JORDAN COMMERCIAL BANK

FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
JORDAN COMMERCIAL BANK
AMMAN - JORDAN**

We have audited the accompanying financial statements of **JORDAN COMMERCIAL BANK** (a public shareholding company) ("the Bank"), which comprise the statement of financial position at 31 December 2011 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

The Board of Directors 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Legal & Regulatory Requirements

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

Amman – Jordan
23 February 2012

Ernst + Young

JORDAN COMMERCIAL BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	2011	2010
		JD	JD
ASSETS			
Cash and balances with Central Banks	4	64,884,383	84,846,369
Balances at banks and financial institutions	5	75,250,653	72,046,776
Deposits at banks and financial institutions	6	-	709,000
Held for trading financial assets	7	-	351,645
Financial assets at fair value through profit and loss	8	1,906,397	-
Available for sale financial assets	9	-	9,309,252
Financial assets at fair value through other comprehensive income	10	10,594,084	-
Direct credit facilities	11	420,305,902	390,445,134
Held to maturity financial assets	12	-	172,525,794
Financial assets at amortized cost	13	189,551,590	-
Repurchase agreements		-	3,090,635
Property and equipment, net	14	15,992,258	11,574,252
Intangible assets, net	15	1,040,081	723,856
Other assets	16	22,254,198	17,155,664
Total Assets		801,779,546	762,778,377
LIABILITIES AND SHAREHOLDERS EQUITY			
LIABILITIES -			
Banks and financial institutions' deposits	17	44,356,331	47,728,290
Customers' deposits	18	609,841,623	551,567,066
Cash margins	19	39,165,642	45,589,009
Borrowed funds	20	-	10,000,000
Other provisions	21	804,563	741,034
Provision for income tax	22	579,929	2,732,535
Other liabilities	23	14,855,744	10,178,064
Total Liabilities		709,603,832	668,535,998
SHAREHOLDERS' EQUITY			
Authorized capital JD 100,000,000 (2010:JD 80,359,125)			
Paid in capital	24	82,769,898	80,359,125
Share premium	24	-	56,698
Capital fluctuation reserve	25	7,730,988	7,440,123
General banking risk reserve	25	3,848,089	3,681,843
Cyclical fluctuation reserve	25	640,605	204,308
Cumulative change in fair value	26	-	(324,954)
Revaluation reserve for financial assets	27	(4,037,613)	-
Retained earnings	28	1,223,747	2,825,236
Total Shareholders' Equity		92,175,714	94,242,379
Total Liabilities and Shareholders Equity		801,779,546	762,778,377

The accompanying notes from 1 to 54 are an integral part of these financial statements and should be read with them

JORDAN COMMERCIAL BANK
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		JD	JD
Interest income	30	42,730,034	39,412,888
Interest expense	31	(20,800,915)	(18,073,441)
Net interest income		21,929,119	21,339,447
Net commission income	32	5,066,799	5,688,708
Net interest and commission income		26,995,918	27,028,155
Gain from foreign currencies	33	913,609	897,154
(Loss) from trading financial assets	34	-	(56,974)
(Loss) from financial asset at fair value through profit and loss	35	(751,440)	-
(Loss) from available for sale financial assets	36	-	(2,319,835)
Dividend received from financial assets at fair value through other comprehensive income	37	56,463	-
Other income	38	6,204,713	2,219,814
Gross profit		33,419,263	27,768,314
Employees' expenses	39	8,344,796	7,692,605
Depreciation and amortization	15,14	1,592,612	3,464,299
Administration expenses	40	6,510,747	5,722,638
Impairment loss on direct credit facilities	11	17,406,136	3,305,343
Other provisions	21	500,255	412,269
Impairment for financial assets at amortized cost	41	56,720	-
Total expenses		34,411,266	20,597,154
(Loss) profit before tax		(992,003)	7,171,160
Income tax expense	22	(337,746)	(2,794,734)
(Loss) profit for the year		(1,329,749)	4,376,426
		Fils /JD	Fils /JD
Basic and diluted (loss) earnings per share	42	0/016	0/053

The accompanying notes from 1 to 54 are an integral part of these financial statements and should be read with them

JORDAN COMMERCIAL BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	JD	JD
(Loss) profit for the year	(1,329,749)	4,376,426
Comprehensive income items:		
Change in fair value of available for sale financial assets	-	(1,110,303)
Change in fair value of financial assets at fair vale through other comprehensive income	(736,916)	-
Total other comprehensive income for the year	(736,916)	(1,110,303)
Total Comprehensive Income for the year	(2,066,665)	3,266,123

The accompanying notes from 1 to 54 are an integral part of these financial statements and should be read with them

JORDAN COMMERCIAL BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Paid in Capital	Share premium	Statutory reserve	General banking risk reserve*	Cyclical fluctuation reserve***	Cumulative change in fair value*	Revaluation reserve for financial assets**	Retained earnings	Total equity
	JD	JD	JD		JD		JD	JD	JD
2011 -									
Balance as of 1 January 2011	80,359,125	56,698	7,440,123	3,681,843	204,308	(324,954)	-	2,825,236	94,242,379
Effect of implementation of IFRS 9	-	-	-	-	-	324,954	(3,295,906)	2,970,952	-
Restated balance at 1 January 2011	80,359,125	56,698	7,440,123	3,681,843	204,308	-	(3,295,906)	5,796,188	94,242,379
Total comprehensive income for the year	-	-	-	-	-	-	(736,916)	(1,329,749)	(2,066,665)
Gain from selling financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(4,791)	4,791	-
Transfer to reserves	-	-	290,865	166,246	436,297	-	-	(893,408)	-
Capital increase	2,410,773	(56,698)	-	-	-	-	-	(2,354,075)	-
Balance as of 31 December 2011	82,769,898	-	7,730,988	3,848,089	640,605	-	(4,037,613)	1,223,747	92,175,714
2010 -									
Balance as of 1 January 2010	73,053,750	56,698	6,723,652	2,843,954	-	-	785,349	7,512,853	90,976,256
Total comprehensive income for the year	-	-	-	-	-	-	(1,110,303)	4,376,426	3,266,123
Transfer to reserves	-	-	716,471	837,889	204,308	-	-	(1,758,668)	-
Capital increase	7,305,375	-	-	-	-	-	-	(7,305,375)	-
Balance as of 31 December 2010	80,359,125	56,698	7,440,123	3,681,843	204,308	-	(324,954)	2,825,236	94,242,379

* According to the instructions of the Central Bank of Jordan, the general banking risk reserve cannot be utilized without prior approval from the Central Bank of Jordan.

** The Bank cannot utilize JD 4,037,613 from retained earnings against the negative balance of revaluation reserve for financial assets.

*** According to the instructions of the Palestine Monetary Authority, the cyclical fluctuation reserve cannot be utilized without prior approval from Palestine Monetary Authority.

