



البنك
الأردني الكويتي
JORDAN KUWAIT
BANK

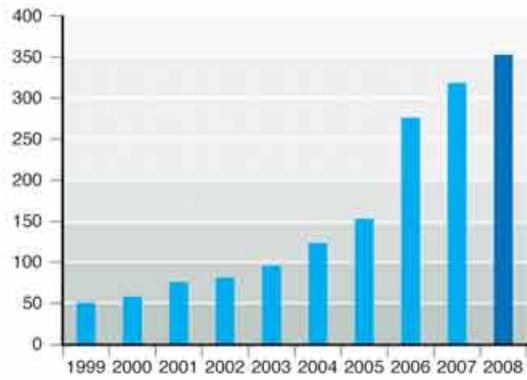


32nd Annual Report 2008

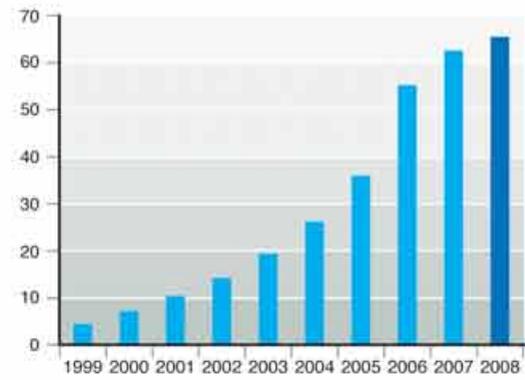
JORDAN... Faces and Places 

Changes in Major Financial Results (1999-2008)

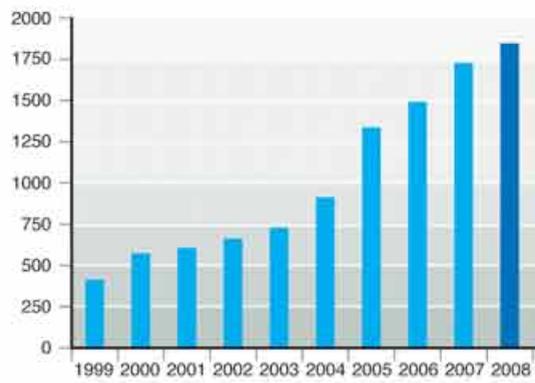
In million US\$



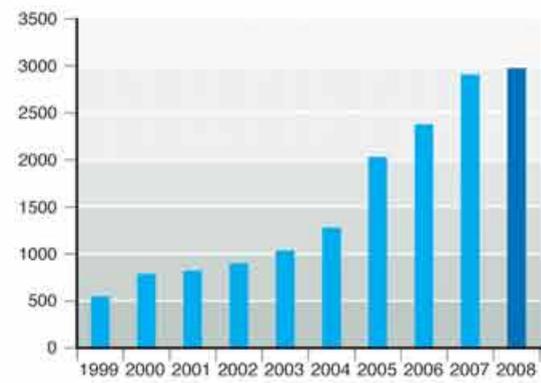
Total Owners' Equity



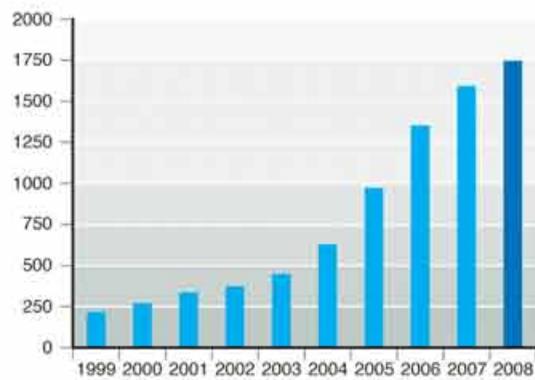
Profit for the year
After tax & Minority Interest



Customer Deposits & Cash Margins



Total Assets



Direct Credit Facilities - net



البنك
الأردني الكويتي
JORDAN KUWAIT
BANK



Public Ltd. Company
Established 25/10/1976
Commercial Register Number 108
Paid-up Capital JD 100 Million (USD 141 Million)

Our Vision

“ To be one of the pioneer Arab banks through offering a distinguished comprehensive banking solutions, in line with the latest developments in banking industry and e-business in the world “

Our Mission

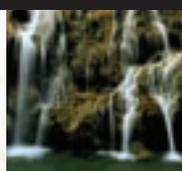
“ We are a Jordanian banking institution which offer global services assured with high quality and professionalism by taking full advantage of the Bank’s advanced technological capabilities and its staff efficiency to render qualified services to customers. JKB seeks to diversify its customer base to include various Jordanian & Arab economic sectors, in order to achieve a rewarding yield to shareholders, in addition to enhance the national economy development, and society welfare.”



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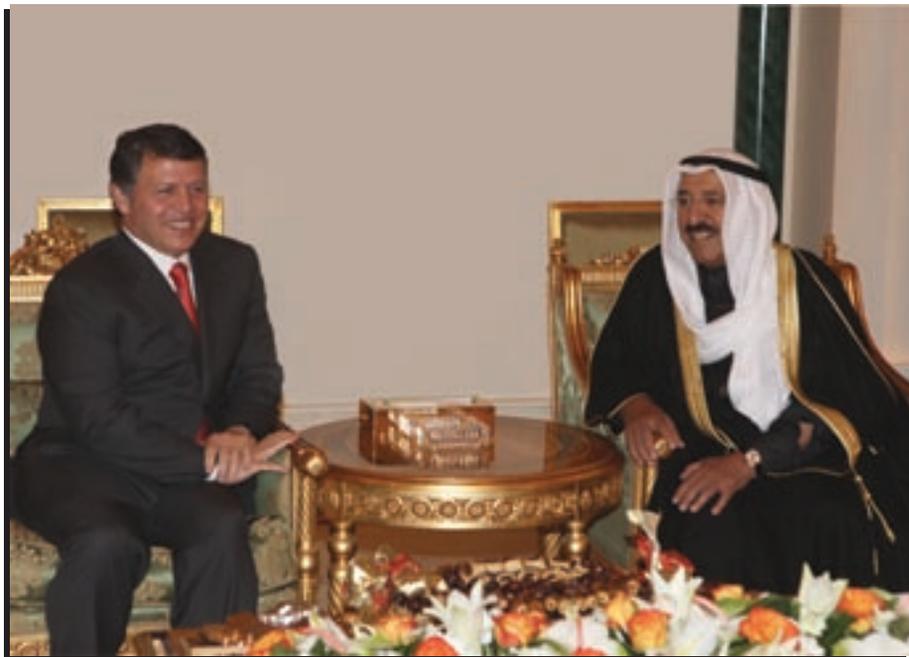


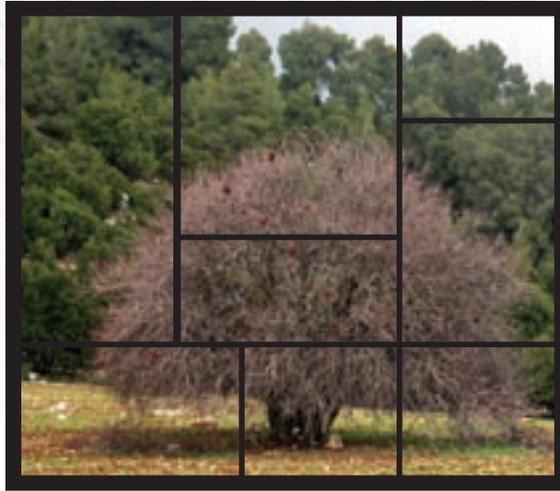


HIS MAJESTY
KING ABDULLAH II BIN AL-HUSSEIN



HIS HIGHNESS
SHEIKH SABAH AL-AHMAD AL-SABAH
EMIR OF THE STATE OF KUWAIT





Board of Directors

Chairman **H.E. Mr. Abdel Karim A. Kabariti**

Vice Chairman **Mr. Faisal Hamad Al-Ayyar**
Rep.: United Gulf Bank – Bahrain

- Members**
- Mr. Emad Jamal Kudah**
Rep.: Social Security Corporation – Jordan
 - Mr. Moh'd Ahmad Abu Ghazaleh**
 - Mr. Masaud Mahmoud Jawhar Hayat**
Rep.: Al- Futtooh Holding Co. - Kuwait
 - Mr. Tariq Moh'd Abdul Salam**
Rep.: Kuwait Projects Co. (Holding) – Kuwait
 - Mr. Farouk Aref Al-Aref**
 - Dr. Yousef Musa Goussous**
Rep.: Burgan Bank - Kuwait
 - Mr. Mansour Ahmad Louzi**
Rep.: Strategy Co. for Investments – Jordan

Board Secretary/General Manager **Mr. "Moh'd Yaser" M. Al-Asmar**

Auditors **Deloitte & Touche**
(M.E) - Jordan

The Board of Directors as of March 15, 2009

Message from the Chairman

To the Shareholders,

I am pleased to present to you on behalf of myself and my fellow board members the 32nd annual report which covers the bank's results, achievements and consolidated financial statements for the fiscal year ending 31/12/2008.

From the beginning all through its end, the 2008 year witnessed a series of exciting events on the local and international economic fronts. It started with an unprecedented wave of rising prices and inflation rates, and ended under the aftershocks of the global financial crisis and signs of economic slowdown and recession.

From the outset of the year, our expectations were that it was going to be a difficult one, filled with challenges. But we did not expect the magnitude of these challenges, particularly after several external factors entered into play, which further augmented the pressure on many sectors and the overall economic situation.

We are not here to add more research, commentary and explanation to the causes and latitude of the global financial crisis. The specialists and experts have already done that. But surely, we are keenly studying this crisis to understand it and draw conclusions from it. We are also interested in working and sharing with the efforts aiming at mitigating its effects on our economy and our country through our role as a national banking institution and being part of the banking system that represents one of the most important pillars of the Jordanian economy. In this context, we must commend and point to the prudent and practical measures taken by the government to address the local economic crisis which exacerbated throughout the year due to the effect of external factors including global economic slowdown, weakening dollar, rising prices of energy, food and strategic goods as well as the record rise of inflation rates.

The government continued its policy of economic openness and control of public debt and along with efforts to promote foreign direct investments. It also encouraged privatization projects and adopted measures to curb inflation and help the poor and limited income citizens through the Social Safety Net and the Agriculture Sector Support Fund. On the level of medium and long term measure, the government announced new development zones (similar to the Aqaba Special Economic Zone) in each of Ma'an, Irbid and Mafraq whereby the governing law regulating said areas offers lucrative tax exemptions and attractive customs facilities to encourage investment. The tendering and implementation of large housing projects targeting limited and mid level income citizens were also initiated.

The Central Bank of Jordan monitored local economic developments and adopted early on measures to minimize the impact of inflation. Furthermore, it adopted a monetary policy aimed at reducing interest rates fluctuations and managing the supply and demand factors related to the Jordanian dinar to maintain the strength of the national currency and to promote attractiveness of investing in the Jordanian dinar through interest rates differences. We must not fail to highlight the corrective measures and amendments to some of the banking regulations undertaken by the CBJ that aimed at improving risk management and transparency among banks and placed new basis for classification, allocation of provisions, lending, and liquidity ratios. Said measures contributed to the enhancement of capital adequacy ratios at Jordanian banks and in the furtherance of the soundness and strength of the banking system as a whole.

As the gravity of the global financial crisis unfolds, and with the chain of collapses and mass bankruptcies of a number of major banking, financial and investment institutions taking place towards the end of the 3rd quarter of the year, Jordan achieved high ability to control and manage local conditions and reduce, to an acceptable level, the possibilities of it being directly affected by the repercussions and rebounds of this crisis on the macroeconomic level in general and on the banking sector in particular. The government decision to guarantee customers' deposits at banks in Jordan till the end of 2009, as done by many countries of the region and the world, left a good impression on citizens and investors and ensued a sense of stability and confidence among them.

In this context, we find that protection and hedging measures taken locally are successful and adequate on both the short and medium terms. This is true especially if we take into account the fact that the economies of developing countries, as opposed to major countries, are less vulnerable to the repercussions of the global financial crisis due to the modest size of their economies and their influence on and vulnerability to the global economy and their unsophisticated financial systems and investment tools. At a time when the 2008 world economy recorded a growth rate of 3.7%, the Jordanian economy achieved a growth rate of about 6%. This confirms our country's ability to face and confront crisis and not only emerge safely, but also register remarkable achievements, as the case has been through the many preceding years.

With regard to the Jordanian financial market, it was the first local sector to be hit by the global financial crisis. We find no acceptable explanation other than the state of panic, loss of confidence, and in several cases lack of investment experience and savvy among a wide segment of investors. Offering stocks at lower prices continued leading to losses in the market value, which dropped from USD 56.6 billion to USD 35.8 billion during the July-December time period, a drop of 36.7%. This happened without regard to companies' performance and their profits, and the high degree of transparency and disclosure which the financial market and listed companies enjoy. It must be noted however, that despite the decline, the Jordanian financial market was the least hit compared to Arab and global markets.

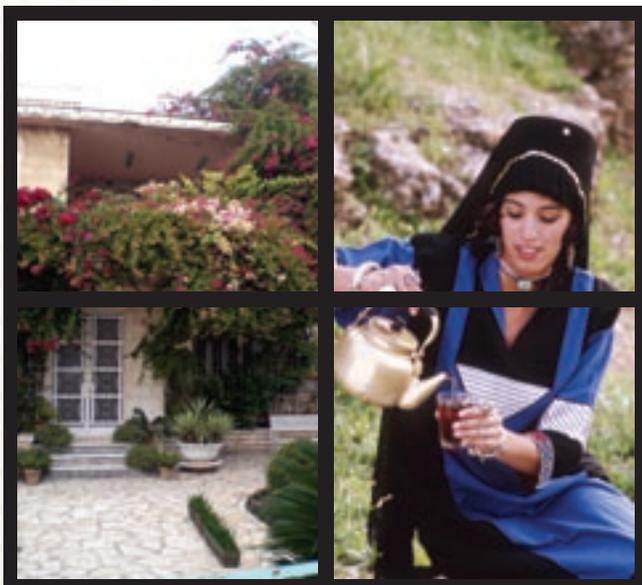


JKB Results

In June 2008, the structure of the Bank's ownership underwent an organizational change, when the Kuwait Projects Company Holding (KIPCO) transferred the share of the United Gulf Bank (Bahrain) in JKB's capital, as well as in other regional subsidiary banks, to its owned Burgan Bank, thus becoming the regional banking arm of KIPCO Group. From our view, we see this change as an important step towards strengthening the relationship between Jordan Kuwait Bank and the Group banks. This will reflect positively on the performance of the Bank and the development of its operations and will provide an added value to JKB and all KIPCO banks. We are confident that the JKB success story and its outstanding results and achievements record, and its well-established and renowned reputation, gained both locally and abroad, will represent a model to be followed by the Group banks. It will also form one of the main support elements of its growth and prosperity.

From the beginning of 2008, JKB continued to operate under what we have expected of difficulties and challenges. It must be noted here that the beginning of 2008 marked the enforcement of policies and work procedures in accordance with corporate governance requirements, Basel II accords, anti-money laundering regulations, and internal monitoring and control instructions. It should be noted here that the groundwork for the implementation of these policies and procedures from technical, management and human resources dimensions, was completed in 2007. Our banking transactions and investment decisions were carried out in accordance with the standards, requirements, and established limits and best professional practices. Said commitment, across all levels, had the biggest impact in realizing what we have achieved today in terms of maintaining the positive, balanced and calculated growth pace in all of the Bank's business fields, particularly its core banking transactions which, despite the difficulties and challenges, achieved good results that are clearly evident in the 2008 financial results.

Management efforts and perseverance to develop and diversify the Bank's services and products to meet customers' needs and demand for more modern banking services played a big role in achieving growth in the Bank's activities. We succeeded in expanding our customer base through the extended branches network and the Bank's growing good reputation and positive image in the minds of customers and citizens alike.



To maintain the leading position enjoyed by the Bank on the local and regional banking arena in the field of banking technology, our efforts continued to extend and augment electronic channels and encourage our customers to use them, aiming to facilitate their dealings and communication with the Bank around the clock. The wide range of e-services offered for both individuals and corporate clients witness growing demand due to the comprehensiveness, speed and accuracy of these services in addition to the highest standards of security.

Throughout the year, the Bank's activities and operations continued with the support of a strong capital base, which was further augmented by raising it from JD 75 million (USD 105.8m) to JD 100 million (USD 141m) during the first quarter of the year. JKB achieved good financial results whereby total assets increased to USD 2.91 billion, an increase of 2.3% over last year figures, net credit facilities increased by 9.6% over 2007 figures, thus reaching USD 1.75 billion and total customers' deposits and cash margins reached USD 1.85 billion by the end of the year. These figures affirm our achievement of a balanced growth in assets and liabilities.

With regard to credit activity, we were keen to abide by two main guidelines: first, adhering to local and international standards related to the study and assessment of new customers' credit applications, and the second, continuing the support of our standing customers across all productive economic activities be it industrial, services or commercial. This stemmed from our appreciation of our customers' past and ongoing dealings with the Bank and our conviction that, under the current circumstances, any deterioration that has or will affect the performance of these companies will be a temporal side effect of the current local and global economic conditions and does not indicate inefficient performance or weak management capabilities and potentials.

As a result of the bank's 2008 activities, total revenues amounted to USD 164.5 million while net profit after tax and minority interest reached USD 65.5 million, a growth of 4.6% compared to last year. Total shareholders' equity increased to USD 352.8 million of which USD 337.7 million pertain to the Bank's shareholders. All performance indicators and efficiency ratios, particularly return on equity and return on average assets maintained their high levels. The capital adequacy ratio for 2008 recorded 14.99% compared to 14.97% last year, noting that, the ratio of 2008 included the operational risks as per Basel II requirements.

Attention here must be drawn to the good results and achievements of our subsidiary companies (Arab Orient Insurance Co. and United Financial Investments Co.) which had significant contribution to the Bank's consolidated results for this year.

Based on 2008 results and profits, the Board of Directors is pleased to recommend to the General Assembly the distribution of JD 10 million (USD 14m) equivalent to 10% of capital, as cash dividends and retain the remaining profits as precautionary reserve to maintain the strength of the Bank's capital base and enhance its financing capability in order to support the requirements of the Bank's activities and growth for the year 2009.

2009 Outlook

For 2009 the projections indicate that it will be a difficult one and a year of economic slowdown. We also can see some negative ramifications on both the short and medium term. However, the general outlook is not devoid of positive signs, the most important of which are the lower prices of oil, food and other commodities, which improves the current account and balance of payments line items and strengthens foreign currencies reserves. In addition, we can also see a lower inflation rate which is expected to reach

7 - 8%. All of the above falls in the interest of citizens and the improvement of living standards.

Given that the Jordanian economy is part of the world economy, and if the global crisis longer persists, and prospects of entering into a state of global recession become stronger as expected under current circumstances, then undoubtedly our economy will be subject, one way or the other, to direct pressure. This is so due to its reliance on external factors such as exports to the US, foreign remittances, tourism, foreign investment and foreign aid which are not expected to maintain previous levels. The government revenues will also be affected as a result of the drop in corporate profits and the slowdown in real estate and commercial activities considering their contributions to tax revenues.

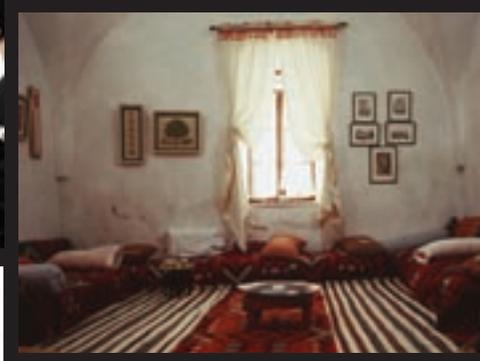
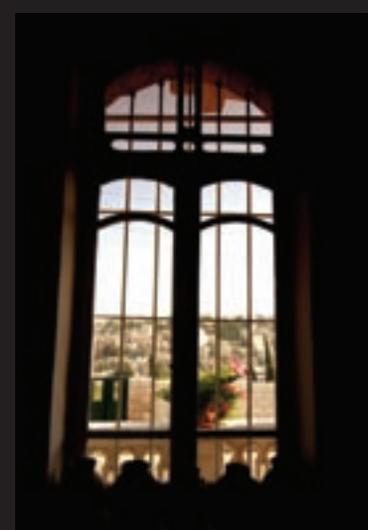
Because we are in extraordinary times, we need extraordinary measures. Thus, economic decision makers are faced with an exceptional task focused on achieving a balance between the advantages and disadvantages of the present situation. The collective efforts of all sectors, both public and private, must focus on the main objective of protecting the national economy, maintain its growth, and be ready to face any weakness or deterioration. In this regard, achieving economic growth rate of 5-6% in 2009 would be considered a good national achievement.

The activation and credible handling of a plan to stimulate the economic environment and directing it towards productive projects that are in synchronization with sustainable development will constitute one of the key means to maintain the strength and achievements of the economy. The plan should include attractive incentives for foreign investments, specific policies that fortify monetary stability and enhance the banking sector's ability to continue its role of providing adequate credit to the business sector. Here, the Jordanian banking sector must continue to commit and comply with the CBJ instructions and directives and to rationalize its credit operations and strengthen its capital base as well as adhere to monitoring and control measures to be able to contribute to the neutralization or mitigation of any adverse impacts that may affect the national economy and its growth potentials.

In 2009, the Bank will deal with the circumstances and developments objectively and within a set of professional values and sound policies and standards that were endorsed as a governing framework for our business practices throughout the past years. While we are planning to work in 2009 in an atmosphere of conservative expectations, we are certainly determined to accomplish the best results and achievements. We will continue as we have always been the first optimists and last pessimists.

Finally, I express my deepest gratitude and appreciation to our esteemed shareholders for their support and our customers for their loyalty and trust. I would also like to thank our dear brothers and partners at the "Kuwait Projects Company Holding" for their interest and keenness to safeguard the success and continuity of this institution and its progress and prosperity. I also extend my gratitude to the Central Bank of Jordan for its dedicated and continuous efforts towards enhancing the banking sector in Jordan and solidifying its financial standing. Thanks and appreciation are also due to all my fellow JKB Group staff for their loyalty, their dedication and their valued role in achieving the Bank's success and growth.

Abdel Karim A. Kabariti
Chairman



The Board of Directors' Statement on Corporate Governance

JKB adopts a Corporate Governance Manual that was prepared in late 2007 according to best international practices and the Central Bank of Jordan (CBJ) instructions. The aim of the Bank's adoption of this manual is to achieve corporate governance principles of fair treatment with all stakeholders; transparency and disclosure of JKB's actual financial and administrative standing; accountability between the Board of Directors and the executive management, between the Board and shareholders as well as between the Board and the various stakeholders; in addition to accountability through the clear segregation of duties and delegation of authority. To achieve greater level of disclosure and transparency, the Corporate Governance Manual is enclosed with this report.

The Bank's organization and administrative procedures are based on the following principles:

- A board of directors is in place that is effective and responsible.
- A clear strategic direction for business development.
- Sound accounting and information disclosure principles.
- Sound decision making mechanisms.
- Performance evaluation linked to the strategy.
- Human resources development.

Board of Directors and Board Committees

Board of Directors

The formation of the Board of Directors is governed by the Jordanian Companies Law and the Banks Law. The Board is comprised of nine members elected for tenure of four years.

The current Board of Directors was elected on February 23, 2005 for four years with H.E. Mr. Abdel Karim Kabariti as Chairman and CEO, and Mr. Faisal Hamad Al-Ayyar as Vice-chairman. In 2008, the Chairman became non-executive director.

The main role of the Board of Directors lies in its responsibility of ensuring the soundness of the Bank's financial standing, and fulfilling its obligations towards all stakeholders. The Board sets the Bank's strategic objectives and has oversight responsibility over the executive management. It is also accountable for ensuring the effectiveness of internal monitoring and control systems and the extent to which the Bank is abiding by the strategic plans and that written policies covering all of the Bank's activities are endorsed and in place.

The Board of Directors is also responsible for the credibility of the Bank's financial reports and ensuring the application of appropriate risks policies as well as compliance with all laws in force.

Board Meetings

The Board is comprised of nine members - their names listed below - and held six meetings during 2008 on the following dates: Jan.9, Mar.5, Jul.23, Oct.16, Nov.8 and Dec.18, 2008. All Board members have attended all meetings as well as the General Assembly meeting held on Mar.5, 2008.

The following list shows the name of each Board member and his representation capacity as well as Board sub-committees memberships:

Name	Representation	Membership in the Board and its committees
H.E. Mr. Abdel Karim A. Kabariti	Rep. Strategy Co. for Investments.	- Chairman. - Chairman, Board Credit Committee. - Chairman, Corporate Governance Committee.
Mr. Faisal H. Al-Ayyar	Rep. United Gulf Bank	- Vice Chairman
Mr. Moh'd A. Abu Ghazaleh	Self	- Board Member. - Member, Corporate Governance Committee.
Mr. Masaud M. J. Hayat	Rep. Al- Futtooh Holding Co.	- Board Member. - Member, Corporate Governance Committee.
Mr. Tariq M. Abdul Salam	Rep. Kuwait Projects Co. (Holding)	- Board Member. - Chairman, Audit & Risk Committee.
Mr. Emad J. Kudah	Rep. Social Security Corp.	- Board Member. - Member, Audit & Risk Committee.
Mr. Farouk A. Al-Aref	Self / Independent	- Board Member. - Member, Board Credit Committee. - Member, Audit & Risk Committee.
Dr. Yousef M. Goussous	Rep. United Gulf Bank	- Board Member.
H.E. Eng. Naser A. Louzi (until Oct. 3, 2008)	Self / Independent	- Board Member. - Member, Board Credit Committee. - Member, Corporate Governance Committee.

Board Committees

Corporate Governance Committee

Number of meetings in 2008: 1

Committee members:

H.E. Mr. Abdel Karim A. Kabariti - Chairman

H.E. Eng. Naser A. Louzi

Mr. Mohammad A. Abu Ghazaleh

Mr. Masaud Jawhar Hayat

Committee's Secretary: Mr. Shaher Eid Suleiman/Asst. General Manager- Internal Audit.

Credit Committee

Number of meetings in 2008: 49

Committee members:

H.E. Mr. Abdel Karim A. Kabariti - Chairman

H.E. Eng. Naser A. Louzi

Mr. Farouk A. Al-Aref

Committee's Secretary: Mr. "Moh'd Yaser" Al-Asmar/General Manager.

Mr. Tawfiq Mukahal, Deputy General Manager/Banking Group attends the committee meetings and participates in presenting issues on the agenda.

Audit and Risk Committee

Number of meetings in 2008: 6

Committee members:

Mr. Tariq Moh'd Abdul Salam - Chairman

Mr. Farouk A. Al-Aref

Mr. Emad Jamal Kudah

Committee's Secretary: Mr. "Moh'd Yaser" Al-Asmar/General Manager.

Mr. Shaher Eid Suleiman/Asst. General Manager- Internal Audit is called to attend the committee meetings.

Board Members' Remuneration

Every Board member receives the sum of JD 5000 (USD 7,052) per year as Board membership allowance, in addition to allowances in lieu of travel, transportation and Board committees' membership. Total remuneration paid to the Board members in 2008 amounted to USD 205,118 as detailed below:

Board Member	Total rem. in USD
H.E. Mr. Abdel Karim A. Kabariti	62,489
Mr. Faisal H. Al-Ayyar	19,052
Mr. Moh'd A. Abu Ghazaleh	13,399
Mr. Masaud M. J. Hayat	19,475
Mr. Tariq M. Abdul Salam	21,591
Social Security Corporation	15,515
Mr. Farouk A. Al-Aref	22,285
Dr. Yousef M. Goussous	12,976
H.E. Eng. Naser A. Louzi	18,336
Total	205,118

Executives' Remuneration

The salaries, transportation allowance and other expenses paid to the Bank's executives during the year 2008 were declared in the disclosure statement as required by article (4) of the disclosure regulations, the accounting and auditing standards issued by the Jordan Securities Commission annexed to this report and which comprise an integral part of it.

Control Environment

Internal Controls

JKB Board of Directors and executive management are responsible for developing and maintaining the existence of internal control systems and procedures that are capable of ensuring the achievement of the following:

- Accuracy and integrity of financial and operational statements issued by the Bank.
- Effectiveness and efficiency of the Bank's operational activities.
- Effectiveness of measures and procedures set to safeguard the Bank's assets and properties.
- Compatibility with policies pertinent to internal operational procedures as well as laws, legislations and regulations in force.

JKB management works constantly on monitoring and assessing the efficiency and effectiveness of internal control procedures and their ability to achieve aspired objectives and their furtherance and enhancement.

This stems from the Bank's belief in the importance of an effective internal monitoring and control system given that it is one of the key elements of sound management and the base for safeguarding the safety and quality of the Bank's transactions. The Bank has adopted a number of internal monitoring and control systems which their development, implementation, follow-up and updating is the responsibility of the executive management. The JKB management continuously monitors and assesses the efficiency and effectiveness of these systems and their ability to achieve desired objectives. It also oversees their continuous development and enhancement.

In this context, the Board of Directors adopted an internal monitoring and control policy that covered all aspects pertinent to internal control systems in terms of definition, components and implementation responsibilities of the Board of Directors and the executive management.

Internal Audit

The Internal Audit philosophy is based on its mission to provide independent and objective assurances and consultations to the Bank's management that aim to add value or enhance operations, and to assist the Bank's management achieve set goals through establishing a systematic approach to assess and improve the effectiveness of risks management process, internal controls and corporate governance.

The Internal Audit Department is administratively reporting directly to the Chairman of the Board, and functionally to the Audit and Risks Committee. It submits its reports that include the results of its work directly to the Chairman of the Board and the Board Audit and Risk Committee.

A charter was developed for the department according to international best practices. The following are the most important features of the charter:

- Provide reasonable assurance regarding the level of effectiveness and efficiency of internal audit systems at the Bank and their ability to achieve the following:
 - Integrity and reliability of financial and operational data.
 - Efficiency of operations.
 - Compatibility with the regulations, instructions and laws in force.

- Maintaining the Bank's assets and property.
- Business continuity under all circumstances.
- Provide reasonable assurance regarding the level of effectiveness and efficiency of the Bank's risk management systems and corporate governance processes.
- Improve and develop internal audit systems, risk management and corporate governance processes.
- Improve and develop processes and products to best serve the Bank's goals.

The department's scope of work covers all of the Bank's work centers, activities and operations including branches abroad and the bank subsidiaries in a manner that enables it to assess the suitability and effectiveness of internal control systems, risk management and corporate governance processes, and accomplishes all the tasks and responsibilities entrusted to it. In addition, the Department carries out the following:

- Conduct periodic reviews and audits based on the priorities of the Risk-based Audit Plan adopted as part of the department's strategy which is approved by the Board of Directors and the Board Audit and Risk Committee.
- Conduct any special reviews or consultations based on the directions of the Chairman or the Board Audit and Risk Committee.
- Assist the Executive Management and the Board of Directors by providing the needed consultations according to best international standards and practices.

The concept of quality control was introduced in order to provide relevant stakeholders with reasonable assurance with regard to internal audit activities and their compatibility with internationally recognized standards both locally and internationally.

Risks Management

The various risks that the Bank is exposed to are managed by an independent Risk Management Department which reports to the Deputy General Manager – Risk Management Group; and submits its periodic reports to the Board Audit and Risk Committee.

The responsibilities of the Risk Management Department include the following:

- Identify, measure, monitor and control risks and provide recommendations to mitigate the risks that face the Bank and guarantee the highest degree of coordination with all relevant Bank operations and departments.
- Provide recommendations to define the size and type of each of the acceptable main risks by the Board of Directors and ensure that current risks are in line with planned risks (Risk Appetite).
- Develop the methodologies for measuring and controlling each type of risk.
- Provide recommendations when setting the limits of the various risks that the Bank is subjected to, review them and provide recommendation to the Board Audit and Risk Committee, as well as record cases that are exceptions to risk management policies.
- Provide the Board and Senior Executive Management with enough information regarding the Bank's risk measurements and risk profile (qualitative and quantitative statistics to be presented at each Board meeting).
- Highlight risks transparently and ensure they are clear and understood internally and disclosed to the public.
- Coordinate with Bank's committees, such as the Executive Committee, the Management Credit Committees and the Assets and Liabilities/Treasury Management Committee while conducting its tasks within the specified authorities of these committees.
- The department is responsible for raising risk awareness among the Bank's employees focusing on new methods and practices aiming at realizing the concept of comprehensive risk management.

- The department follows up on the instructions and recommendations released by the various regulators, including BASEL committee, and translates them into work plans, policies and procedures.

Compliance Control

The process of monitoring compliance is considered an independent task which aims at insuring that the Bank and its internal policies are in compliance with all the laws, regulations, instructions, directives, codes of conduct, and sound banking standards and practices issued by local and international regulators.

- The Board of Directors adopts the Bank's Compliance Policy and takes necessary measures to further the values of integrity and sound professional conduct within the bank such that compliance with the applied laws, regulations, instructions and standards constitute a primary goal that must be achieved. It also assesses the effectiveness of compliance management at least once a year or on need basis. Furthermore, the implementation of the Compliance Policy at the Bank is monitored and followed-up by the Board of Directors through the Board Audit and Risk Committee.
- The processes of compliance monitoring are managed through an independent department, which reports directly to the Deputy General Manager – Risk Management Group, and submits reports periodically to the Board of Directors through the Board Audit and Risk Committee.
- Non-compliance risks include the risks of not abiding by the laws, regulations, instructions and legislations issued by the various regulators, in addition to the risks of money laundering operations, reputation risks, risks of non-compliance with professional conduct charters, intellectual property rights, including systems, and any other relevant issues.
- The Compliance Department's scope of work includes non-compliance risk across all of the Bank's departments and branches in Jordan and outside as well as its subsidiaries.
- The responsibility of Compliance Management is summarized by assisting Executive Management and the Bank's employees manage non-compliance risks that face the Bank; especially the risks of money laundering operations. In addition, Compliance Management provides advice to Executive Management regarding the applied laws, regulations and standards as well as any amendments that may take place.
- The Bank informs the Central Bank of Jordan of any violations resulting from non-compliance, especially violations that subject the Bank to legal penalties or material financial or reputation losses. In addition, it informs the Anti-Money Laundering Unit at CBJ of any cases that should be reported.

Code of Conduct

The Bank adopted a code of conduct that was endorsed by the Board of Directors. JKB employees across the various administrative levels as well as the Board of Directors have pledged to commit to it.

The Code defined the ethics, values and principles of the Bank employees in four main areas which are: integrity, compliance with laws, transparency and loyalty to the Bank.

Whistle Blowing Policy

JKB maintains policy and procedures pertinent to whistle blowing. The policy aims to promote a culture of openness and to demonstrate the shared responsibility of preserving work ethics. Procedures that deal with this policy were distributed among all Bank employees to follow. The procedures clarify accountability lines for reporting issues related to unusual and/or suspected behavior that must be reported. Implementation monitoring of Whistle Blowing Policy is carried out by the Board Audit and Risk Committee.

