit concentration risks with individuals, groups or customers in specific geographical areas or a specific economic activity or in financing or products instruments.

- Manage bad debts in order to realize the minimum credit losses to the Bank.
- Segregation between the credit marketing management departments and the credit granting, implementation and monitoring departments.
- The Risk Management presents the risk reports to the Board of Directors to obtain the necessary recommendations whereby such reports comprise a summary of the significant risks that the Bank faces and the methods of measurement, monitoring and control thereof.

### Credit Risks Measurement

The Bank monitors the adequacy of its capital by applying the standard method of credit measurement where the adequacy of the capital is measured against the assets, commitments and obligations listed in the Statement of Financial Position according to degree of its risks.

### Credit Risk Classification System

The Bank adopted Moody's Credit Rating System in order to determine the credit quality of each customer upon extending credit and monitor such quality throughout the tenor of the facility periodically to determine any declining that may occur and to evaluate the quality of the facility for the entire credit portfolio periodically to facilitate the management of the credit portfolio which in turn is reflected on the financing pricing and profitability determination.

This System includes the rating of the Country's risks, customer's risk and facilities risks relying on specific risk factors such as (the industry, competitive position, management, cash flow, financial situation, and operational performance).

### Credit Risk Mitigating Methods:

The Bank uses several methods for hedging and mitigating credit risks through determining the size and value of the required collateral; value of the mortgage deed based on the credit granting standards followed by the Bank and the credit study of the facilities and the potential risk degree subject to completing all monitoring aspects in exploiting the facilities and sources of the settlement thereof.

The Bank resorts to various measures to limit the credit risks including but is not limited to reducing the credit amount and tenor, increasing collateral and monitoring the course of business in the facilities after extension and renewal. The Bank also places covenants for the use of facilities.

### 2- Market Risks

Market risks are defined as the risks that the Bank may face due to changes in rates of returns, fluctuations in exchange rates, securities and commodities prices. The Bank adopts a conservative policy that ensures reducing the Bank's exposure to risks keeping them within the minimum limits. The Bank complies with the instructions of the Central Bank of Jordan regarding the measurement of market risks.

### **3- Operating Risks**

The Bank's Management operates in accordance with a framework for operational risk management which includes policies and procedures that clarify the mechanism by which the risks are specified and evaluated and by setting-up the treatment priorities and then reduce or control them through the available treatment mechanisms setting up the controlling activities which would reduce the potential and control the adverse effects that may result from any event classified as an operational risk.

- The Bank's Management began cooperation with the rest of the business lines and functional areas in the Bank by holding workshops for Risk Control Self-Assessment to determine and indentify the risk factors surrounding the Bank's operations, activities, products and services and to measure and evaluate the effectiveness of the monitoring controls thereon; set-up practical plans to address problems and deviations which may be manifested during such process and to develop the risk profile at the Bank's level in addition to setting-up and indentifying the key risk indicators to ensure the continuity of monitoring the risk factors and report them to take the appropriate procedures.
- The Bank's Management shall, in cooperation with the concerned entities, develop a programme for compiling and reporting operational losses which it may be exposed to and train the concerned persons at all work units and functional areas on using such programme.
- The operational risks are measured as per the instructions of the Central Bank according to Basel II by following the Basic Indicator Approach or the Standardized Approach. The Islamic International Arab Bank seeks to implement the Standardization Approach to measure the operational risks at the Bank.

### The Operational Risks are defined as being:

- "Risks of losses resulting from inadequacy or failure of internal operations, individuals, systems or external events or which arise from the Bank's non-compliance with the controls and provisions of Islamic Shari'a. Our definition of the operation risks includes legal risks.

### 4- Information Security and Business Continuity

- The Information Security and Business Continuity Unit at the Risk Management is the Unit concerned with following-up, developing and implementing the international standards and the international external rules of Information Security and Business Continuity in respect of all aspects of the Bank's activities. It works continuously towards developing the necessary plans, projects and policies to ensure the continuity of the Bank's business in the event of being exposed to an interruption due to accidents or disasters together with routine follow-up to test the technology structure to protect the Bank from external and internal threats.
- One of the significant projects undertaken by the Unit is the application and implementation of the periodical publications of the PCI-DSS Standard where such project began in 2013 and the efforts culminated in acquiring the international certificate of this standard after implementing the entire 288 requirements of such standard through implementing sub-projects in the technology structure and amending the operation policies and procedures at all the Bank's Administrations / Departments / Branches.
- One of the most significant routine procedures and plans that has Senior Management's interest is the annual examination
  of the Business Alternative Site and the Disaster Recovery Site; whereby the examination plans and procedures for the
  sites were implemented through the concerned teams to verify their readiness in the event of an emergency at the Bank.

#### Functions and Duties of the Information Security and Business Continuity

- Follow-up on the publications of the rules and international and local standards of Information Security and Business Continuity.
- Follow-up on the preparation, up-dating and implementation of the policies and procedures emanating from the relevant standards and rules.
- Follow-up on the planning and implementation of the projects related to Information Security and Business Continuity to ensure compliance of the internal entities at Bank with its outcomes.
- Issue awareness publications, Business Continuity and Information Security for the Bank's employees.
- Participate in the planning and implementation of the projects' technology structure and monitor the implementation thereof to ensure their consistency with the relevant standards and policies.
- Follow-up on the implementation of the hacking tests of the Bank's network internally and externally periodically to ensure that it is free from gaps that threaten the Bank.

## 47/A Credit Risk

1- Exposures to Credit Risk (after impairment provision and before guarantees and other risk mitigating factors)

	Jo	int	Se	elf	Tot	tal
	31	December	31 Dece	ember	31 Dec	ember
The List	2014	2013	2014	2013	2014	2013
11/1-	JOD	JOD	JOD	JOD	JOD	JOD
On - Balance Sheet Items						
Balances with Central Bank	580,818,448	69,214,209	-	-	580,818,448	69,214,209
Balances with Banks and Financial Institutions	12,151,329	10,305,374	-	-	12,151,329	10,305,374
Deferred Sales Receivables and other Receivables						
For Individuals	457,455,466	357,496,257	7,192,885	2,124,385	464,648,351	359,620,64
Real Estate Financings	71,277,303	64,206,775	-	7,434	71,277,303	64,214,209
For Corporates						
Large Corporates	313,892,492	740,354,245	5,267,155	9,388,946	319,159,647	749,743,19
SMEs	72,228,536	44,112,937	63,935	78,041	72,292,471	44,190,978
Investment Financings:						
Musharaka:						
For Individuals						
Real Estate Financings	-	11,306	-	-	-	11,306
Mudaraba:						
For Corporates						
Large Corporates	813,354	4,021,517	-	-	813,354	4,021,517
Sukuk:						
Within the Financial Assets at Amortized Cost	7,734,886	-	1,085,656	2,521,380	8,820,542	2,521,380
Other Assets						
Accrued Receivable Revenues	63,633	3,298,224	1,557	14,378	65,190	3,312,602
Prepaid Expenses	-	-	1,188,912	955,321	1,188,912	955,321
Off - Balance Sheet Items						
Letters of Guarantee	-	-	38,241,126	31,666,799	38,241,126	31,666,799
Letters of Credit	-	-	27,346,206	22,410,252	27,346,206	22,410,252
Acceptances	-	-	8,715,445	10,305,263	8,715,445	10,305,26
Unutilized Facilities	98,720,385	52,527,369	-	-	98,720,385	52,527,36
Total	1,615,155,832	1.345.548.213	89,102,877	79,472,199	1,704,258,709	1.425.020.4

				Joint						Self			
2014	Individuals	Real Estate	Large Corporates	Medium Companies	Banks and other Financial Institutions	Government and Public Sector	Total 1	Real Estate	Large Corporates	Medium Companies	Individuals	Total 2	Total 1 & 2
	dor	dor	Dinars	Dinars	Dinars	Dinars	Dinars	Dinars	Dinars	Dinars	Dinars	Dinars	Dinars
Low Risk	1,399,051		6,580,473	1,475,832		588,601,025	598,056,381		37,880			37,880	598,094,261
Acceptable Risk	455,117,338	69,958,362	305,800,176	69,114,388	12,151,329		912,141,593		5,778,487	63,935	8,062,492	13,904,914	926,046,507
From Which Due													
Up to 30 days	142,313	•	•	11,385	•	•	153,698		•				153,698
From 31 to 60 days	515,087	327,005	120,085	72,329			1,034,506						1,034,506
Watch List	285,660	118,403	2,523,944	1,026,431			3,954,438		573,722		7,501	581,223	4,535,661
Non-Performing													
Sub-Standard	101,206		502,000	596	•		603,802	•	6,778			6,778	610,580
Doubtful	194,414		280,950				475,364		128,819			128,819	604,183
Problematic	515,592	1,558,923	5,721,299	1,348,147			9,143,961		5,103,193		63,665	5,166,858	14,310,819
Total	458,270,661	71,962,693	321,528,927	73,049,108	12,151,329	588,601,025	1,525,563,743		11,628,879	63,935	8,133,658	19,426,472	1,545,390,215
Less: Revenues in Suspense	79,221	222,966	656,136	82,225			1,040,548		478,917			478,917	1,519,465
Provision for Impairment	735,974	462,424	6,151,003	738,347			8,087,748		4,482,808		64,647	4,547,455	12,635,203
Net	457,455,466	71,277,303	314,721,788	72,228,536	12,151,329	588,601,025	1,516,435,447	-	6,667,154	63,935	8,069,011	14,800,100	1,531,235,547
2013	100		1						/	1		1	
Low Risk	1,993,801		4,506,166	1,111,160		69,214,209	76,825,336		13,815			13,815	76,839,151
Acceptable Risk	349,522,225	62,116,102	735,471,050	40,749,060	10,305,374		1,198,163,811	7,434	4,183,477	180,371	2,869,019	7,240,301	1,205,404,112
From Which Due													
Up to 30 days	374,274	302	23,976	128,745		,	527,297		,				527,297

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	-	-			6,088
	-		725,506		
	527,297	6,235,128	7,775,775		534,579
	-				-
	128,745	28,430	281,326		19,005
	23,976	281,504	6,078,752		235,744
	302	626,795	1,176,151		118,864
	374,274	5,298,399	239,546		160,966
From Which Due	Up to 30 days	From 31 to 60 days	Watch List	Non-Performing	Sub-Standard