JORDAN COMMERCIAL BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit for the year before tax		(992,003)	7,171,160
Adjustments for non-monetary items:			
Depreciation and amortization		1,592,612	3,464,299
Unrealized losses from trading financial assets		-	9,289
Unrealized losses from financial assets at fair value through profit or loss		874,469	-
Gain from sale financial assets at fair value through profit and loss		(75,156)	-
Impairment on available- for- sale financial assets		-	2,402,833
(Gain) on sale of property and equipment		(1,986,491)	(9,923)
Impairment loss on direct credit facilities		17,406,136	3,305,343
Effect of foreign currency exchange fluctuation on cash and cash equivalents		(594,271)	(536,977)
Other provisions		500,255	412,269
Cash Flows from Operating Activities before Changes in Working Capital		16,725,551	16,218,293
Changes in Assets and Liabilities:			
(Increase) in direct credit facilities		(47,266,904)	(67,935,038)
Decrease in trading financial assets		-	255,017
(Increase) in other assets		(4,828,425)	(544,480)
(Increase) decrease in restricted balances at banks and financial institutions		5,430,238	(5,431,177)
(Increase) decrease in repurchase agreements		3,090,635	(3,090,635)
Increase in banks deposits maturing after 3 months		10,000,000	-
Increase in customers' deposits		58,274,557	108,231,728
(Decrease) increase in cash margins		(6,423,367)	2,550,015
Increase (decrease) in other liabilities		4,677,680	(45,742)
(Decrease) in other provisions		(436,726)	(1,065,333)
Net Cash Flows from Operating Activities before Income Tax Paid		39,243,239	49,142,648
Income tax paid		(2,760,461)	(1,559,047)
Net Cash Flows from Operating Activities		36,482,778	47,583,601
CASH FLOWS FROM INVESTING ACTIVITIES:			
Sale of financial assets available for sale		-	805,846
(Purchase) of financial assets at fair value through other comprehensive income		(3,702,612)	-
(Purchase) of financial assets at amortized cost		(45,405,796)	-
(Purchase) of financial assets held to maturity		-	(78,988,395)
Matured financial assets at amortized cost		28,380,000	-
Matured financial assets held to maturity		-	36,602,772
(Purchase) of intangible assets		(590,490)	(418,773)
Proceeds from sale of property and equipment		4,375,027	18,228
Purchase of property and equipment and advance payments on purchase of property and equipment		(8,089,090)	(3,624,818)
Net Cash Flows (used in) Investing Activities		(25,032,961)	(45,605,140)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowed funds		(10,000,000)	(10,000,000)
Cash Flows (used in) Financing Activities		(10,000,000)	(10,000,000)
Net increase (decrease) in cash and cash equivalent		1,449,817	(8,021,539)
Effect of foreign currency exchange fluctuation on cash and cash equivalents		594,271	536,977
Cash and cash equivalents, beginning of the year		103,627,328	111,111,890
Cash and Cash equivalents, end of the year	43	105,671,416	103,627,328

The accompanying notes from 1 to 54 are an integral part of these financial statements and should be read with them

(1) GENERAL INFORMATION

The Bank was established as a public shareholding company on 3 May 1977 according to the Jordanian Companies Law No. (12) for the year 1964 with its headquarters in Amman.

During the year 1993, Mashrek Bank (Jordan branches) was merged into Jordan Gulf Bank. Consequently, Jordan Gulf Bank replaced Mashrek Bank (Jordan branches) in terms of its rights and liabilities.

At the beginning of the year 2004, the Bank's capital was restructured after taking the necessary measures specified by the concerned governmental entities.

On 28 June 2004, procedures relating to changing the Bank's name were completed, and the new bank's name became Jordan Commercial Bank.

The Bank is engaged in commercial banking activities through its headquarters and branches which total (30) branches in Jordan and (4) branches in Palestine.

The Bank's shares are listed on Amman Stock Exchange.

The Board of Directors approved the accompanying financial statements in its meeting No. (14/2012) held on 23 February 2012 and these financial statements are subject to the approval of the General Assembly of the shareholders.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Financial Statements

The Bank's financial statements have been prepared according to the standards issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee ensuing from the International Accounting Standards Board, local prevailing laws, and instructions of the Central Bank of Jordan.

The financial statements have been prepared according to the historical cost convention except for financial assets at fair value through profit or loss and financial asset at fair value through other comprehensive income which are presented at fair value at the date of the financial statements. In addition, financial assets and financial liabilities hedged against the risk of fluctuation in their value are stated at fair value.

The Jordanian Dinar is the reporting currency of the financial statements and represents the Bank's functional currency.

Changes in accounting policies:

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2010 except for the following:

IFRS 9 Financial Instruments:
The Bank early adopted IFRS 9 as of 1 January 2011 in accordance with the requirements of the Central Bank of Jordan, Jordan Securities Commission as well as the transitional provisions of the standard. Accordingly, the Bank elected not to restate the comparative financial statements as permitted by the standard. Investments have been reclassified and opening balances of retained earnings and cumulative change in fair value have been restated as of 1 January 2011.
The effect of the adoption of IFRS 9 is detailed in Note 52 to the financial statements. The following is a summary of the different classes of financial assets in accordance with IFRS 9:

A- Financial assets at amortized cost:

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

B- Financial assets at fair value through profit and loss:

a. Financial assets which are purchased with the aim of resale in the near future in order to generate profit from the short-term market prices fluctuation or the trading profit margins.
b. Financial instruments at fair value through profit and loss are initially measured at fair value, transaction costs are recorded in the income statement at the date of transaction. Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the income statement. When these assets or portion of these assets are sold, the gain or loss arising are recorded in the income statement.
c. Dividend and interest income are recorded in the income statement.

C- Financial assets at fair value through other comprehensive income:

a. Equity investments that are not held for sale in the near future.
b. These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of the asset is reclassified from the fair value reserve to retained earnings.
c. These financial assets are not subject to impairment testing.
d. Dividend income is recognized in the income statement.

AS 24 Related Party Disclosures (Amendment)

The standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application.

No impact resulted from applying the amended standard on the statement of financial position and the income statement.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The definition of a financial liability was amended in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

No impact resulted from applying the amended standard on the statement of financial position and the income statement.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of this interpretation did not have any impact on the financial position or performance of the Bank.

Significant accounting policies in preparing the financial statement

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 and subject to risks and returns different from those of other business segments and are measured in accordance with reports sent to the chief operating decision maker.

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

Financial assets at amortized cost: (implemented from 1 January 2011)

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

Financial assets at fair value through profit or loss: (implemented from 1 January 2011)

a. Financial assets which are purchased with the aim of resale in the near future in order to generate profit from the short-term market prices fluctuation or the trading profit margins.
b. Financial instruments at fair value through profit or loss are initially measured at fair value, transaction costs are recorded in the income statement at the date of transaction. Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the income statement. When these assets or portion of these assets are sold, the gain or loss arising are recorded in the income statement.
c. Dividend and interest income are recorded in the income statement.

Financial assets at fair value through other comprehensive income: (implemented from 1 January 2011)

a. Equity investments that are not held for sale in the near future.
b. These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value reserve to retained earnings.
c. These financial assets are not subject to impairment testing.
d. Dividend income is recognized in the income statement.

Direct Credit Facilities

Direct credit facilities are financial assets that have fixed or determinable payments that the Bank has extended an acquired and does not have quoted prices.

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 income statement.