Relation with Shareholders

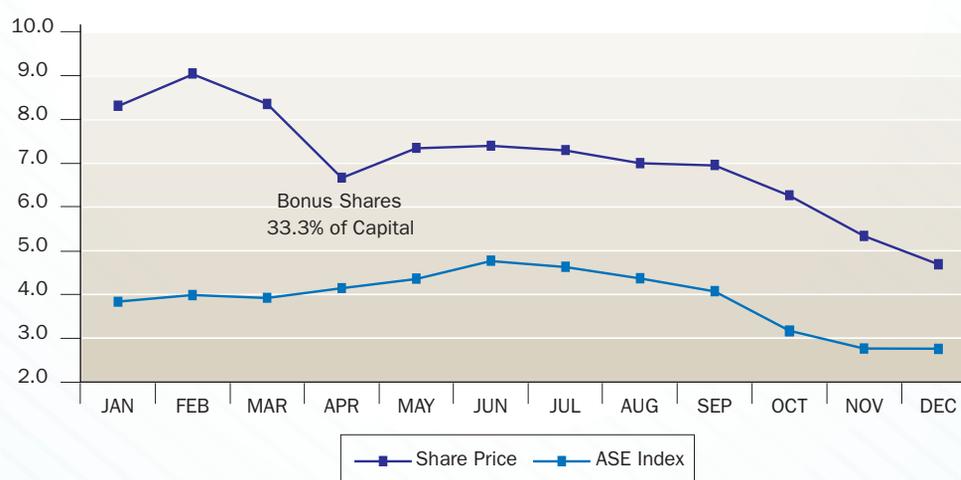
The Bank develops positive relations, based on transparency, with all its shareholders. In this regard, the Bank saves no effort to encourage all shareholders, particularly minority shareholders, to attend the General Assembly meetings and cast their votes. The Bank has a wide shareholder base of 15,344 as of 31/12/2008. The main source of information for shareholders is the Annual Report which includes, among others, the report of the Chairman of the Board as well as the audited financial statements. In addition, the un-audited quarterly and semi-annual balance sheets, profit and loss statements as well as the Chairman's report are published in local newspapers.

The complete financial statements and the Board of Directors' report are filed at the Jordan Securities Commission (JSC) and the Amman Stock Exchange, with a copy submitted to the Companies Controller. These reports are published on JKB's website (www.jordan-kwait-bank.com) which also provides extensive information about JKB services, products, news and press releases. The Bank is committed to disclose any material information, should it occur, in accordance with the JSC instructions.

Shares / Ownership Classification

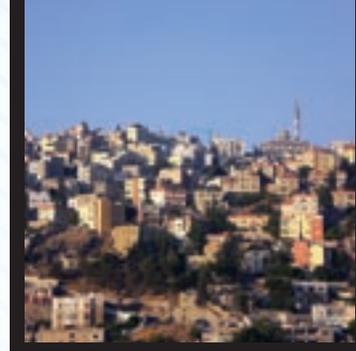
Number of Shares Held	Shareholders		Shares	
	No.	%	No.	%
500Up to	11,652	75.938	2,405,951	2.406
501 – 1,000	2,012	13.113	1,418,526	1.419
1,001 – 5,000	1,305	8.505	2,630,217	2.630
5,001 – 10,000	168	1.095	1,167,859	1.168
10,001- 100,000	166	1.082	5,401,628	5.402
100,001 - 500,000	28	0.182	5,849,465	5.849
More than 500,000	13	0.085	81,126,354	81.126
Total	15,344	100	100,000,000	100

Changes in JKB Share Price (JD) vs ASE Index During 2008



Compliance Details

JKB adopts Corporate Governance Manual which was developed during the last quarter of 2007. In addition, JKB complied with the requirements of the Jordan Securities Commission.



Management Discussion and Analysis

The first half of 2008 witnessed important economic developments reflected by a sharp increase in oil prices and inflation rates as well as expansion in investment fields, particularly in the real estate sector. It also witnessed an increase in consumer and investment lending and was also a period of prosperity for the Amman Stock Exchange. The government was obliged to raise fuel prices six times. The GDP achieved an overall growth of around 6%, while the general budget registered growth in both revenues and expenditures.

In the second half of the year the situation changed and took a reverse path. Oil prices dropped, some investment projects, particularly in real estate, were halted or postponed. The record price index reversed its uptrend and share prices on the Amman Stock Exchange dropped sharply. While a good growth rate was achieved in the third quarter of the year, signs of economic slowdown started to appear in the last quarter, whereby some economic entities adopted the wait-and-see attitude.

The Bank continued its operations in 2008 with due consideration to these developments. Our banking transactions and investment decisions were carried out in accordance with the standards and best professional practices. Said commitment, across all levels, had the biggest impact in realizing the positive, balanced and calculated growth in total balance sheet, customers' deposits, credits and profits despite the difficulties and challenges. The bank benefited from its strong capital base which was enhanced through raising the paid up capital during the first quarter of 2008 from JD 75 million (USD105.8m) to JD 100 million (USD141m).

Performance of the Jordanian Banking Sector

Total deposits in the banking sector increased from USD22.6 billion in December 2007 to USD25.5 billion by the end of 2008, at a growth rate of 13.02%. Private sector's deposits increased from USD20.7 billion to USD23.4 billion, registering a growth of 12.6%. Term deposit constituted 63.2% of total deposits in the banking sector, while on-demand deposits and savings deposits accounted for 24.9% and 11.9% respectively. JKB's share of total customers' deposits in the banking sector amounted to 6.22% by the end of 2008.

Total credit facilities in the banking sector increased from USD15.9 billion as at December of 2007 to USD18.6 billion by the end of 2008, an increase of 16.8%. Loans and advances accounted for 83.3% of total credit facilities compared to 81.5% in 2007, while overdraft credit accounted for 13.4% compared with 14.7% for the same period. JKB's share of total credit facilities in the banking sector amounted to 8.07%.

The 2009 expectations do not seem negative as a whole, but rather hold many positive elements, which we hope will materialize on the ground. These relate especially to the results of the efforts made by His Majesty the King to promote investment and attract investors, the expanded facilities provided by the Government, and the diversification of Arab investments in sectors beyond real estate and construction to cover manufacturing, tourism and electricity in addition to the signs of success of the new development zones in Maan, Mafraq and Irbid, as well as Aqaba.

JKB Financial Performance

Operating results: total revenues in 2008 amounted to USD164.5 million compared with USD136.5 million for the previous year, representing an increase of 20.5%. The increase is attributed to the growth in commercial banking services, including corporate & retail credit, treasury and private banking.

Net profits before Tax: The net profits for 2008 reached USD96.4 million compared with USD89.8 million for the previous year, achieving a growth rate of 7.3%.

Net interest and commission: net interest and commission amounted to USD134.9 million, an increase of 19.7% over last year figures. The increase was the result of a 9.6% growth in the credit facilities, as well as the effective management of assets, liabilities and interest rates.

Other Revenues: Sources of other revenue are the non-interest generating activities, such as fees & commissions of general and private banking services, plastic cards revenues, and other services. Revenues from the afore-mentioned operations totaled USD26.8 million, an increase of 62.4% over the past year.

Operating expenses: operating expenses, representing mainly staff salaries, maintenance, depreciation & amortization, provisions and other administrative expenses for the Bank and its subsidiaries, reached USD68.2 million an increase of 46% over 2007 figures. This increase is attributed to the sharp rise in business-related materials and equipments and maintenance costs in 2008.

Financial Position

As at December 31, 2008, total assets reached USD2.91 billion, marking a 2.3% growth over the USD2.84 billion as at December 31, 2007. The Bank maintains a balanced mix of assets and liabilities within the solvency and profitability matrix.

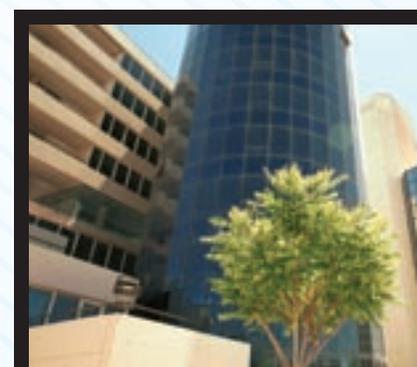
Net credit facilities increased by 9.6% and reached USD1.75 billion by the end of 2008. Retail and consumer loans increased by 58.4%, Medium and small business loans increased by 16.7%, while corporate loans increased by 6.8%, reaching USD1.47 billion.

Despite the repercussions of the global financial crises on some local economic sectors, the Bank's sound risk management practices helped in maintaining the non-performing loans ratio within its low level as it recorded just 0.5%, a sound record on both national and international levels.

The Bank's strategy aimed at maintaining a high coverage for non-performing loans continued, whereby coverage ratio reached 253.1% as of 31/12/2008 compared with 227.3% for the previous year.

Liabilities

Customers' deposits and cash margins constitute 72.2% of total liabilities. Customers' deposits include savings accounts, current accounts, fixed deposits and cash margins of individual and corporate clients. Total customers' deposits realized an increase of 9.2% during this year, increasing from USD1.54 billion as of 31/12/2007 to USD1.68 billion by 31/12/2008.





Capital

By December 31, 2008, total Bank-shareholders equity, including current year net profits of USD57.15 million, rose to JD 337.7 million; a growth of 10.8% over last year figures. The capital adequacy ratio recorded 14.99% against 14.97 in 2007. This year's CAR accounted for the operational risks and was calculated in accordance with the Central Bank of Jordan guidelines, which are consistent with those of Basel Committee on Banking Supervision. This ratio exceeded the minimum capital adequacy requirement established internationally at 8% and that set by the CBJ at 12%.

Activities and Achievements in 2008

Credit Facilities:

Credit facilities registered considerable growth rates during 2008; where as of 31/12/2008 total direct credit facilities (net) amounted to USD1.75 billion, (9.6%) an increase of USD152.8 million over 2007 figures.

The year 2008 witnessed intensive credit activities especially in the first nine months. The Bank continued its direct and indirect financing and lending operations, either solely or through syndicated arrangements. Credit facilities were granted to local clients and foreign investors from the commercial, investment and real estate sectors. A significant part of the Bank's financing and lending was channeled to productive economic sectors and large companies enjoying strategic positions and strong potentials to firmly support the national economy. These sectors include but are not limited to; pharmaceuticals, education, oil and gas, tourism and real estate. The year 2008 witnessed as well a major progress in the field of providing facilities to small and medium sized enterprises (SME), as they achieved good growth rates.

On the other hand, special financing operations were conducted in the year 2008 for large companies in order to finance their business needs locally and abroad. As a result, the Bank achieved high proceeds and attracted large deposits through its relations with these clients.

The Bank continued to implement its balanced credit policies and standards in assessing the feasibility of projects to be financed taking into consideration the risk of each financing operation in terms of competition, interest rates, and exchange rates fluctuation. This played a vital role in maintaining a solid credit portfolio despite the global economic crises. The Bank will continue on this pattern to achieve the highest level of quality in its credit facilities.

As for non-performing loans, the Bank maintained a low percentage of NPLs during the year 2008, through adopting advanced methods to study and analyze credits, performing credit rating of customers, focusing on the credibility, solvency, and income resources. In addition the Bank also tackled many difficult loans in accordance with a specific mechanism that meets with clients' expected cash flow and corresponds to the instructions of regulatory bodies.

In order to keep up with circumstances and emerging issues in the local and international markets, the Credit Department worked on improving the performance of its employees and managers through intensive training and education.

Retail and Consumer Credit

The Retail Credit Department was successful in attracting a group of large local companies and offering its products and services to their staff in addition to salary disbursement services. The Department demonstrated remarkable performance in the field of housing loans and consumer loans as total extended loans amounted to USD50.6 million.

The Sales and Marketing Department contributed to the promotion of individuals' credit products including personal loans, credit cards and car loans and it achieved well in this field.

On the other hand, the department developed and executed an agreement with the well known Virgin Company to issue co-branded payment and credit cards. It also carried out several promotional campaigns inside and outside the Bank's branches. Agreements were also entered into with travel agencies and medical centers to provide clients with special offers such as attractive interest free loans.

Private Banking Department

The Private Banking Department continued its achievements during 2008 by attracting new clients and building business relationships and collaborations with a group of international and local banks and investment funds. These achievements came as a translation of the Department's main goal; that is to build a solid base of selected customers and expand its business across all local and international investment fields.

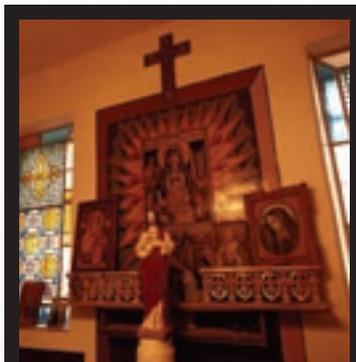
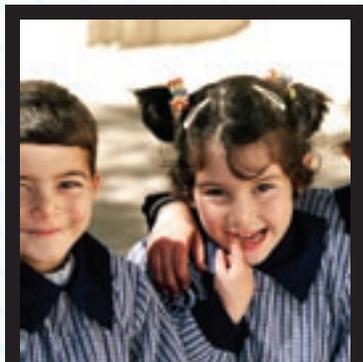
The external relations of the department contributed to the designing and launching of new investment products that meet the needs of the local market and various customer segments.

In addition, in 2008 the department made excellent achievements represented by closing different investment deals, achieving net commissions and profits from brokerage and consultancy services, investments and currency exchange differences.

The department aggressively worked on augmenting its achievements, maintaining its outstanding role in customer services and fortifying its presence; all which positively reflected on the Bank's reputation in the banking sector.

Treasury and Investment

During 2008 the Treasury and Investment Department continued to achieve outstanding performance levels in all its investment activities in financial markets, as well as in corporate and individual customer service, thus maintaining a renowned reputation locally and internationally, meeting customers' needs and achieving the Bank's strategic objectives in terms of sustainable growth and development.



In the field of capital market, JKB had an effective participation in several bonds issuances through investing in the medium and long term government, corporate and institutions bonds. The Department managed in building a capital market portfolio in foreign and local currencies with good returns and acceptable risk levels.

With regard to corporate Initial Public Offerings (IPOs), the Department provided consultancy and financial services for companies whereby the Department's specialized team concluded a number of (IPOs) and subscriptions refund transactions, in addition to the signing of new IPOs management agreements with other companies.

In terms of international relationships, the Department continued its efforts to develop JKB relations with its correspondent banks network and open new communication channels with them all over the world in order to meet the investment requirements of the Bank and that of its customers, which in turn strengthened the Bank's presence and supported its investment activities. These efforts enhance the Bank's capabilities in providing the newest investments services and keep it updated with the latest developments in the banking sector.

The Department also followed up the CBJ issuances of certificates of deposits in Jordanian Dinar and the Bank's investments in Jordanian Bonds and Treasury Bills. Furthermore, the Bank continued to act as an Investment Trustee for the Housing Bank's mutual Investment Fund and the Horizon mutual Investment Fund.

Information Technology

The first phase of the new version of Internet banking system (NetBanker) was implemented and activated during 2008. The enhanced system will be fully operational in the second half of 2009.

The IT Department provided technical support for the implementation of new systems, such as the anti-money laundering system and the central risks system, in addition to the customer complaints and inquiry management system (Short Maze) which allows customers to communicate directly and electronically with the Bank.

The year 2008 witnessed the completion of the first phase of the consolidated statement of account project; which will enable customers to enquire about their account balances in a new, flexible and interactive way and offers them analytical data about their account's transactions and various entries. The Department will continue to work on the remaining phases of the project and on replacing the current archiving system with new one that provides advanced tools to archive and advanced tools account statements and transaction documents.

The Department completed several requirements of the Palestinian Monetary Authority pertinent to the call report systems, the setoff and the validation of several functions through the banking system in Palestine. These include printing checkbooks, returned checks, checks clearing, money transfers, and issuing visa electron cards in different currencies (dinar/ dollar/ shekel).

The Department continued to support the renovation of several branches and the opening of new ones through providing cutting edge technologies, networks and ATM machines.

In coordination with the Risk Management Department, the Information Technology Department evaluated the systems related to Basel II requirements and recommend adoption of suitable ones. An agreement was forged with Silver Lake Company to update and develop the Management Information System (MIS) using Windows environment and the new SQL2008 platform. This was done as a preliminary step towards developing some of Basel II requirements through the MIS, including the enablement of users to directly issue all needed reports without the need for intervention from the IT Department staff.

Moreover, the Department updated the ATM system to include a unified database and additional services such as direct cash deposits and bill payments. Work is currently underway – in its final stage – to migrate all banking services to Oracle databasis.





Preparatory work is underway to complete the development of the remote back-up site including infrastructure, hardware, networks requirements as well as a performance management and monitoring system to achieve compliance with the business continuity plan requirements. The Bank will use "server virtualization" technology to manage its back up operations and would, by this, be the first bank in Jordan to apply such modern concept.

Branches Management

In 2008 the Branches Management Department underwent restructuring. The Department was divided into regional units depending on the area in which the branches operate. This step aimed at enhancing performance level, facilitating communication and decision making and follow up procedures.

All branches exerted distinct efforts in 2008 towards achieving established growth targets, in terms of both assets and liabilities, and focusing on attracting all types of new accounts and deposits and extending commercial services, such as LC's and LG's all which generated good revenues.

Branches continued to provide subscription services for shareholding companies, as it served nine companies in 2008 together with dividends distribution and refund payment services. Furthermore, the Department performed intensive follow-up of internal audit reports through branches coordinators who meet with the branches individually to discuss these reports. As a result, the performance of branches in terms of adopted procedures and regulatory instruction was further improved.

During the year, six groups of new employees received basic training at the simulation branch. The Bank's branches are considered one of the main resources for the staffing needs of the general administration whereby 17 employees were transferred from branches to hold various positions at different head office departments.

Regional Management/ Palestine Branches

The Regional Management in Palestine includes the treasury and investment, the financial, the central clearing and transfers and the human resources departments. The monitoring and compliance department and the audit department were later established and appropriately staffed.

The Regional Management prepares the reports required by the Palestinian Monetary Authority (PMA), monitors liquidity ratios as well as the external utilization of funds and currencies positions at branches and responds to all PMA requirements.

In 2008, the ATM's at Palestine branches became operational. In addition Western Union transfers were activated at Nablus branch, which used to be provided at Ramallah branch only.

The Bank's branch in the city of Ramallah witnesses intensive activities and remarkable demand by various economic entities and individual customers from the city and neighboring areas. Despite the short period of operation, the branch now enjoys an extended customer base.

Centralized Operations

The Centralized Operations Departments continued their support to the Bank's branches by carrying out internal operations related to the Bank's overall activities.

The departments of Commercial Services, Credit Operation, Credit Cards, Branches Services Center and Electronic Archiving witnessed remarkable increase in the size of their operations. This is attributed to increased business volume achieved by the banking units in addition to the expanded customer base and the successful marketing of Banks' products and services.

The Process Development and Quality Department intensified its efforts in 2008; as it worked on the preparation, approval, and documentation of work procedures in hard and soft copies. The Department participated with the consultancy company in applying (Cobit) methodology and the ISO 9001:2000 requirements, and amended the work procedures of all departments as per those requirements.



Internal Audit

Through carrying out its mandated tasks and implementing its risk based audit approach, the Internal Audit Department seeks to achieve its objectives of ensuring the efficiency and competence of the internal control system and providing reasonable assurance regarding the Bank's strategic goals. In this respect, the Department conducted the following tasks:

- Visited all work centers of the Bank (including departments and branches) and provided the Board Audit and Risk committee with finding and proposed corrective measures.
- Reviewed a number of programs and applications used by all work centers at the Bank based on their importance and relevance.
- Reviewed the internal control and monitoring system in light of relevant regulations and instructions issued by the Central Bank and international standards so as to take necessary measures for their enhancement and attainment of highest possible levels of preserving the soundness and robustness of the Bank's financial position.
- Visited subsidiary companies using customized risk evaluation forms for each company.

As part of the consultative role entrusted to the Internal Audit Department, it worked on developing annual and monthly financial studies and analyses that show the financial position of the Bank and its performance indicators compared to competitor banks. The Department participated in the Bank's standing and temporary committees. It also participated in developing and testing of programs and projects.

The Department continued to review and analyze several aspects of the Bank's operations and provided management with periodic reports and statements pertinent to the Bank's key transaction, all which were reviewed and audited. The Internal Audit Department actively participated in the implementation of the COBIT Framework to assess IT controls, given that it is the best compared to other frameworks.

During 2008, the Department enhanced and intensified its coordination efforts with the KIPCO Group in order to enhance its operations; and this process involved the following:

- Participation in periodic meetings of the internal audit managers of KIPCO Group.
- Joining a team formed of the Group's banks to audit the work of the Gulf Algeria Bank as part of exchanging expertise. The Department played a key role in this process.
- Proceeding with implementation measures of the Auto Audit System which provides a comprehensive system for audit risks assessment.

In 2008, the tasks and duties of the Board Audit and Risk Committee were amended to be in line with the CBJ issued corporate governance regulations which, in turn, are compliant with best international practices. This was done to guarantee more effectiveness of the committee's tasks.

The Department devoted significant portion of its efforts and activities on quality control operations especially that one of providing reasonable assurance to all stakeholders regarding the auditing activities. In this context, the Department performs all functions that guarantee the attainment of this goal through the following:

- Cover all operations of the Bank and that of subsidiary companies.
- Continuously monitor and analyze the activities of the internal audit to ensure effectiveness.
- Ensure compliance with international standards, best practices and code of ethics charter.
- Conduct periodic and ongoing internal and external assessment to define the level of audit operations through two key methods:

1. Internally: through combining between ongoing and periodic reviews as follows:

Ongoing Review:

- Monitor work compliance level through forms that ensure compliance throughout the different work stages and levels.
- Set audit related policies and procedures that ensure optimal performance of tasks.
- Obtain feedback through communication with executive parties to identify any inconsistencies.

Periodic Review:

- Annual review of the internal control charter to ensure compliance with best international practices.
- Develop an annual department audit plan so as to review and evaluate objectives and adopted work mechanisms.
- Prepare periodic reports on the Departments activities and achievements and present them to the Board Audit Committee.

2. Externally: through participation in the alignment project of KIPCO Group banks where a specialized consultancy company reviews all policies, procedures and work methods and compares them to best internal practices to determine any inconsistencies. This project demonstrated that the Bank is, and has been for a long time, compliant with best practices in all its activities and functions including internal audit functions.

Risk Management Department

Operational Risks

- The Department enhanced the Bank's operational risks management inline with the risk management strategy outlined in the Bank's strategic plan for the years 2007 – 2011. In the area of control and risk self assessment, the Department completed the assessment of all of the Bank's departments and branches. Workshops were held to assess the risk profile of each one of these departments and branches. This was accomplished in parallel to the preparation of comparative periodic reports which clarify the efficiency of control environment in the Bank.
- Started implementing the new additional function to the operational risk system (CARE) related to key risk indicators (KRI's), which were applied across all branches and their results were studied and analyzed on daily basis. In 2009 (KRI's) will be implemented at all administration departments.
- Started the collection and data entry of all operational events and activities to achieve compliance with Basel II requirements and improve the overall control environment.
- The Bank's procedure manual was reviewed as part of implementing the ISO 9001 quality management program. The Department shared its opinion regarding new products or work procedures in order identify any risks therein, and determine the sufficiency of existing controls.

Market Risks

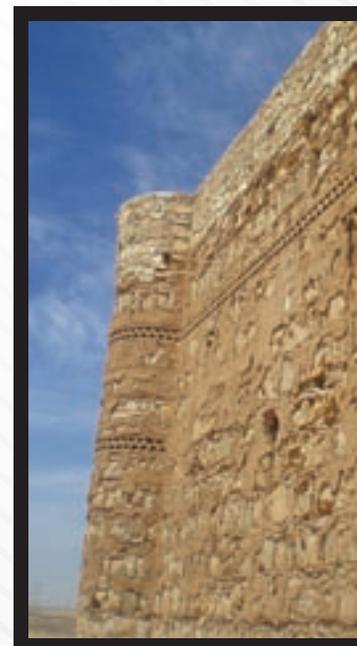
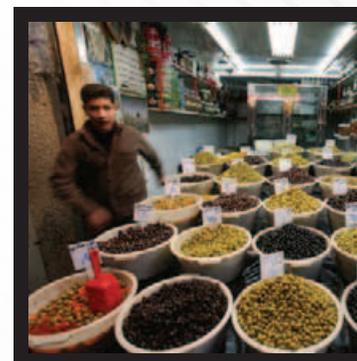
In addition to periodic control and analytical reports, the Department contributed to the achievement of compliance with the IFR7 standard, and started the development of various policies for investment in foreign currencies and the Jordanian Dinar. It also participated in the preparation of the assets and liabilities management policy and started preparing the Internal Capital Adequacy Assessment Process (ICAAP) policy and sensitivity analyses according to several scenarios and per the second pillar of Basel II accords.

Credit Risks and Basel II

- The Department prepared forms needed for compliance with Basel II resolutions on a quarterly basis per the CBJ regulations and the Central Bank of Kuwait forms and subsequent disclosures pertinent to the third pillar. The Department also prepared periodic monitoring and analytical reports part of which included compliance with the different systems developed by the Department such as credit limits for economic sectors and other types of potential concentrations.
- Several amendments were made to the Bank's systems as part of efforts aimed at achieving compliance with Basel II accord, improving efficiency and competence of calculating capital requirements, and complying with the CBJ requirements in this regard. The Department studied proposals for automated systems to prepare Basel II forms. It is expected that automation of the calculation process be completed by mid 2009. In parallel with this, the Bank's credit policy was amended to account for the various Basel requirements.

Business Continuity and Information Systems Security

- In 2008 the development and documentation of the business continuity plan (BCP) was completed, along with the uploading of all related data on the automated system. Preparations for establishing a back-up site locally in Mafrq and another one in Tunisia also started. Awareness programs were conducted for the employees on the plan and its practical implementation within the framework of business continuity management. In addition, the Department followed up on the implementation of recommendations resulting from the risk assessments and business impact analysis (BIA). Plan related assessments will be prepared during the first quarter of 2009.
- In 2008 the functions of information security control were separated from the Information Technology Department to ensure independence and effectiveness. The information security controller assumes the following tasks:
 - Monitor performance level of security systems in terms of viruses and firewall as well as monitor safety requirements on main servers.
 - Define and monitor access privileges of users to IT resources to ensure safety and security.
 - Follow up on the preparation of required back-ups of all Bank data through back-up sites, as well as information stored on the personal PC's of staff.
 - Implement the data safety and security protection measures on the three main websites (NetBanker, Core banking system and the Bank's general website), and address any detected weaknesses.
 - Supervise the implementation process of information security standard (ISO-27001) to ensure its sound functionality.



Compliance Control Department

The Compliance Control Department continued to perform duties aimed at ensuring full compliance of the Bank and its internal policies with all laws, regulations, instructions, orders, codes of ethics and sound banking standards and practices issued by local and international regulatory authorities.

In the field of anti-money laundering, the Department continued to monitor financial transactions and banking operations conducted through the Bank using the automated system that was purchased from one of the leading international companies in this field.

In this regard, the Department started to use the DNFS solution pertinent to international lists of money launderers and compare customers' names with these lists such that the Bank is protected from entering into any banking relationship with any of the people included on said lists. All prerequisites for the use of the AML Reporter system were prepared to be able to detect any unusual transactions based on available customer information, and accordingly help determine suspected money laundering operations. Branches' managers and assistants were trained on the system functions and on the preparation and distribution of work procedures for each of the two aforementioned systems (DNFS and AML Reporter)

The Department continued to follow-up on several laws and regulations related to the banking sector and constantly advise top management of any changes.

The Department followed up on a number of work policies including Whistle Blowing, Anti-money Laundering and Terrorism Financing and the Internal Monitoring and Control.

Financial Department

The Financial Department continued its duties related to the financial control over all relevant financial transactions and reports through a studied and documented methodology that includes the optimal utilization of time and available human resources. The Department also prepared the monthly, quarterly, mid- year and annual financial statements sent to the Central

Bank of Jordan, the Central Bank of Cyprus and the Palestinian Monetary Authority.

Starting from the second half of 2008, and after JKB became a subsidiary of Burgan Bank - Kuwait, the department started to prepare the financial statements according to the Kuwait Central Bank requirements to enable Burgan Bank to submit its consolidated statements in a timely manner.

The department also participated in all the Bank committees that were formed to develop/implement applications and systems to make sure that they are consistent with the financial policy adopted by the Bank.

Human Resources Development

Human resources development and training function receives focused attention by the Bank's management. In 2008, the Bank conducted 327 training activity in which 2546 staff member from various departments and branches participated in. These training programs covered important topics in the banking field such as risk management, audit, credit, sales and marketing, customer service, English language, finance among others. The Bank also held 6 courses at the simulation branch which were attended by 86 of the outsourced employees. Moreover, 137 employees participated in 63 training programs and workshops held at local training centers in Jordan.

Legal Department

The Legal Department continued its efforts to protect the rights and interests of the Bank through its consultative, executive and legislative functions. In 2008, the Department managed to collect more than USD1.06 million of legally handled debts and USD0.75 million of bad debts against which legal actions were taken. The Legal Department constantly follows up on new laws and legislations and keeps management abreast with any changes and amendments. The Department also works on raising legal awareness among JKB employees through organizing training courses on legal issues related to the work of the Bank.

Local Community Service

In 2008 the Bank carried on with its support efforts of NGO's, charitable societies and development and social institutions through participating in and providing financial support for their activities and programs. The Bank sponsored the Irbid First Economic Conference and Jordan's Job and Training Fair organized by the Ministry of Labor. Moreover, the Bank hosted the world environment day ceremony organized by Jordan Environment Society and participated in the activities of the Kuwait Fourth Cultural Week. The Bank also continued its financial support and sponsorship for the SOS Children Villages.

In the summer of 2008, a special training program was organized for a group of students participating in the youth development program sponsored by the Lothan Youth Achievement Center (Loyac Jordan). Additionally, a total of 69 students from different Jordanian universities and community colleges were offered training on general banking principals and information technology.





MAJOR FINANCIAL INDICATORS AND RATIOS 2008 & 2007

	Amounts in thousands US\$		
	2008	2007	Change
Major Operating Results			
Net interest and commission	134,911	112,670	19.7%
Income before taxes	96,381	89,800	7.3%
Income for the year-Bank Shareholders	65,501	62,594	4.6%
Gross income	164,536	136,494	20.5%
Earnings per share-Bank Shareholders	0.654	0.626	4.5%
Major Balance Sheet Items			
Total assets	2,909,437	2,844,468	2.3%
Direct Credit facilities – net	1,745,268	1,592,533	9.6%
Customers deposits and cash margins	1,846,798	1,726,975	6.9%
Total equity-Bank shareholders	337,656	305,990	10.3%
Major Financial Ratios			
Operating assets / Total assets	90.20%	90.50%	
Return on average assets	3.357%	3.47%	
Return on average Owners' equity	28.72%	30.20%	
Capital adequacy ratio *	14.99%	14.97%	
Financial leverage ratio	12.13%	11.19%	
Efficiency Indicators			
Gen. & Admin. expenses / Average assets	1.59%	1.47%	
Gen. & Admin. expenses / Average earnings	18.00%	16.42%	
Non – performing loans / Gross credit facilities	0.50%	0.20%	
Non – performing loans Coverage	253.10%	227.30%	
Off - Balance sheet items	537,711	520,378	3.3%

* Includes Operational Risks as required by Basel II

EXECUTIVE MANAGEMENT



□ **Mr. “Moh’d Yaser” M. Al-Asmar**

General Manager

□ **Mr. Majed F. Burjak**

Deputy General Manager, Support Services Group

□ **Mr. William J. Dababneh**

Asst. General Manager, Treasury & Investment Dept.

□ **Mrs. Hiyam S. Habash**

Asst. General Manager, Financial Dept.

□ **Mr. Jamal M. Baker Hasan**

Asst. General Manager, Branches Dept.

□ **Mr. Haethum S. Buttikhi**

Asst. General Manager, Retail & Consumer Products Dept.

□ **Mr. Suhail M. Turki**

Executive Manager, Public Relations Dept.

□ **Mr. Majed Moh’d Muqbel**

Executive Manager, Compliance Control Dept.

□ **Mr. Zuhdi Bahjat Al-Jayousi**

Executive Manager, Corporate Credit Dept.

□ **Mr. Sa’ed Mahmoud Tu’meh**

Executive Manager, Internal Audit Dept.

□ **Mr. Tawfiq A/Q Mukahal**

Deputy General Manager, Banking Group

□ **Mr. Shafer E. Suleiman**

Asst. General Manager, Internal Audit Dept.

□ **Mr. Ismail A. Abu-Adi**

Asst. General Manager, Credit Dept.

□ **Mr. Abdel Hameed M. Al-Ahwal**

Asst. General Manager, Operations Dept.

□ **Mr. Ibrahim E. Kashet**

Executive Manager, Legal Dept.

□ **Mr. Sami Abdel Karim Al-Assaf**

Executive Manager, IT Dept.

□ **Mr. Moh’d Jameel Azem Hamad**

Executive Manager, Risk Management Dept.

□ **Mr. Ibrahim Farid bisha**

Executive Manager, Treasury Dept.

2009 Business Plan



Consistent with the approved strategic plan for the years 2007 - 2011, and the 2008 results and achievements, and in light of the conservative economic expectations for the year 2009, the business plan of this year will focus on the following:

1. Maintain, at a minimum, the achievements and growth levels of 2008 taking into account the economic situation in Jordan and the possible impact as a result of the international financial crises.
2. Increase the various types of customer deposits to maintain appropriate liquidity ratios necessary to continue credit activity and achieve targeted growth.
3. Provide needed support and financing to the existing clients particularly companies and institutions involved in productive projects that contribute to the national economy.
4. Enhance the activity of the Private Banking Unit in managing clients' assets and offering advice in the areas of local and foreign investment.
5. Enhance the electronic services particularly Internet banking and increase their use by the various client segments.
6. Continue implementation of the human resources training and development plan focusing on specialised programs locally and abroad.
7. Implement a cost cutting plan on general and administrative expenses wherever possible while maintaining our high service level and branch competitiveness.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Shareholders
Jordan Kuwait Bank
Amman – Jordan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Jordan Kuwait Bank (a Public Shareholding Company), which comprise of the consolidated balance sheets as of December 31, 2008, and the consolidated statements of income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Audit • Tax • Consulting • Financial Advisory

Member of
Deloitte & Touche Tohmatsu

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 Jordan Kuwait Bank as of December 31, 2008, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards. We recommend that the General Assembly of Shareholders approve these financial statements.

Report on Other Legal and Regulatory Requirements

The Bank maintains proper accounting records and the accompanying consolidated financial statements are in agreement therewith and with the financial statements presented in the Board of Directors' report.

The accompanying consolidated financial statements are a translation of the statutory financial statements which are in the Arabic language to which reference should be made.