8,507,469

731,694

6,188

6,225,128

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10,915,746

27,528

84,397

1,335,521

6,682

11,414,491

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2,693,038

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682,452

1,593,020

305,644 263,606

9,468,300

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5,654,240

3,204,504

48,654,418

751,394,716

358,047,083 345,950 111,922

Problematic Doubtful

Total

11,421,173 1,447,446

540,667 14,114,211

6,088

. ÷ 1,308,110,729

15,089,885

2,874,938

180,425

12,027,088

7,434

1,293,020,844

69,214,209

10,305,374

44,112,937

747,673,986

64,218,081

357,496,257

Net

174,439

8,258,304

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4,139,700

27,797

97,113

5,461,653 184,069 17,672,810

13,844,867

1,128,185

184,069 5,586,563

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944,116

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401,781

241,066 3,479,664

214,944 64,607,464

> 86,325 464,501

> Less: Revenues in Suspense Provision for Impairment

1,302,223,264

69,214,209 ÷

1,323,083,78

20,860,517

	Accepted Bank Guarantees	Vehicles and Equipment	Listed Shares	Real Estate	Cash Margins	Of which	Total	Problematic	Doubtful	Sub-Standard	Non-Performing	Watch List	Acceptable Risk	Low Risk	Collaterals against:	2013		Accepted Bank Guarantees	Vehicles and Equipment	Listed Shares	Real Estate	Cash Margins	Of which	Total	Problematic	Doubtful	Sub-Standard	Non-Performing	Watch List	Acceptable Risk	Low Risk	Collaterals against:		2014	
60 242 210	ı	43,406,527	1,055,260	13,886,722	1,993,801		60,342,310	2,768,711	589,270	114,810		1,118,419	53,757,299	1,993,801			71,046,837		50,836,920	1,055,260	17,755,606	1,399,051		71,046,837	3,013,203	240,932	31,561		1,161,775	65,200,315	1,399,051		Dinars	Individuals	
	,	859,917		20,714,571			21,574,488	424,661	217,700	6,087		765,498	20,160,542			1	20,571,352		843,086		19,728,266			20,571,352	219,196				576,366	19,775,790	•		Dinars	Real Estate Financings	
	595,755,354	1,325,010	1	47,537,344	4,506,166		649,123,874	3,273,296	788,699			2,150,295	638,405,418	4,506,166		/	191,974,990	122,699,197	1,647,543	•	61,047,777	6,580,473		191,974,990	3,046,941	•	292,762		1,131,052	180,923,762	6,580,473		Dinars	Large Corporates	Joint
		1,814,235	1	7,955,444	1,111,160		10,880,839	1,630,067	282,209	631,487		1,161,963	6,063,953	1,111,160			10,978,062	59,800	2,244,068	•	7,198,362	1,475,832		10,978,062	1,645,463	140,719			1,133,656	6,582,392	1,475,832		Dinars	SMEs	
	595,755,354	47,405,689	1,055,260	90,094,081	7,611,127		741,921,511	8,096,735	1,877,878	752,384		5,196,175	718,387,212	7,611,127			294,571,241	122,758,997	55,571,617	1,055,260	105,730,011	9,455,356		294,571,241	7,924,803	381,651	324,323		4,002,849	272,482,259	9,455,356		Dinars	Total 1	-
	,			,																													Dinars	Individuals	
	,			7,434			7,434						7,434			1	•							•									Dinars	Real Estate Financings	
	1,984,684		•	6,877,675	13,815		8,876,174	843,469	5,094,787			953,234	1,970,869	13,815			3,340,863	584,509			2,754,788	1,566		3,340,863	2,754,788					584,509	1,566		Dinars	Large Corporates	Self
	ı			246,411			246,411		1			246,411	1				360,869		20,000		304,555	36,314		360,869					324,555		36,314		Dinars	SMEs	
	1,984,684			7,131,520	13,815		9,130,019	843,469	5,094,787			1,199,645	1,978,303	13,815		1	3,701,732	584,509	20,000		3,059,343	37,880		3,701,732	2,754,788				324,555	584,509	37,880		Dinars	Total 2	A STATE
	597,740,038	47,405,689	1,055,260	97,225,601	7,624,942		751,051,530	8,940,204	6,972,665	752,384		6,395,820	720,365,515	7,624,942			298,272,973	123,343,506	55,591,617	1,055,260	108,789,354	9,493,236		298,272,973	10,679,591	381,651	324,323		4,327,404	273,066,768	9,493,236		Dinars	Total 1 & 2	

### 3- Sukuk: The following table clarifies the rating of Sukuk as per the External Rating Agencies

Rating Grade	Rating Agency	Within Financial Assets at Amortized Cost	Total
		DOL	JOD
А	S&P	3,674,287	3,674,287
BBB		4,060,599	4,060,599
Unrated		1,085,656	1,085,656
Total		8,820,542	8,820,542

### **Deferred Sales Receivables, Other Receivables and Scheduled Financings**

These are the receivables which have been previously rated as non-performing receivables/financings and were excluded from the non-performing receivables and financings framework by virtue of due scheduling. It has been classified as watch list receivables/financings where it amounted to 2,543 thousand JOD as at 31 December 2014 whether it remained under the watch list or transferred to the performing receivables (against 1,072 thousand JOD as at 31 December 2013.

### **Deferred Sales Receivables, Other Receivables and re-Structured Financings**

Restructuring means the re-arrangement of the receivables/financings in terms of amendment of installments; extending the tenor of receivables/financings; deferment of some installments or extension of the grace period. They are classified as watch list receivables/financings where they amounted to 18,348 thousand JOD as at 31 December 2014 (against 15,737 thousand JOD as at 31 December, 2013)

### 4- Concentration of Credit Exposures as per the Geographical Distribution is as follows:

Geographical Area	Within the Kingdom	Other Middle Eastern Countries	Europe	USA	Australia	Total
	JOD	JOD	JOD	DOL	DOL	JOD
Item		(3				
Balances with Central Bank	580,818,448	19-5-6		/ -	1	580,818,448
Balances with Banks and Financial Institutions	3,322,291	1,323,552	5,148,077	2,291,115	66,294	12,151,329
Deferred Sales Receivables, oth	er Receivables and	Financings:	/	-		
Individuals	464,648,351	-	~-	-/-	-Ja	464,648,351
Real Estate Financings	71,277,303		6.	-	1	71,277,303
Corporates:			7		/ L	X
Large Corporates	196,799,294	81,930,462	41,243,245	- /-		319,973,001
SMEs	72,292,471			1	/	72,292,471
Within Financial Assets at Amortized Cost	No.	8,820,542		AY.	-	8,820,542
Other Assets:				× 1	-	
Accrued Receivable Revenues	2.5.990	52,211	12,979			65,190
Prepaid Expenses	1,188,912	A.S. M.			-	1,188,912
Total / 2014	1,390,347,070	92,126,767	46,404,301	2,291,115	66,294	1,531,235,54
Total / 2013	712,439,159	547,481,264	47,666,543	128,103	395,660	1,308,110,72

#### 5- Concentration of Credit Exposures as per the Economic Exposures as follows:

Sector	Finance	Industry	Commerce	Real Estate	Agriculture	Shares	Retail	Government and Public Sector	Total
Item	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Balances with Central Bank		6.1			-	-	-	580,818,448	580,818,448
Balances with Banks and Financial Institutions	12,151,329	S.			-			-	12,151,329
Deferred Sales Receivables, other Receivables and Financings:	111,241	66,273,922	307,125,250	71,277.303	17,443,664	1,311,395	414,648,351	-	928,191,126
Sukuk	1		1						
Within Financial Assets at Amortized Cost	7,734,886	7	1	1,085,656					8,820,542
Other Assets:			/	1					
Accrued Receivable Revenues	47,691	1	15,941	1,558	10-14	-			65,190
Prepaid Expenses	1,188,912			4.			S		1,188,912
Total / 2014	21,234,059	66,273,922	307,141,191	72,364,517	17,443,664	1,311,395	464,648,351	580,818,448	1,531,235,54
Total / 2013	14,030,862	53,420,133	728,249,333	65,931,545	16,208,005	1,436,000	359,620,642	69,214,209	1,308,110,72

## 47B- Market Risk

The Bank pursues financial policies for various risk management issues within a specific strategy. At the Bank, there is an Assets and Liabilities Management Committee that undertakes monitoring and control of risks and carry out the optimal strategic distribution for assets and liabilities whether under the financial position or outside it. These risks include:

- Up-dating the investment policies followed at the Bank; presenting them periodically to the Board of Directors for the ratification thereof; reviewing the implementation of the investment policies and evaluate their results in comparison with the market indicators and banking competitiveness.
- Formation of the investment decision making committees and distributing the authorities in conformity with the Bank's investment policy.
- Setting-up an annual investment plan whereby it observes the projections of the Assets and Liabilities Committee in respect of the expected returns and market rate fluctuations whereby the plan shall comprise the investment tools available in the market of low risk.
- Preparing reports for the market rates and present them to the Assets and Liabilities Committee to monitor any sudden drop in the prices of the financial instruments which are being invested to avert the risks of market rates fluctuation.

### 1- Rate of Return Risks

- Rate of return risks arise from the increasing long-term fixed rates in the market whereby it does not correspond immediately with the emerging changes in the high return index. The necessary steps must be taken to ensure that there are administrative measures related to the renewal, measurement and follow-up of the average return risk and prepare reports in that regard and monitor same including insuring the soundness of its structure.
- The Bank is exposed to the average return risks due to a gap in the amounts of assets and liabilities as per the multiple maturity times or due to re-pricing of the average return over the subsequent transactions during a specific time period. The Bank manages such risks by determining the future profit rates in accordance with the projections of the market circumstances and developing new instruments that are Shari'a compliant through the risk management strategy at the Bank.

- 1- Obtaining the best possible returns available in the market depending on the International Market Index (Libor) as a standard and benchmark equally for the portfolio and the investments managed by the Bank.
- 2- Observing the risks consequent upon such investments depending on the diversity option on the basis of countries, institutions and regions ensuring the reduction of the risk effects consequent upon the investment management.
- 3- The Bank complies with managing the investments on the matching basis between the Bank's liabilities represented by its deposits and assets in foreign currencies which are represented in investments in foreign currencies whereby the time restricted deposited are invested on a short term investment basis while the long term deposits are invested on a medium or long term investment basis.

### 2- Foreign Exchange Risk

Foreign currencies are managed on a spot basis rather than on a forward basis whereby the foreign currency positions are monitored daily and the ceilings for the positions for every currency whereas the Bank's general policy for managing foreign currencies is based on liquidating the position first hand and covering the required positions as per the customers' needs. In respect of the open positions in foreign currencies against each other, the Bank relies on the instructions of the Central Bank of Jordan in that regard which provide for that the retention of the licensed banks shall take place by taking open positions (long and short) in foreign currencies not exceeding 5% of the Shareholders' Equity for each currency separately save the US Dollars from such rate whereby it can be considered as a base currency for this purpose whereby the total position for all currencies shall not exceed 15% of the Shareholders' Equity of the Bank.

Change in the Exchange Rate	Effect on Loss and Profit	Effect on Shareholders' Equity
(%)	DOL	DOL
5%	67,295	-
Change in the Exchange Rate	Effect on Loss and Profit	Effect on Shareholders' Equity
(%)	DOL	JOD
5%	239,365	-
	(%) 5% Change in the Exchange Rate (%)	(%)JOD5%67,295Change in the Exchange RateEffect on Loss and Profit(%)JOD

### **3- Change in Share Prices Risk**

The policy which is followed at the Treasury Department related to the management of shares and securities is based on analyzing the financial indicators of such prices and the evaluation thereof fairly depending on the shares' evaluation models taking into account the changes in fair value risks of the investments which the Bank manages by diversifying investments and diversifying the economic sectors.

2014	Change in the Index	Effect on Loss and Profit	Effect on Shareholders' Equity
Index	(%)	JOD	DOL
Amman Stock Exchange	5%	-	289,324
2013	Change in the Index	Effect on Loss and Profit	Effect on Shareholders' Equity
Index	(%)	JOD	DOL
Amman Stock Exchange	5%	-	274,425

### 4- Commodities' Risk

The commodities' risk arise from the fluctuations in the prices of negotiable assets or leasing and is associated with the present and future fluctuations in the market values of specific assets where the Bank is exposed to the fluctuation in the commodities prices which are bought and fully paid for after concluding sales contracts and during the year of acquisition as well as to the fluctuation in the residual value of the leased premises as at the end of the lease period.

### **Concentration of Foreign Currency Risk**

to the nearest 000 JODs)

31 December 2014	US Dollars	Euros	Sterling Pounds	Japanese Yens	Others	Total
Assets:	-					
Cash and Balances with Central Bank	15,792	378	16	-	99	16,285
Balances with Banks and Financial Institutions	2,213	5,807	908	92	2,712	11,732
Sales Receivables, other Receivables, Financings and Ijara	118,217	8,285	1,926	-	4,631	133,059
Deferred Sales Receivables through Income Statement	-	-	-	-	-	-
Financial Assets at Fair Value through Shareholders' Equity	5,537	-	-	-	-	5,537
Financial Assets at Amortized Cost	8,821	-	-	-	-	8,821
Other Assets	65	-	-	-	1	66
Total Assets	150,645	14,470	2,850	92	7,443	175,500
Liabilities:						
Banks and Financial Institutions Deposits	-	-	-	-	-	-
Customers' Deposits (Current, Savings and Time)	146,558	13,800	2,836	92	6,902	170,188
Cash Margins	1,522	530	-	-	38	2,090
Other Liabilities	1,726	127	14	-	9	1,876
Total Liabilities	149,806	14,457	2,850	92	6,949	174,154
Net Concentration within the Statement of Financial Position for the Current Year	839	13	-	-	494	1,346
Contingent Liabilities off-balance sheet for the Current Year	35,910	2,670	-	48	156	38,784
	188					
31 December 2013						3.1.2
Total Assets	176,811	9,029	2,803	74	9,610	198,327
Total Liabilities	172,779	8,995	2,803	74	8,888	193,539
Net Concentration on-balance sheet	4,032	34	-	-	722	4,788
Contingent Liabilities Off- Balance Sheet	25,492	8,248	-	_	1,185	34,925

## 47C- Liquidity Risk

Management of cash liquidity is deemed to be a clear expression about the Bank's capability to meet its cash obligations in the short and long terms within its general strategy framework which aims at realizing an optimal return on its investments. Cash liquidity is reviewed and studied at the Bank over a period of many years. At the branches, the Branch's Administration and Treasury reviews and studies the cash obligations and the available funds on a daily basis. On the Bank's level on general, the cash liquidity is studied by the Financial Monitoring and General Treasury Department on a daily basis. Moreover, the cash liquidity and the Bank's assets and liabilities are studied and analyzed on a monthly basis. The cash liquidity review includes analyzing the maturity dates of assets and liabilities as a whole to ensure consistency between both sides; it also comprises analyzing the sources of funds in accordance with the nature of its sources and uses.