Interest and commission on non-performing credit facilities are suspended in accordance with the instructions 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 debts. Any surplus in the provisions is taken to the income statement, while debt recoveries are taken to income.

Available-for-Sale Financial Assets (implemented before 1 January 2011)

These represent the financial assets that the Bank does not intend to classify as trading financial assets or held to maturity.

AFS investments are recorded at the fair value plus transaction costs and after initial measurement available-for-sale financial investments are measured at fair value. Unrealized gains and losses are recognized directly in equity as 'Cumulative change in fair value reserve'. When the security is disposed off, the cumulative gain or loss previously recognized in equity is recognized in the income statement.

The losses arising from impairment of such investments are recognized in the income statement and removed from the cumulative change in fair value reserve. Reversal of impairment on equity instruments is reflected in the cumulative change in fair value, while reversal of impairment on debt instruments is transferred to the income statement.

Gains or losses on debt instruments resulting from foreign exchange rate changes are transferred to the income statement. On equity instruments, such gains and losses are transferred to the cumulative change in fair value.

Interest earned on available for sale financial investments is reported as interest income using the effective interest method. Impairment on a financial statement is recorded in income statement when accurse.

Financial assets available for sale which can not be reliably measured at fair value are recorded at cost. Impairment on such assets is recognized in the income statement.

Held to maturity financial assets (implemented before 1 January 2011)

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognized at cost, being the fair value of consideration given including directly attributable transaction costs. Any premium or discount is amortized using effective interest rate method. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

Financial assets held for trading (implemented before 1 January 2011)
Financial assets held for trading are those purchased with the intent to be resold in the near future to generate gains as a result of changes in market prices of such investments.

They are initially recognized at the fair value of consideration given (transaction costs are recorded in the income statement) and subsequently remeasured at fair value. All realized and unrealized gains or losses are transferred to the income statement including any gains or losses resulting from the translation of such assets held in foreign currencies to the functional currency.

Interest earned and dividends received are recorded in the income statement.

Fair Value

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For financial assets where there is no active market fair value is normally based on one of the following methods:

- 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 upon valuing financial instruments.

Impairment of financial assets

Assessment is made at the date of the statement of financial position to determine whether there is objective evidence that a specific financial asset or a group of financial assets are impaired. If such evidence exists, any impairment loss is recognized in the income statement.

Impairment is determined as follows:

- For financial assets carried at amortized cost: impairment is the difference between the carrying value and the estimated cash flows discounted at the original effective interest rate.
- For financial assets available for sale carried at fair value: impairment is the difference between the carrying value and fair value.

Impairment is recognized in the income statement. Any subsequent recovery of a previously recorded impairment of financial assets is charged to the income statement.

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment in its value. Property and equipment (except for land) are depreciated, when ready for their intended use, according to the straight-line method over their estimated useful lives using the following rates:

	%
Buildings	2
Equipment	15
Furniture	10
Vehicles	15
Computers	20
Decorations	15

When the carrying amounts of fixed assets exceed their recoverable values, assets are written down, and impairment losses are recorded in the income statement.

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.

Property and equipment are derecognized when disposed off or no future benefits are expected from their use.

Provisions

Provisions are recognized when the Bank has an obligation on the date of the statement of financial position 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.

Provisions for employees end of service indemnities

Provision for end of service indemnity is recorded by the Bank for any legal or contractual obligation at the end of the employees' services and is calculated based on the service terms of the employees as of the financial statements date.

Income Tax

Income tax expenses represent accrued taxes and deferred taxes.

Accrued income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the financial statements as the accounting profit 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 amount of taxable income. Deferred tax is calculated on the basis of the liability method in the statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.

The Bank calculates the deferred tax in accordance with IAS12. Management have made a judgment that it is more appropriate not to record the deferred tax assets in the financial statements.

Capital

Any incurred costs for the issue or purchase of the Bank equity shares are recorded in the retained earnings (net of tax). If the transaction is not completed, the incurred costs are recorded in the income statement.

Treasury stocks

Any resulting gain or loss from sale of treasury stocks is not recorded in the income statement, instead it is recorded in equity within shares premium/ discount account. If the loss exceeds the share premium/ discount account, the excess amount is recorded in retained earnings.

Accounts managed on behalf of customers

These represent the accounts managed by the Bank on behalf of its customers, but do not represent part of the Bank's assets. A provision is taken against the decline in the value of capital-guaranteed portfolios managed on behalf of customers below capital.

The fees and commissions on managing these accounts are taken to the income statement.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the statement of financial position 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.

Revenue and expense recognition

Interest income is recognized based on the effective interest rate method except for interest and commission on non-performing loans which are not recognized as revenue but recorded as interest and commission in suspense.

Expenses are recognized on the accrual basis.

Commission is recorded as revenue when the related services are provided. Moreover, dividends are recorded when realized (approved by the General Assembly).

Recognition of financial assets

Financial assets and financial liabilities are recognized on the trading date which is the date the Bank commits itself to purchase or sell the financial assets.

Assets seized by the Bank

Assets that have been subject to foreclosure by the Bank are shown in the statement of financial position under "other assets" at the acquisition value or fair value, whichever is lower. As of the financial statements date, these assets are revalued individually at fair value. Any impairment in their market value is taken to the income statement whereas any increase in value is not recognized. Subsequent increase in value is taken to the income statement to the extent it does not exceed the previously recorded impairment.

Intangible Assets

Intangible assets obtained through mergers are recorded at fair value at the date of acquisition. Intangible assets obtained otherwise are recorded at cost.

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

Any indications of impairment in the value of intangible assets are reviewed as of the financial statements date. Furthermore, the estimated useful lives of intangible assets are reassessed, and any adjustments are made in the subsequent periods.

Intangible assets include computer software and amortized over their estimated economic useful lives at an annual 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 statement of financial position 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.

Gain or losses resulting from foreign currency translation are recorded in the income statement.

Translation gains and losses on non-monetary items carried at fair value (such as equities) are treated as part of the change in fair value.

Cash and Cash Equivalents

Cash and cash balances maturing within three months are considered as cash and cash equivalents. These include cash and cash balances with central banks and balances with banks and financial institutions maturing within three months, less deposits of banks and financial institutions maturing within three months and restricted funds.

(3) Accounting Estimates

The preparation of the financial statements and the application of the accounting policies require the Bank's management to perform assessments and assumptions that affect the amounts of financial assets, liabilities, cumulative change in fair value and to disclose contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown in the statements of comprehensive income and owners' equity. In particular, this requires the Bank's management to make significant judgments and assumptions to assess future cash flows amounts and their timing. Moreover, the said assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

Management believes that the assessments adopted in the financial statements are reasonable and detailed as follows:

A provision for the impairment of direct credit facilities is taken on the basis and estimates approved by management in conformity with International Financial Reporting Standards (IFRSs). The outcome of these bases and estimates is compared to the provisions required in accordance with the instructions of the Central Bank of Jordan. The more stringent outcome that conforms with (IFRSs) is used for determining the provision.

Impairment loss in real estates seized by the Bank (if any) is taken after sufficient and recent valuations have been conducted by approved surveyors. These valuations are reviewed periodically.

