

**Annual  
Report 2013**

**Capitalbank**  
**كابيتال بنك**





**His Majesty King Abdullah II Ibn Al Hussein**





**His Royal Highness Prince Hussein Ibn Abdullah II  
The Crown Prince**



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## Boards of Directors Year 2012

Chairman of the Board of Directors  
**Mr. Bassem Khalil Salem AL-Salem**

Vice Chairman of the Board of Directors  
**Mr. Mazen Samih Taleb Darwazah**

### Members

**Mr. Kim Foad Sa'd Abu Jaber**

**Investment & Integrated Industries Company,  
represented by:  
Mr. Omar Mohamed Ibrahim Shahrour**

**Social Security Corporation,  
represented by:  
Mr. Issam Abdallah Yousef Al-Katib**

**Al-Khalil Company for Investments,  
represented by:  
Mr. Khalil Hatem Khalil Al-Salem**

**Al-Jadara Company for Real Estate  
Investment, represented by:  
Mr. Sultan Mohammed M. El-Seif**

**Hotaf Investment Company, represented by:  
Mr. "Mohammed Ali" Khaldoun Sati Al-Husry**

**Mr. Mazen Ahmed M. Al- Jubeir**

**Mr Jawad Abel Reda Abdel Bawi AL-Qassab**

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**Mr Jawad Abel Reda Abdel Bawi AL-Qassab**

**Mr. "Mohammad Said" Mohammad Ibrahim Shahin**



### Our Mission

Our mission is to serve our corporate and retail customers by building a comprehensive banking relationship in both the Jordanian and Iraqi markets. This relationship enables us to provide integrated banking services of the highest quality that add true value to our customers, thereby maximizing the return on shareholders' equity.

### Our Vision

Our vision is to be the leading bank in the Jordanian and Iraqi markets, and to offer advanced and specialized financial, investment and trading products to outstanding businesses and customers through our banking network, all at the highest level of quality in both markets.

### Our Strategy

Our strategy is to capitalize on our leading position as a provider of specialized services to corporate and retail customers investing in Jordan, and to offer innovative services that meet the needs of our customers in Jordan and Iraq as well as corporations operating in both countries. We are the only Jordanian bank present in Iraq through a majority stake ownership in the National Bank of Iraq (NBI). To build on this, we seek to strengthen the relationship between Capital Bank, Capital Investments and NBI in order to provide accessible and comprehensive services at the community level. Capital Bank's commitment to implementing international best practices at NBI enables it to provide unique services in the Iraqi market and keep pace with the opportunities presented by the growth in this promising market.





## Message from the Chairman

### Dear Capital Bank Shareholders,

On behalf of the Board of Directors of Capital Bank, I have the pleasure of presenting to you the Bank's Annual Report, which includes the Bank's earnings, accomplishments and consolidated financial statements for the year ending 31st December 2013, in addition to future plans the Bank looks forward to implementing.

Ladies and Gentlemen,

A year ago today we sat at a similar meeting in which we presented to you the Board's vision, as well as the initiatives it was looking to implement in 2013. This was based on numerous achievements made since the Bank's establishment and its immediate role as an active and major supporter of the national export sector. Such achievements would not have been attained without your support and confidence in the Bank, nor the foundations put in place by the Board of Directors, who have shouldered various responsibilities at the Bank from the day of its inception through today.

It is not possible to present the Bank's work over the course of 2013 without reference to the economic conditions it faced. The intention here is not to accentuate the Bank's achievements in light of the prevailing challenges, but rather to demonstrate its capacity as a financial institution, and the ability of its shareholders, management and staff to turn challenges into opportunities.

Over the past two years the Jordanian economy has faced numerous challenges, namely, slowing economic growth, a growing deficit in both the balance of payments and the State budget, and a rise in public debt. Last but not least, there was a significant decline in the Central Bank of Jordan's foreign currency reserves. This was all accompanied by a state of uncertainty that shook confidence in the Jordanian economy and diminished the private sector's appetite for investment.

Beyond all of this, the Jordanian Government launched a group of measures as part of its economic and financial correction program seeking to rebalance public finances and achieve sustainable and comprehensive economic growth. Furthermore, the government also entered into strategic agreements with allied states to establish vital projects such as the Basra-Aqaba oil pipeline project, whereby Jordan will become a gateway for the export of Iraqi oil in return for favorable prices for its own energy needs, as well as the railway link and liquefied gas port projects.

In turn, the Central Bank took preventative and other remedial steps to contain the extent of the crisis and within a few months achieved monetary stability. The Central Bank's foreign reserves increased over the past year by more than 80%, surpassing the 12 billion dollar mark. The Central Bank also took a range of unconventional measures to provide the government with necessary funding and to drive growth and strengthen confidence in the Jordanian economy. This culminated recently in the reduction of interest rates on all monetary policy instruments by 25 basis points for the third time in less than six months. These factors, along with a number of others, played a key role in containing the crisis that Jordan faced over the past two years, with growth rates increasing to 3% in 2013 as compared to 2.3% in 2012.

In view of the financial results, the Bank, despite all the challenges, managed to achieve a significant increase in profitability, total assets, customer deposits, and credit facilities. The Bank achieved record growth in profits after taxes, approximately 98%, to reach JOD 42.6 million at the end of 2013, compared to JOD 21.5 million at the end of 2012. Net profits after taxes reached JOD 37 million at the end of 2013 compared to JOD 22 million for 2012, a growth rate of 68%. Assets also grew by 17.4% to reach JOD 1886 million in 2013, compared to JOD 1607 in 2012. Customer deposits increased by 18.8%, reaching JOD 1140 million in 2013, compared to JOD 960 million in the previous year, reflecting the growing confidence in the Bank as a preferred choice for many clients. In contrast, the

facilities portfolio achieved balanced growth in 2013 and reached JOD 735 million compared to JOD 673 million in 2012, a growth rate of 9.2%. These results complemented the outstanding achievements made by the Bank in 2012, which earned it the title “Fastest Growing Bank in Jordan” as part of the “Banker – Middle East” awards in 2013.

Looking back at the Bank’s early days, in which it was established as a key supporter of national exports, we find that its achievements have come as a product of the efforts the Bank exerted since its establishment, and the realization of its strategy to become a leading specialist bank in the region focused on supporting export financing. This approach is specifically aimed at companies of various sizes and distinguished customers expecting specialized banking services. In turn, the Bank has worked to expand regionally into the Iraqi market to build upon the emerging commercial activity between Jordan and Iraq, and to allow a number of economically active Iraqi businessmen to utilize Jordan, being an oasis of security and stability, as an industrial and commercial hub. Our investment in Iraq has strengthened the Bank’s competitive position, and this is reflected by the National Bank of Iraq’s performance, which witnessed growth in 2012 and a jump in profits, which rose to JOD 8.1 million compared to JOD 1.4 million in 2011 as profits continued to rise in 2013 to JOD 9 million, an increase of 11%. This increase was accompanied by a rise in customer deposits by 108% to reach JOD 220 million at the end of 2013, compared to JOD 106 million at the end of 2012.

The Bank has dealt with developments with openness, just as it has dealt with challenges with vigilance as it moves to expand its business into the local market by offering innovative banking products and an integrated package of financial and banking solutions to customers in line with their different activities and sectors. Likewise, the Bank has attracted a number of large companies within stable economic sectors to expand its portfolio and achieve an optimal distribution. The Bank’s opening up into the Iraqi market was likewise a step forward in deepening its partnership with the National Bank of Iraq. It is also worth highlighting the great importance of the strategic partnerships entered into by the Bank by selling around 10% of NBI shares to the Cairo Amman Bank, 5% to the Palestinian Telecommunications Company (Paltel), and 3.5% to the Al-Fursan Investment Group as part of the process of raising the Bank’s capital to IQD 250 billion (approximately JOD 154 million), which is part of its role in expanding the Jordanian investment banking base in the Iraqi market and supporting Jordanian exports and trade relationships with Iraq. It should also be noted however that Capital Bank will continue to own a majority stake of about 61.85% of the new capital of NBI, and thus shall continue to consolidate the Bank’s financial statements with those of Capital Bank in accordance with international financial reporting standards.

The Bank will continue to implement its plan to introduce new financial products in collaboration with the Central Bank of Jordan to fund the industrial, tourism, and renewable energy sectors at favorable interest rates. Additionally, the Bank will also work to attract a great number of large companies and take a greater interest in SMEs as part of its strategy to focus on SMEs as the main drivers of economic growth and contributors of new job opportunities.

In conclusion, I extend my greatest gratitude to all Bank shareholders for their continued support, to our valued customers for their ongoing confidence and support, to the Bank’s employees in their various positions for their hard work and dedication in performing their duties and responsibilities, as well as to the Central Bank of Jordan for its tireless efforts - confirming to you all our enduring commitment to moving forward along the path of success and achievement under His Majesty King Abdullah II bin Al Hussein.

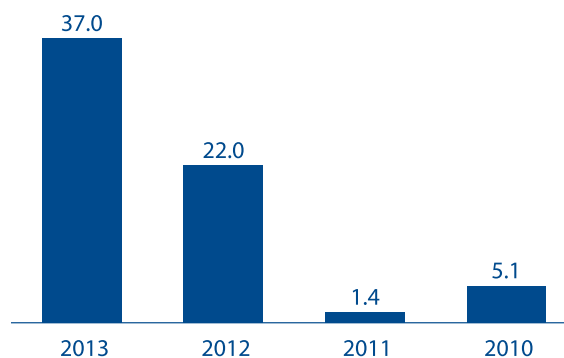
**Mr. Bassem Khalil Salem AL-Salem**  
**Chairman of the Board of Directors**



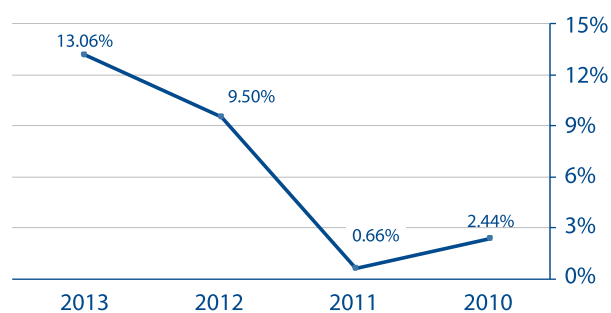


### Net Profit after Tax

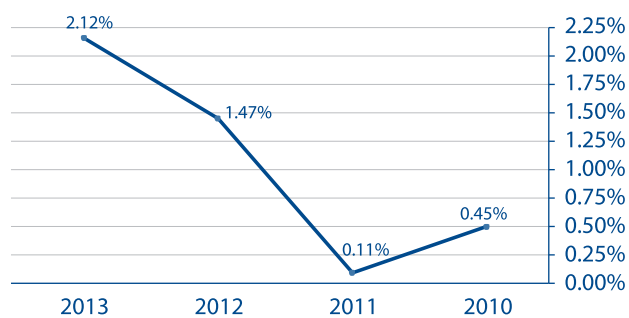
JOD Million



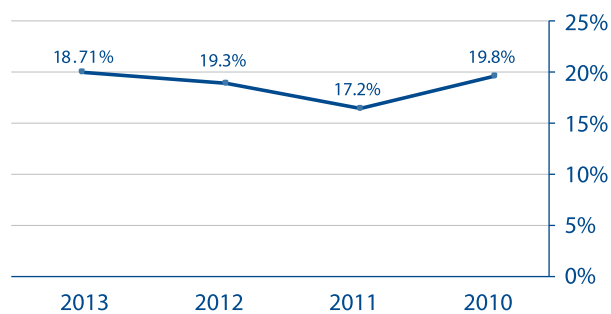
### Return on Average Total Equity



### Return on Average Assets

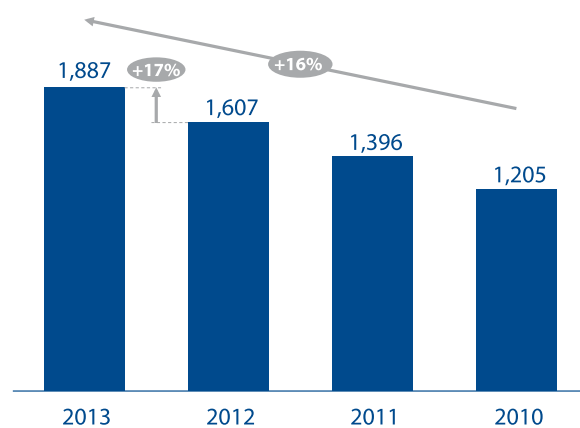


### Capital Adequacy Ratio



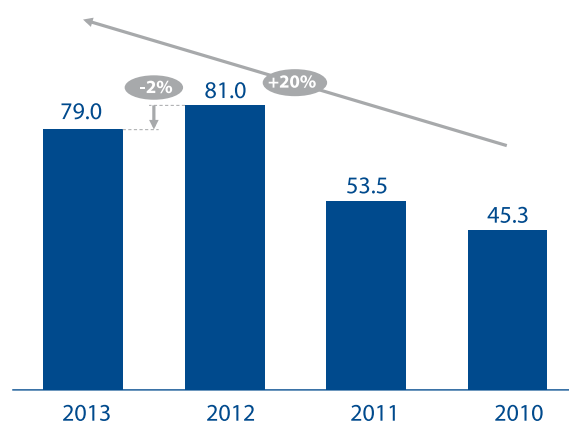
## Total Assets

JOD Million



## Gross Income

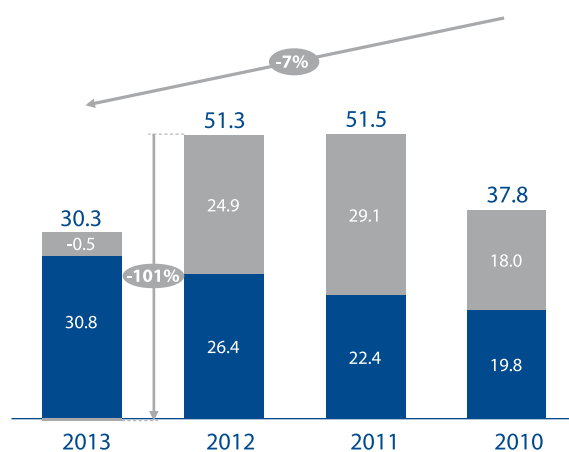
JOD Million



## Expenditures

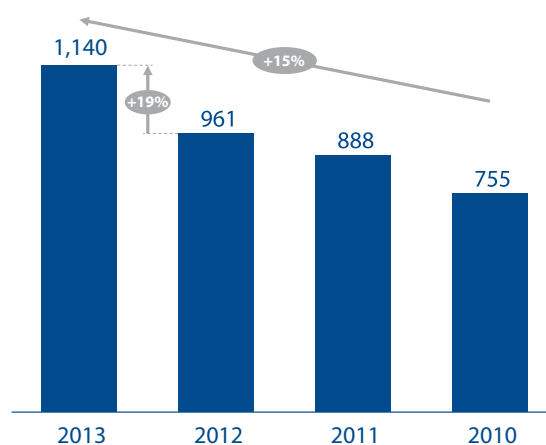
JOD Million

■ Provisions and other non-operating expenses  
■ Employee and other operating expenses



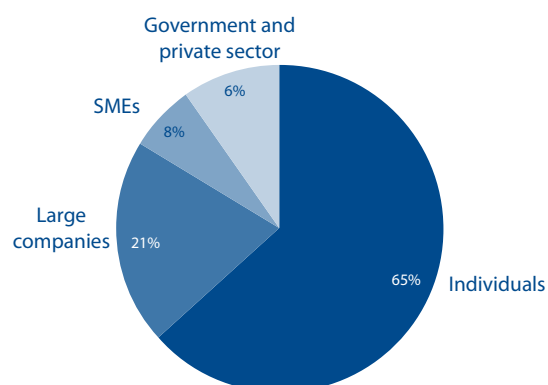
## Total Customer Deposits

JOD Million



## Customer Deposits by Sector (2012)

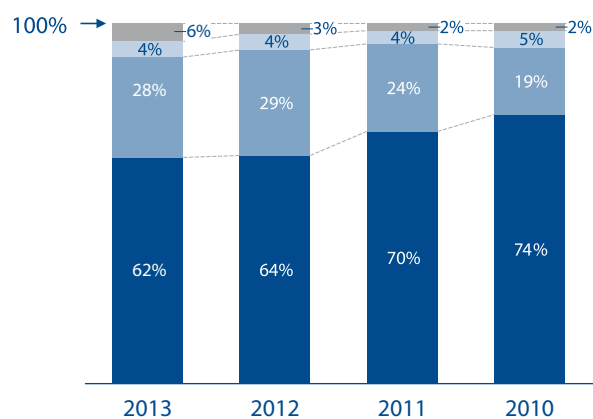
JOD Million



## Customer Deposits by Type

JOD Million

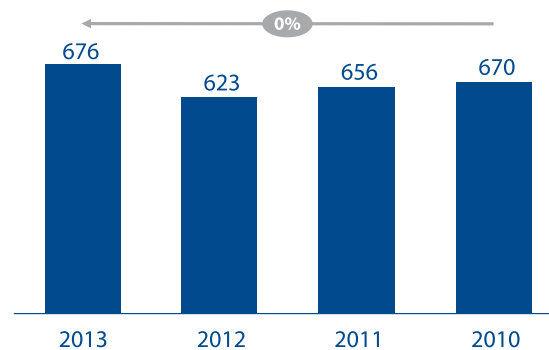
- Savings Accounts
- Certificates of Deposit
- Current Accounts
- Time Deposits (or Term Deposits)



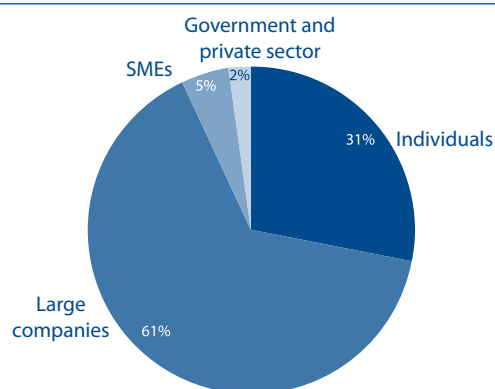


## Net Facilities

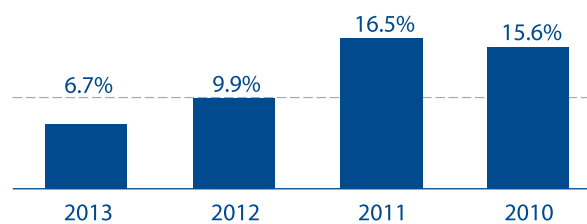
JOD Million



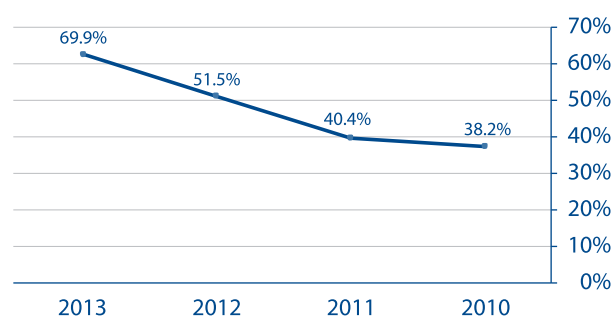
## Total Facilities by Sector (2012)



## Non-Performing Loans Ratio



## Non-Performing Loans Coverage Ratio (after deducting outstanding interest)





## **Board of Directors' Report 2013**



The Board of Directors of Capital Bank is pleased to present the Sixteenth Annual Financial Records Report which includes its achievements and the activities, services and products it has provided in 2013; which it was able to realize its strategic goals. If 2012 was the year of moving toward success based upon the essential building blocks of the Bank's establishment, we can say with full confidence that 2013 was the year of achievement. Meanwhile, however, we still have much work ahead of us if we want to achieve further success, as achievement of any magnitude will remain limited by the scope of our ambitions.

The Bank has enjoyed the confidence of both local and regional financial in addition to banking institutions and was ranked as the fastest growing bank in 2013. We have reached a position of prominence and excellence that we are proud to have achieved in our sector, fueled by the continued support of the Bank's shareholders, customer confidence, and the efforts of all of its management and executive staff. These efforts have allowed the Bank to achieve its vision and strengthen its position as the bank of choice, trusted by large companies in the local market. This position was also aided by proper planning, not only in terms of achieving goals set for 2014, but also in terms of seeking new horizons in the banking business.

The Bank has succeeded in expanding its banking services in Jordan as well as expanding its operations in Iraq. Despite the challenges that the Jordanian economy faces on both the local and regional levels, the Bank has achieved a significant profit increase in 2013, with profits after withholding tax reaching JOD 37 million compared to JOD 22 million in 2012 - a growth rate of 68.1%. Assets also grew by 17.4% to reach JOD 1,887 million in 2013 compared to JOD 1,607 million in 2012, with customer deposits also increasing by 18.8% to reach JOD 1,140 million in 2013 compared to JOD 960 million in 2012. This reflects the growing confidence in the Bank as the preferred choice for many customers. In contrast, the Bank's total facilities portfolio grew to JOD 735 million compared with JOD 674 million in 2012 with a growth rate of 9.2%. The Bank's total equity increased to reach JOD 264 million by the end of 2013, in comparison with JOD 223 million in 2012.

Our investment in Iraq through NBI has been of great importance; at a local level it enables us to strengthen economic growth and Jordanian exports as well as increase opportunities for investors in Iraq. This is reflected in NBI's performance, as Bank profits increased from JOD 8.1 million in 2012 to JOD 8.3 million in 2013, an increase of 2.2%. Bank deposits also grew by 105%.

Capital Bank is proud to be the only Jordanian bank to combine both commercial banking and investment services with a presence in Iraq. This advantage allows the bank to provide a comprehensive package of innovative and sustainable banking, investment and commercial services, designed to meet the needs of individuals and companies alike.

In light of this, the Bank shall continue to implement its plan to introduce new financial products into the market to fund key sectors of the national economy at favorable interest rates, as well as to attract a greater number of large companies that operate in stable economic sectors. The Bank shall also take a greater interest in SMEs by focusing on them as the main driver of economic growth, and their contributions to the employment sector. In order to achieve this, the Bank will expand the scope of its business to provide comprehensive program packages in line with the sector's requirements.

Capital Bank relies on two main principles as basis to increase the pace of its economic and banking activity in the Iraqi market (by way of developing a structured branch network). The first is the promotion of Jordanian exports to a larger market to expand business and increase production. This will necessitate a rise in labor demand, thereby contributing to the alleviation of the unemployment rate while at the same time, increasing revenue for factories. This also reflects the improvement of the level of income for workers and employees. The second principle is that the rules governing capital dictate that the higher the risk, the higher the return. Capital Bank decided to invest in the Iraqi market for many reasons, the most prominent being the opportunities available in Iraq and the country's welcoming stance toward investment in projects that aim to rebuild infrastructure, service utilities and public facilities, as well as production capabilities in areas like oil, agriculture and industry. These steps must be accompanied by strong economic and banking investment to help expand imports and exports. The Iraqi market is important to regional countries and particularly neighboring states like Jordan, which can be seen as a natural geographic extension of Iraq and which enjoys a well-established, historical relationship with its neighbor.

In consideration of the well-established relationship between Jordan and Iraq, Capital Bank and NBI seek to provide a variety of banking services to keep pace with the market's developments and growing customer needs. In this aspect, work is being undertaken to develop relationships with all companies looking to grow their business in Iraq by facilitating the transactional process between Capital Bank and NBI and providing them with a comprehensive package of services for our clients both in Jordan and Iraq.

### **Henceforth we shall present the Board of Directors' detailed report regarding the Bank's work and achievements in 2013:**

#### **Business Administration Sector: Large Corporate Department:**

The Large Corporate Department provides a comprehensive group of banking products to meet the needs of the Bank's customers as well as the requirements of their various economic sectors. The Large Corporate Department witnessed great success in 2013 through its work to build a healthy and diversified banking facilities portfolio, spread over a wide





range of customers. This came as the result of the Bank's commitment to providing high quality banking services based on advanced banking tools and human expertise. A number of achievements were made, the most important of which include:

- Introducing new financial products into the market in collaboration with the Central Bank of Iraq to finance sectors (industrial, tourism, and renewable energy) at favorable interest rates.
- Attracting a number of large corporates operating in stable economic sectors by granting them banking facilities with proven guarantees.
- Continuing to monitor the quality of its credit portfolio and taking special care of accounts that may face problems fulfilling their obligations due to prevailing economic circumstances.
- Sending a team of Capital Bank staff to support NBI with the necessary expertise to develop its business and utilize its optimal position in Iraq to provide the greatest number of services to customers in both countries.

### **SME Department:**

Capital Bank has shown great interest in SMEs regarding their importance as the main driver of economic growth and their contributions to employment. In consideration of this, the Bank has launched a strategy to expand their scope of business through providing a comprehensive set of programs in line with the requirements of the sector. The SME Department has achieved a number of accomplishments, including:

- Direct facilities portfolio growth of 26% as a result of a clear plan which focused on a segment of SME customers.
- Creating a nucleus for business centers in the Gardens and Wihdat branches and appointing managers who have personal experience serving and attracting customers in west and east Amman.
- Signing several agreements with local and international bodies to support and encourage SMEs, including the OPIC and the Jordan Loan Guarantee Corporation.

### **Retail Banking: Branches:**

The Branch and Direct Sales Management Department aims to provide high level services to customers through developing employees' skills in order to offer a range of comprehensive banking solutions to customers of Capital Bank and its subsidiaries.

The Branch and Direct Sales Management Department achieved its goals and target figures in 2013 through developing its deposit and facilities portfolio for individuals with various products.

Capital Bank branches have supplied NBI with experienced staff to stimulate performance and business, and hold specialized training courses.

By applying the Bank's 'Excellence in Service' strategy, the Wihdat, Irbid, and Free Zone – Zarqa' branches have been expanded and renovated, to stay consistent with Capital Bank standards.

Following the Central Bank of Jordan's regulations and in keeping with the Branch and Direct Sales Management Department's interest in communicating with customers, a project has been launched to update customer information to improve the delivery of banking services.

#### **VIP Customer Branch:**

Capital Bank has continued to provide distinguished service through the Capital Select branch to VIP customers (individuals and companies) looking for excellent and high quality banking services in terms of speed, proficiency and customer care. Through the Capital Select branch, customers are able to complete all their banking transactions with full flexibility, ease, and speed. The Bank is continuously developing its products to meet the needs of its customers.

#### **Personal Banking and Collections Department**

The Bank has continued to achieve its goal in providing and guaranteeing banking products in line with the needs and wishes of its customers and their future expectations of the Bank. This has been achieved through the development and launch of individual client sector programs to expand the Bank's customer base and attract new customers, as well as to retain current clients. This has strengthened the Bank's competitive capacity in comparison to other banks and has also increased its market share and achieved its desired goals.

The Bank has continued to provide Capital Housing Loans, financing 100% for different segments under appropriate and comparable conditions, in addition to Capital Housing Loans for Iraqi residents. The Bank has also continued to provide a financing program for land purchases as well as the apartment-financing program for expatriates at basic and affordable terms.

The Bank has worked to update the Capital Personal Loans Program in order to keep it competitive to meet customer needs, while also working to provide direct special offers to target groups in both the private and public sectors.

Furthermore, the Bank has introduced a substantial number of car loan products, and has seen significant growth in the size of its portfolio. This has occurred through collaboration with several marketing companies, which has increased the Bank's market share.

The Bank has applied the 'Fair and Transparent Treatment of Customers Regulations' associated with the retail sector and issued by the Central Bank since 15/05/2013. With regards to the terms and commissions for such regulations, an amendment is required in the credit policy, legal documents, and others, according to the regulations issued, which have been duly enforced.



**Electronic Channels  
and Direct  
Communications  
Department**

- Launched SMS banking service for corporate clients and SMEs
- Established seven-day Capital Customer Service Center
- Launched mobile-friendly website in both Arabic and English for NBI, Capital Bank and Capital Investments
- Launched an iPad-friendly website
- Obtained full membership to MasterCard International

**Treasury and  
Investment  
Department**

The Treasury and Investment Department in 2013 continued to play a key role in managing Bank assets and liabilities efficiently and effectively whilst continuing to contribute significantly to the Bank's revenue growth despite the prevailing economic conditions. Challenges included the Egyptian gas cutoff, the Syrian refugee crisis, and mounting geopolitical events witnessed by the region. However, the Treasury and Investment Department – with a highly experienced and efficient team – was able to overcome the economic situation by diversifying sources of Bank income, maximizing returns through optimal use of monetary sources, and taking advantage of market tools to achieve outstanding revenue, taking into account the development of events on a local and regional level to preserve the stability of the Bank's financial position. The Department invested in rising local and international stock markets as a result of the improvement of the US economy and its impact on global markets. As such, the Department achieved excellent revenues through its managed portfolios, and continued its investments in government bonds in order to maintain a strong legal liquidity ratio while producing relatively good returns in comparison to bonds denominated in other currencies, despite their sharp decline in the second half of 2013. In addition to this, the Treasury and Investment Department has continued to attract more deposits from corporations and individuals, with the following making up the Department's most important activities:

- Investing in Jordanian treasury bills and bonds and securities guaranteed by the Jordanian government.
- Investing in debt instruments issued by Jordanian and regional companies with high financial solvency and credit.
- Contributing to local, regional and international companies with high growth potential and good investment returns.
- Investing in investment funds with excellent previous performance and an acceptable level of risk.
- Investing in securities structured to meet the needs of the Bank.

Manage the position of foreign currencies and the dinar in order to achieve the best possible returns within the prescribed percentages and in line with Central Bank regulations.



The Treasury and Investment Department has progressed in its efforts to effectively manage liquidity and cash flows. It has preserved moderate levels of liquidity through various market instruments including repurchase agreements and exchange rate swap contracts, maintained Bank solvency, fulfilled its obligations, and met the needs of its customers both corporate and individual.

The Department continued to provide excellent services to customers in the foreign exchange market and custodian service whereby it offers online foreign currency and precious metal trading services on the basis of margin through the 42T trading platform, in collaboration with an international specialist company with excellent experience within this field. This has offered Bank customers the ease of trading at the highest technological standards and best level of information protection. Additionally, the Treasury and Investment Department continued to provide its usual services, including:

- Providing foreign currency exchange for JD and USD in the spot and forward markets at competitive pricing, for different periods, and for all customers including individuals, corporations and currency exchange companies.
- Trading in money market and capital market instruments in favor of its customers, including treasury bills and bonds, commercial paper, and debt instruments (government issued, government guaranteed, or privately issued by Jordanian companies).
- Handling cash on margins in the spot and forward foreign exchange markets.
- Conducting exchange and interest rate swaps.
- Continuing to issue certificates of deposits in JD and various foreign currencies at competitive rates.
- Providing advice and guidance to Bank customers, both individuals and corporations, on how to hedge against fluctuations in interest and exchange rates, as well as proposing appropriate hedging instruments by using traditional market instruments or derivatives.
- Providing underwriting services for IPOs of treasuries or government-guaranteed securities for companies and individuals whilst providing safe custodial services for such securities at competitive prices.

The Department further continued its effective contribution to the Bank's approach to expand the business base in Iraq as the Department remains to be the pioneer in expanding existing activities and introducing importers to Iraq through auctions via NBI. The volume of business has expanded, leading to growth in the volume of Bank transfers and reflecting positively on Capital Bank and NBI total profits. It is expected that the Bank will benefit from NBI's increase in capital as well as the onboarding (inclusion) of Cairo Amman Bank, the Palestinian Telecommunications Company and Al-Fursan Investments as strategic partners. These new partners will help raise capital, expand the Bank's activities, and increase its market share.



### **Financial Institutions Department**

As part of its future strategy, the Department seeks to continue to provide the best services to its customers as well as innovative new products to keep pace with developments in the banking and investment business such as foreign exchange futures and options contracts. Additionally, the Department looks to expand the Bank's commitment to offering various investment mechanisms, instruments and opportunities. It aims to benefit from favorable market conditions for certain instruments and to maximize Bank returns within an acceptable risk framework and according to the confines of the Central Bank of Jordan's investment policy and regulations. The Department is likewise keen to supply NBI with its expertise and staff training in order to build a solid base for the Bank's development and progression into the banking business in Iraq.

The Financial Institutions Department played a distinguished role in 2012 in bringing about new opportunities to deal with banks and financial institutions and founded banking relations with them in order to meet the demands of Capital Bank as well as expand its scope of operations and presence. The Department expanded the base of highly distinguished correspondent banks, which enhanced the ability of the bank to execute its activities in external trade, treasury operations and credit facilities. In addition, this has enabled the Bank to enjoy greater flexibility in covering a larger number of markets to facilitate, direct and implement different banking operations and promote the various banking services that are offered by Capital Bank.

The Department worked on the support and advancement of the external trade operations of the National Bank of Iraq; and consolidation of the name of the bank as a partner in the Iraqi market among a network of local and international correspondent financial institutions. These efforts led to the increased commercial operations of the National Bank of Iraq; and the banks ability to efficiently fulfill customer demands.

The Financial Institutions Department succeeded in supporting the management to grant direct credit lines for NBI, with NBI being granted a number of credit lines (to issue and confirm LCs) from several local and international banks and institutions. Simultaneously, the Department handled the management and evaluation of all the credit risks associated with the Bank's transactions with other banks and financial corporations. This was accomplished to reduce any potential risks, given the fact that there were several reservations on dealing with corporations that are associated to the global financial crisis and its ramifications and the ensuing financial problems that affected a number of financial markets. Consequently, the investment portfolio does not have any accounts and investments in banks that were exposed to financial setbacks.

The year 2013 witnessed great activity in terms of business development, banking relations, external trade operations and management of accounts. Additionally, there were several partnerships in syndicated banking loans to several banks, which contributed toward bolstering the status of the Bank and its regional presence as an institution that has an active role in the region.

It is worth noting as well that the Bank worked on founding strategic partnerships and strong relations in addition to motivating the existing partnerships with Arab and international financial corporations. This effort helped support the external trade operations of the Bank and facilitate, implement and finance the commercial operations of its clients.

#### **Information Systems Department**

In line with the Bank's strategy to modernize its infrastructure, offer the latest technological techniques and smart solutions, and keep pace with customer needs and requirements, the Bank launched a number of projects in the second half of 2013 aimed at meeting all the monitoring and risk management requirements. This will ensure that the Bank achieves its vision of being at the forefront of the most advanced banks working with the latest technological systems, as well as enjoying well-trained and qualified human resources. The launching of these projects has come as part of a studied plan to strengthen business performance and support the Bank's local and regional expansion goals.