Amman – Jordan
February 9, 2009


Deloitte & Touche (M.E.) – Jordan

Deloitte & Touche (M.E.)
Public Accountants
Amman - Jordan

CONSOLIDATED BALANCE SHEETS

AS IN DECEMBER 31, 2008 AND 2007

IN US DOLLARS

	Note	2008	2007
ASSETS			
Cash and balances at central banks	4	388,534,506	359,409,611
Balances at banks and financial institutions	5	284,188,257	447,790,262
Deposits at banks and financial institutions	6	17,151,622	4,159,128
Trading financial assets	7	529,759	2,639,286
Direct credit facilities - net	8	1,745,267,549	1,592,533,845
Available-for-sale financial assets	9	321,882,646	281,002,066
Held-to-maturity investments - net	10	64,337,326	58,753,966
Fixed assets - net	11	18,223,814	18,583,293
Intangible assets	12	2,269,742	2,541,764
Deferred tax assets	20	8,062,921	2,268,261
Other assets	13	58,989,381	74,786,226
TOTAL ASSETS		2,909,437,523	2,844,467,709
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Banks and financial institutions deposits	14	414,936,639	376,243,193
Customers deposits	15	1,683,418,210	1,541,547,275
Share capital payments on account for companies under establishment	16	1,405,330	44,828,508
Cash margins	17	163,380,506	185,427,873
Borrowed funds	18	21,303,457	21,303,457
Provisions	19	23,329,756	18,167,931
Provision for income tax	20	32,052,639	25,860,828
Deferred tax liabilities	20	-	562,202
Other liabilities	21	216,780,732	312,101,241
TOTAL LIABILITIES		2,556,607,269	2,526,042,508
OWNERS' EQUITY			
EQUITY - BANK SHAREHOLDERS:			
Paid-up capital	22	141,043,724	105,782,793
Share premium reserve	22	7,052,186	42,313,117
Statutory reserve	23	47,693,467	38,427,092
Voluntary reserve	23	79,101,310	60,568,560
General banking risks reserve	23	16,759,291	14,062,362
Cumulative change in fair value - net	24	(11,143,783)	1,604,291
Retained earnings	25	57,149,267	43,231,447
TOTAL EQUITY - BANK SHAREHOLDERS		337,655,462	305,989,662
Minority interest		15,174,792	12,435,539
TOTAL OWNERS' EQUITY		352,830,254	318,425,201
TOTAL LIABILITIES AND OWNERS' EQUITY		2,909,437,523	2,844,467,709

THE ACCOMPANYING NOTES FROM 1 TO 49 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

IN US DOLLARS

	Note	2008	2007
Interest income	27	205,701,324	187,245,182
Interest expense	28	89,342,809	95,360,165
Net Interest Income		116,358,515	91,885,017
Commission income-net	29	18,552,797	20,785,615
Net Interest and Commission		134,911,312	112,670,632
Foreign exchange income	30	5,806,410	5,483,042
(Loss) from trading financial assets	31	(305,649)	(98,154)
Income from available-for-sale financial assets	32	(2,709,381)	1,913,406
Other income	33	26,832,925	16,525,045
Gross Income		164,535,617	136,493,971
Expenses:			
Employees expenses	34	28,820,568	23,810,777
Depreciation and amortization	11 & 12	5,164,746	5,064,822
Other expenses	35	16,876,999	14,265,087
Provision (surplus) for impairment in credit facilities	8	14,572,999	2,114,398
Other provisions	19	2,719,228	1,438,618
Total Expenses		68,154,540	46,693,702
Income before Taxes		96,381,078	89,800,269
Income tax expense		(27,162,472)	(25,771,127)
Income for the Year		69,218,606	64,029,142
Pertains to:			
Bank Shareholders		65,501,280	62,593,155
Minority Interest		3,717,326	1,435,987
Earnings per Share (Bank's Shareholders)			
Basic	36	0/655	0/626
Diluted		0/655	0/626

THE ACCOMPANYING NOTES FROM 1 TO 49 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

IN US DOLLARS

	Bank Shareholders' Equity									
	Capital	Share Premium Reserve	Reserves			Cumulative Change in Fair Value	Retained Earnings	Total	Minority Interest	Total Owners' Equity
			Statutory Reserve	Voluntary Reserve	General Banking Risks Reserve					
Year 2008										
Balance - beginning of the year	105,782,793	42,313,117	38,427,092	60,568,560	14,062,362	1,604,291	43,231,447	305,989,661	12,435,539	318,425,200
Implementation effect of new and amended international standards*	-	-	-	-	-	-	69,152	69,152	35,680	104,832
Amended balance- beginning of the year	105,782,793	42,313,117	38,427,092	60,568,560	14,062,362	1,604,291	43,300,599	306,058,813	12,741,219	318,530,032
Net change in fair value - net of tax	-	-	-	-	-	(12,748,077)	-	(12,748,074)	(589,464)	(13,337,537)
Total income and expense taken directly to owner equity	-	-	-	-	-	-	-	-	139,824	139,824
Income for the year	-	-	-	-	-	(12,748,073)	-	(12,748,073)	(449,640)	(13,197,713)
Total income and expense for the year	-	-	-	-	-	-	65,501,279	65,501,279	3,717,326	69,218,605
Increase in capital share premium reserve	35,260,931	(35,260,931)	-	-	-	(12,748,074)	65,501,279	52,753,206	3,267,686	56,020,892
Dividends	-	-	-	-	-	-	(21,156,559)	(21,156,559)	(564,111)	(21,720,670)
Transferred to reserves	-	-	9,266,375	18,532,750	2,696,929	-	(30,496,054)	-	-	-
Balance - End of the Year	141,043,724	7,052,186	47,693,467	79,101,310	16,759,291	(11,143,783)	57,149,265	337,655,460	15,174,792	352,830,254
Year 2007										
Balance - beginning of the year	105,782,793	42,313,117	29,590,664	42,895,705	12,522,423	1,852,694	29,733,186	264,690,583	11,544,901	276,235,484
Implementation effect of new and amended international standards*	-	-	-	-	-	-	110,886	110,886	57,898	168,784
Amended balance- beginning of the year	105,782,793	42,313,117	29,590,664	42,895,705	12,522,423	1,852,694	29,844,072	264,801,469	11,602,799	276,404,268
Net change in fair value - net of tax	-	-	-	-	-	(248,403)	-	(248,403)	271,377	22,973
Total income and expenses taken directly to owners' equity	-	-	-	-	-	-	-	-	118,996	118,996
Income for the year	-	-	-	-	-	(248,403)	-	(248,403)	390,373	141,969
Total income and expenses for the year	-	-	-	-	-	-	62,593,155	62,593,155	1,435,987	64,029,142
Increase in capital and share premium reserve	-	-	-	-	-	(248,403)	62,593,155	62,344,752	1,826,360	64,171,111
Dividends	-	-	-	-	-	-	(21,156,559)	(21,156,559)	(993,621)	(22,150,179)
Transferred to reserves	-	-	8,836,427	17,672,855	1,539,939	-	(28,049,221)	-	-	-
Balance - End of the Year	105,782,793	42,313,117	38,427,092	60,568,560	14,062,362	1,604,291	43,231,447	305,989,661	12,435,539	318,425,201

- Out of retained earnings, there is an amount of USD 8,062,921 as of December 31, 2008, restricted by the Central Bank of Jordan against deferred tax assets of USD 2,268,261 as of December 31, 2007.

- Out of retained earnings, there is an amount of USD 11,143,783 as of December 31, 2008, restricted according to the Securities Commission instructions against the negative change in fair value.

- Use of the general banking risks reserve is restricted and requires the prior approval of the Central Bank of Jordan.

* This account represents the effect of implementing IAS (12) for the first time on the financial statements of the subsidiary (Arab Orient Insurance Company) which have been adjusted to comply with the International Financial Reporting Standards during the year 2008.

THE ACCOMPANYING NOTES FROM 1 TO 49 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

IN US DOLLARS

	Note	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before tax		96,381,078	89,800,269
Adjustments:			
Depreciation and amortization		5,164,746	5,064,822
Provision (surplus) for impairment in credit facilities		14,572,999	2,114,398
Provision for employees end-of-service indemnity		2,634,602	1,353,992
Provision for lawsuits against the Bank		84,626	84,626
(Gain) on sale of assets seized by the Bank		(41,980)	(59,481)
(Gain) on sale of fixed assets		(61,984)	(8,464)
Loss on unrealized trading financial assets		234,079	78,685
Effect of exchange rate fluctuations on cash and cash equivalents		(5,487,525)	(4,417,392)
Subsidiary companies technical reserves		3,008,475	1,432,798
Total		116,489,116	95,444,253
Changes in Assets and Liabilities:			
Decrease (Increase) in cash and balances at banks due after 3 months		81,805,360	(65,303,244)
(Increase) decrease in deposits at banks and financial institutions		(12,992,494)	221,051
(Increase) in direct credit facilities		(166,883,571)	(239,500,931)
(Increase) in trading financial assets		(1,875,449)	(483,797)
Decrease in other assets		15,838,824	4,666,690
(Decrease) increase in banks and financial institutions deposits due after three months		(1,410,437)	5,421,636
Increase in customers deposits		141,870,935	297,611,382
(Decrease) in share capital payments on account for companies under establishment		(43,423,178)	(39,148,157)
(Decrease) in cash margins		(22,047,367)	(62,896,316)
(Decrease) increase in other liabilities		(96,155,674)	79,894,535
Net Cash flow from Operating Activities before Tax, Staff Indemnities Paid, and Payments for Lawsuits		11,216,065	75,927,103
Staff indemnities paid		(561,784)	(349,611)
Provision for legal cases paid		(4,094)	(32,997)
Income tax paid		(26,660,072)	(23,245,078)
Net Cash flow (used in) from Operating Activities		(16,009,885)	52,299,417
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in held-to-maturity investments		(5,583,360)	10,530,619
(Increase) in available-for-sale investments		(54,190,855)	(18,224,784)
(Increase) in fixed assets		(3,205,272)	(5,146,597)
(Increase) in intangible assets		(1,265,987)	(1,722,877)
Net Cash flow (used in) Investing Activities		(64,245,474)	(14,563,639)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) increase in minority interest		2,739,254	(603,248)
(Decrease) increase in borrowed funds		-	(37,192,638)
Dividends paid		(20,659,811)	(20,949,732)
Net Cash (used in) Financing Activities		(17,920,557)	(58,745,618)
Effect of exchange rate fluctuations on cash and cash equivalents		5,487,525	4,417,392
Net (Decrease) in Cash and Cash Equivalents		(92,688,392)	(16,592,447)
Cash and cash equivalents - beginning of the year		356,316,213	372,908,660
Cash and Cash Equivalents - End of the Year	37	263,627,821	356,316,213

THE ACCOMPANYING NOTES FROM 1 TO 49 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

JORDAN KUWAIT BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1- General

- Jordan Kuwait Bank was established as a Jordanian public shareholding company in accordance with the Companies Law no. (13) for the year 1964. The Bank's main branch address is Omayya Bin Abdshams Street, Abdali, P.O. Box 9776, Amman – 11191 Jordan.
- The Bank is engaged in banking and related financial operations through its branches totaling 48 in the Hashemite Kingdom of Jordan, three overseas ones and subsidiary companies.
- Jordan Kuwait Bank is listed as a public shareholding company in Amman Stock Exchange.
- The consolidated financial statements have been approved by the Bank's Board of Directors in their meeting No. (1/2009) on January 28, 2009 and approved by the Shareholders General Assembly on March 15, 2009.

2- Significant Accounting Policies

Basis of Preparation

- The accompanying consolidated financial statements of the Bank and its subsidiary companies are prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), the interpretations issued by the Committee of the IASB, the prevailing rules of the countries where the Bank operates and the instructions of the Central Bank of Jordan.
- The financial statements are prepared under the historical cost convention except for financial assets/ liabilities held for trading, financial assets available for sale and financial derivatives are stated at fair value on the date of the financial statements. Hedged assets and liabilities are also stated at fair value.
- The reporting currency of the financial statements is the Jordanian Dinar, which is the functional currency of the Bank.
- The accounting policies for the current year are consistent with those used in the previous year. The details are as follows:

Basis of Consolidation

- The consolidated financial statements include the financial statements of the Bank and companies controlled by it. Control exists when the Bank has the ability to control the financial and operating policies of the subsidiary companies in order to achieve financial benefits out of their operations. All inter-company transactions between the Bank and its subsidiaries are excluded.

The Bank owns the following subsidiaries as of December, 31 2008:

Company's Name	Paid-up Capital	Ownership	Nature of Operation	Location	Date of Acquisition
	USD	%			
Arab Orient Insurance Co.	15,514,810	65.69%	Insurance	Amman	2001
United Financial Investments Co.	7,052,186	50.23%	Financial Brokerage	Amman	2002

And the following subsidiaries for the year 2007:

Company's Name	Paid-up Capital	Ownership	Nature of Operation	Location	Date of Acquisition
	USD	%			
Arab Orient Insurance Co.	14,104,372	65.69%	Insurance	Amman	2001
United Financial Investments Co.	7,052,186	50.46%	Financial Brokerage	Amman	2002

- The financial statements of the subsidiaries relating to the same financial year of the Bank are prepared using the same accounting policies adopted by the Bank. In case the accounting policies differ, then the necessary adjustments to the financial statements of the subsidiaries are effected in order to match those applied by the Bank. Furthermore, the subsidiary "Arab Orient Insurance Company" applies the international standards, effective as of December 31, 2004, when preparing its financial statements, whereas it will apply the new insurance reporting models during the year 2008. In addition, the effect of implementing the new and amended IASs on the subsidiary's financial statements for the year 2008 is immaterial.
- Results of operations are consolidated in the income statement from the date of acquisition which represents the date when control is passed on to the Bank. Moreover, results of operations of the disposed of subsidiaries are consolidated in the income statement until the disposal date which represents the date when the Bank loses control over the subsidiaries.
- Minority interest represents the portion of the subsidiaries' equity not owned by the Bank.

Segment Information

- A business segment is a distinguishable component of an entity engaged in providing an individual product or service or a group of related products or services subject to risks and returns different from those of other business segments.
- A geographical segment is a distinguishable component of an entity engaged in providing products or services within a particular economic environment subject to risks and returns different from those of components operating in other economic environments.

Financial Assets Held for Trading

- Financial assets held for trading represent subsidiary investments in stocks and bonds of companies in active markets. Moreover, the purpose of keeping these investments is to generate profits from the fluctuation in short-term market prices or a trading profit margin.
- Financial assets held for trading are initially recognized at fair value when purchased (acquisition expenses are booked in the statement of income when purchased). They are subsequently re-measured to fair value, and the resulting change is included in the income statement in the period in which it arises. Moreover, fair value differences resulting from the translation of foreign currency non-monetary assets are taken to the statement of income.
- Distributed income or realized interest is recorded in the statement of income.

Direct Credit Facilities

- A provision for the impairment in direct credit facilities is recognized when it is obvious that the financial assets of the Bank can not be recovered, there is an objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities and the impairment amount can be estimated. The provision is taken to the statement of income.
- Interest and commission on non-performing credit facilities are suspended in accordance with the regulations of the Central Bank of Jordan.
- Impaired credit facilities, for which specific provisions have been taken, are written off by charging the provision after all efforts have been made to recover the assets. Any surplus in the provisions is taken to the statement of income; while debt recoveries are taken to income.

Available-for-Sale Financial Assets

Available-for-sale financial assets are those financial assets held by the Bank and classified as neither trading nor held-to-maturity financial assets.

- Available-for-sale financial assets are initially recorded at fair value including acquisition costs. They are subsequently re-measured to fair value as of the date of the financial statements. Moreover, changes in fair value are recorded in a separate account within owners' equity. When these assets are fully or partially sold, disposed of or determined to be impaired, the income or losses are recorded in the income statement, including the related amounts previously recorded within owners' equity. The loss resulting from the impaired value of the debt instruments is reversed when it is objectively evident that the increase in their fair value occurred after the losses had been recognized and recorded in the statement of income. Impairment losses resulting from the decline in the value of equity securities is reversed through the cumulative change in fair value.
- Income and losses resulting from the foreign exchange of interest-bearing debt instruments are included in the statement of income. The differences in the foreign currency of equity instruments are included in the cumulative change in fair value within shareholders' equity.
- Interest from available-for-sale financial instruments is recorded in the statement of income using the effective interest method. Impairment in assets is recorded in the statement of income when incurred.
- Financial instruments for which fair value can not be reliably determined are shown at cost. The impairment is recorded in the statement of income.

Held-to-Maturity Investments

Financial assets with fixed or determinable payments and fixed maturity dates the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

- Held-to-maturity investments are recorded at cost (fair value) plus acquisition costs. Premiums and discounts are amortized in the statement of income according to the effective interest rate method. Provisions associated with irrecoverable impairment in their value are deducted. Any impairment in assets is recorded in the statement of income when incurred.

Fair Value

Fair value represents the closing market price of financial assets and derivatives on the date of the financial statements. In case declared market prices do not exist, active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.

The valuation methods aim at providing a fair value reflecting the expectations of the market, expected risks and expected benefits.

Financial assets, the fair value of which can not be reliably measured, are stated at cost less any impairment.

Impairment in the Value of Financial Assets

The Bank reviews the values of financial assets on the date of the balance sheet in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated so as to determine the impairment loss.

The impairment is determined as follows:

- The impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
- The impairment in the financial assets available for sale recorded at fair value represents the difference between the book value and fair value.
- The impairment in the financial assets recorded at cost is determined on the basis of the present value of the expected cash flows discounted at the market interest rate of similar instruments.

The impairment in value is recorded in the statement of income. Any surplus in the following period resulting from previous declines in the fair value of financial assets is taken to the statement of income except for the impairment in available-for-sale equity securities which is reversed through the cumulative change in fair value.

Fixed Assets

- Fixed assets are stated at cost net of accumulated depreciation. Moreover, fixed assets (except for land) are depreciated according to the straight-line method over their estimated useful lives using the following rates:

	%
Buildings	3
Equipment and furniture	9 – 15
Vehicles	15
Computers	20
Improvements on buildings	20

- When the carrying amounts of fixed assets exceed their recoverable values, assets are written down, and impairment losses are recorded in the consolidated statement of income.
- The useful lives of fixed assets are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimate.
- Fixed assets are disposed of when there is no expected future benefit from the use of that asset.

Provisions

- Provisions are recognized when the Bank has an obligation on the date of the balance sheet as a result of past events, it is probable to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision for Employees' End-of-Service Indemnities

- The employees' end-of-service indemnities provision is estimated on the basis of one month salary for each year of service less the Bank's contribution for social security.
- The required provision for end-of-service indemnities for the year is recorded in the statement of income while payments to departing employees are deducted from the provision amount.

[Income Tax](#)

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, income subject to tax differs from income declared in the financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations, and instructions of the countries where the Bank operates.
- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the balance sheet according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.
- Deferred tax assets are reviewed as of the date of the financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

[Costs of Issuing or Purchasing the Bank's Shares](#)

Costs of issuing or purchasing the Bank's shares are recorded in retained earnings (net of the tax effect of these costs, if any). In case the issue or purchase process is incomplete, these costs are charged to the income statement as expenses.

[Accounts Managed on Behalf of Customers](#)

This item represents the accounts managed by the Bank on behalf of its customers and is not part of the Bank's assets. The fees and commissions for managing these accounts are shown in the consolidated statement of income. Furthermore, a provision is taken against the decline in the value of capital-guaranteed portfolios managed on behalf of customers.

[Offsetting](#)

Financial assets and financial liabilities are offset and the net amount is reflected in the balance sheet only when there are legal rights to offset the recognized amounts, the Bank intends to settle them on a net basis or assets are realized and liabilities settled simultaneously.

[Realization of Income and Recognition of Expenses](#)

- Interest income is realized and recognized based on the effective interest method, except for interest and commission on non-performing facilities which are not recognized as revenue but taken to the interest and commission in suspense account until they are received in cash.
- Expenses are recognized on the accrual basis.
- Commission is recorded as revenue when the related services are rendered. Dividends revenue from companies is recognized when earned (or when approved by the shareholders general assembly.)

[Recognition of Financial Assets](#)

Purchase and sale of financial assets are recognized on the trade date (the date the Bank is liable to sell or purchase the financial asset.)

[Financial Derivatives and Hedge Accounting](#)

For hedge accounting purposes, the financial derivatives are stated at fair value.

Hedges are classified as follows:

- Fair value hedge: hedge for the change in the fair value exposures of the Bank's assets and liabilities.

When the conditions of effective fair value hedge are met, the resulting gain or loss from re-measuring the fair value hedge is recognized in the statement of income.

When the conditions of effective portfolio hedge are met, the gain or loss resulting from the revaluation of the hedging instrument at fair value as well as the change in the fair value of the assets or liabilities portfolio are recorded in the income statement for the same period.

- Cash flow hedge: Enter-hedge for the change in the current and expected cash flows exposures of the Bank's assets and liabilities.

When the conditions of effective cash flow hedge are met, the gain or loss of the hedging instruments is recognized in shareholders' equity. Such gain or loss is transferred to the statement of income in the period in which the hedge transaction impacts the statement of income.

- Hedge for net investment in foreign entities:

When the conditions of the hedge for net investment in foreign entities are met, fair value is measured for the hedging instrument of the hedged net assets. In case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in shareholders' equity while the ineffective portion is recognized in the statement of income. Moreover, the effective portion is recorded in the statement of income when the investment in foreign entities is sold.

- When the conditions of the effective hedge do not apply, gain or loss resulting from the change in the fair value of the hedging instrument is recorded in the income statement in the same period.

Financial Derivatives for Trading:

The fair value of financial derivatives for trading such as forward foreign currency contracts, future interest rate contracts, swap agreements, and foreign currency options is recorded in the balance sheet under other assets or other liabilities as the case may be. Fair value is measured according to the prevailing market prices, and if they are not available, the measurement method should be disclosed. The change in their fair value is recognized in the statement of income.

Repurchase and Resale Agreements

- Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the financial statements as a result of the Bank's continuous control over these assets and as the related risks and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.

- Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the financial statements because the Bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recorded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recorded as interest revenue amortized over the life of the contract using the effective interest method.

Assets Seized by the Bank

Assets seized by the Bank are shown under "other assets" at the acquisition value or fair value, whichever is lower. As of the balance sheet date, these assets are revalued individually at fair value. Any decline in their market value is taken to the statement of income whereas any such increase is not recognized. A subsequent increase is taken to the statement of income to the extent it does not exceed the previously recorded impairment.

Intangible Assets**A- Goodwill:**

- Goodwill is recorded at cost, and represents the excess of the amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, while goodwill resulting from the investment in an affiliated company constitutes part of the investment in that company. The cost of goodwill is subsequently reduced by any decline in the value of the investment.

- Goodwill is distributed over the cash generating unit(s) for the purpose of testing the impairment in its value.

- The value of goodwill is tested on the date of each balance sheet. Goodwill value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating unit(s) is less than book value. The decline in value is recorded in the income statement as impairment loss.

B- Other Intangible Assets

- Intangible assets purchased in an acquisition are stated at fair value at the date of acquisition. Other intangible assets purchased other than through acquisition are recorded at cost.

- Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the financial statements date and impairment loss is treated in the statement of income as an expense for the period.

- No capitalization of intangible assets resulting from the Banks' operations is made. They are rather recorded as an expense in the statement of income for the period.

- Any indications of impairment in the value of intangible assets as of the financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

- The following are the accounting policies for each item of the intangible assets owned by the Bank:

Software and computer programs are amortized over their estimated economic useful lives at a rate of 20%.

Foreign Currency

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Financial assets and financial liabilities denominated in foreign currencies are translated at the average exchange rates prevailing on the balance sheet date and declared by the Central Bank of Jordan
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.
- Gains or losses resulting from foreign currency translation are recorded in the statement of income.
- Translation differences for non-monetary assets and liabilities denominated in foreign currencies are recorded as part of the change in fair value.
- When consolidating the financial statements, assets and liabilities of the branches and subsidiaries abroad are translated from the primary currency to the currency used in the financial statements using the average exchange rates prevailing on the balance sheet date and declared by the Central Bank of Jordan. Revenue and expense items are translated using the average exchange rates during the year and exchange differences (if any) are shown in a separate item within shareholders' equity. In case of selling one of the subsidiaries or branches, the related amount of exchange difference is booked in revenues/expenses in the statement of income.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances with central banks and balances with banks and financial institutions maturing within three months, less balances due to banks and financial institutions maturing within three months and restricted funds.

3 - Accounting Estimates

Management, through applying the accounting policies, uses assumptions and estimates with material impacts on the recognition of the balances recorded in the financial statements. Some of these assumptions are as follows:

- A provision is set for lawsuits raised against the Bank. This provision is subject to an adequate legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed on a frequent basis.
- A provision for performing and non-performing loans is taken on the basis and estimates approved by management in conformity with International Financial Reporting Standards (IFRS). The outcome of these basis and estimates is compared against the adequacy of the provisions as per the Central Bank of Jordan instructions. The most strict outcome that conforms with (IFRS) is used for the purpose of determining the provision.
- Impairment loss (if any) is taken after a sufficient and recent evaluation of the acquired properties has been conducted by approved surveyors. The impairment loss is reviewed periodically.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the statement of income.
- The subsidiary company (Arab Orient Insurance Company) performs an assessment of the technical reserve associated with insurance activities according to the basis and assumptions approved by the Insurance Regulatory Commission. These provisions are reviewed periodically.
- Management performs a frequent review of the financial assets stated at cost to estimate any decline in their value. Impairment (loss) (if any) is taken to the statement of income as an expense for the period.

4- Cash and Balances at Central Banks:

This item consists of the following:

	USD	
	2008	2007
Cash in vaults	34,550,814	31,688,797
Balances at central banks:		
Current accounts	26,805,520	9,999,532
Time and notice deposits	132,484,763	34,349,303
Mandatory cash reserve	134,044,608	99,168,876
Certificates of deposit *	60,648,801	184,203,103
Total	388,534,506	359,409,611

- Except for the mandatory cash reserve, there are no restricted balances as of December 31, 2008 and 2007.

* There is no certificate of deposit due after 3 months as of December 31, 2008 against USD 81,805,360 as of December 31, 2007.

5. Balances at Banks and Financial Institutions

This item consists of the following:

USD

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2008	2007	2008	2007	2008	2007
Current accounts	223,942	345,472	150,832,973	24,134,616	151,056,915	24,480,089
Deposits due within 3 months	43,183,291	7,052,186	89,948,051	416,257,987	133,131,342	423,310,173
Total	43,407,233	7,397,658	240,781,024	440,392,603	284,188,257	447,790,262

- Non-interest bearing balances at banks and financial institutions amounted to USD 1,033,207 as of December 31, 2008 against USD 3,182,372 as of December 31, 2007.

- Restricted balances amounted to USD 1,210,491 as of December 31, 2008 against USD 1,297,730 as of December 31, 2007.

- Balances restricted to the order of the Director of the Insurance Regulatory Commission amounted to USD 317,348 as of December 31, 2008 and December 31, 2007. These balances belong to the subsidiary company Arab Orient Insurance Company.

6. Deposits at Banks and Financial Institutions

This item consists of the following:

USD

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2008	2007	2008	2007	2008	2007
Deposits	-	-	15,151,622	159,128	15,151,622	159,128
Certificates of deposit	-	-	2,000,000	4,000,000	2,000,000	4,000,000
Total	-	-	17,151,622	4,159,128	17,151,622	4,159,128

Restricted deposits amounted to USD 25,000 as of December 31, 2008 and 2007.

7. Trading Financial Assets

This item consists of the following:

USD

	2008	2007
Quoted shares	529,759	2,639,286
Total	529,759	2,639,286

8 . Direct Credit Facilities - Net

This item consists of the following:

USD

	2008	2007
Individuals (retail):		
Current accounts	2,692,347	3,126,924
Loans and promissory notes*	31,091,643	32,286,443
Credit Cards	5,409,777	4,921,204
Property loans	98,222,680	46,399,714
Companies	-	-
Large Companies	-	-
Current accounts	150,893,377	221,634,330
Loans and promissory notes*	1,320,812,941	1,156,595,467
Medium and small companies	-	-
Current accounts	18,312,701	20,649,935
Loans and promissory notes*	52,640,622	47,969,200
Government and public sector	87,712,812	67,320,584
Total	1,767,788,900	1,600,903,801
Less: Provision for impairment in direct credit facilities	21,601,530	7,421,166
Suspended interest	919,819	948,790
Net Credit Facilities	1,745,267,549	1,592,533,845

* Net after deducting interest and commissions received in advance of USD 3,891,639 as of December 31, 2008 against USD 4,753,821 as of December 31, 2007.

Non-performing credit facilities amounted to USD 9,453,690 which is equivalent to 0.5% of total direct credit facilities as of December 31, 2008 against USD 4,213,039 which is equivalent to 0.3% of total credit facilities as of December 31, 2007.

Non-performing credit facilities excluding interest and commissions in suspense amounted to USD 8,533,870 which is equivalent to 0.5% of total direct credit facilities as of December 31, 2008 against USD 3,264,250 which is equivalent to 0.2% of total credit facilities as of December 31, 2007.

Direct credit facilities granted to / guaranteed by the Government of Jordan amounted to USD 13,830,852 which is equivalent to 0.8% of total direct facilities as of December 31, 2008 against USD 12,386,958 which is equivalent to 0.8% at the end of the year 2007.

** The above provisions include an amount of USD 18,634,004 as of December 31, 2008 against loans and credit facilities totaling USD 106,830,121 representing under watch debts with no suspended interest.

Provision for Impairment in Direct Credit Facilities:

The movement on the provision for impairment in direct credit facilities was as follows:

USD

2008	Individuals	Property Loans	Companies		Government and Public Sector	Total
			Large Companies	Small and Medium Companies		
Balance – beginning of the year	665,511	232,828	6,075,238	447,590	-	7,421,166
Provision for the year taken from revenues	532,436	159,660	18,555,398	289,592	-	19,537,086
(Surplus) in provision	(289,206)	(60,069)	(4,370,708)	(244,104)	-	(4,964,087)
Used during the year (written-off)	90,083	9,488	139,051	154,013	-	392,635
Balance – End of the Year	818,658	322,931	20,120,877	339,065	-	21,601,530

2007	Individuals	Property Loans	Companies		Government and Public Sector	Total
			Large Companies	Small and Medium Companies		
Balance – beginning of the year	480,818	291,118	4,147,673	353,873	134,238	5,407,720
provision for the year taken from revenues	642,449	129,021	5,188,350	303,155	-	6,262,975
(Surplus) in provision	(366,897)	(187,312)	(3,260,783)	(199,347)	(134,238)	(4,148,577)
Used during the year (written-off)	90,859	-	-	10,093	-	100,952
Balance – End of the Year	665,511	232,827	6,075,240	447,588	-	7,421,166

- The above disclosure is taken against the debts calculated on the basis of the individual customer.

- The provisions no longer needed due to settlements or repayments of debts and transferred against other debts amounted to USD 4,919,496 as of December 31, 2008 (USD 3,703,347 for the previous year).

Interest in Suspense

- The movement on interest in suspense was as follows:

USD

2008	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large Companies	Small and Medium Companies		
Balance – beginning of the year	5,693	67,893	544,810	330,395	-	948,791
Add: Interest in suspense for the year	113,925	61,444	106,186	116,038	-	397,593
Less: Interest taken to income	20,896	5,804	27,429	119,051	-	173,180
Less: Interest and commission in suspense written-off	5,000	8,475	229,480	10,430	-	253,385
Balance - End of the Year	93,722	115,058	394,087	316,952	-	919,819

2007	Individuals	Real Estate Loans	Companies		Government and Public Sector	Total
			Large Companies	Small and Medium Companies		
Balance – beginning of the year	27,248	100,117	496,085	354,299	-	977,749
Add: Interest in suspense for the year	84,403	63,144	1,141,375	28,468	-	1,317,391
Less: Interest taken to income	68,556	81,213	1,059,396	34,724	-	1,243,889
Less: Interest and commission in suspense written-off	37,403	14,155	33,254	17,649	-	102,461
Balance - End of the Year	5,692	67,893	544,810	330,394	-	948,790

9. Available-for-Sale Financial Assets

The details of this item are as follows:

USD

	2008	2007
Quoted Available-for-Sale Financial Assets:		
Governmental bonds or bonds guaranteed by the Government *	214,027,927	81,800,169
Companies bonds and debentures	47,229,437	63,594,773
Other bonds	-	5,971,283
Companies shares	13,844,282	19,606,062
Total Quoted Available-for-Sale Financial Assets	275,101,646	170,972,287
Unquoted Available-for-Sale Financial Assets:		
Local treasury bills *	10,639,436	70,737,880
Governmental bonds or bonds guaranteed by the Government	14,104,372	14,104,372
Companies bonds and debentures	5,923,836	7,757,405
Other bonds	4,401,819	4,951,522
Companies shares	11,711,537	12,478,599
Total Unquoted Available-for-Sale Financial Assets	46,781,000	110,029,778
Total Available-for-Sale Financial Assets	321,882,646	281,002,066
Bonds Analysis:		
Fixed return	247,786,550	212,905,867
Variable return	48,540,276	36,011,537
	296,326,826	248,917,404

- Some available-for-sale financial assets are recorded at cost/amortized cost as their fair values cannot be reliably determined. These assets amounted to USD 46,781,000 as of December 31, 2008 against USD 110,029,778 as of December 31, 2007.

* This item represents treasury bills and bonds amounting to USD 67,056,925 of which bonds of USD 56,417,489 mature on June 15, 2009 and bills of USD 10,639,436 mature on OCT 26, 2009 pledged for sale to the Social Security Corporation by the Bank according to a sale agreement against USD 70,737,880 as of December 31, 2007 which became due during the year 2008.

10. Held-to-Maturity Investments - Net

This item consists of the following:

USD

	2008	2007
Quoted Financial Assets:		
Companies bonds and debentures	9,916,000	9,916,000
Total Quoted Financial Assets	9,916,000	9,916,000
Unquoted Financial Assets:		
Treasury bills	38,553,907	29,797,031
Companies bonds and debentures	16,015,938	19,189,454
Total Unquoted Financial Assets	54,569,845	48,986,485
Total Held-to-Maturity Financial Assets	64,485,845	41,761,862
Less: Provision	(148,519)	(148,519)
Net Held-to-Maturity Financial Assets	64,337,326	58,753,966
Bonds Return Analysis:		
Fixed return	54,421,326	48,837,966
Variable return	9,916,000	9,916,000
Total	64,337,326	58,753,966

- Held-to-maturity bonds mature over several payments the last of which matures on June 28, 2012 except for companies bonds of USD 148,519 overdue since September 23, 1998 and for which an full provision has been taken.

11 Fixed Assets - Net

The details of this item are as follows:

USD

	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Buildings Improvements	Total
Year 2008							
Cost:							
Balance - beginning of the year	2,792,196	5,269,941	8,860,360	986,518	11,211,365	8,129,096	37,249,475
Additions	91,678	240,564	938,340	26,093	374,866	1,008,305	2,679,846
Disposals	-	67,927	263,725	-	96,391	-	428,042
Balance - End of the year	2,883,874	5,442,578	9,534,975	1,012,611	11,489,840	9,137,401	39,501,279
Accumulated Depreciation:							
Balance - beginning of the year	-	1,464,667	4,813,262	431,762	8,072,343	4,384,718	19,166,752
Additions	-	158,523	881,528	124,144	1,112,812	1,349,729	3,626,736
Disposals	-	31,245	242,701	-	95,874	-	369,821
Balance - End of the year	-	1,591,945	5,452,089	555,906	9,089,281	5,734,447	22,423,668
Net Book Value of Fixed Assets							
Down payments on fixed assets purchases	-	-	1,146,202	-	-	-	1,146,202
Balance - End of the Year	2,883,874	3,850,633	5,229,088	456,705	2,400,559	3,402,954	18,223,814
Year 2007							
Cost:							
Balance - beginning of the year	1,829,887	5,301,361	8,079,061	786,632	10,243,451	6,654,961	32,895,353
Additions	962,309	-	1,133,016	211,959	1,401,928	1,474,135	5,183,347
Disposals	-	31,420	351,717	12,073	434,014	-	829,224
Balance - End of the year	2,792,196	5,269,941	8,860,360	986,518	11,211,365	8,129,096	37,249,476
Accumulated Depreciation:							
Balance - beginning of the year	-	1,307,357	4,342,512	331,980	7,272,825	3,221,423	16,476,097
Additions	-	157,310	802,911	99,781	1,154,128	1,163,295	3,377,426
Disposals	-	-	332,161	-	354,611	-	686,772
Balance - End of the year	-	1,464,667	4,813,262	431,761	8,072,342	4,384,718	19,166,751
Net Book Value of Fixed Assets							
Down payments on fixed assets purchases	-	-	500,570	-	-	-	500,570
Balance - End of the Year	2,792,196	3,805,274	3,224,296	393,322	2,225,567	3,744,378	18,583,293
Depreciation percentage %							
		3	9-15	15	20	20	

- Fixed assets as of December 31, 2008 include an amount of USD 7,409,807 representing fully depreciated fixed assets against USD 6,423,786 as of December 31, 2007.