Income tax expense for the year is accounted for in accordance with the prevailing laws, regulations, and accounting standards.

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 income statement.

A provision for lawsuits raised against the Bank is formed based on a legal study prepared by the Bank's legal advisors.

(4) CASH AND BALANCES WITH CENTRAL BANKS

	2011	2010
Cash on hand	13,693,093	12,212,047
Balances at central banks-		
Current accounts	8,615,547	7,595,576
Time and term deposits	8,944,870	33,448,774
Statutory cash reserve	33,630,873	31,589,972
Total balances with central banks	51,191,290	72,634,322
Total	64,884,383	84,846,369

- Except for the cash reserve and capital deposit of JD 7,444,500 at the Palestinian Monetary Authority, there are no other restricted cash balances as of 31 December 2011 and 2010.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institution		Total	
	2011	2010	2011	2010	2011	2010
Current and demand deposits	2,474,226	275,715	3,816,596	(1,495,414)	6,290,822	(1,219,699)
Deposits maturing within 3 months or less	31,937,260	24,539,379	37,022,571	48,727,096	68,959,831	73,266,475
TOTAL	34,411,486	24,815,094	40,839,167	47,231,682	75,250,653	72,046,776

Non interest bearing balances at banks and financial institutions amounted to JD 2,474,226 as of 31 December 2011 (2010: JD 275,715).

Restricted balances as of 31 December 2011 amounted to JD 107,289 (2010: JD 5,537,527).

(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	2011	2010
Certificates of deposits at foreign banks	-	709,000
Total	-	709,000

(7) HELD FOR TRADING FINANCIAL ASSETS

	2010
Listed equity shares	351,645
Total	351,645

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011
Equity shares	1,906,397
	1,906,397

(9) AVAILABLE FOR SALE FINANCIAL ASSETS

	2010
Quoted equities	5,474,269
Unquoted equities	3,834,983
	9,309,252

The are no available for sale financial assets pledged as collateral as of 31 December 2011 and 31 December 2010.

(10) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2011
Quoted equities	8,256,535
Unquoted equities	2,337,549
	10,594,084

Dividends received on these investments amounted to JD 104,336 for the year ended 31 December 2011, from which stock dividend amounted to JD 10,100 were sold during the year.

Realized gains recorded in equity resulting from the sale of investments at fair value through other comprehensive income during 2011 amounted to JD 4,791.

(11) DIRECT CREDIT FACILITIES

	2011	2010
Individuals (retail):		
Overdraft facilities	2,400,297	1,926,637
Loans and bills*	32,833,649	28,312,796
Credit cards	1,913,573	2,333,382
Real estate loans	85,444,173	74,095,304
Corporate:		
Overdraft facilities	66,886,163	73,078,408
Loans and bills*	211,302,742	183,097,394
Small and medium companies		
Overdraft facilities	13,418,399	12,437,054
Loans and bills*	27,268,777	25,220,830
Public Sector	18,797,413	10,500,911
Total	460,265,186	411,002,716
Less:		
Interest in suspense	(9,953,420)	(5,500,372)
Provision for impairment loss	(30,005,864)	(15,057,210)
Net Direct Credit Facilities	420,305,902	390,445,134

* Net of interest and commission received in advance amounted to JD 687,528 as of 31 December 2011 (JD 732,747 as of December 31, 2010).

Non-performing credit facilities plus interest in suspense amounted to JD 81,923,993 representing 17.8% of the direct credit facilities balance as of 31 December 2011 (JD 70,181,184 representing 17.1% of the direct facilities balance as of 31 December 2010).

Non-performing credit facilities net of interest in suspense amounted to JD 72,450,400 representing 16% of the direct credit facilities balance net of interest in suspense as of 31 December 2011 (JD 64,680,812 representing 16% of the direct credit facilities balance net of interest in suspense as of 31 December 2010).

There are no credit facilities granted to the Government of Jordan as of 31 December 2011 and 2010.

Allowance for impairment on direct credit facilities:

2011-	Retail	Property loans	Corporate	Medium size companies	Small size companies	Total
Balance at the beginning of the year	3,982,571	562,409	8,883,961	751,758	876,511	15,057,210
Charge for the year	2,333,509	110,601	14,371,461	429,690	160,875	17,406,136
Written-off debts	(176,541)	-	-	(4,705)	(4,565)	(185,811)
Allowance for loans transferred to contra accounts	(730,722)	-	(1,286,473)	(178,650)	(75,826)	(2,271,671)
Balance at the end of year	5,408,817	673,010	21,968,949	998,093	956,995	30,005,864
Specific impairment on individual loans	5,346,773	673,010	21,611,664	974,219	956,995	29,562,661
Collective impairment	62,044	-	357,285	23,874	-	443,203
Balance	5,408,817	673,010	21,968,949	998,093	956,995	30,005,864

2010-	Retail	Property loans	Corporate	Medium size companies	Small size companies	Total
Balance at the beginning of the year	4,401,755	179,022	8,556,360	884,320	772,881	14,794,338
Charge for the year	10,023	383,387	2,519,863	287,878	104,192	3,305,343
Written-off debts	(19,527)	-	-	(193,823)	(562)	(213,912)
Allowance for loans transferred to contra accounts	(409,680)	-	(2,192,262)	(226,617)	-	(2,828,559)
Balance at the end of year	3,982,571	562,409	8,883,961	751,758	876,511	15,057,210
Specific impairment on individual loans	3,930,988	562,409	8,502,855	724,853	876,511	14,597,616
Collective impairment	51,583	-	381,106	26,905	-	459,594
Balance	3,982,571	562,409	8,883,961	751,758	876,511	15,057,210

* Allowance for impairment losses that were settled or collected amounted to JD 4,200,996 as of 31 December 2011 (2010: JD 5,549,785).

Interest in suspense

The movement on interest in suspense is as follows:

2011-	Retail	Property loans	Corporate	Medium size companies	Small size companies	Total
Balance at the beginning of year	1,151,722	444,155	831,496	2,443,513	629,486	5,500,372
Add: interest in suspense for the year	2,696,018	182,275	3,823,117	835,049	761,616	8,298,075
Less: interest transferred to income	178,508	28,602	229,851	130,771	38,234	605,966
Less: interest in suspense (written off)	129,303	-	-	158,418	37,687	325,408
Less: interest in suspense transferred to contra accounts	851,305	52,802	1,105,846	749,127	154,573	2,913,653
Balance at the end of year	2,688,624	545,026	3,318,916	2,240,246	1,160,608	9,953,420

2010-	Retail	Property loans	Corporate	Medium size companies	Small size companies	Total
Balance at the beginning of year	9,484,064	322,266	2,677,131	2,237,530	487,647	15,208,638
Add: interest in suspense for the year	2,267,499	169,142	1,128,050	1,193,428	144,587	4,902,706
Less: interest transferred to income	292,578	4,050	-	97,935	2,748	397,311
Less: interest in suspense (written off)	136,714	43,203	691,228	-	-	871,145
Less: interest in suspense transferred to contra accounts	10,170,549	-	2,282,457	889,510	-	13,342,516
Balance at the end of year	1,151,722	444,155	831,496	2,443,513	629,486	5,500,372