#### **Policies and Procedures Department**

The Policies and Procedures Department in 2013 worked on developing all business procedures according to the highest and most advanced practices in the banking sector, amending all business procedures and models in order to strengthen the provision of services whilst ensuring accuracy and speed in performance. In this way, procedures regarding monitoring controls were enhanced by reducing the error rate as well as operational risks.

With regard to the Capital Company, business procedures have been prepared, incorporated into the procedures website, and granted the relevant powers. As to the National Bank of Iraq, work procedures and user guides, which were consistent with international best practice and applicable laws in the Republic of Iraq, were prepared. Technical support was provided to the Bank.

#### **Credit Review Department:**

The Credit Review Department is the authority responsible for evaluating credit reports, conducting financial analysis, and providing recommendations regardless of their personal relationships with clients, evaluating customers objectively instead solely on their financial data and supporting documents. This is in addition to the role the Department plays as a consultant in strengthening and instilling the notion of credit. The Department's team enjoys long experience in this field, and its members are essential to the facilities committees.





The Department also performs due diligence on companies requesting personal loans for their employees and approves or denies the request of such companies accordingly.

### **Credit Monitoring Department**

The Credit Monitoring Department is tasked with ensuring that all documents and stipulations of the decisions of the credit committees are properly provided. The Department also documents all available client guarantees. Furthermore, it ensures, prior to implementation, that the processes comply with the credit policy of the Bank and the directives issued by the Central Bank of Jordan. In addition, the Department has a monitoring role of all of the daily operations of the Bank. This is to ensure the wellbeing of the credit portfolio, and to report, immediately, on any transgressions in order for measures to be taken to safeguard the rights of the Bank. As of the current year, credit monitoring will be performed in both Capital Investments and NBI.

The Department prepares reports on accounts that must be classified as non-performing loans or loans on the watch list. It makes the necessary provisions for these loans and estimates the general banking risk reserve in accordance with Central Bank regulations in this regard. The Department prepares several other internal control reports for the Bank as well as the Central Bank and any other parties as necessary.

### **Compliance Department**

The role of the Compliance Department is to enhance employees' awareness and knowledge of laws and regulations governing the banking sector. As such, the Department provides training to Capital Bank Group employees at all management levels on anti-money laundering and FATCA to ensure that Bank resources, services and products are not used in any illegal or unlawful operations. Department staff also attend local and international seminars, conferences and workshops.

An action plan has been developed and a committee at the Capital Bank Group level has been formed under the supervision of the Compliance Department to apply FATCA, update customer data and introduce the necessary amendments to the banking systems in order to identify customers who fall within the scope of FATCA and send bulletins to customers in preparation for the application of FATCA in the coming year.

The Compliance Department further ensures the Bank's participation in international workshops and conferences relating to compliance, anti-money laundering and counter-terrorist funding, fraud, and FATCA.

The compliance function has been enhanced to include monitoring the work environment at NBI as a subsidiary of the Bank through field visits to NBI branches.

In addition to its other responsibilities, the Department oversees the application of Central Bank regulations on treating customers fairly and transparently in addition to amending policies and operating procedures and revising the Bank's retail product contracts.

A Customer Complaints Department has been established in line with the Bank's vision, strategy and objectives of focusing on providing quality services to all customers. This Department receives customers' complaints and suggestions via a toll-free number, e-mail and a complaints and suggestions box. In addition to this, the Department prepares periodic reports on customer complaints received from various bodies (including official authorities), and provides the senior management with detailed and analytical reports in order to take the necessary corrective action to prevent similar future complaints. Moreover, the Department applies international standards in addressing customer complaints by quickly responding to any complaints received by the Bank with the aim of improving and providing the best services to its customers.

The Department applies Central Bank requirements regarding IBANs and raises customers and employees' awareness about the benefits and importance of using them. In addition, an AML/Filtering system has been implemented at one of the Bank's subsidiaries (NBI) and training has been provided to the relevant employees on how to use it.

Finally, the Department continues to review the agreements signed between the Bank and external parties in order to ensure compliance with laws and regulations issued by regulatory bodies.

### **Marketing and Corporate Communications Department**

The Marketing and Corporate Communications Department provides functional support to all the banking services of the Bank by developing marketing strategies and the management of promotional campaigns. The Department constantly seeks to develop its methodology of building marketing strategies that are based on correct underpinnings in order to market the products and services of the bank to the targeted segments while using the best and most efficient methodologies. Also, the Department supervises the development of the corporate identity of the Bank and the design and management of marketing campaigns of the various products of the Bank.

The Marketing and Corporate Communications Department is also responsible for internal and external communications and the conduct of marketing activities, including:

- Enhancing corporate performance by ensuring that employees are aware of the administrative and program issues as well as future directions.





- Strengthening communication channels with society at large through the various marketing campaigns.
- Developing a distinct media identity for the bank and managing media relations.
- Preparing and publishing media news and reports.
- Organizing interviews and press conferences with the stakeholders and decision makers.
- Responding to questions and queries of the press and media.

### **Bank Contributions in Serving the Local Community**

Capital Bank is committed to serving all segments of the local community. Therefore, it has carried on with the legacy, which was adopted over the past years, of enhancing the role of the Bank in upgrading the local community and partnering in its development by contributing material and moral support to local community initiatives in the educational, human, social, and other fields. Within the frame of its involvement and care for supporting public initiatives that aim to achieve sustainable development at the human and social level, the Capital Bank launched several initiatives during 2012 to support community projects and programs that targeted various sectors including:

#### **Educational Initiatives**

- The Bank covered the educational costs of students with special needs through the Young Muslim Women Association's Center for Special Education.
- Sponsored the tuition fees of university students in cooperation with Al-Aman Fund for the Future of the Orphans.

#### **Humanitarian Initiatives**

- Supporting the Charity and Good Works Campaign that was launched at the beginning of the holy month of Ramadan.
- Focusing on non-profit and charity institutions and supporting entities that help orphans and the poor. The Bank sponsored two of the houses at the SOS Children Village Association.
- Sponsoring 25 orphans from the Kafel El Yateem Society, Mafraq.
- Providing food boxes and Eid gifts during the holy month of Ramadan to 100 orphaned children in Mafraq with the participation of the employees of the Bank.
- Celebrating, with the participation of the employees of the Bank, the month of Ramadan and Eid Al-Fitr with the children of the SOS Children Village Association.
- Supporting Jordanian national and local sports teams.

#### **Environmental Initiatives**

The Bank contributed for the fifth consecutive year to the National Reforestation Initiative through the reclamation of non-forested lands in the Eira/Al-Salt, and by planting suitable trees there. The effort was part of the Agrarian Reform Program patronized by the Ministry of Agriculture.

### **Capital Investments**

Capital Investments managed to maintain its leading position among the local and regional investment companies in 2012 by providing unsurpassed services in all

areas of investment banking. Despite the fact that the region witnessed hardships in 2012, which surely affected the performance of investment companies, Capital Investments managed to achieve positive results at various levels whereby it was able to raise its market share in all its fields of activity: financial brokerage, corporate finance and asset management.

### **Local, Regional and International Brokerage Departments**

The Company's Local Brokerage Department has maintained its competitive and leading position in the market and continued to provide the best and latest services to its customers. Furthermore, a new online trading service will be launched in 2014 that will strengthen the Company's competitiveness in the local market.

The Regional Brokerage Department still enjoys an advanced position in terms of trading volumes among brokerage firms that are active in the regional market. The Department depends on its team, which specializes in dealing in these markets, for maintaining its leading position. The team maintains an intensive follow up on company news, as well as financial and technical analysis on market movements in general. The Department is eager to provide the best services to its customers. As such, it will work hard in 2014 to expand regionally by entering the markets of the Arab Maghreb.

The international financial brokerage service is one of the leading services provided by Capital Investments and targets the companies and investors that desire to diversify their investments by investing in the international financial markets. The International Brokerage Department offers a large group of modern investment services including selling and purchasing international stocks, and derivatives such as the stock options and exchange-traded funds (ETF). The International Brokerage Department continued to expand its activities in 2012 whereby its clients can diversify investment and directly access more than 19 financial markets around the world from North America to Europe, Asia, and the Pacific. Additionally, currency trading has been launched through an electronic platform for direct trading through the Internet.

### **Asset Management**

The team of the Asset Management Department intends to launch a long-term partnership with individual investors and companies by establishing and managing portfolios and investment funds that can be designed specifically to comply with their own goals and investment limitations. A new investment policy, which seeks to achieve the optimal distribution of assets, will be designed through a scientific method that combines basic and technical analysis methodologies.

Activities of the Asset Management Department include four main sections:

- **Portfolio Management:** This takes into account the goals and investment limitations as determined by individual and corporate clients. It also ensures the optimal distribution of their portfolios in order to be consistent with estimated returns and the accepted levels of risk.





- Investment funds: managing hedge funds and specific strategy funds in the various Middle Eastern and North African markets in addition to managing the existing Horizon Fund.
- Structured investment products: designing and managing various types of investment products such as guaranteed capital portfolios.
- Investment advisory services: providing financial consulting services to clients to help them determine their goals and familiarize with the necessary means to meet their needs as well as restructure their current investment portfolios.

Among the goals that the Department seeks to achieve in 2013 is the launch of new investment funds, which can deploy their capital in both the stock markets and the permanent income instruments issued in the markets of the Middle East and North Africa region. In addition, it seeks to launch new reconstructed investment instruments to widen its product base.

### Corporate Finance

The Corporate Finance Department offers a wide range of advisory and banking investment services. It depends on the wide knowledge and technical expertise enjoyed by the members of its team. The Department achieved a record of distinguished performance in terms of successful operations in addition to dealing with a diverse client base that includes public and private corporations, and financial and government institutions. The Department strives to form long term relationships with its clients, and is committed to realizing the financial requirements and strategic goals of each and every client. The aim is to achieve best results that ensure the sustainable growth of its work and the satisfaction of clients with all that it offers. The activities of the Department include:

- Ownership instruments in the capital market, which include public and private offerings and initial public offering.
- Debt instruments in the capital market, which include the issuance of corporate bonds and commercial paper programs and management of syndicated banking loans.
- Financial Advisory, which includes processes related to merger, acquisition, restructuring, evaluation and privatization.

### Studies and Research

The Company seeks to provide a comprehensive set of investment services. The Research and Studies Department, which is concerned with conducting financial and sector analysis of corporations and the economy at large, provides research support for the different brokerage divisions. It prepares different studies and reports that are annexed to investment recommendations to clients. The research conducted by the Department has contributed toward enhancing increasing its credibility, leading to an increase the demand for its services from international, regional and local investment funds.



## **National Bank of Iraq**

The National Bank of Iraq was established in 1995 as a public shareholding company that is owned by the private sector. To provide a comprehensive group of commercial and retail banking services due to the growth of the bank activities and the success it achieved its capital increased in January 2013 to IQD 250 billion. As Jordan's third largest bank in terms of capital, Capital Bank's strategy is to be among the leading specialized banks in the region focusing on large and medium sized companies as well as distinguished customers through providing specialized banking services. The first steps taken to achieve this strategy include the regional expansion into Iraq as well as the acquisition of a majority stake in NBI.

The strong relationship between Capital Bank and the National Bank of Iraq, in addition to the distinguished services they both provide, which came as an imminent result of their effective cooperation, are behind the progress of the latter and the expansion of its business in Iraq. This in turn contributed to expanding its client base in Jordan and Iraq.

NBI conducts its affairs through an advanced core banking system that supports its growth and client services. In addition NBI and all its subsidiary companies prepare all their financial reports in line with international accounting standards and its operations overseen by international auditors, providing its services through modern international banking systems.

At the end of 2013, NBI launched a mass marketing campaign to raise awareness about the Bank and further enhance its customers' confidence. The campaign began by broadcasting a TV commercial produced for this purpose on Iraqi satellite channels and placing advertisements in prominent Iraqi newspapers, in addition to advertising on billboards along the main roads in Baghdad, Basra, Erbil, and Sulaymaniyah. The TV commercial was also aired on Al-Arabiya Channel to establish a regional reputation for the Bank. The campaign achieved good results and established a good reputation for the Bank as shown by the calls received by the Bank's call center to enquire about the campaign and the services provided by the Bank.

The National Bank of Iraq provides a wide range of banking services, which include:

- All types of client accounts including current, savings and deposits in both Iraqi Dinar and US Dollar.
- Setting up accounts in Jordan and managing them at Capital Bank without the need for a physical presence in Jordan.
- Corporate finance services
- Providing personal individual and car loans.
- Providing wire transfer services to all countries and in all currencies in addition to auction related transfers.





- Local and international bank guarantee services.
- Incoming and outgoing letters of credit.
- Transfer of client accounts in foreign banks to their accounts at the National Bank of Iraq through Capital Bank.
- Purchase and sale of stocks in the international markets for its clients in cooperation with Capital Investments, the investment arm of Capital Bank.

NBI provides its services through eight branches covering the majority of Iraqi Governorates with three branches in Baghdad in addition to a branch in each of Basra, Erbil, Karbala, Mosul, and Sulaymaniyah.

In 2014, the Bank aims to open a number of branches, most importantly Al-Mansour branch in Baghdad, Umm Qasr branch in Basra, and Najaf branch, in addition to several other branches in other Iraqi governorates.

Given the importance of electronic services in consolidating NBI's position in the Iraqi banking sector, the Bank plans to provide online banking services in the second quarter of 2014 and to set up around 20 new ATMs in the fourth quarter of 2014.



# Fastest Growing Bank in Jordan 2013



**Partner with us**

## Partner with us



### Ladies and Gentlemen,

Nearly eighteen years have passed since Capital Bank launched an ambitious project aimed at meeting the need within the Jordanian market for financing within the export sector. The market at that time lacked a financial institution that could provide the sector with capital and financing services it needed to become a pillar of the national economy and a major contributor to job creation and sustainable economic growth.

Thus the Export and Finance Bank was the result of efforts made by a group of prominent Jordanian businessmen which planned, founded, and supported the transformation of the Export and Finance Bank into Capital Bank, which today stands as a leading financial banking institution in Jordan and the region.

The Bank's success is the inevitable result and cumulative achievement of the founding team's vision and masterful institutional work of all those who worked hard throughout the years of the Bank's evolution and growth.

On behalf of the shareholders, I thank all the previous leaders of the Bank. I would like to reiterate in this annual report our appreciation for what they have given the Bank and reaffirm our commitment to building on their achievements.

I, along with the team at the Bank, will do everything in our power to ensure that Capital Bank remains a model for ambitious and fruitful institutional work.

**Bassem Al-Salem**  
**Chairman of the Board**



## Partner with us

**«When the vision is embodied in a bank born out of challenge»**

**Dr. Ziad Fariz**

**From 31/08/1995 to 31/12/1995**  
**From 1/10/2007 to 28/1/2009**



His Excellency Dr. Ziad Fariz's name has become inseparable from national security in all the positions he has held be it as Minister of Planning, Finance, and Trade or as Governor of the Central Bank. With over a quarter century of public service in the financial and economic fields, Dr. Fariz embodies an outstanding statesman in both performance and achievement.

Dr. Fariz upheld these characteristics during the time he led Capital Bank. The successes of Capital Bank today are the fruits of the efforts he began in 1995 as the cornerstone of Capital Bank (at the time Export and Finance Bank) was laid, in collaboration with colleagues who shared his vision and work ethic.

Fariz focused on the legal, technical, and administrative infrastructure of the Bank. He endowed the nascent institution with the benefits of his experience, building a solid foundation of institutional work and good governance.

Fariz's vision drove the successful transition from Export and Finance Bank to Capital Bank. From the onset, he wanted to expand the role of the Bank beyond simply filling the vacuum created by a lack of interest in exporters within the banking sector. His vision was of an outstanding bank which offers service with an institutional methodology governed by best practices and standards in the banking sector.

After the Bank's initial establishment, Fariz left but later returned to assume leadership for a second time in 2007, witnessing the benefits of his previous efforts. Capital Bank cemented its position as a comprehensive banking institution with a sound foundation and strong presence.

## Partner with us

### **“A foothold in Iraq and a new corporate identity”**



**Mr. “Mohammad Ali” Khaldoun Sati Al -Husry**

**From 1/1/1996  
to 12/5/2007**

Under the leadership of Mr. Ali Al-Husry, the Bank completed its infrastructure development and met the challenge of achieving ambitious financial goals and growth rates adopted by the Bank in its business strategy and annual plans.

The Bank successfully passed this stage under the Al-Husry's guidance. The Bank increased its market share in the retail sector and launched new services in corporate banking and trade finance as well as services in asset management, banking, and investment. Al-Husry also led the expansion of the Bank's work in the Iraqi market, the largest importer of Jordanian goods.

Despite instability in Iraq at the time which created capital and financing challenges for the Jordanian export and Iraqi trade sectors, the Bank overcame these difficulties and provided financial services to both. The Bank completed these steps by purchasing 59% of the equity in the National Bank of Iraq followed by signing a strategic partnership agreement with the same institution.

Al-Husry also led the most important shift in the history of the Bank in 2006, which represents the transformation of Export and Finance Bank to “Capital Bank of Jordan” and its adoption of a new institutional identity as “Capital Bank.” This new identity reflected the long-term strategic vision of the Bank in terms of providing banking services to all sectors. The Bank was ranked the first among its competitors in the provision of services for start-ups.



## Partner with us

### **“Balance between long-term vision, development, and modernization”**

**Mr. Mazen Samih Darwazeh**

**From 12/5/2007  
to 1/10/2007**



Mr. Mazen Darwazeh led the Bank for a short but sensitive period in the Bank's history. He successfully leveraged the experience he accumulated throughout his career in the investment, education, health, banking and insurance sectors to overcome the challenges of that period. Darwazeh maintained a balance between addressing short-term implications and adhering to the Bank's long-term strategy. He ensured the cohesion of the Bank's strategy and took marked steps towards meeting its objectives including meeting development and modernization targets and sustaining the Bank's achievements.

The Bank maintained its high BBB rating from an international credit rating agency, becoming the highest rated bank in Jordan that year. During that same year, the banking practices of the Bank were further developed, in line with Central Bank standards and regulations as well as international banking best practices. Darwazeh led the final step towards the Bank's strategic partnership with the International Finance Corporation which was followed by raising the capital of the Bank to reach JD132 million/share. Darwazeh enhanced the Bank's relationship with the local community, the business community, and civil society institutions, and translated the Bank's social corporate responsibility into various initiatives and contributions.



## Partner with us

**“Engineering the Bank’s operations quietly and with confidence”**



**HE Mr. Samih Taleb Darwazeh**

**From 31/8/2009  
to 20/4/2010**

The association of His Excellency Samih Darwazeh with the Bank earned it the confidence of the market and its shareholders. Darwazeh’s career path is a source of inspiration for anyone ambitious and strives towards success. This is clearly evident as success is an inevitable result for those who possess a vision and plan and execute with dedication and mastery.

Such was the tale of Samih Darwazeh at Hikma Pharmaceuticals, just as it was during his leadership of Capital Bank.

Samih Darwazeh took over the chairmanship of the Bank’s Board in 2009 after the end of the interim board, which was appointed by the Central Bank and headed by His Excellency Sherif Faris Abdel Hamid Sharaf. The interim board was put in place to address the implications of decisions taken by the Bank’s management during January and July 2009.

Darwazeh continued addressing the implications of that period prudently. In record time, he set the Bank back on track, enabling it to achieve growth and development, and maintaining achievements.

Darwazeh’s presence reassured the Bank’s shareholders, customers, and depositors after a difficult stage. His management succeeded in re-engineering banking operations, developing technical and legal infrastructure, and strengthening the institutional framework which was put in place during the Bank’s establishment so as to continue its path towards further growth and success.



## Partner with us

## Dedicated management

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On behalf of the Board of Directors of Capital Bank, I extend my sincere thanks and gratitude to the executive upper management and staff at all levels for their effort over the past years to achieve progress and growth, and various successes, establish high-level banking infrastructure, and attain growth within the Bank's core activities. The Bank was able to accomplish great achievements in various fields, as it was awarded the title "Fastest Growing Bank in Jordan" under "The Banker" awards Middle East 2013.

I would like to reiterate my gratitude for the unprecedented results that have been achieved as a result of concerted efforts. This motivates us to work with optimism and confidence in the future of this leading Bank, and establish a state-of-the art banking infrastructure.

## Partner with us

**Haytham Kamhiyah**  
General Manager



**Ayman Abu Dhaim**  
Chief Financial Officer



**Rafat Khalil**  
Chief Support Officer



**Yasser Kleib**  
Chief Business Officer



**Ali Abu Swai**  
Head of Treasury and  
Investments



**Muhammad Muaz**  
Head of the Legal  
Department/Legal Counsel



**Rayd Abu Ayyash**  
Head of the Strategic  
Planning and Corporate  
Communications  
Department



**Rania Dwaikat**  
Head of the Compliance  
Department





## Corporate Governance Code

## Chapter 1

### **Introduction:**

Effective corporate governance practices at banking organizations are essential to maintaining confidence in the banking system, which is an integral component of the economy. Having a corporate governance code in place is extremely useful in the effective implementation of best corporate governance practices as it provides substantial guidance to the Board of Directors and executive management in building the confidence of existing and potential investors. It also facilitates effective control and keeps the executive management accountable to the Board of Directors on the one hand, and the Board of Directors accountable to shareholders and other stakeholders on the other.

### **1. What is Corporate Governance?**

Corporate Governance is defined as “a set of relationships between a company’s management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined”.

Internal corporate governance factors relate to the effectiveness of the interaction among a bank’s management, board, shareholders and other stakeholders. External governance factors include laws and regulations that enforce the rights of shareholders and other stakeholders such as depositors. A good external environment also includes appropriate oversight by government or other regulatory bodies like the Government, the Central Bank of Jordan (CBJ) and Amman Stock Exchange (ASE).

### **2. Legal Framework of Corporate Governance in Jordan**

The rules and principles of corporate governance are based on the following laws:

- 1- Banking Law No. 28 of 2000 and its amendments
- 2- Companies Law No. 22 of 1997 and its amendments
- 3- Securities Law No. 76 of 2002 and its amendments
- 4- Central Bank of Jordan Law No. 23 of 1971 and its amendments
- 5- Regulations and Instructions issued pursuant to the above-mentioned laws

## Chapter 2

### **Capital Bank’s Policy for Enhancing Corporate Governance**

### **1. Corporate Governance Code as a Reference**

Recognizing the importance of enhancing corporate governance principles, the Bank has decided to adopt a corporate governance policy in consistence with the international guidance issued by Basel Committee on Banking Supervision in October 2010 under the title “Principles for Enhancing Corporate Governance” and the Bank Directors’ Handbook of Corporate Governance issued by the Central Bank of Jordan in 2007.

## 2. The Four Principles of Corporate Governance

<b>Fairness:</b>	Fair and professional treatment of all shareholders, including non-Jordanians, minority shareholders and other stakeholders (shareholders, depositors, creditors, the bank's employees and regulators).
<b>Transparency:</b>	Provision of accurate information and disclosures on all issues and significant matters related to the Bank, including the financial situation and overall performance of the Bank to stakeholders (shareholders, depositors, creditors, the bank's employees and regulators.)
<b>Accountability:</b>	The Bank's executive management is accountable to the Board and the Board is accountable to shareholders and other stakeholders (shareholders, depositors, creditors, the bank's employees and regulators.)
<b>Responsibility:</b>	A clear policy must exist which defines the functions, powers and responsibilities of the executive management and the Board.

## Chapter 3: Pillars of the Code

### First: Commitment to Corporate Governance

The Board believes in the importance of corporate governance in developing and improving the Bank's performance and results and in enhancing confidence in its activities. The Board adopts best practices, norms and standards in the implementation and activation of corporate governance principles:

- The Bank has formed a corporate governance committee of the Board. The Committee's duties are defined in the Code.
- The Corporate Governance Committee has prepared this Code, which was then approved by the Board of Directors. The Code is included in the Bank's Annual Report. An up-to-date version of the Code is available to the public on the Bank's website.
- The Bank on an annual basis publicly reports its compliance with the Code, where necessary detailing how each provision of the Code has been implemented and, where relevant, why the Bank has adopted procedures that are different from those recommended by the Code.
- In line with the Bank's continued development, this Code will be kept under review and will be developed and amended as required from time to time to meet the changing needs and expectations of the Bank and the marketplace.



## Second:

## The Board of Directors

### 1. The Functions of the Board of Directors

#### A. General Principles

- The Board of Directors has overall responsibility for the operations and the financial soundness of the Bank, and ensures that the requirements of the Central Bank of Jordan and the interests of shareholders, depositors, creditors, employees and other stakeholders are met. The Board ensures that the Bank is managed prudently and within the framework of applicable laws and regulations, and the Bank's own policies.
- The Bank affirms that the obligations of each Director are owed to the Bank and all shareholders, and not to any particular shareholder.
- The Board defines the Bank's strategic goals and exercises control over the executive management of the Bank. The Board ensures and certifies that internal control systems are effective and that the Bank complies with strategy policies and procedures approved by the Board or as required by law or regulation. The Board reviews and approves the risk strategy and the acceptable risk limits and ensures that all dimensions of the Bank's risk are managed properly.
- The Board ensures that the Bank maintains a high degree of integrity in its operations through:
  - The development of clear and specific policies, rules and procedures to organize work in accordance with the applicable laws.
  - The development of a code of conduct that includes clear definitions of the concepts of "conflict of interest" and "abuse of office" and specifies the best ways to deal with a potential conflict of interest and the need to disclose it by Directors and/or any employee of the Bank.
  - The development of clear rules and procedures for related party transactions between the Bank and its employees or Directors or their companies or other related parties.
  - The circulation of these policies and the code of conduct to all the Bank's employees and Directors who should assent to the same.

#### **B. The responsibilities of the Board of Directors are defined in accordance with the powers vested in it pursuant to the Bank's Articles of Association and the Banking Law, Companies Law and pertinent instructions. They include:**

- Defining objectives and drawing plans to be carried out by the executive management of the Bank.
- Selecting an executive management which is capable of managing the activities of the Bank efficiently and effectively.
- Approving the different policies of the Bank including the various risk, credit and investment policies among others. The Central Bank shall be provided with a copy of such policies and any amendments thereto.



- Overseeing the implementation of the Bank's policies and verifying the soundness of the measures taken to achieve such policies.
- Ensuring that no Director would gain any personal benefit at the expense of the Bank's interest.
- Adopting measures to ensure the accuracy of the information provided to the Central Bank.
- Adopting sufficient measures to ensure compliance with the provisions of the Banking Law and any other legislation related to the operations and activities of the Bank.
- Issuing internal regulations and instructions to specify the functions and authorities of its various organs.

## **2. The Chairman and the General Manager**

The position of Chairman of the Board is separated from that of General Manager. In addition, there is no family relationship up to the third degree between the Chairman and the General Manager. The division of responsibilities between the Chairman and the General Manager is set down in writing, is subject to review and revision from time to time as necessary, and is approved by the Board.

The Chairman shall be a non-executive Director in order to promote an independent element within the Board from the executive management.

## **3. The Role of the Chairman of the Board (the Chairman):**

- The Chairman promotes the relationship between the Board and the executive management.
- The Chairman promotes a culture in the boardroom that encourages constructive criticism and alternative views on certain issues under consideration, and encourages voting on these issues.
- The Chairman ensures that Directors receive adequate and timely information.
- The Chairman ensures that the Bank's shareholders receive adequate and timely information.
- The Chairman ensures high standards of corporate governance by the Bank.

## **4. The Board Composition and Composition Criteria:**

- The Board of Directors consists of 11 members.
- The composition of the Board shall reflect the following:
  - Diversity of practical and professional experience among Directors in addition to the need for specialized skills and financial knowledge as well as experience and knowledge in global markets.
  - The Board may comprise a mix of executive Directors and non-executive Directors.
  - The Board should have at least three independent, non-executive Directors. An independent Director (whether natural person or representing legal entity) is one whose directorship and/or the ordinary course of business of the Bank constitute his only connection to the Bank. Minimum standards for an independent Director include:





- one who has not been employed by the Bank for the preceding three years;
- is not a relative (up to the second degree) of an administrator of the bank;
- is not receiving payment or compensation from the Bank (other than as a Director);
- is not a director or owner of a company with which the Bank does business (other than business relationships made in the ordinary course of business of the Bank and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated parties);
- is not, nor in the past three years has been, affiliated with or employed by a present or former auditor of the Bank; and
- is neither a shareholder with effective interest in the capital of the Bank nor affiliated with one.

### 5. Board practices

- The Bank's Board meetings take place at least six times a year. In order to ensure that a full range of topics is considered, it is the practice of the Bank's executive management to schedule a specific topic to be highlighted at each meeting.
- The Bank's policy is that the Board should include independent element in order that it can exercise objective judgment. In addition, the independent element enables the Board to maintain a level of checks and balances to balance the influence of all parties, including executive management and significant shareholders, and ensures that decisions are taken in the Bank's best interest.
- The executive management, through the Board Secretary, provides adequate information to Directors sufficiently in advance of meetings.
- The Board Secretary provides each Director of the Bank with a formal appointment letter upon his election, in which he is advised about his rights, responsibilities and duties in line with the relevant laws.
- The Bank's policies clearly define categories of transactions that require Board approval (including transactions with related parties or any other transactions which fall within the Board's authority).
- The Board and its Committees have direct access to executive management. Directors are provided with appropriate briefings regarding the Bank, and upon the Director's request.
- The Board and its Committees have access to external resources to enable them to adequately fulfill their mandate.
- It is a key responsibility of Directors to ensure they be kept informed of developments within the Bank, and in the banking industry as a whole, both local and international.
- The Bank has drawn up an organization chart, showing lines of reporting and authority, and including board and executive management committees. The portion of the chart showing the more senior levels is made public.

## **6. Board activities:**

### **6.1 Appointments and succession**

- a) The Board appoints a General Manager with competence, and determines his powers and responsibilities.
- b) The Board is required to approve the appointment of deputy and assistant general managers, and to ensure that they have the requisite skills.
- c) The Board approves executive management succession plans for senior executives of the Bank, which set out the required qualifications and requirements of the positions.

### **6.2 Self-assessment and the General Manager performance appraisal**

- a) The Board, through the Nominations and Remuneration Committee, at least annually assesses its own performance as a Board. Performance criteria are objective and include safety and soundness criteria and regulatory compliance.
- b) There is an annual evaluation of the General Manager by the Board through the Nominations and Remuneration Committee.

### **6.3 Planning and controls**

- a) The Board establishes the Bank's objectives and directs the executive management to draw up a strategy for achieving them. The Board approves the strategy, and the business plans prepared by the executive management. The Board ensures that performance against plan is reviewed and that corrective action is taken as needed. The Bank's budgeting process is part of the short-term planning and performance measurement.
- b) The Board ensures that the Bank has written policies covering all bank activities and that these policies are circulated among all administrative departments. Such policies are regularly reviewed to ensure that they conform to any changes in laws and regulations, the economic environment and other circumstances affecting the Bank.
- c) The Bank establishes clear controls preventing Directors or employees from benefiting from the use of insider information.

**Third:**

## **Board Committees**

The Board is ultimately responsible for the conduct of the Bank's affairs, but for greater efficiency Board Committees have been set up.

### **A. The Executive Committee**

#### **Charter of the Executive Committee:**

#### **A.1 Composition of the Committee**

- The Executive Committee is formed pursuant to a decision of the Board from among the directors. It shall comprise non-executive Directors.
- The Committee is headed by the Chairman of the Board and comprises five members including the Chairman. The Board appoints a deputy chairman of the Committee.
- The Board Secretary is appointed Rapporteur of the Committee.



## **A.2 Duties of the Executive Committee**

- Recommending to the Board the appointment of the General Manager
- Recommending to the Board the appointment of deputy and assistant general managers who shall be nominated by the General Manager.
- Recommending to the Board draft regulations and instructions regarding the Bank's activities.
- Granting credit facilities or recommending granting the same in accordance with the ceilings prescribed in the credit policy.
- Following up and evaluating the granted credit facilities and taking the appropriate corrective measures to address non-performing facilities.
- Approving or recommending to the Board the procurement of supplies in accordance with the powers prescribed by the Board in the pertinent regulations and decisions.
- Discussing and presenting to the Board financial statements and future and strategic plans.
- Recommending to the Board and following up the referral of lawsuits to the courts or for arbitration.
- Subscribing for shares and bonds in new projects in accordance with the ceilings of amounts and conditions prescribed in the investment policy.
- Any powers or duties established in the regulations and instructions issued by the Board of Directors.

## **A.3 Meetings of the Executive Committee**

- The Committee meets at least once every month or as needed.
- The meetings of the Committee are legal in the presence of three members including the chairman or a deputy chairman. The Committee takes its decisions unanimously or by majority.
- The Committee may invite the General Manager and/or any employee of the Bank to attend its meetings if necessary.

## **A.4 Meeting Minutes**

- The Board Secretary/Committee Rapporteur prepares the minutes and decisions of meetings and gets them approved by the Committee in preparation for submission to the Board of Directors.
- The Board Secretary/Committee Rapporteur advises the general management of the decisions of the Executive Committee, follows up the implementation of these decisions, and submits a report to the Committee on the implementation of its decisions.

## **B. The Nominations and Remuneration Committee**

### **Charter of the Nominations and Remuneration Committee**

#### **B.1 Composition of the Committee:**

- The Nominations and Remuneration Committee is formed pursuant to a decision of the Board and is made up of three non-executive members, two of them (including the Committee chairman) are independent.
- The Board names the Committee chairman and his deputy.
- The Board Secretary is appointed Rapporteur of the Committee.

#### **B.2 Duties of the Nominations and Remuneration Committee**

- The Nominations and Remuneration Committee nominates Board appointments to the Board of Directors, duly considering candidates' abilities and qualifications and for re-nominations, their attendance and the quality and extent of their participation in Board meetings, in accordance with the provisions of the Companies Law on the renewal of the membership of directors to ensure compliance with all the necessary requirements when forming Board committees.
- The Nominations and Remuneration Committee makes the determination of whether a Director is independent.
- The Nominations and Remuneration Committee assesses the effectiveness of the Board in addition to the extent of participation of members in Board meetings. Performance criteria are objective and include comparison with other banks in addition to safety and soundness criteria and regulatory compliance.
- The Nominations and Remuneration Committee is responsible for providing background briefing material about the Bank for Directors as requested and ensuring that they are kept up-to-date on relevant banking topics.
- The annual evaluation of the General Manager.
- The Nominations and Remuneration Committee:
  - Recommends to the Board the remuneration (including monthly salary and other benefits) of the General Manager.
  - Reviews the annual increments and remuneration (including salaries) of other executive management.
  - Ensures that the Bank has a remuneration/salary policy which is sufficient to attract and retain qualified individuals and is in accordance with the Bank's peers in the market..
  - Ensures that the Bank's remuneration policy is disclosed in the Annual Report, specifically the remuneration of individual Directors and the highest-paid non-Director executives.
- The Nominations and Remuneration Committee recommends that the Board approve executive management succession plans which set out the required qualifications and requirements of the positions.