12 Intangible Assets

This item consists of the following:

USD

	2008			
	Computer Software and Applications	Goodwill	Other	Total
Balance-beginning of the year	2,223,039	318,726	-	2,541,765
Additions	891,516	-	374,471	1,265,987
Amortization for the year	1,163,539	-	374,471	1,538,010
Balance-End of the year	1,951,016	318,726	-	2,269,742

	2007			
	Computer Software and Applications	Goodwill	Other	Total
Balance-beginning of the year	2,187,558	318,725	-	2,506,283
Additions	1,041,636	-	681,241	1,722,877
Amortization for the year	1,006,155	-	681,241	1,687,396
Balance-End of the year	2,223,039	318,725	-	2,541,764

13. Other Assets

This item consists of the following:

USD

	2008	2007
Accrued interest	13,833,207	15,899,134
Prepaid expenses	897,339	776,018
Assets seized by the Bank - net *	1,953,214	2,890,966
Unrealized gains of financial derivatives	1,458,969	744,100
Accounts receivable **	13,382,948	11,196,519
Clearing checks	20,287,495	36,438,640
Other	7,176,209	6,840,849
Total	58,989,381	74,786,226

* According to the Banks Law, buildings and plots of land seized by the Bank against debts due from customers are to be sold within two years from the acquisition date. For exceptional cases, the Central Bank of Jordan can extend this period for two consecutive years at maximum.

** Accounts receivable and other assets include balances relating to the subsidiary companies amounting to USD 13,381,251 as of December 31, 2008 against USD 11,089,678 as of December 31, 2007.

- The movement on assets seized by the Bank was as follows:

USD

	2008	2007
Balance - beginning of the year	2,890,966	2,517,543
Additions	19,245	800,103
Disposals	956,997	426,680
Balance - End of the year	1,953,214	2,890,966

14. Banks and Financial Institutions Deposits

This item consists of the following :

USD

	December 31, 2008			December 31, 2007		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	2,609,674	24,141,972	26,751,646	4,751,020	22,765,031	27,516,051
Time deposits *	17,668,547	370,516,446	388,184,993	18,335,684	330,391,458	348,727,142
	20,278,221	394,658,418	414,936,639	23,086,704	353,156,489	376,243,193

* This account includes USD 7,052,186 due within a period exceeding 3 months as of December 31, 2008 against USD 8,462,623 as of December 31, 2007.

15. Customers Deposits

This item consists of the following :

USD

	December 31, 2008				
	Individuals	Large Companies	Small and Medium	Government and Public Sector	Total
Current accounts and demand deposits	200,636,310	65,996,599	148,352,341	30,111,137	445,096,387
Saving deposits	88,785,138	311,738	2,965,245	149,443	92,211,564
Time deposits subject to notice	620,371,733	188,244,996	242,064,395	85,232,242	1,135,913,366
Deposits certificates	8,428,419	-	1,768,474	-	10,196,893
	918,221,600	254,553,333	395,150,455	115,492,822	1,683,418,210

	December 31, 2007				
	Individuals	Large Companies	Small and Medium	Government and Public Sector	Total
Current accounts and demand deposits	192,666,145	42,769,150	138,823,684	16,760,231	391,019,210
Saving deposits	80,187,337	152,657	3,659,952	179,937	84,179,883
Time deposits subject to notice	582,619,250	155,039,104	209,033,322	107,438,402	1,054,130,078
Deposits certificates	11,913,472	-	304,632	-	12,218,104
	867,386,204	197,960,911	351,821,590	124,378,570	1,541,547,275

- Public sector deposits in Jordan amounted to USD 115,492,822 which is equivalent to 6.9% of total customers deposits as of December 31, 2008 against USD 124,378,570 which is equivalent to 8.1% of total customers deposits as of December 31, 2007.
- Non-interest bearing deposits amounted to USD 377,318,498, which is equivalent to 22.4% of total customers deposits as of December 31, 2008 against USD 315,838,968, which is equivalent to 20.5% of total customers deposits as of December 31, 2007.
- Restricted deposits amounted to USD 25,223,588 which is equivalent to 1.5% of total customers deposits as of December 31, 2008 against USD 18,236,711, which is equivalent to 1.12% as of December 31, 2007.
- Dormant deposits amounted to USD 23,328,076 as of December 31, 2008 against USD 24,103,106 as of December 31, 2007.

16. Share Capital Payments on Account for Companies under Establishment

This item represents payments of USD 1,405,330 on account of setting up the capital of two companies as of December 31, 2008 against USD 44,828,508 as of December 31, 2007.

17. Cash Margins

This item consists of the following:

USD

	2008	2007
Cash margins on direct credit facilities	118,713,732	149,074,886
Cash margins on indirect credit facilities	44,601,695	33,850,300
Marginal deposits	24,908	1,067,264
Other margins	40,171	1,435,423
Total	163,380,506	185,427,873

18. Borrowed Funds

This item consists of the following:

USD

		Number of Installments		Frequency of Installments	Guarantees	Interest Rate
		Amount	Remaining			
2008						
Jordan Mortgage Refinance Company	a	7,199,085	-	Set at the end of each period	Endorsement of real estate bonds	5.91%
Jordan Mortgage Refinance Company	b	14,104,372	-	One installment when due	Endorsement of real estate bonds	8.60%
Total		21,303,457				
2007						
Jordan Mortgage Refinance Company	a	7,199,085	-	Set at the end of each period	Endorsement of real estate bonds	5.91%
Jordan Mortgage Refinance Company	b	14,104,372	-	One installment when due	Endorsement of real estate bonds	8.60%
Total		21,303,457				

a. On August 27, 2001, the Bank obtained a loan from Jordan Mortgage Refinance Company for USD 14,104,372 at an annual interest rate of 6.25% for the first three years to be reconsidered afterwards. The loan is to be repaid over a period of 10 years commencing from the date the agreement was signed. The first and last installments being due on August 27, 2004 and August 27, 2011, respectively. The purpose of this loan is to refinance the Jordanian Armed Forces Officers Housing Fund. On June 3, 2004, the Bank obtained a loan of USD 5 million at an interest rate of 3.7%. The loan matured on June 3, 2007.

b. On June 28, 2007, the Bank obtained a loan from the Jordan Mortgage Refinance Company for USD 14,104,372 at an interest rate of 8.6% and for a period of 5 years. The loan is due in one payment on the maturity date of June 28, 2012.

19. Provisions

This item consists of the following:

USD

	Beginning Balance	Additions	Disposals	Returned to Income	Ending Balance
Year 2008					
Provision for staff indemnity	5,634,386	2,634,602	561,783	-	7,707,205
Provision for lawsuits against the Bank and probable claims	305,128	84,626	4,094	-	385,660
Technical reserves relating to a subsidiary company	12,228,416	3,008,475	-	-	15,236,891
Total	18,167,930	5,727,703	565,877	-	23,329,756
Year 2007					
Provision for staff indemnity	4,630,006	1,353,992	349,611	-	5,634,387
Provision for lawsuits against the Bank and probable claims	253,499	84,626	32,997	-	305,128
Technical reserves relating to a subsidiary company	10,795,618	1,432,798	-	-	12,228,416
Total	15,679,123	2,871,416	382,608	-	18,167,931

20. Income Taxes

A) Provision for income tax:

The movement on the provision for income tax was as follows:

USD

	2008	2007
Beginning balance	25,860,828	23,044,823
Income tax paid	(25,017,092)	(22,383,357)
Down payment	(1,642,980)	(861,721)
Income tax for the year	32,851,883	26,061,083
Ending Balance	32,052,639	25,860,828

- Income tax for the year consists of the following:

USD

	2008	2007
Income tax for the year	32,851,883	26,061,083
Deferred tax assets for the year	(5,880,513)	(544,285)
Amortization of deferred tax assets	191,103	254,329
	27,162,473	25,771,127

- A final settlement with the income tax authorities has been reached for Jordan branches up to the year 2006. Moreover, the tax return for the year 2007 has been submitted and the tax thereon has been paid. However, no final tax settlement has been reached as the Bank objected against the tax assessment decision to reject the provision for doubtful debts. In the opinion of the Bank's managements, no liabilities in excess of the provisions taken shall arise against the Bank.

- Moreover, the tax returns for the foreign branches have been submitted up to the year 2007 and a final tax settlement has been reached for the Bank's branches in Palestine up to the year 2004. The Bank is now in the process of settling tax for the years 2005 and 2006. In the opinion of the Bank's management, no additional liabilities against the Bank for those years shall arise.

- A final settlement with the Income Tax Department for Arab Orient Insurance Company has been reached up to the year 2006 and for the United Financial Investment Company up to the year 2007. Moreover, the tax returns of the subsidiary companies have been submitted up to the year 2007 and taxes paid thereon. Moreover, their management believe that the income tax liability will not exceed the provisions taken.

b- Deferred Tax Assets / Liabilities:

The details of this item are as follows:

USD

Accounts Included	2008				2008	2007
	Amounts				Deferred Tax*	Deferred Tax
	Beginning Balance	Amounts Released	Additions	Balance End of the Year		
1- Deferred Tax Assets						
Provision for staff indemnity	5,456,303	541,917	2,569,614	7,484,000	2,585,512	1,909,705
Impairment loss in real estate	75,951	-	-	75,951	26,583	26,583
Prior years' provision for non-performing loans	-	-	13,741,994	13,741,994	4,809,698	-
Provision for lawsuits against the Bank	305,128	4,094	84,626	385,660	134,982	106,795
Provision for doubtful debts	454,161	-	282,087	736,248	184,062	113,540
Provision for unreported compensations	867,550	-	420,787	1,288,337	322,085	111,638
	7,159,093	546,011	17,099,108	23,712,190	8,062,922	2,268,261
2- Deferred Tax Liabilities **						
Unrealized profit on trading financial assets Cumulative change in fair value	2,166,492	332,755	(12,977,520)	(11,143,783)	-	562,202
	2,166,492	332,755	(12,977,520)	(11,143,783)	-	562,202

* This item includes an amount of USD 168,784 as of December 31, 2007. Moreover, this amount represents the balance of deferred taxes in retained earnings resulting from applying IAS (12) to the financial statements for the first time on the subsidiary companies (Arab Orient Insurance Company) during the year 2007.

** There is no deferred tax liabilities as of December 31, 2008 against USD 562,202 as of December 31, 2007 resulting from the revaluation gain on available-for-sale financial assets presented at a net amount within the cumulative change in fair value under equity.

- The movement on deferred tax assets / liabilities was as follows:

USD

Description	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Beginning balance	2,268,261	562,202	1,809,520	663,358
Additions during the year	5,985,763	265,276	713,068	203,608
Deductions	191,103	827,478	254,327	304,764
Ending Balance	8,062,921	-	2,268,261	562,202

C- A summary of the reconciliation between declared income and taxable income:

USD

	2008	2007
Declared income	96,381,078	89,800,269
Tax exempted income	13,486,625	4,416,783
Un-deductible expenses	27,842,958	7,387,876
Taxable income	110,737,411	92,771,362
Income Tax Rates:		
Bank- Jordan	35%	35%
Bank- Palestine	16%	16%
Bank- Cyprus	10%	10%
Subsidiary companies	25%	25%
Percentage of deferred taxes-Jordan	35%	35%
Percentage of deferred taxes-subsiaries	25%	25%

21. Other Liabilities

This item consists of the following:

USD

	2008	2007
Accrued interest	9,296,062	7,389,420
Cash margins and accepted checks	1,625,587	9,589,772
Accounts payable*****	15,414,199	10,494,805
Accrued expenses	5,032,951	6,398,216
Temporary deposits	3,609,433	3,786,893
Public shareholding companies deposits *	90,071,241	135,283,587
Shareholders' deposits **	4,029,214	4,450,632
Time deposits - treasury bills sale agreement ***	67,054,364	70,609,769
Accepted and certified checks	7,399,228	7,445,062
Down payments on safe deposit boxes	110,901	95,041
Subscriptions deposits****	701,468	47,162,748
Down payments on real estates sold	24,795	208,011
Unrealized losses on financial derivatives	1,008,516	688,247
Amounts in transit	1,779,788	1,369,670
Other liabilities *****	9,622,985	7,129,368
Total	216,780,732	312,101,241

* This item represents temporary payment deposits to public shareholding companies.

** This item represents the net balance resulting from selling unsubscribed shares totaling 1,136,495 shares at market price during the year 2006. The difference between the market price and issue price of the share of USD 4.23 has been recorded as shareholders' deposits.

*** This item represents the total amounts borrowed from the Social Security Corporation as a result of the treasury bills sale agreement.

**** This item represents refunds of subscriptions in public shareholding companies under establishment.

***** Other liabilities and accounts payable include balances related to subsidiary companies of USD 11,162,157 as of December 31, 2008 against USD 10,293,038 as of December 31, 2007.

22. Capital and Share Premium Reserve

- Subscribed capital amounted to USD 141 million divided into 100 million shares at a par value of USD 1.41 per share as of December 31, 2008. Moreover, the General Assembly of Shareholders, in its ordinary meeting held on March 15, 2009, approved the distribution of cash dividends at 10% of paid-up capital for an amount of USD 14,104,372 against 20% of paid up capital for an amount of USD 21,156,559 as of 2007.

- Share premium reserve amounted to USD 7,052,186 for the current year (USD 42,313,117 for the previous year).

23. Reserves

The details of the reserves as of December 31, 2008 are as follows:

a- Statutory Reserve

This account represents the accumulated amount of the appropriations from income before tax at 10% per year according to the Banks Law. This amount is restricted by the Companies' Law and the Banks' Law.

b- Voluntary Reserve

This account represents the accumulated amount of appropriations from income before tax at a maximum rate of 20% per year.

The voluntary reserve is to be used according to a resolution by the Board of Directors. The General Assembly has the right to distribute this reserve or any portion of it as dividends to shareholders.

c- General Banking Risks Reserve

This reserve represents the general banking risks reserve in accordance with the Central Bank of Jordan regulations.

- The following are the restricted reserves:

USD

Description	2008	2007	Nature of Restriction
General banking risks reserve	16,759,291	14,062,362	According to the Central Bank of Jordan regulations
Statutory reserve	47,693,467	38,427,092	According to the Jordanian Companies Law and the Banks Law

24. Cumulative Change in Fair Value - Net

This item consists of the following:

USD

	2008			2007		
	Available-for-Sale Financial Assets			Available-for-Sale Financial Assets		
	Shares	Bonds	Total	Shares	Bonds	Total
Beginning balance	4,705,432	(3,101,141)	1,604,291	3,134,530	(1,281,836)	1,852,694
Unrealized profits (losses)	(7,804,845)	(5,172,676)	(12,977,521)	2,187,707	(1,938,251)	249,456
Deferred tax liabilities	827,478	(265,276)	562,202	(17,790)	118,946	101,157
Realized (profit) losses-transferred to the income statement	(332,755)	-	(332,755)	(599,016)	-	(599,016)
Ending Balance *	(2,604,690)	(8,539,093)	(11,143,783)	4,705,431	(3,101,141)	1,604,291

* The cumulative change in fair value is presented as a net amount. No deferred tax liabilities shall arise against the Bank of USD 562,202 for the previous year.

25. Retained Earnings

Included in retained earnings an amount of USD 8,062,921 as of December 31 2008 restricted by the Central Bank of Jordan against deferred tax assets (USD 2,268,261) as of December 31, 2007. Also included in this item is an amount of USD 11,143,783 as of December 31, 2008 restricted as per the Securities Commission Regulations against the cumulative negative change in fair value shown in the statement of changes in owners' equity.

26. Proposed Dividends

The Board of Directors recommended to the General Assembly of Shareholders to distribute 10% of paid-up capital (equivalent to USD 14,104,372) as dividends against dividends paid to shareholders for the previous year at 20% of paid-up capital (equivalent to USD 21,156,559). The General Assembly of shareholders convened on March 15, 2009 and approved the recommendation.

27. Interest Income

This item consists of the following:

USD

	2008	2007
Direct credit facilities:		
Individuals (retail):		
Current accounts	53,550	89,743
Loans and promissory notes	2,811,144	2,876,568
Credit cards	889,907	708,760
Property loans	7,734,714	4,228,671
Companies		
Large companies		
Current accounts	22,026,680	21,505,489
Loans and promissory notes	105,366,787	92,696,296
Medium and small companies		
Current accounts	2,735,553	1,964,708
Loans and promissory notes	5,549,063	4,726,676
Government and public sector	7,141,440	5,391,206
Balances at central banks	11,477,595	11,472,739
Balances and deposits at banks and financial institutions	15,203,932	20,726,234
Available-for-Sale financial assets	19,017,941	16,949,918
Held-to-maturity financial assets	5,271,835	3,714,377
Other	421,183	193,797
Total	205,701,324	187,245,182

28. Interest Expense

This item consists of the following:

USD

	2008	2007
Deposits at banks and financial institutions	17,573,412	13,960,267
Customers deposits:		
Current and demand deposits	2,349,797	1,761,834
Saving accounts	901,243	801,566
Time and notice deposits	47,715,140	52,453,092
Certificates of deposit	744,471	210,047
Cash margins	10,719,530	15,554,526
Borrowed funds	1,833,355	1,362,783
Loan guarantee fees	2,260,244	1,804,808
Other	5,245,618	7,451,242
Total	89,342,809	95,360,165

29. Commission Income - Net

This item consists of the following:

USD

	2008	2007
Interest income:		
Direct credit facilities	7,658,907	10,002,824
Indirect credit facilities	7,682,825	6,455,701
Other commissions	3,211,065	4,327,090
Net Commissions	18,552,797	20,785,615

30. Income (loss) from Foreign Currencies

This item consists of the following:

	2008	2007
Foreign currencies trading	318,886	875,241
As a result of evaluation	5,487,524	4,607,801
Total	5,806,410	5,483,042

31. Income (loss) from Trading Financial Assets

This item consists of the following:

USD

	Realized Profit	Unrealized Profit	Share dividends Return	Total
Year 2008				
Companies shares	(159,767)	(234,079)	88,197	(305,649)
Total	(159,767)	(234,079)	88,197	(305,649)
Year 2007				
Companies shares	(19,468)	(78,686)	-	(98,154)
Total	(19,468)	(78,686)	-	(98,154)

32. Income from Available-for-Sale Financial Assets

This item consists of the following:

USD

	2008	2007
Dividends income	924,621	933,062
Income from the sale of available-for-sale financial assets	1,395,884	980,344
impairment in AFS	(5,029,884)	-
Total	(2,709,381)	1,913,406

33. Other Income

This item consists of the following:

USD

	2008	2007
Rental of safe deposit boxes	81,599	70,138
Stamps income	115,678	111,223
Credit cards income	2,297,608	1,855,532
Recovery of debts previously written-off	746,415	1,188,001
Trading in shares and bonds revenue - subsidiary company	8,428,128	3,130,841
Profit from sale of properties seized by the Bank	41,980	59,481
Rental income	89,559	86,082
Telecommunication income	543,893	462,272
Transfers income	1,313,835	805,804
Insurance income-subsiary company	9,301,456	6,131,086
Other	3,872,774	2,624,585
Total	26,832,925	16,525,045

34. Employees Expenses

This item consists of the following:

USD

	2008	2007
Salaries, bonuses and employees' benefits	24,908,189	20,760,261
Bank's share in social security	1,521,951	1,122,729
Medical expenses	871,852	648,000
Staff training expenses	493,958	312,614
Travel expenses	730,496	701,663
Employees life insurance	75,364	73,082
Value added tax	80,078	53,748
Employees benefits - subsidiary company *	138,680	138,680
Total	28,820,568	23,810,777

* Employees expenses include an amount of USD 138,680, representing the period's portion from payments on a share basis. In an extraordinary meeting of the General Assembly of Shareholders, the United Financial Investments Company, the subsidiary company, resolved to grant its senior employees 3% of the grant shares of USD 4,231,312 . According to International Financial Reporting Standard No. (2) relating to payments on a share basis, this expense has been recognized on the basis of the fair value of shares when granted and upon the approval of the Securities Exchange Commission to increase capital. The details are as follows:

USD

Number of shares due to senior employees	90000 shares **	(Due after 4 years effective from January 1, 2006)
Fair value of share	USD 6.16	as of June 14, 2006
Full shares expense to be incurred by the subsidiary company	USD 554,725	
Expense recognized for the period	USD 138,680	
Date of ownership by senior employees	January 1, 2010	

** According to a resolution by the General Assembly of Shareholders, these shares are restricted for a period of four years.

35. Other Expenses

This item consists of the following:

USD

	2008	2007
Rent	1,280,252	1,159,865
Stationery	1,068,819	853,389
Advertisements	1,748,334	1,951,748
Subscriptions	224,502	226,496
Telecommunication expenses	1,234,913	1,186,464
Maintenance and repair	2,190,563	1,749,584
Insurance expenses	436,999	307,377
Legal fees	182,591	119,522
Water, electricity and heating	724,801	544,793
Fees, taxes and stamps	657,113	907,838
Professional fees	222,599	188,096
Visa services expenses	1,010,898	611,605
Hospitality	152,485	167,556
Transportation	182,803	158,853
Correspondents services	112,532	103,649
Security	174,193	140,274
Donations	258,446	209,639
Jordanian universities fees	852,117	801,429
Scientific research and vocational training fees	852,117	801,429
Technical and Vocational Training Support Fund fees	493,296	286,880
Board of Directors' remunerations	140,480	140,480
Other	2,676,146	1,648,121
	16,876,999	14,265,087

36. Earnings Per Share - Bank Shareholders

The details of this items are as follows:

USD

	2008	2007*
Income for the year	65,501,279	62,593,155
Weighted average number of shares	100,000,000	100,000,000
Earnings Per Share - Bank Shareholders:		
Basic	0/655	0/626
Diluted	0/655	0/626

* During the year 2008, 25 million free shares were distributed to shareholders. Accordingly, the weighted average number of shares for the year 2007 was adjusted to 100 million shares instead of 75 million shares as the increase in shares was considered as free shares.

37. Cash and Cash Equivalents

The details of this items are as follows:

USD

	2008	2007
Balances at central banks due within 3 months	388,534,506	277,604,251
Add: Balances at banks and financial institutions due within 3 months	284,188,257	447,790,262
Less: Banks and financial institutions deposits due within 3 months	407,884,453	367,780,570
Restricted balances	1,210,491	1,297,730
	263,627,821	356,316,213

38. Financial Instruments

This item consists of the following:

USD

	Maturity of Nominal Value						
	Positive Fair Value	Negative Fair Value	Total Nominal Amounts	Within 3 Months	More than 3 Months up to 12 Months	From 1 Year up to 3 Years	More than 3 Years
Year 2008							
As of December 31, 2008							
Trading Derivatives:							
Forward sales contracts in foreign currencies	-	(1,008,516)	(56,961,086)	(56,961,086)	-	-	-
Futures contracts	-	-	-	-	-	-	-
	-	(1,008,516)	(56,961,086)	(56,961,086)	-	-	-
Forward purchase contracts in foreign currencies	1,458,969	-	56,510,633	56,510,633	-	-	-
Futures contracts	-	-	-	-	-	-	-
	1,458,969	-	56,510,633	56,510,633	-	-	-
Total	1,458,969	(1,008,516)	(450,453)	(450,453)	-	-	-

The nominal value represents the value of the deals outstanding at year-end and does not represent market risks or credit risks.

	Maturity of Nominal Value						
	Positive Fair Value	Negative Fair Value	Total Nominal Amounts	Within 3 Months	More than 3 Months up to 12 Months	From 1 Year up to 3 Years	More than 3 Years
Year 2007							
As of December 31, 2007							
Trading Derivatives:							
Forward sales contracts in foreign currencies	-	(180,547)	(59,681,360)	(59,681,360)	-	-	-
Futures contracts	-	(507,700)	(11,519,825)	(9,989,825)	(1,530,000)	-	-
	-	(688,247)	(71,201,185)	(69,671,185)	(1,530,000)	-	-
Forward purchase contracts in foreign currencies	225,525	-	59,636,382	59,636,382	-	-	-
Futures contracts	518,575	-	11,508,949	9,978,949	(1,530,000)	-	-
	744,100	-	71,145,331	69,615,331	(1,530,000)	-	-
Total	744,100	(688,247)	(55,854)	(55,854)	-	-	-

39. Transactions with Related Parties

The Bank entered into transactions with sister companies, major shareholders, Board of Directors, and executive management within the normal banking practice and according to the normal interest rates. All of the credit facilities granted to related parties are considered to be performing facilities and no impairment provisions have been taken.

The following is a summary of the transactions with related parties during the year:

	Related Party			Total	
	Major Shareholders	Board of Directors Members	Executive Managers	2008	2007
On-Balance Sheet Items:					
Credit facilities *	-	11,296,072	934,766	12,230,838	17,110,958
Available-for-sale financial assets	3,443,281	-	-	3,443,281	2,738,357
Held-to-maturity financial assets	9,916,000	-	-	9,916,000	9,916,000
Banks and financial institutions deposits	210,347,961	-	-	210,347,961	170,254,863
Deposits	1,993,186	21,971,598	771,103	24,735,887	24,696,475
Cash margins	-	-	150,293	150,293	560,733
Off-Balance Sheet Items:					
Letters of guarantee	-	12,835	-	12,835	269,464
				Total	
				2008	2007
Statement of Income:					
Interest and commission received	760,783	211,340	34,317	1,006,440	4,272,470
Interest and commission paid	7,304,155	946,513	29,058	8,279,726	8,607,205
Minimum and Maximum Interest and Commissions Rates					
Credit rates	-	7.35 - 14	8 - 8	0 - 8	
Debit rates	3.25 - 6.6	0.75 - 5.5	0 - 6.5	1.5 - 7	

* Included in direct credit facilities granted to the Board of Directors members is an amount of USD 9,490,993 representing credit facilities granted to the subsidiary companies board of directors and their related parties.

The Bank has two members on the Board of Directors of the subsidiary companies Arab Orient Insurance Company and United Financial Investments Company.

Executive Management Remunerations:

Executive management remunerations for the Bank and the subsidiary companies amounted to USD 3,623,216 for 2008 against USD 2,640,309 for 2007, excluding performance bonuses and productivity - related incentives.

40. Fair Value of Financial Assets and Financial Liabilities not Shown at Fair Value in the Financial Statements

There are no significant differences between the book value and fair value of the financial assets and liabilities as of year – end 2008 and 2007.

41. Risks Management

The Board of Directors performs its role in ensuring that the Bank manages the various risks and adopts the policies and procedures that streamline the Bank's risks management through the Risks and Audit Committee. Moreover, the Bank sets the risks acceptable limits (risk appetite). The Risks Management Department evaluates, controls, and recommends mitigating risks, and submits the necessary reports to higher management independently from the other Bank's departments (risk takers) which perform other banking activities in order to ensure the objectivity of the Risks Management Department in analyzing the various risk types. Furthermore, the Risks Management Department is responsible for the market operating, credit, and liquidity risks (within the Assets and Liabilities Model) of the Bank's local and external branches. It submits its reports to the Risks and Audit Committee within the Board of Directors. These reports are audited by the Internal Audit Department.

41. a. Credit Risk

Credit risk refers to the risk that a counterparty will default on its credit terms and/or its creditworthiness deteriorates resulting in financial loss to the Bank.

The Board of Directors periodically reviews the credit risk management policies compatible with the laws and Central Bank of Jordan instructions after being prepared by the concerned departments. Moreover, the Board of Directors ensures that management of the Bank works according to their policies and executes the related requirements. These policies include the Bank's credit policy

through which many factors are determined such as:

- Setting clear requirements, policies, and decision-making procedures relating to the new or to be renewed credit facilities or any material amendment thereon within specified authorities that match the size and specifications of the credit facilities. Among the factors taken into consideration when granting credit are the purpose of the credit facilities and payment sources.
 - Taking decisions within qualified management levels. Moreover, the Bank has various credit committees at the executive management level and the Board of Directors level. This is done away from the impact of conflict of interest and in a manner that guarantees the soundness and independence of the evaluation procedures of the customer requesting credit and the related compatibility with the Bank's credit policy requirements.
 - Laying out clear and effective policies and procedures for managing and executing credit including continuous analysis of the ability and readiness of the borrower to pay according to contractual terms, monitoring the credit documentation and any credit terms and covenants, and continuously controlling and evaluating guarantees.
 - Establishing adequate policies and procedures to ensure evaluation and management of non-performing credit and its classification in addition to evaluating the adequacy of the provisions monthly based on the instructions of the Central Bank of Jordan and other regulatory authorities under which the Bank operates. This is in addition to a clear policy for writing off debt. Moreover, the Board of Directors approves the adequacy of these provisions.
 - Having an independent department that follows up on troubled debts through amicable settlements prior to dealing with them legally.
 - Determining the type and size of the required guarantee based on the customer's credit risk evaluation according to clear acceptance procedures and customers evaluation standards.
 - Periodically monitoring the fair value for the guarantees. In case their value becomes less than what is specified in the loan terms, the customer is required to provide more guarantees. Upon assessing the adequacy of the provisions, the necessary evaluation of the guarantees is performed.
 - Disposing of any guarantee owned after repayment of the customer's debts. In general, seized real estates are not used for the Bank's operations.
 - Having an internal credit rating system for its customers documented and approved by the Board of Directors. Any factor contributing to the customer's default is considered in a manner that helps in measuring and rating the customer's risks, and consequently, facilitating the decision-making process and the pricing of credit facilities.
 - Having clear rating standards taking into consideration the various financial and non-financial factors. The credit rating system is reviewed and evaluated independently from the credit department through the Risks Management Department in coordination with the concerned departments.
 - Having specified and documented controls and ceilings with clear policies and procedures that guarantee commitment to these ceilings and the necessity to obtain prior approvals for any excesses. These controls and ceilings are reviewed and amended periodically, if necessary. Moreover, there are ceilings specified and approved by the Board of Directors relating to dealing with the various banks, countries, and economic sectors.
 - Providing the Board of Directors with a clear picture and analysis of the credit portfolio through the Risks Management Department that clarifies its quality and its various classifications and any concentrations therein, in addition to historical and banking benchmarks.
- The Bank adheres to the instructions of the Central Bank of Jordan relating to credit concentration and its customers. The Bank deals with them on an aggregate basis and special care, takes control, and expresses explicit and clear disclosure thereon when preparing the Bank's consolidated financial statements. The required credit facilities are presented by the related parties to the Board of Directors provided that the persons granted the credit facilities have no influence over the Board of Directors, and receive no preferential treatment over the Bank's customers.

USD

Credit risk exposure (less the impairment provision and before guarantees and other risk - mitigating factors):

	2008	2007
On Balance Sheet Items		
Cash and balances at the Central Bank	353,983,693	327,720,814
Balances at banks and financial institutions	284,188,257	447,790,262
Deposits at banks and financial institutions	17,151,622	4,159,128
Direct credit facilities		
Individuals	38,281,386	37,563,955
Property loans	97,784,691	46,098,993
Companies		
Large Companies	1,451,191,351	1,371,417,590
Small and medium institutions	70,297,307	67,841,151
Government and public sector	87,712,812	67,320,584
Bonds and Bills:		
Included in available-for-sale financial assets	296,326,827	248,917,405
Included in held-to-maturity financial assets	64,337,326	58,753,966
Other assets	47,503,650	65,825,866
	2,808,758,922	2,743,409,714
Off Balance Sheet Items		
Letters of guarantee	261,531,742	261,459,685
Letters of credit	102,967,969	101,961,100
Letters of acceptance	28,404,693	21,669,740
Unutilized facility ceilings	144,806,288	135,286,951
Total	537,710,692	520,377,476

Credit exposures according to the degree of risk are categorized according to the following table:

USD

	Individuals	Property Loans	Companies		Government and Public Sector	Banks and Other Financial Institutions	Total
			Large	Small and Medium			
2008							
Low risk	2,555,979	712,814	25,209,643	2,893,766	13,830,852	-	45,203,054
Acceptable risk	30,722,148	96,465,828	1,343,154,072	62,078,025	73,881,961	-	1,606,302,034
Of which is due:*							
within 30 days	1,447,368	110,537	6,004,058	1,050,351	-	-	8,612,315
from 31 to 60 days	2,569,838	1,892,351	20,013,021	2,573,537	-	-	27,048,748
Under watch	4,452,728	174,491	97,017,983	5,184,920	-	-	106,830,121
Non-performing:							
Below level	459,299	-	3,096,924	-	-	-	3,556,223
Allowance provided	165,501	174,900	-	59,076	-	-	399,477
Bad debt	838,116	694,647	3,227,691	737,536	-	-	5,497,990
Total	39,193,771	98,222,680	1,471,706,313	70,953,323	87,712,813	-	1,767,788,899
Less: Impairment provision	818,657	322,931	20,120,877	339,065	-	-	21,601,530
Less: Interest in suspense	93,722	115,058	394,087	316,952	-	-	919,819
Net	38,281,392	97,784,691	1,451,191,349	70,297,306	87,712,813	-	1,745,267,550

	Individuals	Property Loans	Companies		Government and Public Sector	Banks and Other Financial Institutions	Total
			Large	Small and Medium			
2007							
Low risk	3,149,079	208,982	29,495,797	3,811,661	12,386,958	-	49,052,477
Acceptable risk	35,006,738	44,791,934	1,160,813,921	56,583,106	54,933,626	-	1,352,129,324
Of which is due:*							
within 30 days	1,150,522	-	5,373,944	311,017	-	-	6,835,482
from 31 to 60 days	1,711,869	2,329,083	16,523,709	3,552,482	-	-	24,117,144
Under watch	1,121,254	659,681	186,407,908	7,320,117	-	-	195,508,961
Non-performing:							
Below level	505,385	282,071	-	1,292	-	-	788,748
Allowance provided	182,377	160,362	324,780	341,128	-	-	1,008,647
Bad debt	369,739	296,684	1,187,391	561,831	-	-	2,415,645
Total	38,235,158	46,399,714	1,378,037,638	68,619,135	67,320,584	-	1,600,903,801
Less: Impairment provision	665,511	232,828	6,075,238	447,590	-	-	7,421,166
Less: Interest in suspense	5,693	67,893	544,810	330,395	-	-	948,790
Net	37,563,954	46,098,993	1,371,417,590	67,841,150	67,320,584	-	1,592,533,845

* The whole debt balance becomes due when one of the installments or interest is due. Moreover, the overdraft account is considered due when it exceeds the ceiling.

Scheduled Debts:

These debts are the debts that have been previously classified as non-performing credit facilities but taken out therefrom according to proper scheduling. These debts have been classified as "debts under control" and amounted to USD 203,770 as of the current year – end against USD 1,747,419 as of the previous year–end.

Restructured Debts:

Restructured debts amounted to USD 10,521,922 as of December 31, 2008 against USD 3,775,312 as of December 31, 2007.