(12) HELD TO MATURITY FINANCIAL ASSETS

	2010
Un-quoted financial assets	
Government bonds guaranteed by the government	129,122,017
Corporate bonds	40,235,103
Other bonds	3,168,674
Total held to maturity financial assets	172,525,794

	2010
Bonds return analysis:	
Financial assets with fixed interest rate	172,525,794

(13) FINANCIAL ASSETS AT AMORTIZED COST

	2011
Government bonds guaranteed by the government	149,630,828
Corporate debt securities	39,920,762
	189,551,590

	2010
Bonds return analysis:	
Financial assets with fixed interest rate	189,551,590

The maturities of financial assets extend up to the year 2015, and fall due in several installments the last one of these financial assets matures on 15 November 2015. The following schedule shows the maturities of these financial assets as of 31 December 2011:

From one month to 3 months	More than 1 month to 3 months	More than 3 months to 6 month	More than 6 month to 1 years	More than 1 year to 3 years	More than 3 years	Total
JD	JD	JD	JD	JD	JD	JD
7,000,000	5,000,000	34,434,000	35,917,200	95,832,309	11,368,081	189,551,590

(14) PROPERTY AND EQUIPMENT

	Land	Buildings	Furniture & Fixtures	Machinery and equipment	Decorations	Vehicles	Computers	Total
2011-	JD	JD	JD	JD	JD	JD	JD	JD
Cost:								
At 1 January 2011	2,466,963	2,232,291	1,389,935	2,803,114	5,849,178	593,099	4,298,062	19,632,642
Additions	124,800	2,780,689	109,434	440,816	1,043,075	107,300	171,500	4,777,614
Disposals	695,363	1,065,315	48,557	471,547	1,823,117	183,024	12,502	4,299,425
At 31 December 2011	1,896,400	3,947,665	1,450,812	2,772,383	5,069,136	517,375	4,457,060	20,110,831
Accumulated depreciation								
At 1 January 2011	-	779,494	915,514	1,427,788	3,332,163	238,161	3,819,729	10,512,849
Depreciation charge during the year	-	19,680	71,672	300,534	585,456	71,730	233,475	1,282,547
Disposals	-	269,760	48,502	261,201	1,218,344	101,048	12,033	1,910,888
At 31 December 2011	-	529,414	938,684	1,467,121	2,699,275	208,843	4,041,171	9,884,508
Payments on account for the construction of the Bank's new building	-	5,765,935	-	-	-	-	-	5,765,935
Net book value of property and equipment as at 31 December 2011	1,896,400	9,184,186	512,128	1,305,262	2,369,861	308,532	415,889	15,992,258
2010-								
Cost:								
At 1 January 2010	2,350,863	1,964,811	1,275,543	2,292,574	5,078,761	537,710	4,290,018	17,790,280
Additions	116,100	267,480	131,701	575,733	770,417	97,921	119,446	2,078,798
Disposals	-	-	17,309	65,193	-	42,532	111,402	236,436
At 31 December 2010	2,466,963	2,232,291	1,389,935	2,803,114	5,849,178	593,099	4,298,062	19,632,642
Accumulated depreciation								
At 1 January 2010	-	764,404	869,868	1,205,439	2,694,167	202,386	3,628,774	9,365,038
Depreciation charge during the year	-	15,090	62,623	286,813	637,996	73,933	299,487	1,375,942
Disposals	-	-	16,977	64,464	-	38,158	108,532	228,131
At 31 December 2010	-	779,494	915,514	1,427,788	3,332,163	238,161	3,819,729	10,512,849
Payments on account for the construction of the Bank's new building	-	2,454,459	-	-	-	-	-	2,454,459
Net book value of property and equipment as at 31 December 2010	2,466,963	3,907,256	474,421	1,375,326	2,517,015	354,938	478,333	11,574,252

Property and equipment includes fully depreciated items amounted to JD 6,814,839 as of 31 December 2011 (2010: 6,413,652 JD).

(15) INTANGIBLE ASSETS

	Computer Software and key money	
	2011	2010
	JD	JD
At 1 January,	723,856	517,552
Additions	590,490	418,773
Amortization during the year	(274,265)	(212,469)
At 31 December	1,040,081	723,856

(16) OTHER ASSETS

	2011	2010
Accrued interest income	2,889,890	3,087,474
Prepaid expenses	393,698	377,693
Restructuring balance (note 24)	5,177,555	5,177,555
Assets seized by the Bank*	12,669,875	7,730,293
Notes receivable	257,188	225,169
Refundable deposits	367,938	263,953
Receivables and other current assets	498,054	293,527
	22,254,198	17,155,664

* This item includes buildings and plots of land sold by instalements at a cost of JD 1,177,494 as of 31 December 2011 against amounts received of JD 634,035 included in other liabilities (JD 1,202,686 as of 31 December 2010 against amounts received of JD 641,783).

The movement on assets seized by the Bank is as follows:

	2011	2010
	JD	JD
At 1 January	7,730,293	6,204,690
Additions	5,576,600	1,837,455
Retirements	(528,380)	(155,554)
Impairment loss	(108,638)	(156,298)
At 31 December	12,669,875	7,730,293

According to the Central Bank of Jordan regulations, real estates seized by the Bank against unsettled loans should be sold within two years from the date of acquisition. The Central Bank may make an extension for another two years in specific circumstances.

(17) BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

	2011			2010		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current and demand deposits	2,251,657	668,551	2,920,208	2,815,527	1,562,818	4,378,345
Time deposits	34,589,977	6,846,146	41,436,123	29,611,974	13,737,971	43,349,945
At 31 December	36,841,634	7,514,697	44,356,331	32,427,501	15,300,789	47,728,290

(18) CUSTOMERS' DEPOSITS

2011-	Consumer	Corporate	Small and medium companies	Government and public sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	63,489,373	11,958,921	16,941,916	18,884,638	111,274,848
Saving accounts	35,089,354	-	-	5,200	35,094,554
Time and notice deposits	352,557,697	17,862,644	30,257,144	62,794,736	463,472,221
Total	451,136,424	29,821,565	47,199,060	81,684,574	609,841,623
2010-					
Current and demand deposits	65,830,275	13,265,218	12,819,557	14,875,304	106,790,354
Saving accounts	29,340,782	-	-	5,500	29,346,282
Time and notice deposits	312,371,063	26,192,843	18,753,701	58,112,823	415,430,430
Total	407,542,120	39,458,061	31,573,258	72,993,627	551,567,066

Deposits of the Jordanian Government and public sector in Jordan amounted to JD 75,934,484, equivalent to (12.5%) of total deposits as of 31 December 2011 (JD 68,481,057, equivalent to (12.4%) of total deposits as of 31 December 2010).

Non-interest bearing deposits amounted to JD 113,247,265, equivalent to (18.6%) of total deposits as of 31 December 2011 (JD 108,857,986, equivalent to (19.7%) of total deposits as of 31 December 2010).

Restricted deposits amounted to JD 10,950,328, equivalent to (1.8%) of total deposits as of 31 December 2011 (JD 19,193,918, equivalent to (3.5%) of total deposits as of 31 December 2010).