### **B.3 Committee Meetings**

- The Committee shall meet at the invitation of its chairman or deputy chairman at least twice a year or whenever necessary at the request of the chairman or at the request of two members of the Committee.
- The meetings of the Committee are legal in the presence of two of its members. It takes its decisions unanimously or by majority of two members.
- The Committee may call any employee of the Bank to attend its meetings, if necessary.

### **B.4 Meeting Minutes**

The Board Secretary/Committee Rapporteur prepares the minutes and decisions of meetings and gets them approved by the Committee in preparation for submission to the Board of Directors.

The Board Secretary/Committee Rapporteur advises the general management of the decisions of the Committee, follows up the implementation of these decisions, and submits a report to the Committee on the implementation of its decisions.

## **C. Audit and Compliance Committee**

### **Charter of the Audit and Compliance Committee**

#### **C.1 Composition of the Committee**

- The Audit and Compliance Committee is formed pursuant to a decision of the Board and is composed of three non-executive Directors, two of them, at least, are independent.
- The Board names the Committee chairman, provided that he is a non-executive and independent Director.
- Upon appointing members, at least two members should have relevant financial management qualifications and/or expertise.
- The tenure of the Committee is the same as that of the Board. The Committee reports to the Board.
- The Board Secretary is appointed Rapporteur of the Committee.

#### **C.2 Objectives of the Committee**

The main objective of the Committee is to assist the Board in fulfilling its responsibilities towards shareholders and external parties through:

- Reviewing the Financial Statements of the Bank before presenting them to the Board;
- Reviewing the soundness and adequacy of the Bank's internal control system;
- Ensuring that risks are reviewed and monitored so as to reflect the real risks of the Bank.
- Overseeing the work of the external and internal auditors.
- Maintaining information channels between external and internal auditors, the Board and the executive management of the Bank.

- Overseeing the Bank's compliance with applicable laws, regulations and instructions and any relevant guidelines and codes.

### **C.3 Powers of the Committee**

- The Committee is authorized by the Board to investigate any of the activities and duties assigned to it pursuant to this charter. The Committee has the ability to obtain any information it requires. The executive management of the Bank and all employees should cooperate with any such request from the Committee.
- The Committee is entitled to seek legal or any other advice from external parties and from experts should it see this necessary.

### **C.4 Duties of the Committee**

#### **First: In the Field of Auditing**

##### **1) Financial Statements:**

- Reviewing annual, semi-annual and quarterly financial statements and budgets and recommending them to the Board for approval before they are published.
- Reviewing the scope of the Bank's external audits.
- Reviewing the remarks in the reports of the Central Bank and the external auditor and following up on action taken thereon.
- Reviewing the measures taken by the executive management in response to the recommendations of external auditors on the annual financial statements and the amendments made pursuant to the recommendations of the auditors.
- Further to the above, the Committee takes the following measures before submitting financial statements to the Board for approval:
  - Reviewing any amendment to the established accounting policies;
  - Reviewing the conformity of these policies with the international accounting standards applicable in Jordan.
  - Reviewing the mechanism of making extraordinary or relatively high value entries in case there is more than one method for this.
  - Any change in the Company's accounts as a result of audits or as a result of the suggestions of the accounts auditor.
  - Ensuring observance of the requirements of the Central Bank of Jordan or any other regulatory or supervisory body with regard to the adequacy of the provision for doubtful debts and the allocations of investment portfolios and expressing opinion with regard to non-performing facilities or those proposed to be considered bad debts, in addition to any other requirements.
  - Reviewing accounting estimates in financial statements.
  - Reviewing and discussing any legal matters that may affect the Bank's Financial Statements.
  - Reviewing information and reports attached to financial statements in the Annual Report such as corporate governance, risk management and internal control systems.





## **2) Internal Control System:**

The Board of Directors and executive management are responsible for developing and monitoring an internal control system. In this regard, the Committee is responsible for:

- 2.1 Reviewing the adequacy and effectiveness of the internal control system and ensuring that the management has paid due attention to the internal control system and that those concerned understand and comply with this system and that responsibilities are defined.
- 2.2 The plans of internal and external auditors must include a review of the structure of the internal control systems at least once a year.
- 2.3 Reviewing the paragraph on internal control and risk management systems in the Bank's Annual Report and recommending it to the Board for approval.
- 2.4 Reviewing the policy for reporting unsound practices so that employees are able to report such practices and recommending it to the Board for approval.
- 2.5 Reviewing the Bank's policy on related-party transactions so as to prevent any conflict of interest that may arise from the conclusion of deals or contracts or entry into projects with related parties by the Company.

## **3) External Audit:**

- 3.1 Discussing matters relating to the nomination of the external auditor and ensuring that the external auditor meets the required standard for auditor independence and objectivity and that non audit work performed for the Company does not compromise their independence.
- 3.2 Discussing all matters related to the work of the external auditor including the external auditor's annual plan, remarks, suggestions and reservations and following up the management's response to the same and presenting recommendations in this regards to the Board of Directors.
- 3.3 Participating in solving problems resulting from differences in viewpoints between the Bank's management and external auditors on technical and financial issues, and promoting the independence of auditors.
- 3.4 Recommending to the Board the appointment or the removal, the remuneration, and other contractual terms of the external auditors, in addition to assessing the objectivity of the external auditors, including the consideration of any other non-audit work performed by the external auditors to ensure their objectivity, and requesting the regular rotation of the principal partner in charge of the external audit.



#### **4) Internal Audit:**

The Committee is directly responsible for overseeing the work of the internal audit function. Its duties include:

- 4.1 Reviewing and approving the organization chart and activities of the internal audit function.
- 4.2 The power to appoint or remove internal auditors in addition to overseeing their performance.
- 4.3 The Committee reviews and approves the performance evaluations of the internal audit head and staff and authorizes their annual promotion and remuneration.
- 4.4 Reviewing the effectiveness of the internal audit function and approving the strategic and annual internal audit plans and budgets.
- 4.5 Overseeing the department's compliance with the internal audit standards issued by the Institute of Internal Auditors (IIA) and any subsequent amendments.
- 4.6 Approving the internal audit charter and ensuring its conformity with changes.
- 4.7 Reviewing and discussing audit reports and ensuring that there is an effective follow up system to address any remarks therein.
- 4.8 Participating in solving problems resulting from differences in viewpoints between the Bank's management and the internal auditors with regard to technical and financial issues and promoting the independence and objectivity of auditors.
- 4.9 The Committee is responsible for reviewing the external auditors' evaluation of the internal auditors' performance and for reviewing the work carried out by the internal auditors in connection with issues such as conflicts of interest and compliance with the rules of professional and ethical conduct in the Bank.

#### **Second: In the Field of Compliance**

- Recommending to the Board the adoption of an internal compliance control policy and the responsibilities of the compliance function.
- Recommending to the Board the adoption of an anti-money laundering and terrorism financing policy.
- Overseeing and following up the implementation of the compliance control and anti-money laundering and terrorism financing policies.
- Monitoring and evaluating the effectiveness of the "compliance risk" function and reviewing compliance reports on the Bank's compliance and anti-money laundering and terrorism financing measures.
- Promoting the values of integrity and honesty at the Bank and emphasizing that these values, in addition to the requirements of external regulators and applicable laws and regulations constitute prerequisites and guiding principles for the Bank's work.
- Ensuring there is sufficient support from the executive management for the compliance function as well as a mechanism to control compliance risks.



### **Third: Other Duties:**

- Reviewing the charter of the Committee and recommending the necessary amendments to the Board.
- Preparing an annual report to the Board on the duties and powers of the Committee and the main decisions and recommendations made by the committee during the reporting period.
- Reviewing the reports of the external supervisory bodies such as the Central Bank of Jordan and ensuring the implementation of the recommendations contained therein and the adoption of measures by the executive management to avoid the recurrence of the violations and remarks contained therein.
- Overseeing the Bank's compliance with the Securities Law and the regulations, instructions and decisions issued thereupon.
- Any other duties that are required by the Board of Directors.

## **C.5 Committee Meetings**

- 5.1 The Committee shall meet at the invitation of its chairman or deputy chairman once every month or whenever required, or based on a request from the Chairman of the Board, or any of its members, or from the external or internal auditors or the compliance function if necessary.
- 5.2 The heads of internal audit and compliance shall be invited to attend the meetings of the Committee, each according to their competence. Periodic meetings are also held with the external auditor. The Committee may call any employee of the Bank to attend any of its meetings as necessary. In all cases, the Committee shall meet with the external auditor, the internal auditor, and compliance officials at least once a year without the presence of executive management.
- 5.3 In coordination with the chairman and members of the Committee, the dates and locations of Committee meetings are determined by the Committee Rapporteur based on invitations, provided that the agenda is prepared and distributed to the chairman and members of the Committee and other invitees reasonably in advance of meetings.
- 5.4 Committee meetings are legal in the presence of two members. It takes its decisions unanimously or by majority.
- 5.5 The Committee chairman shall attend the Annual General Assembly to answer the enquiries of shareholders with regard to the duties of the Committee.

## **C.6 Meeting Minutes**

The Committee Rapporteur prepares the minutes of the Committee's meetings and distributes them to the chairman and members of the Committee for approval in preparation for submission to the Board of Directors.

## **D. The Risk Management Committee**

### **Charter of the Risk Management Committee**

#### **D.1 Composition of the Committee**

- The Risk Management Committee is formed pursuant to a decision of the Board and is composed of three non-executive Directors, two of them, at least, are independent.
- The Board names the Committee chairman and deputy chairman, provided that the Committee chairman is a non-executive Director.
- Upon appointing members, at least two members should have relevant financial management qualifications and/or expertise.
- The tenure of the Committee is the same as that of the Board. The Committee reports to the Board.
- The Board Secretary is appointed Rapporteur of the Committee.

#### **D.2 Objectives of the Committee**

The main objective of the Committee is to assist the Board in fulfilling its responsibilities towards shareholders and external parties by reviewing and monitoring risk management so as to reflect the real risks of the Bank in addition to overseeing the Bank's compliance with applicable laws, regulations and instructions and any relevant guidelines and codes related to risks and Basel requirements.

#### **D.3 Powers of the Committee**

- The Committee is authorized by the Board to investigate any of the activities and duties assigned to it pursuant to this charter. The Committee has the ability to obtain any information it requires. The executive management and all employees must cooperate with any such requests from the Committee.
- The Committee is entitled to seek legal or any other advice from external parties and from experts should it see this necessary.

#### **D.4 Duties of the Committee**

- Overseeing the risk management framework and reviewing risk management strategies and policies before being approved by the Board of Directors and continuously assessing their effectiveness and conformity with any changes.
- Reviewing the structure of the risk department, which is prepared by the executive management, and recommending its approval to the Board.
- Reviewing the measures adopted by the executive management to determine, measure and control the Bank's potential risks, which include credit risks, market risks, liquidity risks and operational risks.
- Reviewing the periodic reports issued by the risk department.



- Submitting periodic reports to the Board of Directors showing to what extent the existing risks are congruent with the applied policies and the acceptable risk levels contained therein so as to enable the Board to take the proper and necessary decisions.

### **D.5 Committee Meetings**

- The Committee shall meet at the invitation of its chairman, or based on a request from the Chairman of the Board, or any of its members, or from the external or internal auditors if necessary. In all cases, the Committee shall meet at least six times a year.
- The head of the risk management department shall be invited to attend the meetings of the Committee.
- The Committee may call any employee and/or any external advisor of the Bank to attend any of its meetings as necessary.
- In coordination with the chairman and members of the Committee, the dates and locations of Committee meetings are determined by the Committee Rapporteur based on invitations provided that the agenda is prepared and distributed to the chairman and members of the Committee and other invitees reasonably in advance of scheduled meetings.
- Committee meetings are legal in the presence of two members. It makes recommendations unanimously or by majority.
- The Committee chairman shall attend the Annual General Assembly to answer the enquiries of shareholders with regard to the duties of the Committee.

### **D.6 Meeting Minutes**

The Committee Rapporteur prepares the minutes of the Committee's meetings and distributes them to the chairman and members of the Committee for approval in preparation for submission to the Board of Directors.

## **E. The Corporate Governance Committee**

### **The Charter of the Committee:**

#### **E.1 Composition of the Committee**

- The Corporate Governance Committee is formed pursuant to a decision of the Board. It shall be headed by the Chairman of the Board and it shall comprise three non-executive Directors.
- The Board Secretary is appointed Rapporteur of the Committee

#### **E.2 Duties of the Committee**

- Ensuring compliance with the Corporate Governance Code and overseeing corporate governance practices at the Bank.
- Reviewing and updating the Corporate Governance Code.

- The Committee may request the necessary reports from related parties to ensure that all elements of corporate governance are fulfilled.
- The Committee may invite any employee of the Bank from all administrative departments to seek their opinion or inquire about any issue.
- The Committee shall submit a report to the Board at least once a year. The report shall include its opinion on the extent of compliance with the Code.

### **E.3 Committee Meetings**

- The committee shall meet at least once a year at the invitation of its chairman. Committee meetings are legal in the presence of three members including the Committee chairman.

## **Fourth: Secretary of the Board**

### **The Duties and Powers of the Board Secretary**

The Board of Directors shall appoint a secretary of the Board and establish his/her remuneration. The secretary arranges Board meetings, prepares agendas and keeps minutes of meetings and decisions in a special register with serially arranged and sequentially numbered pages, which should be signed by the Chairman and members of the Board who attended the meeting. Each page must be stamped with the Company's stamp.

#### **1.1 In Connection with the Board of Directors**

- 1.1.1 Preparing the agendas of Board meetings in consultation with the Chairman.
- 1.1.2 The management shall provide the Board Secretary with the documents and work papers which are the subject of the agenda.
- 1.1.3 Attending Board meetings and recording the minutes of its meetings as well as its decisions.
- 1.1.4 Preparing and signing the minutes of Board meetings and presenting the same to the Chairman, who, in turn, shall read and approve the minutes.
- 1.1.5 Following up procedures for the signing of all pages of the meeting minutes by the Chairman and members of the Board.
- 1.1.6 Supervising the process of keeping minutes and decisions of the Board in serially arranged and sequentially numbered pages, and ensuring that they are signed by members of the Board who attended the meeting.
- 1.1.7 The Board Secretary shall notify the concerned departments of the decisions issued by the Board of Directors for implementation of the same.
- 1.1.8 Following up the implementation of decisions and recommendations of the Board in coordination with the concerned departments and preparing a report to the Board of Directors which includes the measures taken by the Bank departments to implement these decisions.



## **1.2 In Connection with the Board Committees**

- 1.2.1 Following up the concerned departments to provide the Board Secretary with information and work papers necessary for the work of the Board Committees.
  - 1.2.2 Preparing the agendas of the Committees in consultation with the Chairman.
  - 1.2.3 Attending the meetings of Committees and recording the minutes of their meetings.
  - 1.2.4 Following up issues relating to the Corporate Governance Code and its committees and submitting related reports to the Corporate Governance Committee in coordination with the relevant regulatory departments in the Bank, each according to its competence.
2. The Secretary follows up the decisions of the Board regarding the relationship of the Board with external bodies such as the Securities Commission and/or the Ministry of Industry and Trade and/or the Central Bank and/or the Depository Center and/or any official or non-official party and drafts the necessary correspondence.
  3. The Board Secretary performs any additional duties assigned to him by the Chairman.

## **Chapter 4:**

### **Duties and Powers of the Executive Management**

## **The Executive Management**

### **1. Responsibilities of the General Manager**

The General Manager is the head of the executive structure of the Bank and, in exercising his duties, he shall be accountable to the Board. To this end, the General Manager implements the policies and objectives adopted by the Board in accordance with the duties and powers stated below:

### **2. General Description of Responsibilities:**

- 2.1 Managing and directing the Bank toward achieving the main objectives based on profit and return on capital and the responsibility for the overall process of managing the Bank, which includes planning, organization and development inside and outside Jordan.
- 2.2 The General Manager is responsible for the structure of work and employees and for activating the work plan and budgets as well as developing the quality, methods and procedures of work and implementing the strategic plans and the decisions taken by the Board of Directors.
- 2.3 The General Manager is primarily responsible for the implementation of the policies established by the Board of Directors.
- 2.4 The General Manager is responsible before the Board of Directors for the implementation of all its decisions.

### **3. Main Duties:**

- 3.1 Preparing, developing and implementing strategies and policies following their approval by the Board of Directors and implementing the current and long-term objectives.
- 3.2 Preparing, developing and implementing work procedures to determine, control and monitor the Bank's risks.
- 3.3 Planning, coordinating and controlling the daily operations of the Bank; drawing up proper internal control policies and applying them following their approval by the Board of Directors.
- 3.4 Preparing financial statements and final accounts and preparing an annual budget and getting them approved by the Board of Directors.
- 3.5 Providing the internal and external regulators such as the regulatory authorities and internal and external auditors and any other related parties with the information and statements necessary for such parties to carry out their work.
- 3.6 Preparing an organization chart and ensuring compliance with the same following its approval by the Board of Directors.
- 3.7 Reviewing the results of the Bank's operations, comparing them with the planned objectives and taking the steps necessary for adopting the appropriate measures to correct any unsatisfactory results.
- 3.8 Achieving effective internal control systems and submitting a report, at least once a year, to the Board of Directors on their application and effectiveness.
- 3.9 Preparing a code of conduct and getting it approved by the Board of Directors.
- 3.10 Developing the skills and professional conduct of the Bank's employees in line with the most up-to-date developments and technologies.
- 3.11 Applying laws, regulations, instructions and decisions of the Board of Directors and carrying out responsibilities according to the assigned powers.

### **1. Powers of the General Manager:**

- 1.4 The General Manager exercises his powers and responsibilities in accordance with the Companies Law and the Banking Law and the regulations issued thereunder in addition to the regulations and instructions issued by the Bank.
- 1.5 The General Manager is responsible before the Chairman of the Board of Directors for the tasks and duties assigned to him.
- 1.6 The General Manager has the following powers and responsibilities:
  - Conducting the ordinary daily operations of the Bank and drawing up operational plans and general programs for implementing the Bank's policies.
  - Exercising internal control over the Bank's operations and ensuring the Bank's compliance with the applicable laws, regulations and instructions.
  - Overall review of the results of the Bank's operations to ensure their consistency with the established plans and schedules.
  - Providing the Board of Directors with periodic reports on the situation of the Bank and ensuring that all its operations are consistent with the policy laid down by the Board of Directors and recommending any proposals it deems necessary for developing the work of the Bank.



- Providing the Central Bank with the information and data it demands in accordance with the provisions of the Central Bank Law and the regulations and orders issued thereunder.
- Updating regulations, instructions and work methods and overseeing the review of draft regulations, instructions, plans and programs for developing the performance of the Bank.
- Endeavoring to raise the performance level of the employees and motivate them to give their best.
- Updating and developing the systems and equipment necessary to perform the operations of the Bank in such a way as to guarantee the delivery of advanced banking services based on the most recent, most efficient, fastest and most accurate bases.
- Appointing and rotating employees, deciding their promotion and delegation, determining their posts' locations, granting them leave of absence and imposing disciplinary penalties in accordance with the provisions of the personnel system in the Bank.
- Signing financial transactions issued by the Bank in accordance with the financial system and other systems.
- Proposing financial and banking policies to the Board of Directors.
- Undertaking other financial and administrative powers assigned to him pursuant to Board decisions.

The General Manager is entitled to delegate any of his powers to any of his assistants in accordance with the regulations and policies applicable in the Bank. However, he shall remain accountable to the Board for the performance of his duties whether he exercises them personally or delegates them to any member of the executive management.

## **Chapter 5:**

## **Internal Control Environment**

### **Internal Control Systems:**

The Board of Directors is responsible for the development and application of internal control systems which ensure the accuracy and integrity of financial statements as well as compliance with applicable laws, regulations and instructions. In this context, policies and regulations covering all aspects of the internal control environment have been adopted which define the internal control environment and determine the responsibility of the Board of Directors and executive management in this regard. The Board includes in the Annual Report of the Bank a report on the adequacy of internal control systems regarding financial reporting.

### **1. Internal Audit**

Internal audit is an independent function which aims to provide regular confirmatory services on the effectiveness and efficiency of the Bank's internal control systems and the extent of compliance with established policies, such as providing objective advice on the improvement and development of operations in order to achieve the objectives of the Bank.



- 1.1 The Bank's policy is that the internal audit function of the Bank should be adequately resourced, trained, and be provided full access to Bank records and staff members, and given sufficient authority within the Bank to adequately carry out its task. The functions, powers and responsibilities of internal audit are documented within the Internal Audit Charter which is approved by the Audit and Compliance Committee and the Board and published within the Bank.
- 1.2 The internal audit function reports to the Chairman of the Audit and Compliance Committee.
- 1.3 Internal audit staff do not have operational responsibilities. Internal audit is responsible for proposing the structure and scope of the audit schedule and any potential conflicts of interest are to be reported to the Audit and Compliance Committee.
- 1.4 The internal audit function is allowed to operate and make a full report without outside interference. It may discuss its reports with the departments being reviewed.
- 1.5 The primary responsibility of the internal audit function, conducting risk focused audits, is at least the review of:
  - The Bank's financial reporting (ensuring that significant financial, managerial, and operating information are accurate, reliable, and timely).
  - Compliance with internal policies, international standards and procedures and applicable laws and regulations.

## 2. External Audit:

The Bank requires the regular rotation of the external audit between auditing firms. Should this no longer be practical, then the Bank will at a minimum require the regular rotation of the principal partner in charge of the external audit. The external auditors' report is submitted to the Audit and Compliance Committee. The external auditors meet with the Audit and Compliance Committee without executive management present, at least once a year.

## 3. Risk Management

- 1.2 The Bank has an independent risk management department that reports to the General Manager and submits periodic reports to the Risk Management Committee.
- 1.3 The responsibilities of the Bank's risk management department include:
  - Identifying, measuring and controlling risks and making the necessary recommendations to mitigate these risks.
  - Developing methodologies for the measurement and control of each risk and analyzing all risks including credit risk, market risk, liquidity risk and operational risk;
  - Recommending limits to the Risk Management Committee, and the approval, reporting and recording of exceptions to the policy.
  - Providing the Board and senior management with information on risk metrics and on the Bank's risk profile (the Board reviews the qualitative and quantitative risk statistics of the Bank at each regular Board meeting).



- The Bank's committees, such as the credit committees, assets and liabilities/ treasury committees and risk committees should assist the functions of the risk management department in accordance with the powers assigned to these committees.
- The structure, operation and ongoing development of the Bank's risk management department are discussed in the Bank's Annual Report.

#### **4. Compliance**

- Compliance control is an independent function which aims to ensure that the Bank's policies comply with all applicable laws, regulations and instructions issued by the local and international regulatory authorities.
- The Bank has an independent compliance function which directly reports to the General Manager and submits periodic reports to the Audit and Compliance Committee with a copy to the executive management.
- The compliance function establishes effective mechanisms to ensure the compliance of the Bank with all applicable laws and regulations and any relevant guidelines and codes. The functions, powers and responsibilities of the compliance function are documented and published within the Bank.
- The Board is responsible for approving the compliance policy and overseeing its implementation. The compliance function is responsible for developing the compliance policy of the Bank and ensuring its implementation throughout the Bank.

## **Chapter 6:**

### **Relationship with Shareholders**

- The Bank takes steps to encourage all shareholders to attend the Annual General Assembly and to vote either in person or in their absence by proxy.
- The chairmen of the Audit and Compliance and Nominations and Remuneration Committees and any other Board committees are present the Annual General Assembly.
- Representatives from the external auditors are present at the Annual General Assembly to answer questions about the audit and their auditors' report.
- There will be voting on each separate issue that is raised at the Annual General Assembly.
- Pursuant to the Companies Law, Directors submit themselves for election or re-election at the Annual General Assembly and the appointment of the Bank's external auditors is elected at the Annual General Assembly.
- A report of the proceedings of the Annual General Assembly, including the results of voting, and the questions from shareholders and executive management's responses, are prepared and made available to shareholders after the Annual General Assembly.

## Chapter 7:

## Transparency and Disclosure

The Bank is required to disclose in accordance with the International Financial Reporting Standards (IFRS), the valid instructions of the Central Bank of Jordan, which are issued according to the Banking Law, and other relevant legislation. The Bank is committed to disclosing significant information as they occur, pursuant to the instructions of the Securities Commission. The complete set of financial statements shall be lodged with the Securities Commission and Amman Stock Exchange.

The Bank provides information to shareholders through the Annual Report and unaudited quarterly and semi-annual financial statements. The Bank's annual report shall include all disclosures specified in the instructions of the Securities Commission regarding the Bank's Annual Report.





## **Consolidated Financial Statements**



### **Independent Auditors' Report To The Shareholders Of Capital Bank of Jordan Amman - Jordan**

#### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Capital Bank of Jordan (a public shareholding company) "the Bank", which comprise the consolidated statement of financial position at 31 December 2013 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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**

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Report on other Legal and Regulatory Requirements**

The Bank maintains proper accounting records, and the accompanying consolidated financial statements and financial information presented in the Board of Directors' report are in agreement therewith and we recommend approving these consolidated financial statements.

**Amman – Jordan  
8 March 2014**

## Consolidated Statement of financial position As of 31 December 2013

	Notes	2013 JD	2012 JD
<b>Assets</b>			
Cash and balances at central banks	4	281,526,628	206,371,473
Balances at banks and financial institutions	5	124,483,286	79,539,580
Deposits at banks and financial institutions	6	6,160,000	-
Financial assets at fair value through profit or loss	7	10,704,964	15,222,362
Financial assets at fair value through other comprehensive income	8	4,522,021	4,253,315
Direct credit facilities, Net	9	676,366,322	623,310,413
Other financial assets at amortized cost	10	504,980,344	370,527,675
Financial assets pledged as collateral	11	109,165,043	165,749,437
Property, plant and equipment, Net	13	24,198,102	23,580,235
Intangible assets, Net	14	8,306,391	9,043,569
Deferred tax assets	22	7,152,430	6,914,673
Other assets	15	129,011,951	102,404,252
<b>Total Assets</b>		<b>1,886,577,482</b>	<b>1,606,916,984</b>
<b>Liabilities And Equity</b>			
<b>Liabilities -</b>			
Banks and financial institutions' deposits	16	103,021,840	82,538,802
Customers' deposits	17	1,140,349,003	960,116,839
Margin accounts	18	104,941,597	71,067,396
Loans and advances	19	147,366,306	193,978,649
Subordinated loan (convertible to shares)	20	12,952,001	12,952,001
Sundry provisions	21	-	5,000,000
Income tax liabilities	22	11,387,527	5,661,855
Deferred tax liabilities	22	229,673	287,958
Other liabilities	23	42,038,177	32,505,528
<b>Total Liabilities</b>		<b>1,562,286,124</b>	<b>1,364,109,028</b>
<b>Equity-</b>			
<b>Equity attributable to the Bank's shareholders</b>			
Issued and paid in capital	24	165,000,000	150,000,000
Additional paid in capital		709,472	709,472
Statutory reserve	26	23,049,227	18,151,039
Optional Reserve		9,690	4,418
General banking risk reserve	26	7,559,006	5,631,076
Foreign currency translation adjustment	27	4,076,324	3,016,076
Fair value reserve	28	(1,462,896)	(1,525,945)
Equity component of the convertible loans	20	1,022,784	1,022,784
Retained earnings	30	64,197,383	46,454,346
Total equity attributable to the Bank's shareholders		264,160,990	223,463,266
Non-controlling interest		60,130,368	19,344,690
Total Equity		324,291,358	242,807,956
<b>Total Liabilities and Equity</b>		<b>1,886,577,482</b>	<b>1,606,916,984</b>

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements



## Consolidated Statement of income For the Year Ended 31 December 2013

	Notes	2013 JD	2012 JD
Interest income	31	99,778,429	81,552,353
Interest expense	32	57,970,611	39,630,115
<b>Net interest income</b>		<b>41,807,818</b>	<b>41,922,238</b>
Net commission income	33	19,712,325	32,207,047
<b>Net interest and commission income</b>		<b>61,520,143</b>	<b>74,129,285</b>
Net gain from foreign currencies	34	2,788,462	1,463,881
Net gain from financial assets at fair value through profit or loss	35	2,854,408	2,327,852
Dividends income from financial assets at fair value through other comprehensive income	8	110,333	127,998
Net gain from financial assets at amortized cost		95,517	(51,098)
Other income	36	11,619,347	2,978,037
<b>Gross profit</b>		<b>78,988,210</b>	<b>80,975,955</b>
Employees' expenses	37	15,525,630	13,055,900
Depreciation and amortization	13,14	3,578,093	3,429,565
Other expenses	38	11,685,819	9,866,587
Impairment losses on direct credit facilities	9	919,020	27,920,383
Impairment loss on seized assets against non-performing loans	15	3,547,941	2,510,468
(Recovery) sundry provisions	21	(5,000,000)	(5,518,648)
<b>Total expenses</b>		<b>30,256,503</b>	<b>51,264,255</b>
Profit before tax		48,731,707	29,711,700
Income tax expense	22	11,695,417	7,675,516
<b>Profit for the year</b>		<b>37,036,290</b>	<b>22,036,184</b>
Attributable to:			
Bank's shareholders		35,182,995	19,792,458
Non - controlling interest		1,853,295	2,243,726
		<b>37,036,290</b>	<b>22,036,184</b>
		JD/Fills	JD/Fills
Basic and Diluted earnings per share	39	0/213	0/120

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements



## Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2013

	2013 JD	2012 JD
<b>Profit for the year</b>	37,036,290	22,036,184
<b>Add: Other Comprehensive Income Items that will be Classified as Income Or loss in Future Periods</b>		
Foreign currency translation adjustments	1,656,653	(389,619)
<b>Add: Other Comprehensive Income Items that will never be Classified as Income Or loss in Future Periods</b>		
Gains from Partial sale of Investment in Subsidiaries – net and tax	3,945,457	-
Change in financial assets at fair value through other comprehensive income	89,533	(97,354)
Fees for Capital Increase	(120,146)	-
<b>Total other comprehensive income for the year, net of tax</b>	<u>5,571,497</u>	<u>(486,973)</u>
<b>Total comprehensive income for the year</b>	<b><u>42,607,787</u></b>	<b><u>21,549,211</u></b>
<b>Attributable to:</b>		
Bank's shareholders	40,131,603	19,406,972
Non-controlling interest	2,476,184	2,142,239
	<u>42,607,787</u>	<u>21,549,211</u>

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements



## Consolidated Statement Of Changes In Equity For the Year Ended 31 December 2013

	RESERVES											
	Issued and Paid in Capital	Additional Paid in Capital	Statutory Reserve	Optional Reserve	General banking risk	Foreign currency translation adjustments	Fair value reserve	Equity component convertible loan	Retained earnings *	Equity attributable to the Bank's shareholders	Non- controlling Interest	Total Equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
31 December 2013												
Beginning Balance	150,000,000	709,472	18,151,039	4,418	5,631,076	3,016,076	(1,525,945)	1,022,784	46,454,346	223,463,266	19,344,690	242,807,956
Income for the year	-	-	-	-	-	-	-	-	35,182,995	35,182,995	1,853,295	37,036,290
Foreign currency translation adjustment	-	-	-	-	-	1,060,248	-	-	-	1,060,248	596,405	1,656,653
Gains from Partial sale of Investment in Subsidiaries – net of tax	-	-	-	-	-	-	-	-	3,945,457	3,945,457	-	3,945,457
Fair Value	-	-	-	-	-	-	63,049	-	-	63,049	26,484	89,533
Fees for Capital Increase	-	-	-	-	-	-	-	-	(120,146)	(120,146)	-	(120,146)
Total comprehensive income for the year	-	-	-	-	-	1,060,248	63,049	-	39,008,306	40,131,603	2,476,184	42,607,787
Subsidiary Capital Increase	-	-	-	-	-	-	-	-	-	-	38,875,615	38,875,615
Transferred to reserves	-	-	4,898,188	5,272	1,927,930	-	-	-	(6,265,269)	566,121	(566,121)	-
Stock Dividends (note 25)	15,000,000	-	-	-	-	-	-	-	(15,000,000)	-	-	-
<b>Ending Balance</b>	<b>165,000,000</b>	<b>709,472</b>	<b>23,049,227</b>	<b>9,690</b>	<b>7,559,006</b>	<b>4,076,324</b>	<b>(1,462,896)</b>	<b>1,022,784</b>	<b>64,197,383</b>	<b>264,160,990</b>	<b>60,130,368</b>	<b>324,291,358</b>
Balance at 1 January 2012	150,000,000	709,472	16,106,301	-	5,673,094	3,306,626	(1,495,794)	1,022,784	28,733,811	204,056,294	17,202,451	221,258,745
Income for the year	-	-	-	-	-	-	-	-	19,792,458	19,792,458	2,243,726	22,036,184
Foreign currency translation	-	-	-	-	-	(290,550)	-	-	-	(290,550)	(99,069)	(389,619)
Fair Value	-	-	-	-	-	-	(94,936)	-	-	(94,936)	(2,418)	(97,354)
Total comprehensive income for the year	-	-	-	-	-	(290,550)	(94,936)	-	19,792,458	19,406,972	2,142,239	21,549,211
Loss from selling financial assets at fair value through other comprehensive income	-	-	-	-	-	-	64,785	-	(64,785)	-	-	-
Transferred to reserves	-	-	2,044,738	4,418	(42,018)	-	-	-	(2,007,138)	-	-	-
<b>Ending Balance</b>	<b>150,000,000</b>	<b>709,472</b>	<b>18,151,039</b>	<b>4,418</b>	<b>5,631,076</b>	<b>3,016,076</b>	<b>(1,525,945)</b>	<b>1,022,784</b>	<b>46,454,346</b>	<b>223,463,266</b>	<b>19,344,690</b>	<b>242,807,956</b>

\* Retained earnings include JD 7,152,430 which represents deferred tax assets as of 31 December 2013 (31 December 2012: JD 6,914,673). According to the Central Bank of Jordan's regulations these balances are restricted.

\*\* Retained earnings include JD 1,621,144 which represents unrealized gain as a result of early adoption of IFRS9. This amount is not available for distribution as per SEC.