# First: The following table illustrates the Distribution of Liabilities (un-discounted) on the basis of the remaining period of the contractual maturity at the date of the Financial Statements

31 December, 2014Up to 1 smonth1 to smonth3 to smonths6 months to one yearUp to syearsMore than syearsWithout MaturityLiabilities<	Total 82 550,162 23,318 2,331 5,422 22,397 16,809 817,848 1,438,369
Banks and Financial Institutions Deposits         82         -	550,162 23,318 2,331 5,422 22,397 16,809 817,848
Customers'Current Accounts       550,162       -	550,162 23,318 2,331 5,422 22,397 16,809 817,848
Cash Margins       9,163       3,654       3,406       7,095       -       -       -         Other Provisions       -       -       -       -       2,331         Income Tax Provision       1,131       4,291       -       -       -       -         Other Liabilities       16,481       118       5,224       139       435       -       -         Investment Risk Fund       449       1,272       -       -       -       15,088         Joint Investment Accounts       59,276       312,081       267,407       135,619       43,465       -       -         Total       636,744       321,416       276,037       142,853       43,900       -       17,419         Total Assets as per Expected Maturities       659,666       204,378       92,389       132,823       88,694       345,968       44,938         J December 2013       -       -       -       -       -       -       -         Banks and Financial Institutions Depoist       11,035       -       -       -       -       -       -       -	23,318 2,331 5,422 22,397 16,809 817,848
Other Provisions       -       -       -       -       2,331         Income Tax Provision       1,131       4,291       -       -       -       2,331         Other Liabilities       16,481       118       5,224       139       435       -       -         Other Liabilities       16,481       118       5,224       139       435       -       -         Investment Risk Fund       449       1,272       -       -       -       -       15,088         Joint Investment Accounts       59,276       312,081       267,407       135,619       43,465       -       -         Total       636,744       321,416       276,037       142,853       43,900       -       17,419         Total Assets as per Expected Maturities       659,666       204,378       92,389       132,823       88,694       345,968       44,938         31 December 2013       -       -       -       -       -       -       -         Liabilities       11,035       -       -       -       -       -       -       -	2,331 5,422 22,397 16,809 817,848
Income Tax Provision       1,131       4,291       -       15,088       -       -       -       15,088       -       -       -       -       15,088       -       -       -       -       15,088       -       -       -       -       15,088       -	5,422 22,397 16,809 817,848
Other Liabilities         16,481         118         5,224         139         435         -           Investment Risk Fund         449         1,272         -         -         -         15,088           Joint Investment Accounts         59,276         312,081         267,407         135,619         43,465         -         -           Total         636,744         321,416         276,037         142,853         43,900         -         17,419           Total Assets as per Expected Maturities         659,666         204,378         92,389         132,823         88,694         345,968         44,938           31 December 2013         Image: Component Compone	22,397 16,809 817,848
Investment Risk Fund       449       1,272       -       -       -       15,088         Joint Investment Accounts       59,276       312,081       267,407       135,619       43,465       -       -         Total       636,744       321,416       276,037       142,853       43,900       -       17,419         Total Assets as per Expected Maturities       659,666       204,378       92,389       132,823       88,694       345,968       44,938         31 December 2013       -       -       -       -       -       -         Banks and Financial Institutions Deposits       11,035       -       -       -       -       -	16,809 817,848
Joint Investment Accounts       59,276       312,081       267,407       135,619       43,465       -         Total       636,744       321,416       276,037       142,853       43,900       -       17,419         Total Assets as per Expected Maturities       659,666       204,378       92,389       132,823       88,694       345,968       44,938         31 December 2013       Image: Control of the second se	817,848
Total       636,744       321,416       276,037       142,853       43,900       -       17,419         Total Assets as per Expected Maturities       659,666       204,378       92,389       132,823       88,694       345,968       44,938         31 December 2013       Image: Comparison of the second	
Total Assets as per Expected Maturities       659,666       204,378       92,389       132,823       88,694       345,968       44,938         31 December 2013	1.438.369
31 December 2013     Image: Constraint of the second	1,150,505
Liabilities         Banks and Financial Institutions Deposits       11,035       - </td <td>1,568,856</td>	1,568,856
Liabilities         Banks and Financial Institutions Deposits       11,035       - </td <td></td>	
Banks and Financial Institutions Deposits 11,035	
Customers' Current Accounts 462 199	11,035
	462,199
Cash Margins 14,785 4,689 2,215 3,158	24,847
Other Provisions 2,157	2,157
Income Tax Provision 2,253 3,754	6,007
Other Liabilities 10,282 234 3,330 974	14,820
Investment Risk Fund - 1,477 11,941	13,418
Jiont Investment Accounts 45,671 264,502 166,327 217,303	13,410
Total 546,225 274,656 171,872 221,435 14,098	693,803
Total Assets as per Expected Maturities 132,401 44,006 633,211 95,365 199,612 196,001 44,648	

## Second: Off Balance Sheet Items

	Up to O	ne Year
	2014	2013
	JOD	JOD
Letters of Credits and Acceptances	36,061,651	32,715,515
Un-utilized Limits	98,720,385	52,527,369
Letters of Guarantee	38,241,126	31,666,799
Total	173,023,162	116,909,683

## 48- Information about the Bank's Business Segments

### A-Information about the Bank's Activities

The Bank is organized for administrative purposes whereby the segments are measured in accordance with the reports that are used by the Bank's Executive Manager and decision maker through four major segments namely:

### **Retail Banking**

This encompasses following-up the joint investment accounts, future sales receivables, financings, credit cards and other services.

### **Corporate Banking**

This encompasses following-up the joint investment accounts, future sales receivables, financings and other banking services related to corporate customers.

### Treasury

This segment encompasses providing trading and treasury services and management of the Bank's funds.

Following is the Information about the Bank's Business Segments distributed according to Activities (Amounts in 000JODs)

XXX					То	tal
1 XAT	1.1.1			1.0	31 Dec	ember
PAKA	Retail	Corporate	Treasury	Others	2014	2013
XXX	JOD	JOD	JOD	JOD	JOD	JOD
Gross Income	21,020	26,733	3,149		50,902	55,439
Share of the Investment Risk Fund		(6,204)		-	(6,204)	(5,888)
Impairment in value of Sales Receivables and other Receivables - Self		(168)		>.	(168)	(4,733)
Segment Results	21,020	20,361	3,149		44,530	44,818
Un-allocated Expenses	(9,175)	(4,582)	(220)	(11,461)	(25,438)	(22,307)
Pre Tax Profit	11,845	15,779	2,929	(11,461)	19,092	22,511
Income Tax	(3,554)	(1,295)	(879)		(5,728)	(6,762)
Profit for the Year	8,291	14,484	2,050	(11,461)	13,364	15,749
Segment's Assets	506,611	405,107	608,392		1,520,110	1,296,328
Un-allocated Assets to the Segments		7.		48,746	48,746	48,916
Total Segment's Assets	506,611	405,107	608,392	48,746	1,568,856	1,345,244
Segment's Liabilities	1,166,537	240,108	82	-	1,406,727	1,204,008
Liabilities Un-allocated to the Segments		1.	-	31,642	31,642	24,278
Total Segment's Liabilities	1,166,537	240,108	82	31,642	1,438,369	1,228,286

			See. 18	31 De	cember
				2014	2013
				JOD	JOD
Capital Expenditures -	1		2,642	2,642	2,591
Depreciation and Amortization 1,137	12	2	1,093	2,244	2,178

### **B-Information of the Geographical distribution**

This note represents the geographical distribution of the Bank's activities. The Bank mainly exercises its activities in the Kingdom which are the local activities.

Following is a distribution of the Bank's income, assets and capital expenditures as per the geographical segment based on the method by which they have been measured in accordance with the reports used by the Executive Manager and decision maker at the Bank:

(to the nearest 000 JOD									
Inside the	Kingdom	Outside th	e Kingdom	То	tal				
2014	2013	2014	2013	2014	2013				
48,194	41,542	2,708	13,897	50,902	55,439				
1,428,032	740,094	140,824	605,150	1,568,856	1,345,244				
2,642	2,591	-	-	2,642	2,591				
	2014 48,194 1,428,032	48,194         41,542           1,428,032         740,094	2014         2013         2014           48,194         41,542         2,708           1,428,032         740,094         140,824	2014         2013         2014         2013           48,194         41,542         2,708         13,897           1,428,032         740,094         140,824         605,150	Inside the Kingdom         Outside the Kingdom         To           2014         2013         2014         2013         2014           48,194         41,542         2,708         13,897         50,902           1,428,032         740,094         140,824         605,150         1,568,856				

## **49- Capital Management**

The Bank's Management takes into consideration the requirements of the Central Bank which require the existence of sufficient self funds to cover a specific rate of the risk weighted assets which is consistent with the nature of the granted financing and direct investment. For this purpose, the capital consists of what the Central Bank has determined in order to consider it a regulatory capital (being the primary capital and the additional capital).

The Bank's Management aims at investing the funds in financial instruments of different risks (high risk and low risk) in order to realize a good return as well as to realize the capital adequacy ratio required by the Bank being 12%.

The most significant reason of the change in the regulatory capital during the year is non distribution of dividends realized during the year but rather capitalizing same in the Shareholders' Equity through statutory, voluntary and special reserves.

The amount which the Bank considers as a capital and the capital adequacy ratio is as per the following table:

	(to th	ne nearest 000 JOI
	31 Dec	cember
	2014	2013
	DOL	JOD
Primary Capital Items	118,709	112,865
Authorized Capital (Paid-up)	100,000	100,000
Statutory Reserve	15,418	13,509
Voluntary Reserve	4,262	5,537
Retained Earnings		(5,313)
Less: Intangible Assets	(971)	(868)
Additional Capital		
Fair Value Reserve	267	194
General Banking Risk Reserve	882	882
Bank's Share from the General Banking Risk Reserve – Joint	3,598	2,573
Bank's Share from the Surplus of Investment Risk Fund – Joint	2,890	2,561
Total Regulatory Capital	126,346	119,075
Total Weighted Assets Risk Average	705,471	662,317
Capital Adequacy Ratio (%)	17.91%	17.98%
Primary Capital Ratio	16.83%	17.04%

## 50- Assets and Liabilities Maturities Analysis

The following table illustrates the assets and liabilities analysis in accordance with the expected period of recovery or settlement

31 December 2014	Up to 1 Year	More than 1 Year	Total
ST December 2014			
	DOL	JOD	JOD
Assets:			
Cash and Balances with Central Banks	604,713	-	604,713
Balances with Banks and Financial Institutions	12,151	-	12,151
Deferred Sales Receivables and other Receivables – Net	335,865	131,990	467,855
Deferred Sales Receivables through the Statement of Income	-	-	-
Financing Investments - Net	-	813	813
Financial Assets at Fair Value through Shareholders' Equity	5,786	-	5,786
Financial Assets at Amortized Cost	-	8,821	8,821
Ijara Assets – Net	122,176	290,485	412,661
Investments in Real Estate		21,728	21,728
Qard Hasan	7,310	-	7,310
Property and Equipment - Net		20,926	20,926
Intangible Assets	- 16.6	971	971
Deferred Tax Assets	-	2,554	2,554
Other Assets	1,255	1,312	2,567
Total Assets	1,089,256	479,600	1,568,85
Liabilities and Joint Investment Accounts Holders			
Banks and Financial Institutions Deposits	82	-	82
Customers' Deposits – Current Demand	550,162	-	550,162
Cash Margins	23,318	-	23,318
Other Provisions	- 201	2,331	2,331
Income Tax provision	5,422	-	5,422
Other Liabilities	21,962	435	22,397
Joint Investment Accounts	774,383	43,465	817,848
Investment Risk Fund	-	15,088	15,088
Income Tax of the Investment Risk Fund Provision	1,721	-	1,721
Total Liabilities and Joint Investment Accounts Holders	1,377,050	61,319	1,438,36
Net	(287,794)	418,281	130,487

	-	(to the nea	arest 000 J
31 December 2013	Up to 1 Year	More than 1 Year	Total
and the second sec	JOD	JOD	JOD
Assets:			
Cash and Balances with Central Banks	88.130	-	88,130
Balances with Banks and Financial Institutions	10,305	-	10,305
Dferred Sales Receivables and other Receivables – Net	747,578	128,296	875,874
Financing Investments - Net	-	4,033	4,033
Financial Assets at Fair Value through Shareholders' Equity	5,489	-	5,489
Financial Assets at Amortized Cost	-	2,521	2,521
ljara Assets – Net	45,960	260,763	306,723
Investments in Real Estate	-	20,943	20,943
Qard Hasan	3,252	-	3,252
Property and Equipment - Net	-	19,918	19,918
Intangible Assets	-	868	868
Deferred Tax Assets	-	2,153	2,153
Other Assets	4,269	766	5,035
Total Assets	904,983	440,261	1,345,24
Liabilities and Joint Investment Accounts Holders			
Banks and Financial Institutions Deposits	11,035	-	11,035
Customers' Deposits – Current Demand	462,199	-	462,199
Cash Margins	24,847	-	24,847
Other Provisions	-	2,157	2,157
Income Tax provision	6,007	-	6,007
Other Liabilities	14,820	-	14,820
Joint Investment Accounts	693,803	-	693,803
Investment Risk Fund	-	11,941	11,941
Income Tax of the Investment Risk Fund Provision	1,477	-	1,477
Total Liabilities Joint Investment Accounts Holders	1,214,188	14,098	1,228,28
Net	(309,205)	426,163	116,958

## 51- Levels of the Fair Value

The standard requires the determination of and disclosure about the level in the sequence of fair value according to which the full fair value measurements are classified together with segregating the fair value measurements in accordance with the levels determined under the International Financial Reporting Standards. The difference between level (2) and level (3) of the fair value measurements means evaluation whether the information or inputs could be observed and the extent of the importance of the information that cannot be observed requiring setting-up provisions and precise analysis of the inputs used to measure the fair value including taking into account all the factors that are related to the asset or obligation.