Dormant accounts amounted to JD 6,486,257 as of 31 December 2011 (JD 6,979,276 as of 31 December 2010).

(19) CASH MARGINS

	2011	2010
	JD	JD
Margins on direct credit facilities	23,651,623	24,093,762
Margins on indirect credit facilities	15,030,349	20,847,486
Deposits against margin accounts	483,670	647,761
	39,165,642	45,589,009

(20) BORROWED FUNDS

2011-	Amount	Number of payments	Collaterals	Interest rate
	JD			
Jordan Real Estate Mortgage Refinance Company	-	-	-	-

2010-				
Jordan Real Estate Mortgage Refinance Company	10,000,000	One payment matured on 7 February 2011	Mortgaged real estates to the bank against customers residential facilities	7.90%
	10,000,000			

On 7 February 2008, the Bank was granted a loan from the Jordan Real Estate Mortgage Refinance Company amounting to JD 10 million at a fixed annual interest rate of 7.90%. The loan can be revolved upon the Bank's request. The loan was repaid in one installment on 7 February 2011.

The above loans were lent in the form of residential facilities with an avarege annual interest rate of 8.25%.

(21) OTHER PROVISIONS

	Balance at January 1	Provided during the year	used during the year	Balance at December 31
2011-	JD	JD	JD	JD
Legal provision	214,361	389,275	(360,216)	243,420
Employees end of service indemnity provision	392,367	105,598	(65,739)	432,226
Others provision	134,306	5,382	(10,771)	128,917
Total	741,034	500,255	(436,726)	804,563
2010-				
Legal provision	300,000	153,869	(239,508)	214,361
Employees end of service indemnity provision	1,000,896	198,401	(806,930)	392,367
Others provision	93,203	59,999	(18,896)	134,306
Total	1,394,099	412,269	(1,065,334)	741,034

(22) INCOME TAX

A-Income tax provision

The movement on the income tax provision is as follows:

	2011	2010
	JD	JD
At January 1	2,732,535	1,496,848
Income tax paid	(2,760,461)	(1,559,047)
Accrued income tax for the year	308,000	2,794,734
Prior years income tax	29,746	-
Other adjustments	270,109	-
At December 31	579,929	2,732,535

Income tax appearing in the income statement consists of the following:

	2011	2010
	JD	JD
Accrued income tax for the year	(308,000)	(2,794,734)
Prior years income tax	(29,746)	-
Income tax expense	(337,746)	(2,794,734)

The Income and Sales Tax Department in Jordan approved the tax assessments and cleared all due taxes for the years up to 2010.

A final settlement has been reached with the tax authorities for Palestine branches for the year up to 2004. Clearance for the years 2005, 2006, 2007, 2008, 2009 and 2010 is still in process.

In the opinion of the Bank's management and the tax advisor of the Bank, no tax liabilities shall arise against the Bank in excess of the amount booked in the financial statements as of 31 December 2011.

B-Deferred tax assets:

Movement in temporary differences giving rise to deferred tax assets were as follows:

	2011					2010
	Balance at January 1	Released amount	Added amount	Balance end of the year	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
Impairment loss on credit facilities	7,611,026	1,664,987	-	5,946,039	1,705,155	2,158,226
Interest in suspense	1,581,296	1,581,296	-	-	-	376,664
Real estate impairment losses	156,298	-	108,638	264,936	79,480	17,002
Provision for lawsuits	159,000	-	-	159,000	47,700	47,700
Pending lawsuits fees	1,199,340	109,669	95,184	1,184,855	352,521	356,593
Provision for employees end of service indemnity	392,367	65,739	105,598	432,226	121,079	110,313
Provision for lawsuits charged against the bank	214,361	360,217	389,275	243,419	72,873	64,308
Other provisions	496,240	10,771	5,382	490,851	38,675	148,772
Revaluation reserve of financial at assets at fair value	-	-	4,037,613	4,037,613	1,211,284	-
	11,809,928	3,792,679	4,741,690	12,758,939	3,628,767	3,279,578

Deferred tax benefits have not been recorded in the Bank's records. In case these benefits are recorded in retained earnings, they cannot be used according to the requirements of the Central Bank of Jordan except for the realized amounts.

C- The summary of the reconciliation of the accounting profit with the taxable profit is as follows:

	2011	2010
	JD	JD
Accounting (loss) profit	(992,003)	7,171,160
Less non-taxable income*	(3,443,490)	(2,711,737)
Add non-deductible expenses	1,619,657	4,874,820
Taxable (loss) profit	(2,815,836)	9,334,243
Effective income tax rate**	-	38.9%

* This includes impairment allowance for loans which was recorded before the year 2000. Tax was paid on these loans and some of the accounts were written off or recovered, wholly or partially, during the year.

** The income tax rate for banks in Jordan is 30% and 15% in Palestine.

(23) OTHER LIABILITIES

	2011	2010
	JD	JD
Certified cheques	2,454,111	2,993,815
Accrued interest expense	2,310,244	2,673,027
Other deposits	8,338,457	2,872,398
Safe boxes refundable deposits	51,521	47,607
Dividends payable to shareholders	11,751	24,683
Social security withholdings	79,554	67,366
Payable taxes	25,597	10,617
Accrued expenses	356,986	502,220
Transactions between branches	370,186	52,820
Incoming transfers	59,974	2,590
Universities fees	-	56,970
Board of Directors' remuneration	4,200	35,000
Amounts received on account for the sale of real estate and land	634,035	641,783
Other liabilities	159,128	197,168
	14,855,744	10,178,064

(24) PAID IN CAPITAL AND SHARE PREMIUM

Paid in capital amounted to JD 82,769,898, represented by 82,769,898 shares with a par value of one JD each as of 31 December 2011 (2010: JD 80,359,125).

According to the General Assembly's extraordinary meeting held on 26 April 2011, it was approved to increase subscribed (paid in) capital by JD 2,410,898 through capitalizing part of retained earnings and additional paid in capital so that the Bank's authorized and paid in capital would become JD 82,769,898.

According to the General Assembly's extraordinary meeting held an 20 December 2011 it was approved to increase capital by 17,230,102 share to become 100 million share through a private placement to the Bank's shareholders. Procedures are still in progress for the capital increase.

RESTRUCTURING PLAN

The restructuring balance amounted to JD 17,258,765 as of 16 February 2004. The Board of Directors resolved to amortize this balance over 10 years starting from 2004. At 31 December 2011 the restructuring balance was JD 5,177,555 included in other assets after the amortization (2010: JD 5,177,555). The remaining balance will be amortized up to the end of 2017.

(25) RESERVES

Statutory Reserve:
The amounts accumulated in this account represent what has been transferred from the annual profits before tax at a rate of 10% during the year and prior years according to the Banks Law and the Companies Law. These amounts cannot be distributed to shareholders.

General Banking Risks Reserve:
This reserve represents the general banking risks reserve according to the instructions of the Central Bank of Jordan.

The details of the restricted reserves are as follows:

Description	Amount	Restriction Law
Statutory reserve	7,730,988	Banking law, corporate law
General banking risk reserve	3,848,089	Central Bank of Jordan regulations
Cyclical fluctuation reserve	640,605	Palestine Monetary Authority regulations

Cyclical fluctuation reserve
This amount is calculated according to the Palestine monetary authority at a rate of 15% from net income before tax for Palestine branch.