\*\*\* An amount equal to the negative balance of fair value reserve is restricted of retained earnings.

\*\*\*\* The general banking risk reserve is restricted from use without prior approval of the Central Bank of Jordan.

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements

## Consolidated Statement of Cash Flows For the Year Ended 31 December 2013

	Notes	2013 JD	2012 JD
<b>Operating Activities</b>			
Profit before income tax		48,731,707	29,711,700
<b>Adjustments for Non-Cash Items</b>			
Depreciation and amortization		3,578,093	3,429,565
Impairment loss on direct credit facilities		919,020	27,920,383
loss (Gain) from revaluation of financial assets at fair value through profit or loss		194,647	(270,771)
Impairment loss on seized assets against non-performing loans		3,547,941	2,510,468
Sundry provisions		(5,000,000)	(5,518,648)
Net accrued interest		(20,140)	(11,010,123)
Effect of exchange rate changes on cash and cash equivalents		(2,788,462)	(1,463,881)
<b>Operating cash flows from Operating activities before changes in assets and liabilities</b>		<b>49,162,806</b>	<b>45,308,693</b>
<b>Changes in assets and liabilities -</b>			
(Decrease) increase in restricted balances		(284,540)	71,090
Increase in financial assets at fair value through profit or loss		4,322,751	26,299,792
(Decrease) increase in direct credit facilities		(53,569,789)	4,497,480
Increase in other assets		(26,537,021)	(47,255,863)
(increase) in banks and financial institution deposits		(6,160,000)	-
Increase in banks and financial institution deposits maturing after more than three months		(10,635,000)	20,815,000
Increase in customers' deposits		179,177,786	72,917,252
Increase in margin accounts		33,797,675	12,446,614
Increase (decrease) in other liabilities		5,782,196	14,081,427
<b>Net cash from operating activities before income tax</b>		<b>175,056,864</b>	<b>149,181,485</b>
Income tax paid		(7,974,329)	(4,899,936)
<b>Net cash from operating activities</b>		<b>167,082,535</b>	<b>144,281,549</b>
<b>Investing Activities</b>			
Purchase of financial assets at fair value through other comprehensive income		(205,655)	(1,250,104)
Sale of financial assets at fair value through other comprehensive income		-	2,056,740
Purchase of financial assets at amortized cost		(223,895,368)	(341,869,971)
Sale of financial assets at amortized cost		89,451,348	283,561,110
Change in financial assets pledged as collateral		56,584,394	(162,249,099)
Purchase of property and equipment		(2,731,734)	(2,076,636)
Proceeds from sale of property and equipment		229,703	594,111
Purchase of intangible assets		(817,056)	(698,033)
Proceeds from Partial Sale of subsidiaries		5,636,367	-
<b>Net cash used in investing activities</b>		<b>(75,748,001)</b>	<b>(221,931,882)</b>
<b>Financing Activities</b>			
Fees for capital increase		(120,146)	-
Repayment of loans and borrowings		(180,350,370)	(32,609,207)
Proceeds from loans and borrowings		133,738,027	170,041,091
Non-controlling interest share of subsidiaries increase of capital		38,875,615	-
<b>Net cash (used in) from financing activities</b>		<b>(7,856,874)</b>	<b>137,431,884</b>
<b>Net increase in cash and cash equivalents</b>		<b>83,477,660</b>	<b>59,781,551</b>
Effect of exchange rate changes on National Bank of Iraq		2,430,160	(76,139)
Effect of exchange rate changes on cash and cash equivalents		2,788,462	1,463,881
Cash and cash equivalents at 1 January		234,450,716	173,281,423
<b>Cash and cash equivalents at 31 December</b>	41	<b>323,146,998</b>	<b>234,450,716</b>

The accompanying notes from 1 to 52 are an integral part of these consolidated financial statements





### Notes to the Consolidated Financial Statements 31 December 2013

#### 1 General Information

The Bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995 in accordance with the Companies Law No. 1 of (1989). Its registered office is in Amman.

The Bank provides its banking services through its main branch located in Amman, and through its thirteen branches in Jordan and its subsidiaries Capital Investment and Brokerage Company in Jordan LLP, National Bank of Iraq in Iraq, and Capital Investment Fund Company in Bahrain.

The Bank originally had a paid in capital of JD 20 million. The Bank has subsequently increased its capital to reach JD 156 million. The increases in capital were affected through capitalizing its distributable reserves and private placements to shareholders, in addition to the participation of International Finance Corporation (IFC) which became a strategic partner.

All Capital Bank of Jordan shares are listed at Amman Stock Exchange.

The consolidated financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. (2/2014) held on 8 March 2014 and they are subject to shareholders approval.

#### 2 Significant Accounting Policies

##### (2-1) Basis Of Preparation

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

The consolidated financial statements are prepared on the historical cost basis except, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are presented at fair value as of the date of the consolidated financial statements. Moreover, financial assets and financial liabilities hedged against the risk of fluctuation in their value are stated at fair value.

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

##### (2-2) Changes in accounting policies:

The Bank's accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the previous year except for the adoption of new Standards noted below.

#### **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

This standard became effective starting from 1 January 2013.

## **IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

This standard became effective starting from 1 January 2013.

## **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

This standard became effective starting from 1 January 2013.

## **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard became effective for annual periods starting from 1 January 2013.

The application of the new standards did not have a significant impact on the financial position or performance of the Bank.

## **Amended Standards**

### **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Bank's financial position or performance. The amendment became effective starting from 1 January 2013.

### **IAS 19 Employee Benefits (Revised)**

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Bank implemented the amendment effective on 1 January 2013 and had no impact on financial position or performance of the Bank.

### **IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.





The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments had no impact on the Company's financial position or performance and became effective starting from 1 January 2013.

### **IAS 27 Separate Financial Statements (as revised in 2011)**

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company does not present separate financial statements. The amendment became effective starting from 1 January 2013.

### **IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)**

As a consequence of the new IFRS 11 and IFRS 12 IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment did not have any impact on the financial position or performance of the Bank, the amendment became effective for annual periods starting from 1 January 2013.

### **(2-3) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognized in assets or liabilities, between the Bank and the following subsidiaries are eliminated in full:

- Capital Investment and Brokerage Company Ltd/Jordan; of which the Bank owns 100% of its paid in capital of JD 10,000,000 as of 31 December 2013. The company was established on 16 May 2005.
- National Bank of Iraq (NBI)/Iraq; of which the Bank owns 61.85% of its paid in capital of IQD 100,000,000,000 (JD 154,000,000) as of 31 December 2013. National Bank of Iraq was acquired effective 1 January 2005, as Capital Bank keeps his Interest in Profit for 2013, conn
- Capital Investment Fund Company/ Bahrain; of which the Bank owns 100% of its paid in capital of BHD 1,000 (JD: 1,888) as of 31 December 2013. The purpose of the company is to manage mutual funds and it has not started its operations as of the date of preparing this consolidated financial statement.

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

Subsidiaries' financial statements are prepared using the same accounting policies for the same reporting period as the Bank.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the portion of equity and profit or loss not owned by the Bank.

When preparing separate financial statements, investment in subsidiaries is recorded at cost.

## Segment Information

- Business segment represents distinguishable components of the Bank that are engaged in providing products or services that are subject to risks and rewards that are different from those of other segments and reported based on the reports that are used by the Bank's chief executive decision maker.
- The geographical segment provides services and products in a certain economic environment that is subject to returns and risks that differ from other segments that operate in other economical environments.

## Direct credit facilities

- Impairment of direct credit facilities is recognized in the allowance for credit losses when events occur after the initial recognition of the facility that have an impact on the estimated future cash flows of the facilities that can be reliably estimated. The impairment is recorded in the consolidated statement of income.
- Interest and commission arising on non-performing facilities is suspended when loans become impaired according to the Central Bank of Jordan's regulations.
- Loans and the related allowance for credit losses are written off when collection procedures become ineffective. The excess in the allowance of possible loan losses, if any, is transferred to the consolidated statement of income, and cash recoveries of loans that were previously written off are credited to the consolidated statement of income.

## Financial assets at amortized cost

- Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the asset to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amount.
- Debt instruments meeting these criteria are initially measured at amortized cost plus transaction costs. Subsequently they are amortized using the effective interest rate method, less allowance for impairment. The losses arising from impairment are recognized in the consolidated statement of income.
- The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

## Financial assets at fair value through profit or loss

- Financial assets which do not meet the business model for financial assets at amortized cost, and are purchased with the aim of resale in the near future in order to generate profit from the short-term market prices fluctuation or the trading profit margins.
- Financial instruments at fair value through profit or loss are initially measured at fair value, unless if the Bank classified the financial investments as not for trading at fair value through other comprehensive income at the purchase date.
- Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the consolidated statement of income. When these assets or portion of these assets are sold, the gain or loss arising are recorded in the consolidated statement of income .
- Dividend and interest income are recorded in the consolidated statement of income.





### Financial assets at fair value through other comprehensive income

The Bank has the final right to value each financial instrument as an equity instrument at fair value through other comprehensive income; however, this classification is not permitted if the investment is an equity instrument available-for-sale.

These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the consolidated statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value reserve to retained earnings.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the consolidated statement of income.

### Fair value

- The Bank values the financial instruments, such as derivatives and non-financial assets, at fair value at the date of the financial statements. The value of the financial instruments are also classified through the amortized cost, as is shown in Note 40.
- The fair value represents the price that will be obtained when selling the assets or the amount that will be paid to transfer the commitment of the regulated transaction between the participants in the market.
- In the absence of the primary market, the most suitable market will be used to trade the assets and liabilities.
- The bank needs the opportunities to reach the primary or most suitable markets.
- The entity values the fair value for the properties or the commitment to use the market participant's assumptions for valuing the properties or,
- A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
- The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
- The Bank uses the following valuation techniques in setting the fair value of the financial instruments:
  - All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
  - Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
  - Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
  - Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
- For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
- The appraisal committee, along with the Group's external appraisers, compare the changes and the related external information on the fair value on the assets and liabilities to evaluate the reasonableness of the changes.
- For the purpose of the fair value note, the Group classifies the assets and liabilities according to its nature and



the risks of the assets and liabilities, and the value of the fair value.

- The valuation of the non-current assets and liabilities, and those that do not incur interest, in accordance with the discounted cash flow, and the set interest rate. This discount/ allowance is amortized from the paid and collected interest revenue in the consolidated income statement.

### **Impairment of financial assets**

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

Impairment is determined as follows:

- For assets carried at amortised cost, impairment is based on the difference between the carrying value and the estimated cash flows discounted at the original effective interest method.

Impairment is recognised in the consolidated statement of income . If in a subsequent period, the amount of the impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognised in the consolidated statement of income.

### **Property and equipment**

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

	<u>%</u>
Buildings	2
Equipment and furniture	2.5 - 15
Vehicles	15
Computers	25
Other	10

- The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is recorded in the consolidated statement of income.
- Useful life for property and equipment is reviewed every year. If expected useful life is different from the previous one, the difference is recorded in the current and subsequent periods as a change in accounting estimate.
- An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

### **Provisions**

Provisions are recognized when the Bank has a present obligation arising from a past event and the costs to settle the obligation are both probable and reliably measured.



### Income Tax

Tax expense comprises current tax and deferred taxes.

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

Taxes are calculated based on tax rates confirmed under the laws, regulations and instructions of the Hashemite Kingdom of Jordan and the countries which subsidiaries are operating in.

The Deferred taxes are taxes expected to be paid or refunded as a result of the temporary differences between assets and liabilities – in the consolidated financial statements and the carrying value of the tax basis. Deferred taxes are measured by adhering to the consolidated financial position statement and calculated based on tax rates that are expected to apply in the period when deferred assets are realized or deferred liabilities are settled.

The carrying amount of the deferred assets or liabilities are reviewed at the date of the consolidated financial statements and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets be utilized.

### Fiduciary assets

Assets held in a fiduciary capacity are not recognized as assets of the Bank. Fees and commissions received for administering such assets are recognized in the consolidated statement of income. A provision is recognized for decreases in the fair value of guaranteed fiduciary assets below their original principal amount.

### Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### Revenue and expense recognition

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

Expenses are recognized on an accrual basis.

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

### Date of Recognition of Financial Assets

Purchases and sales of financial assets are recognized on the trade date (that being the date at which the sale or purchase is enforceable to the bank).

### Financial instruments and hedge accounting

For the purpose of hedge accounting derivatives are presented at fair value, and are classified as follows:

## Fair value hedges

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

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

## Cash flow hedges

- A cash flow hedge is a hedge of the exposure to variability in the Bank's actual and expected cash flows which is attributable to a particular risk associated with a recognized asset or liability.
- For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity, and is subsequently transferred to the consolidated statement of income in the period in which the hedged cash flows affect income, or at such time as the hedge becomes ineffective. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the statement of income.

## Hedge of net investments in foreign operations

- Hedges of net investments in a foreign operation are accounted for by measuring the fair value of the hedging instrument. The effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity, while the ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the consolidated statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to the consolidated statement of income.
- For hedges which become ineffective, gains or losses resulting from the change in fair value of the hedge instrument is recognized directly in the consolidated statement of income.

## Derivative financial instruments held for trading

Derivative financial instruments such as foreign currency forward and future deals, interest rate forward and future deals, swaps, foreign currency options and others, are initially recorded at cost as other assets / liabilities, and subsequently carried at fair value in the consolidated statement of financial position. Fair value is determined by reference to current market prices. In case such prices were not available, the method of valuation is stated. Changes in fair value are transferred to the consolidated statement of income.

## Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's financial consolidated statements due to the Bank's continuing exposure to the risks and rewards of these assets using the same accounting policies.

The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the Bank's consolidated financial statements as assets since the Bank is not able to control these assets. The related payments are recognized as part of deposits at banks and financial institutions or direct credit facilities as applicable, and the difference between purchase and resale price is recognized in the consolidated statement of income over the agreement term using the effective interest method.



### Financial assets pledged as collateral

The assets pledged by the Bank are for the purpose of providing collateral for the counter party to the extent that counter party is permitted to sell and /or re-pledge the assets. The method of valuation is related to the financial policies for its basic classification.

### Assets Seized by the Bank

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

### Intangible assets

#### Other Intangible assets

- Intangible assets are recognized on the basis of its useful life, whether it is a finite life or it has an infinite life.
- Intangible assets with finite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired and recorded in the consolidated statement of income.
- Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of income.
- Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at the date of the consolidated financial statements. Adjustments are reflected in the current and subsequent periods.
- Intangible assets include trademarks, computer software and programs, Management estimates the useful life for each item. Amortization is calculated using the straight-line method at 25%.

The following is the accounting policy for each of the bank's intangible assets:

- Trade Market : Amortized using the straight line method at 25%.
- Programs and computer system amortized using the straight line method at 25%.

### Foreign currencies

- Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.
- Monetary assets and liabilities in foreign currencies are translated into respective functional currencies at rates of exchange prevailing at the statement of financial position date as issued by Central Bank of Jordan.
- Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.
- Any gains or losses are taken to the consolidated statement of income.
- Exchange differences for non-monetary assets and liabilities in foreign currencies (such as equity instruments) are recorded as part of the change in fair value.
- Upon the consolidation of the financial statements at the reporting date, the assets and liabilities of foreign subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange ruling at the consolidated statement of financial position date, and their statement of income are translated at

the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is transferred to the consolidated statement of income.

### **Cash and cash equivalents**

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

### **3 Use of estimates**

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

The bank's opinion is that its estimates are reasonable and are as follows:

- Provision for the impairment of direct credit facility: the loan's provision is reviewed upon the basis set by the Central Bank of Jordan.
- Impairment losses on collaterals acquired by the Bank are determined based on appraisal reports prepared by certified appraisers. Valuation is performed on a regular basis.
- Income tax is calculated based on the tax rates and laws that are applicable at the statement of financial position date and the deferred income tax liabilities and the necessary income tax provisions are calculated and recognized.
- A periodic review is performed by the management to reassess the useful lives of tangible and intangible assets for the purpose of annual depreciations and amortizations based on the general condition of the assets and the estimations of the expected useful lives, and any identified impairment is recorded in the consolidation statement of income.
- Legal provision is calculated for any legal liabilities according to the lawyer's opinion.



#### 4 Cash And Balances With Central Banks

	2013 JD	2012 JD
Cash on hand	30,260,235	24,060,958
<b>Balances at Central Banks:</b>		
Current and demand deposits	140,971,773	71,883,305
Time and term deposits	30,800,000	45,182,689
Statutory cash reserve	79,494,620	65,244,521
<b>Total</b>	<b>281,526,628</b>	<b>206,371,473</b>

- Except for the statutory cash reserve, there are no restricted cash balances as of 31 December 2013 and 2012.
- There are no balances maturing within three months as of 31 December 2013 and 2012.

#### 5 Balances At Banks And Financial Institutions

	Local banks and financial institutions		Foreign Banks and Financial Institutions		Total	
	2013 JD	2012 JD	2013 JD	2012 JD	2013 JD	2012 JD
Current and demand deposits	129,684	11,309	110,735,447	54,351,769	110,865,131	54,363,078
Deposits maturing within 3 months	4,963,000	23,047,582	8,655,155	2,128,920	13,618,155	25,176,502
	<b>5,092,684</b>	<b>23,058,891</b>	<b>119,390,602</b>	<b>56,480,689</b>	<b>124,483,286</b>	<b>79,539,580</b>

- Non-interest bearing balances at banks and financial institutions amounted to JD 33,727,341 as of 31 December 2013 (2012: JD 15,886,627).
- Restricted balances amounted to JD 1,111,075 as of 31 December 2013 (2012: JD 826,535).

#### 6 Deposits At Banks And Financial Institutions

	Local banks and financial institutions		Foreign Banks and Financial Institutions		Total	
	2013 JD	2012 JD	2013 JD	2012 JD	2013 JD	2012 JD
Deposit	-	-	6,160,000	-	6,160,000	-
	-	-	6,160,000	-	6,160,000	-

There is no restricted Deposit as of 31 December 2013 and 2012

## 7 Financial Assets At Fair Value Through Profit Or Loss

	2013 JD	2012 JD
Equity shares	9,783,787	14,449,584
Investment funds	921,177	772,778
<b>Total financial assets at fair value through profit or loss</b>	<b>10,704,964</b>	<b>15,222,362</b>

## 8 Financial Assets At Fair Value Through Other Comprehensive Income

	2013 JD	2012 JD
Quoted equity share	2,123,564	2,407,959
Unquoted shares	2,398,457	1,845,356
<b>Total</b>	<b>4,522,021</b>	<b>4,253,315</b>

- There is no gains or losses arised form selling assets at fair value through other comprehensive income as of 31 December 2013 (2012: JD 64,785).
- The cash dividends amounted to JD 110,333 and it reflects the shares that the bank owns in other companies as of 31 December 2013 (2012: 127,998).

## 9 Direct Credit Facilities, Net

	2013 JD	2012 JD
<b>Consumer lending</b>		
Overdrafts	15,021,137	7,347,612
Loans and bills *	101,237,425	81,569,705
Credit cards	3,571,476	3,274,718
<b>Residential mortgages</b>	<b>110,724,147</b>	<b>97,073,808</b>
<b>Corporate lending</b>		
Overdrafts	78,051,479	72,291,632
Loans and bills *	373,889,208	366,096,371
<b>Small and medium enterprises facilities "SMEs"</b>		
Overdrafts	12,655,761	9,612,479
Loans and bills *	26,485,685	21,693,925
<b>Lending to government and public sector</b>	<b>13,681,266</b>	<b>14,645,961</b>
<b>Total</b>	<b>735,317,584</b>	<b>673,606,211</b>
Less: Suspended interest	23,731,813	16,014,286
Less: Allowance for impairment indirect credit facilities	35,219,449	34,281,512
<b>Direct credit facilities, net</b>	<b>676,366,322</b>	<b>623,310,413</b>

\* Net of interest and commissions received in advance amounted JD 6,203,250 as of 31 December 2013 (2012: JD 3,076,538).

Non-performing credit facilities amounted to JD 71,594,887 as of 31 December 2013 (2012: JD 81,234,378), represents 9.74% of total credit facilities as at 31 December 2013 (2012: 12.06 %).

Non-performing credit facilities, net of suspended interest, amounted to JD 47,863,074 as of 31 December 2013 (2012: JD 65,220,092) represents 6.73% (2012: 9.92 %) of total credit facilities after excluding the suspended interest.

Government and public sector Facilities amounted JD7,647,054 as of 31 December 2013 (2012: JD 7,645,961) represents 1.04% (2012: 1.14%) of total facilities as of 31 December 2013.



### Provision for impairment losses:

The movement of the provision for impairment losses of direct credit facilities is as follows:

2013	Retails JD	Real estate JD	Corporates JD	SMEs JD	Total JD
At 1 January 2013	2,718,672	690,399	29,975,304	897,137	34,281,512
Charge (surplus) for the year	2,409,354	(58,881)	(1,448,605)	17,152	919,020
Amounts written off	(36,124)	-	-	-	(36,124)
Foreign exchange differences	2,864	-	52,177	-	55,041
<b>At 31 December 2013</b>	<b>5,094,766</b>	<b>631,518</b>	<b>28,578,876</b>	<b>914,289</b>	<b>35,219,449</b>
Individual impairment	4,590,548	628,691	27,328,382	893,360	33,440,981
Watch List	504,218	2,827	1,250,494	20,929	1,778,468
<b>At 31 December 2013</b>	<b>5,094,766</b>	<b>631,518</b>	<b>28,578,876</b>	<b>914,289</b>	<b>35,219,449</b>

2012	Retails JD	Real estate JD	Corporates JD	SMEs JD	Total JD
At 1 January 2012	2,231,565	2,065,066	42,903,468	552,177	47,752,276
Charge (surplus) for the year	615,827	(588,735)	27,478,272	415,019	27,920,383
Amounts written off	(128,017)	(785,932)	(40,369,164)	(70,059)	(41,353,172)
Foreign exchange differences	(703)	-	(37,272)	-	(37,975)
<b>At 31 December 2012</b>	<b>2,718,672</b>	<b>690,399</b>	<b>29,975,304</b>	<b>897,137</b>	<b>34,281,512</b>
Individual impairment	2,691,027	676,340	29,332,044	869,312	33,568,723
Watch List	27,645	14,059	643,260	27,825	712,789
<b>At 31 December 2012</b>	<b>2,718,672</b>	<b>690,399</b>	<b>29,975,304</b>	<b>897,137</b>	<b>34,281,512</b>

Non-performing credit facilities that were settled or collected amounted to JD 6,866,277 as at 31 December 2013 (2012: JD 6,999,117).



## Interest in suspense

The movement of interest in suspense on direct facilities is as follow:

2013	Retails JD	Real estate loans JD	Corporates JD	SMEs JD	Total JD
As of 1 January 2013	4,556,779	355,031	10,993,158	109,318	16,014,286
Add: Suspended interest during the year	495,637	125,754	8,342,035	178,909	9,142,335
Less: Amount transferred to income on recovery	(49,932)	(56,143)	(457,728)	(14,552)	(578,355)
Less: Amounts written off	(160,183)	-	(703,377)	-	(863,560)
Foreign exchange differences	12,544	-	4,563	-	17,107
<b>As of 31 December 2013</b>	<b>4,854,845</b>	<b>424,642</b>	<b>18,178,651</b>	<b>273,675</b>	<b>23,731,813</b>

2012	Retails JD	Real estate loans JD	Corporates JD	SMEs JD	Total JD
As of 1 January 2012	3,034,987	604,388	14,999,565	71,251	18,710,191
Add: Suspended interest during the year	1,984,459	653,012	12,847,770	209,835	15,695,076
Less: Amount transferred to income on recovery	(271,803)	(366,625)	(1,152,613)	(113,929)	(1,904,970)
Less: Amounts written off	(166,070)	(535,744)	(15,697,925)	(57,839)	(16,457,578)
Foreign exchange differences	(24,794)	-	(3,639)	-	(28,433)
<b>As of 31 December 2012</b>	<b>4,556,779</b>	<b>355,031</b>	<b>10,993,158</b>	<b>109,318</b>	<b>16,014,286</b>

## Direct credit facilities portfolio classified to the following geographical and industrial sectors:

	Inside Jordan JD	Outside Jordan JD	31 December 2013 JD	31 December 2012 JD
Financial	19,019,124	1,893,777	20,912,901	20,412,110
Industrial	94,659,382	5,204,951	99,864,333	128,554,228
Commercial	102,803,100	2,693,265	105,496,365	79,257,373
Real estate	176,298,371	866,473	177,164,844	154,780,756
Tourism and hotels	4,018,287	-	4,018,287	2,753,433
Agriculture	16,339,352	358,295	16,697,647	18,712,085
Shares	65,718,041	-	65,718,041	73,671,843
Services and public	55,536,381	6,528,197	62,064,578	40,086,409
Transportation Services	14,003,319	-	14,003,319	18,922,547
Government and public sector	13,681,266	-	13,681,266	14,645,961
Retail	58,926,354	53,132,954	112,059,308	80,821,058
Other	43,636,695	-	43,636,695	40,988,408
<b>Total</b>	<b>664,639,672</b>	<b>70,677,912</b>	<b>735,317,584</b>	<b>673,606,211</b>





## 10 Other Financial Assets At Amortized Cost

	31 December 2013 JD	31 December 2012 JD
Treasury bonds	444,845,370	311,272,123
Treasury bills	-	13,787,090
Governmental debt securities	46,771,047	30,049,703
Corporate debt securities	13,363,927	15,418,759
<b>Total</b>	<b>504,980,344</b>	<b>370,527,675</b>
<b>Analysis of debt instruments :</b>		
Fixed Rate	494,953,594	361,032,675
Floating rate	10,026,750	9,495,000
	<b>504,980,344</b>	<b>370,527,675</b>

- Net of impairment loss amounted to JD 500,000 as at 31 December 2013 and 2012.

## 11 Financial assets- pledged as Collateral

	31 December 2013		31 December 2012	
	Pledged assets JD	Related liabilities JD	Pledged assets JD	Related liabilities JD
Financial assets at amortized cost	109,165,043	109,011,863	165,749,437	167,263,558
	<u>109,165,043</u>	<u>109,011,863</u>	<u>165,749,437</u>	<u>167,263,558</u>

**These bonds were pledged against loans and borrowing in the purchase agreements with the Central Bank of Jordan.**

Bond	Issue number	Bond Balance	Maturity Date
Treasury Bonds	61/2012	7,000,000	27/11/2014
Treasury Bonds	02/2013	3,800,000	22/01/2015
Treasury Bonds	29/2012	23,963,403	19/06/2015
Treasury Bonds	63/2012	15,000,000	02/12/2015
Treasury Bonds	68/2012	18,000,000	30/12/2015
Treasury Bonds	07/2012	4,407,246	11/03/2017
Treasury Bonds	39/2013	18,996,489	11/07/2018
Treasury Bonds	46/2013	17,997,905	26/08/2018
<b>Total</b>		<b>109,165,043</b>	

## 12 The National Bank of Iraq

- The Bank has acquired 59.2% of the capital of the National Bank of Iraq (an operating bank in Iraq), effective on January 1st, 2005. The Bank has consecutively increased the capital of the National Bank of Iraq to reach IQD 152 Billion (JD 93.6 Million), in accordance with the Central Bank of Iraq's regulations. Accordingly, the General Assembly of the Bank decided on November 23rd, 2013 to increase the Bank's paid-in capital to reach IQD 250 Billion (JD 154 Million). The offering procedures were completed between December 9th, 2013 and January 7th, 2014, while the process to register the increase of the paid-in capital remains pending with governmental institutions in Iraq.
- The Bank has offered and transferred all of its share from the increase of capital prior to December 31st, 2013. During January 2013, the Bank has entered into agreements with investors to sell 17.39% from its share, thus, reducing its total share of the National Bank of Iraq from 79.24% to 61.85%, as of December 31st, 2013. The share is divided into 59.34% as a direct and 2.51% as an indirect investment, in accordance to an agreement to pledge the shares without losing control, taking into consideration the process of registering the new buyers is still pending, noting that a total amount of JD 4,545,457 has been recognized as Income from fees and commissions of the offering of the shares of subsidiaries. The income has been added to the statement of income. The profit that has been recognized on the income totals JD 3,945,457, which has been included in the statement of comprehensive income. It is noted that the operations of the National Bank of Iraq has been consolidated to the statements of the Bank starting from November 1st, 2013 to December 31st, 2013 (the purchase date), therefore, maintaining the Bank's full share of the profit of the National Bank of Iraq for 2013.
- The Bank has the legal right to manage the National Bank of Iraq. The assets, liabilities and statement of income were consolidated at the date of the financial statements. The goodwill that arose from the acquisition was also valued at the date of the financial statements.



**13 Property and Equipment**

2013	Land	Buildings	Furniture & Fixtures	Vehicles	Computers	Others*	Total
Cost:	JD	JD	JD	JD	JD	JD	JD
At 1 January 2013	8,445,257	7,387,653	6,251,544	403,496	3,482,629	7,850,458	33,821,037
Foreign exchange differences	1,414	17,370	10,604	1,323	-	-	30,711
Additions	-	17,956	719,765	-	234,413	174,447	1,146,581
Disposals	(6,160)	-	(76,224)	(9,922)	-	(260,707)	(353,013)
<b>At 31 December 2013</b>	<b>8,440,511</b>	<b>7,422,979</b>	<b>6,905,689</b>	<b>394,897</b>	<b>3,717,042</b>	<b>7,764,198</b>	<b>34,645,316</b>
<b>Accumulated depreciation:</b>							
At 1 January 2013	-	810,470	3,471,357	219,692	2,782,893	3,121,073	10,405,485
Depreciation charge for the year	-	110,148	658,355	54,697	365,464	733,945	1,922,609
Foreign exchange differences	-	1,738	9,655	511	-	-	11,904
Disposals	-	-	(46,981)	(9,922)	-	(66,307)	(123,210)
<b>At 31 December 2013</b>	<b>-</b>	<b>922,356</b>	<b>4,092,386</b>	<b>264,978</b>	<b>3,148,357</b>	<b>3,788,711</b>	<b>12,216,788</b>
Net book value of property and equipment	8,440,511v	6,500,623	2,813,303	129,919	568,685	3,975,487	22,428,528
Advanced payment to purchase property & equipment	-	239,510	1,305,330	-	192,608	32,126	1,769,574
<b>Net book value of property and equipment At 31 December 2013</b>	<b>8,440,511</b>	<b>6,740,133</b>	<b>4,118,633</b>	<b>129,919</b>	<b>761,293</b>	<b>4,007,613</b>	<b>24,198,102</b>

2012	Land	Buildings	Furniture & Fixtures	Vehicles	Computers	Others*	Total
Cost:	JD	JD	JD	JD	JD	JD	JD
At 1 January 2012	8,445,844	6,443,701	5,721,178	372,541	3,244,465	7,469,732	31,697,461
Foreign exchange differences	(587)	(3,020)	(3,066)	(356)	(6,133)	-	(13,162)
Additions	-	946,972	567,217	43,848	332,928	1,250,969	3,141,934
Disposals	-	-	(33,785)	(12,537)	(88,631)	(870,243)	(1,005,196)
<b>At 31 December 2012</b>	<b>8,445,257</b>	<b>7,387,653</b>	<b>6,251,544</b>	<b>403,496</b>	<b>3,482,629</b>	<b>7,850,458</b>	<b>33,821,037</b>
<b>Accumulated depreciation:</b>							
At 1 January 2012	-	700,498	2,726,960	193,879	2,180,307	2,625,759	8,427,403
Depreciation charge for the year	-	110,672	767,669	37,680	690,902	787,779	2,394,702
Foreign exchange differences	-	(700)	(2,821)	(210)	(1,804)	-	(5,535)
Disposals	-	-	(20,451)	(11,657)	(86,512)	(292,465)	(411,085)
<b>At 31 December 2012</b>	<b>-</b>	<b>810,470</b>	<b>3,471,357</b>	<b>219,692</b>	<b>2,782,893</b>	<b>3,121,073</b>	<b>10,405,485</b>
Net book value of property and equipment	8,445,257	6,577,183	2,780,187	183,804	699,736	4,729,385	23,415,552
Advanced payment to purchase property & equipment	-	139,743	11,660	-	-	13,280	164,683
<b>Net book value of property and equipment At 31 December 2012</b>	<b>8,445,257</b>	<b>6,716,926</b>	<b>2,791,847</b>	<b>183,804</b>	<b>699,736</b>	<b>4,742,665</b>	<b>23,580,235</b>

\* Represents renovation, interior design and decoration of buildings and branch offices.

- The estimated costs to complete the purchase of premises and equipment amounted to JD 487,882 as of 31 December 2013
- Fully depreciated property and equipment still in use amounted to JD 3,634,111 as of 31 December 2013 (2012: JD 2,951,968).

## 14 Intangible assets - net

2013	Computer Software JD	Goodwill JD	Total JD
<b>Net book value:</b>			
At 1 January 2013	3,270,386	3,969,213	7,239,599
Additions	2,045,879	-	2,045,879
Foreign currency differences	(706)	42,330	41,624
Amortization	(1,655,484)	-	(1,655,484)
	3,660,075	4,011,543	7,671,618
Projects under construction	634,773	-	634,773
<b>At 31 December 2013</b>	<b>4,294,848</b>	<b>4,011,543</b>	<b>8,306,391</b>
2012	Computer Software JD	Goodwill JD	Total JD
<b>Net book value:</b>			
At 1 January 2012	725,919	3,986,795	4,712,714
Additions	3,579,330	-	3,579,330
Foreign currency differences	-	(17,582)	(17,582)
Amortization	(1,034,863)	-	(1,034,863)
	3,270,386	3,969,213	7,239,599
Projects under construction	1,803,970	-	1,803,970
<b>At 31 December 2012</b>	<b>5,074,356</b>	<b>3,969,213</b>	<b>9,043,569</b>

- As of 31 December 2013, the estimated cost to complete projects under progress is JD 238,831

- Fully amortized intangible assets amounted to JD 4,065,133 as of 31 December 2012, (2012: JD 3,407,570).

### Impairment Testing of Goodwill

The Bank has tested whether there was a decline in the value at good will arising on the acquisition at National Bank of Iraq.