# A- The Bank's Fair Value of Financial Assets and Financial Liabilities which are continuously determined by Fair Value:

Some of the Bank's financial assets and financial liabilities are valued at fair value at the end of every financial period; the following table illustrates information about the method of determining the fair value of such financial assets and financial liabilities (methods of evaluation and utilized inputs)

XII	Fair \	Fair Value 31 December Fair Value Level of Fair Value Utilized Inputs		Cinnificant	Relation between	
	31 Dec			Evaluation Method and Utilized Inputs	Significant Intangible	the Intangible Significant Inputs
Financial Assets / Financial Liabilities	2014	2013			Inputs	and Fair Value
XTX	JOD	JOD		The state	1000	
Financial Assets at Fair Value			-/			
Financial Assets at Fair Value through Shareholders' Equity			4			
Quoted in the Market Shares	5,762,487	5,464,508	Level 1	Declared Prices in the Financial Markets	Not Applicable	Not Applicable
Un-Quoted in the Market Shares	24,000	24,000	Level 2	Comparison with Market Value of a similar Financial Instrument	Not Applicable	Not Applicable
Total	5,786,487	5,488,508				

There have been no transfers between Level (1) and Level (2) during 2014 and 2013

## B- The Bank's Fair Value of Financial Assets and Financial Liabilities which are continuously un-determined by Fair Value:

Save for what is stated in the table below, we believe that the book value of the financial assets and financial liabilities presented in the Bank's financial statements is quite near their fair value.

/ DA-A	31 Decem	nber, 2014	31 Decen	nber 2013	Fair Value
	Book Value	Fair Value	Book Value	Fair Value	Level
	JOD	JOD	JOD	JOD	3775
Financial Assets at Un-determined Fair Value	A Barrow				
Deferred Sales Receivables	467,855,001	467,870,943	878,873,970	882,176,208	Level 2
Real Estate Investments	21,727,227	23,135,980	20,942,995	22,702,571	Level 2
Financial Assets at Amortized Cost	8,820,542	8,869,790	2,521,380	2,531,744	Level 1
Total Financial Assets at Un-determined Fair Value	498,402,770	499,876,713	902,338,345	907,410,523	
Financial Liabilities at Un-determined Fair Value					
Customers' Deposits	1,368,008,674	1,372,682,379	1,156,002,139	1,159,136,048	Level 2
Cash Margins	23,318,331	23,470,605	24,846,545	24,940,056	Level 2
Total Financial Liabilities at Un-determined Fair Value	1,391,327,005	1,396,152,984	1,180,848,684	1,184,076,104	

Regarding the items described above the fair value of the financial assets and liabilities has been determined for Levels (2) and (3) in accordance with agreed upon pricing methods which reflect the credit risk with the parties with whom dealing takes place.

# 52- Commitments and Contingent Liabilities (Off - Balance Sheet Items)

**Credit Commitments and Obligations** 

	31 December	
	2014	2013
	JOD	JOD
Letters of Credit	27,346,206	22,410,252
Acceptances	8,715,445	10,305,263
Letters of Guarantee:		
Payment	23,397,497	22,493,643
Performance	7,271,352	4,527,443
Others	7,572,277	4,645,713
Unutilized Limits	98,720,385	52,527,369
Total	173,023,162	116,909,683

# 53- Lawsuits against the Bank

There are lawsuits raised against the Bank amounting to 313,782 JOD as at 31 December 2014 (against lawsuits amounting to 657,413 JOD as at 31 December 2013) having an impairment provision of 7,000 JOD as at 31 December 2014. Based on the opinion of Legal Counsel no additional amounts shall be consequent on the Bank in respect of those lawsuits.

## **54- Comparative Figures**

Some of the comparative figures of 2013 have been reclassified to correspond to the classification figures of 2014, whereby during 2014 the Bank has reclassified the balances of restricted investment Wakaleh signed with the Central Bank of Jordan from the Statement of Financial Position to accounts outside the Statement of Financial Position.



# Additional Disclosure Requirements

By virtue of the Disclosure Instructions, Accounting Standards and Auditing Standards issued by the Board of Commissioners of the Jordan Securities Commission in respect of the Issuing Companies

# **Board of Directors Members**

# Sharif Faris Abdul Hamid Sharaf

### Chairman

- Date of Membership: 09/01/2011
- Date of Birth: 1970
- Qualifications: MS in Economics Banking and Monetary Science

### **Practical 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: 09/09/2012
- Date of Birth: 1956
- Qualifications: Bachelor degree in Mathematics/Business Administration

### **Practical 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: 30/06/2009
- Date of Birth: 1966
- Qualifications: PhD in Finance Management

### **Practical 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: 28/07/2011
- Date of Birth: 1971
- Qualifications: Master degree in accounting

### **Practical 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
- Qualifications: PhD in Law

### **Practical 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: 01/07/2007
- Date of Birth: 1963
- Qualifications: PhD in Banking

### **Practical 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: 01/03/2011
- Date of Birth: 1966
- Qualifications: Master degree in management

### **Practical Experience**

- Over 26 years' experience in conventional 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.

## Dr. Mohsen Fayez Abdel Salam Abu Awad

### **Chief Business Officer**

- Date of Appointment: 28/08/2005
- Date of Birth: 1963
- Qualifications: PHD in Banking

### **Practical Experience**

• Over 29 in the field of banking facilities in Islamic banks.



# Mr. Amjad Awni Hosni Hijazi

### **Chief Support Officer**

- Date of Appointment: 11/05/2011
- Date of Birth: 1969
- Qualifications: Bachelor degree in finance and banking sciences

### **Practical Experience**

• Over 24 years of experience in various banking and administrative fields locally and abroad

# Mr. Yousif Ali Mahmoud al-Badri

### **Chief Credit Officer**

- Date of Appointment: 03/06/2007
- Date of Birth: 1961
- Qualifications: Bachelor degree in Economics

### **Practical Experience**

• over 29 years in banking and credit in a number of local banks.

# Mr. Abbas Jamal Mohamed Marei

### **Chief Finance Officer**

- Date of Appointment: 02/05/2006
- Date of Birth: 1975
- Qualifications: Master degree in Islamic banking

### **Practical Experience**

• More than 17 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: 06/11/2007
- Date of Birth: 1976
- Qualifications: Master degree in Economics

### **Practical Experience**

• More than 15 years experience in the field of risk management.

# Mr. Tariq Mousa Shehadah Awwad

### **Head of Internal Audit Division**

- Date of Appointment: 08/04/2007
- Date of Birth: 1957
- Qualifications: Bachelor degree in business administration

### **Practical Experience**

• More than 30 years in the field of banking operations and internal auditing.

# Mr. Akef Hussein Moh'd Hamam

### **Head of Human Resources Division**

- Date of Appointment: 05/08/2007
- Date of Birth: 1963
- Qualifications: Bachelor degree in business administration

### **Practical Experience**

• Long experience in various administrative fields and human resources.

# Mr. Hussam Aldeen Ahmad Abdul Hamid Salah

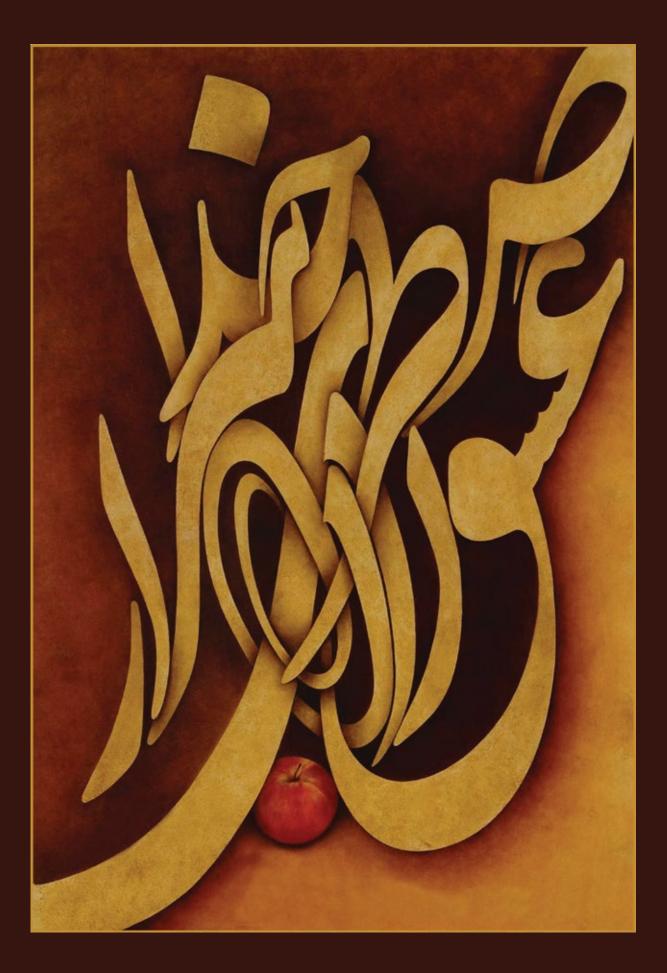
### Legal Consultant/ Head of Legal Department

- Date of Appointment: 11/09/2005
- Date of Birth: 1966
- Qualifications: Bachelor degree in law with practice license

### **Practical Experience**

• Experience in legal consultation for public and private financial institutions for 21 years.