Bonds, Bills, and Debentures

The following table illustrates the classification of bonds, bills, and debentures according to external rating institutions:

						USD
Rating Grade	Rating Institution	Within Trading Financial Assets	Within Available-for- Sale Financial Assets	Within Held-to- Maturity Financial Assets		Total
A	S&P	-	1,417,770	-		1,417,770
A-	MDY	-	2,488,401	-		2,488,401
BBB+	S&P	-	3,400,963	-		3,400,963
BBB+	FITCH	-	3,848,000	-		3,848,000
BBB	FITCH	-	2,148,599	-		2,148,599
BB	S&P	-	11,308,200	-		11,308,200
BB-	FITCH	-	1,431,599	-		1,431,599
Baa3	MDY	-	-	9,916,000		9,916,000
B	S&P	-	4,200,000	-		4,200,000
B-	S&P	-	582,000	-		582,000
CCC+	S&P	-	1,157,505	-		1,157,505
C	S&P	-	3,288,049	-		3,288,049
Unclassified	-	-	22,301,695	15,867,419		38,169,114
Governmental	-	-	238,771,735	38,553,907		277,325,642
Total		-	296,326,826	64,337,326		360,664,152

Credit Risk Exposure According to Geographical Areas:

								USD
Geographical Area	Inside Jordan	Middle East Countries	Europe	Asia*	Africa*	America	Other Countries	Total
Balances at Central Banks	308,752,002	45,231,691	-	-	-	-	-	353,983,693
Balances at banks & financial institutions	48,677,841	39,127,097	59,865,992	1,269,300	-	135,248,027	-	284,188,257
Deposits at banks and financial institutions	15,626,622	-	1,500,000	25,000	-	-	-	17,151,622
Credit facilities:								
Individuals	38,009,941	271,446	-	-	-	-	-	38,281,387
Real estate loans	97,219,227	110,119	-	-	-	-	-	97,329,346
Companies :								
Major companies	1,358,012,858	52,551,285	39,959,337	-	-	667,872	-	1,451,191,351
Small to medium size companies	69,331,577	965,731	-	-	-	-	-	70,297,308
Government and public sector	87,712,812	-	-	-	-	-	-	87,712,812
Bonds, bills, and debentures:								
Within trading financial assets	-	-	-	-	-	-	-	-
Within available-for-sale- financial assets	251,287,437	32,975,439	-	7,678,401	-	4,385,550	-	296,326,827
Within held-to-maturity financial assets	54,421,326	9,916,000	-	-	-	-	-	64,337,326
Other assets	45,199,041	384,859	1,326,361	383,732	-	209,657	-	47,503,650
Total for the current year	2,374,660,831	181,578,863	102,651,690	9,356,433	-	140,511,106	-	2,808,758,922
Total/comparative figures	2,095,328,797	255,742,801	368,197,209	11,857,584	1,479,780	10,762,992	40,551	2,743,409,714

* Excluding Middle East Countries.

Exposure according to Economic Sector:

USD

Economic Sector	Financial	Industrial	Services	Trade	Real estate	Agricultural	Shares	Individuals	Government & public Sector	Total
Item										
Balances at central banks	-	-	-	-	-	-	-	-	353,983,693	353,983,693
Balances at banks & financial institutions	284,188,257	-	-	-	-	-	-	-	-	284,188,257
Deposits at banks & financial institutions	17,151,622	-	-	-	-	-	-	-	-	17,151,622
Credit facilities	199,481,896	301,560,691	439,865,993	448,172,210	44,817,221	13,702,839	104,835,262	35,687,460	87,712,814	1,745,267,549
Bonds, bills and debentures:										
Within trading financial assets	-	-	-	-	-	-	-	-	-	-
Within available-for-sale financial assets	272,967,959	12,122,251	4,200,000	-	1,692,525	4,385,550	-	-	958,542	296,326,827
Held-to-maturity financial assets	64,337,326	-	-	-	-	-	-	-	-	64,337,326
Others assets	37,698,410	274,529	5,601,124	-	-	-	-	-	3,929,587	47,503,650
Total for the current year	875,825,470	313,957,471	449,667,117	448,172,210	115,940,908	18,088,389	104,835,262	35,687,460	446,584,635	2,808,758,922
Total/comparative figures	776,375,889	274,964,821	388,467,532	486,288,938	46,789,939	14,040,753	125,922,712	38,442,472	592,116,657	2,743,409,714

41.b. Market Risk

Market risk is the potential losses that may arise from the changes in market prices such as the change in interest rates, foreign currency exchange rates, and equity instrument prices, and consequently, the change in the fair value of the cash flows of the on- and off – balance sheet financial instruments.

The Bank has specified policies and procedures through which market risks are identified, measured, monitored, and controlled. These policies and procedures are reviewed periodically. Moreover, the Investment Policy Committee studies and recommends them after ensuring their compatibility with the instructions of the Central Bank of Jordan. After that, they are approved by the Board of Directors.

The acceptable risks policy is set within the Treasury operations and includes ceilings that govern market risks. These ceilings are adopted and their application is ensured periodically and constantly through monitoring their implementation by the risks management and submitting various periodic reports to the Assets and Liabilities Committee as well as to the Board of Directors.

The Bank has no trading portfolio and adopts the sensitivity analysis method thereon whereby present risks are measured according to the Standardized Approach for calculating minimum capital based on Basel Committee recommendations.

Moreover, the trading financial assets balance shown in the consolidated financial statements of the Bank and amounting to USD 529,759 as of December 31, 2008 entirely relates to the United Company for Financial Consultations.

Interest Rate Risk:

Interest rate risk results from the potential change in interest rates, and consequently, the potential impact on the cash flows or the fair value of financial instruments.

The Bank is exposed to interest rate risks as a result of the timing gaps of repricing assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee. Moreover, various hedging methods are used to remain within the acceptable interest rate gap limits.

Sensitivity analysis :

USD

Year 2008			
Currency:	Increase in Interest Rate %	Interest Income Sensitivity	Owners' Equity Sensitivity
US Dollar	1	(24,227)	(5,667,044)
Euro	1	(153,690)	(19,161)
GBP	1	32,278	(40,621)
Yen	1	2,829	-
Other currencies	1	64,011	(4,794)
Currency:	Decrease in Interest Rate %	Interest Income Sensitivity	Owners' Equity Sensitivity
US Dollar	1	24,227	N/A
Euro	1	153,690	19,599
GBP	1	(32,278)	42,166
Yen	1	(2,829)	-
Other currencies	1	(64,011)	4,913
Year 2007			
Currency:	Increase in Interest Rate %	Interest Income Sensitivity	Owners' Equity Sensitivity
US Dollar	1	(1,156,037)	(2,374,351)
Euro	1	90,860	(102,794)
GBP	1	(2,839)	(66,202)
Yen	1	(1,533)	-
Other currencies	1	87,496	(36,408)
Currency:	Decrease in Interest Rate %	Interest Income Sensitivity	Owners' Equity Sensitivity
US Dollar	1	1,154,037	2,532,529
Euro	1	(90,860)	106,742
GBP	1	2,839	69,241
Yen	1	1,533	-
Other currencies	1	(87,496)	37,213

2- Foreign currencies risk

a. The following table illustrates the currencies to which the Bank is exposed and the potential and reasonable change in their rates against the Jordanian Dinar and related impact on the profit and loss statement. The currencies positions are monitored daily to ensure that they are within the determined limits. Moreover, the related reports are submitted to the Assets and Liabilities Committee and Board of Directors.

USD

Currency:	Change in Foreign Currency Rate %		Effect on Income & Losses		Effect on Owners' Equity	
	Year 2008	Year 2007	Year 2008	Year 2007	Year 2008	Year 2007
Euro	5	5	(20,073)	(417,642)	-	-
GBP	5	5	(1,575)	90,618	-	-
Yen	5	5	1196	(822)	-	-
Other currencies	5	5	109,831	664,886	-	-

- Risks of Changes in Shares Prices:

This represents the risk resulting from the decline in the fair value of the investment portfolio of the shares due to the changes in the value of the shares indicators and the change in the value of shares individually.

USD

Indicator of	Change in Indicator (%)	Impact on Profit and Loss	Impact on Owners' Equity
Amman Stock Exchange	5 %	13,415	341,275
Palestine Stock Exchange	5 %	-	4,315
Kuwait Stock Exchange	5 %	-	70,987
Dubai Stock Exchange	5 %	6,227	47,512
Indicator of	Change in Indicator (%)	Impact on Profit and Loss	Impact on Owners' Equity
Amman Stock Exchange	(5%)	(13,415)	(341,275)
Palestine Stock Exchange	(5%)	-	(4,315)
Kuwait Stock Exchange	(5%)	-	(70,987)
Dubai Stock Exchange	(5%)	(6,227)	(47,512)

Interest Rate Repricing Gap

The Bank adopts the assets - liabilities compatibility principle and the suitability of maturities to narrow gaps through categorizing assets and liabilities into various maturities or price review maturities, whichever are nearer, to lower risks in interest rates, studying gaps in the related interest rates, and using hedging policies through the adoption of advanced financial instruments such as derivatives.

USD

	Interest Rate Sensitivity							Total
	Less than One Month	More than 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	
Year 2008								
Assets:								
Balances at central banks	146,865,629	22,566,996	-	-	-	-	219,101,882	388,534,506
Balances at banks and financial institutions	261,313,681	21,841,368	-	-	-	-	1,033,207	284,188,257
Deposits at banks and financial institutions	-	-	151,622	15,000,000	2,000,000	-	-	17,151,622
Trading financial assets	-	-	-	-	-	-	529,759	529,759
Financial derivatives	-	-	-	-	-	-	-	-
Direct credit facilities - net	137,392,230	247,899,275	454,242,764	821,382,812	34,259,023	50,091,444	-	1,745,267,549
Available-for-sale financial assets	6,038,865	20,444,392	13,885,636	117,320,872	98,817,814	39,819,182	25,555,886	321,882,646
Held-to-maturity financial assets	-	6,963,173	20,791,989	12,561,791	-	24,020,372	-	64,337,326
Mortgaged financial assets	-	-	-	-	-	-	-	-
Fixed assets - net	-	-	-	-	-	-	18,223,814	18,223,814
Intangible assets	-	-	-	-	-	-	2,269,742	2,269,742
Deferred tax assets	-	-	-	-	-	-	8,062,921	8,062,921
Other assets	-	-	-	-	-	-	58,989,381	58,989,381
Total Assets	551,610,405	319,715,204	489,072,011	966,265,475	135,076,837	113,930,998	333,766,592	2,909,437,523
Liabilities:								
Banks and financial institutions deposits	367,641,272	37,069,969	7,052,186	1,519,334	-	-	1,653,878	414,936,639
Customers' deposits	884,860,817	225,246,381	72,057,968	114,921,512	6,367,309	2,645,726	377,318,497	1,683,418,210
Share capital payments on account for companies under establishment	1,013,685	-	-	-	-	-	391,645	1,405,330
Cash margins	60,083,281	36,211,883	11,699,774	21,692,553	350,364	-	33,342,651	163,380,506
Financial derivatives	-	-	-	-	-	-	-	-
Borrowed funds	-	-	-	-	7,199,085	14,104,372	-	21,303,457
Debt bonds	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	23,329,756	23,329,756
Income tax provision	-	-	-	-	-	-	32,052,639	32,052,639
Deferred tax liabilities	-	-	-	-	-	-	-	-
Secondary loans	-	-	-	-	-	-	-	-
Other liabilities	88,301,989	1,625,587	-	-	-	-	126,853,156	216,780,732
Total Liabilities	148,385,270	37,837,470	90,809,928	138,133,399	13,916,758	16,750,098	594,942,224	2,556,607,269
Interest Rate Repricing Gap	(850,290,639)	19,561,385	398,262,083	828,132,076	121,160,079	97,180,900	(261,175,630)	352,830,254
Year 2007								
Total Assets	580,503,772	475,808,642	558,290,133	717,552,956	88,585,013	130,668,687	293,058,508	2,844,467,709
Total Liabilities	1,534,989,056	312,713,901	62,847,879	79,195,480	6,343,206	16,245,169	513,707,817	2,526,042,508
	(954,485,284)	163,094,741	495,442,254	638,357,476	82,241,807	114,423,518	(220,649,309)	318,425,201

b. Concentration in foreign currencies risk:

USD

	US Dollar	Euro	Sterling Pound	Japanese Yen	Others	Total
For the year 2008						
Assets:						
Cash and balances at the Central Bank	60,675,320	11,156,155	39,330	-	2,824,843	74,695,648
Balances at banks and financial institutions	210,208,889	3,935,496	16,729,141	-	9,823,951	240,697,477
Deposits at banks and financial institutions	17,025,000	-	-	-	126,622	17,151,622
Direct credit facilities	430,549,244	19,429,195	-	763,399	453,110	451,194,948
Available-for-sale financial assets	53,328,056	1,043,818	3,267,405	-	11,822,485	69,461,764
Held-to-maturity financial assets	9,916,000	-	-	-	-	9,916,000
Fixed assets	221,042	-	-	-	-	221,042
Intangible assets	20,528	-	-	-	-	20,528
Other assets	5,606,044	117,389	27,069	952	(161,928)	5,589,526
Total Assets	787,550,123	35,682,053	20,062,945	764,351	24,889,083	868,948,555
Liabilities:						
Banks and financial institutions deposits	283,795,031	171,973	129,388	959,726	-	285,056,118
Customers' deposits	418,955,609	30,480,224	17,406,172	35,814	13,098,220	479,976,039
Cash margins	77,331,118	2,953,966	268,485	80,288	219,866	80,853,724
income tax provision	37,446	726,041	-	-	-	763,487
Other liabilities	12,230,061	140,458	131,756	5,315	(260,549)	12,247,041
Total Liabilities	792,349,265	34,472,662	17,935,801	1,081,143	13,057,537	858,896,409
Net Concentration on-Balance Sheet for the Current Year	(4,799,142)	1,209,391	2,127,144	(316,791)	11,831,546	10,052,147
Off-balance Sheet Contingent Liabilities for the Current Year	202,220,592	35,451,683	2,317,377	1,259,087	4,032,599	245,281,339
For the year 2007						
Assets:						
Cash and balances at the Central Bank	50,996,430	2,667,788	286,317	-	9,502,044	63,452,579
Balances at banks and financial institutions	393,018,770	19,360,045	12,734,942	905,574	14,389,453	440,408,784
Deposits at banks and financial institutions	4,025,000	-	-	-	134,128	4,159,128
Direct credit facilities	377,009,827	20,573,999	-	-	1,482,969	399,066,795
Available-for-sale financial assets	59,170,646	5,685,199	3,793,024	-	12,704,934	81,353,803
Held-to-maturity financial assets	9,916,000	-	-	-	-	9,916,000
Fixed assets	232,212	-	-	-	-	232,212
Intangible assets	21,733	-	-	-	-	21,733
Other assets	8,368,381	1,013,876	681,172	-	137,257	10,200,686
Total Assets	902,758,999	49,300,907	17,495,455	905,574	38,350,785	1,008,811,720
Liabilities:						
Banks and financial institutions deposits	270,931,724	1,035,604	948,234	167,312	1,898,488	274,981,362
Customers' deposits	522,247,135	41,335,842	14,178,123	169,498	6,693,388	584,623,986
Cash margins	90,044,168	5,458,749	217,185	182,546	861,849	96,764,497
Other liabilities	7,564,709	201,021	358,544	748	1,127,755	9,252,777
Total Liabilities	890,787,736	48,031,216	15,702,086	520,104	10,581,480	965,622,622
Net Concentration on-Balance Sheet for the Current Year	11,971,262	1,269,691	1,793,370	385,471	27,769,305	43,189,099
Off-balance Sheet Contingent Liabilities for the Current Year	212,272,409	30,590,664	871,652	3,667,093	6,347,501	253,749,319

41. C. Liquidity Risk:

First: The following table illustrates the distribution of liabilities (undiscounted) on the basis of the remaining period to the contractual maturity at the date of the financial statements.

Liquidity risk is defined as the loss to which the Bank might be exposed due to the inavailability of the necessary funds to finance its increased operations or obligations upon their maturity at the appropriate cost and time (considered as part of the Assets and Liabilities Management {ALM}).

The Bank adheres to the liquidity ratios set by the Central Bank of Jordan and other regulatory authorities under which the Bank's external branches operate. Liquidity is monitored daily by the Bank.

Liquidity is also monitored by the Assets and Liabilities Management Committee headed by the General Manager through periodic reports.

	Less than One Month	More than 1 Month up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to 1 Year	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	USD Total
Year 2008								
Liabilities:								
Banks and financial institutions deposits	369,295,150	37,069,969	7,052,186	1,519,334	-	-	-	414,936,639
Customers' deposits	1,262,179,315	225,246,381	72,057,968	114,921,512	6,367,309	2,645,726	-	1,683,418,210
Share capital payments on account for companies under establishment	1,405,330	-	-	-	-	-	-	1,405,330
Cash margins	93,425,932	36,211,883	11,699,774	21,692,553	350,364	-	-	163,380,506
Borrowed funds	-	-	-	-	7,199,085	14,104,372	-	21,303,457
Provisions	-	-	-	-	-	-	23,329,756	23,329,756
Income tax provision	32,052,639	-	-	-	-	-	-	32,052,639
Deferred tax liabilities	-	-	-	-	-	-	-	-
Other liabilities	107,464,299	24,204,148	63,092,061	20,931,556	244,097	571,636	272,935	216,780,732
Total Liabilities	1,865,822,664	285,662,412	146,849,803	157,545,621	14,160,855	17,321,735	23,602,691	2,556,607,269
Total Assets	778,620,824	167,979,141	186,593,083	497,961,425	456,801,310	773,719,488	47,762,252	2,909,437,523
Year 2007								
Liabilities:								
Banks and financial institutions deposits	255,020,553	112,760,017	8,462,623	-	-	-	-	376,243,193
Customers' deposits	1,274,987,505	183,883,781	38,356,245	43,337,130	751,762	230,852	-	1,541,547,275
Share capital payments on account for companies under establishment	44,828,508	-	-	-	-	-	-	44,828,508
Cash margins	134,547,434	16,070,103	16,029,008	18,479,023	302,305	-	-	185,427,873
Borrowed funds	-	-	-	-	5,289,140	16,014,317	-	21,303,457
Provisions	-	-	-	-	-	-	18,167,931	18,167,931
Income tax provision	25,860,828	-	-	-	-	-	-	25,860,828
Deferred tax liabilities	-	-	-	-	398,601	-	-	398,601
Other liabilities	146,056,072	83,434,824	53,729,949	26,055,370	2,563,832	1,408	259,788	312,101,243
Total Liabilities	1,881,300,900	396,148,725	116,577,827	87,871,522	9,469,240	16,246,577	18,427,719	2,526,042,509
Total Assets	795,630,872	358,076,007	319,317,594	343,633,489	357,423,365	601,302,907	69,083,475	2,844,467,709

Second: the following table summarizes the maturities of financial derivatives on the basis of the remaining period of the contractual maturity date from the date of the financial statements:

USD

	Up to One Month	From One Month to 3 Months	From 3 Months to 6 Months	Total
2008				
Trading derivatives:				
Currency	56,510,633	-	-	56,510,633
Futures contracts	-	-	-	-
2007				
Trading derivatives:				
Currency	44,010,023	25,605,307	1,530,000	71,145,330
Futures contracts	-	-	-	-

Third : Off-balance sheet items:

USD

	Up to One Year	From One Year to 5 Years	More than 5 Years	Total
2008				
Letters of credit and acceptances	131,372,661	-	-	131,372,661
Unutilized credits	144,806,288	-	-	144,806,288
Guarantees	242,872,231	18,659,511	-	261,531,742
Operating lease contract liabilities	38,787	619,252	3,817,151	4,475,190
Capital liabilities	-	-	-	-
Total	519,089,967	19,278,763	3,817,151	542,185,881
2007				
Letters of credit and acceptances	123,630,841	-	-	123,630,841
Unutilized credits	135,286,951	-	-	135,286,951
Guarantees	237,739,966	18,026,910	5,692,815	261,459,691
Operating lease contract liabilities	17,808	626,904	2,761,326	3,406,038
Capital liabilities	-	-	-	-
Total	496,675,566	18,653,814	8,454,141	523,783,515

42. Information on the Bank's Business Activities

a. The Bank is organized, for managerial purposes, into three major sectors. Moreover, the Bank owns two subsidiaries in the insurance and financial brokerage sectors:

- Individual accounts: include following up on individual customers accounts, and granting them loans, credit, credit cards, and other services.
- Corporate accounts: include following up on deposits, credit facilities, and other banking services related to customers.
- Treasury: include providing dealing services and management of the Bank's funds.
- Insurance services: include most insurance services.
- Financial brokerage services: include practicing most of the financial brokerage and consultation services.

The following table represents information on the Bank's sectors according to activities:

USD

							Total	
							December 31,	
	Individuals	Corporations	Treasury	Insurance Services	Brokerage	Others	2008	2007
Gross income	19,818,856	92,540,715	27,663,929	10,247,846	9,187,605	5,076,673	164,535,625	136,493,972
Provision for credit facilities (surplus)	314,614	14,173,759	-	-	84,626	-	14,572,999	2,114,398
Results of Business Sector	19,504,243	78,366,956	27,663,929	10,247,846	9,102,979	5,076,673	149,962,626	134,379,574
Undistributed Expenditures	-	-	-	(6,132,917)	(2,058,639)	(45,389,993)	(53,581,549)	(44,579,305)
Income before Taxes	19,504,243	78,366,956	27,663,929	4,114,929	7,044,340	(40,313,320)	96,381,078	89,800,269
Less: Income tax	-	-	-	(1,094,839)	(1,656,691)	(24,410,942)	(27,162,472)	(25,771,127)
Income (loss) for the Year	19,504,243	78,366,956	27,663,929	3,020,090	5,387,649	(64,724,262)	69,218,605	64,029,142
Additional Information:								
Sector's Assets	133,718,315	1,608,186,539	1,029,018,030	46,801,111	25,007,805	-	2,842,731,800	2,760,567,199
Eliminating inter-sector assets and liabilities	-	-	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-	-	-
Assets not distributed over sectors	-	-	-	-	-	66,705,724	-	83,900,511
Total Assets	133,718,315	1,608,186,539	1,029,018,030	46,801,111	25,007,805	66,705,724	2,909,437,523	2,844,467,709
Sector's Liabilities	995,574,403	950,380,082	503,294,460	26,504,011	8,663,176	-	2,484,416,133	2,433,568,566
Liabilities not distributed over sectors	-	-	-	-	-	72,191,137	72,191,137	92,473,944
Total Liabilities	995,574,403	950,380,082	503,294,460	26,504,011	8,663,176	72,191,137	2,556,607,269	2,526,042,509
Capital Expenditures						2,995,937	2,995,937	2,961,843
Depreciation and amortization				-	-	5,164,746	5,164,746	5,064,822

b. Information on the geographical allocation:

This sector represents the geographical distribution of the Bank's operations. The Bank performs its operations mainly in the Kingdom, and these operations represent the local operations. Moreover, the Bank conducts international operations through its branches in Palestine and Cyprus.

Information on the geographical allocation

USD

	Inside Jordan		Outside Jordan		Total	
	2008	2007	2008	2007	2008	2007
Total Revenue	217,246,158	196,923,233	36,632,269	34,930,904	253,878,427	231,854,137
Total Assets	2,283,536,245	2,175,724,975	625,901,278	668,742,735	2,909,437,523	2,844,467,709
Capital expenditures	2,980,489	2,411,811	15,447	550,032	2,995,937	2,961,843

43 - Capital Management

a. Description of Capital

Capital is categorized into paid-up capital, economic capital, and regulatory capital. Moreover, regulatory capital is defined, according to the Banks Law, as the total value of the items determined by the Central Bank for control purposes to meet the requirements of the capital adequacy ratio as per the Central Bank of Jordan instructions. Furthermore, capital consists of two parts: Primary Capital (tier 1) made up of paid-up capital, declared reserves, (including statutory reserve voluntary reserve, share premium, and treasury share premium), and retained earnings, excluding restricted and minority interest amounts net of loss for the period, costs of the acquisition of treasury stock, decrease in the provisions required from the Bank, and goodwill; and Support capital (tier 2) consisting of the undeclared reserves, exchange rate differences, general banking risks reserve, instruments with debt-equity shared characteristics, support debts and 45% of the cumulative change in fair value, if positive, and 100%, if negative. A third part of capital (tier 3) might be formed in case the capital adequacy ratio goes below 12% due to factoring capital adequacy ratio into market risks.

Investments in subsidiary banks and financial institutions are deducted (if their financial statements are not consolidated). Moreover, investments in the capitals of banks and financial institutions are deducted.

b. The requirements of the regulatory parties concerning capital and the manner in which they are met.

Instructions of the Central Bank of Jordan require that paid-up capital be not less than JD 40 million (USD 56,4 m) and equity-to-assets ratio be not less than 6%. Moreover, the Central Bank of Jordan instructions require that the ratio of regulatory capital to assets weighted by risks and market risks (capital adequacy ratio) be not less than 12%, which is considered by the Bank. Additionally, the Bank complies with Article (62) of the Banks Law which requires the Bank to appropriate 10% of its net profits in the Kingdom and continue to do so until the reserve equals the Bank's paid-up capital. This meets the requirements of the statutory reserve prescribed by the Companies Law.

The Bank complies with Article (41) of the Banks Law which requires adherence to the limits set by the Central Bank of Jordan relating to:

1. The percentage of risks relating to its assets and assets weighted by risks, elements of capital, reserves, and contra accounts.
2. Ratio of total loans to regulatory capital the Bank is allowed to grant to one person, his allies, or to related stakeholders.
3. Ratio of total loans granted to the major ten customers of the Bank to total loans extended by the Bank.

c. Method of Achieving Capital Management Goals.

The Bank considers the compatibility of the size of its capital with the size, nature, and complexity of the risk the Bank is exposed to in a manner that does not contradict the prevailing regulations and instructions. This is reflected in its strategic plans and annual budgets. To be more conservative in hedging against surrounding conditions and economic cycles, the Board of Directors decided, within the Bank's strategy, that capital adequacy ratio be not less than 14%.

When entering into investments, the impact on capital adequacy ratio is considered. Moreover, capital and its adequacy are monitored periodically as capital adequacy ratio is monitored at the Group level and the individual Bank every quarter. Furthermore, capital adequacy is reviewed by internal audit, and capital ratios are controlled monthly. Such ratios are financial leverage, shareholders' equity to assets, shareholders' equity to customers' deposits, internal growth of capital, provisions, and free capital. This should achieve the appropriate financial leverage, and consequently, the targeted return on shareholders' equity not less than 20% as prescribed by the Bank's strategy. No dividends are paid to shareholders out of the regulatory capital if such payment leads to inadherence to the minimum capital requirement. The Bank concentrates on the internal generation of capital and can resort to public subscriptions to meet expansionary needs, future plans, and requirements of the regulatory bodies according to specified studies.

Capital is allocated to work lines and various functions according to assets weighted by risks and as per the decisions of Basel Committee and the Central Bank of Jordan.

There are no adjustments to the capital adequacy ratio between the years 2008 and 2007. Moreover, the Bank complies with the requirements of the regulatory authorities concerning capital.

d. Capital Adequacy

Capital adequacy ratio is calculated according to the Central Bank of Jordan instructions based on Basel Committee resolutions. The following is the capital adequacy ratio compared with that of the previous year:

	2008	2007 *
	(Thousand)	(Thousand)
Core Capital		
subscribed capital	141,044	105,783
Statutory reserve	47,694	38,427
Voluntary reserve	79,102	60,568
Share premium (discount)	7,052	42,313
Surplus of the regulatory capital of subsidiary insurance companies	2,496	-
Retained earnings (net of proposed dividends and deferred tax assets)	35,186	19,807
Minority interest	8,213	12,436
Less:		
Restricted amounts	-	-
Goodwill and intangible assets	1,949	319
50% from the investment in insurance companies and financial companies and significant investments in other companies	4,537	-
Total Core Capital	314,300	279,016
Supplementary Capital Items		
General banking risks reserve	16,759	14,062
Cumulative change in the fair value of available - for - sale assets at 100% of the negative change or 45% of the positive change	(10,726)	722
Less:		
Investments in banks and subsidiary financial institutions	-	-
Investments in banks and other financial institutions capitals	-	-
50% of investments in insurance companies and significant investments in other companies	4,537	599
Total Regulatory Capital	324,870	294,399
Risks weighted assets	2,106,307	1,958,590
Regulatory capital ratio	14.99%	14.97%
Core capital ratio (**)	14.92%	14.22%

* Calculated according to Basel I instructions.

** Core capital has been calculated net of investments in banks and subsidiary financial companies if their financial statements have not been incorporated.

44. Accounts Managed on Behalf of Customers

There are no investment portfolios managed by the Bank on behalf of customers.

45. Analysis of the Maturities of Assets and Liabilities:

The following table illustrates the analysis of assets and liabilities according to the expected period of their recoverability or settlement:

USD

	Up to One Year	More than One Year	Total
Year 2008			
ASSETS			
Cash and balances at central banks	388,534,506	-	388,534,506
Balances at banks and financial institutions	284,188,257	-	284,188,257
Deposits at banks and financial institutions	15,151,622	2,000,000	17,151,622
Trading financial assets	529,759	-	529,759
Direct credit facilities - net	721,208,358	1,024,059,190	1,745,267,549
Available-for-sale financial assets	130,542,261	191,340,385	321,882,646
Held-to-maturity investments - net	40,316,953	24,020,372	64,337,326
Fixed assets - net	-	18,223,814	18,223,814
Intangible assets	-	2,269,742	2,269,742
Deferred tax assets	-	8,062,921	8,062,921
Other assets	50,682,756	8,306,626	58,989,381
TOTAL ASSETS	1,631,154,472	1,278,283,050	2,909,437,523
LIABILITIES			
Banks and financial institutions deposits	414,936,639	-	414,936,639
Customers deposits	1,674,405,175	9,013,035	1,683,418,210
Share capital payments on account for companies under establishment	1,405,330	-	1,405,330
Cash margins	163,030,142	350,364	163,380,506
Borrowed funds	-	21,303,457	21,303,457
Provisions	-	23,329,756	23,329,756
Provision for income tax	32,052,639	-	32,052,639
Deferred tax liabilities	-	-	-
Other liabilities	215,692,062	1,088,670	216,780,732
TOTAL LIABILITIES	2,501,521,987	55,085,282	2,556,607,269
Net	(870,367,515)	1,223,197,769	352,830,254

USD

	Up to One Year	More than One Year	Total
Year 2007			
ASSETS			
Cash and balances at central banks	359,409,611	-	359,409,611
Balances at banks and financial institutions	447,790,262	-	447,790,262
Deposits at banks and financial institutions	4,159,128	-	4,159,128
Trading financial assets	2,639,286	-	2,639,286
Direct credit facilities - net	1,337,834,049	254,699,795	1,592,533,845
Available-for-sale financial assets	96,297,006	184,705,061	281,002,066
Held-to-maturity investments - net	34,733,594	24,020,372	58,753,966
Fixed assets - net	-	18,583,293	18,583,293
Intangible assets	-	2,541,764	2,541,764
Deferred tax assets	-	2,268,261	2,268,261
Other assets	49,292,566	25,493,660	74,786,227
TOTAL ASSETS	2,332,155,502	512,312,206	2,844,467,709
LIABILITIES			
Banks and financial institutions deposits	376,243,193	-	376,243,193
Customers deposits	1,540,564,661	982,614	1,541,547,275
Share capital payments on account for companies under establishment	44,828,508	-	44,828,508
Cash margins	185,125,568	302,305	185,427,873
Borrowed funds	-	21,303,457	21,303,457
Provisions	-	18,167,931	18,167,931
Provision for income tax	25,860,828	-	25,860,828
Deferred tax liabilities	-	562,202	562,202
Other liabilities	309,276,213	2,825,028	312,101,241
TOTAL LIABILITIES	2,481,898,971	44,143,536	2,526,042,508
Net	(149,743,469)	468,168,670	318,425,201

46. Commitments and Contingent Liabilities (Off-Balance Sheet)

a- Credit commitments and contingencies:

USD

	2008	2007
Letters of credit	102,967,969	101,961,100
Acceptances	28,404,693	21,671,151
Letters of guarantee:		
Payments	108,732,276	112,931,685
Performance bonds	89,642,966	89,588,071
Other	63,156,499	58,939,929
Unutilized credit facilities	144,806,288	135,286,951
Total	537,710,691	520,378,887

b- Contractual obligations:

USD

	2008	2007
Contracts to purchase fixed assets	1,460,381	703,137
Construction contracts	814,440	1,383,456
Other contracts	721,116	875,251
	2,995,937	2,961,844

c- Operating leases amounted to USD 4,475,190 with periods ranging from 1 to 12 years.

d- Unpaid investment participations amounted to USD 576,691 .

The details are as follow:

USD

Company's Name	Total Investment	Remaining Obligation	Settlement Rate
Jordan Investment Fund	1,000,000	238,000	Upon demand
National Palestinian Electricity Company	-	-	Upon demand
Palestine Company for Industrial Zones Development and Construction	255,102	1,269	Upon demand
Agricultural Products Exporting Company	450,000	337,422	Upon demand

47. Lawsuits Against the Bank

a - The Bank is a defendant in lawsuits amounting to USD 6,907,236 as of December 31, 2008, compared to USD 3,194,852 as of December 31, 2007. In the opinion of the Bank's management and legal advisor, no liabilities shall arise against the Bank exceeding the existing provision of USD 385,660 as of December 31, 2008 (USD 305,128 as of December 31, 2007).

b - As of December 31, 2008 and 2007, there were no lawsuits against the subsidiary company United Company for Financial Investments.

c - Furthermore, there were lawsuits against the subsidiary company Arab Orient Insurance Company in relation to various accidents claiming compensations amounting to USD 1,532,045 as of December 31, 2008 (USD 945,628 as of December 31, 2007). In the opinion of the Bank's management and its legal advisor, no liabilities exceeding the allotted amounts within the net claims provision are likely to arise.

48. New Financial Reporting Standards

a. Standards and Interpretations effective in the current period

In the current year, the Company has adopted the following Standards issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee which became effective for the current financial reporting period:

- IAS 39 (revised): Financial Instruments: Recognition and Measurement and IFRS 7 (revised) Financial Instruments : Disclosure – Reclassification of Financial Assets
- IFRIC 11 : IFRS 2, Group and Treasury Transactions
- IFRIC 12 : Service Concession Arrangements
- IFRIC 14 : IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these Interpretations has not led to any changes in the Company's accounting policies.

b. Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 (revised) Presentation of Financial Statements and IAS 32 (revised) Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation Effective for annual periods beginning on or after January 1, 2009
- IAS 23 (revised): Borrowing Costs Effective for annual periods beginning on or after January 1, 2009
- IAS 39 (revised): Financial Instruments: Recognition and Measurement – Eligible Hedged Items Effective for annual periods beginning on or after July 1, 2009
- IFRS 1 (revised) First time Adoption of IFRS and IAS 27 (revised) Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first time adoption Effective for annual periods beginning on or after January 1, 2009
- IFRS 1 (revised) First time Adoption of IFRS – Restructured version Effective for annual periods beginning on or after July 1, 2009
- IFRS 2 (revised) Share-based Payments – Amendment relating to vesting conditions and cancellations Effective for annual periods beginning on or after January 1, 2009
- IFRS 3 (revised) Business Combinations – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) Consolidated and Separate Financial Statements, IAS 28 (revised) Investments in Associates and IAS 31 (revised) Interests in Joint Ventures Effective for annual periods beginning on or after July 1, 2009
- IFRS 8 Operating Segments Effective for annual periods beginning on or after January 1, 2009
- IFRIC 13: Customer Loyalty Programmes Effective for annual periods beginning on or after July 1, 2008
- IFRIC 15: Agreements for the Construction of Real Estate Effective for annual periods beginning on or after January 1, 2009
- IFRIC 16: Hedges of Net Investment in a Foreign Operation Effective for annual periods beginning on or after October 1, 2008
- IFRIC 17: Distribution of Non-cash Assets to Owners Effective for annual periods beginning on or after July 1, 2009
- Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May 2008 Annual Improvements to IFRSs Effective for annual periods beginning on or after January 1, 2009

Management of the Company anticipates that each of the above Standards and Interpretations will be adopted in the preparation of the Company's financial statements by their effective dates mentioned above, and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

49. Comparative Figures

Some of the comparative figures for the year 2007 have been reclassified to correspond with the year 2008 presentation.