The Bank has tested the goodwill using the following key assumptions:

- The financial statements have been prepared for the anticipated next five years based on assumptions about the performance at the National Bank of Iraq, based on economic indicators such as interest rates.
- The discounted cash flow and expected revenues show that the rate of return on equity is 15% over the next five years.
- The cash flow has been discounted using a discount rate of 14%.
- The Bank's management believes that based on the result of the discounted cash flow no impairment in the value of good will.
- The goodwill is being evaluated based on the acquisition of National Bank at Iraq of the exchange that arose from the acquisition of the National Bank of Iraq is being evaluated at the exchange rates as of year-end. Accordingly, the goodwill has increased by JD 42,330 as of December 31, 2013, compared to a decrease of JD 17,583 at the end of the prior year and recording the increased amount within foreign currencies translation differences in the consolidated statement of changes in equity.



## 15 Other Assets

The details are as follows:

	2013 JD	2012 JD
Accrued interest and revenue	18,637,352	15,115,953
Prepaid expenses	1,863,940	1,197,799
collaterals seized by the purchased Bankers acceptance	50,012,580	36,364,184
Positive fair value of derivatives	8,362,289	4,633,709
Export documents and bills purchased	15,447,780	14,807,717
Other assets seized *	16,151,795	18,170,769
Assets / derivatives unrealized gain (Note 39)	-	3,086
Refundable deposits	2,759,065	2,264,942
Others	15,777,150	9,846,093
	<b>129,011,951</b>	<b>102,404,252</b>

\* The value at accumulated impairment at the other real estate expropriated is 4,037,948 as in December 31, 2013 compared to 2,018,974 in December 31, 2012.

\* Central Bank of Jordan rules require to get rid of the real estate that was seized by the bank in a maximum period of two years form the acquisition date.

The following is the summary of the movement of assets seized by the bank:

	Sized Assets JD	2013 **Others JD	Total JD	2012 Total JD
At 1 January	31,939,924	4,424,260	36,364,184	17,631,393
Foreign currency translation differences	28	-	28	(31)
Additions	16,340,970	-	16,340,970	20,027,584
Retirements	(1,163,635)	-	(1,163,635)	(803,268)
(Reversals) impairment losses	(976,375)	(552,592)	(1,528,967)	(491,494)
<b>At 31 December</b>	<b>46,140,912</b>	<b>3,871,668</b>	<b>50,012,580</b>	<b>36,364,184</b>

\*\* This amount represents stocks seized by the Bank to settle the debts.

## 16 Banks and Financial Institutions' Deposits

The details are as follows:

	Inside Jordan JD	2013 Outside Jordan JD	Total JD	Inside Jordan JD	2012 Outside Jordan JD	Total JD
Current and demand deposits	10,731	14,942,109	14,952,840	246,800	13,069,919	13,316,719
Term deposits	59,979,000	33,090,000	88,069,000	36,653,083	32,569,000	69,222,083
<b>Total</b>	<b>54,989,731</b>	<b>48,032,109</b>	<b>103,021,840</b>	<b>36,899,883</b>	<b>45,638,919</b>	<b>82,538,802</b>

## 17 Customers' Deposits

The details are as follows:

2013	Consumer JD	Corporate JD	SMEs JD	Government and public Sectors JD	Total JD
Current and demand deposits	163,134,381	116,988,346	39,814,442	2,826,121	322,763,290
Saving accounts	71,693,273	454,504	210,413	-	72,358,190
Term and notice deposits	460,647,103	119,039,214	51,848,540	68,069,443	699,604,300
Certificates of deposit	44,187,154	407,675	1,028,394	-	45,623,223
<b>Total</b>	<b>739,661,911</b>	<b>236,889,739</b>	<b>92,901,789</b>	<b>70,895,564</b>	<b>1,140,349,003</b>

2012	Consumer JD	Corporate JD	SMEs JD	Government and public Sectors JD	Total JD
Current and demand deposits	170,551,755	74,878,117	34,434,558	2,062,059	281,926,489
Saving accounts	28,414,333	254,441	274,977	-	28,943,751
Term and notice deposits	369,053,722	120,428,257	27,191,679	92,620,970	609,294,628
Certificates of deposit	39,017,813	93,000	841,158	-	39,951,971
<b>Total</b>	<b>607,037,623</b>	<b>195,653,815</b>	<b>62,742,372</b>	<b>94,683,029</b>	<b>960,116,839</b>

- Jordanian governmental institutions and public sector deposits amounted to JD 70,895,564 represents 6.22% of the total deposits as in 31 December 2013 compared to 94,683,029 representing 9.86% as in 31 December 2012.
- Non-interest bearing deposits amounted to JD 268,366,629 representing 23.53% of the total deposits as in 31 December 2013 compared to 243,833,051 JD representing 25.39% of the total deposits as in 31 December 2012.
- No deposits are reserved (restricted withdrawals) as at 31 December 2013 and 31 December 2012.
- The inactive deposits reached the amount of JD 3,427,134 as at 31 December 2013 compared with JD 1,983,449 as at 31 December 2012.



## 18 Margin Accounts

The details are as follows:

	2013 JD	2012 JD
Margins on direct credit facilities	35,310,938	26,709,405
Margins on indirect credit facilities	45,079,678	29,565,201
Deposits against cash margin dealings' facilities	2,821,495	3,680,156
Others	21,729,486	11,112,634
<b>Total</b>	<b>104,941,597</b>	<b>71,067,396</b>

## 19 Loans and Borrowings

The details are as follows :

2013	Amount JD	Total number of instalments JD	Outstanding instalments JD	Frequency of Instalment	Collaterals JD	Interest rate %
Amounts borrowed from central banks	116,462,863	30	20	One payment	109,165,043	2.50% - 3.75%
Amounts borrowed from local banks and institutions	23,000,000	3	3	One payment	-	6.03% - 7.35%
Amounts borrowed from foreign banks and institutions	7,903,443	149	92	Semiannual payment	-	0.30% - 2.0%
<b>Total</b>	<b>147,366,306</b>				<b>109,165,043</b>	

2012	Amount JD	Total number of instalments JD	Outstanding instalments JD	Frequency of Instalment	Collaterals JD	Interest rate %
Amounts borrowed from central banks	167,263,558	1	1	One payment	165,749,437	4.25%
Amounts borrowed from local banks and institutions	23,000,000	8	3	One payment	-	5.86% - 7.35%
Amounts borrowed from foreign banks and institutions	3,715,091	141	89	Semiannual payment	-	1.26% - 2%
<b>Total</b>	<b>193,978,649</b>				<b>165,749,437</b>	

- Borrowed money from the Central Bank include JD 7,451,000 that represents amounts borrowed to refinance the customers loans in the medium term financing programs that have been re-lending. And these loans mature during 2014.
- Borrowed money from the Central Bank include JD 109,011,863 versus the agreements of repurchase treasury bonds with a nominal value 109,200,000 and the repurchase contract will be mature with an amount of 90,211,863 in 5 January 2014, and a contract with value of JD 18,800,000 mature on 7 January 2014.
- The loans that relate to local institutions are all borrowed from the Jordan Mortgagee refinance Company. The total amount of the loans equates to JD 23 Million. The loans have been refinanced a rate of 8.49% and are due on May 19th, 2014, April 12th, 2015 and June 7th, 2015.
- The fixed – interest loans is amounted to 144,366,306 and the loans with a variable interest amounted to JD3,000,000 as of 31 December 2013.



## 20 Subordinated Loans (Convertible to shares)

31 December 2013-	Amount	Number of Instalment		Frequency of instalments	Collaterals	Interest Rate
		Total	Outstanding			
Subordinated Loan	14,180,000	9	9	Semiannual installments starting in June 2014	-	variable rate libor 6 month +3.5%
<b>Total</b>	<b>14,180,000</b>				<b>-</b>	

The convertible loan is as follows:

	2013 JD	2012 JD
Nominal value of the convertible loan	14,180,000	14,180,000
Less: Equity component	1,022,784	1,022,784
Less: Issue cost	205,215	205,215
<b>Total</b>	<b>12,952,001</b>	<b>12,952,001</b>

On 2 January 2008, the Bank signed a subordinated loan agreement with the International Finance Corporation (IFC), amounting to USD 20 million, equivalent to JD 14,180,000 for 10 years convertible to shares starting from the fourth year till the seventh year. The applicable conversion factor shall be (JD 1.75) from the book value per share according the Bank last audited financial statement that were issued before the conversion date and interest price 6 months LIBOR loan is 3.5%.

The loan is subject to certain financial covenants which include the following:

- Capital adequacy ratio not less than 12%.
- Equity to Assets ratio not less than 15%.
- Comply with other ratios regarding credit concentration and uses of fund.

## 21 Sundry Provisions

2013	Balance At 1 January JD	Provided during the year JD	Utilised during the year JD	Transferred to income JD	Balance At 31 December JD
Provision for law suits raised against the bank	5,000,000	-	-	5,000,000	-
<b>Total</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>
<b>2012</b>					
Provision for law suits raised against the bank	10,518,648	-	-	(5,518,648)	5,000,000
<b>Total</b>	<b>10,518,648</b>	<b>-</b>	<b>-</b>	<b>(5,518,648)</b>	<b>5,000,000</b>



## 22 Income Tax

### A- Income Tax liabilities

The movement on the income tax liability were as follows:

	2013 JD	2012 JD
At 1 January	5,661,855	2,927,182
Foreign exchange translation differences	(2,794)	(3,020)
Income tax paid	(7,974,329)	(4,899,936)
Income tax charge for the year	11,991,789	7,300,484
Income tax on other comprehensive income	1,690,910	-
Income tax charge for previous year	20,096	357,603
Provided tax loss on sale of financial assets through other comprehensive income	-	(20,458)
<b>At 31 December</b>	<b>11,387,527</b>	<b>5,661,855</b>

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

	2013 JD	2012 JD
Current income tax charge for the year	11,991,789	7,300,484
Previous years income tax charges	20,096	357,603
Movement on deferred tax assets	(173,355)	14,669
Movement on deferred tax liabilities	(146,217)	5,776
Foreign exchange translation differences	3,104	(3,016)
	<b>11,695,417</b>	<b>7,675,516</b>

- Legal income tax rate on the bank revenues is 30% and on the brokerage firm is 24%.
- Legal income tax on the bank revenues in Iraq is 24%.
- A final settlement has been made with the income tax department regarding the bank tax till the end of 2011.
- A final settlement has been made with the income tax department regarding the tax on the brokerage firm till the end of 2010.
- A final settlement has been made with the income tax department regarding the tax on National Bank of Iraq till the end of 2011.
- The income tax department reviewed the Bank records in 2012 and did not issue their final report till the date of preparation of the consolidated financial statement.
- In the opinion of management and tax consultant the provision for income tax provided for is sufficient to meet the tax obligations as of 31 December 2013.

## Deferred tax assets / Liabilities

The detail is as follows:

	Balance at 1 January JD	Released during the year JD	2013 Additions during the Year JD	Balance at 31 December JD	Deferred Tax JD	2012 Deferred Tax JD
<b>a) Deferred tax assets</b>						
Provision for law suits held against the bank	5,000,000	(5,000,000)	-	-	-	1,500,000
Impairment loss on seized shares	6,813,965	-	552,592	7,366,557	2,209,967	2,044,190
Impairment loss on financial assets at amortized cost	659,218	(585,224)	834,888	908,882	259,049	197,765
Provision for watch list facilities	1,720,839	(152,705)	623,072	2,191,206	539,598	1,352,742
Unrealized loss from financial assets at FVTPL	2,728,753	(173,562)	410,720	2,965,911	836,835	49,090
Losses on impairment of financial assets at amortized cost	500,000	-	-	500,000	150,000	150,000
Provision on other credit facilities	3,263,372	(1,998,751)	3,438,546	4,703,167	1,410,950	772,434
Impairment of seized assets	2,597,720	(129,016)	2,995,349	5,464,053	1,639,216	779,316
Other deferred tax assets	230,458	(67,407)	193,000	356,051	106,815	69,136
<b>Total</b>	<b>23,514,325</b>	<b>(8,106,665)</b>	<b>9,048,167</b>	<b>24,455,827</b>	<b>7,152,430</b>	<b>6,914,673</b>
<b>b) Deferred tax liabilities</b>						
Unrealized gains – financial assets at fair value through OCI	(202,035)	(297,583)	586,197	86,579	127,990	40,058
Unrealized gain from financial assets – at FVTPL	270,771	(1,318,902)	853,484	(194,647)	101,683	247,900
<b>Total</b>	<b>68,736</b>	<b>(1,616,485)</b>	<b>1,439,681</b>	<b>(108,068)</b>	<b>229,673</b>	<b>287,958</b>

- Income tax rate for deferred tax assets and liabilities ranges from 24% -30%.



The movement on deferred tax assets/ liabilities is as follows:

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
At 1 January	6,914,673	287,958	6,785,060	115,349
Additions	2,650,281	190,034	2,151,569	274,901
<b>Released</b>	(2,412,524)	(248,319)	(2,021,956)	(102,292)
<b>At 31 December</b>	<b>7,152,430</b>	<b>229,673</b>	<b>6,914,673</b>	<b>287,958</b>

Reconciliation between taxable profit and the accounting profit is as follows:

	2013 JD	2012 JD
Accounting profit	48,731,707	29,711,700
Profit of statement of comprehensive income	5,636,367	-
Non-taxable income	(9,600,236)	(7,521,712)
Non-deductible expenses	4,556,681	7,361,169
<b>Taxable profit</b>	<b>49,324,519</b>	<b>29,551,157</b>
Effective rate of income tax	24.00%	25.83%

The statutory tax rate on banks in Jordan is 30% and the statutory tax rates on subsidiaries range between 15% to 24%.

## 23 Other Liabilities

	2013 JD	2012 JD
Accrued interest expense	8,798,219	5,296,960
Accrued expenses	2,134,179	817,242
Certified cheques	1,948,181	1,349,253
Cheques payable	2,529,578	1,117,616
Board of directors' remuneration	58,233	55,000
Brokerage payables	6,161,778	3,955,198
Negative fair value of derivatives (Note 42)	72,757	-
Commitments deposits*	17,813,343	17,725,000
Others	2,521,909	2,189,259
<b>Total</b>	<b>42,038,177</b>	<b>32,505,528</b>

The Bank for the same amount has received an amount of JD 17,725,000 to complete the process for issuing the bonds; noting that the Bank has received the approval of the Jordan Securities Commission to issue the bonds on 30 December 2013, and upon that decision, the Bank has prepared the prospectus and sent it to the securities depository financial center on 22 January 2014. The process of issuing these bonds will be completed in the first quarter of 2014 and will be classified as supporting capital.

## 24 Paid In Capital and additional paid in capital

The authorized and paid in capital amounted to JD 165,000,000 is divided into shares at a par value of JD 1 per share as of 31 December 2013 (2012: JD 150,000,000).

## 25 Proposed shares dividends

The proposed number of shares is 16,500,000 share to be distributed to shareholders, equivalent to 10% of the authorized and paid in capital. In addition, the proposed cash dividends amount to JD 16,500,000 to be distributed to shareholders, equivalent to 10% of the authorized and paid in capital.

The number of shares that has been distributed in 2012 amounts to 15,000,000 shares, equivalent to 10% of the authorized and paid in capital.

## 26 Reserves

### Statutory Reserve

As required by the Law, 10% of the profit before tax is transferred to the statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals the paid in capital. This reserve is not available for distribution to shareholders.

### General banking risk reserve

This reserve is appropriated from retained earnings in compliance with the Central Bank of Jordan regulations. The use of the following reserves is restricted by law:

Description	Amount	Restriction Law
Statutory reserve	23,049,227	Companies Law and Banks law
General banking risk reserve	7,559,006	Central Bank of Jordan

## 27 Foreign currency translation reserve

This represents exchange differences resulted from translation of the net assets of the National Bank of Iraq upon the consolidation of the financial statements.

	2013 JD	2012 JD
At 1 January	3,016,076	3,306,626
Movement during the year	1,060,248	(290,550)
At 31 December	<b>4,076,324</b>	<b>3,016,076</b>

## 28 Fair Value reserve

The movement of this item is as follows:

	2013 JD	2012 JD
Balance at 1 January	(1,525,945)	(1,495,794)
(Effect of adoption of IFRS 9		-
Change in fair value for financial assets at fair value through other comprehensive income	(86,579)	(72,446)
Gain from sale of financial assets at fair value through other comprehensive income	-	64,785
Deferred tax liability	(87,932)	(27,954)
Deferred tax assets	64,402	5,464
Balance at 31 December	<b>(1,462,896)</b>	<b>(1,525,945)</b>

Fair value reserve is presented after deducting the deferred tax liability.



## 29 Companies under significant control and partial control

First: the share owned by non-controlling interest

31 December 2013				
	Country	Nature of activity	Country	Dividends distribution
National Bank of Iraq	Iraq	Banking	38.15%	-
31 December 2012				
	Country	Nature of activity	Country	Dividends distribution
National Bank of Iraq	Iraq	Banking	27.64%	-

Second: the following is some financial information of companies under significant control, which include the non-controlling interest.

A. Condensed statement of financial position for subsidiaries before the elimination entries as of 31 December 2013:

	31 December 2013 National Bank of Iraq Dinar	31 December 2012 National Bank of Iraq Dinar
Cash and cash equivalents	283,844,579	149,539,955
Financial assets through profit or loss	3,589,499	-
Financial assets through OCI	908,454	811,012
Credit facilities, net	63,655,171	37,989,657
Financial assets at amortized cost	15,397,998	-
Other assets	19,197,585	12,589,066
<b>Total assets</b>	<b>386,593,286</b>	<b>200,929,690</b>
Banks and customers deposits	220,425,615	106,046,494
Provisions and other liabilities	4,880,040	24,888,263
<b>Total liabilities</b>	<b>225,305,655</b>	<b>130,934,757</b>
<b>Shareholders' equity</b>	<b>161,287,631</b>	<b>69,994,933</b>
<b>Total liabilities and shareholder's equity</b>	<b>386,593,286</b>	<b>200,929,690</b>

b. Condensed statement of comprehensive income for subsidiaries before the elimination entries as of 31 December 2013:

	31 December 2013 National Bank of Iraq Dinar	31 December 2012 National Bank of Iraq Dinar
Interest and commission income, net	13,925,458	15,593,193
Other income	2,752,944	975,058
<b>Gross profit</b>	<b>16,678,402</b>	<b>16,568,251</b>
General and administrative expenses	5,473,097	5,050,497
Provisions	427,982	1,486,051
<b>Total expenses</b>	<b>5,901,079</b>	<b>6,536,548</b>
<b>Profit before tax</b>	<b>10,777,323</b>	<b>10,031,703</b>
<b>Income tax</b>	<b>1,818,546</b>	<b>1,914,024</b>
<b>Profit after tax</b>	<b>8,958,777</b>	<b>8,117,679</b>
Other comprehensive income	69,761	8,747
<b>Total comprehensive income for the year</b>	<b>9,028,538</b>	<b>8,126,426</b>

c. Condensed cash flow for significant subsidiaries:

	31 December 2013 National Bank of Iraq Dinar	31 December 2012 National Bank of Iraq Dinar
<b>Cash flows</b>		
Operations	53,554,371	83,816,547
Investing	(21,437,934)	7,300,759
Financing	21,297,799	-
<b>Net increase</b>	<b>53,414,236</b>	<b>91,117,306</b>



### 30 Retained Earnings

The details are as follows:

	2013 JD	2012 JD
Balance at 1 January	46,454,346	28,733,811
Profit for the year	35,182,995	19,792,458
Transferred to reserves	(6,265,269)	(2,007,138)
Losses from sale of financial assets at fair value through other comprehensive income	-	(64,785)
Net after tax	3,945,457	-
Fees for Capital increase	(120,146)	-
Distributed share dividends	(15,000,000)	
<b>Balance at 31 December</b>	<b>64,197,383</b>	<b>46,454,346</b>

- Retained Earnings includes restricted balance of JOD 7,152,430 for deferred tax benefits as of 31 December 2013 against JOD 6,914,673 as of 31 December 2012.
- Retained Earnings includes as of 31 December 2013 an amount of JOD 1,621,144 represent the effects of implementing the IFRS 9 , according to the Jordan securities commission the amount is restricted until realized.
- It is prohibited to utilise the negative balance of the fair value reserve form retained earnings, which amounts to JOD 1,462,896 as of 31 December 2013.

### 31 Interest Income

The details are as follows:

	2013 JD	2012 JD
Direct Credit Facilities:-		
<b>Consumer lending</b>		
Overdrafts	892,286	152,728
Loans and bills	11,361,548	8,054,008
Credit cards	457,321	419,322
<b>Residential mortgages</b>	9,246,876	7,159,671
<b>Corporate lending</b>		
Overdrafts	5,847,001	5,737,871
Loans and bills	23,153,898	29,944,222
<b>Small and medium enterprises (SMEs)</b>		
Overdrafts	1,138,457	1,011,134
Loans and bills	2,603,715	2,173,184
<b>Government and public sectors</b>	1,183,356	942,039
Balances at central banks	1,096,533	146,661
Balances at banks and financial institutions	629,307	1,088,320
Financial assets at amortized cost	42,168,130	24,384,405
Financial assets at fair value through profit or loss	-	338,788
<b>Total</b>	<b>99,778,429</b>	<b>81,552,353</b>



### 32 Interest Expense

The details are as follows:

	2013 JD	2012 JD
Banks and financial institutions deposits	1,695,458	977,608
Customers' deposits -		
Current accounts and deposits	1,376,883	888,551
Saving accounts	2,168,629	822,511
Time and notice deposits	39,855,856	28,559,772
Certificates of deposits	2,319,886	1,722,869
Margin accounts	1,066,343	711,856
Loans and borrowings	7,915,514	4,335,918
Deposits guarantee fees	1,572,042	1,611,030
<b>Total</b>	<b>57,970,611</b>	<b>39,630,115</b>

### 33 Net Commission Income

The details are as follows:

	2013 JD	2012 JD
Commission income -		
Direct credit facilities	2,144,915	1,386,960
Indirect credit facilities	6,923,525	3,797,674
Other commission	11,706,059	27,798,010
Less: commission expense	(1,062,174)	(775,597)
<b>Net Commission Income</b>	<b>19,712,325</b>	<b>32,207,047</b>

### 34 Net Gain From Foreign Currencies

The details are as follows:

	2013 JD	2012 JD
Revaluation of foreign currencies	2,791,931	1,133,053
Trading in foreign currencies	(3,469)	330,828
<b>Total</b>	<b>2,788,462</b>	<b>1,463,881</b>



### 35 Net gain from financial Assets through profit or loss

The details are as follows:

2013	Realized (loss) Gain JD	Unrealized (loss) gain JD	Dividend income JD	Total JD
Equity shares	2,608,083	(194,647)	440,972	2,854,408
<b>Total</b>	<b>2,608,083</b>	<b>(194,647)</b>	<b>440,972</b>	<b>2,854,408</b>

2012				
Equity shares	835,410	270,771	359,717	1,465,898
Bonds	861,954	-	-	861,954
<b>Total</b>	<b>1,697,364</b>	<b>270,771</b>	<b>359,717</b>	<b>2,327,852</b>

### 36 Other Operating Income

	2013 JD	2012 JD
Recovered amount from written - off loans	5,764,764	1,235,825
Fees and commission resulted from the sale of shares in subsidiaries	4,545,457	-
Income and commission from investments and securities	1,309,126	1,742,212
<b>Total</b>	<b>11,619,347</b>	<b>2,978,037</b>

### 37 Employees' Expenses

The details are as follows :

	2013 JD	2012 JD
Salaries and benefits	11,012,372	10,253,512
Employee's Bonuses	2,129,537	750,000
Bank's contribution in social security	1,020,319	977,828
Medical expenses	727,946	591,227
Training	280,456	82,116
Paid vacations	205,561	110,273
Bank's contribution to social activities fund	11,652	41,987
Others	137,787	248,957
<b>Total</b>	<b>15,525,630</b>	<b>13,055,900</b>

### 38 Other Operating Expenses

The details are as follows :

	2013 JD	2012 JD
Rent and building services	1,946,690	1,811,958
Consulting and professional fees	1,230,610	1,398,938
Stationary and printing	364,837	286,609
Board of Directors' transportation	137,541	149,681
Reuters' and Bloomberg subscription expense	154,761	165,322
Donations	178,981	177,088
Advertisement	1,705,580	1,022,981
Subscriptions, fees and licenses	446,499	275,511
Security services	101,422	86,757
Travel and transportation	1,821,501	241,328
Computer expenses	844,308	664,853
Post, telephone, swift and Internet	406,802	371,256
Subscriptions	112,634	73,473
Cash transportation services	80,464	102,492
Insurance	222,226	233,301
Entertainment expenses	60,254	73,094
Board of directors' remuneration	55,000	54,891
Maintenance	592,666	609,189
Losses on disposal of assets	98,568	703,285
Operating losses	90,458	514,723
Others	1,034,017	849,857
<b>Total</b>	<b>11,685,819</b>	<b>9,866,587</b>

### 39 Earnings Per Share

Basic and diluted earnings per share

The details are as follows:

	2013 JD	2012 JD
Profit for the year attributable to		
Bank's shareholders	35,182,995	19,792,458
Weighted average number of shares during the year	165,000,000	165,000,000
	JD / Fils	JD / Fils
Basic and diluted earnings per share	0/213	0/120



#### 40 Fair Value Of Financial Assets That Do Not Show As Fair Value In The Financial Statements

	31 December 2013		31 December 2012	
	Book value	Fair value	Book value	Fair value
Other financial assets at amortized and pledged cost	614,415,387	635,041,925	536,277,112	532,511,892
Direct credit facilities, net	676,366,322	676,366,322	623,310,413	623,310,413

#### 41 Cash and Cash Equivalents

	2013 JD	2012 JD
Cash and cash equivalents consist of the following items:		
Cash and balances with central banks maturing within 3 months	281,526,628	206,371,473
Add: Balances at banks and financial institutions maturing within 3 months	124,483,286	79,539,580
Less: Banks and financial institutions' deposits maturing within 3 months	(81,751,841)	(50,633,802)
Less: Restricted cash balances	(1,111,075)	(826,535)
Cash and cash equivalents	<b>323,146,998</b>	<b>234,450,716</b>

#### 42 Derivative financial instruments

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

2013	Positive fair value JD	Negative fair value JD	Par value maturity		
			Total nominal amount JD	Within 3 months JD	3-12 months JD
Derivatives held for trading (currency forward contracts)	-	72,757	6,887,117	6,887,117	-
Derivatives held for trading (currency forward contracts)	-	-	6,814,360	6,814,360	-
Currency swaps	-	193,906	20,833,400	-	20,833,400
2012					
Derivatives held for trading (currency forward contracts)	3,086	-	12,928,906	12,928,905	-
Derivatives held for trading (currency forward contracts)	-	-	12,931,992	12,931,992	-
Currency swaps	-	1,518,797	56,720,000	-	56,720,000

The nominal value indicates the value of the outstanding transactions at the year end and does not indicated market risk or credit risk.

### 43 Related Party Transactions

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

Company name	Ownership	Paid in capital	
		2013 JD	2012 JD
Capital Investment and Brokerage Company	100%	10,000,000	10,000,000
National Bank of Iraq	61.85%	86,739,856	44,972,937
Bahrain Investment Fund Company	100%	1,888	1,888

The Bank entered into transactions with major shareholders, directors, senior management in the ordinary course of business at commercial interest and commission rates.

The following related party transactions took place during the years:

	Related party			Total	
	BOD members	Executive management	Others	2013	2012
	JD	JD	JD	JD	JD

#### Statement of financial position items:

Bank Deposit	-	-	37,887,741	37,887,741	16,853,919
Balances at bank	1,024,389	186,474	10,249,869	11,460,732	31,663,474
Margin accounts	-	-	1,279,061	1,279,061	1,806,227
Direct credit facilities	14,275,690	1,029,358	3,116,308	18,421,356	18,544,563
Direct credit facilities- watch list	4,337,461	-	-	4,337,461	4,168,536

#### Off-balance sheet items:

Indirect credit facilities	24,000	-	30,239,170	30,263,170	23,297,554
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#### Statement of income items:

Interest and commission income	881,966	66,664	367,376	1,316,006	1,634,219
Interest and commission expense	818,260	1,862	320,847	1,140,969	1,458,972

- Interest rates on credit facilities in Jordanian Dinar range between 4% -9.25%
- No credit facilities were granted in foreign currency.
- Interest rates on deposits in Jordanian Dinar range between 3% - 6%.
- Interest rates on deposits in foreign currency is 1%.

Compensation of the key management personnel is as follows:

	2013 JD	2012 JD
Benefits (Salaries, wages, and bonuses) of senior management	2,585,179	1,817,557
<b>Total</b>	<b>2,585,179</b>	<b>1,817,557</b>



#### 44 Fair Value of Financial Instruments

Financial instruments include cash balances, deposits at banks and the Central Bank of Jordan, credit facilities, other financial assets, customers' deposits, banks deposits and other financial liabilities.

As disclosed in Note 8, as at 31 December 2013, financial assets at fair value through other comprehensive income include unquoted shares amounted to JD 2,398,457 are presented at book value as the Bank is unable to assess its value.

There are no material differences between the fair value of financial instruments and their carrying value.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the breakdown of the financial instruments at fair value and according to the above hierarchy:

	Level 1 JD	Level 2 JD	Level 3 JD	Total JD
<b>31 December 2013-</b>				
<b>Financial assets-</b>				
Financial assets at fair value through profit or loss	9,783,787	921,177	-	10,704,964
Financial assets at fair value through other comprehensive income	2,123,564	2,398,457	-	4,522,021
<b>Financial liabilities-</b>				
Derivatives	-	(72,757)	-	(72,757)
<b>31 December 2012-</b>				
<b>Financial assets-</b>				
Financial assets at fair value through profit or loss	14,449,584	772,778	-	15,222,362
Financial assets at fair value through other comprehensive income	2,407,959	1,845,356	-	4,253,315
<b>Financial liabilities-</b>				
Derivatives	-	3,086	-	3,086

## 45 Risk Management Policies

Banking risks are managed through a comprehensive strategy aimed at maintaining the financial position and profitability of the Bank, as well as identifying, avoiding, mitigating and controlling risks. This task is carried out by several entities within the Bank; beginning with the Board of Directors and its committees, such as the Risk Committee, the Audit Committee, and other committees within the Bank such as the Internal Risk Management Committee, Assets and Liabilities Committee, and the various Credit Committees. In addition, all of the Bank's branches and departments are responsible for identifying and managing the risks that are related to the banking operations, complying with the appropriate regulatory controls and monitoring its continuous effectiveness as in accordance with the risk control system.

The risk management department, an independent specialized department in the bank, focuses on identifying the existent and potential threats and designing methods to deal with them.

The bank plans its strategy according to policies and procedures set by the management and supervised by the Board of Directors to ensure that the main operations of the bank are compatible with the internal environment and the changing external environment to avoid any negative impacts on the bank's performance.

The risk management process includes identification, measurement, management and an ongoing monitoring of the financial and non-financial risks that may adversely affect the Bank's performance and reputation, as well as ensuring an efficient allocation of capital to achieve the optimal risk adjusted returns. In addition, the risk management at the Bank operates according to general principles and corporate governance code that are consistent with bank size, volume of its activities, complexity of its operations, supervisory authority instructions, and international best practices in this regard. These principles are:

- The Board of Directors reviews and approves the Bank's risk appetite for potential losses associated with the various risk factors and continuously provides directives for risk management. Also, the General Manager is responsible for risk management and the practices associated with it within the activity framework of the Bank, and is head of the Internal Risk Management Committee.
- The risk management philosophy at the Bank is based on the knowledge, experience and the capability of the supervisory management in judging matters, and the availability of a clear authority matrix set by the Board of Directors.
- Continuously developing the bank's risk management systems and undertaking the necessary steps and measures to make the bank compliance with the new international standards, namely the requirements of Basel II and more recently Basel III.
- The risk management is the responsibility of all the bank's employees.
- The monitoring tasks and responsibilities are distributed among the employees, each according to specialty.
- The dynamics of the Risk Committee, which emanates from the Board of Directors, ensures the effectiveness of the risk management policies and procedures. The Committee is entrusted with ensuring the implementation of the strategy and directives of the Board of Directors regarding the management and implementation of the general principles, frameworks and permissible limits.





- The role of the Assets and Liabilities Committee is in planning the optimal deployment and allocation of capital, assets and liabilities and the continuous monitoring of liquidity and market risks.
- The Risk Department manages the Bank's risks according to a comprehensive centralized methodology, with the presence of systems that assist in managing these risks, and by providing various operational units at the Bank with the methodologies and tools that are necessary for achieving an efficient and proper management of all types of risks. The Risk Department, which is headed by the Risk Management department manager, is linked to the Board's Risk Committee and there is a direct link that connects the Risk Management department manager with the General Manager.
- The Internal Audit Department provides an independent assurance on the compliance of the Bank's operational units with the risk management policies and procedures, and the effectiveness of the Bank's risk management framework.
- The Chief Financial Officer (CFO) is responsible for monitoring the financial risks, maintaining the quality and soundness of financial information, and ensuring the accuracy and integrity of the disclosed financial statements.
- The Compliance department manager is responsible for ensuring that the Bank complies with all the relevant regulations, legislation and laws, especially those issued by the regulatory authorities.
- The various certified risk management policies from the Board of Directors and aids in the growth of the Bank and its services.

During 2013 the Bank has worked on several primary principles in risk management, mainly on the following:

- Renewal of ICAAP which goes in accordance with the changes and to be applicable to the requirements and amendments of BASEL III.
- Review of risk management policies that applies to the new requirements of the Bank and to enhance the measurement of risk.
- Applying the Risk Appetite Framework that covers all the risk managements of the bank and to monitor this framework on a monthly basis.
- Applying the process of Moody's to classify the clients facilities into Large , midsize or small companies.

For 2014, the Bank will work on several primary principles in risk management, mainly on the following:

- To evaluate the Banks ability to apply the requirements of BASEL III and classify the requirements that has to be provided in order to apply the Central Bank of Jordan's requirements regarding BASEL III.
- The preparation of applying the Foundation Internal Rating Approach for risk management.
- Complete the implementation of Moody's for all the Banks' Customers.
- The various risk management policies are approved by the Board of Directors and are in line with all the developments, growth and expansion of the Bank's activities and services.

### **Risk Management**

The Bank is exposed to the following risks:

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



## **Credit Risk**

Credit risk is the potential that a bank borrower or counterparty will fail to meet its contractual obligations in accordance with the agreed terms.