# List of Branches Addresses and Contact Information

General Administration Gardens Branch Amman Branch Wehdat Branch Wehdat Branch Madaba Branch Zarka Branch Sayader Wadi Seer Branch Sayader Wadi Seer Branch Sayader Wadi Seer Branch Sayader Branch Sayader Branch Simeisani Branch	432 19 12 9 11 7 11 10 9 11 10 9 11 11 11 13 8 7 4	<ul> <li>9 February 1998</li> <li>2 May 1998</li> <li>4 January 1999</li> <li>7 September 2000</li> <li>15 March 2001</li> <li>2 May 2001</li> <li>31 October 2002</li> <li>28 April 2003</li> <li>11 March 2007</li> <li>18 March 2007</li> </ul>	5694901 5694623 4643270 4777801 02/7276587 05/3248970 05/3989094 4886650 5813600 5657760 03/2019495 5343569 5826669	Wasfi Al Tal Street – Building No.20         Wasfi Al Tal Street – Building No.20         Quraish Street – Petra District         Al Yarmouk Street         Al Husson Street – Nuzha District         Al Husson Street – Nuzha District         Al Hashemi Street         65 Abdul Mun'em Riyad Street – Shwam District         King Abdullah Street – Building No.457 Opposite Jabri         Bayader Wadi Seer – Main Street LG Complex – Building No.47         Haifa Street – Building No.3 Ishnaneh Complex         Aqaba – Al-Tabari St. – 3rd Zone/ North City Avenue         Queen Rania Al Abdullah Street - Akkawi and Badad Complex Building No.345         Sufian Al Thawri Street – Surat Hotel Suites Building
Amman Branch Wehdat Branch Irbed Branch Vadaba Branch Zarka Branch North Marka Branch Bayader Wadi Seer Branch Bayader Wadi Seer Branch Iabal Hussein Branch Aqaba Branch Ubeiha Branch Simeisani Branch Zarka University Branch Al Ruseifa Branch	12 9 11 7 11 10 9 11 11 11 13 8 7	9 February 1998 9 February 1998 9 February 1998 2 May 1998 4 January 1999 7 September 2000 15 March 2001 2 May 2001 31 October 2002 28 April 2003 11 March 2007	4643270 4777801 02/7276587 05/3248970 05/3989094 4886650 5813600 5657760 03/2019495 5343569	Quraish Street – Petra District         Al Yarmouk Street         Al Husson Street – Nuzha District         Al Hashemi Street         65 Abdul Mun'em Riyad Street – Shwam District         King Abdullah Street – Building No. 457 Opposite Jabri         Bayader Wadi Seer – Main Street LG Complex – Building No. 47         Haifa Street – Building No. 3 Ishnaneh Complex         Aqaba – Al-Tabari St.– 3rd Zone/ North City Avenue         Queen Rania Al Abdullah Street - Akkawi and Badad Complex Building No. 345
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North Marka Branch Bayader Wadi Seer Branch abal Hussein Branch Aqaba Branch Iubeiha Branch Sweifiyeh Branch Shmeisani Branch Zarka University Branch	10 9 11 11 13 8 7	7 September 2000 15 March 2001 2 May 2001 31 October 2002 28 April 2003 11 March 2007	4886650 5813600 5657760 03/2019495 5343569	King Abdullah Street – Building No. 457 Opposite Jabri Bayader Wadi Seer – Main Street LG Complex – Building No. 47 Haifa Street – Building No. 3 Ishnaneh Complex Aqaba – Al-Tabari St. – 3rd Zone/ North City Avenue Queen Rania Al Abdullah Street - Akkawi and Badad Complex Building No. 349
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Aqaba Branch Iubeiha Branch Sweifiyeh Branch Sihmeisani Branch Zarka University Branch Al Ruseifa Branch	11 13 8 7	31 October 2002           28 April 2003           11 March 2007	03/2019495 5343569	Aqaba – Al-Tabari St. – 3rd Zone/ North City Avenue Queen Rania Al Abdullah Street - Akkawi and Badad Complex Building No. 345
ubeiha Branch sweifiyeh Branch Shmeisani Branch Zarka University Branch Al Ruseifa Branch	13 8 7	28 April 2003 11 March 2007	5343569	Queen Rania Al Abdullah Street - Akkawi and Badad Complex Building No. 349
sweifiyeh Branch Shmeisani Branch Zarka University Branch Al Ruseifa Branch	8 7	11 March 2007		
Shmeisani Branch Zarka University Branch Al Ruseifa Branch	7		5826669	Sufian Al Thawri Street – Surat Hotel Suites Building
Zarka University Branch Al Ruseifa Branch		18 March 2007		
Al Ruseifa Branch	4		5651110	Abdul Hamid Shoman Street – Building No. 10
		1 May 2007	05/3821022	Zarka University
New Zarka Branch	8	1 October 2007	05/3748474	King Hussein Street – Adjacent to the Arab Bank Building - Ruseifa
	9	24 October 2007	05/3854240	New Zarka 36th Street – Al Batrawi District – Adjacent to Sameh Mall
asmeen District Branch	9	15 April 2008	4202126	Jabal Arafat Street – Al Yasmeen District –Nazal District – Near the Map Roundabou
Khalda Branch	9	13 May 2008	5511446	Amer Bin Malek Street – Abu Hdeib Commercial Complex – Building No. 71
Salt Branch	8	22 February 2009	05/3532316	Al Salalem District – Shahateet Center – Opposite Al Balka Police Station
Abu Alanda Branch	10	22 January 2009	4164426	Abdul Kareem Al Hadeed Street – Hussein Thawabteh Complex
North Hashimi Branch	9	19 July 2009	5061993	Al Batha Street – North Hashimi
Nuzha Branch	7	26 July 2009	5684341	Prince Hasan District – Sultan Kalawoon Street
Karak Branch	9	1 September 2009	03/2351736	Baqaeen District – Al Omari District
Mafraq Branch	9	·	02/6231941	King Hussein Bin Ali Street – Opposite Old Vegetables Market
Ajloun Branch	8	·	02/6422624	Amman Street – Salah Al Deen Building 2
Fareg Branch	8		5066918	Tabarbour – Tareq Street
Fafileh Branch	8		03/2241165	King Hussein Street – Tafileh
arash Branch				King Abdullah Street - Jarash
				Princess Taghreed Street – Amoun Commercial Complex
		· · · ·		Hashimi Street - Irbed
		· · · · · · · · · · · · · · · · · · ·		King Abdullah Street – Medical City Street – City Mall
				Madina Munawara Street – Al Zamel Building
				King Abdullah II Street – Opposite Al Haitham Hall - Ruseifa
			÷	Abu Obaida Street – Deir Alla
		· · · · · · · · · · · · · · · · · · ·	÷	Abu Nsair – Adjacent to 1st Circle of Applied Sciences
		· · · ·		Muqablain - Al Huriya Street
•				Arabella Mall – Irbed
		·		Al Hussein Bin Talal University Street
				Jabal Amman – Ibn Khaldoun Street – Al Khalidi District - Building No. 87
				University Street – Opposite Military Wing at the Traffic Lights
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# Employees' Data and Training Programmes

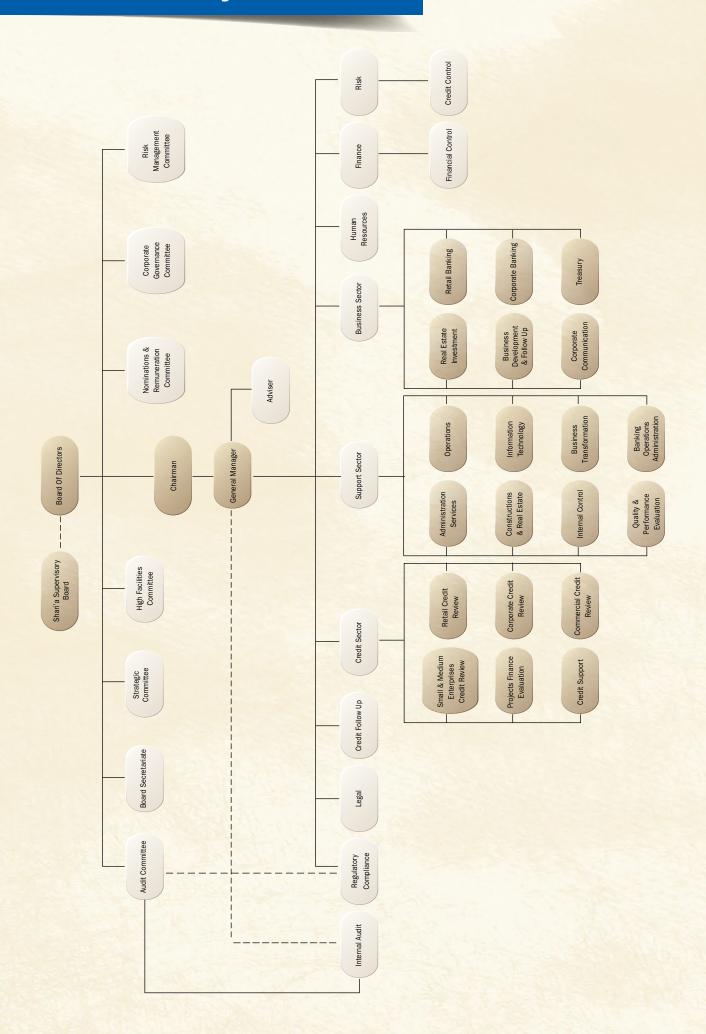
# Following is an analytical table illustrating the employees' categories and their qualifications:

	2013	2014
Details as per Category	L	
Classified	665	705
Un-classified	93	90
Total	758	795
Details as per Qualifications		
PhD	4	6
Masters	68	69
High Diploma	4	4
ВА	493	517
Diploma	90	91
Non University Qualifications	99	108
Total	758	795
Employees Turn Over was as follows:		
Resignations	29	33
Retirement	-	1
Total	29	34
Ratio to Total Number of Employees	3.8%	4.3%

# Training Programme for the Bank's Employees

Type of Programme	Number of Programmes	Number of Participants
Internal	95	1588
External	114	185
Total	209	1773

# Organizational Chart



# Corporate Governance Manual

of the Islamic International Arab Bank

# Corporate Governance Manual for The Islamic International Arab Bank

The Islamic International Arab Bank lends great interest for the sound Corporate Governance practices and the Bank's Board of Directors abides by applying the highest professional performance standards to the entire Bank's activities. In this regard, the Bank follows the instructions of the Central Bank of Jordan that adopted Basel Recommendations about Corporate Governance as well as the recommendations of the Islamic Financial Services Board.

The Islamic International Arab Bank was on the foremost institutions that complied with the concepts of Corporate Governance in the Middle East and the Audit Committee has been formed since the date of incorporation of the Bank. The Board holds periodical and non-periodical meetings with full membership to discuss the Bank's strategic direction and the change in the significant indicators over the Bank's general strategy. This manual has been drawn-up based on the Corporate Governance Manual (Corporate Governance) for Banks in Jordan issued by the Central Bank of Jordan after being adapted with the provisions of the Banks' and Companies' Laws in force and the Bank's Memorandum and Articles of Association.

The Bank shall revise, develop and amend this Manual from time to time and whenever necessary in order to go along with the changes in its needs and projections and in the banking market.

# **Essential Principles of the Manual**

### **First: Compliance with Corporate Governance**

The Islamic International Arab Bank (the Company) has a regular set of relationships with the Board of Directors, shareholders and other stakeholders. These relationships address the general framework of the Bank's strategy and the necessary means to implement its objectives. The general framework of Corporate Governance ensures the fair treatment which is based on equality among all shareholders. It also recognizes the entire shareholders' equity that the Law had determined and asserts on providing them with all the significant information about the Company's activity and compliance of the Directors with their responsibilities towards the Company and shareholders.

The Bank has prepared this manual in accordance with the requirements of the corporate Governance Manual issued by the Central Bank of Jordan in a manner consistent with its needs and policies and it was approved by the Board of Directors during its 13th Meeting in 2009 held on 17/12/2009 and was disseminated where an updated copy thereof is available on the Bank's website and to the public upon request.

The Bank comprises in its Annual Report, a report to the public about the extent of compliance of the Bank's Management with the Articles of the Manual illustrating the extent of compliance of the Bank's Management in implementing every Article thereof together with the reasons of non-compliance with any Article that has not been implemented; whereby the Bank has formed a committee emanating from the Board of Directors called the Corporate Governance Committee consisting of the Chairman and two non-executive Directors to direct the preparation, up-dating and implementation of the Manual.

### **Second: The Board of Directors**

### **General Principles**

- a. The essential duty of the Board of Directors is to protect and develop shareholders' equity in the long term and in order to carry out their role; the Board of Directors has the overall responsibility for Corporate Governance including the Bank's strategic direction; determination of the general objectives for the Executive Management and overseeing the realization of such objectives.
- b. The Board has the overall responsibility related to the operations and financial soundness of the Bank and ensures that the requirements of the Central Bank and interests of shareholders, depositors, creditors, employees and other stakeholders are met and ensures that the Bank is managed prudently and within the framework of the laws and instructions in force and the Bank's internal policies.

- c. The Board works towards dedicating the principle of committing each of the Directors towards the Bank and all of its shareholders.
- d. The Board draws-up the Bank's strategic objectives in addition to monitoring its Executive Management which is responsible for the daily operations. The Board also ratifies the Internal Control and Monitoring Systems and asserts the extent of their effectiveness; extent of the Bank's abidance by the strategic plan and the approved or required policies and procedures under the laws and instructions issued in pursuance thereof. Moreover, it ensures that all the Bank's risks have been soundly managed.

### Chairman / General Manager

- a. The positions of the Chairman and General Manager shall be segregated provided that there is no blood relationship between the Chairman and General Manager up to the 3rd kin. The segregation in responsibilities shall be by virtue of written instructions determined by the Board which shall be reviewed whenever necessary.
- b. In the event that the Chairman is an executive person, the Bank shall appoint an independent member as a Vice-Chairman in order to ensure the availability of independent source as the shareholders' spokesman. The Chairman would be an executive person if he were acting on a full time basis and has a function at the Bank.
- c. The status of the Chairman shall be declared whether executive or non-executive.

#### **Role of the Chairman**

The Chairman shall perform the following:

- a. Institute a constructive relationship between the Bank's Board of Directors and its Executive Management and the Executive and Non-executive members.
- b. Create a culture, during the Board's meetings that encourage constructive criticism about the matters on which there is a diversity of points of view among Directors and that encourages discussions of and voting on such matters.
- c. Ensure that the Directors and shareholders receive the adequate information in a timely fashion.
- d. Ensure the availability of high standards of Corporate Governance at the Bank.