(26) CUMULATIVE CHANGE IN FAIR VALUE

	2011	2010
	JD	JD
Balance at 1January	(324,954)	785,349
Effect of implementation of IFRS (9)	324,954	-
Add: Unrealised (losses)	-	(3,820,476)
Less: impairment loss on available for sale assets transferred to the income statement	-	2,402,833
Add: Realized gains transferred to the income statement	-	307,340
Balance at 31 December	-	(324,954)

(27) REVALUATION RESERVE FOR FINANCIAL ASSETS

The movement is follows:

	2011	2010
	JD	JD
Balance at 1January	-	-
Effect of implementation of IFRS (9)	(3,295,906)	-
Unrealized losses	(736,916)	-
Gain from sale of financial assts at fair value through other comprehensive income	(4,791)	-
Balance at 31 December	(4,037,613)	-

(28) RETAINED EARNINGS

	2011	2010
	JD	JD
Balance at 1January	2,825,236	7,512,853
Effect of implementation of IFRS (9)	2,970,952	-
Transferred for capital increase	(2,354,075)	(7,305,375)
(Loss) profit for the year	(1,329,749)	4,376,426
Transferred to statutory reserve	(290,865)	(716,471)
Transferred to general banking risks reserve	(166,246)	(837,889)
Transferred to cyclical fluctuation reserve	(436,297)	(204,308)
Gain from sale of financial assets through other comprehensive income	4,791	-
Balance at 31 December	1,223,747	2,825,236

(29) PROPOSED DIVIDENDS

No cash dividends will be distributed to shareholders for the year 2011 while during the prior year, a stock dividend at a ratio of 3% from capital was distributed to shareholders.

(30) INTEREST INCOME

	2011	2010
	JD	JD
Direct credit facilities:		
Individuals (retail):		
Overdraft facilities	213,814	197,467
Loans and bills	2,089,397	1,742,296
Credit cards	194,666	201,360
Residential loans	5,725,504	4,853,502
Corporate:		
Corporate companies:	3,677,275	4,184,143
Overdraft facilities	14,142,682	14,201,080
Loans and bills		
Small and medium companies:		
Overdraft facilities	2,740,480	1,807,997
Loans and bills	2,072,913	1,959,816
Public sector	667,073	514,141
Balances with central banks	186,962	337,365
Balances at banks and financial institutions	1,161,193	777,655
Financial asset at amortized cost	9,858,075	-
Held to maturity financial assets	-	8,636,066
	42,730,034	39,412,888

(31) INTEREST EXPENSE

	2011	2010
	JD	JD
Banks and financial institution deposits	1,218,432	820,697
Customers' deposits:		
Current accounts	446,606	244,965
Saving accounts	471,646	433,166
Time and notice deposits	16,732,508	13,392,389
Cash margins	785,818	880,043
Borrowed funds	83,389	1,419,204
Deposits guarantee fees	1,062,516	882,977
	20,800,915	18,073,441

(32) NET COMMISSION INCOME

	2011	2010
	JD	JD
Commission income:		
Commission from direct credit facilities	1,943,885	2,320,465
Commission from indirect credit facilities	3,122,914	3,368,243
	5,066,799	5,688,708

(33) GAIN FROM FOREIGN CURRENCIES

	2011	2010
	JD	JD
Resulting from:		
Trading in foreign currencies	319,338	285,263
Revaluation of foreign currencies	594,271	611,891
	913,609	897,154

(34) (LOSS) FROM TRADING FINANCIAL ASSETS

	Realized (losses)	Unrealized (losses)	Dividends	Total
2010-	JD	JD	JD	JD
Equity shares	(52,710)	(9,289)	5,025	(56,974)

(35) (LOSS) FROM FINANCIAL ASSETS THROUGH PROFIT OR LOSS

	Realized gains	Unrealized (losses)	Dividends	Total
2011-	JD	JD	JD	JD
Equity shares	75,156	(874,469)	47,873	(751,440)

(36) (LOSS) FROM AVAILABLE FOR SALE FINANCIAL ASSETS

	2010
	JD
Dividend income	106,337
(Losses) from sale of available for sale financial assets	(23,339)
Impairment loss on available for sale financial assets	(2,402,833)
	(2,319,835)

(37) DIVIDEND RECEIVED FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2011
	JD
Dividend income	56,463
	56,463

(38) OTHER INCOME

	2011	2010
	JD	JD
Credit cards income	402,200	321,402
Safe boxes rent	20,357	19,599
Excess in cash	5,723	3,732
Documents copying income	9,889	8,377
Collection service fees	7,654	7,732
Immediate account statement issuance income	8,206	9,145
Telephone, post and telex income	95,414	103,860
Interest in suspense returned to revenues (Note 11)	605,966	397,311
Collections of previously written off receivables	2,229,244	727,971
Miscellaneous revenues	594,291	489,342
Gains from sale of real estate seized by the Bank	159,334	30,814
Income from seized real estate by the Bank	5,870	9,328
Consulting service revenues	-	13,300
Gain from sale of property and equipment	1,986,491	9,923
Other commissions	74,074	67,978
	6,204,713	2,219,814

(39) EMPLOYEES EXPENSES

	2011	2010
	JD	JD
Salaries and benefits	6,886,545	6,357,248
Bank's share in social security	585,420	509,297
Bank's share in saving fund	54,194	108,941
Employees end-of- service indemnity	20,680	30,936
Medical expenses	512,875	460,427
Staff training expenses	121,090	92,989
Travel expenses	109,616	94,007
Life insurance	21,484	19,236
Uniform for employees	32,892	13,524
Banks contribution in takaful fund	-	6,000
	8,344,796	7,692,605

(40) OTHER EXPENSES

	2011	2010
	JD	JD
Rent expense	718,513	607,118
Printing and stationery	400,200	431,912
Water, electricity, telephone, swift and postage	645,413	606,115
Lawyers fees and litigations	144,258	166,698
Repairs, maintenance and cars expenses	386,022	352,386
Insurance expenses	129,527	149,363
Programs and computers maintenance	646,988	651,241
Transportation and attendance allowance for the Board of Directors	111,291	102,893
Governmental fees	277,004	258,104
Advertising and subscriptions	1,105,416	661,982
Professional fees	250,991	222,226
Collection incentives	346,824	320,520
Donations	309,300	276,573
Cleaning and services	194,731	197,576
Credit cards expenses	330,475	259,081
Entertainment	114,722	84,483
Universities fees	-	56,970
Board of Directors' remuneration	4,200	35,000
Impairment loss for assets seized by the Bank	108,638	99,372
Cash notes transportation charges	58,626	65,899
Other	227,608	117,126
	6,510,747	5,722,638

(41) IMPAIRMENT FOR FINANCIAL ASSETS AT AMORTIZED COST

	2011	2010
	JD	JD
Corporate bonds	56,720	-
	56,720	-

(42) EARNINGS PER SHARE

Earnings per share is calculated by dividing profit (loss) for the year on the weighted average number of shares outstanding at the year end as follows.