Jordan Kuwait Bank

Statement of Disclosure for the Financial Year ending 31/12/2008, in accordance with article (4) of the disclosure regulations, the accounting and auditing standards issued by the Jordan Securities Commission.

Item

4a Chairman's Statement: Included in the report.

4b/1 Description of main activities: Included in the report.

The Bank operates through its head office in Abdali - Amman and 48 branches and cash offices in Jordan, in addition to two branches in Palestine and one branch in Cyprus. Total capital expenditure for the year 2008 amounted to USD 2.99 million. The table below shows the Bank's locations and the number of staff at each.

Location	No. of Staff	Location	No. of Staff	Location	No. of Staff
Head Office / Abdali	417	Shmeissani Branch	14	Irbid Branch	13
Main Branch	20	Al-Rabiyah Branch	6	Wadi Saqra Branch	6
Abdali Branch	18	Vegetable Market Branch	8	Al-Husson St. Branch- Irbid	6
Jabal Amman Branch	11	Madina Munawarah St. Branch	13	Yarmouk University Branch- Irbid	7
Wehdat Branch	11	Sweifiyah Branch	14	Al-Mafraq Office	5
Tla' El 'Ali Branch	15	Nazzal Branch	7	Al-Karak Office	4
Jabal Al-Husseini Branch	11	Mecca Mall Branch & Office	12	Aqaba Branch	13
Commercial Center Branch	9	Petra University Office	3	Zarqa Branch	10
Abu-Alanda Branch	9	Abdullah Ghouseh St. Branch	12	Russaifeh Branch	8
Yarmouk Branch	11	Al-Mougablain Branch	7	Zarqa Free Zone Branch	9
Wadi El-Seir Branch	11	Marj El-Hamam Branch	6	New Zarqa Branch	6
Jubaiha Branch	13	Sweileh Office	5	Regional Management -Palastine	6
Amra Branch	7	Amman Ahliyyah University Office	4	Nablus Branch	15
Abdoun Branch	9	Baq'ah Branch	8	Ramallah Branch	8
Abu-Nsair Branch	5	Madaba Branch	6	Cyprus Branch	5
Marka Branch	8	Al-Salt Office	4	Arab Orient Insurance Co. (Subsidiary)	137
Ibn Khaldoun Branch	5	King Abdullah Bureau Office	3	United Financial Investments Co. (Subsidiary)	16
Dabouq Branch	6	City Mall Branch	7		

4b/2 Subsidiaries:

1- Arab Orient Insurance Company:

Arab Orient Insurance Company was established in 1996. The company writes all general insurance classes and enjoys a reputable and leading position amongst the local insurance market in terms of premium and market share. AOIC is the first and only insurance company in Jordan to be rated by the international rating agency "A.M. Best". In 2008, it was rated (B+ Good with Stable Outlook). The company serves more than 2480 corporate accounts enjoying first class reinsurance security. Furthermore, AOIC provides the market with sixteen unique individual schemes that meet clients' needs and requirements. AOIC is the pioneer company in launching both bancassurance and e-insurance projects in Jordan.

In 2001 the company became a subsidiary of Jordan Kuwait Bank. The Bank holds 65.7% of the company's capital of JD 11 million (USD 15.5m) as at December 2008.

The Company's H.Q. is located in Abdali, Amman with 137 working employees.

2- United Financial Investments Company:

United Financial Investments (UFICO) was established in 1980. In 1996 the company was restructured as a public shareholding company.

The company enjoys a leading position among the major top firms operating in the ASE. UFICO provides financial services, which are directly connected with local and international financial markets.

In 2002, UFICO became a subsidiary of Jordan Kuwait Bank. The Bank holds 50.23% of the company's capital of JD 5 million (USD 7.05m) as at December 2008.

The Company's H.Q. is located in Shmeissani, Amman with 16 working employees.

4b/3 Executives' Biography:

1- Board of Directors:

1. H. E. Mr. Abdel Karim A. Kabariti

Chairman / Representative of Strategy Co. for Investments.

Date of membership: 15/7/1997

Date of Birth: 1949

Education: Bachelor degree in Business and Finance with Honors from St. Edwards University-USA, 1973.

Experiences:

Past Official & Governmental Positions:

- Member of the Jordanian Senate, Head of the Economics & Finance Committee (2005-2007).
- Member of the Jordanian Senate, First Deputy to the Speaker (2000 – 2002).
- Chief of the Royal Court, (4/3/1999 - 13/1/2000).
- Member of the Twelfth and the Eleventh Jordanian Parliaments (1993 – 1997) and (1989 – 1993) / Head of the Economics & Finance Committee (1993 – 1995).
- Prime Minister, Minister of Foreign Affairs and Minister of Defense (4/2/1996 - 20/3/1997).
- Minister of Foreign Affairs (8/1/1995 - 4/2/1996).
- Minister of Labor (1991 - 1993).
- Minister of Tourism (1989 - 1991).

Present Administrative Positions:

- Chairman of the Board of Trustees, Amman Ahliyyah University.
- Chairman, United Financial Investments Company.
- Chairman, Gulf Algeria Bank - Algiers.
- Board Member, Jordan Dairy Company.
- Board Member, Burgan Bank – Kuwait.

Previous Experiences:

- He worked at many financial institutions / private business (1973 – 1989).

2. Mr. Faisal Hamad Al -Ayyar

Vice Chairman/ Representative of United Gulf Bank - Bahrain.

Date of membership: 15/7/1997

Date of Birth: 1954

Education: Studied Aviation and worked as fighter pilot in the Kuwait Air Force.

Experiences:

- Chairman, United Gulf Bank- Bahrain.
- Managing Director & CEO, Kuwait Projects Co. (Holding).
- Chairman, National Mobile Telecommunications Company- Kuwait.
- Board Member, Saudi Dairy & Foodstuff Co (SADAFCO).
- Vice Chairman, Gulf Insurance Company - Kuwait, United Assets Management Company- Luxembourg.
- Board Member, Gulf Egypt for Hotels & Tourism Company.
- Board Member, United Broadcasting Company "Showtime" and Swiss Premium Food Co.
- Member on Board of Trustees, American University of Kuwait.
- Holder of the Jordanian Medal of Independence of the First Order.
- Winner of Arab Bankers Association of North America Achievement Award in 2005.

3. Mr. Tariq Moh'd. Abdul Salam

Board Member / Representative of Kuwait Projects Company (Holding) – Kuwait.

Date of Membership: 15/7/1997

Date of Birth: 1965

Education: Bachelor degree in Accounting, Kuwait University, and holds the International Securities Industry General Certification from I.S.M.A. and the University of Reading.

Experiences:

- Chairman, Burgan Bank- Kuwait.
- Vice Chairman, Kuwait Clearing Co. – Kuwait.
- Board Member, KIPCO Asset Management Co. (KAMCO).
- CEO, United Real Estate Company-Kuwait.
- Assistant CEO, Trading and Investment Portfolio Management, Kuwait Projects Co.-Kuwait (1996 – 1998).
- Manager, Trading and International Investment Portfolio Management, Kuwait Projects Co.-Kuwait (1992-1996).
- Manager, Accounts Department, International Financial Investment Company (1987-1989).

4. Mr. Masaud Jawhar Hayat

Board Member / Representative of Al- Futtooh Holding Co.

Date of Membership: 20/2/2001

Date of Birth: 1953

Education: Bachelor degree in Accounting with a major in Economics, Kuwait University, 1973 and High Diploma in Banking Studies.

Experiences:

- Chairman, KIPCO Asset Management Co. (KAMCO).
- Managing Director, United Gulf Bank - Bahrain.
- Chairman & Head of the Executive Committee, Tunis International Bank - Tunis.
- Deputy Chairman & Head of the Executive Committee, Algeria Gulf Bank - Algeria.
- Chairman, United Gulf Financial Services Co. - Qatar.
- Chairman, Syria Gulf Bank - Syria.
- Board Member & Head of Audit Committee, International Investor Co. – Kuwait.
- Board Member, United Fisheries Co. – Kuwait.

- Board Member, International Investor Co. - Kuwait.
- Board Member, National Telecommunications Co. - Algeria.
- Board Member & Treasurer, Investment Companies Union – Kuwait.
- Board Member, Union of Investments Companies - Kuwait.
- Board Member, Bank of Baghdad - Iraq.
- Board Member & Head of Executive Committee, North African Co.
- Head of the Executive Committee, North Africa Co.
- Board Member, Tunis Arab International Bank (1986 – 1996).
- Board Member & Deputy of the Head of the Executive Committee, Bahrain and Kuwait Bank (1986 – 1995).
- Board Member, Industrial Investments Co. (1993 – 2001).
- Board Member, Gulf Insurance Company plc (1997 – 2001).
- Started his banking career in 1974 at the National Bank of Kuwait and occupied several positions till he was appointed as acting chief general manager in 1992, then appointed as consultant to the board of directors from 1993 till 1996.

5. Mr. Emad Jamal Kudah

Board Member / Representative of the Social Security Corporation - Jordan.

Date of Membership: 1/9/2006

Date of Birth: 1961

Education: MBA, Sul Ross State University, Texas-USA, 1985

Experiences:

- Manager, Treasury and Fixed Income Securities Dept. - Social Security Investment Unit, (2002 – Present).
- Board Member, Jordan Post Co. (2007).
- Acting Chief Executive Officer, Social Security Investment Unit (2005-2006).
- Portfolio Manager, Foreign Investments Dept., Central Bank of Jordan (2000-2002).
- Chief Dealer, Foreign Investment Dept., Central Bank of Jordan (1996-2000).
- Deputy Manager, Central Accounting Division, Central Bank of Jordan (1989-1991).
- Member at the Jordanian FOREX Association.

6. Mr. Moh'd Ahmad Abu Ghazaleh

Board Member

Date of Membership: 15/2/2004

Date of Birth: 1942

Education: Bachelor degree in Business Administration, American University- Cairo, 1964.

Experiences:

- Chairman and CEO, Del Monte Fresh Produce (NYSE).
- Chairman, National Poultry Company.
- Chairman, Royal Jordanian Aviation Academy.
- Chairman, Royal Wings Co.
- Chairman, Queen Nour Civil Aviation Technical College.
- Deputy Chairman, International General Insurance Co. Ltd.
- Board Member, United Cables Industries Company.
- Board Member, Misr Lebanon Bank.
- Member of Board of Trustees, American University in Cairo.

7. Mr. Farouk Aref Al -Aref

Board Member

Date of Membership: 15/7/1997

Date of Birth: 1938

Education: Bachelor degree in International Relations, University of Chicago-USA.

Experiences:

- Board Member, Arab Orient Insurance Co. / Representative of Jordan Kuwait Bank.
- Head of Management Committee, Jordan SADAFCO Food Company
- Head of Management Committee, Gulfcom Telecommunications till July, 2007 and then the CEO.
- Deputy General Manager, Al Razi Pharmaceutical Company (1993-1999).
- Deputy General Manager, Jordan Kuwait Bank (1988-1993).
- Administration Manager, Ministry of Public Works - Kuwait (1961-1966).
- General Manager, Nayef Al Dabbous & Sons Co. - Kuwait (1970-1988).

8. Dr. Yousef Musa Goussous

Board Member / Representative of United Gulf Bank – Bahrain.

Date of Membership: 20/2/2001

Date of Birth: 1939

Education: Bachelor degree in medicine, Ain Shams University-Egypt, 1965, then completed his specialization in heart diseases at Houston University, Texas-USA, 1973.

Experience in the medical field:

- Specialist in heart disease.
- Lecturer on heart disease at the University of Jordan and at the Jordan University for Science and Technology.
- Senior consultant at Queen Alia Center for Heart Disease and Surgery.
- Served as Manager of Al Hussein Medical Center and Chief of the Royal Medical Services.
- Fellow of several distinguished British and American medical institutions.
- Holder of several elite civil, military and medical medals of achievement in Jordan and broad.

9. H.E Eng. Naser Ahmad Louzi

Board Member (till 3/10/2008).

Date of Membership: 20/2/2001

Date of Birth: 1957

Education: Bachelor degree in Civil Engineering, Texas University, Arlington -USA, 1979.

Experiences:

- Chairman, Royal Jordanian Airlines.
- Chairman, Arab Orient Insurance Company
- Board Member, Jordan Steel Company/ Representative of Jordan Kuwait Bank.
- Board Member, New Cables Company.
- Member of "All Jordan" committee, Head of the Communications Committee.
- Member on Board of Trustees, King Hussein Institution.
- Occupied several ministerial positions between 1996 and 2000.
- Holder of the Jordanian Al Kawkab Medal of the first order and the Independence Medal of the first order.

2- Executive Management:

1. Mr. "Moh'd Yaser" Al -Asmar:

Position: General Manager.

Date of Birth: 1947

Date of joining: 15/9/1990

Education: Bachelor degree in Business Administration, University of Jordan, 1970

Experiences:

- Asst. General Manger, Credit Dept (1990 – 1993).
- Asst. General Manger, Credit Administration and Control, Commercial Bank of Kuwait – Kuwait (1971 – 1990).

2. Mr. Tawfiq Abdel Qader Mukahal:

Position: Deputy General Manager – Banking Group from 1/11/2007.

Date of Birth: 1951

Date of joining: 12/10/1991

Education: Secondary School Certificate

Experiences:

- Asst. General Manager, Credit Dept. (1998 – 2007).
- Executive Manager, Credit Dept. (1993 – 1997).
- Manager, Marketing & Credit Unit (1991 – 1993).
- Manager, Marketing & Credit Dept., National Bank of Kuwait – Kuwait (1971 – 1990).

3. Mr. Majed Fayad Burjak:

Position: Deputy General Manager – Support Services Group from 1/11/2007.

Date of Birth: 1947

Date of joining: 18/7/1998

Education: Bachelor degree in Economic & Commerce, University of Jordan, 1969.

Experiences:

- Asst. General Manger, Operations (1998 – 2007)
- Asst. General Manager, Operations, Export & Finance Bank (1996 – 1998).
- Regional Operations Manager, Standard Chartered Grindleys (1970 – 1996)

4. Mr. William Jameel Dababneh:

Position: Asst. General Manager – Treasury & Investment Dept.

Date of Birth: 1957

Date of joining: 27/8/1994

Education: Secondary School Certificate 1975

Experiences:

- 17 Years Experience in various banks and the last was Arab Jordan Investment Bank (1990 – 1994).

5. Mr. Shaher Eid Suleiman

Position: Asst. General Manager – Internal Audit Dept.

Date of Birth: 1963

Date of joining: 16/5/1999

Education: MSc. International Banking, Heriot-Watt University – U.K., 1998

Experiences:

- Worked at the Central Bank of Jordan (1988 – 1999).

6. Mrs. Hiyam Saleem Habash:

Position: Asst. General Manager – Financial Dept.

Date of Birth: 1955

Date of joining: 6/2/1999

Education: Diploma in Business Administration, American Lebanese University, 1978

Experiences:

- Financial Manager, New English School (1992 – 1997).
- Financial Manager, Petra Bank (1978 – 1989).

7. Mr. Ismail Ahmad Abu-Adi:

Position: Asst. General Manager – Credit Dept. from 1/11/2007.

Date of Birth: 1964

Date of joining: 3/9/2000

Education: MSc. in Banking & Finance, Arab Academy, 1992

Experiences:

- Executive Manager, Credit Dept. (2005 – 2007).
- Manager, Credit Dept. (2000 – 2005)
- Previous Experience in Jordan Kuwait Bank (1988 - 1998).

8. Mr. Jamal Mah'd Baker Hasan:

Position: Asst. General Manager – Branches Dept. from 1/11/2007.

Date of Birth: 1956

Date of joining: 2/8/1986

Education: Banking & Finance Diploma, Institute of Banking Studies, 1980.

Experiences:

- Executive Manager, Branch Administration (2006 - 2007)
- Regional Manager, Branch Administration (2002-2006)
- Branch Manager (1986 -2002)
- Banking operations, Arab Bank – Riyadh (1982 - 1986).
- Banking operations, Arab Bank – Amman (1975 - 1982)

9. Mr. Abdel Hameed Mah'd Al-Ahwal:

Position: Asst. General Manager – Operations Dept. from 1/11/2007.

Date of Birth: 1954

Date of joining: 1/4/1990

Education: Bachelor degree in Business Administration, South Eastren University – U.S.A, 1980.

Experiences:

- Executive Manager, Branch Administration (2006 – 2007)
- Executive Manager, Branch Administration (2000 – 2006).
- Branch Manager (1990 – 1999).
- Previous Banking Experience (1982 – 1989).

10. Mr. Haethum Sameeh Buttikhi:

Position: Asst. General Manager – Retail and Consumer Products Dept. from 1/11/2007.

Date of Birth: 1977.

Date of joining: 1/6/2003.

Education: Royal Military Academy, Sandhurst- U.K., 1996.

Bachelor degree in Political Science, Kent University – U.K., 2000.

Experiences:

- Executive Manager, Private Banking Unit (1/1/2007 – 31/10/2007).
- Manager, Main Branch (2003 – 2006)

11. Mr. Suhail Moh'd Turki:

Position: Executive Manager – Public Relations Dept.

Date of Birth: 1944

Date of joining: 19/10/1991

Education: Secondary School Certificate, 1964

Experiences:

- Asst. Administrative Manager, Industrial Bank of Kuwait - Kuwait (1978 - 1990).
- Administrative Officer, Kuwait Airways - Kuwait (1968 - 1978).

12. Mr. Ibrahim Essa Kashet:

Position: Executive Manager – Legal Dept.

Date of Birth: 1962

Date of joining: 1/4/1989

Education: Bachelor degree in Law, University of Jordan, 1987.

Experiences:

- Credit Follow Up Department, 1989 – 1994.
- Credit Department, 1994 – 2000.
- Legal Department since 1/9/2000.

13. Mr. Majed Moh'd Muqbel:

Position: Executive Manager – Compliance Control Dept. since 1/7/2008.

Date of Birth: 27/12/1960

Date of joining: 6/10/1984

Education: Bachelor degree in Accounting, University of Jordan, 1982.

Experiences:

- Compliance Department since 4/3/2007.
- Internal Audit Department, 1999 – 2007.
- Credit Operations Department, 1998 – 1999.
- Credit Department, 1984 – 1998.

14. Mr. Sami Abdel Karim Al-Assaf:

Position: Executive Manager – IT Department since 1/7/2008.

Date of Birth: 26/12/1959

Date of joining: 15/1/1986

Education: Bachelor degree in MIS, The Arab Academy for Banking & Financial Services 2008.

Experiences:

- Senior Manager, IT Department, 2003 – 2008.
- Systems Development Manager, 2000 – 2003.
- Senior Systems Analyst 1986 – 2000.

15. Mr. Zuhdi Bahjat Al-Jayousi:

Position: Executive Manager – Corporate Credit Department since 1/1/2008.

Date of Birth: 26/7/1970

Date of joining: 6/9/1997

Education: Bachelor degree in Accounting, Amman Ahliyyah University, 1994.

Experiences:

- Banking, Jordan & Gulf Bank 19/9/1994 – 15/8/1997.

16. Mr. Moh'd Jameel Azem Hamad:

Position: Executive Manager – Risk Management Department since 1/7/2008.

Date of Birth: 26/9/1972

Date of joining: 10/8/1999

Education: Master degree in Banking & Finance, The Arab Academy for Banking & Financial Studies, 1999.

Experiences:

- Banking, Arab Real Estate Bank 4/8/1994 – 9/8/1999.

17. Mr. Sa'ed Mahmoud Tu'meh:**Position:** Executive Manager – Internal Audit Department since 1/7/2008.**Date of Birth:** 20/5/1970.**Date of joining:** 1/5/2001.**Education:** Bachelor degree in Accounting & Finance, Jordan University, 1992.**Experiences:**

- Banking, Housing Bank 12/9/1992 – 19/4/2001.

18. Mr. Ibrahim Farid Bisha:**Position:** Executive Manager – Treasury Department since 1/7/2008.**Date of Birth:** 16/3/1971.**Date of joining:** 19/6/2001.**Education:** Master degree in Business Administration, Maastricht School of Management – Cyprus, 2005.**Experiences:**

- Banking, Jordan Kuwait Bank (Cyprus Branch) 2001 – 2006.
- Banking, Al-Jazeera Bank – Saudi Arabia 1999 – 2001.
- Banking, Dar Ithmar Financial Services 1997 – 1999.
- Banking, Amman Investment Bank 1992 – 1997.

4b/4 Shareholders who own 5% or more of the Bank's shares (2008 & 2007).

Shareholder	Nationality	No. of Shares 31/12/2008	%	No. of Shares 31/12/2007	%
Burgan Bank	Kuwaiti	50,835,072	50,835	3,663,805	4,885
Social Security Corporation	Jordanian	21,019,059	21,019	15,833,425	21,11
United Gulf Bank - Bahrain	Bahraini	226,667	0,227	33,068,172	44,091

4b/5 Competitive position: Included in the report.**4b/6** The Bank did not conclude any deal/s with specific supplier/s and/or major clients (in Jordan or abroad) of 10% or more of total Bank's purchases, sales or revenue.**4b/7** - The Bank does not enjoy any governmental concessions or protection in accordance with the prevailing rules and regulations.

- The Bank's Internet banking system is a copyright registered under nr. 2008/11/4020.

4b/8 There has been no material effect on the Bank's operations, products or competitiveness as a result of any government or international organizations' decisions.

4b/9 Human Resources, Training and Organizational Structure:

Total number of employees as at 31/12/2008 was (856) of whom (15) were employed at Nablus branch, (14) at Ramallah branch and (5) at Cyprus branch. In addition, there were (153) employees at the Subsidiaries as on 31/12/2008.

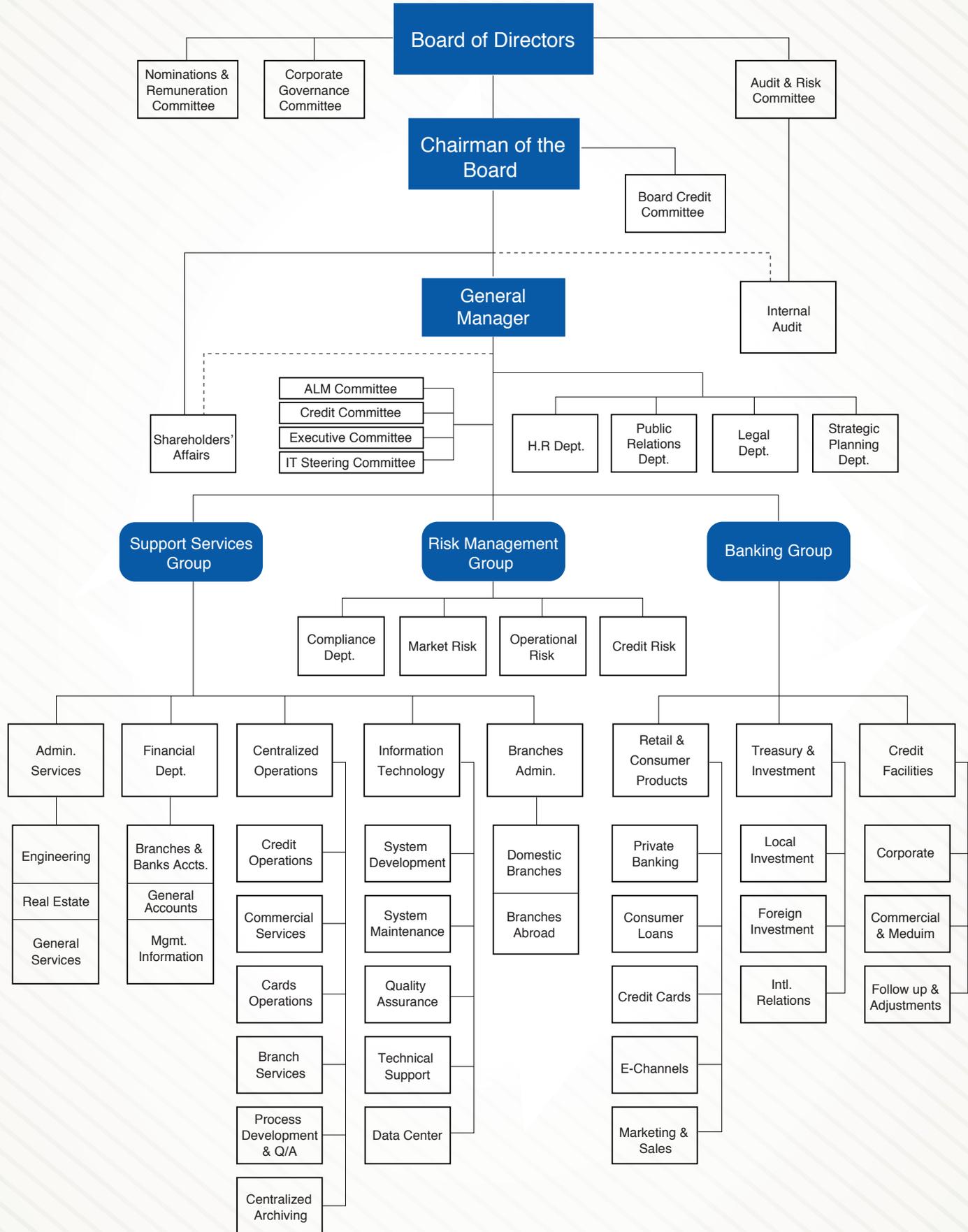
Staff educational qualifications:

	Jordan Kuwait Bank	Arab Orient Insurance Co.	United Financial Investments Co.
Qualification	Number	Number	Number
PhD	1	-	-
Masters	51	3	2
Bachelor	533	110	8
Higher Diploma	7	-	-
Diploma	161	12	2
Secondary School Certificate	49	10	4
Pre- Secondary School Certificate	54	2	-
Total	856	137	16

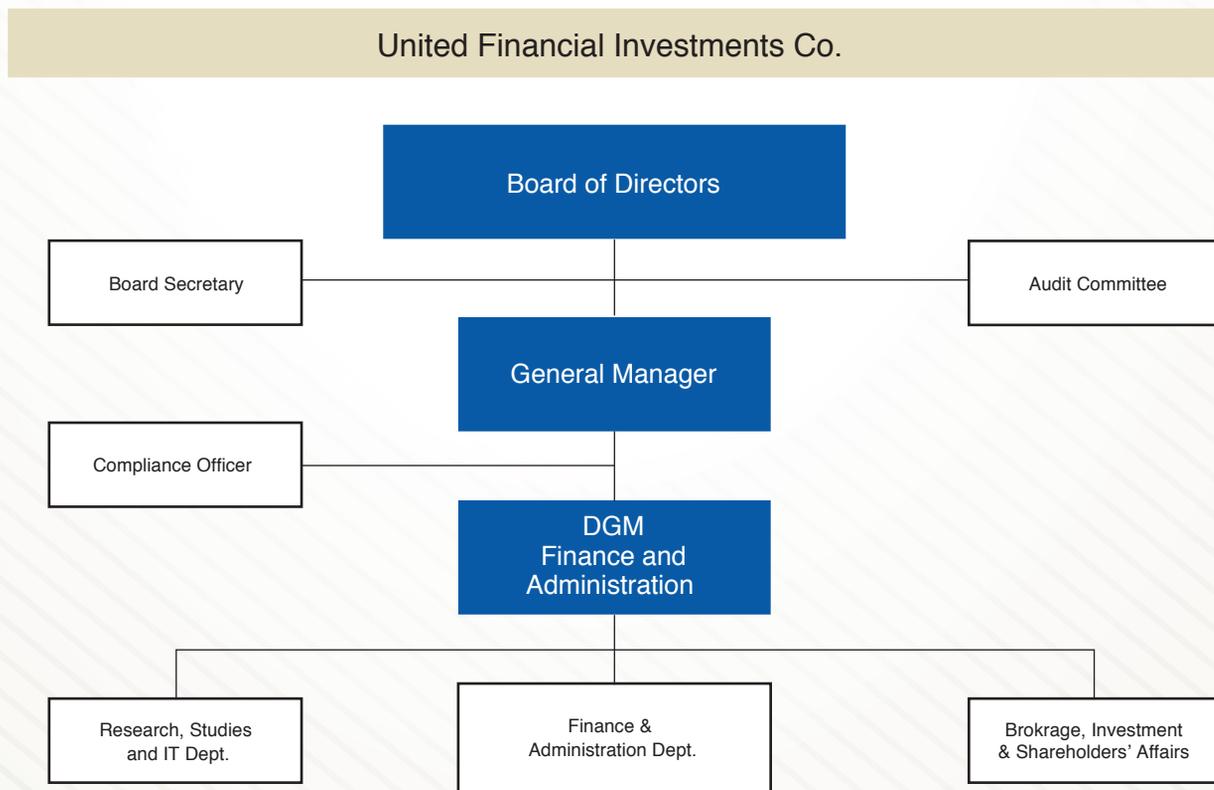
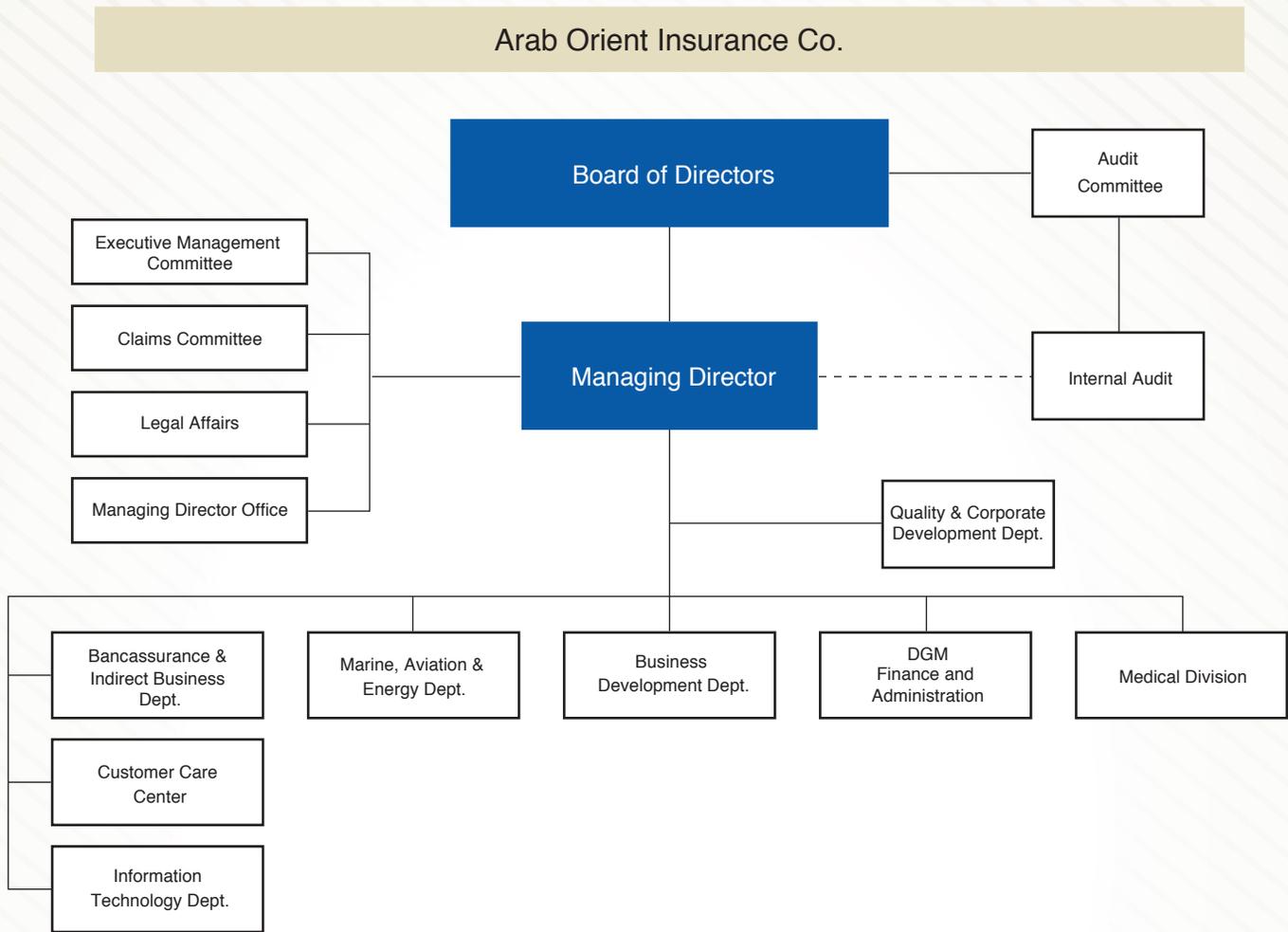
Staff training during 2008:

Training Subject	Number of Courses	Number of Participants
Credit, Finance & Investment	25	245
IT & Information Systems	32	268
Marketing, Sales & Customer Service	24	332
Compliance, Risk Management & Basel II	21	63
Banking & Financial Operations	72	670
Management & Behavioral Skills for employees	32	318
English Language	86	128
Anti-Money Laundry, Fraud & Forgery	25	386
Legal and Regulatory Banking Issues	7	51
Bancassurance	3	85
Total	327	2546

JKB Organizational Structure



Subsidiaries' Organizational Structures



4b/10 Description of risks: Included in the report.

4b/11 Achievements during 2008: Included in the report.

4b/12 There had been no financial effects of non-recurring operations that do not fall within the Bank's core business activity during 2008.

4b/13 **Changes in Net Profit, Dividend, Shareholders' equity and Share price (2004 -2008)**
(Amounts in Thousand US Dollars)

Year	Profit before tax	Dividend		Bank Shareholders' Equity	Share / \$
		Bonus Shares	Cash		
2004	39,025	28%	20%	118,434	16.64
2005	55,435	50%	-	145,100	14.95
2006	78,905	-	20%	264,690	9.21
2007	89,800	33.3%	20%	306,000	11.64
2008	96,381	-	10%	337,656	6.61

4b/14 Financial Position: Included in the report.

4b/15 Future Plan: Included in the report.