### Formation of the Board

- a. The Board of Directors of the Islamic International Arab Bank consists of five members. The Directors are elected by the General Assembly for a term of four years. The Chairman shall be elected by the Directors.
- b. The formation of the Board shall observe the diversity of practical and professional experience as well as specialized skills. It shall also observe that the Board has executive members (members who have jobs at the Bank) and non-executive members (members who do not have jobs at the Bank).
- c. It shall be observed that the number of independent Directors shall not be less than two subject to the Bank's privacy in that regard (where the instructions of the Central Bank of Jordan provide that the number of independent Directors shall not be less than three members).
- d. The independent Director is defined as the member in his personal capacity or as a representative of a corporate person and whose only connection to the Bank is his membership in the Board of Directors) which makes his judgment on the issues unlikely to be influenced by any considerations or external matters. The minimum requirements which the independent member must satisfy are as follows:
  - 5. He has not worked for the Bank as an employee during the three years preceding the date of his nomination to the Board membership.
  - 6. He is not a relative to any Director at the Bank beyond the 2nd kin.
  - 7. He does not receive any salary or other consideration from the Bank other than the remuneration for his membership in the Board.
  - 8. He is not a director or owner of a company with which the Bank does business save dealings that arise due to customary services and /or business that the Bank provides to its customers provided that they are governed by the same conditions that similar dealings are subject to with any third party without preferential treatment.
  - 9. He has not been a partner or employee of the external auditor during the three years preceding the date of his nomination to the Board membership.

10. His shareholding does not constitute an influential interest in the Bank's capital or is an affiliate of another shareholder.

### **Organization of the Board's Activities**

- a. In order to ensure the comprehensiveness of the issues presented in the Board's meetings, the number of the meetings shall not be less than (6) per year. The Executive Management shall propose the issues that it deems significant for the agenda of each meeting.
- b. The issues presented to the Board's meetings shall be discussed thoroughly.
- c. The Bank's policies must comprise the existence of independent Directors in the Board in order to ensure making objective decisions and to maintain a level of control to ensure the equilibrium of influence of all parties including the Executive Management and major shareholders and to ascertain that the adopted resolutions are in the Bank's interest.
- d. The Bank shall provide the Directors with the adequate information in a sufficient time before the Board's meetings to enable them to make the appropriate decisions.
- e. The Board's Secretary must record the Board's discussions and proposals and the voting of members that takes place during the Board's meetings.
- f. The responsibilities of the Directors are specific and clear and are in conformity with the relevant statutes. The Bank shall provide every Director with a letter clarifying the member's rights, responsibilities and duties.
- g. The banking operations that require the Board's approval shall be clarified in writing which include inter alia:
  - The Board's authority for extending banking facilities that exceed a specific amount.
  - Any other banking operations that fall within the Board's functions.
- k. The Directors must be continuously aware of the developments within the Bank and the local and international banking sectors. The Bank must provide the Directors with an appropriate summary of the Bank's activities (upon appointment and during the tenure or upon request).
- I. The Directors and the Board's Committees (if necessary) shall have the authority to seek the assistance of external resources to properly assist them in the functions assigned to them.
- m. Any communication of the Directors and the Board's Committees with the Executive Management shall be available directly.
- n. The Bank shall set-up an (organizational structure illustrating the administrative hierarchy), including the Board's Committees and Executive Management. It shall publicly declare the portion of the organizational structure that illustrates the senior administrative levels therein.
- o. The Board's Secretary shall ascertain that the Directors follow the procedures that are determined by the Board; that the information is shared among the Directors and the Board's Committees and the Executive Management in addition to determining the time for the Board's meetings and recording the minutes of meeting. The Board must officially determine the functions of the Board's Secretary in writing in line with the level and responsibilities referred to above. Furthermore, the decision for his appointment or removal shall be made by the Board unanimously.

### **Board's Activities: Appointments and Succession**

- a. The Board's policy must comprise appointing a general manager who has integrity, technical competency and banking experience.
- b. The Board's approval shall be obtained upon appointing certain executive managers such as, Internal Audit Manager and Financial Manager and it shall ascertain that they have the required experience.
- c. The Board shall ratify a Succession Plan for the Bank's executive managers whereby it shall comprise the qualifications and requirements that must be satisfied by the occupants of such jobs.

#### Board's Activities: Self-assessment and Performance Assessment of the General Manager

- a. The Board shall evaluate its overall performance through the Nomination and Remuneration Committee at least once a year by following specific and approved bases in the evaluation of its efficiency whereby the performance evaluation shall be objective and shall include a comparison with other banking and similar financial institutions in addition to the standards concerning the soundness and accuracy of the Bank's Financial Statements and the extent of compliance with the regulatory requirements.
- b. The General Manager shall be evaluated annually by the Board.

### Board's Activities: Planning, Control and Monitoring Systems, Code of Ethics and Conflict of Interest

- 1. The Board shall determine the Bank's objectives and shall direct the Executive Management to draw-up a strategy to realize such objective. The Executive Management shall set-up business plans that are consistent with such strategies through a planning process that encompasses the contribution of the entire departments of the Bank. The Board shall approve the strategy and business plans and ensures that the Executive Management shall review the performance accomplishments in accordance with the business plans and shall take the corrective measures whenever necessary. The process of the preparation of the estimated budgets is deemed to be part of the short term planning and performance measurement process.
- 2. The Board shall always ascertain that the Bank has high integrity in exercising its activities. This shall take place through the existence of policies and code of ethics that comprise a definition for conflict of interests and the deals that the Bank's employees carry out for their personal interest based on inside information about the Bank which was obtained/ reviewed as a result of the authorities vested in them. Such policies and code of ethics are circulated to all the Bank's employees and Directors together with obtaining their agreement thereon and publicly disseminate same, provided that such policies comprise the following:
  - a. Rules and procedures that regulate the operations with stakeholders whether between the Bank and its employees or its Directors and their companies or those related to them including the financing and joint trading operations with the Bank. It must also comprise such rules asserting that granting credit to the Directors and their companies shall take place in accordance with the rates prevailing in the market and not in accordance with preferential conditions and that the Director should not attend the meeting concerned with such dealing, contracting or voting thereon. Such shall be declared in the Bank's Annual Report and Bank's Departments concerned with the Internal Controls and Monitoring Systems must ensure that the operations of the stakeholders have taken place in accordance with such policies.
  - b. Clear control systems that prevent the Directors and employees from taking advantage of the inside information in the Bank for their personal interests.
- 3. The Bank must have written policies that cover all of its banking activities and must be circulated to all administrative levels and be reviewed regularly to ensure that they include any amendments or changes that emerged on the laws, economic circumstances and any other matters related to the Bank.
- 4. As a part of the credit extension approval process, the Bank shall evaluate the quality of Corporate Governance of its customers, being companies, particularly the public shareholding companies whereby the customers' risk evaluation shall comprise the weaknesses and strengths of their practices in terms of governance.
- 5. The Board shall ascertain the existence of an appropriate mechanism for obtaining the Shari'a stipulations from those specialized with it and the commitment to implement Fatawa to monitor compliance with Islamic Shari'a in respect of all products, operations and activities.

### **Third: Board's Committees**

### **General Provisions:**

- a. For the purpose of enhancing its effectiveness, the Board shall, as soon as possible, constitute committees emanating therefrom with specific objectives and they shall be empowered with authorities and responsibilities by it for a specific period according to a charter that clarifies the foregoing whereby such committees shall report periodically to the Board, noting that the existence of such committees shall not exempt the Board from being directly responsible in respect of all matters pertaining to the Bank.
- b. The Transparency Principle shall be exercised in appointing the Board's Committees' members and the names of such members together with a summary of their functions and responsibilities shall be declared within the Bank's Annual Report.
- c. The Board may consolidate the functions of various committees if appropriate or more adequate administratively.

### **Corporate Governance Committee**

- a. The bank shall constitute a committee emanating from the Board of Directors called the Corporate Governance Committee consisting of the Chairman and two non-executive members to direct the preparation, up-dating and implementation of the manual.
- b. The Committee shall oversee the practices of governance at the Bank and shall work towards ensuring the availability of the necessary elements for Corporate Governance.

### **Audit Committee**

- a. The Bank's Audit Committee shall consist of at least three non-executive members and the names of the members of such Committee shall be declared in the Bank's Annual Report.
- b. The Bank's policy must comprise that at least two of the Audit Committee's members must be holders of scientific qualifications and/or practical experience in financial management and that the number of independent members in the Committee shall not be less than two.
- c. The Audit Committee shall exercise the responsibilities and authorities so assigned to it by virtue of the Banks' Law and other relevant statutes; this shall comprise reviewing the following:
  - c.a) Scope, results and extent of adequacy of the Bank's internal and external auditing.
  - c.b) Accounting issues of material impact on the Financial Statements
  - c.c) The Internal Control and Monitoring Systems at the Bank.
- d. The Audit Committee shall give recommendations to the Board regarding the appointment, termination of services, external auditor's remuneration and any other contractual conditions related thereto in addition to the evaluation of the objectivity of the Internal Auditor taking into consideration any other activities falling outside the auditing scope that it has carried out for the purpose of ensuring such objectivity.
- e. The Audit Committee must have the authority to obtain any information from the Executive Management in addition to its right to invite any executive employee or Director to attend its meetings, provided that such shall be provided for in writing in the Charter which comprises the functions and responsibilities of this Committee.
- f. The Audit Committee shall meet with the external auditor, internal auditor and compliance officials at least once a year without the presence of the Executive Management.
- g. The responsibility of the Audit Committee shall not substitute the responsibilities of the Board or the Bank's Executive Management relating to overseeing the sufficiency of the Internal Control and Monitoring Systems thereat.
- h. The audit Committee shall approve the annual auditing plan and monitor the implementation thereof in addition to reviewing the remarks. The Audit Committee shall be deemed to be directly responsible for overseeing the activities of the Internal Auditing Administration.

#### **Selection and Remuneration Committee**

- a. The Bank shall constitute the Selection and Remuneration Committee from among the Bank's Directors consisting of at least three non-executive members provided that the majority thereof, including the Committee's Chairman, shall be from the independent members.
- b. The Selection and Remuneration Committee shall determine whether the member is an independent member taking into consideration the minimum requirements which he must satisfy as outlined in this Manual.
- c. The Selection and Remuneration Committee shall undertake the responsibility for providing background information and briefs on certain significant issues about the Bank to the Directors upon request and shall ensure that they are made aware of the most recent issues relevant to the banking industry. In order to realize this, the Bank shall encourage its Directors to attend seminars and events that afford them the opportunity to meet with the local and international corporations and companies.
- d. The Selection and Remuneration Committee shall recommend the remunerations including the monthly salary and other benefits for the General Manager. The Committee shall also review the remunerations including the salaries paid to the rest of the Executive Management.
- e. A summary of the Bank's remunerations' policy shall be declared in the Bank's Annual Report, particularly the remunerations of Directors separately and the highest salaries paid during the year for the executive managers other than the Directors.
- f. Nothing shall preclude the Selection and Remuneration Committee to nominate persons from the Directors to be renominated and re-elected in accordance with the provisions of the Companies' Law, taking into consideration their attendance record as well as the quality and efficiency of their participation in the Board's meetings; noting that the Companies' Law provides that the Board's term shall expire after four years from the date of election thereof and that in order to renew the membership of a director, he must nominate himself during the Bank's Annual General Assembly meeting.

#### **Risk Management Committee**

- a. The bank shall constitute the Risk Management Committee at the Bank from the Directors and shall include in its membership members from the Executive Management.
- b. The Risk Management Committee shall review the Bank's risk management policies and strategies before being approved by the Board. The Bank's Executive Management shall be responsible for the implementation of such strategies in addition to developing management policies and procedures for various risks.
- c. The structure of risk management and the development thereof shall be proposed by the Bank's Executive Management whereby it shall be reviewed by the Risk Management Committee and approved by the Board.
- d. The Risk Management Committee shall remain abreast of the fast developments and increasing complexities that occur in the risk management inside the Bank and shall submit periodical reports to the Board regarding such developments.
- e. The Board of Directors shall work towards ensuring the existence of an effective internal monitoring system and towards verifying its proper performance. The Board shall also determine the risk management policies in general and shall specify the framework thereof.