The Bank manages Credit Risk through:

- Setting clear and specific limits for credit risks level that are set by the Board of Directors and circulated to the different business units. These limits are reviewed and monitored periodically to be adjusted if necessary.
- Adopting the concept of credit committees to ensure that the credit decisions are made on non-individual or discretionary basis.
- Clear criteria for selecting clients, the target market and the acceptable level of credit.
- Comprehensive financial and credit analysis covering the various aspects of clients and/or credit processes' risks.
- Relying on the results of the credit rating system (Moody's) in determining client risk classification.
- Reviewing and analyzing the quality of the credit portfolio periodically, according to specific performance indicators and using stress testing based on rigorous and conservative assumptions.
- Evaluating and monitoring constantly to avoid credit concentration, and implementing the required remedial actions.
- Adopting the early warning indicators and recognition of possible risks in the credit portfolio while revising them on a regular basis.
- Effective management, preservation and follow-up on the legal documentation process and collateral administration to ensure that there are no negative indicators or regress that may necessitate the undertaking of pre-emptive or safety actions.
- Periodical revision, or when necessary, of all extended credit facilities on individual basis to ensure that there are no negative indicators or regress that necessitate the undertaking of pre-emptive or safety actions.

## **Credit Risk Management Methods:**

### **1- Determining Credit Concentrations:**

The credit policy abides by clear predetermined limits that are in line with credit concentration limits approved by the Central Bank of Jordan.

### **2- Credit Risk Profile:**

The credit risk management policy includes a special annex on credit risk limits covering all aspects and levels of the credit portfolio, which represent, in the aggregate, the general framework for the acceptable level of credit risk by the Board of Directors that can be controlled and managed. These limits are revised on an annual basis to remain in-sync with the prevalent market conditions.





### 3- Internal Risk Rating:

Clients are internally rated according to sophisticated and advanced internally developed systems (Corporate rating program, SMEs rating program, Score Card for lending companies' employees, Score Card for retail) based on quantitative and qualitative factors that reflect client's creditworthiness and re-payment commitment. In addition, the granted facilities are assessed according to the account conduct and behavior and the consistency in repaying both the principal and interests. The results of these systems are then used to identify client's risk upon which the credit decision is made. The credit portfolio is monitored periodically to ensure that each client is rated and re-distributed according to the rating grades.

### 4- Stress Testing:

Stress testing is an imperatively effective and robust tool used by the Bank as part of the risk management process in general, including credit risk. It is highly effective in alerting the Board of Directors and the Executive Management of the Bank on the impact of unexpected adverse events that may increase default rates, and in measuring the impact of such events on the Bank's profits/ losses and capital adequacy ratio, in order to take the necessary actions and precautions to be in compliance with the Central Bank of Jordan instructions and enhance the risk management at the Bank.

#### • Credit Risk Mitigation Techniques:

The Bank follows several techniques to reduce credit risk:

##### 1- Collaterals against Loans and Facilities, which include:

- Real estate mortgages.
- Car and vehicle.
- Machinery and equipment mortgages.
- Possessory on goods stored in the bonded warehouse on behalf of the Bank.
- Financial instruments' such as stocks and bonds.
- Bank guarantees.
- Cash collateral.
- Governmental guarantees.
- Assignment of Proceeds.
- Debt instruments, whereby the external ratings issued by international rating agencies such as Standard & Poor's, Moody's and Fitch or other equivalent agencies, are used in managing credit risk exposure to debt instruments.

The Credit Review Department and Business Units determine the acceptable collaterals and its terms, taking into consideration:

- Accepting quality collaterals that can be easily liquidated at the appropriate time and value as needed by the Bank.
- The correlation between the value of the collateral and the client activity.
- Monitoring the market value of collaterals on a regular basis, and in case of a decrease in the value of the collateral, the Bank requests additional collaterals to cover the deficit.
- Evaluating periodically the collaterals that are against non-performing loans.
- The Bank also sets insurance policies on some portfolios and sets the appropriate provisions to mitigate the credit risks.

The Bank also adopts an insurance policy on some credit portfolios and builds additional provisions, in order to mitigate credit risk.

## **2- Credit Evaluation, Monitoring and Follow-up:**

The Bank develops the necessary policies and procedures to determine the method of evaluating credit, while maintaining the impartiality and objectivity of the decision-making process in an institutional manner and within clear credit standards and principles.

According to the structure of the Corporate, SMEs and Retail Credit Departments, the credit process follows these phases:

- Corporate and SMEs Departments: approach clients and prepare the credit study reports.
- Credit Review Department: receives credit evaluation reports and the attached documents to conduct its own analysis (credit, financial or non-financial). In order to review the business decision as a member of the credit decision committee.
- Credit Control Department: reviews credit decisions, monitors credit limits and collaterals, follow-up to obtain any missing documents, and prepares control reports. In addition, the department monitors the proposed ceilings and their compliance with the credit policies of the Bank, directives of the Central Bank of Jordan and the credit rating of the clients.

The Bank adopted the principle of segregation of duties between the commercial function and credit management and executing operations, to ensure control over the credit granting process, so as to ensure that all the conditions are in full compliance with the bank credit policy, in terms of credit ceilings, guarantees and any other limitations. Moreover, the Bank authenticates all the documents and credit contracts prior to execution. Furthermore, the credit policies specify clear and detailed granting authority matrixes, according to the credit size, cash flow, and pertinent guarantees and collateral.

The Bank also places a great importance to provide training courses and programs for the employees working in the credit field, in order to enable them to carry out their duties and responsibilities proficiently and competently.





## Consolidated Financial Statements

### 1) Credit Risk Exposures:

	2013 JD	2012 JD
<b>Statement of financial position items:</b>		
Cash and balances at Central Banks	251,266,393	182,310,515
Balances at banks and financial institutions	124,488,543	79,550,227
<b>Direct credit facilities</b>		
Consumer lending	111,519,721	85,807,943
Residential mortgages	110,036,262	96,841,514
Large corporations	408,703,134	401,637,298
Small and medium enterprises (SMEs)	38,375,788	30,501,760
Governmental sector	14,307,284	15,003,775
<b>Bonds and treasury bills:</b>		
Within financial assets at amortized cost	513,316,185	376,213,861
Within financial investments- pledged as collateral	110,936,002	168,223,790
Other assets	25,759,496	19,904,316
<b>Total statement of financial position Items</b>	<b>1,708,708,808</b>	<b>1,455,994,999</b>
<b>Off - balance sheet items</b>		
Letters of guarantee	140,101,219	106,398,015
Letters of credit	90,490,788	49,680,194
Acceptances	21,279,660	20,347,562
Irrevocable commitments to extend credit	31,319,707	24,279,966
Forward Deals	2,277,950	5,251,156
Total contingent liabilities	285,469,324	205,956,893
<b>Total</b>	<b>1,994,178,132</b>	<b>1,661,951,892</b>

- The table above represent the maximum limit of the Bank's credit risk exposure as of 31 December 2013 and 2012, without taking into in consedration the collateral and the other factors which will decrease the Bank's credit risk.
- For the statement of financial position items, the exposure in the above table is based on the balances as appeared on the statement of fiancial position.

2) Credit exposures are classified by the level of risks according to the following table:

2013	Consumer	Residential Mortgages	Corporate	SMEs	Governmental Sector	Banks and other Financial Institutions and other items	Total
	JD	JD	JD	JD	JD	JD	JD
Low risk	5,080,079	2,159,490	10,629,325	2,902,869	696,293,008	-	717,064,771
Acceptable risk	101,351,684	107,010,925	332,260,764	33,189,382	-	343,780,895	917,593,650
Past due:							
Up to 30 days	4,241,053	3,539	4,395,259	139,576	-	-	8,779,427
From 31 to 60 days	36,756	41,435	2,877,901	217,763	-	-	3,173,855
Watch list	6,309,414	182,790	53,299,503	1,615,055	-	-	61,406,762
Non performing:							
Substandard	871,314	-	392,028	75,625	-	-	1,338,967
Doubtful	2,491,156	-	440,679	254,504	-	-	3,186,339
Loss	4,603,617	1,706,637	56,950,960	1,280,729	-	-	64,541,633
Overdrawn accounts	762,068	32,890	1,487,402	245,588	-	-	2,527,948
<b>Total</b>	<b>121,469,332</b>	<b>111,092,422</b>	<b>455,460,661</b>	<b>39,563,752</b>	<b>696,293,008</b>	<b>343,780,895</b>	<b>1,767,660,070</b>
Less: Suspended interest	(4,854,845)	(424,642)	(18,178,651)	(273,675)	-	-	(23,731,813)
Less: Allowance for impairment losses	(5,094,766)	(631,518)	(28,578,876)	(914,289)	-	-	(35,219,449)
<b>Net</b>	<b>111,519,721</b>	<b>110,036,262</b>	<b>408,703,134</b>	<b>38,375,788</b>	<b>696,293,008</b>	<b>343,780,895</b>	<b>1,708,708,808</b>

2012	Consumer	Residential Mortgages	Corporate	SMEs	Governmental Sector	Banks and other Financial Institutions and other items	Total
	JD	JD	JD	JD	JD	JD	JD
Low risk	3,743,653	535,574	11,029,169	1,836,145	610,248,831	-	627,393,372
Acceptable risk	80,500,164	94,392,634	318,871,271	25,932,393	-	230,957,653	750,654,115
Past due:							
Up to 30 days	21,276	-	5,447,593	132,713	-	-	5,601,582
From 31 to 60 days	9,930	937,272	582,051	26,165	-	-	1,555,418
Watch list	741,448	937,272	43,506,066	1,824,147	-	-	47,008,933
Non performing:							
Substandard	2,022,871	-	60,950	8,773	-	-	2,092,594
Doubtful	1,558,449	180,131	9,134,701	1,068,863	-	-	11,942,144
Loss	4,146,363	1,841,333	58,461,900	701,760	-	-	65,151,356
Overdrawn accounts	370,446	-	1,541,703	136,134	-	-	2,048,283
<b>Total</b>	<b>93,083,394</b>	<b>97,886,944</b>	<b>442,605,760</b>	<b>31,508,215</b>	<b>610,248,831</b>	<b>230,957,653</b>	<b>1,506,290,797</b>
Less: Suspended interest	(4,556,779)	(355,031)	(10,993,158)	(109,318)	-	-	(16,014,286)
Less: Allowance for impairment losses	(2,718,672)	(690,399)	(29,975,304)	(897,137)	-	-	(34,281,512)
<b>Net</b>	<b>85,807,943</b>	<b>96,841,514</b>	<b>401,637,298</b>	<b>30,501,760</b>	<b>610,248,831</b>	<b>230,957,653</b>	<b>1,455,994,999</b>

- Credit exposure includes facilities, balances and deposits at banks, bonds, treasury bills, and any assets have credit exposure.
- The total debt balance is considered due if one instalment or interest is due.
- The overdraft account is considered due if it exceeds its limit.



## Consolidated Financial Statements

The following table shows the distribution of collaterals measured at fair value over credit facilities:

2013-	Consumer	Residential mortgage	Corporate	SMEs	Governmental and public Sector	Total
	JD	JD	JD	JD	JD	JD
Collaterals						
Low risk	5,080,079	2,159,490	10,629,325	2,902,869	-	20,771,763
Acceptable risk	96,350,569	46,457,384	84,272,809	19,638,798	-	246,719,560
Watch list	3,027,337	46,053	14,058,947	1,143,320	-	18,275,657
Non performing:						
Substandard	40,046	-	837,770	-	-	877,816
Doubtful	1,622,034	-	-	7,043	-	1,629,077
Loss	2,179,752	2,050,250	16,317,800	1,202,570	-	21,750,372
Overdrawn accounts	532	-	533,828	11,724	-	546,084
<b>Total</b>	<b>108,300,349</b>	<b>50,713,177</b>	<b>126,650,479</b>	<b>24,906,324</b>	<b>-</b>	<b>310,570,329</b>
Comprising of:						
Cash margin	5,080,079	2,159,490	10,629,325	2,902,869	-	20,771,763
Real Estate	79,558,238	48,536,931	97,613,068	18,910,635	-	244,618,872
Traded equities	14,973,133	-	11,835,095	-	-	26,808,228
Vehicles and machinery	8,688,899	16,756	6,572,991	3,092,820	-	18,371,466
<b>Total</b>	<b>108,300,349</b>	<b>50,713,177</b>	<b>126,650,479</b>	<b>24,906,324</b>	<b>-</b>	<b>310,570,329</b>

2012-	consumer	Residential mortgage	Corporate	SMEs	Governmental and public Sector	Total
	JD	JD	JD	JD	JD	JD
Collaterals						
Low risk	3,743,653	535,574	11,029,169	1,836,145	-	17,144,541
Acceptable risk	72,195,212	17,058,446	122,132,589	18,586,234	-	229,972,481
Watch list	426,778	995,334	13,074,994	1,086,238	-	15,583,344
Non performing:						
Substandard	286,999	-	4,127,041	46,820	-	4,460,860
Doubtful	12,908	38,409	4,071,774	683,244	-	4,806,335
Loss	26,332,404	882,301	452,022	766,720	-	28,433,447
Overdrawn accounts	1,289	-	529,284	9,097	-	539,670
<b>Total</b>	<b>102,999,243</b>	<b>19,510,064</b>	<b>155,416,873</b>	<b>23,014,498</b>	<b>-</b>	<b>300,940,678</b>
Comprising of:						
Cash margin	3,743,652	535,574	11,029,169	1,836,145	-	17,144,540
Real Estate	76,358,012	18,974,490	117,212,654	16,883,574	-	229,428,730
Traded equities	18,895,653	-	14,827,369	2,360,518	-	36,083,540
Vehicles and machinery	4,001,925	-	12,347,681	1,934,261	-	18,283,867
<b>Total</b>	<b>102,999,242</b>	<b>19,510,064</b>	<b>155,416,873</b>	<b>23,014,498</b>	<b>-</b>	<b>300,940,677</b>

The fair value of collaterals shown does not exceed the value of the loan for each individual client.

### Rescheduled loans

Are defined as loans that were classified as "Non-performing" credit facilities, and subsequently removed and included under "Watch List" based upon a proper rescheduling that complies with the Central Bank of Jordan's regulations. These loans amounted to JD 28,580,666 as of 31 December 2013, against JD 22,801,388 as of 31 December 2012.

The rescheduled loans balances represents the scheduled loans either still classified as watch list or reclassified as to performing.

### Restructured loans

Restructuring is defined as reorganizing credit facilities in terms of instalments, extending the term of credit facilities, deferment of instalments, or extending the grace period and accordingly are classified as "Watch List" in case of restructuring twice during the year according the Central Bank of Jordan instructions number 47/2009 issued on 10 December 2009 and its amendments. These debts amounted to JD 53,739,384 as of 31 December 2013, against JD 47,468,291 as of 31 December 2012.

### 3) Bonds and Treasury Bills

The following table shows the classifications of bonds and treasury bills based on the international credit rating agencies as in 31 December 2013:

#### Bonds and Bills

Risk Rating Class	Financial Assets at fair value through profit or loss JD	Financial Assets at amortized cost JD	Financial assets at fair value through other comprehensive income	Pledged Financial Assets JD	Total JD
Non-rated	-	11,947,139	-	-	<b>11,947,139</b>
Governmental	-	491,616,417	-	109,165,043	<b>600,781,460</b>
A/S&P	-	1,416,788	-	-	<b>1,416,788</b>
<b>Total</b>	<b>-</b>	<b>504,980,344</b>	<b>-</b>	<b>109,165,043</b>	<b>614,145,387</b>



#### 4) Credit Concentration based on geographic distribution is as follows:

	Inside Jordan		Other Middle Eastern countries		Europe		Asia*		Americas		Other		Total	
	JD		JD		JD		JD		JD		JD		JD	
Cash and balances at Central Banks	53,933,151		197,333,242		-		-		-		-		251,266,393	
Balances at banks and financial institutions	4,968,257		85,732,562		12,524,744		468,465		20,520,362		274,153		124,488,543	
<b>Direct credit facilities:</b>														
Consumer lending	61,811,679		49,708,042		-		-		-		-		111,519,721	
Residential mortgages	110,036,262		-		-		-		-		-		110,036,262	
Corporate lending:														
Large corporations	393,101,325		14,130,252		1,471,557		-		-		-		408,703,134	
Small and medium enterprises	38,121,464		254,324		-		-		-		-		38,375,788	
Governmental and public Sector	14,307,284		-		-		-		-		-		14,307,284	
<b>Bonds and treasury bills within:</b>														
Financial Assets at fair value through profit or loss	496,495,293		16,820,892		-		-		-		-		513,316,185	
Pledged financial assets	110,936,002		-		-		-		-		-		110,936,002	
Other assets	25,639,659		119,837		-		-		-		-		25,759,496	
<b>Total 2013</b>	<b>1,309,350,376</b>		<b>364,099,151</b>		<b>13,996,301</b>		<b>468,465</b>		<b>20,520,362</b>		<b>274,153</b>		<b>1,708,708,808</b>	
<b>Total 2012</b>	<b>1,225,412,097</b>		<b>198,946,860</b>		<b>11,616,203</b>		<b>255,863</b>		<b>19,408,897</b>		<b>355,079</b>		<b>1,455,994,999</b>	

\* Excluding the Arabian countries



5) Concentration in credit exposures based on economic sectors is as follows:

	Financial		Industrial		Commercial		Real estate*		Agriculture		Shares		Consumer		Public and governmental		Other		Total	
	JD		JD		JD		JD		JD		JD		JD		JD		JD		JD	
Cash and balances at Central Banks	197,333,243		-		-		-		-		-		-		53,933,150		-		251,266,393	
Balances at banks and financial institutions	124,488,543		-		-		-		-		-		-		-		-		124,488,543	
Direct credit facilities	84,400,679		88,609,537		101,922,389		173,237,494		15,858,711		42,029,137		65,153,684		14,307,284		97,423,274		682,942,189	
Bonds and treasury bills within:																				
Financial Assets at amortized Costs	2,327,311		3,257,855		-		507,434		-		-		-		499,719,363		7,504,222		513,316,185	
Pledge financial assets	-		-		-		-		-		-		-		110,936,002		-		110,936,002	
Other assets	8,362,287		-		-		-		-		-		-		17,397,209		-		25,759,496	
<b>Total 2013</b>	<b>416,912,063</b>		<b>91,867,392</b>		<b>101,922,389</b>		<b>173,744,928</b>		<b>15,858,711</b>		<b>42,029,137</b>		<b>65,153,684</b>		<b>696,293,008</b>		<b>104,927,496</b>		<b>1,708,708,808</b>	
<b>Total 2012</b>	<b>253,302,663</b>		<b>135,194,997</b>		<b>83,496,310</b>		<b>153,616,254</b>		<b>19,153,559</b>		<b>68,097,040</b>		<b>51,391,930</b>		<b>610,248,831</b>		<b>81,493,416</b>		<b>1,455,994,999</b>	

\* The balance includes real estate loans granted to corporations and mortgage lending institutions.



### Market Risk

Market Risk is the risk of fluctuations and changes in the fair value or the cash flow of financial instruments, due to changes in market prices such as interest rates, exchange rates, and stock prices. Market risk arises from open positions in interest rates, currency rates and equity and security investments. These risks are monitored through specific policies and procedures by specialized committees and concerned business units. The risks include the following:

- Interest Rate Risk
- Exchange Rate Risk
- Equity Price Risk

The Bank manages the expected market risk by adopting financial and investment policies within a specific strategy, and through the Assets and Liabilities Committee, which is tasked with the supervision of market risk and providing advice regarding the acceptable risks and the policy that is being followed.

The Market Risk Unit has been established and staffed by qualified and trained personnel to manage this type of risk according to the following:

- A set of policies and procedures that are approved by the Board of Directors and the Central Bank of Jordan.
- A Market Risk Policy that includes principles of identifying, managing, measuring and monitoring this type of risk and having it approved by the relevant committees.
- A set of monitoring reports for managing and monitoring market risk.
- Tools and measures to manage and monitor market risk through:
  - Sensitivity Analysis
  - Basis Point Analysis
  - Value at Risk (VaR)
  - Stress Testing
  - Stop-Loss Limit Reports
  - Monitoring the Bank's investment limits
  - Monitoring the Bank's investment portfolio and conducting re-evaluations of the portfolio on a regular basis.
- The Middle Office Unit is tasked with monitoring, on a daily basis, all the investment limits in the money market and the foreign exchange transactions.

### Interest Rate Risk:

Interest rate risk arises from the possible impact of changes in interest rates on the Bank's profits or the fair value of financial instruments. The Bank is exposed to interest rate risk due to the possible interest rate mismatch or gap between assets and liabilities valued at different time intervals, or the revision of the interest rates at a given time interval. The Bank manages these risks by reviewing the interest rates on assets and liabilities on a regular basis.

The Assets and Liabilities Management Policy includes limits for interest rate sensitivity. The Asset and Liability Committee evaluates the interest rate risk through periodic meetings and examines the gaps in the maturities of assets and liabilities and the extent by which it is affected by the current and expected interest rates, while comparing it with the approved limits, and implementing hedging strategies when needed.

The Bank uses hedging instruments such as Interest Rate Swaps to curb the negative impact of fluctuations in interest rates.

## Interest Rate Risk (Management Methods):

The Asset and Liability Committee, through periodic meetings convened for this purpose, evaluates the assets and liabilities maturity gaps, and the extent of their exposure to the impacts of current and expected interest rates are examined. In addition, solutions are proposed to reduce the impact of these risks.

Balancing due dates of assets and liabilities; the management of the Bank seeks to harmonize the impact of interest rates changes within the assets and liabilities maturity categories to mitigate any negative impact that may arise from fluctuations in interest rates.

## Interest Rate Gaps:

The Bank mitigates any gaps in interest rates through a circular that adjusts interest rates on its assets and liabilities that links and balances the maturities and interests.

### 1- Interest Rate Hedging:

The Bank acquires long-term financing to meet its long-term investments using fixed interest rates as much as possible to avoid interest rate fluctuations. Conversely, the bank invests in short-term investments to meet any possible fluctuations.

The sensitivity of statement of income is represented by the effect of the possible expected changes in interest rates on the Bank's profits for one year. It is calculated based on the financial assets and liabilities that carry a variable interest rate as at December 31, 2013.

2013			
Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	1	(3,169,388)	-
Euro	1	(9,664)	-
Pound Sterling	1	7,583	-
Japanese Yen	1	4	-
Other Currencies	1	(15,117)	-
2012			
Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	1	(2,287,078)	-
Euro	1	27,977	-
Pound Sterling	1	(4,234)	-
Japanese Yen	1	(603)	-
Other Currencies	1	(29,105)	-



2013			
Currency	Decrease in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	1	3,169,388	-
Euro	1	9,664	-
Pound Sterling	1	(7,583)	-
Japanese Yen	1	(4)	-
Other Currencies	1	15,117	-
2012			
Currency	Decrease in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	1	2,287,078	-
Euro	1	(27,977)	-
Pound Sterling	1	4,234	-
Japanese Yen	1	603	-
Other Currencies	1	29,105	-

## 2- Currency Risks

The currency risk is the risk of change in the value of financial instruments due to change in exchange rates. The Jordanian Dinar is the base currency of the Bank. The Board of Directors imposes limits for the financial position of each currency at the Bank. The foreign currency positions are monitored on a daily basis, and hedging strategies are implemented to ensure the maintenance of foreign currencies' positions within the approved limits.

The Bank's investment policy states that it is possible to hold positions in major foreign currencies, provided that they do not exceed 5% of shareholders' equity for each currency, and the net currencies position of 15% of shareholders equity. Also, the foreign currency positions are monitored on a daily basis. In addition, market instruments can be used to hedge against fluctuations in currency exchange rates according to limits that ensure the bank is not exposed to additional risks.

The following table illustrates the possible effect on the statement of income as a result of fluctuations in exchange rates against the Jordanian Dinar, assuming that all other variables remain constant

2013		
Currency	Change in currency exchange rate %	Effect on profit and loss JD
Euro	5	(198,101)
Pound Sterling	5	(74,548)
Japanese Yen	5	743
Other currencies	5	7,849,264

2012		
Currency	Change in currency exchange rate %	Effect on profit and loss JD
Euro	5	(521,508)
Pound Sterling	5	(215,742)
Japanese Yen	5	14,892
Other currencies	5	4,798,195

In the event of an opposite change in the indicator, the effect will remain constant but with an opposite sign.

### 3- Equity Price Risk

Equity price risk arises from the change in the fair value of equity investments. The Bank manages this risk by distributing its investments over various geographic and economic sectors. Most of the Bank's equity investments are listed on the Amman Stock Exchange.

The following table illustrates the statement of income sensitivity and the cumulative change in fair value as a result of possible reasonable changes in the equity prices, assuming that all other variables remain constant:

2013			
Market	Change in indicator %	Effect on profit before tax JD	Effect on equity JD
Amman Stock exchange	5	117,410	113,960
Regional Markets	5	273,388	34,535
International markets	5	44,705	-
2012			
Market	Change in indicator %	Effect on profit before tax JD	Effect on equity JD
Amman Stock exchange	5	285,353	155,235
Regional Markets	5	377,713	46,003
International markets	5	98,068	-

In the event of an opposite change in the indicator, the effect will remain constant but with an opposite sign.



The following analysis shows interest rate re-pricing or maturity dates; whichever is earlier:

	31 December 2013	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 years or more	Non-interest bearing	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Assets-</b>									
Cash and balances at Central Banks	30,800,000	-	-	-	-	-	-	250,726,628	281,526,628
Balances at banks and financial institutions	77,137,790	13,618,155	-	-	-	-	-	33,727,341	124,483,286
Deposits at banks and financial institutions	-	-	-	-	6,160,000	-	-	-	6,160,000
Direct credit facilities	141,573,154	35,258,967	35,148,640	78,280,621	74,869,942	298,591,373	12,643,625	10,704,964	676,366,322
Financial Assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Financial Assets at fair value through other comprehensive income	-	-	-	-	-	-	-	4,522,021	4,522,021
Financial Assets at amortized Cost	10,836,180	11,754,559	67,016,273	140,370,829	214,402,874	60,599,629	-	-	504,980,344
Pledged Financial Assets	-	-	-	7,000,000	60,763,403	41,401,640	-	-	109,165,043
Property and equipment (Net)	-	-	-	-	-	-	-	24,198,102	24,198,102
Intangible assets(Net)	-	-	-	-	-	-	-	8,306,391	8,306,391
Deferred tax assets	-	-	-	-	-	-	-	7,152,430	7,152,430
Other assets	6,187,752	2,591,347	6,383,020	870,272	10,758,878	8,901,700	93,318,982	-	129,011,951
<b>Total Assets</b>	<b>266,534,876</b>	<b>63,223,028</b>	<b>108,547,933</b>	<b>232,681,722</b>	<b>360,795,097</b>	<b>409,494,342</b>	<b>445,300,484</b>	<b>1,886,577,482</b>	<b>1,886,577,482</b>
<b>Liabilities-</b>									
Banks and financial institution deposits	14,952,840	66,799,000	-	21,270,000	-	-	-	-	103,021,840
Customers' deposits	275,143,766	144,447,446	170,906,814	240,270,631	41,213,717	-	268,366,629	-	1,140,349,003
Margin accounts	62,200,492	15,636,783	7,677,926	7,503,488	11,659,579	263,332	-	-	104,941,597
Loans and borrowings	109,363,133	2,749,648	13,916,700	7,759,762	13,000,000	577,063	-	-	147,366,306
Subordinated loans (convertible to shares)	-	-	-	12,952,001	-	-	-	-	12,952,001
Tax provision	-	-	-	-	-	-	-	11,387,527	11,387,527
Deferred tax liabilities	-	-	-	-	-	-	-	229,673	229,673
Other Liabilities	4,064,170	933,326	1,389,979	2,018,932	301,920	17,813,343	15,516,507	-	42,038,177
<b>Total Liabilities</b>	<b>465,724,401</b>	<b>230,566,203</b>	<b>193,891,419</b>	<b>291,774,814</b>	<b>66,175,213</b>	<b>18,653,738</b>	<b>295,500,336</b>	<b>1,562,286,124</b>	<b>1,562,286,124</b>
<b>Interest rate sensitivity gap</b>	<b>(199,189,525)</b>	<b>(167,343,175)</b>	<b>(85,343,486)</b>	<b>(59,093,092)</b>	<b>294,619,884</b>	<b>390,840,604</b>	<b>149,800,148</b>	<b>324,291,358</b>	<b>324,291,358</b>
<b>31 December 2012</b>									
<b>Total Assets</b>	<b>96,844,990</b>	<b>68,943,045</b>	<b>58,633,827</b>	<b>161,101,999</b>	<b>531,352,060</b>	<b>294,867,403</b>	<b>395,173,660</b>	<b>1,606,916,984</b>	<b>1,606,916,984</b>
<b>Total Liabilities</b>	<b>514,969,270</b>	<b>220,983,188</b>	<b>179,071,585</b>	<b>297,020,821</b>	<b>108,613,935</b>	<b>25,892,845</b>	<b>17,557,384</b>	<b>1,364,109,028</b>	<b>1,364,109,028</b>
<b>Interest rate sensitivity gap</b>	<b>(418,124,280)</b>	<b>(152,040,143)</b>	<b>(120,437,758)</b>	<b>(135,918,822)</b>	<b>422,738,125</b>	<b>268,974,558</b>	<b>377,616,276</b>	<b>242,807,956</b>	<b>242,807,956</b>

## Concentration in Foreign currency risk:

2013	US Dollar JD	Euro JD	Pound sterling JD	Japanese Yen JD	Other JD	Total
<b>Assets</b>						
Cash and balances at Central Banks	21,838,582	1,255,844	559,149	-	215,128,834	238,782,409
Balances at banks and financial institutions	66,841,685	7,424,862	6,520,326	458,203	40,233,686	121,478,762
Deposits at banks and financial institutions	-	-	-	-	6,160,000	6,160,000
Financial assets at fair value through profit or loss	894,098	-	-	-	6,925,560	7,819,658
Direct credit facilities	99,746,488	1,496,256	766,367	-	64,123,390	166,132,501
Financial assets at amortized cost	42,424,175	-	-	-	15,397,998	57,822,173
Financial assets at fair value through other comprehensive income	690,704	-	-	-	908,454	1,599,158
Property and equipment (Net)	-	-	-	-	3,837,051	3,837,051
Intangible assets (Net)	-	-	-	-	1,215,831	1,215,831
Other assets	10,625,084	10,247,195	10,756	-	14,116,017	34,999,052
<b>Total Assets</b>	<b>243,060,816</b>	<b>20,424,157</b>	<b>7,856,598</b>	<b>458,203</b>	<b>368,046,821</b>	<b>639,846,595</b>
<b>Liabilities</b>						
Banks and financial institution deposits	47,263,888	8,970,617	8,694	-	1,359,486	57,602,685
Customers' deposits	204,185,800	14,217,474	9,169,394	431,068	170,582,641	398,586,377
Loans and borrowings	26,447,739	1,043,643	176,288	12,282	32,747,230	60,427,182
Margin accounts	5,275,165	-	-	-	-	5,275,165
Subordinated loans convertible to shares	12,952,001	-	-	-	-	12,952,001
Income tax provision	-	-	-	-	1,449,369	1,449,369
Other liabilities	29,218,386	154,434	2,313,776	-	4,922,822	36,609,418
<b>Total Liabilities</b>	<b>325,342,979</b>	<b>24,386,168</b>	<b>11,668,152</b>	<b>443,350</b>	<b>211,061,548</b>	<b>572,902,197</b>
Net concentration in the statement of financial position	(82,282,163)	(3,962,011)	(3,811,554)	14,853	156,985,273	66,944,398
Forward contracts	(2,277,950)	-	2,320,592	-	-	42,642
<b>Net concentration in foreign currency</b>	<b>(84,560,113)</b>	<b>(3,962,011)</b>	<b>(1,490,962)</b>	<b>14,853</b>	<b>156,985,273</b>	<b>66,987,040</b>

2012						
<b>Total Assets</b>	206,675,144	17,685,494	3,365,144	485,341	207,488,334	435,699,457
<b>Total Liabilities</b>	320,948,726	28,115,648	5,419,351	187,509	111,524,437	466,195,671
Net concentration in the statement of financial position	(114,273,582)	(10,430,154)	(2,054,207)	297,832	95,963,897	(30,496,214)
Forward contracts	774,674	-	(2,260,625)	-	-	( 1,485,951)
<b>Net concentration in foreign currency</b>	<b>(113,498,908)</b>	<b>(10,430,154)</b>	<b>(4,314,832)</b>	<b>297,832</b>	<b>95,963,897</b>	<b>(31,982,165)</b>





### Liquidity Risk

Liquidity risk is defined as the inability to raise adequate funds to meet the Bank's obligations, in any geographical region, currency and time, without bearing high costs or losses because of resorting to:

- Selling Bank assets at low prices; leading to a decrease in the expected returns and the financial profits of the bank.
- Acquiring high-cost obligations in order to meet its commitments, which would lead to an increase in the costs and a consequent decrease in the expected profits of the bank

The impact of a liquidity risk is identified by ascertaining the extent of the liquidity of its assets and the ability of the Bank to convert liquid and semi-liquid assets into cash with the least amount of losses if the prices decrease. The Bank should provide the assets that can be sold at a price that is close to its fair value. Accordingly, the liquidity risk which the bank may be subject to can be divided into the following:

- Funding Liquidity Risk: the inability of the Bank to convert assets into cash such as accounts receivable, or obtain financing to meet commitments
- Market Liquidity Risk: the inability of the Bank to sell assets in the market or the sale of these assets at a large financial loss due to the poor liquidity or demand in the market.