4b/16 Auditors' Fees: Auditors' fees for the Bank and the subsidiaries for 2008 amounted to USD 222,600 detailed as follows:

	USD
Jordan Kuwait Bank	184,377
Arab Orient Insurance Co.	21,862
United Financial Investments Co.	16,361
Total	222,600

4b/17 Shares owned by the Board Members during 2008 & 2007:

	Name	Position	Nationality	Shares 31/12/2008	Shares 31/12/2007
1	Strategy Company for Investments	Chairman	Jordanian	2465,631	781,568
	H.E. Abdel Karim A. Kabariti	Representative of Strategy Company for Investments	Jordanian	596	447
2	United Gulf Bank - Bahrain	Vice Chairman	Bahraini	226,667	33,068,172
	Mr. Faisal Hamad Al-Ayyar	Representative of United Gulf Bank	Kuwaiti	10,000	7,500
	Dr. Yousef Musa Goussous	Representative of United Gulf Bank	Jordanian	8,666	1,490
3	Al- Futtooh Holding Co.	Board Member	Kuwaiti	44,996	33,747
	Mr. Masaud M.Jawhar Hayat	Representative of Al- Futtooh Holding Co.	Kuwaiti	32	24
4	Kuwait Projects Company (Holding)- Kuwait	Board Member	Kuwaiti	50,996	38,247
	Mr. Tariq Moh'd Abdul Salam	Representative of Kuwait Projects Company (Holding)	Kuwaiti	10,000	7,500
5	Social Security Corporation	Board Member	Jordanian	21,019,059	15,833,425
	Mr. Emad Jamal Kudah	Representative of Social Security Corporation	Jordanian	-	-
6	Mr. Moh'd Ahmad Abu Ghazaleh	Board Member	Jordanian	861,764	652,491
7	Mr. Farouk A. Al-Aref	Board Member	Jordanian	14,004	10,503
8	H.E. Eng. Naser Ahmad Louzi	Board Member	Jordanian	4,996	3,747

Shares owned by the Bank Executives during 2008 & 2007

	Name	Position	Nationality	Shares 31/12/2008	Shares 31/12/2007
1	Mr. "Moh'd Yaser" Al-Asmar	General Manager	Jordanian	7,000	24,000
2	Mr. Tawfiq A/Q. Mukahal	Deputy G.M / Banking Group	Jordanian	-	-
3	Mr. Majed F. Burjak	Deputy G.M / Support Services Group	Jordanian	-	-
4	Mr. William J. Dababneh	Asst. G.M. / Treasury & Investment Dept.	Jordanian	-	-
5	Mr. Shafer E. Suleiman	Asst. G.M. / Internal Audit Dept.	Jordanian	-	-
6	Mrs. Hiyam S. Habash	Asst. G.M / Finance Dept.	Jordanian	1,600	1,200
7	Mr. Jamal M. Baker Hasan	Asst. G.M. / Branches Dept.	Jordanian	-	-
8	Mr. Abdel Hameed M. Al- Ahwal	Asst. G.M. / Operations Dept.	Jordanian	-	-
9	Mr. Ismail A. Abu-Adi	Asst. G.M. / Credit Dept.	Jordanian	-	468
10	Mr. Haethum S. Buttikhi	Asst. G.M. / Retail & Consumer Products Dept.	Jordanian	-	-
11	Mr. Suhail M. Turki	Executive Manager / Public Relations Dept.	Jordanian	-	3,694
12	Mr. Ibrahim E. Kashed	Executive Manager / Legal Dept.	Jordanian	-	-
13	Mr. Majed S. Muqbel	Executive Manager / Compliance Control Dept.	Jordanian	874	656
14	Mr. Sami A.K. Al-Assaf	Executive Manager / IT Dept.	Jordanian	-	-
15	Mr. Zuhi B. Al-Jayousi	Executive Manager / Credit Dept.	Jordanian	-	-
16	Mr. Moh'd J. Azem Hamad	Executive Manager / Risk Management Dept.	Jordanian	-	-
17	Mr. Sa'ed M. Tu'meh	Executive Manager / Internal Audit Dept.	Jordanian	-	-
18	Mr. Ibrahim F. Bisha	Executive Manager / Treasury Dept.	Jordanian	-	-

Shares owned by the relatives of Board Members and Bank Executives (2008 & 2007)

Board Member	Position	Name of controlled Company	Ownership %	Shares of controlled Company in JKB	
				31/12/2008	31/12/2007
United Gulf Bank-Bahrain	Board Member	KIPCO Asset Management Co. (KAMCO)	72,910	123,270	418,308
Al- Futtooh Holding Co.	Board Member	Kuwait Projects Co. (Holding)- Kuwait	49,65	50,996	38,247
Kuwait Projects Co. (Holding)-Kuwait	Board Member	Burgan Bank-Kuwait	54,580	50,835,072	3,663,805
Kuwait Projects Co.(Holding)- Kuwait	Board Member	United Gulf Bank - Bahrain	90,700	226,667	33,068,172

Shares held by companies controlled by Board Members

	Name	Relation	Nationality	Shares 31/12/2008	Shares 31/12/2007
1	Mrs. Zakiah I. Murad	Wife of Mr. Farouk A. Al-Aref / Board Member	Jordanian	14,409	10,807
2	Mrs. Hind M. Jaber	Wife of Mr. "Moh'd Yaser" Al-Asmar / General Manager	Jordanian	5,166	22,625
3	Mrs. Shahira A. Bdair	Wife of Mr. Tawfiq A. Mukahal / Deputy G.M. – Banking Group	Jordanian	20,000	20,000
4	Mrs. Wissam A. G'arah	Wife of Mr. Jamal M. Hasan / Asst. General Manager - Branches	Jordanian	-	312
5	Mrs. Suhair M. Turki	Wife of Mr. Suhail M. Turki / Executive Manager- Public Relations Dept.	Jordanian	166	125

4b/18 Executives' Remuneration: Total salaries, allowances and travel expenses paid to the Senior Executives at the Bank and its subsidiaries during 2008 amounted to USD 3,623,216 exclusive of performance related incentives.

4b/19 Donations: Total donations made by the Bank and its subsidiaries during 2008 amounted to USD 258,446. Details of which are listed below:

Recipient	Amount / USD
Charities	173,307
Clubs	4,866
Social Activities	34,306
Researches and Conferences	7,405
Subsidiaries' Donations	14,630
External Branches' Donations	222
Others	23,708
Total	258,446

- 4b/20** The Bank had contracted with its subsidiary (Arab Orient Insurance Company) for general insurance coverage including health and accident insurance for its staff. The value of such contracts amounted to USD 826,116. Apart from that, the Bank did not conclude any contracts, projects or commitments neither with any of the subsidiaries, sister companies, affiliates, nor with the Chairman, Board Members, the General Manager, any other staff members and their relatives.incentives.
- 4b/21** The Bank contributes towards the welfare of the local community and the environment; this was explained in the Management Discussion and Analysis Chapter of this report.
- 4c/1-5 Financial Statements:** Included in the report.
- 4d Auditor's Report:** Included in the report.
- 4e** Declarations by the Board of Directors:
- 4e/1** The Board of Directors hereby declares that there are no material issues that could hinder the business continuity of the Bank during the financial year 2009.
- 4e/2** 4e/2: The Board of Directors also declares its responsibility for the Financial Statements and that the Bank has an effective control system.

Chairman & the Members of the Board Signatures

Chairman & the Members of the Board	Signatures
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1. H. E. Mr. Abdel Karim A. Kabariti / Representative of Strategy Company for Investments
 2. Mr. Faisal Hamad Al -Ayyar / Representative of United Gulf Bank
 3. Mr. Moh'd Ahmad Abu Ghazaleh
 4. Mr. Masaud Jawhar Hayat / Representative of Al Futtooh Holding Co.
 5. Mr. Tariq Moh'd. Abdul Salam / Representative of Kuwait Projects Company (Holding)
 6. Mr. Emad Jamal Kudah / Representative of Social Security Corporation
 7. Mr. Farouk Aref Al -Aref
 8. Dr. Yousef Musa Goussous / Representative of United Gulf Bank
- 4e/3** The Chairman of the Board, the General Manager and the Financial Manager hereby declare that all information and data provided in this report are accurate and comprehensive.

Chairman of the Board
Abdel Karim Kabariti

General Manager
"Moh'd Yaser" Al-Asmar

Financial Manager
Hiyam S. Habash

Jordan Kuwait Bank
Corporate Governance Manual

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Introduction

The basis and principles of corporate governance have become among the most prominent issues discussed globally considering their high importance and contribution to furthering economic success and reform, particularly in light of globalization and economic openness among the world's economies. It is needless to say that these basis and principles have become a necessity to both private and public sector entities, and are considered a basic requirement for increasing confidence in the economy of every country and proof of sound management principles, transparency and accountability. Good corporate governance is the basis of the success of institutions and their application depend to a great extent on the skills, experiences and knowledge of the members of the Board of Directors and that of the executive management.

Corporate governance can be defined as "A set of systems and structures that demonstrate the organizational relationships between; and the responsibilities of; a Bank's management, its board, its shareholders, and other stakeholders so as to guarantee the attainment of the Bank's goals in the presence of effective monitoring, thereby encouraging institutions to use resources more efficiently."

The Jordan Kuwait Bank (JKB) views corporate governance from its own unique perspective whereby it considers it as the key towards achieving confidence among its customers and other stakeholders. Corporate governance is the style and method through which the internal and external relationships are managed.

JKB believes that applying good corporate governance results in the sound management of the Bank and attainment of its strategic goals. In addition, it is JKB's strong belief that adoption of good corporate governance by all institutions in Jordan would lead to the creation of competent institutions and an appropriate competitive environment supportive of the national economy as a whole. This is particularly important given that Banks play a key role in the financial system of a country and rely on their clients' deposits, thus further reinforces the high importance of applying good corporate governance principles.

In light of the above, JKB Board has decided to adopt a Corporate Governance Manual (later referred to as the Manual), which was prepared in accordance with the international best practices in the field and the Central Bank of Jordan (CBJ) regulations and guidelines. Through this Manual, the Bank aims to achieve good corporate governance mainly demonstrated through the equitable treatment of all stakeholders, transparency, deceleration of the Bank's administrative and financial standing, accountability with regard to the relationship between the Board of Directors and the executive management; shareholders; and various stakeholders as well as clarifying responsibilities through the segregation of duties and delegation of authority.

JKB Corporate Governance Mission

JKB aims to achieve the highest standards of work ethics through the accurate and transparent disclosure of the Bank's results and ensuring its full compliance with the various laws and regulations that govern the operations of the Bank.

Legal Framework and References

Effective corporate governance relates to various internal factors including how effective the relationship is between the Bank's management and its Board of Directors, shareholders and stakeholders. As for external factors that support good corporate governance, these could be listed as follows:

- Banks Law No. (28) of 2000.
- Companies Law No. (22) of 1997.
- Securities Law No. (76) of 2002.
- Deposits Guarantee Law No. (33) of 2000. In addition to all laws that protect the rights of shareholders, depositors and relevant stakeholders.
- Regulations and directives issued pursuant to the above-mentioned laws.

Furthermore, the following references were used as key resources for drafting the Manual:

- The Corporate Governance Code for Banks in Jordan issued by the Central Bank of Jordan during 2007.
- Related publications issued by the Basel Committee.
- Relevant OECD and World Bank publications.
- The Current Status of the Bank with respect to Corporate Governance.
- Various professional publications on corporate governance related topics.
- Accounting standards and international financial reporting standards.

Corporate Governance Best Practices

The regulation of corporate governance and the various legal and regulatory frameworks vary significantly between countries. However, good corporate governance can be achieved regardless of the model adopted by the banking institutions provided that key functions are operating as required.

Four methods of monitoring should be included in any bank's organizational structure to guarantee the achievement of effective levels of monitoring. These methods are:

1. Monitoring by the Board of Directors,
2. Monitoring by individuals not engaged with managing day-to-day affairs.
3. Direct supervision by each business unit.
4. Separate units for managing risk and compliance subjected to internal audit procedures.

I. Corporate Governance Stakeholders

1. Shareholders

Shares ownership in public shareholding companies provides its owners with various rights. Such rights include the right to buy, sell and transfer shares or the right to the company's profits, whereas the shareholder's liability is limited to the value of his investment.

Shares ownership also provides their holders with the right to access various company related information and to influence the different decisions pertinent to the company. Accordingly, it is of prime importance that this Manual focuses on the rights of all the shareholders of the Bank.

2. Directors

Board members have the prime responsibility for the management and performance of the Bank whereby Board members, on behalf of the shareholders, oversee the work of the management. The duties and responsibilities of Board members are defined by various laws and regulations (such as the Companies Law, Banks Law ... etc.)

3. Employees

All Bank employees have the task to apply internal control procedures as part of their respective responsibilities in achieving the goals of the Bank.

All employees should possess the necessary knowledge, skills, information and authority to perform their duties. This requires that employees have a complete understating of the operations of the Bank, the industry, the market and pertinent risks.

Through pursuing the fulfillment of these requirements, employees would contribute positively to the Bank's performance and achievements. The resulting success would further their sense of job security and satisfaction.

4. Creditors

The various parties having contractual relations with a bank, such as customers, suppliers and creditors form the base of any organization.

The relationship between the Bank and the various stakeholders depends on the level of trust established between them.

II. Board of Directors

Duties & Responsibilities

To achieve corporate governance principles, the Board of Directors performs the following key duties and responsibilities in accordance with the Bank's by-laws, the Banks Law and Companies Law and other pertinent legislations:

1. The Board has the primary responsibility for ensuring the soundness of the Bank's financial standing and the fulfillment of all its obligations towards the various stakeholders including the CBJ, shareholders, depositors, creditors, employees, investors among others.
2. The Board sets the Bank's strategic objectives and oversees the executive management entrusted with carrying the daily operations of the Bank.
3. The Board ratifies internal control and monitoring regulations and ensures their continuous effectiveness in managing the various risks that face the Bank.
4. The Board oversees the Bank's compliance with the established strategic plans, policies and procedures pursuant to the laws and regulations in force.
5. The Board ensures the integrity of all procedures whereby it has provided a "code of ethics" that was developed based on the following principles: integrity, compliance with laws, transparency and loyalty. The code was disseminated among all employees and Board members and published for access by the general public.
6. The Board makes sure that written policies, covering all banking activities are available, endorsed and communicated across the various management levels. It also oversees that said policies are reviewed regularly and updated with any amendments needed as a results of changes in the various laws and regulations that govern the banking sector.
7. The Board appoints a competent, experienced, professional general manager with integrity and of good moral standing. The performance of the General Manager is evaluated annually by the Board.
8. The Board approves the appointment and resignation of the Bank's executive managers.
9. The Board, through the Nominations and Remuneration Committee, conducts a self-assessment of its performance at least once a year and according to a clear mechanism.

10. The Board approves succession plans for the Bank's senior executives that outline the qualifications and requirements that need to be met by holders of said positions.

Structure of the Board

1. The Board membership is diverse in terms of the practical and professional experiences of its members.
2. The Board may include executive members (those holding executive positions at the Bank) as well as other non-executive members with a majority of non-executive.
3. The Bank always accounts for having at least three independent directors on its Board.
4. The Bank defines the independent director as a member who is not linked to the Bank in any capacity that may affect the objectivity and neutrality of his judgment and meets the following minimum requirements:
 - has not been employed by the Bank for the preceding five years;
 - is not a relative (up to the second degree) of an administrator of the Bank;
 - is not receiving in direct or indirect 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 with (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 five years has been, affiliated with or employed by a present or former auditor of the Bank;
 - is not a shareholder with direct effective interest in the capital of the Bank, or indirectly through affiliating with one of the Bank's major shareholders;
5. The Bank separates between the Chairman of the Board and the General Manager positions and observes that there is no family relation between them below third degree.
6. In the case that the Chairman is an executive director, the Bank will appoint an independent director as vice Chairman.

The Chairman

In addition to his normal duties, the Chairman carries out the following functions:

1. Promote a constructive relationship, based on corporate governance principles, among Board members and between the Board and the Bank's executive management.
2. Ensure that Board members and shareholders receive adequate and timely information.
3. Promote a culture in the boardroom that encourages constructive criticism and alternative views exchange among Board members during meetings.
4. Ensure high standards of corporate governance by the Bank.

Organizing the Board Tasks

1. The Bank's Board meets at least six times a year. The Bank's executive management schedules the topics on the meeting agenda as it sees appropriate.
2. The Bank provides the Board members with appropriate and adequate information in a timely manner.
3. The Board Secretary maintains a written record of deliberations and suggestions that take place during board meetings as well as voting results.
4. The Bank prepares a booklet which clearly explains the rights/duties and responsibilities of Board members and is disseminated among Board members upon their election.
5. The Bank prepares a special booklet that includes all banking operations that requires the approval of the Board.
6. Board members must be continuously informed of changes taking place within and outside the Bank. Furthermore, the Bank would provide Board Members, upon appointment and throughout their tenure, with a brief of the Bank's activities and operations to include the Bank's strategic plan, key issues related to its current status; risks management; compliance program; code of conduct; organizational structure; and the executive managers and external auditor.
7. All Board members and Board committees have the right to direct contact with the Bank's executive management.
8. Board members and Board committees may, if needed, seek the assistance of external resources that would enable them to carry out the duties entrusted to them.
9. The Bank has an organizational structure that demonstrates the reporting hierarchy (including Board committees and executive management). Details pertaining to upper management structure are disclosed to the public.
10. The Board of Directors ensures that every board member is committed towards the Bank and all its shareholders and not towards a certain shareholder.
11. The Board formally defines, in writing, the functions and duties of the Board Secretary which include oversight responsibility to ensure that endorsed Board procedures are followed; information is communicated among Board members; Board committees and the executive management, in addition to arranging for and scheduling Board meetings and taking meeting minutes. The Board Secretary's appointment or removal is decided upon unanimously by the Board.

Board Membership Criteria

The following are considered the minimum criteria required to be met by a Board member:

a) Board Membership Eligibility Requirements and Qualifications

Each Director should have the necessary qualifications to serve the interests of the Bank and relevant stakeholders. This includes fulfilling requirements set out in the Banks Law and other relevant laws. In addition, Board Members should possess some or all of the following expertise and qualifications:

- Suitable banking experience.
- A certain level of education and training.
- Ability to judge with independence.
- Knowledge of financial statements and reasonable level of understanding of performance evaluation ratios. Relevant experience in the banking field is also required.
- Financial / Banking skills or expertise that contribute to the enrichment of the Board.
- Commitment to learn about the operations of the Bank and fulfill contribution requirements and readiness to resign in case of non performance.
- Understanding and knowledge of international best practices in management and their application thereof.
- Ability to provide a clear strategic direction and long-term vision and possess sound decision-making capability.

b) Loyalty, Honesty and Diligence

The commitment of Board members to loyalty, honesty and diligence constitute key aspects of achieving good corporate governance in terms of member's keenness to maintain an honest relationship whereby he/she, like any other Bank employee, discloses any material information prior to making any dealing or commercial transaction with the Bank.

With regard to loyalty, in the case of conflict of interest between a Director and the Bank, all parties should seek that the process be fair for the Bank. The Board should apply, impartially, the same conditions to both clients and Directors when dealing with the Bank.

To achieve the aspired loyalty, each Board member should:

- Carryout his role faithfully and in the best interest of the Bank.
- Avoid conflict of interest or exploitation of office or Bank related information to gain personal benefits and the immediate declaration of related incidents that have taken place or any future ones as soon as they arise.
- Advise the Board of any potential conflict of interest and abstain from voting on any related decision.

As for diligence, Directors should undertake all duties stipulated in relevant laws and regulations and seek to attain all pertinent information to verify that decisions taken are in the interest of the Bank. Directors should also attend Board meetings after having duly prepared for them as well as faithfully carryout duties entrusted to them.

c) Independence

For the Board to be able to carryout its monitoring role over the executive management and oversee that it is not performing any inappropriate practices, the Board of Directors retains an adequate number of independent directors on the Board (in accordance with the definition of an independent director setout in this manual). The Board has considered that membership of three independent directors is appropriate.

d) Exposure and Knowledge

In this regard, a Board member must be:

- Knowledgeable, with adequate understanding of banking transactions and associated risks. In addition, posses knowledge of financial statements that reflect the Bank's standing.
- Knowledgeable of relevant laws and regulations which the Bank is required to abide by and stays abreast with emerging topics in the financial services field.
- Committed to attending Board and committees' meetings, reviewing all suggested discussion topics and reports submitted by the executive management; internal and external auditors as well as regulatory authorities that have oversight prerogatives over the operations of the Bank.

III. Board Committees

In order to organize the work of the Board and increase its effectiveness and efficiency, the Board of Directors formed various committees with some responsibilities and authority delegated to them in accordance with the Bank's goals and strategies. Said committees were established in an official manner according to regulations that were issued and endorsed by the Board. The existence of the Board committees, however, does not supersede the Board's direct responsibility for all matters related to the Bank.

The Bank discloses the names of committee members as well as a summary overview of their tasks and responsibilities in the Bank's annual report.

The Board may opt to merge the responsibilities of more than one committee into one if such action was in the best interest of the Bank from an administration standpoint.

Board Audit & Risk Committee

1. The Board Audit and Risk Committee comprises of three non-executive Directors.
2. The Bank discloses the names of the Committee members in its annual report.
3. At least two of the Committee members should have relevant accounting and financial management qualifications and expertise.
4. No less than two members of the Committee should be independent directors.
5. The tasks and responsibilities of the Risks Management and Compliance Committees are entrusted to the Board Audit and Risk Committee.
6. The Board Audit and Risk Committee has, by a specific provision in the written charter of its functions and responsibilities, the ability to obtain any information from executive management, and the ability to call any executive or Director to attend its meetings.
7. The Bank has a “Code” that outlines the functions, responsibilities and the authority of the Board Audit and Risk Committee.
8. The committee provides its recommendation to the Board with regard to appointment, termination, remuneration and assessing the objectivity of the external auditor, taking into consideration the following points:
 - Regular rotation of the external auditor among auditing firms. If that was found impractical, then ensure regular rotation of the Auditor’s senior partner assigned for the Bank audit.
 - That the External Auditor submits a copy of his report to the Board Audit and Risk Committee.
9. The Board Audit and Risk Committee meets each of the Bank’s external auditors, its internal auditors and its compliance officers, without executive management being present, at least once a year.
10. The Board Audit and Risk Committee has all the duties and responsibilities required by the Banks Law and other relevant laws and regulations, including the duties to:
 - Review and ratify the internal audit plan which includes audit scope and frequency.
 - Ensure that the executive management takes timely corrective measures with regard to weaknesses in internal audits, non-compliance with established policies, rules and regulations, and other areas determined by internal auditors.
 - Ensure that the Bank has properly observed and complied with international accounting and audit standards.
 - Assess the scope, results and adequacy of the Bank’s internal and external audits.
 - Conduct continuous assessment of the Bank’s internal monitoring and control systems.
 - Review accounting issues with material impact on financial statements.
 - Review the comments and reports of monitoring bodies and the external auditor and follow-up on corrective measures.
 - Review the Bank’s financial statements prior to submission to the Board. Specifically, review compliance with regulators’ directives related to capital adequacy and the adequacy of allocations for non-performing loans and other allowances. Also, provide opinion with regard to the Bank’s non-performing loans or those suggested to be considered as bad debt.
 - Ensure that relevant laws and regulations are observed.
 - The Committee submits its reports and recommendations to the Board.
 - The head of the Bank’s Internal Audit Unit is called to attend the Committee meetings. The Committee may also invite other people to the meetings in order to seek their opinion regarding specific matters.

Generally speaking, the responsibilities of the Board Audit and Risk Committee do not substitute for the responsibilities of the Board with respect to overseeing the adequacy of internal monitoring and control systems.

The role of the Board Audit and Risk Committee with regard to risk management can be summarized as follows:

1. Recommend the endorsement of a risk management strategy and policies and ensure they are:
 - Comprehensive and documented for managing all material risks.
 - Appropriate for the size and activity level of the Bank and its subsidiary companies.
 - Outline the programs, procedures and tools (including ceiling levels) to implement said plans and policies and ensure their implementation and that any exceptions are done in accordance with specific administrative approvals.
 - Reviewed regularly.
 - Disseminated among concerned parties within the Bank.
 - Monitor risk management activities carried out by the executive managements with regard to each of the following: credit risk, market risk, liquidity risk, operational risk, non-compliance risk, reputation among others, through reviewing reports issued by the Risk Management Department which outline to the Committee the Bank’s risk profile and measures taken to minimize them. These reports should be appropriate, detailed and submitted in a timely manner within an effective information systems framework.
2. Monitor risks facing the Bank and determine their materiality and ensure that internal procedures are in place to assess capital adequacy as relevant to the Bank’s risk profile.
3. Ascertain risks pertinent to new products the Bank plans to offer before their launch.

4. Recommend the adoption of an organizational structure for the Risks Management Department and ensure that it is independent and carries out its duties under an independent management.
5. Review the acceptable risk appetite level that can be endured by the Bank and accordingly provide recommendation to the Board.
6. Review reports pertinent to safeguarding business continuity.
7. Submit regular reports to the Board of Directors.

The role of the Board Audit and Risk Committee in monitoring compliance can be summarized as follows:

1. Recommend the adoption of a compliance monitoring policy and ensure that the policy is:
 - Documented in writing.
 - Appropriate for the size of the Bank's and its subsidiaries' activities.
 - Specifies the procedures that need to be followed by management and staff.
 - Outlines the key requirements for identifying compliance risks and their management across the various organizational levels.
 - Disseminated among the various administrative levels and employees of the Bank.
2. Assess the Bank's effectiveness in managing compliance risks at least once a year and conduct necessary revision in case of any amendments.
3. Monitor and follow-up implementation of the policy.
4. Take necessary measures to promote values of integrity and proper professional conduct within the Bank such that compliance with laws, regulations, instructions, directives and applied criteria become key objectives and duties required to be fulfilled.
5. Adopt an organization structure for the Compliance Monitoring Department and ensure its independence such that there is separation between the functions of compliance monitoring and that of internal auditing.
6. Ensure that an annual compliance risks management plan is in place and that it accounts for any shortcomings in the policy, procedures or application. Also, ensure that the plan is linked to the effectiveness of the current management of compliance risks and it determines the need for any policies or procedures for dealing with new compliance risks resulting from the annual assessment of these risks.
7. Review the corrective procedures and measures and/ or disciplinary actions undertaken by the Bank's executive management in the event of discovering violations arising from non-compliance, specifically those that subject the Bank to legal penalties or significant losses, both financially and reputation wise, and ensure that these cases are immediately reported.
8. Review reports that show compliance test results which should include assessment findings pertinent to compliance risks, violations and shortcomings along with the corrective measures implemented.

Nominations & Remuneration Committee

1. The Nominations and Remuneration Committee comprises of three non-executive directors, two of whom are independent directors. The Committee meets at least twice a year or on needs basis and its decisions are based on a majority vote, including that of the Committee chair.
2. The Committee carries out the following functions:
 - Nominate all Board appointments, duly considering candidates' abilities and qualifications and, for re-nominations, their attendance and the quality and extent of their participation in Board meetings and in accordance with guidelines stipulated in the Companies Law regarding Board members tenure.
 - Determine whether a Director qualifies to be considered 'independent'.
 - Implement a formal method of assessing the effectiveness of the Board, including participation level of Directors in Board meetings. Performance criteria are objective and include comparison with other similar banks and financial institutions. In addition, they include criteria that assess the integrity and soundness of the Bank's financial statements and compliance with requirements set forth by regulatory bodies.
 - Have the responsibility to provide background briefing material for Directors covering key issues, as well as ensuring that they are kept up to date on relevant banking topics.
 - Recommend to the Board the remuneration (including monthly salary and other benefits) of the General Manager. The Nominations and Remuneration Committee also reviews the remuneration of other executive management.
 - Recommend to the Board the appointment of a general manager, provided that he/she meets the qualifications outlined in the Banks Law.
 - Provide recommendation to the Board to approve the succession plan for the Bank's senior executives which outline the qualifications and requirements that need to be met by holders of said positions.
 - Provide recommendation to the Board for the appointment of executive managers.
 - Ensure that the Bank has a remuneration policy, which is sufficient to attract and retain qualified individuals, and is in line with the Bank's peers in the market. The Bank's policy should also account for partially linking salaries to performance and that incentive programs be in place that aim to strengthen the Bank's share value in the long run and to further the internal control environment (i.e. focus should not be only on increasing the earning per share in the short term only.)
 - Ensure that the Bank's remuneration policy is disclosed in the Annual Report, particularly the remuneration of individual Directors and the highest-paid non-Director executives.

- Ensure that the Board is provided with reports that contain all information necessary to carry out its duties.

Corporate Governance Committee

The Corporate Governance Committee is comprised of the Chairman of the Board and three non-executive directors. The Committee meets at least once a year upon the invitation of its head. The Internal Audit Manager acts as the Committee's secretary.

Corporate Governance Committee Tasks

The tasks of the Corporate Governance Committee are to primarily oversee the implementation of all guidelines stipulated in the Corporate Governance Manual and compliance of all relevant parties including the executive management, the Board and Board committees, in addition to periodical or on need basis review of the Manual in order to cope with changes in the requirements and expectations of both the Bank and the market.

Key tasks Entrusted to the Corporate Governance Committee:

- 1- Ensure that the Board of Directors sets the Bank's strategic objectives and corporate values and communicates them across the various administrative levels within the organization. In this regard, the Committee oversees the following:
 - Formulation and endorsement of the Bank's strategic plan by the Board.
 - The Board of Directors endorsement and supervision of implementation of the Bank's general policies, including its overall strategy, in a manner that safeguards against conflict of interest.
 - Compliance of the Board members and all administrative levels throughout the organization with JKB's established code of conduct.
- 2- Ensure that responsibilities are defined and clear communication and accountability lines are established for all administrative staff, across the various organizational levels, in accordance with the following framework:
 - The Banks Law and Companies Laws defined the requirements and responsibilities of the Board of Directors and the General Manager such that the Board of Directors is held accountable for monitoring the executive management of the Bank that oversees the administration of the day-to-day affairs of the Bank.
 - It is important to: establish clear lines of accountability and responsibility through official delegation of authority; ensure segregation of duties; and have appropriate internal monitoring and control systems in place.
- 3- Ensure that Board members fulfill eligibility criteria for Board appointment and possess clear understanding of their role with respect to corporate governance and independence vis-à-vis problem solving and decision making. In this regard, the Committee is tasked with several oversight responsibilities to include:
 - Ensuring that the Board of Directors performs its monitoring role over the Bank's activities including an understanding of the various risks the Bank may face.
 - Ensuring that the Board membership includes an adequate number of independent directors.
 - Overseeing that the parameters and conditions set forth in the Banks Law with regard to individuals assuming Board membership and chairmanship positions are fulfilled.
 - Observing that the "fit and proper" principle is applied.
 - Ensuring that the Board Audit and Risk Committee, formed of Board members, is in place and carries out its duties pursuant to the parameters set forth by the Banks Law. In addition, make sure that other pertinent committees are formed in accordance with the CBJ regulations (such as the Risk Management and Compliance Committees).
 - Oversee that adequate Board committees are in place and new ones are formed on needs basis necessary to instill and apply corporate governance rules and culture across the various organizational levels.
- 4- Ensure that the executive management performs appropriate supervision over the Bank's operations and in accordance with the instructions listed in the Internal Monitoring and Control Regulations issued by CBJ through the following:
 - Ensure that the executive management carries out its risk management functions which entail overseeing that policies and instructions pertinent to credit risk, market risk, liquidity risk, and operational risk are in place and reasonably monitored. In addition, commit to manage and monitor compliance risks in accordance with the tailor designed policies, thus achieving a reasonable return for shareholders without compromising banking safety issues.
 - Ensure the application of dual monitoring over all banking operations and activities
 - Ensure the proficiency of the executive management and department heads
- 5- Make effective use of the functions carried out by the Internal and External Auditors.
- 6- Ensure that the Bank, while considering credit facilities approval, evaluates the quality of corporate governance applied by the client particularly of corporate and shareholding companies. Upon assessment, the Bank may consider some concession for those clients who maintain good governance standards.
 - Among the responsibilities of the Board is to put in place internal regulations and directives that outline the responsibilities of the different departments such that the application of the desired level of monitoring is safeguarded. In this regard, the Corporate Governance Committee provides the following:

a) Internal Auditing

Effective internal monitoring and control systems should be supported by an effective, independent Internal Auditing Department that assesses the effectiveness of said systems independently.

The Internal Auditing Unit assesses the effectiveness and efficiency of operations as well as compliance level with the laws, rules and regulations. In addition, it assesses the effectiveness of risk management systems and capital adequacy, relative to its risks and according to the Bank's financial statements. To achieve this role, the following needs to take place:

- Ensure the complete independence of the internal auditor through the submission of audit reports, recommendations and results directly to the Board Audit and Risk Committee.
- Ensure that the Board Audit and Risk Committee is responsible for setting the salaries and benefits of the Internal Audit Unit staff and appraising their performance.
- Make sure that Internal Auditing and the Board Audit and Risk Committee review the observations contained in the Central Bank and external auditor's reports and follow-up actions taken thereon.

b) External Auditing

External auditing represents another level of monitoring over the credibility of financial statements and assessment of internal monitoring and control systems:

- The Banks Law outlined the tasks required of the external auditor. The external auditor of the Bank is selected from a list prepared annually by the CBJ.
- Ensure complete cooperation and coordination between the internal and external auditors.

7- Take into account that the corporate governance process is characterized with disclosure and transparency.

8- The Board and the executive management should have an understanding of the structure of the Bank's operations, including the activities performed by the Bank in areas, or within legislative structures, that hinder transparency. In this regard, the Corporate Governance Committee ensures the following:

- That the executive management follows clear policies and proper procedures for operating within these areas / legislations;
- That periodic assessment is conducted to ascertain the need for the Bank to operate in these areas and which impede transparency;
- That the Board Audit and Risk Committee monitors internal controls over the activities performed in these areas and submits necessary reports, annually or in case of material underperformance, to the Board;
- That strategies and work policies and procedures that govern complex financial products and tools offered by the Bank, and that assessment policy for the use or sale of these products are in place;
- That policies are in place to identify, measure and manage material risks, including legal risks and reputation risks, that may arise as a result of any of the Bank's activities in these areas;
- That compliance assessment reports pertaining to compliance with laws, regulations and internal policies are periodically reviewed;
- That all above activities are subject to internal audits and within the scope of work of external audits;
- That necessary information reaches the management, including information related to the risks of these activities. Necessary reports are submitted to the Bank's Board and regulatory authorities and disclosure requirements are met in accordance with the laws and regulations that govern the Bank work.

Board Credit Committee

The tasks and responsibilities of the Committee are mainly to look into the recommendations and requests put forward by the Management Credit Committee pertaining to requests falling beyond the scope of its authority.

- The Committee is comprised of the Chairman or his Deputy, and the membership of two Directors.
- The committee meets on weekly basis.
- The Committee regularly conducts a revision of the credit policies and updates them in accordance with relevant laws and regulations.

IV. Executive Management

1. The executive management lays down the business plans to achieve and implement the Bank's strategy. Business plans are developed through a compressive planning process that encompasses all the departments of the Bank.

2. The executive management conducts a regular review of the achievements and compares them to established plans and takes corrective measures if needed.

3. The executive management prepares budget estimates as one of the planning and monitoring tools.

4. The executive management is considered responsible for the preparation and development of policies and procedures pertinent to managing the various risks. It is also responsible for overseeing the implementation of the strategies endorsed by the Board.

5. Management of the operational, day-to-day affairs of the Bank that fall within the tasks and responsibilities of the Bank's executive management.

V. Executive Committees

To ensure that corporate governance principles are applied, the JKB has several specialized executive committees that were formed for specific purposes in order to increase the Bank's overall effectiveness. These committees include the following:

- Executive Committee
- Assets and Liabilities Committee
- Information Systems Steering Committee
- Management Credit Committee
- Real Estate Committee

The membership of these committees is comprised of the General Manager as the committee head and some or all deputies and assistants to the General Manager as members.

In addition to the above-mentioned committees, the following committees were formed: Treasury Investments Committee, Procurement Committee and a committee for managing the handover of new and renewed branches to the Bank.

The following summary highlights the key tasks and responsibilities of the executive committees:

Executive Committee

The key functions and responsibilities of the Executive Committee include following-up on the Bank's various achievements and work progress as well as conducting periodic review. In addition, identify means to improve the various aspects of the Bank's activity to achieve set objectives and respond timely and effectively to new developments. The Committee is headed by the General Manager and includes his deputies, assistants and executive managers. The Committee meets monthly or on need basis.

Assets and Liabilities Committee

The strategic objective of the committee is to augment the long-term profitability of the Bank through the proper allocation of resources on lucrative deployments while maintaining an acceptable level of risk that is compliant with the Bank's objectives. The committee carries out two key tasks:

- The strategic distribution / allocation of both assets and liabilities.
- Risk monitoring and control.