### **Fourth: Internal Control and Monitoring Environment**

### **Internal Control and Monitoring Systems:**

- a. The structure of the Internal Control and Monitoring Systems shall be reviewed by the internal and external auditors at least once per year.
- b. The Board shall include in the Bank's Annual Report, a statement about the extent of sufficiency of the Internal Control and Monitoring Systems on Financial Reporting, whereby the statement shall comprise the following:
  - b.a) A paragraph clarifying the responsibility of the Executive Management for setting-up the Internal Control and Monitoring Systems on Financial Reporting and maintaining such systems.
  - b.b) A paragraph about the framework which the Executive Management has used to evaluate the efficiency of the Internal Control and Monitoring Systems.
  - b.c) The Executive Management's evaluation of the efficiency of the Internal Control and Monitoring Systems as at on the date of the Financial Statements which are comprised in the Bank's Annual Report.
  - b.d) Declaration of any material weakness in the Internal Control and Monitoring Systems (ie a material weakness is a clear weakness point(s) resulting in a potential possibility that prevents the discovery of an incorrect statement having a material impact).
  - b.e) External auditor's report expressing its opinion in the Executive Management's evaluation of the efficiency of the Internal Control and Monitoring Systems.
  - b.f) A report from the Shari'a Supervisory Board expressing their opinion in the Executive Management's compliance in applying the provisions of Islamic Shari'a on the banking activities.
- c. The Bank shall set-up measures that enable the employees to report confidentially then, of any concerns about potential violations in a manner that allows investigating and following-up such concerns independently where the implementation of such measures shall be monitored by the Investigation Committee.

### **Internal Auditing**

- a. The Bank shall provide the Internal Audit Administration with adequate qualified personnel who shall be properly trained and remunerated. The Audit Administration shall be entitled to get any information and to communicate with any employee inside the Bank. It shall also have all authorities that enable it to perform the functions assigned to it properly. The Bank shall document the functions, authorities and responsibilities of the Audit Administration within the Internal Audit Charter approved by the Board which shall be circulated within the Bank.
- b. The Internal Audit Administration shall report to the Chairman of the Audit Committee.
- c. The employees of the Internal Audit shall not be charged with executive responsibilities and the Internal Audit Administration shall be responsible for proposing the structure and scope of the Internal Audit as well as for advising the Audit Committee about any potential conflict of interest.
- d. The Internal Audit Administration shall exercise its functions and shall prepare its report without any outside interference. It shall be entitled to discuss its report with the departments that have been audited.
- e. The primary responsibility of the Internal Audit Administration comprises as a minimum auditing the following:

- 1. The Bank's financial reporting to ensure that the major information about the financial, administrative and operations matters are accurate, reliable and timely.
- 2. Compliance with the Bank's internal policies, international standard and procedures and the relevant laws and instructions.
- 3. Ensure that carrying out the banking transactions is made in accordance with the provisions of Islamic Shari'a and the Shari'a Supervisory Board's determination.

### Shari'a Supervisory Board

- a. The Board of Directors shall appoint a Shari'a Supervisory Board comprising at least (3) Islamic Shari'a scholars.
- b. The Board's functions shall be:
  - 1. Study various financing issues, queries and methods in which the Bank deals to ascertain that they are Shari'a compliant.
  - 2. The Committee shall verify the existence of juristic support that supports charging the Bank with any loss occurring within the scope of the joint investment operations.
  - 3. Verification and satisfaction of observing the Shari'a controls in respect of all contracts, instructions and the transactions and procedural requirements thereto and that there is no Shari'a obstacle or prohibition for the approval thereof or for carrying out an amendment thereon to be consistent with the provisions of Islamic Shari'a.
  - 4. Issue an annual report by the Committee for every year that ended in which the Bank's Balance Sheet, Profit and Loss Account and the accompanying Notes are reviewed illustrating that there is no Shari'a violation therein.

### **External Auditing**

- a. The Bank shall adopt the regular rotation of external auditing among the auditing firms and in the event of any difficulty in practically implementing such process, the Bank shall request the regular rotation of the major partner responsible for the Bank's external auditing.
- b. The external auditor shall provide the Audit Committee with a copy of its report and the external auditor shall meet with the Audit Committee without the presence of the Executive Management at least once a year.

#### **Risk Management**

- a. The Risk Management Department at the Bank shall submit its report to the Risk Management Committee; as for the day to day operations, it shall report to the General Manager.
- b. The responsibilities of the Risk Management Department at the Bank shall comprise the following:
  - b.1) analyze all the risks including, credit risks, market risks, currency risks and operational risks.
  - b.2) developing the measurement and control methodologies for every type of risk.
  - b.3) give recommendation to the Risk Management Committee in respect of risk limits, consents, submission of reports and record the deviations from the risk management policy.
  - b.4) provide the Board and the Senior Executive Management with information about risk measurement and risk profile at the Bank (the Board shall review the qualitative and quantitative risk statistics at the Bank regularly during every Board meeting).
  - b.5) provide information about the risks at the Bank to use same for the purpose of disclosure and dissemination to the public
- c. The Bank's Committees such as the Credit, Assets and Liabilities Management, Treasury and Operations Risk Committees, shall assist the Risk Management Department in carrying out its functions in accordance with the authorities so determined for such Committees.
- d. The Bank's Annual Report shall comprise information about the Risk Management Department regarding its structure, nature of operations and the developments emerging thereon.



### Compliance

- a. The Bank has a Compliance Department and the Bank shall provide it with trained staff who shall be sufficiently remunerated and in conformity with the instructions of the Central Bank issued in that regard.
- b. The Compliance Department shall prepare an effective methodology to ensure compliance of the Bank with all laws and statutes in force and any relevant guidelines and evidence. The Bank must document the functions, authorities and responsibilities of the Compliance Administration which shall be circulated inside the Bank.
- c. The Board shall approve and monitor the compliance policy. The preparation, development and implementation thereof in the Bank shall be within the authorities of the Compliance Administration.
- d. The Compliance Unit shall submit its reports about the results of its activities and the monitoring of compliance to the Board or through the concerned committee with a copy to the Executive Management in line with the instructions of the Central Bank issued in that regard.

### **Fifth: Relationship with Shareholders**

- 1. The Bank shall take steps to encourage the shareholders to attend the annual General Assembly meeting and to vote either in person or by proxy in the event of their absence.
- 2. The heads of the Audit and Selection and Remuneration Committees as well as any other Committees emanating from the Board shall attend the annual General Assembly meeting.
- 3. Representatives of the external auditors shall attend the annual General Assembly meeting to respond to any questions that may be asked about the audit and the auditor's report.
- 4. Every issue raised during the annual General Assembly meeting shall be voted on separately.
- 5. In accordance with the provisions of the Companies' Law, the Directors shall be elected or re-elected during the annual General Assembly meeting as well as in accordance with the provisions of the Bank's Articles of Association. The external auditor shall also be elected during the same meeting.
- 6. After the annual General Assembly meeting is over, a report shall be prepared to be reviewed by the shareholders that shall contain the remarks made during the meeting and the results thereof including the voting results and questions raised by the shareholders and the responses of the Executive Management to such questions.

### Sixth: Relationship with the Holders of Investment Accounts

- 1. The Bank shall acknowledge the rights of the holders of investment accounts to follow-up the performance of their investments and the relevant risks and to set-up sufficient means to ensure the preservation of such rights and the exercise thereof.
- 2. The Bank shall adopt a sound strategy which is consistent with the risks and projected returns to the holders of the investment accounts taking into consideration the differentiation between the holders of the restricted and free investment accounts in addition to the transparency in supporting any returns.

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

- 1. The Bank makes disclosure in accordance with the Islamic Accounting Standards issue by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) and where there is no Islamic Accounting Standards, the International Financial Reporting Standards (IFRS) shall be applied whereby they do not violate the provisions of Shari'a and the instructions of the Central bank of Jordan in force issued pursuant to the Banks' Law in force and the relevant statutes. Over and above, the Bank shall be aware of the changes that occur over the International Financial Reporting Practices and the scope of transparency required from the financial institutions, where the Bank assumes the responsibility to ensure complete abidance with and implementation of all amendments that emerge over the International Financial Reporting Standards. The Executive Management shall submit reports to the Board about the developments in addition to giving recommendations in respect of enhancing the Bank's practices regarding disclosure in a manner that exceeds the requirements of the Central Bank of Jordan in that regard.
- 2. The Bank shall provide the material and primary information about the investment accounts that it manages to the order of the holders of investment accounts and the public sufficiently and in a timely fashion.
- 3. The Bank is committed to providing significant and meaningful information about its activities to the Central Bank, shareholders, depositors, other banks and to the public in general focusing on the issues that raise the concerns of shareholders. The Bank shall disclose all such information periodically and shall make it available to the public.

- 4. The Bank shall clarify in its Annual Report that it is responsible in respect of the accuracy and adequacy of the Bank's Financial Statements and the information contained in its Annual Report.
- 5. The Bank is committed to maintaining communication lines with the regulatory authorities, shareholders, depositors, other banks and the public in general. These lines shall be through the following:
  - a. Investor relationship function which shall be occupied by qualified staff capable of providing comprehensive, objective and up-dated information about the Bank, its financial position, performance and activities.
  - b. Annual Report which is issued after the end of the financial year.
  - c. Periodical meetings between the Executive Management at the Bank and investors and shareholders.
  - d. Provide a periodical brief to the shareholders, holders of investment accounts, analysts at the stock exchange and news reporters specialized in the financial sector by the Senior Executive Management, particularly the General Manager and Financial Manager.
  - e. Provide the information contained in the Bank's Annual Report or in the lectures delivered by the Executive Management through the investor relationship function and on the Bank's website in an up-dated manner in Arabic and English.
- 6. The Bank's Annual Report comprises disclosure from the Bank's Executive Management called Management Discussion and Analysis (MD&A) whereby it allows the investors to understand the results of the present and future operations and the Bank's financial situation including the potential effect of the foreseeable directions, accidents and uncertainties. The Bank undertakes to be committed that all the clarification contained in such disclosure are approved, complete, fair, balanced and understood and are based on the Financial Statements published by the Bank.
- 7. The Annual Report, as part of compliance with transparency and particularly full disclosure, comprises the following:
  - a. The Bank's Corporate Governance Manual and the annual details for its compliance with its Articles.
  - b. Information about every Director, his qualifications, experience, his shareholding in the Bank's capital, whether he is independent, executive or non-executive, his membership in the Board's Committees, date of election to the Board, any memberships in other Boards, remunerations / salaries that he received from the Bank, loans extended from the Bank and any other activities between the Bank and the Director, his companies or the related stakeholders.
  - c. Summary of the Bank's organizational structure.
  - d. A summary of the functions and responsibilities of the Board's Committees and any authorities empowered by the Board to such Committees.
  - e. Number of meetings of the Board and the Board's Committees.
  - f. Summary about the remuneration policy and the highest salary paid to the Executive Management.
  - g. Certification of the Board on the adequacy of the Internal Control and Monitoring Systems.
  - h. Description of the structure and activities of the Risk Management Department.
  - i. Major shareholders in the Bank.
- 8. The Bank shall provide the material and primary information about the investment accounts that it manages to the order of the holders of investment accounts and the public sufficiently and in a timely fashion.

# In accordance with the instructions of Corporate Governance and the requirements of the Central Bank of Jordan, the following committees have been formed:

### **1- Governance Committee**

Sharif Fares Sharaf / Chairman of the Board	President
Mr. Mohammad Musa Daoud / Vice Chairman	Member
Dr. Tareq Hammouri / Director	Member
One meeting was held for the Committee during 2014	

### 2- Nomination and Remuneration Committee (Selection and Remuneration Committee)

Mr. Daoud Al Ghool / Director Member	
Dr. Tareq Hammouri / Director Member	

Two meetings were held for the Committee during 2014

### 3- Risk Management Committee

Sharif Fares Sharaf / Chairman of the Board	President
Dr. Ahmad Awad Abdul Halim / Director	Member
The General Manager	Member
Risk Management Manager	Member
Internal Audit Administration Manager	Member
Four meetings were held for the Committee during 2014	

### **4- Audit Committee**

Mr. Mohammad Mousa Daoud / Vice Chairman	President
Mr. Daoud Al Ghool / Director	Member
Dr. Tareq Hammouri / Director	Member
Dr. Tareq Hammouri / Director	Member