Managing, measuring and monitoring the liquidity risk are all activities that are governed by pre-set policies and procedures as well as the Contingency Funding Plan and through the Asset and Liability Committee (ALCO). The Committee is tasked with monitoring and controlling liquidity and ensuring the optimum strategic distribution of the Bank assets and liabilities, whether in the on/off-statement of financial position items of it in coordination with the head of Treasury and Investment Department. The management of liquidity risk is conducted within the following group of inputs:

- A set of policies and procedures approved by the committees which determine principles, definition, management, measurement and monitoring of liquidity risk.
- Contingency Funding Plan, which includes:
  - Specific procedures for liquidity contingency management.
  - A specialized committee for liquidity contingency management
  - Liquidity Contingency Plan
- Analysis of the liquidity position of the Bank based on the following liquidity reports:
  - Gap analysis of assets and liabilities
  - Legal liquidity ratio, liquidity according to maturity ladder (in Jordanian dinar and foreign currencies).
  - Certificate of Deposits (CDs) issued by Capital Bank (in Jordanian Dinar and foreign currencies).
  - Customers Deposits (in Local and foreign currencies)
  - Liquidity Indicators Report
  - Liquidity Stress tests



The Treasury and Investment Department, in coordination with the Market Risk Unit, diversifies funding sources and matches its maturity dates, and maintains sufficient liquid assets, in order to mitigate liquidity risk. Accordingly, this is accomplished through:

- 1- Analysis and monitoring of assets and liabilities maturity dates:** the Bank examines the liquidity of its assets and liabilities as well as any changes that may occur on a daily basis. Through the Asset and Liability Committee, the Bank seeks to achieve a balance between the maturity dates of the assets and liabilities, and monitors the gaps in relation to those specified by the policies of the Bank.
- 2- Liquidity Contingency Plan:** Assets and Liabilities Risk Management Committee submits its recommendations regarding the liquidity risk management and its procedures to top management and sets necessary regulations to apply the effective monitoring regulations and issues reports regarding liquidity risk and the ability to adhere to the policies and regulations to top management. In addition, the committee provides the analytical resources to the management, all the technical updates related to the measurements and issues of the liquidity risk and its application.
- 3- Geographical and sectoral distribution:** the assets and liabilities of the bank are distributed regularly into local and foreign investments depending on more than one financial and capital market. The facilities are also distributed among several sectors and geographical regions while maintaining a balance between providing retail and corporate credit. Furthermore, the Bank seeks to diversify the sources of funding and their maturity dates.
- 4- Cash reserves at the banking monitoring authorities:**  
The Bank maintains a statutory cash reserve at the banking monitoring authorities amounting to JD 79,494,620 million.



## Consolidated Financial Statements

The table below summarizes the undiscounted cash flows of the financial liabilities:

31 December 2013	Less than 1 month JD	1-3 months JD	3 – 6 months JD	6-12 months JD	1-3 years JD	3 or more years JD	No fixed maturity JD	Total JD
<b>Liabilities:</b>								
Banks and Financial institution deposits	14,973,961	67,082,067	-	21,630,534	-	-	-	103,686,562
Customers' deposits	389,588,701	181,224,292	202,965,806	272,896,266	132,397,769	-	-	1,179,072,834
Margin accounts	62,292,422	15,706,115	7,746,012	7,636,567	12,279,944	286,684	-	105,947,744
Loans and borrowings	109,762,285	2,779,755	14,221,458	8,099,619	14,708,098	703,432	-	150,274,647
Subordinated loan (convertible to shares)	-	-	-	-	6,449,243	8,638,886	-	15,088,129
Tax provision	-	11,387,527	-	-	-	-	-	11,387,527
Deferred tax liabilities	-	229,673	-	-	-	-	-	229,673
Other liabilities	13,451,407	7,192,080	1,421,064	2,109,235	342,433	21,797,106	-	46,313,325
<b>Total Liabilities</b>	<b>590,068,776</b>	<b>285,601,509</b>	<b>226,354,340</b>	<b>312,372,221</b>	<b>166,177,487</b>	<b>31,426,108</b>	<b>-</b>	<b>1,612,000,441</b>
<b>Total Assets</b>	<b>169,492,509</b>	<b>64,485,203</b>	<b>109,127,287</b>	<b>239,540,640</b>	<b>360,795,097</b>	<b>409,494,341</b>	<b>533,642,405</b>	<b>1,886,577,482</b>

31 December 2012	Less than 1 month JD	1-3 months JD	3 – 6 months JD	6-12 months JD	1-3 years JD	3 or more years JD	No fixed maturity JD	Total JD
<b>Liabilities:</b>								
Banks and Financial institution deposits	12,016,875	37,404,778	21,369,969	10,734,969	-	-	-	81,526,591
Customers' deposits	223,347,004	147,048,696	149,303,416	282,740,591	97,023,269	-	-	899,462,976
Margin accounts	44,673,887	12,151,025	4,075,879	3,672,043	178,752	244,340	-	64,995,926
Loans and borrowings	177,659,388	3,815,708	590,480	1,028,842	10,820,081	796,037	-	194,710,536
Subordinated loan (convertible to shares)	-	-	-	-	6,395,410	7,994,263	-	14,389,673
Other provision	-	-	-	-	-	-	5,000,000	5,000,000
Tax provision	-	3,925,576	-	-	-	-	-	3,925,576
Deferred tax liabilities	-	252,466	-	-	-	-	-	252,466
Other liabilities	22,123,232	835,108	838,685	1,609,411	491,521	23,795,813	-	49,693,770
<b>Total Liabilities</b>	<b>479,820,386</b>	<b>205,433,357</b>	<b>176,178,429</b>	<b>299,785,856</b>	<b>114,909,033</b>	<b>32,830,453</b>	<b>5,000,000</b>	<b>1,313,957,514</b>
<b>Total Assets</b>	<b>96,844,990</b>	<b>68,943,045</b>	<b>58,633,827</b>	<b>161,101,999</b>	<b>531,352,060</b>	<b>294,867,403</b>	<b>395,173,660</b>	<b>1,606,916,984</b>

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

Financial derivatives/ liabilities which are settled in net include; foreign currency derivatives, off-balance sheet market currency options, currency futures, and on-statement of financial position foreign currency swap contracts.

### Foreign Currency Derivatives

2013	Less than 1 month JD	1 – 3 months JD	3- 6 Month JD	6 months – 1 Year JD	Total JD
Derivatives held for trading:					
Outflows	2,320,592	-	-	-	<b>2,320,592</b>
Inflows	2,277,950	-	-	-	<b>2,277,950</b>

2012	Less than 1 month JD	1 – 3 months JD	3- 6 Month JD	6 months – 1 Year JD	Total JD
Derivatives held for trading:					
Outflows	773,467	4,468,575	-	-	<b>5,242,042</b>
Inflows	773,973	4,477,183	-	-	<b>5,251,156</b>

### Off-balance sheet

2013	Less than 1 year JD	1 – 5 years JD	Total JD
Acceptances and Letters of Credit	21,279,660	90,490,788	111,770,448
Irrevocable commitments to extend credit	-	31,319,707	31,319,707
Letters of guarantee	140,101,219	-	140,101,219
Foreign Currency Forward Deals	2,277,950	-	2,277,950
<b>Total</b>	<b>163,658,829</b>	<b>121,810,495</b>	<b>285,469,324</b>

2012	Less than 1 year JD	1 – 5 years JD	Total JD
Acceptances and Letters of Credit	20,383,880	49,643,876	70,027,756
Irrevocable commitments to extend credit	-	24,279,966	24,279,966
Letters of guarantee	106,398,015	-	106,398,015
Foreign Currency Forward Deals	5,251,156	-	5,251,156
<b>Total</b>	<b>132,033,051</b>	<b>73,923,842</b>	<b>205,956,893</b>



### **Operational risk:**

Operational risk is defined as the risk of loss arising from inadequate or failure of internal processes, people and systems, or resulting from external events. From a management perspective, this definition also includes legal risk, strategic risk and reputational risk for the purposes of managing these types of risk.

Due to the continuous change in the working environment and the management's desire to remain in-sync with all the technological advancements and introduce new banking services and products, several methodologies have been implemented to assist the different units in identifying, measuring, monitoring and controlling the operational risks that may arise. Among these procedures, an Operational Risk Policy has been designed and developed to cover all of the Bank's departments, branches and its subsidiary, whereby the main principles are included and the policy's objectives are aligned with the Bank's strategic objectives.

As a result Bank's strategies has been implemented to enhance the resolve of operational risk management and which is represented by Management Framework Operational Risk. It includes all the bank's divisions, branches and subsidiaries. This requires determining, evaluating, supervising and rendering the operational risk to each branch separately as it is outlined in base:

- holding "Workshops" based on adopted analysis procedures and audit reports thus identifying risks, controls, and determine the regulatory gap through the matrix of risk, In this context, a model of "regulatory examinations" is being made through risks and controls self-assessment is being made from the manager of the unit/ department/ branch or his representative "coordinator or responsible party".
- Building key risk indicator to cover all bank and its branches.
- Provide a mechanism to collect operational events and calculate expected losses based on the events using "Actuarial Model" and thus determine the carrying capacity "Risk Appetite" at every level all alone.
- Supervising over the renovation and development of a business continuity plan in the bank and its subsidiaries.

From this point, continuity and effectiveness of operational risk management is an integral part of the responsibilities of all involved in the applications of the bank and on all the responsibilities:

- Adherence to regulatory examinations conducted by their schedules and without delay.
- Showing the result of evaluation tests regulatory transparency and accuracy.
- Reporting and disclosure of any losses or operational events without delay or hesitation.
- Adopt and implement the recommendations "Remedial Actions/ Recommendations/ Mitigations" that are put forward by the operational risk unit and that would mitigate the risks that are identified through workshops/ Reporting of events or operating losses/ Regulatory examinations.
- The role of the board of directors, Risk committee and compliance, Senior management, Audit department to activate the importance of operational risk and make it an integral part of the activities within the bank daily,

## 46 Segment Information

### 1. Information about bank Activities:

For management purposes the Bank is organised into four major segments that are measured according to the reports used by the main decision maker at the Bank:

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

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

**Corporate finance:** Principally arranging structured financing, and providing services relating to privatisations, IPOs and mergers and acquisitions.

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

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

	Retail Banking JD	Corporate Banking JD	Corporate Finance JD	Treasury JD	Other JD	Total 2013 JD	2012 JD
Total revenue	25,801,039	38,089,687	-	49,742,688	23,325,407	136,958,821	120,606,070
Allowance for credit losses	(2,350,473)	1,431,453	-	-	-	(919,020)	(27,920,383)
Segment result	(184,998)	6,881,552	-	48,047,230	23,325,406	78,069,190	53,055,572
Unallocated expenses						(29,337,483)	(23,343,872)
Profit before tax						48,731,707	29,711,700
Income tax expenses						(11,695,417)	(7,675,516)
Net profit						37,036,290	22,036,184
<b>Other information</b>							
Segmental assets	230,554,186	445,812,136	-	1,041,542,287	168,668,873	1,886,577,482	1,606,916,984
Segmental liabilities	739,661,912	505,628,688	-	263,340,148	53,655,376	1,562,286,124	1,364,109,028
Capital expenditure						(3,548,790)	(2,774,669)
Depreciation and amortization						(3,578,093)	(3,429,565)



## 2. Geographical Information

This segment represents the geographical operations of the bank. The bank operates primarily in Jordan and also operates internationally in the Middle East, Europe, Asia, America and the Far-East.

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

	Jordan		Outside Jordan		Total	
	2013	2012	2013	2012	2013	2012
Total revenue	127,718,153	101,370,021	9,240,668	19,236,049	136,958,821	120,606,070
Total assets	1,430,539,500	1,346,760,633	456,037,982	260,156,351	1,886,577,482	1,606,916,984
Capital expenditure	769,753	1,244,115	2,779,037	1,530,554	3,548,790	2,774,669

## 47 Capital Management

The Bank maintains an appropriate paid in capital in order to meet its operational risk, and it regularly monitors its capital adequacy in accordance with BASEL to comply with the Central Bank of Jordan's regulations.

According to Central Bank of Jordan regulation (52/2010), the minimum paid in capital of Jordanian banks should be JD 100 million before the end of 2011 and the capital for the foreign banks in Jordan should not be less than half of the capital for the Jordanian banks in accordance to article (12) and article (8) from the Law and Banks number (28) for the year 2000 and its adjustments. In addition, the regulation requires a minimum leverage ratio of 6%.

Through its operational years; the Bank maintained a capital adequacy ratio in excess of 12%, being the minimum capital adequacy rate required by the Central Bank of Jordan (8% as per Basel). Furthermore, the Bank regularly reviews and complies with the concentration ratios using regulatory capital as an indicator; noting that the instructions impose a ratio of no less than 14%.

The Bank manages and restructures its capital in light of the changes in the business environment. There has been no change on the Bank's capital structure during 2011 and 2010.

### Description of paid in capital

Regulatory capital comprises of primary capital and supplementary capital primary capital. Primary capital consists of: paid in capital, share premium, declared reserves, retained earnings, minority interest after excluding current period losses, goodwill, treasury stock cost, deficiency of required provisions, deferred tax assets and any other restricted balances by law.

The second part of regulatory capital is supplementary capital that consists of: undeclared reserves, subordinated debts, foreign currency translation adjustment, banking risk reserve, and hybrid debts. The third part is used to meet market risk. Investments in other banks and unconsolidated subsidiaries are excluded from regulatory capital.

## Regulatory Requirements for paid in capital

Capital adequacy ratio was calculated in accordance with Basel II accord based on the standardized approach:

	2013 JD	2012 JD
<b>Primary capital-</b>		
Paid in capital	165,000,000	150,000,000
Statutory reserves	23,049,227	18,151,039
Optional reserves	9,690	4,418
Share premium	709,472	709,472
Retained earning	30,305,754	30,425,045
Proposed issue of shares	16,500,000	15,000,000
<b>Less-</b>		
Deferred tax assets	4,294,850	3,533,405
Goodwill	7,152,430	6,914,673
Intangible assets	4,011,542	3,969,212
50% of investments in banks and other financial companies capital	523,295	625,142
Assets seized by the bank for more than 4 years	132,963	413,446
Unrealized profits investments through profit and loss	-	270,771
Deferred provision	-	5,094,000
<b>Total Primary capital</b>	<b>219,459,063</b>	<b>193,469,325</b>
<b>Supplementary Capital</b>		
Foreign Currency translation reserve	4,076,324	3,016,076
General banking risk reserve	7,559,006	5,631,076
Fair value reserve	(1,462,896)	(1,525,945)
Subordinated loan	5,041,779	7,877,780
Less: 50% of Investments in banks and other financial institutions capital	523,295	625,142
<b>Total Supplementary Capital</b>	<b>14,690,918</b>	<b>14,373,845</b>
<b>Total Regulatory Capital</b>	<b>234,149,981</b>	<b>207,843,170</b>
<b>Total Risk Reserve</b>	<b>1,251,431,994</b>	<b>1,077,882,789</b>
Capital adequacy (%)	%18.71	19.28%
Primary Capital (%)	%17.54	17.95%

According to Basel II 50% of investments value in banks and subsidiaries should be deducted from primary paid in capital, and 50% of organizational paid in capital.

Capital adequacy ratio at 31 December 2012 and 2011 was calculated in accordance with Basel II.

As disclosed in Note 23, the commitment deposits include an amount of JD 17,725,000 which represents advanced payments received to be used for the underwriting of bonds for the same value which the Bank is currently in the process of completing the required procedures for issuing the aforementioned bonds, noting that an approval has been received from the Jordan Securities Commission to issue the bonds with a date of 30 December 2013. Accordingly, the Bank has prepared an issuance prospectus and sent it to the Securities Deposits Centre on 22 January 2014.



The completeness of the bonds issuance procedures, which is expected to be completed during the first quarter of 2014, will result in the classification of such amount to supplemental capital that supports the paid-in capital. Taking into consideration this amount after classification in the calculation of the of regulatory capital adequacy ratio, will result in an increase in the ratio to be 20.13%.

#### 48 **Fiduciary Accounts**

The Bank does not have investment custody accounts as of 31 December 2013 (2012: JD 968,500).

In the normal course of business, the Bank performs investment management services for its clients. Investments and other assets held by the Bank (Horizon fund) in a fiduciary capacity amounting to JD 3,251,998 as of 31 December 2013 are segregated from the Bank's assets and are not included in the financial statements.

#### 49 **Maturity analysis of assets and liabilities**

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

2013	Within 1 year JD	More than 1 year JD	Total JD
<b>Assets</b>			
Cash and balances at central banks	281,526,628	-	281,526,628
Balances at banks and financial institutions	124,483,286	-	124,483,286
deposit at banks and financial institutions	6,160,000	-	6,160,000
Direct credit facilities	302,905,007	373,461,315	676,366,322
Financial assets at fair value through profit or loss	10,704,964	-	10,704,964
Financial Assets at fair value through other comprehensive income	4,522,021	-	4,522,021
Financial assets at amortized cost	229,977,841	275,002,503	504,980,344
Pledged assets	7,000,000	102,165,043	109,165,043
Property and equipment	24,198,102	-	24,198,102
Intangible assets	8,306,391	-	8,306,391
Deferred tax assets	7,152,430	-	7,152,430
Other assets	109,351,373	19,660,578	129,011,951
<b>Total Assets</b>	<b>1,116,288,043</b>	<b>770,289,439</b>	<b>1,886,577,482</b>
<b>Liabilities</b>			
Banks and financial institution deposits	103,021,840	-	103,021,840
Customers' deposits	1,099,135,286	41,213,717	1,140,349,003
Margin accounts	93,018,689	11,922,908	104,941,597
Loans and borrowings	133,789,243	13,577,063	147,366,306
Subordinated loans	-	12,952,001	12,952,001
Tax provision	11,387,527	-	11,387,527
Deferred tax assets	229,673	-	229,673
Other liabilities	23,922,913	18,115,264	42,038,177
<b>Total Liabilities</b>	<b>1,464,505,171</b>	<b>97,780,953</b>	<b>1,562,286,124</b>
<b>Net Assets</b>	<b>(348,217,128)</b>	<b>672,508,486</b>	<b>324,291,358</b>



2012	Within1 year JD	More than 1 year JD	Total JD
<b>Assets</b>			
Cash and balances at central banks	143,447,746	62,923,727	206,371,473
Balances at banks and financial institutions	40,655,391	38,884,189	79,539,580
Direct credit facilities	233,602,846	389,707,567	623,310,413
Financial assets at fair value through profit or loss	-	15,222,362	15,222,362
Financial Assets at fair value through other comprehensive income	-	4,253,315	4,253,315
Financial assets at amortized cost	85,825,991	284,701,684	370,527,675
Pledged assets	165,749,437	-	165,749,437
Property and equipment	-	23,580,235	23,580,235
Intangible assets	-	9,043,569	9,043,569
Deferred tax assets	504,047	6,410,626	6,914,673
Other assets	8,926,354	93,477,898	102,404,252
<b>Total Assets</b>	<b>678,711,812</b>	<b>928,205,172</b>	<b>1,606,916,984</b>
<b>Liabilities</b>			
Banks and financial institution deposits	82,538,802	-	82,538,802
Customers' deposits	871,770,644	88,346,195	960,116,839
Margin accounts	67,199,909	3,867,487	71,067,396
Loans and borrowings	182,854,071	11,124,578	193,978,649
Subordinated loans	-	12,952,001	12,952,001
Other provision	-	5,000,000	5,000,000
Tax provision	5,661,855	-	5,661,855
Deferred tax assets	252,466	35,492	287,958
Other liabilities	25,406,438	7,099,090	32,505,528
<b>Total Liabilities</b>	<b>1,235,684,185</b>	<b>128,424,843</b>	<b>1,364,109,028</b>
<b>Net Assets</b>	<b>(556,972,373)</b>	<b>799,780,329</b>	<b>242,807,956</b>





### 50 Contingent Liabilities and Commitments

a) The totals outstanding commitments and contingent liabilities are as follows:

	2013 JD	2012 JD
Letters of credit	90,490,788	49,680,194
Acceptances	21,279,660	20,347,562
Letters of guarantee -		
Payments	34,010,454	32,320,713
Performance	51,209,229	36,761,092
Other	54,881,536	37,316,210
Foreign currency forward	2,277,950	5,251,156
Irrevocable commitments to extend credit	31,319,707	24,279,966
	<b>285,469,324</b>	<b>205,956,893</b>

b) The contractual commitments of the Bank are as follows:

	2013 JD	2012 JD
Intangible assets contracts	238,831	120,919
Fixed assets contracts	132,335	-
Construction contracts	355,547	97,698
	<b>726,713</b>	<b>218,617</b>

Annual rent of the Bank's main building and branches amounted to JD 937,207 as 31 December 2013 (2012: JD 792,624).

### 51 Lawsuits against the Bank

The value of the lawsuits held against the Bank, as part of the ordinary course of business, amounted to JD 13,373,909 as of 31 of December 2013. According to the Bank's management and legal counselor, the Bank will not be liable in any of these cases.

There is another case against the Bank and Capital Investment and Brokerages/ Jordan Company with the amount of JD 11,351,734 related to the recovery of amounts possessed by the Bank in excess of the granted facilities. However, on 20 January 2010 the Court of First Instance number 2087/2007 and cassation number 26459/2010 decided to freeze the proceeding of the lawsuit until a final and conclusive judgment would be issued in the above mentioned case.

There are no lawsuits against National Bank of Iraq as of 31 December 2013.

## 52 A- New And Amended International Financial Reporting Standards

### Standards issued but not yet effective

#### **IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Bank’s financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

#### **Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments are effective for annual periods beginning on or after 1 January 2014 which provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are not expected to impact the Bank’s financial position or performance.

### **B- Comparative Figures:**

Some of 2012 balances were reclassified to correspond with those of 2013 presentation.





**Disclosures required by Jordan  
Securities Commission**

## A Message from the Chairman

See beginning of report.

## B Board of Directors' Report

See beginning of report.

## 1 Description of the Bank's Main Activities

Capital Bank provides all types of banking and financial services and products to all economic sectors in Jordan through its branches in the Hashemite Kingdom of Jordan. It also offers investment and brokerage services through its subsidiary company, Capital Investments, which is wholly owned by the Bank with a paid up capital of JD 10 million. The Bank also owns 61.85% of the National Bank of Iraq (NBI) with a paid up capital of IQD 250 billion. Through this investment, the Bank provides all facilities and services to customers wishing to invest in the promising Iraqi market.

## Geographical Locations and Number of Employees in Branches

Capital Bank and Capital Investments employ 508 employees distributed at the following geographical locations.

	City	Number of Employees
Head Office	Amman	353
Capital Investments	Amman	43
Main Branch	Amman	19
Capital Select Branch	Amman	10
Madina Branch	Amman	11
Sweifieh Branch	Amman	8
Dabouq Branch	Amman	7
Majdi Mall Branch	Amman	9
Wihdat Branch	Amman	8
Gardens Branch	Amman	9
Free Zone/Zarqa Branch	Zarqa/Free Zone	9
New Zarqa Branch	New Zarqa	6
Irbid Branch	Irbid	8
Aqaba Branch	Aqaba	8

The Bank does not have any branches outside Jordan.

## Volume of the Bank's Capital Investments

The volume of the Bank's capital investments amounts to JD 32,504,493 which represents the net book value of properties, equipment, and intangible assets as at the end of 2013.

## 2 Subsidiary Companies

Capital Investments

National Bank of Iraq

Bahrain Investment Fund (not yet operational)

	Capital Investments	Subsidiary NBI	Bahrain Investment Fund
Company Type	Limited Liability	Public shareholding	Bahraini shareholding company (closed)
Main Activity	Investment and Brokerage Company	Banking	Establishing investment funds
Paid up Capital	JD 10 billion	IQD 250 billion	BHD 1000
Address	Amman - Shmeisani	Baghdad - Iraq	Bahrain
Other Information	-	-	not yet operational

## 3 The Chairman, Vice-Chairman and Directors of the Board

### Bassem Khalil Salem AL-Salem

Position:	Chairman
Date of Birth	19/06/1956
Date of Membership	20/04/2010
Academic Background	Bachelor's Degree with Honors in Chemical Engineering, Imperial College London, UK, 1978.
Professional Experience	Long experience in the public sector, held the positions of Minister of Finance in 2009, Minister of Labor between 2005-2009, Chairman of the Social Security Corporation between 2005-2009, and Founder and Chairman of several private sector companies.

### Mazen Samih Talib Darwazah

Position	Vice Chairman
Date of Birth	05/06/1958
Date of Membership	23/03/2011
Academic Background	Advanced Management Program (AMP), INSEAD, France; Higher Diploma in Marketing, University of Boston, Bachelor's Degree in Business Administration, University of Beirut.
Professional Experience	Member of the Jordanian Senate, Vice Chairman and CEO of Hikma Pharmaceuticals - MENA, Chairman and CEO of Hikma Pharmaceuticals Limited - Jordan, Chairman of Trust Pharma Limited, Pharma Ixir Co. Ltd, Business Development Center (Jordan), and Jordan International Insurance Company. Member of the Advisory Board of the Lebanese American University (L.A.U) Lebanon; International Organization for Migration - IOM Geneva- Switzerland. Board member of the Yarmouk University (Jordan).





### Kim Fouad Saad Abu Jaber

Position	Member of the Board of Directors
Date of Birth	27/09/1956
Date of Membership	31/08/2009
Academic Background	Bachelor's Degree in Business Administration, University of Arizona/Towson, 1980.
Professional Experience	Businessman, Founder and Shareholder in several companies, including: Jordan International Insurance Company Jordan International Investment Group International Silica Industries Travertine Company Fuad Abu Jaber and Sons Saad Abu Jaber and Sons Solid Steel and Iron Manufacturing and Forming Co. Developed Agricultural Marketing Company

### Omar Muhamed Ibrahim Shahrour

Position	Member of the Board of Directors – Representative of the Investments and Integrated Industries Company
Date of Birth	17/04/1967
Date of Membership	31/08/2009
Academic Background	Bachelor's Degree in Accounting from the University of Jordan; MBA in Finance from Wayne State University in Detroit, Michigan. Certified Public Accounting (CPA) certification from Colorado, USA.
Professional Experience	Chief Financial Officer (CFO) at Nuqul Group since 10/2005. Worked as an Accountant at O.M. Haddad & Co. in the USA, Internal Auditor at Edgo from 1992 to 1996 and Financial Controller until 1997. Financial Controller at Coca-Cola Jordan from 1997 to 2001 and Finance Manager until 2005.

### Issam Abdullah Yousef Al-Khatib

Position	Member of the Board of Directors – Representative of the Social Security Corporation
Date of Birth	28/04/1965
Date of Membership	31/08/2009
Academic Background	Bachelor's Degree in Accounting and Business Administration from the University of Jordan. MA in Finance from the University of Jordan. CPM (Certified Project Manager).
Professional Experience	Head of the Treasury and Loans Department at the Social Security Investment Fund, Head of the Loans Department at the Social Security Investment Fund from 10/2006-6/2009, Head of Regulation and Banking Systems at InvestBank from 9/2005-10/2006, Head of the Corporate Credit Department at the Islamic Arab Bank from 2001 -8/2005, Credit Manager/Jordan Branches Facilities Department and Financial and Credit Analyst/Finance and Investment Department at Arab Bank. Member of the Board of Directors of the Jordan Projects for Tourism Development Company (Tala Bay).



### **Khalil Hatim Khalil Al-Salem**

Position	Member of the Board of Directors – Representative of Al-Khalil Company for Investments.
Date of Birth	28/12/1982
Date of Membership	31/08/2009
Academic Background	Bachelor's Degree in Economics from Columbia University, 2004.
Professional Experience	Financial Analyst at J.P Morgan in New York. Financial Analyst and Director of Business Development at Capital Investments. Currently works as a Financial Analyst at Medrar Investments in addition to holding the position of General Secretary at the Jordan Football Association.

### **Sultan Mohammad M. El Seif**

Position	Member of the Board of Directors – Representative of Al-Jadara Company for Real Estate Investment.
Date of Birth	03/03/1985
Date of Membership	31/08/2009
Academic Background	Bachelor's Degree in Finance, 2007.
Professional Experience	Member of the Board of Directors at several companies, Deputy Director General at the Saudi Company for Medical Care.

### **"Mohammad Ali" Khaldoun Sati Al -Husry**

Position	Member of the Board of Directors – Representative of Hotaf Investment Company
Date of Birth	20/04/1957
Date of Membership	31/08/2009
Educational Certificates	Bachelor's Degree in Mechanical Engineering, University of South California, 1980, MBA from INSEAD, France, 1988.
Experience	Member of the Board of Directors of Hikma Pharmaceuticals/London. Chairman of the Board of Directors of Capital Bank 1995 -2007.

### **Mazen Ahmad M. Al-Jubeir**

Position	Member of the Board of Directors
Date of Birth	19/09/1976
Date of Membership	26/07/2010
Academic Background	Bachelor's Degree with honors in Economics, Harvard University, 1998. Master's Degree with honors, Harvard Business School, 2003.
Professional Experience	Deputy CEO at Amwal Al-Khaleej Company, Board Member of several companies in Saudi Arabia, worked as a consultant at McKinsey & Co. in Washington.



### **Jawad Abdel Reda Abdel Baqi Al-Qassab**

Position	Member of the Board of Directors
Date of Birth	01/01/1944
Date of Membership	16/12/2010
Academic Background	Bachelor's Degree in Civil Engineering, 1972.
Professional Experience	Businessman and founder of several companies. Chairman of the Board of Directors and CEO of several companies, including United Saudi Jordanian Hotel & Tourism, Ayla Hotels and Tourism.

### **“Mohammed Said” Mohammed Ibrahim Shahin**

Position	Member of the Board of Directors
Date of Birth	02/07/1948
Date of Membership	17/03/2013
Academic Background	Master's Degree in Economic Development, Harvard University, Bachelor's Degree in Economics, American University of Cairo.
Professional Experience	Held several positions including Governor of the Central Bank of Jordan 2011-2012, Director General and Vice Chairman of the Jordan Deposit Insurance Corporation. Former member of several companies and institutions. Former chairman of several boards including the Board of Directors of Jordan International Bank/London. Founder of the International Association of Deposit Insurers in Basel, Switzerland. A current member of the Executive Privatization Commission. Vice Chairman of the Board of Jordan Military Credit Fund.

### **Meetings of the Board of Directors and its Committees in 2013:**

	Number of Meetings
Board of Directors	10
Audit and Compliance Committee	16
Risk Management Committee	6
Nominations and Remuneration Committee	2
Corporate Governance Committee	1
Executive Committee	24

## Capital Bank Executive Management Members of Senior Management

### Haytham Yousef Abdulmonem Kamhiyah

Position	General Manager
Date of Appointment	01/04/1996
Date of Birth	01/08/1969
Academic Background	Advanced Management Program (AMP)-Diploma, INSEAD – France. Bachelor's Degree in Accounting from the University of Jordan, 1992. CRA, CPA, CMA.
Professional Experience	He is the Vice Chairman of Capital Investments, member of the board of directors of Jordan International Insurance Company, the Credit Bureau Company in Jordan and Jordan Exporters Association, . He is also a board member of Vitas Jordan (micro finance company ) and a member of board of trustees of INJAZ"

### Ayman Omran Abdullah Abu Dhaim

Position	Chief Financial Officer
Date of Appointment	06/03/2011
Date of Birth	16/11/1972
Academic Background	CFM, CMA, CBM, CPA from the United States. Master's Degree in Accounting and Management Science from the United Kingdom, 1995. Bachelor's Degree in Accounting from the University of Jordan.
Professional Experience	Extensive experience in auditing and financial management. He worked at PwC. He also worked in the field of credit at the Arab Bank, the Islamic International Arab Bank, the Arab Banking Corporation, and the Saudi Arabian Monetary Agency. The last position held was Head of the Financial Control Department at the Social Security Investment Fund.

### Yasser Ibrahim Muhammad Kleib

Position	Chief Business Officer
Date of Appointment	16/06/2004
Date of Birth	27/10/1974
Academic Background	Bachelor's Degree in Business Administration, Yarmouk University, 1996. Certified Lender Business Banker (CLBB).
Professional Experience	Worked at the Arab Bank for eight years in various departments with a focus on banking facilities. Joined Capital Bank in 2004. He started at the Banking Facilities Department until he became Chief Business Officer on 09/09/2012.





### **Rafat Abdullah Ismail Khalil**

Position	Chief Support Officer
Date of Appointment	04/10/2007
Date of Birth	10/12/1964
Academic Background	Bachelor's Degree in Accounting, Yarmouk University 1986. CBA, CICA.
Professional Experience	Worked for seven years at the Central Bank of Jordan, for four years at the Commercial Bank of Oman, and for seven years at the Oman Arab Bank before joining Capital Bank in 2007 as Chief Audit Executive. In 9/2013, he was appointed as Chief Support Officer.

### **Muhammad Hafez Abdel Kareem Muaz**

Position	Head of the Legal Department/Legal Counsel
Date of Appointment	06/02/2003
Date of Birth	27/10/1969
Academic Background	Master's Degree in Commercial Law from the UK, 1996. Postgraduate Diploma in International Law from the UK. Bachelor's Degree in Law, University of Jordan, 1994.
Professional Experience	Worked at Dajani and Associates Law Firm for five years before joining the Arab Bank as a lawyer in the Legal Department/International Division for two years. Member of the Jordanian Bar Association since 1997. Member of the International Bar Association since 1998.

### **Ali Muhammad Daoud Abu Swai**

Position	Head of Treasury and Investments
Date of Appointment	09/08/1997
Date of Birth	02/02/1966
Academic Background	Master's Degree in Finance and Banking 2007. Bachelor's Degree in Finance and Banking 2003.
Professional Experience	Worked at Amman Investment Bank for five years moving between all branches and departments. He also has a long and varied banking experience in branches, operations, financial markets, financial institutions, treasury and investment. President of ACI Jordan and Jordan's representative to ICA.

### **Rania "Muhammad Said" Dwaikat**

Position	Head of the Compliance Department
Date of Appointment	21/04/2002
Date of Birth	07/02/1970
Academic Background	Bachelor's Degree in Economics and Statistics and minor in Business Administration, University of Jordan, 1991. Diploma, Regulation, Compliance, Anti-Money Laundering and Counter Terrorist Financing from the University of Reading, UK, CLBB from the American Bankers Association, Certificate in Anti-Money Laundering and Compliance, University of Reading, UK.
Professional Experience	Long banking experience.

### **Rayd Khalil Abdulhamid Abu Ayyash**

Position	Head of the Strategic Planning and Corporate Communications Department
Date of Appointment	18/01/2011
Date of Birth	17/07/1979
Academic Background	Bachelor's Degree in Economics from Harvard University. MA from the London School of Economics.
Professional Experience	Strategy consultant at McKinsey & Company for banking and public sector clients; Financial Consultant with Arup; extensive experience in developing risk control systems at HSH Nord Bank, Germany; as well as providing consultation to the Jordanian government through USAID.

### **Nabil Nicola Najib Al-Awa**

Position	Head of the Credit Review Department
Date of Appointment	12/5/2008
Date of Birth	28/7/1963
Academic Background	Bachelor's Degree majoring in Business Administration and minoring in Economics from the University of Jordan.
Professional Experience	Extensive banking and credit experience; 10 years as Head of Facilities; two years as Head of the Credit Review Department at Jordan Ahli Bank.

### **Bassam Diab Ahmad Al-Bitar**

Position	Head of the Central Operations Department
Date of Appointment	01/05/1999
Date of Birth	20/09/1969
Academic Background	Bachelor's Degree in Public Administration and Political Science from the University of Yarmouk, 1992.
Professional Experience	Long experience in local and international banking operations.