In addition, assess the return / risk of the various assets and the capital structure along with resulting consequences and search for resources of funds, value them and price them.

The committee is formed of the General Manager as the committee head and the membership of each of the following:

- Deputy General Manager / Banking Group, Deputy General Manager / Support Services Group.
- Assistant General Manager / Treasury and Investments, Assistant General Manager / Credit.
- Assistant General Manager / Finance, Assistant General Manager / Retail and Consumer Products.
- Head of the Risk Management Department.

The committee meets every month and on needs basis.

Information Systems Steering Committee

The Committee is entrusted with carrying out the following tasks:

- Defining the strategic direction for the Bank's information systems.
- Reviewing the Bank's information systems implementation policies.
- Providing information and direction for the IT department with regard to IT strategic plans.

The committee membership is comprised of the General Manager as the committee head and the membership of all members of the executive committee. The Committee holds its meetings monthly or on need basis.

Management Credit Committee

The committee's tasks and authorities may be summarized as follows:

- Approve credit within specific ceilings set out in the Bank's credit policy.
- Provide recommendations to the Board Credit Committee pertaining to all requests that fall beyond its authority.
- Provide recommendations to the Board Credit Committee pertaining to the legal proceedings to be taken against defaulters.
- Provide recommendations to the Board Credit Committee pertaining to the Non-Performing Loans settlement or rescheduling programs, in accordance with the regulations of the CBJ or other regulatory bodies that govern the foreign branches of the Bank.
- Approve the pursuit of legal actions against clients with default payments of consumer loans, term sales and credit cards within specified ceilings.
- Review approval / decline decisions within specified authority levels.
- The committee is headed by the General Manager with the Deputy General Manager/Banking Group as his deputy and the membership of the following: Deputy General Manager/Support Services Group, Assistant General Manager / Branches, Assistant General Manager / Retail & Consumer Products and the Assistant General Manager / Credit. The executive manager of the legal department participates as the committee's legal advisor, and the Head of the Credit Operations Department acts as the Committee's Secretary.
- The committee meets at least twice a week.

VI. Internal Control

1. The Internal Control structure shall be reviewed by the External Auditor and the Internal Auditor at least once every year.
2. The Board provides information in the Bank's annual report on the adequacy of the Bank's internal controls over its financial reporting. This information includes:
 - A statement of executive management's responsibility for establishing and maintaining adequate internal control over financial reporting for the Bank;
 - A statement identifying the framework used by executive management to evaluate the effectiveness of internal control;
 - Executive management's assessment of the effectiveness of internal controls as of the date of the financial statements.
 - disclosure of any material weaknesses in the internal controls;
 - a statement that the Bank's external auditor has issued an attestation report on executive management's assessment of the effectiveness of internal controls.
3. The Bank has to set up arrangements whereby staff can confidentially raise concerns about possible irregularities, and that allow for such concerns to be independently investigated and followed up. Such arrangements are overseen and monitored by the Board Audit and Risk Committee.

Organizational Structures and Work Organization at the Bank

In order to achieve the principles of internal control and the foundations of corporate governance; especially dual control and clarity of authority and responsibility lines, the Bank has distributed tasks and duties among its different departments and clearly defined authority and responsibility lines. In addition, it has set the various detailed policies that were adopted by the Board, most important of which are that Credit Policy and the Investment Policy at the Bank, as well as policies related to Risk Management and Compliance Monitoring.

Within this framework, the Bank's organizational structure points to the fact that the Board of Directors sits squarely at the top of the pyramid. After that come the roles of the Chairman and the General Manager, respectively. Work at the Bank has been divided into three main groups as follows:

The Banking Group: Includes the activities of Credit Facilities, Treasury and Investment as well as Retail and Consumer products. Each of these activities is divided into sub-activities to ensure specialization of work and to achieve the principles of internal control.

The Risk Management Group: Includes Credit Risk, Operational Risk and Market Risk, in addition to compliance monitoring.

The Support Services Group: Includes the activities of branch management, information systems, central operations, finance and administrative services. Each of these activities includes other specific sub-activities.

Each of the three groups is headed by a Deputy General Manager who reports directly to the General Manager; noting that the Risk and Compliance departments also report to the Board Audit and Risk Committee through the Deputy General Manager for Risks and Compliance.

There are other departments that are headed by Department Managers and that report directly to the General Manager which are: Legal Department, Public Relations, Human Resources and Strategic Planning.

As for the Internal Audit Department; it reports directly to the Chairman of the Board and submits its reports to him and to the Board Audit and Risk Committee.

Key Tasks and Duties of the Various Bank Departments

The Bank has organized the work of its various departments by setting a suitable organizational structure for all departments, defining their tasks and duties, and job descriptions for the different jobs at the departments as outlined hereinafter.

Credit Department

The organizational structures indicates that this department is headed by the Assistant General Manager – Credit, and that work is divided among three departments and two units: Corporate Credit Department, Commercial and Medium Credit Department, Credit Follow-up and Adjustment Department, in addition to the Information Unit and the Financial Analysis Unit.

The tasks and duties of the Credit Department and units are as follows:

Corporate Credit Department

- The study and management of direct and indirect credit within certain ceilings. It is responsible for Syndicated Loans, Government Institutions' credit, Social and Political VIPs credit, Project Financing, Financial Leasing and Special Corporate Credit Programs.

Commercial and Medium Credit Department

- The study and management of direct and indirect credit facilities within specific categories. It is responsible for loans granted to small and medium-sized projects.

Loan Follow-up and Adjustment Department

- Maintaining the non-appearance of defaulted loans and limiting their growth by handling them according to sound banking principles as derived from the Bank's Procedures Manual and internal instructions, and in accordance with the instructions of the Central Bank of Jordan and regulators.

In addition to that, the following units are under the Credit Department:

Information Unit

- Prepare studies and reports regarding credit limits, past-due payments, un utilization ... etc. In addition, coordinate with internal and external auditors and respond to their requirements and inquiries.

Financial Analysis Unit

- Prepare analytical studies of financial statements and provide recommendations regarding their indicators whether they are for the Bank's clients or for any institution or company that the Bank finds of interest. In addition, develop a financial database of clients and the various economic sectors.

Credit Operations Department

The organizational structures points to the fact that this department is headed by the Assistant General Manager – Operations whom the Department Manager reports to, and that work is divided among four departments which are: Internal Operations Unit, External Operations Unit, Legal Documentation Unit and the Committees and Decisions Unit in addition to a support services employee. This department has been separated from Credit Department in order to achieve segregation of duties in accordance with the dual control principle.

The most important tasks and duties of the Departments' units are as follows:

Internal Operations Unit

1. Carryout functions related to granting facilities, their renewal, adjustment and cancellation. As well as the preparation, review, posting and adoption of accounting records relevant to the performed transactions.
2. Accepting or rejecting un-cleared cheques presented through the clearing system based on a decision by the authorized levels.
3. Posting the data of guarantees to the Banking system.
4. Posting the data of credit portfolios assigned to the credit officers and their authorities, as well as the authorities of branches and offices in regard to current accounts with no sufficient balances, to the Banking system, based on a decision by the Credit Department.

External Operations Unit

1. Prepare a statement of loan classification, calculating impairment and reserves provisions as well as all relevant data that is required as per the instructions of the CBJ, regulators and the Bank's external auditor.
2. Prepare a statement of credit concentrations, enter relevant data to the Banking system so that relevant groups, members of the Board of Directors, Executive Managers and subject companies and such data that is required by the instructions of the Jordan Central Bank and regulators.
3. Prepare a statement of the Bank's clients banking risks and request their secret numbers from the CBJ, enter into the Banking system and approve the monthly system update before being sent to the CBJ.
4. Direct inquiries regarding the risk position of new clients towards other banks through direct connection with Jordan Central Bank.
5. Reply to other banks' inquiries pertinent to the Bank's clients.

Committees and Decisions Unit

1. Index and organize the issues that need to be brought to the attention of the Management Credit Committee or the Board Credit Committee according to the authorities granted to them by the Credit Policy Guidelines.
2. Attend the meetings of the Management Credit Committee and prepare their decisions.
3. Draft minutes of meetings of the Management Credit Committee.
4. Inform the concerned clients, branches and departments of the decisions taken by the committees (Management Credit Committee or Board Credit Committee).
5. Prepare release letters property mortgages, possession mortgages, stocks or vehicles.

Legal Documentation Unit

1. Prepare and approve all contracts and documents that support and document transactions up to a specified ceiling. All transactions that exceed that ceiling need to be approved by the Legal Department.
2. Solicit legal opinion when required.
3. File the first copy of contracts and documents in safes and in the custody of the Unit Manager.
4. Correspond with the Administrative Services Department regarding estimates of mortgaged properties, or properties proposed as collateral for credit facilities.

Credit Policy

In order to organize work throughout the various departments and units of Credit Department, the Board of Directors has adopted the Bank's Credit Policy Guidelines. The application of these guidelines would enable the Bank to achieve the following:

- A clean and high-quality credit portfolio.
- Qualitative and sectoral distribution of credit risks.

- Acquiring the appropriate collaterals.
- Upper limits on the facilities for a single client and the related party clients.
- Establishing solid basis for following up the collection of due and unpaid loans.
- Establishing specific and solid standards for classifying facilities' by quality and risk.
- Good assessment of credit risks regarding: client risk, activity and economic risk.
- Compliance with the regulations of monetary authorities and other regulatory bodies that regulate the provision of credit in the countries where the Bank's branches, offices and investment units operate.

The Bank's credit policy is based on centralized management of the credit function. Studies, analysis and documents are completed by Credit Department, after which, requests and other issues are presented to the specialized committees for decision making purposes. As for documentation and implementation of approved facilities, these are carried out by the Credit Department at the head office as part of dual control framework which separates approval from processing.

One of the most important professional standards included in the Bank's credit policy is requiring that credit employees inform their superiors regarding financial transactions of their immediate relatives in order to achieve the principle of transparency. Furthermore, it is not acceptable for relatives' accounts to be run by related employees.

The policy included the basis of classifying facilities according to maturity, guarantees, method of repayment, risk dimensions and purpose; in addition to outlining the different phases of granting credit.

The credit policy outlined in detail authority boundaries and the bodies conferred with granting credit at the Credit Department level as well as the various credit committees.

Treasury and Investment Management

The organizational structure indicates that the department is headed by the Assistant General Manager for Treasury and Investment supported by departments' heads. Work is divided into several activities which are: Dealing Room, International Relations and Correspondent Banks, Investment Funds, Local Investment, Treasury Operations, External Unit Coordination Office and the External Banking Unit.

The most important tasks and duties assigned to the Treasury and Investment department are:

1. Manage foreign and local currencies liquidity in such a way that achieves the highest returns on shareholder's equity.
2. Manage the assets and liabilities in local and foreign currencies to achieve the highest possible returns within acceptable risk boundaries.
3. Manage investment portfolios of bonds, stocks and the various monetary instruments in foreign and local currencies.
4. Coordinate with correspondent banks in order to maintain exceptional relations with them and follow up on the credit ceilings granted to the Bank.
5. Continual search for available investment opportunities according to their alignment with the adopted investment policy and the instructions of the CBJ.
6. Provide investment services that are related to the department such as margin dealing, postponed contracts, derivatives, stocks, bonds, escrow, investment caretaker and issue manager.
7. Work on supporting work centers and branches in performing their tasks.
8. Follow up on commitment reports with administration departments, senior management and external bodies.
9. Study the performance of companies' stock and their financial standings and send investment reports to senior management.

As for the External Banking Unit, the following is carried out (in coordination with the Branches Operations Coordination Office):

1. Provide banking services to clients such as accepting deposits, granting direct and indirect credit facilities and following up on the Bank's stocks and bonds investment portfolios.
2. Represent the Bank in front of official and non-official bodies in Cyprus.
3. Provide the Central Bank of Cyprus with all the reports and financial statements required regarding the branch's activities there.
4. Coordinate with the External Financial Unit's Liaison Officer at the Treasury Department to facilitate workflow between Cyprus branch and all other departments and branches.
5. Send periodic reports and financial statements that were audited by the external auditor, to the Bank's management.
6. Apply laws and regulations issued by the CBJ and the Central Bank of Cyprus regarding the operation of the branch, as well as management instructions, and ensure that employees are familiar with them.

The Financial Department carries out the Back Office operations of the department in addition to the role of the Risk Department in identifying risks that result from the any kind of operations by the Treasury Department.

The Bank's Investment Policy

In order to achieve the prudent principles of Corporate Governance, the Bank has developed an investment policy, which was approved by the Board of Directors, for the deployment of funds in foreign currencies. This policy included the following:

Goals of the Investment Policy include twining with the Bank's strategy and contribute to fortifying the solidity of the Bank's financial standing, achieving safety, maintaining liquidity and maximizing returns.

One of the most important topics covered in the policy is the investment controls and standards. The policy states that the Bank may invest in money and capital markets instruments where as such investment does not exceed a specified ratio of total available funds.

The policy also included a definition of credit classifications for instruments that can be invested in and at specific ratios. In addition, the ceilings for acceptable investment in fixed income and ownership instruments were set.

Similarly, ceilings were set for direct credit facilities granted in foreign currencies, whereby they are not to exceed a specified percentage of the sources of fund in foreign currency.

On another hand, the use of financial derivatives was limited to be used for hedging purposes only.

The Bank's investments in foreign and local currencies are managed within clear and defined authorities and within the documented Authority Guidelines which was approved by the Board of Directors.

Investments in the Jordanian Dinar are governed by the Investment in Jordanian Dinar Policy which sets the relevant investment regulations and standards.

Internal Audit Department

The philosophy of Internal Audit is based on its mission to provide assurance and independent and objective consultation that adds value or enhances processes, and assist the Bank's management in achieving its set goals through setting a regular methodology to evaluate and improve the effectiveness of risk management processes, internal audit and corporate governance.

A charter was created for the department according to International Best Practices. Following are the most important features of the charter:

Objectives

The department works on achieving the following goals:

- Provide reasonable assurance regarding the level of effectiveness and efficiency of internal control systems at the Bank and their ability to achieve the following:
 1. Integrity and reliability of financial and operational data.
 2. Efficiency of operations.
 3. Compatibility with the regulations, instructions and laws in force.
 4. Maintaining the Bank's assets and property.
 5. Continuity of work under all circumstances.
- Provide reasonable assurance regarding the level of effectiveness and efficiency of the Bank's risk management systems and corporate governance processes.
- Improve and develop internal control systems, risk management and corporate governance processes.
- Add value to the Bank through offering consulting services required by the Bank's management.
- Improve and develop processes and products in such a way that serves the Bank's goals.

Authorities

In order to achieve all the goals entrusted to the Internal Audit Department, the department is granted the following authorities:

- Perform audit and review operations for all of the Bank's work centers and subsidiary companies.
- Refer to and view all the records, systems, data and reports of the Bank and subsidiary companies.
- Direct communication with all employees of the Bank and subsidiary companies.
- Define the nature, scope and timing of audit and review processes.

All work center managers at the Bank or subsidiary companies must inform the Internal Audit Department of any problems or significant incidents the instant they occur and without delay.

Independency and Objectivity

In order to ensure the necessary independency, the Internal Audit Department shall:

- Be administratively reporting to the Chairman of the Board, and functionally to the Board Audit and Risk Committee.
- Prepare reports and send the results of its work directly to the Chairman of the Board and the Board Audit and Risk Committee.

In order to ensure the objectivity of the Internal Audit Department's officers and employees:

- The direct responsibility for control and risk management shall remain within the direct responsibilities of work centers.
- The department is not responsible for any operational actions, and the department does not have any direct responsibility or operational authority over the activities which the department is responsible to review and audit.
- The process of providing consultation by the Internal Audit Department to Executive Management does not hinder the responsibility of Executive Management for appropriate implementation and control of its various activities.

Scope and Responsibilities

1- Audit Scope

- The department's scope of work includes all work centers, activities and operations of the Bank; in a manner that enables the department to assess the suitability and effectiveness of internal control systems, risk management and corporate governance processes, and accomplishes all the tasks and responsibilities entrusted to it.
- The department conducts periodic reviews and audits based on the priorities of the Risk-based Audit Plan adopted in the department's strategy which is approved by the Board of Directors and its Board Audit and Risk Committee.
- The department also conducts any special reviews or consultations based on the directions of the Chairman, the Board Audit and Risk Committee or the Department Manager.

2- Relationship with External Auditors and Central Bank Inspectors

- The Internal Audit Department is the liaison between external auditors and Central Bank inspectors from one side and the Bank's various departments and work centers on the other; whether that is during review processes or during the phase of replying to remarks and reports.
- The Internal Audit Department handles the process of coordination with external auditors in the fields of planning, timing and implementation of audit and review processes in order to avoid any conflicts.

Mission

- In order for the department to be able to achieve its goals, it carries out the following:-
 1. Assess the sufficiency and effectiveness of internal control systems at the Bank and subsidiary companies.
 2. Assess the sufficiency and effectiveness of risk management and corporate governance processes at the Bank and subsidiary companies.
 3. Assess the accuracy and correctness of data and reports through periodic visits of branches, departments and subsidiary companies in addition to the daily reports issued by the Internal Audit Department.
 4. Assess the capital adequacy of the Bank and subsidiary companies in facing the all possible types of risk.
 5. Assess the level of commitment and adherence to instructions, laws and policies in effect and which govern the work of the Bank.
 6. Assess the phases of developing and maintaining the Bank's systems.
 7. Conduct all special investigations needed regarding important and material problems and violations.
 8. Assess the sufficiency and effectiveness of procedures for maintaining the assets and property of the Bank and its subsidiary companies.
 9. Assess the level of achieving the set goals for the various processes and work centers at the Bank.
 10. Assess the ability of the Bank and subsidiary companies to continue work under all circumstances.
 11. Follow up on reports and recommendations issued by the department and external auditors/central Bank inspectors to ensure that corrective actions were taken and assess the sufficiency of taken measures.
 12. Assess the proposed work procedures and policies in such a manner that guarantees the progress of work and meets all requirements.
 13. Assist that Bank's management in combating fraud by means of reviewing and assessing the level of efficiency and effectiveness of control procedures to limit such operations. (Whereas the main responsibility of preventing and discovering these cases remains with the Bank's management).
- The Internal Audit Department is also responsible for assisting the Executive Management and the Board of Directors through providing the needed consulting according to standards and best practices.

Accountability

- Prepare and implement an annual Risk-based Audit plan and methodology approved by the Chairman and the Board Audit and Risk Committee.
- Send detailed reports on the results of all audit visits and investigations. The reports shall contain the audit's scope, key remarks, recommendations and the required follow up procedures.
- Increase the efficiency and effectiveness of internal audit processes through the use of automated audit means and tools; and by following the relevant standards and best practices.
- Professional development of the internal audit employees by enrolling them in relevant training courses to ensure they are up-to-date with the latest developments in the internal audit profession.
- Take necessary procedures to ensure that all of the department's work is carried out according to the internal audit professional standards and best practices, in addition to the requirements of regulators that govern the Bank's work.

Periodic Assessment

The Internal Audit mandate is subject to annual review by the department in order to assess its capabilities to carry out all the tasks and responsibilities assigned to it and achieve the desired goals. Any needed modifications are presented to the Board Audit and Risk Committee for approval.

Communication

Based on internal audit standards and the publications issued by BASEL Committee, this mandate must be communicated to all work centers at the Bank and its subsidiaries so that they are informed of it in order to facilitate the task of the Bank's Internal Audit Department.

Risk Management Department

The different risks that the Bank is exposed to are managed by an independent Risk Management Department which reports to the Deputy General Manager – Risk Management Group; and submits its periodic reports to the Board Audit and Risk Management Committee.

The responsibilities of the Risk Management Department at the Bank include the following:

- Identify, measure, monitor and control risks and provide recommendations to mitigate the risks that face the Bank and guarantee the highest degree of coordination with all relevant Bank operations and departments.
- Provide recommendations to define the size and type of each of the acceptable main risks by the Board of Directors and ensure that current risks are in line with planned risks (Risk Appetite).
- Develop the methodologies for measuring and controlling each type of risk.
- Provide recommendations when setting the limits of the various risks that the Bank is exposed to, review them and provide recommendations to the Board Audit and Risk Committee, as well as record cases that are exceptions to risk management policies.
- Provide the Board and Senior Executive Management with information regarding the Bank's risk measurements and risk profile (qualitative and quantitative statistics to be presented at each Board meeting).
- Highlight risks transparently and ensure they are clear and understood internally and disclosed to the public.
- The Bank's committees, such as the Executive Committee, Credit Committees and the Assets and Liabilities/Treasury Management Committee assist the Risk Management Department in conducting its tasks within the specified authorities of these committees.
- The Bank shall include in the annual report enough information regarding the Risk Management Department, especially its structure, processes and the developments it underwent.
- The department spreads risk awareness among the Bank's employees regarding modern ways and methods of Risk Management in such a way that achieves the concept of comprehensive risk management.
- The department follows up on the instructions and recommendations released by the various regulators, including BASEL committee, and translates them into work plans, policies and procedures.

Compliance Department

The process of controlling compliance is considered an independent function which aims at ensuring that the Bank and its internal policies are in compliance with all the laws, regulations, instructions, directives, codes of conduct, sound banking standards and practices issued by the local and international regulators.

1. The processes of compliance control are managed through an independent department, which reports directly to the Deputy General Manager – Risk Management Group and submits reports periodically to the Board of Directors through the Board Audit and Risk Management Committee with a copy sent to the Executive Management.
2. The Board of Directors adopts and monitors the Compliance Policy while it is prepared and developed by the Compliance Department and communicated to all of the Bank's departments.
3. Employees of the Compliance Department are not assigned any executive work where there may be room for conflict of interest.
4. Compliance risks include the risks of not abiding by the laws, regulations, instructions and legislations issued by the various regulators, in addition to the risks of money laundering operations, reputation risks, risks of non-compliance with professional conduct charters and standards, intellectual property rights risks including regulations and any other relevant issues.
5. The scope of work of the Compliance Department includes the risk of non-compliance across all of the Bank's managements and branches in Jordan and outside as well as subsidiary companies.
6. The Board of Directors takes the necessary actions to support the values of integrity and sound professional conduct within the Bank such that compliance with the applied laws, regulations, instructions and standards constitute a primary goal that must be achieved. It also assesses the effectiveness of Compliance Risk Management at least once a year or whenever needed. Furthermore, the application of the Compliance Policy at the Bank is controlled and followed up by the Board of Directors through the Board Audit and Risk Committee.
7. The responsibility of Compliance Management is summarized by assisting Executive Management and the Bank's employees manage "Non-Compliance Risks" that face the Bank; especially the risks of money laundering operations. In addition, Compliance Management provides advice to Executive Management regarding the applied laws, regulations and standards as well as any amendments that may take place.
8. The Compliance Department has the authority to view all documents, records and contracts that enable it to perform its job with high quality, objectivity and transparency; in addition to viewing internal audit reports and the reports of external regulators -at the forefront of which are the Central Bank of Jordan and regulators whom the Bank's branches outside Jordan are subject to.
9. The Compliance Control Department has the authority to communicate with all employees at the Bank and subsidiary companies to get the information and clarifications it finds fit.

10. Full coordination shall exist between the Compliance Department and the other departments, especially with the Internal Audit Department and Risk Management, to obtain compliance reports that highlight conformity of work progress with the legislations, laws and instructions of regulators.

11. The Bank informs the Central Bank of any violations resulting from noncompliance especially violations that subject the Bank to legal penalties or material financial or reputation losses. In addition to informing the Money Laundry Unit at CBJ of any cases that should be reported.

Code of Conduct

The Bank adopted a Code of Conduct which was approved by the Board of Directors. All the Bank's employees across the various managerial levels as well Board members have pledged to commit to it.

The code defined the ethics, values and principles of Bank employees in four main areas which are:-

1. Integrity
2. Compliance
3. Transparency
4. Loyalty

Integrity: the code included that Bank employees are committed to the following:-

- Depositors' money is a trust and a responsibility that must be preserved.
- Non-conflict between personal interests and the Bank's interests.
- Not to use inside information to achieve personal interests.
- Maintain objectivity and not be influenced by personal relations.
- Not to enter into business relationships with clients and suppliers.
- Not to discriminate between clients.
- Not to accept gifts, benefits and invitations.

Laws and regulations: All employees must commit to financial confidentiality, the Bank's policies and its work guidelines, give the needed care in combating money laundering, not to issue dishonored checks and commit to management's decisions.

Transparency: the Bank's employees are committed to the correctness of the declared numbers, data and reports as well as the accuracy, sufficiency, timing and compliance of this data with standards; in addition to declaring personal interests, employee financial standing and his business activities and declaring violations and damages.

Loyalty to the Bank: loyalty is achieved through realizing the Bank's mission, vision, goals, role and by transforming the Bank's slogan into a tangible reality, winning clients' satisfaction and retaining them; in addition to positivism, excellence, taking responsibility, quality, efficiency, accuracy, continuing training, maintaining working hours, adapting to work stress in a team spirit, attention to appearance, conduct and good attitude, caring for the Bank's reputation and achievements, maintaining the Bank's assets and appearance, not disclosing any work secrets and taking permission from management before making any declaration regarding the Bank to the media.

VII. Relations with Shareholders

1. The Bank develops positive relations based on transparency with all shareholders. In this field, the Bank saves no effort to encourage all shareholders, especially small shareholders, to attend the annual meeting of the General Assembly and encourage voting. In addition, consideration is given to voting on each issue that is raised during the annual meeting of the General Assembly separately.

2. The Chairmen of the various Board committees attend the annual General Assembly meeting.

3. Following the General Assembly meeting, detailed report is prepared to inform shareholders of the various remarks and questions brought forth by the shareholders and management's responses to them as well as the conclusions reached.

4. Representatives of the External Auditors attend the annual General Assembly meeting to answer any questions that may be raised regarding audit and the auditor's report.

5. Pursuant to the Companies Law, members of the Board of Directors are elected or re-elected during the annual General Assembly meeting. The external auditor is also elected during the same meeting.

VIII. Transparency and Disclosures

1. The Bank provides full information regarding its activities constantly and periodically to all stakeholders such as regulators, shareholders, depositors and the public in general; focusing on issues with material impact on the Bank.

2. The Bank is fully committed to the requirements of full disclosure according to the International Financial Reporting Standards (IFRS) and the disclosure instructions issued by the Central Bank and regulators.

3. The Bank follows up the various developments regarding the requirements of disclosure according to international standards, such that they are immediately reflected in its financial reports.

4. The Bank commits to providing permanent and professional communication lines with all relevant stakeholders such as regulators, shareholders, investors, depositors and other banks. To achieve this, the Bank shall create a position of Investors Relation officer

whose main task is to provide full and objective information regarding the Bank's financial and administrative standing as well as the Bank's various activities.

5. The Bank's annual report shall contain all information related to the Bank in a manner that is transparent and objective.

6. Publish periodic reports that contain quarterly financial information, in addition to a report from the Board of Directors regarding the trading of the Bank's stocks and its financial standing during the year as well as periodic briefs by Executive Management for shareholders, financial market analysts and journalists specialized in the financial sector.

7. Hold periodic meetings between the Bank's Executive Management and investors and shareholders.

8. The Bank provides the information available in its annual or periodic reports on the Bank's website in both the Arabic and English languages, where information is updated constantly.

9. The reports that the Bank presents must contain disclosure from the Executive Management about the results of current and future operations, the financial standing of the Bank and any future results of risk that might affect the general financial standing of the Bank.

10. To deepen the principle of transparency and disclosure, the Bank's annual report must specifically contain the following:-

- The Banks' Corporate Governance Guidelines and the extent it is committed to.
- Full information about the members of the Board of Directors including qualifications, experiences, share of the capital, their status as Executives, Non-Executives or Independent, memberships in any other Boards of Directors, the bonuses and salaries they have received, any loans granted to them by the Bank and any operations between the Bank and the member's companies, himself or any parties related to him.
- A brief of the responsibilities and tasks of Board committees.
- Frequency of Board and Board Committees meetings held.
- A brief of the Bank's Remuneration Policy as well as the salaries and allowances of Senior Executive Management.
- The statement of the Board of Directors regarding the sufficiency of internal control systems.
- The main shareholders of the Bank and of companies that hold substantial portion of the Bank's capital.

BRANCHES & OFFICES

Amman Branches

- **Main Branch**
Tel. 5629400 - Fax 5694105
- **Abdali Branch**
Tel. 5662126/7 - Fax 5662374
- **Jabal Amman Branch**
Tel. 4641317 - Fax 4611391
- **Wehdat Branch**
Tel. 4777174 - Fax 4750220
- **Commercial Center Branch**
Tel. 4624312 - Fax 4611381
- **Tla' El'Ali Branch**
Tel. 5532168/9 - Fax 5518451
- **Al-Mougablain Branch**
Tel. 4203723 - Fax 4203715
- **Jabal Al-Hussein Branch**
Tel. 5658664 - Fax 5658663
- **Abu-Alanda Branch**
Tel. 4162756 - Fax 4161841
- **Yarmouk Branch**
Tel. 4779102/3 - Fax 4750230
- **Wadi El-Seir Branch**
Tel. 5858864 - Fax 5810102
- **Jubalha Branch**
Tel. 5346763 - Fax 5346761
- **Amra / Um Outhaina Branch**
Tel. 5535292 - Fax 5516561
- **Abdoun Branch**
Tel. 5924195 - Fax 5924194
- **Abu-Nsair Branch**
Tel. 5235223 - Fax 5235226
- **Marka Branch**
Tel. 4889531 - Fax 4889530
- **Ibn Khaldoun Branch**
Tel. 4613902/3 - Fax 4613901
- **Shmeissani Branch**
Tel. 5685403 - Fax 5685358
- **Vegetable Market Branch**
Tel. 4127588 - Fax 4127593
- **Madinah Munawarah St. Branch**
Tel. 5533561 - Fax 5533560
- **Sweifiyah Branch**
Tel. 5851027 - Fax 5851931
- **Nazzal Branch**
Tel. 4383906 - Fax 4383905
- **Mecca Mall Branch**
Tel. 5517967 - Fax 5517836
- **Marj El-Hamam Branch**
Tel. 5731053 - Fax 5716832
- **City Mall Branch**
Tel. 5824698 - Fax 5825426
- **Wadi Saqra Branch**
Tel. 5679241 - Fax 5679146
- **Al-Rabia Branch**
Tel. 5510839 - Fax 5511479
- **Abdullah Ghousheh St. Branch - Jaber Center**
Tel. 5850392 - Fax 5850327
- **Dabouq Branch**
Tel. 5412312 - Fax 5521337
- **Al-Madina Al-Riyadiyah Branch**
Tel. 5162165 - Fax 5162358
- **Mecca Mall Office**
Tel. 5813954 - Fax 5814239
- **Petra University Office**
Tel. 5711283 - Fax 5713079
- **Sweileh Office**
Tel. 5359986 - Fax 5359964
- **King Abdullah Bureau Office**
Tel. 4626990 - Fax 4626995

Middle Region Branches

- **Baq'ah Branch**
Tel. 4725090 - Fax 4726101
- **Madaba Branch**
Tel. 05/3253568 - Fax 05/3253569
- **Al-Salt Office**
Tel. 05/3558995 - Fax 05/3558994
- **Amman Ahliyyah University Office**
Tel. 05/3500029 - Fax 05/3500048

North Region Branches

- **Irbid Branch**
Tel. 02/7243665 - Fax 02/7247880
- **Al-Husson St. Branch - Irbid**
Tel. 02/7248496/7 - Fax 02/7248498
- **Yarmouk University Branch**
Tel. 02/7256065 - Fax 02/7255315
- **Al-Mafraq Office**
Tel. 02/6235901 - Fax 02/6235902

South Region Branches

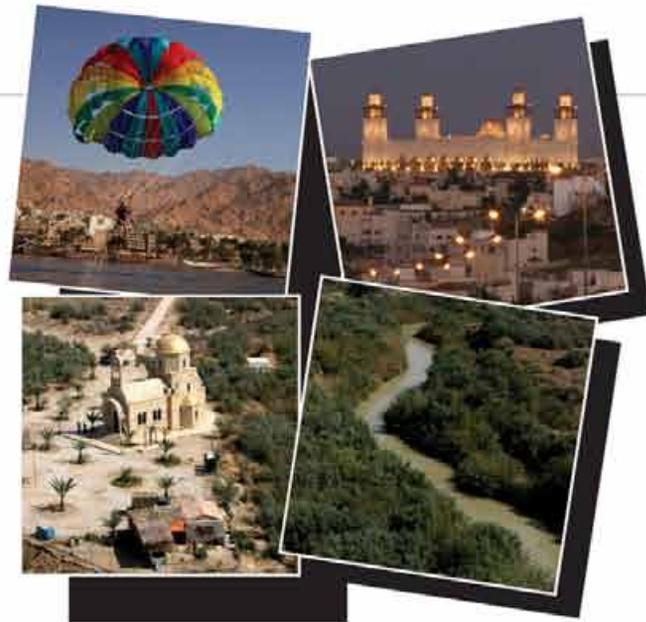
- **Aqaba Branch**
Tel. 03/2015190 - Fax 03/2016188
- **Al-Karak Office**
Tel. 03/2396102 - Fax 03/2396103

Zarqa Area Branches

- **Zarqa Branch**
Tel. 05/3997088 - Fax 05/3998677
- **Russaifeh Branch**
Tel. 05/3744151 - Fax 05/3744152
- **Zarqa Free Zone Branch**
Tel. 05/3826196 - Fax 05/3826195
- **New Zarqa Branch**
Tel. 05/3864556/9 - Fax 05/3864557

Branches outside Jordan

- **Regional Management & Ramalla Branch**
Tel. +970 2 2406447 - Fax +970 2 2406443
- **Nablus Branch**
Tel. +970 92 376413/4 - Fax +970 92 377181
- **Cyprus Branch**
Tel. +357 25 875555 - Fax +357 25 582339



ATM Locations

- Head Office (Drive Thru ATM)
- Head Office / Main Street
- Cyber Branch - Jabal Amman
- Zarqa Branch
- Wehdat Branch
- Tla'a El'Ali Branch
- Jabal Al-Hussein Branch
- Aqaba Branch
- Abu-Alanda Branch
- Yarmouk Branch
- Wadi El-Seir Branch
- Jubalha Branch
- Russaifeh Branch
- Amra Branch
- Marka Branch
- Ibn Khaldoun Branch
- Shmeissani Branch
- Madinah Munawarah Branch
- New Zarqa Branch
- Madaba Branch
- Irbid Branch
- Yarmouk University Branch-Irbid
- Nazzal Branch
- Cyber Branch-Sweifiyah
- Baq'ah Branch
- Al-Mougablain Branch
- Sweifiyah Branch
- Abdoun Branch
- Abu-Nsair Branch
- Mecca Mall Branch-Mecca St.
- Abdulla Ghousheh St. Branch
- Marj El-Hamam Branch
- Wadi Saqra Branch
- Al-Rabia Branch
- Dabouq Branch
- Al-Husson St. Branch-Irbid
- Al-Madina Al-Riyadiyah Branch
- Al-Mafraq Office
- Al-Salt Office
- Al-Karak Office
- Amman Ahliyyah University Office
- Petra University Office
- Sweileh Office
- Safeway-Shmeissani
- Jordan University
- Zain Headquarters
- Cozmo Center
- City Mall
- Amman Mall
- Istekial Mall
- Al-Baraka Mall
- Mobile ATM
- Al-Manaseer Gas Station / Tabarbour
- Al-Manaseer Gas Station / Wadi El-Seir
- Al-Manaseer Gas Station / Zarqa
- Ramalla Branch
- Nablus Branch



البنك
الأردني الكويتي
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BANK

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