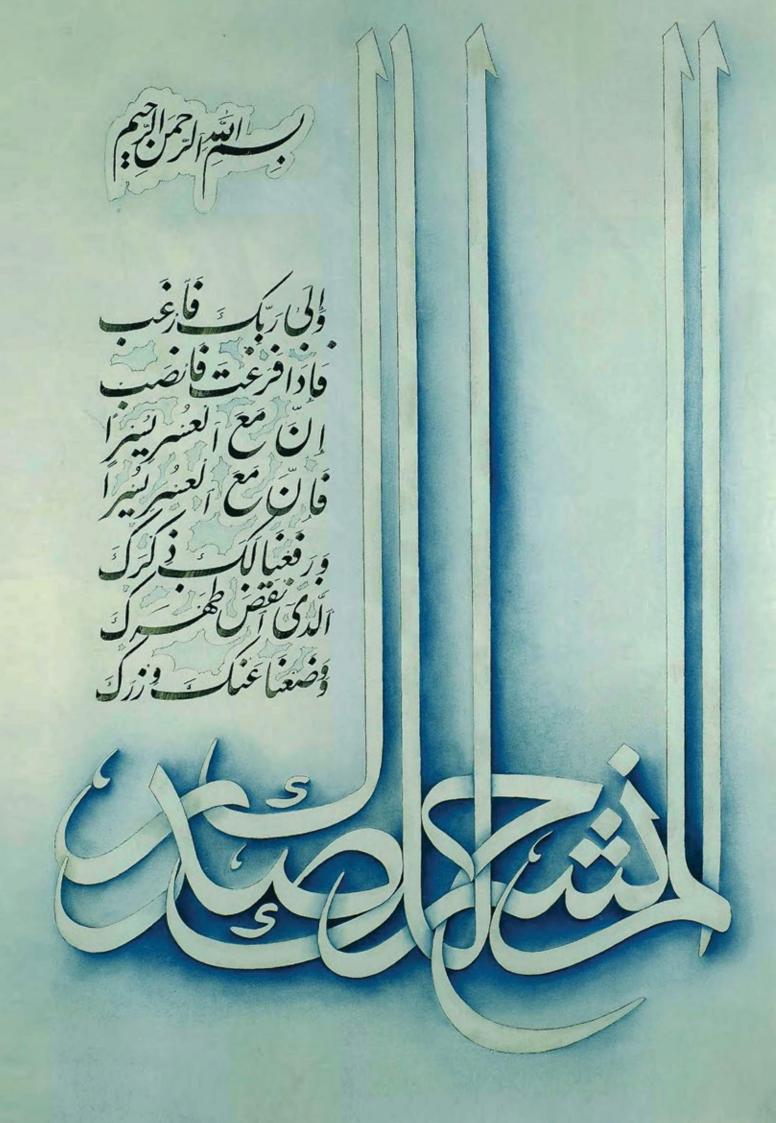
Six meetings were held for the Committee during 2014

### 5- Higher Facilities and Investment Committee

Sharif Fares Sharaf / Chairman of the Board	President
Mr. Mohammad Mousa Daoud / Vice Chairman	Member
Dr. Ahmad Awad Abdul Halim / Director	Member
The Committee holds periodical meetings during 2014	

### 6- Strategic Committee

Sharif Fares Sharaf / Chairman of the Board	President
Mr. Daoud Al Ghool	Member
General Manager	Member
Three meetings were held during 2014	



Social Responsibility Report

# The Bank's Social Responsibility is focused on various issues including inter alia the following:

Combat poverty and unemployment Participate in the sustainable economic development Enhance social solidarity Islamic banking awareness Contribution towards human development Participate in volunteer work Preserve the environment and general safety

As a Shari'a compliant financial institution, the Islamic International Arab Bank, seeks to enhance its active role towards community whereby the Bank's activity is primarily focused towards the community through promoting the



sustainable economic development and supporting the small and medium enterprises and individual segments through various products which are Shari'a compliant covering the financing needs and encouraging savings. The Bank's further aims at combating poverty and unemployment through participating in many charity campaigns in cooperation with significant entities in addition to enhancing awareness in Islamic Banking through communicating with various entities within the Kingdom and holding joint workshops between the Bank and the Department and General Department for Ifta targeting Shari'a judges, and muftis to discuss and present the Shari'a methods determined by the Bank's Shari'a Supervisory Board.

The Bank provides financing through the method of Qard Hasan to assist customers to face contingent conditions which they encounter. In order to enhance social solidarity, the Bank manages the Mutual Takaful Fund to cover debts of deceased customers and those who lost their jobs due to total disability in respect of the financings extended by the Bank. The Bank contributed in covering many cases so far; and in order to support the local economy, the Bank signed multiple agreements with the Central Bank of Jordan in order to provide financings to micro, small, and medium enterprises that have an essential role in combating poverty and creating new job opportunities for the unemployed.

Through its ambitious plans, the Bank contributes towards reducing carbon emissions and preserving the non-renewable energy sources through energy conservation and renewable energy projects whether through its buildings and branches or through releasing products with reduced commissions to finance such projects at the individual and corporate levels. The Bank has, in cooperation with the Directorate of Civil Defence, carried out fire and rescue training for all the Bank's personnel for the safety of employees, customers and surrounding inhabitants in cases of fire and natural disaster.



The Bank is keen on meeting the customers' financing needs and focus has been made towards payment of university tuition in installments



Signing a cooperation agreement in respect of installments between the Bank and Zarka University

The Bank realizes its role in combating poverty and hunger in addition to the importance of volunteering in cultivating and developing the employees' personality. The Bank has participated in many charity and volunteering activities



The Bank's participation in Iftar of Tkiyet Um Ali during the month of Ramadan

The Bank's responsibility is to increase awareness in Islamic Banking and several meeting were held between the Bank and the Department of the Chief Justice and the Department of General Ifta and the Ministry of Endowment and Islamic Affairs



The Bank organizes a workshop for Shari'a judges



The Bank organizes a workshop for Shari'a judges



The Bank organizes a gathering with a group of Mufti's in the Kingdom





Inauguration of a course in investment instruments for the employees of the Ministry of Awqaf

The Bank lends great interest in the small and medium enterprises. The Bank has launched a product specialized for financing medical sectors in addition to increasing the umbrella of "Kafala" programme to become 550 thousand Dinars and participation in numerous activities and conferences that aim at developing the small and medium enterprises operating in the Kingdom. Wakala Investment Agreement was signed with the Central Bank in order to provide financings with reduced returns for small, medium and micro enterprises.



Signing of the Industrial and Services Financing Agreement and Ijarah Agreement with Jordan Loan Guarantee Corporation



The Bank participates in sponsoring the Conference on Financing Small Enterprises which was organized by Jordan Loan Guarantee Corporation

The Bank seeks to provide support to the small and medium enterprise sector through a set of joint initiatives with the Central Bank of Jordan for the purpose of providing financing with the lowest returns



The Bank always seeks to communicate with the customers and public in all the Kingdom's governorates and has held many gatherings between the Executive Management and the Bank's customers



The Social Activity Committee of the Bank's employees plays an important role in increasing pro-action among the Bank's employees of various levels with their families with the aim of strengthening the professional connections and enhancing team work



Iftar event for the Bank's employees during the month of Ramadan

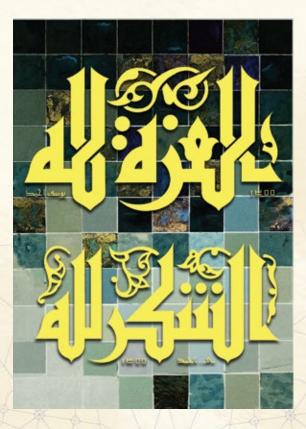
The Bank aims at facilitating the financing extended to individuals who are affiliated with government and private institutions in addition to the members of professional associations and the Bank has signed various agreements with numerous entities



Signing a cooperation agreement with the Jordanian Journalists Syndicate



The Bank's sponsorship of one of the campaigns of Tkiyet Um Ali



Agenda of the 18th Ordinary General Assembly Meeting of the Shareholders of Islamic International Arab Bank

# 27 Jumada I, 1436

### **Corresponding to 18 March 2015**

- 1- Address the outcomes of the previous 17th General Assembly Meeting.
- 2- Address the Board of Directors' Report for 2014 and the Company's business plan for the coming year.
- 3- Attend the Bank's Auditors' Report for the financial year 2014.
- 4- Address the Bank's Accounts and Balance Sheet for the financial year 2014.
- 5- Approval of the General Assembly to allocate the realized dividends for 2014.
- 6- Subrogation and release of the Board of Directors for the said year.
- 7- Elect the Bank's auditors for the financial year 2015 and determine their fees.
- 8- Any other matters proposed to be discussed by the General Assembly which are within the authority of the Ordinary General Assembly Meeting, provided that such proposal shall have the approval of a number of shareholders representing not less than 10% of the shares represented in the meeting.

### Capital's Governorate

- Gardens Branch
   Phone: 06 5694623 Fax:06 5675802
- Amman Branch Phone: 06 4643270 Fax:06 4643267
- Wehdat Branch
   Phone: 06 4777801 Fax:06 4777817
- Marka Branch
   Phone: 06 4886650 Fax:06 4885355
- Bayader Wadi Seer Branch
   Phone: 06 5813600 Fax:06 5819478
- Jabal Hussein Branch
   Phone: 06 5657760 Fax:06 5657761
- Jubeiha Branch
   Phone: 06 5343569 Fax:06 5343469
- Sweifieh Branch
   Phone: 06 5826669 Fax:06 5856160
- Shmeisani Branch
   Phone: 06 5651110 Fax:06 5663995
- Yasameen Branch
   Phone: 06 4202126 Fax:06 4202927
- Khalda Branch
   Phone: 06 5511446 Fax:06 5511878
- Abu Alanda Branch
   Phone: 06 4164426 Fax:06 4164473
- North Hashimi Branch
   Phone: 06 5061993 Fax:06 5063071
- Nuzha Branch
   Phone: 06 5684341 Fax:06 5684170
- Tareq Branch
   Phone: 06 5066918 Fax:06 5050384
- Marj Al Hamam Branch
   Phone: 06 5715607 Fax:06 5715624
- City Mall Branch
   Phone: 06 5851629 Fax:06 5851932
- Madina Munawara Branch
   Phone: 06 5524978 Fax:06 5513798
- Abu Nsair Branch
   Phone: 06 5238390 Fax:06 5238310
- Huriya Branch
   Phone: 06 4201580 Fax:06 4201508
- Al Khalidi Branch
   Phone: 06 4615495 Fax:06 4615274

# SLAMIC INTERNATIONAL ARAB BANK Branches and ATMs

**G** -

### Central Governorates

- Zarka Branch
   Phone: 05 3989094 Fax:05 3989096
- Zarka University Branch
   Phone: 05 3821022 Fax:05 3821026
- Ruseifa Branch
   Phone: 05 3748474 Fax:05 3755591
- New Zarka Branch
   Phone: 05 3854240 Fax:05 3854354
- North Mountain Ruseifa Branch
   Phone: 05 3752664 Fax:05 3752665
- Madaba Branch
   Phone: 05 3248970Fax:05 3248975
- Salt Branch
   Phone: 05 3532316 Fax:05 3532318
- Dair Alla Branch
   Phone: 05 3570009 Fax:05 3570014

### North Governorates

- Irbed Branch
   Phone: 02 7276587 Fax:02 7276904
- Hashimi Irbed Branch
   Phone: 02 7252326 Fax:02 7252136
- Arabella Mall Branch
   Phone: 02 7251929 Fax:02 7251749
- Mafraq Branch
   Phone: 02 6231941 Fax:02 6230399
- Ajloun Branch
   Phone: 02 6422624 Fax:02 6422623
- Jerash Branch
   Phone: 02 6342545 Fax:02 6342543

### South Governorates

- Aqaba Branch
   Phone: 03 2019495 Fax:03 2035851
- Karak Branch
   Phone: 03 2351736 Fax:03 2351728
- Mu'ta Branch
   Phone: 03 2360832 Fax:03 2360827
- Tafileh Branch
- Phone: 03 2241165 Fax:03 2241229
- Ma'an Branch
   Phone: 03 2136869 Fax:03 2136870

# Location of ATMs Network

### Capital's Governorate

- Gardens Branch
- Amman Branch
- Wehdat Branch
- Marka Branch
- Bayader Wadi Seer Branch
- Jabal Hussein Branch
- Jubeiha Branch
  Sweifieh Branch
- Sweifieh BranchShmeisani Branch
- Shmeisani BranchYasameen Branch
- Khalda Branch
- Abu Alanda Branch
- North Hashimi Branch
- Nuzha Branch
- Tareq Branch
- Marj Al Hamam Branch
   City Mall Branch
- Madina Munawara Branch
- Abu Nsair Branch
- Huriya Branch
- Al Khalidi Branch

### Outside the Bank's Branches (Amman)

- Customs Department
- Professional Association Complex
- Islamic Science University
- Leaders
- GAM Building
- Haboub Supermarket
- Orange Pharmacy
- Mecca Mall
- Abu Sheikha Exchange Alwehdat
   Supreme judge Department
- Supreme judge Department

### Central Governorates

- <u>Zarka B</u>ranch
- Zarka University Branch
- Ruseifa Branch
- New Zarka Branch
- North Mountain Ruseifa Branch
- Madaba Branch
- Salt Branch
- Dair Alla Branch

### North Governorates

- Irbed Branch
- Hashimi Irbed Branch
- Arabella Mall Branch
- Mafraq Branch
- Ajloun BranchJerash Branch
- South Governorates
- Agaba Branch
- Karak Branch
- Mu'ta Branch
- Tafileh Branch
- Ma'an Branch