### **Derar As'ad Ahmed Abdulkhaliq**

Position	Head of the Branches and Direct Sales Department
Date of Appointment	01/08/1997
Date of Birth	23/10/1967
Academic Background	Bachelor's Degree in English Language from the University of Jordan.
Professional Experience	Long experience in banking; worked at Amman Investment Bank for five years; joined Capital Bank as Head of the Deposits Department and Head of the Local Department consecutively.



### **Nedal Tawfeeq Ali Ali**

Position	Internal Audit Director
Date of Appointment	16/03/2008
Date of Birth	09/10/1972
Educational Certificates	MBA in Finance and Banking, 2006. Bachelor's Degree in Accounting, 1995. CRMA, CCSA, CFSA, CIA.
Experience	Worked in internal audit at the Housing Bank for Trade and Finance, Jordan Kuwait Bank and Oman Arab Bank for over 12 years. He joined Capital Bank's Internal Audit Department in 3/2008 and became the Head of Internal Audit on 12/09/2013.

### **Falah Hasan Khalil Kokash**

Position	Head of the Risk Management Department
Date of Appointment	09/09/2012
Date of Birth	01/08/1967
Academic Background	Bachelor's Degree in Finance and Banking from Yarmouk University, 1992. MA in Financial Management from the Arab Academy for Banking and Financial Sciences, 2003. FRM, ICBRR, CMA, CFM, and CLBB.
Professional Experience	Bank of Jordan 1992-1995. Worked at the Jordan Ahli Bank as an Assistant Director of the Facilities Department - Basel Manager 1995-2007. Head of Risk Management and Compliance at Invest Bank 2007-2011. Basel Manager at Bank Al Bilad, Saudi Arabia, 2012.

### **Sami Muhammad Musa Khair – Resigned**

Position	Head of Human Resources and Administration
Date of Appointment	01/02/2008
Date of Resignation	01/05/2013
Date of Birth	09/12/1961
Academic Background	Bachelor's Degree in Political Science and Public Administration, University of Jordan, 1984.
Professional Experience	Deputy CEO, Administration Affairs and Human Resource Department, Arab Banking Corporation (Jordan); Executive Director, Administration and Finance, Central Bank of Jordan; Administration and Human Resources Director, Ministry of Planning; Administration Director, DHAMAN; Administration Director, Jordan Export Development and Commercial Centers Corporation; Administrative Consultant, Telecommunications Regulatory Commission. Board member of several public shareholding companies' boards of directors.

### **“Muhammad Said” Yahya Al-Dajani – Resigned**

Position	Head of the Financial Institutions Department
Date of Appointment	01/12/2009
Date of Resignation	01/08/2013
Date of Birth	18/12/1977
Academic Background	MBA, University of Huddersfield, UK. Bachelor’s Degree in Business Administration, Al-Ahliyyah Amman University, Jordan.
Professional Experience	Extensive banking experience in international relations management with different regional and global banks and financial institutions. Held several positions within the Banks and Financial Institutions Department at Arab Bank plc. His last position was Manager for the Middle East before becoming the Head of Financial Institutions at Capital Bank in 2009. He also worked at Jordan Kuwait Bank in the fields of Customer Service and Branches.

### **Raed Yahya Ahmad Sarhan – Resigned**

Position	Head of the Information Systems Department
Date of Appointment	12/12/2012
Date of Resignation	06/07/2013
Date of Birth	01/01/1971
Academic Background	BSc in Electrical Engineering, University of Jordan, 1994.
Professional Experience	Consultant at Andersen Consulting/Accenture for banking sector and regional and global stock markets in Saudi Arabia and the Gulf States; Assistant Manager of e-Commerce and Communication Channels at Bank AlJazira/Saudi Arabia; Head of Technologies and Alternative Delivery Channels at the International Banking Group at National Bank of Kuwait.

## **Management Committee and Executive Board of Capital Investments (subsidiary company):**

### **Bassem Khalil Salem AL-Salem**

Position:	Chairman
Date of Birth	19/06/1956
Date of Membership	20/04/2010
Academic Background	Bachelor’s Degree with Honors in Chemical Engineering, Imperial College London, UK, 1978.
Professional Experience	Long experience in the public sector, held the positions of Minister of Finance in 2009, Minister of Labor between 2005-2009, Chairman of the Social Security Corporation between 2005-2009, and Founder and Chairman of several private sector companies.



### **Haytham Yousef Abdulmonem Kamhiyah**

Position	General Manager
Date of Appointment	01/04/1996
Date of Birth	01/08/1969
Academic Background	Advanced Management Program (AMP)-Diploma, INSEAD – France. Bachelor's Degree in Accounting from the University of Jordan, 1992. CRA, CPA, CMA.
Professional Experience	He is the Vice Chairman of Capital Investments, member of the board of directors of Jordan International Insurance Company, the Credit Bureau Company in Jordan and Jordan Exporters Association, . He is also a board member of Vitas Jordan (micro finance company ) and a member of board of trustees of INJAZ"

### **Omar Muhamed Ibrahim Shahrour**

Position	Member of Management Committee
Date of Birth	17/04/1967
Date of Membership	06/05/2012
Academic Background	Bachelor's Degree in Accounting from the University of Jordan; MBA in Finance from Wayne State University in Detroit, Michigan. Certified Public Accounting (CPA) certification from Colorado, USA.
Professional Experience	Chief Financial Officer (CFO) at Nuqul Group since 10/2005. Worked as an Accountant at O.M. Haddad & Co. in the USA. Internal Auditor at Edgo from 1992 to 1996 and Financial Controller until 1997. Financial Controller at Coca-Cola Jordan from 1997 to 2001 and Finance Manager until 2005.

### **Ayman Omran Abdullah Abu Dhaim**

Position	Chief Financial Officer
Date of Appointment	06/03/2011
Date of Birth	16/11/1972
Academic Background	CFM, CMA, CBM, CPA from the United States. Master's Degree in Accounting and Management Science from the United Kingdom, 1995. Bachelor's Degree in Accounting from the University of Jordan.
Professional Experience	Extensive experience in auditing and financial management. He worked at PwC. He also worked in the field of credit at the Arab Bank, the Islamic International Arab Bank, the Arab Banking Corporation, and the Saudi Arabian Monetary Agency. The last position held was Head of the Financial Control Department at the Social Security Investment Fund.



### **Rayd Khalil Abdul Hamid Abu Ayyash**

Position	Head of the Strategic Planning and Corporate Communications Department
Date of Appointment	18/01/2011
Date of Birth	17/07/1979
Academic Background	Bachelor's Degree in Economics from Harvard University, and an MA from London School of Economics.
Professional Experience	Strategy consultant at McKinsey & Company advising banking and public sector clients; Financial Consultant with Arup; extensive experience in developing risk control systems at HSH Nord Bank, Germany; as well as providing consultation to the Jordanian government through USAID.

### **Bassam Wael Rushdi Kanaan – Resigned**

Position	Member of the Management Committee
Date of Birth	10/05/1965
Date of Membership	06/05/2012
Date of Resignation	11/02/2013
Academic Background	Bachelor's Degree in Economics and Accounting, Claremont Mckenna College – Los Angeles, 1986. MBA
Professional Experience	Extensive experience in the private sector. Worked in a number of companies including Deloitte & Touche. Currently holds the position of CFO at Hikma Pharmaceuticals.



**4 Major shareholders (more than 5% ownership) and the number of shares owned compared to the previous year.**

Name	Nationality	Number of Shares as at 31/12/2013	Percentage	Number of Shares as at 31/12/2012	Percentage
Saad Asim Aboud Al-Janabi	Iraq	16,465,073	9.979	-	-
BLACK PEARL GLOBAL OPPORTUNITY FUND	Cayman Islands	16,060,118	9.733	14,590,108	9.727
Social Security Corporation	Jordan	15,299,039	9.272	13,908,218	9.272
Said Samih Talib Darwazah	Jordan	12,791,903	7.753	11,629,003	7.753
International Finance Corporation	International	11,575,445	7.015	10,523,132	7.015
Investments and Integrated Industries Company	Jordan	7,554,756	5.037	7,554,756	5.037
Rami Muhammad Suleiman Al-Hadidi	Jordan	-	-	14,968,249	9.979
Al-Janabi Group for Trading and General Contracting	Jordan	-	-	14,965,000	9.977

**5 Competitive Position in the Banking Industry**

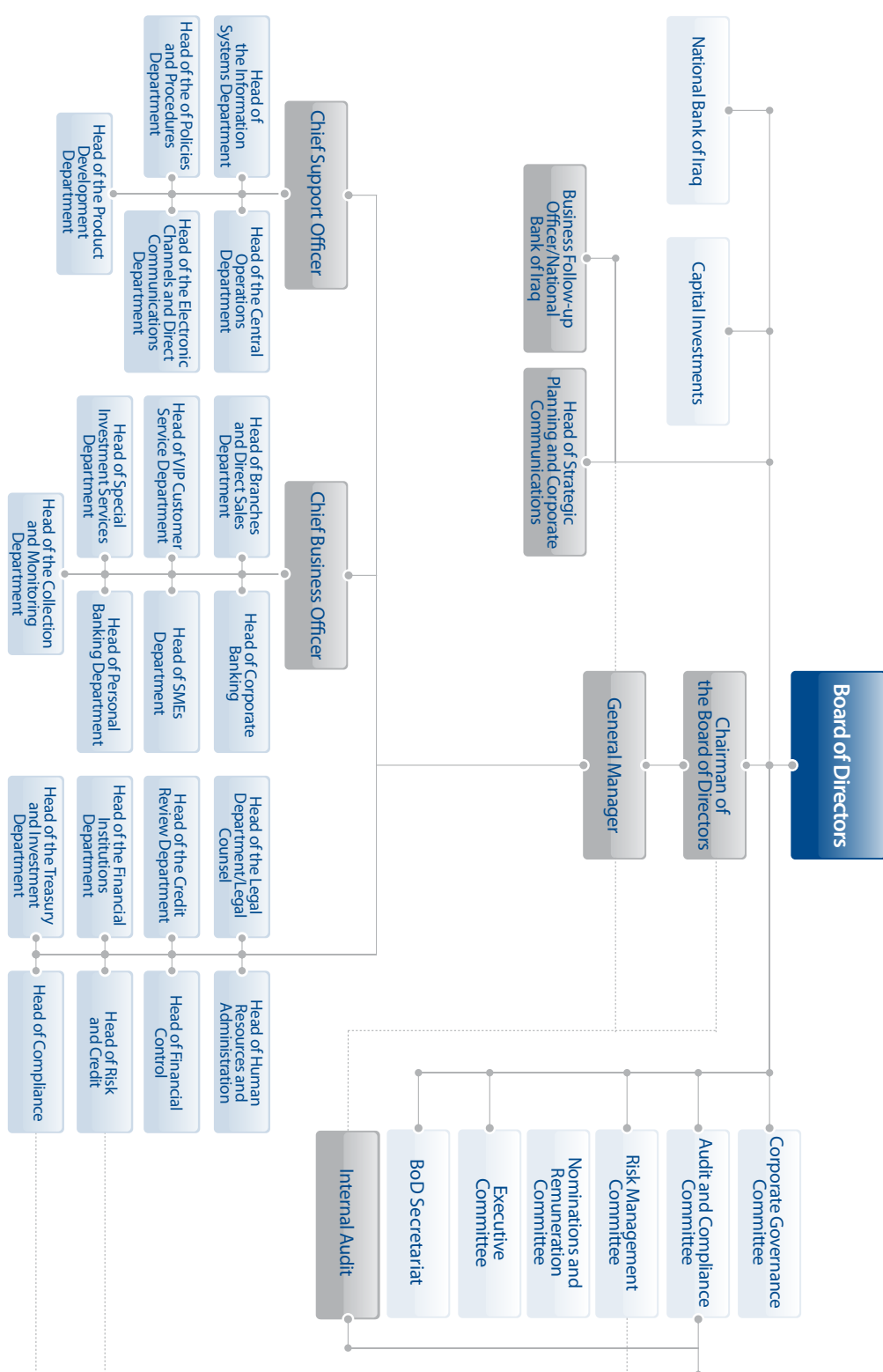
The past few years have seen a growth in Capital Bank's share in the Jordanian banking market, with Capital Bank's share accounting for 3.92% of total banking-sector assets, 3.47% of total credit facilities and 3.56% of total customers' deposits in the banking sector.

**6 There is no dependence on particular suppliers or major customers, whether local or international, providing 10% or more of total purchases and/or sales.**

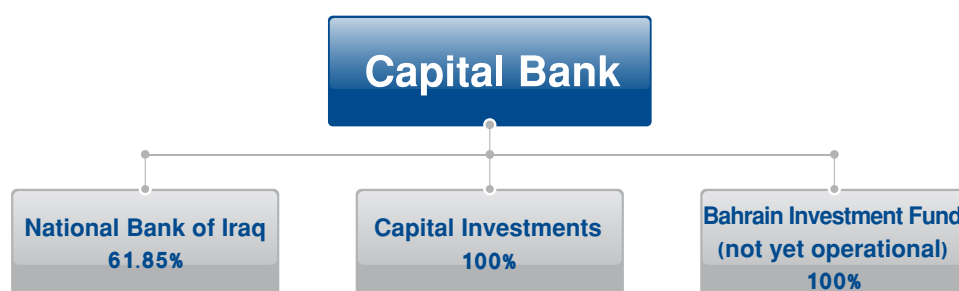
**7 There is no government protection or privileges enjoyed by the Bank or any of its products in accordance with laws and regulations, nor are there any patents or franchise rights gained by the Bank.**

**8 There are no decisions by the government, international organizations or others that have a material effect on the Bank's operations, products or competitiveness. International quality standards do not apply to the Bank.**

## 9 A – Organizational Structure of the Bank:



## B – Organizational Structure of Subsidiary Companies:



## C – Academic Qualifications of Capital Bank and Capital Investments Employees:

Academic Qualification	Number of Capital Bank Employees	Number of Capital Investments Employees
PhD	-	-
CPA	2	-
Master's Degree	28	8
Higher Diploma	1	-
Bachelor's Degree	364	26
Diploma	34	-
Secretarial diploma	2	1
High School	18	1
Less than high school	16	7

## D – Training and Qualification Programs for Capital Bank and Capital Investments Employees:

Description	Capital Bank		Capital Investments	
	Number of Courses	Number of Participants	Number of Courses	Number of Participants
In-house training	8	197	-	-
Training inside Jordan	63	163	5	21
Training outside Jordan	19	19	-	-
Total	90	379	5	21

## E –Training Courses:

Name of Course	Number of Courses	Number of Participants/ Capital Bank	Number of Courses	Number of participants/ Capital Investments (subsidiary)
International courses and conferences	20	20	-	-
Participation in local conferences	3	8	-	-
Orientation Programs	7	58	-	-
English language courses	7	36	-	-
Specialized courses in commercial and transfer services	4	36	-	-
Specialized courses in anti-money laundering	1	1	-	-
Specialized courses in operational risks	3	5	-	-
Time management	-	-	-	-
Specialized courses in marketing and sales	1	6	-	-
Specialized courses in performance evaluation strategies	-	-	-	-
Specialized courses in information technology systems	8	8	-	-
Specialized courses in financial aspect s	5	9	-	-
Specialized courses in legal aspects	3	3	-	-
Computer courses (Excel)	2	16	1	4
Specialized certificates	8	16	1	3
Other	18	561	3	14
Total	90	326	5	21

## 10 Risks

The Bank is exposed to the following risks facing the banking sector:

- Credit risks
- Market risks
- Liquidity risks
- Operational risks
- Compliance risks
- Information security risks

## 11 Achievements in 2013

A detailed description of achievements supported by figures is provided in the Board of Directors' report on the Bank's achievements.

## 12 Financial Impact of Non-Recurring Operations in 2013:

No non-recurring operations occurred in 2013.



**13 Timeline of Realized Profits and Losses, Dividends and Net Shareholders' Equity for the years (2003-2013).**

Fiscal Year	Shareholders' Equity	Net Profits	Dividends Cash Dividends	Closing Price Bonus Shares	
2003	45,779,476	8,061,827	-	4,500,000	3.93
2004	59,872,518	12,346,354	-	7,000,000	4.41
2005	135,934,724	21,358,989	-	10,500,000	3.32
2006	156,991,770	18,059,905	-	14,000,000	1.93
2007	172,375,124	13,508,666	-	7,000,000	2.07
2008	203,161,545	15,250,169	7,500,000	-	1.8
2009	208,070,606	1,338,383	-	17,200,000	1.56
2010	214,107,952	5,149,968	-	-	1.54
2011	221,258,745	1,428,331	-	-	1.36
2012	242,807,956	22,036,184	-	-	1.13
2013	324,291,358	37,036,290	-	15,000,000	1.60

**14 Analysis of financial position and operating results**

Financial Ratios	31/12/2013	31/12/2012
Return on average assets	2.12%	1.47%
Return on average equity	13.06%	9.50%
Earnings per share	0.213	0.132
Equity/assets ratio	17.19%	15.11%
Capital adequacy	18.71%	19.28%
Non-performing loans ratio (net of interest in suspense)	6.73%	9.92%
Provision coverage ratio of non-performing loans net of interest in suspense	69.87%	51.47%
Liquidity ratio (cash and cash equivalents)	138.02%	129.50%

## 15 Important Future Developments and Plans for the year 2014

In 2014, Capital Bank will continue to capitalize on its cutting-edge position in providing specialized services to corporate and individual customers investing in Jordan. It will continue to provide pioneering services to meet the needs of its customers in Jordan and Iraq as well as corporations operating in both countries.

Capital Bank will continue to work within its strategy to link trade and project finance with capital markets, and to provide a full range of competitive and innovative investment and banking services, depending on an in-depth knowledge of developments in the local and regional economic sectors and on the latest, highly efficient technologies. The Bank plans to introduce new financing products to the market in collaboration with the Central Bank of Jordan to finance industrial, tourism, and renewable energy sectors at preferential interest rates. Moreover, the Bank aims to attract a number of large companies in stable economic sectors by offering them banking facilities with good guarantees. It also aims to raise the level of interest in SMEs as the driving force behind economic growth and given their contributions in providing employment opportunities. This will be achieved by expanding the scope of the Bank's operations by offering a full range of programs in line with the demands of the sector.

The Bank will continue to provide its pioneering services and products to corporate customers, especially in the field of trade and project finance in addition to offering unique advantages to customers in the promising Iraqi market. Due to their importance in all business sectors, the Bank has expanded its services to cater for SMEs by establishing a special department for this purpose. The Bank continues to finance environment-friendly projects in collaboration with the French Development Agency.

In relation to services provided to individual customers, the Bank will continue to meet their requirements by introducing a number of advanced products in light of the current economic changes via our many branches as well as Capital Select –the leading branch dedicated to serving our VIP customers.

The Bank aspires to benefit from the promising investment opportunities in the Jordanian, Iraqi, and regional markets by entering into carefully considered projects and building strategic investment alliances with distinguished banks at the regional level to meet customers' needs in those markets.

The Bank is committed to maintaining the trust and confidence of its customers. It will focus its activities and resources on enhancing its services and position in the banking sector by developing its infrastructure and introducing a suite of new online banking services to become the best choice for our customers. The Bank will also seek to employ qualified, experienced and competent individuals based on rigorous selection criteria.



## 16 Bank and Subsidiaries External Auditor's Fees:

Ernst and Young's fees for auditing the Bank and its subsidiaries in 2013 amounted to JD 134,310 including tax, as follows:

	Amount
Capital Bank	76,560
Capital Investments (subsidiary)	8,120
National Bank of Iraq	49,630
Total	134,310

## 17 Number of Securities

a –Number of securities issued by the Bank and owned by members of the Board of Directors, executive senior management and relatives of members of the Board of Directors.

Member	Position	Nationality	Number of Shares owned as at 31/12/2013	Number of shares owned as at 31/12/2012
Bassem Khalil Salem Al-Salem	Chairman	Jordanian	7,929,716	7,208,833
Said Samih Talib Darwazah – resigned 08/05/2012	Vice Chairman	Jordanian	12,791,903	11,629,003
Mazen Samih Talib Darwazah	Member until 7/5/2012 Vice Chairman from 8/5/2012	Jordanian	2,414,756	2,195,233
Kim Fouad Saad Abu Jaber	Member	Jordanian	2,265,229	2,278,940
Investments and Integrated Industries Company	Member	Jordanian	8,310,231	7,554,756
Represented by Mr. Omar Muhammad Ibrahim Shahrour		Jordanian	-	-
Social Security Corporation	Member	Jordanian	15,299,039	13,908,218
Represented by Mr. Issam Abdullah Yousef Al-Khatib		Jordanian	-	-
Khalil Company for Investments	Member	Jordanian	53,269	48,427
Represented by Mr. Khalil Hatim Khalil Al-Salem		Jordanian	99,783	90,712
Hitaf Investments	Member	Jordanian	4,989,416	4,535,833
Represented by Mr. Muhammad Ali Khaldoun Satia' Al Husry		Jordanian	2,494,707	2,267,916
Jadara Company for Real Estate Investment	Member	Jordanian	31,182	28,348
Represented by Mr. Sultan Mohammad M. El-Seif		Saudi	-	-
Jawad Abdel Reda Abdel Baqi Al-Qassab	Member	Jordanian	31,181	28,347
Mazen Ahmad M. Al-Jubeir	Member	Saudi	27,500	25,000
Muhammad Said Muhammad Ibrahim Shahin	Member	Jordanian	27,500	-



b- Number of Securities Owned by Relatives of Members of the Board of Directors

Member's Relative	Member	Relation	Nationality	Number of Shares owned as at 31/12/2013	Number of shares owned as at 31/12/2012
Rudayna Farhan Saad Abu Jaber	Bassem Khalil Salem Al-Salem	Wife	Jordanian	565,826	514,388
Rula Samir Khalil Naser	Mazen Samih Talib Darwazah	Wife	Jordanian	72,719	66,109

c- Number of Securities Owned by Companies Controlled by Members of the Board of Directors:

Member	Position	Name of Controlled Company	Company's Legal Status	Number of shares owned by controlled company	
				31/12/2013	31/12/2012
Mazen Samih Talib Darwazah	Vice-Chairman	Darhold Limited	Private	2,918,436	2,653,124
Muhammad Ali Khaldoun Sati'a Al Husry/Representative of Hitaf Investments and Integrated Industries Company	Member	Darhold Limited	Private	2,918,436	2,653,124
Bassem Khalil Al-Salem	Chairman of Management Committee	Universal Modern Industries for Edible Oil Khalil Company for Investments	Public Shareholding Limited Liability	21,307	19,370
Kim Fouad Saad Abu Jaber	Member	AlYadoudeh Investment Company	Limited Liability	53,269	48,427
				131,236	119,306

d- Number of Securities Owned by Companies Controlled by Executive Senior Management Members:

Name	Position	Nationality	Number of shares owned by controlled company	
			31/12/2013	31/12/2012
Haytham Yousef Abdelminaem Kamhiyah	General Manager	Jordanian	78,687	71,534
Muhammad Hafez Abdel Kareem Muaz	Head of the Legal Department/Legal Counsel	Jordanian	16,500	15,000

No shares are owned by other relatives of members of the Board of Directors

No shares are owned by relatives of executive senior management members



## 18 Remunerations and Benefits of the Chairman and Members of the Board of Directors and Senior Management in 2013

### a – Members of the Board of Directors

Name of Representative	Annual Salary	Transportation Allowance	Bonus	Total
Bassem Khalil Salem Al-Salem	420,000	16,100	5,000	441,100
Mazen Samih Talib Darwazah	-	10,900	5,000	15,900
Omar Muhamed Shahrou	-	14,600	5,000	19,600
Issam Abdullah Yousef Al-Khatib	-	13,400	5,000	18,400
Sultan Mohammad M. El Seif	-	10,589	5,000	15,589
Khalil Hatim Khalil Al-Salem	-	14,400	5,000	19,400
Muhammad Ali Khaldoun Al-Husry	-	13,900	5,000	18,900
Kim Fouad Saad Abu Jaber	-	13,900	5,000	18,900
Mazen Ahmed M. Al-Jubeir	-	14,076	5,000	19,076
Jawad Abdel Reda Abdel Baqi Al-Qassab	-	5,100	5,000	10,100
"Mohammed Said" Mohammed Ibrahim Shahin	-	9,600	-	9,600
Said Samih Talib Darwazah	-	-	1,767	1,767
<b>Total</b>	<b>420,000</b>	<b>136,564</b>	<b>51,767</b>	<b>606,564</b>

### b – Executive Senior Management

Name	Salary	Bonus	Total
Bassem Khalil Al-Salem	420,000	200	420,200
Haytham Yousef Kamhiyah	244,665	200	244,865
Ayman Omran Abu Dhaim	141,720	45,025	186,745
Rafat Abdullah Khalil	118,095	30,060	148,155
Muhammad Hafez Abdel Kareem Muaz	110,235	35,050	145,285
Sami Muhammad Khair (resigned 01/05/2013)	113,532	7,208	120,740
Ali Abu Swai	110,220	35,025	145,245
Yasser Ibrahim Kleib	110,235	35,075	145,310
Rania Muhammad Said Dwaikat	65,370	16,800	82,170
Rayd Khalil Abu Ayyash	110,250	35,200	145,450
Nabil Nicola Al-Awa	65,370	4,350	69,720
Muhammad Said Yahya Al-Dajani (resigned 01/08/2013)	44,245	3,475	47,720
Dirar Asaad Abdul Khaliq	52,290	3,415	55,705
Bassam Diab Ahmad Al-Bitar	62,985	16,080	79,065
Raed Sarhan (resigned 06/07/2013)	67,880	-	67,880
Nidal Tawfiq Ali Ali	51,165	6,630	57,795
Tarik Awad (CEO of Capital Investments as of 06/2013)	104,740	200	104,940
<b>Total</b>	<b>1,992,997</b>	<b>273,993</b>	<b>2,266,990</b>

## 19 Donations and Grants paid by the Bank during 2013

Requesting Party	Amount
SOS Children's Village Jordan	30,000
Goodwill Campaign	38,803
Jordan Strategy Forum	10,000
Young Muslim Women's Association Center/sponsoring students with special needs	9,625
Al-Aman Fund for the Future of Orphans	7,500
Orphan Care Charitable Society/Mafraq	10,000
Steps Program	3,545
The World Affairs Council	5,000
Jordan National Football Team	39,000
Jordanian Chinese Friendship Society	2,000
Dead Sea Marathon	5,000
National Afforestation Programme/Salt Farm	3,720
Other	12,238
<b>Total</b>	<b>176,431</b>

20 There are no contracts, projects or engagements entered into by the issuing company with subsidiary, sister, or affiliate companies, or with the Chairman or Members of the Board, the CEO, or any employee of the company or their relatives.

21 The Bank's contribution to environmental protection and local community service

### A. Contribution to Environmental Protection

Capital Bank contributes to the national afforestation initiative through the afforestation of non-forested land in the Eira/Salt area as part of the agrarian reform program sponsored by the Ministry of Agriculture.

### B. Contribution to Local Community Service

Capital Bank is committed to serving all segments of the local community. As such, it has continued its approach of enhancing its role in society and contributing to social development. The Bank has contributed and provided material and moral support to a number of community initiatives in the educational, humanitarian and social spheres, among others. Within the framework of its interest in supporting initiatives aiming to achieve sustainable development at the humanitarian and social level, the Bank launched a number of initiatives and supported several community projects and programs targeting different sectors in 2013. These include:





### **Educational Initiatives:**

Covering educational costs of students with special needs through the Young Muslim Women's Association Center for Special Education.

Covering educational costs of university students in cooperation with Al-Aman Fund for the Future of the Orphans.

### **Humanitarian initiatives:**

- Supporting the Goodwill Campaign launched on the first days of the holy month of Ramadan.
- Focusing on non-profit organizations and charities and supporting institutions that help orphans and the poor. The Bank also sponsors two homes at the SOS Children's Village Association.
- Providing moral and material support to institutions and associations for children with special needs, including King Hussein Cancer Center.
- Sponsoring 25 orphans of the Orphan Care Charitable Society.
- Distributing food boxes and gifts during the holy month of Ramadan to 100 orphans in the Governorate of Mafraq with the participation of the Bank's employees.
- Providing meals and Eid gifts to children at the SOS Children's Village during the holy month of Ramadan with the participation of the Bank's employees.
- Supporting Jordanian national and local sports teams.

## C – Ratifications

The Board of Directors acknowledges that there are no matters of substance that may influence the continuation of the company during the next financial year.

The Board of Directors acknowledges its responsibility to prepare financial data and provide an effective monitoring system to the Company.

Chairman of the Board of Directors  
Mr. Bassem Khalil Salem AL-Salem



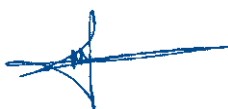
Vice-Chairman of the Board of Directors  
Mr. Mazen Samih Taleb Darwazah



Member of the Board of Directors  
Mr. Kim Foad Sa'd Abu Jaber



Member of the Board of Directors  
Mr. Mazen Ahmed M. Al- Jubeir



Member of the Board of Directors  
Social Security Corporation represented  
by Mr. Issam Abdallah Yousef Al-Katib



Member of the Board of Directors  
Investment & Integrated Industries Company,  
represented by:  
Mr. Omar Mohamed Ibrahim Shahrour



Member of the Board of Directors  
Al-Jadara Company for Real Estate Investment,  
represented by:  
Mr. Sultan Mohammed M. El-Seif



Member of the Board of Directors  
Hotaf Investment Company, represented by:  
Mr. "Mohammed Ali" Khaldoun Sati Al-Husry



Member of the Board of Directors  
Al-Khalil Company for Investments,  
represented by:  
Khalil Hatem Khalil Al-Salem



Member of the Board of Directors  
Mr. Jawad Abdel Reda Abdel Baqi  
AL-Qassab



Member of the Board of Directors  
"Mohammad Said" Mohammad Ibrahim  
Shahin



**We, the undersigned, hereby attest to the truth, accuracy, and completeness of the information and data contained in this Annual Report.**

Member of the Board of Directors  
Chairman of the Board of Directors  
Mr. Bassem Khalil Salem AL-Salem



Member of the Board of Directors  
General Manager  
Mr. Haitham Yousef Qumhia



Member of the Board of Directors  
Chief of the Financial Monitoring  
Department  
Mr. Ayman Imran Abu Dahim





## Disclosures required by Jordan Securities Commission

### Branches

Branch	Address
<b>Main Branch</b> Telephone: Fax: P.O.Box: E- mail:	Shmesani - Esam Al- ajlony street +962-6-5100200 +962-6-5692062 Amman 941283 jordan 11194 Main@capitalbank.jo
<b>Shmesani Branch</b> Telephone: Fax: P.O.Box: E- mail:	Shmesani - Esam Al- ajlony street +962-6-5100200 +962-7-5695942 Amman 941283 jordan 11194 Shmesani@capitalbank.jo
<b>Madina Street Branch</b> Telephone: Fax: P.O.Box: E- mail:	Madina Monawarh Street +962-6-5529994 +962-6-5549252 Amman 941283 jordan 11194 Madinah@capitalbank.jo
<b>Sweifeyeh Branch</b> Telephone: Fax: P.O.Box: E- mail:	Cross Tareq Aljondy street with NasooH Altaher street +962-6-5833799 +962-6-5885176 Amman 941283 jordan 11194 Sweifeyeh@capitalbank.jo
<b>Dabouq Branch</b> Telephone: Fax: P.O.Box: E- mail:	King Abdullah II St. +962 6 5413338 +962 6 5412637 Amman 941283 jordan 11194 Dabouq@CapitalBank.jo
<b>Bayader Branch</b> Telephone: Fax: P.O.Box: E- mail:	Bayader Industrial Area +962 6 5833300 +962 6 5885298 Amman 941283 jordan 11194 Bayader@capitalbank.jo
<b>Majdi Mall Branch</b> Majdi Mall - First Floor Telephone: Fax: P.O.Box: E- mail:	Queen Rania Al Abdulla St. +962 6 5331500 +962 6 5357614 Amman 941283 jordan 11194 majdimall@capitalbank.jo
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<b>Zarqa Branch</b> Telephone: Fax: P.O.Box: E- mail:	Prince Shaker street +962-5-3979295 +962-5-3979103 Amman 941283 jordan 11194 zarqa@capitalbank.jo

Branch	Address
<b>Free Zone / Zarqa Branch</b> Telephone: Fax: P.O.Box: E- mail:	Vehicle Licensing Area +962 5 3825533 +962 5 3824722 Amman 941283 jordan 11194 freezone@capitalbank.jo
<b>Irbid Branch</b> Telephone: Fax: P.O.Box: E- mail:	Alkoba Circle +962-2-7246280 +962-2-7395803 Amman 941283 jordan 11194 irbid@capitalbank.jo
<b>Aqaba Branch</b> Telephone: Fax: P.O.Box: E- mail:	Alnahda Street +962-3-2039990 +962-3-2039949 Amman 941283 jordan 11194 Aqaba@capitalbank.jo
<b>Aqaba office</b>  Telephone: Fax: P.O.Box: E- mail:	Airport Street  +962-3-2039710 +962-3-2039711 Amman 941283 jordan 11194 Aqaba@capitalbank.jo
<b>Gardens Branch</b> Telephone: Fax: P.O.Box: E- mail:	Wassfi Al-Tal St. - Bldg. #115 +962 6 5540444 +962 6 5527834 Amman 941283 jordan 11194 algardenzbranch@capitalbank.jo
<b>Al-Hurreyah St. Branch</b>  Telephone: Fax: P.O.Box: E- mail:	Al-Muqabalen - opposite to Abu Zaghlal Restaurant +962 6 4201616 +962 6 4204227 Amman 941283 jordan 11194 alhorriyah@capitalbank.jo
<b>Dahiet Al-Yasmeen Branch</b> Telephone: Fax: P.O.Box: E- mail:	Al-Yasmeen Circle - Jabal Arafat St. +962 6 4200200 +962 6 4203742 Amman 941283 jordan 11194 alyasmeen@capitalbank.jo
<b>Marj Al-Hamam Branch</b> Telephone: Fax: P.O.Box: E- mail:	Main St.- Beside Jordan Ahli Bank +962 6 5715252 +962 6 5732689 Amman 941283 jordan 11194 MarjElhamam@capitalbank.jo
<b>New Zarka Branch</b>  Telephone: Fax: P.O.Box: E- mail:	New Zarka - 36 St. Al-Kurdi Plaza Complex +962 5 3933555 +962 5 3856009 Amman 941283 jordan 11194 NewZarqa@capitalbank.jo





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