	2011	2010
	JD	JD
Profit (loss) for the year	(1,329,749)	4,376,426
Weighted average number of shares	82,769,898	82,769,898
(Loss) earnings per share for the year	(0.016)	0.053

Below is a comparison for the earnings per share based on IFRS 9 and IAS 39 had IFRS 9 not been implemented:

	IFRS 9	IAS 39
	JD	JD
(Loss) for the year	(1,329,749)	(2,295,866)
Weighted average number of shares	82,769,898	82,769,898
Basic and diluted (loss) earnings per share	(0.016)	(0.028)

(43) CASH AND CASH EQUIVALENTS

This item consists of the following:

	2011	2010
	JD	JD
Cash and balances at central banks maturing within 3 months	64,884,383	84,846,369
Add: Balances at banks and financial institutions maturing within 3 months	75,250,653	72,046,776
Less: Banks and financial institutions deposits maturing within 3 months	(34,356,331)	(47,728,290)
Less: Restricted bank balances	(107,289)	(5,537,527)
	105,671,416	103,627,328

(44) RELATED PARTY TRANSACTIONS

The Bank was involved in transactions with major shareholders, members of the Board of Directors, executive management, and subsidiary companies, within its regular activities using the prevailing interest and commission rates. All credit facilities granted to related parties are classified as performing and were not provided for any credit losses.

The details of transactions with related parties at the end of the year are as follows:

				Total	
				31December	
	Board of Directors	BOD joint members	Employees	2011	2010
				JD	JD
Statement of financial position					
Deposits	11,636,852	340,385	-	11,977,237	14,127,102
Direct facilities	3,713,453	17,880,159	1,998,764	23,592,376	16,305,964
Cash margins	23,741	781,367	-	805,108	1,533,504
Contingent liabilities					
Letters of guarantee	25,458	1,475,792	-	1,501,250	3,467,150
Letters of credit	1,112,798	1,833,523	-	2,946,321	5,059,630

				Total	
				For the year ended 31 December	
	Board of Directors	BOD joint members	Employees	2011	2010
				JD	JD
Income statement					
Interest and commission income	212,568	1,190,669	-	1,403,237	1,336,003
Interest and commission expense	528,614	168,212	-	696,826	634,937

The lowest and highest interest rate

Credit	8.25%	8%
Debit	6.9%	5.85%

Executive management salaries and bonuses

Executive management salaries and bonuses amounted to JD 1,536,029 for the year 2011 (JD 1,108,459 for the year 2010).

(45) FAIR VALUE OF FINANCIAL INSTRUMENTS

These financial instruments include cash balances, deposits at banks and central bank, direct credit facilities, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, other financial assets at amorthized cost, other financial assets, customers deposits, banks deposits, cash margins and other financial liabilities.

There are no significant differences between the book value and fair value of the financial assets and liabilities in 2011 and 2010.

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

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

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
31 December 2011	JD	JD	JD	JD
Finance assets at fair value through profit or loss	1,906,397	-	-	1,906,397
Finance assets at fair value through other comprehensive income	8,256,535	-	-	8,256,535
Total financial assets	10,162,932	-	-	10,162,932
31 December 2010				
Held for trading financial assets	351,645	-	-	351,645
Available for sale financial assets	5,474,269	-	-	5,474,269
Total financial assets	5,825,914	-	-	5,825,914

(46) RISK MANAGEMENT POLICIES

The Bank manages its risks through a comprehensive strategy for risk management by which the roles and responsibilities of all parties concerned are identified. These include the Board of Directors and subcommittees such as the Risk Committee, the Investment Committee and Audit Committee, in addition to the executive management and its subcommittees, such as Assets and Liabilities Committee, Procedures Development Committee, Credit committees and other specialized Departments such as the Risk Management Department and the Audit Department. Furthermore, all of the Bank's business units are considered responsible for identifying the risks associated within their banking operations and committed to applying the appropriate controls and monitoring their effectiveness and maintaining integrity within the internal control system.

The process of managing the risks within Jordan Commercial Bank activities include the identification, measurement, assessment and monitoring of financial and non-financial risks which could negatively affect the Bank's performance and reputation or its goals ensuring that the Bank achieves optimum yield in return for the risks taken.

The Bank is exposed to the following risk categories:

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

The general framework of risk management at the Bank is in line with the size, complexity and nature of its operations, and in harmony with local regulations as well as taking into account the best international practices in this regard.

The Bank's set of principles include the following:

1- The Board of Directors' responsibility for risk management. The risk committee of the Board of Directors performs a periodic review of policies, strategies and risk management procedures of the Bank, including setting acceptable risk limits.

2- The responsibility of the Board of Directors to approve the policies developed by the executive management.

3- The risk management department, which is independent of the other Bank's operations, reports to the Risk Committee on risk issues. For daily operations it is linked with the General Manager, and analyses all the risks including credit, market, liquidity and operational risk in addition to the development of measurement methodologies and controls for each type of risk as needed.

4 - Internal Audit department provides independent confirmation of the compliance of the working units with the policies and procedures set to manage risks and their efficiency.

5 - Managing risk is considered the responsibility of each unit and every employee of the Bank, in relation to those risks which are within their functions.

Credit Risks

Credit risks are those which may result from the default or failure of the other party to the financial instrument to fulfill its obligations which may result in losses.

The Bank manages the credit risks by the implementation and development of credit policies to control the granting and monitoring of the credit process.

In addition, the Bank sets limits and ceilings for credit facilities granted to customers, economic sectors and geographical locations. The Bank evaluates the credit position of its customers regularly and obtains appropriate collateral.

The general framework for credit risks management at the Bank is detailed below:

Credit Policies:

The Bank manages its credit risk through the annual policies set by the Board of Directors including credit ceilings and various credit conditions, which are renewed annually, according to several changing factors and the results of the analysis, and studies. These policies define maximum credit limits given to any customer and / or group of related customers in addition to the distribution of credit according to geographical regions and different economic sectors. The Bank considers the diversification of portfolios as an important risk mitigation factor.

Customer Rating:

Customer credit risk rating is performed internally; customers are rated according to their creditworthiness and ability to pay, in addition to assessing the quality of the facilities granted to clients, in terms of account activity and regularity of payment of principal and interest. The collaterals are classified according to type and percentage coverage of credit risk. Moreover the Bank periodically monitors the portfolios and their diversification, according to several classifications.

Mitigation Methodologies:

The Bank follows different procedures to mitigate risks, including determining the acceptable types of collaterals and their conditions , whereby good collaterals that can be liquidated at a reasonable time and value are accepted by the Bank taking into consideration that the value of the collateral is not related to the business of the customer . Moreover, the Bank requires insurance policies on certain properties as a means of mitigating risks. The values of the collaterals are monitored on a regular basis and in the event of decrease in its value, additional collaterals are required.

Credit granting:

The Bank adopts the principle of segregation of functions in line with best practices in this regard, clarifying the roles and responsibilities between each of the different credit functions (sales, credit approvals, credit administration, credit operations), to ensure a strong control over credit granting operations.

Credit decision are checked against the credit policies and authority limits, all documentations, collateral and contracts are reviewed before executing the credit.

Before granting any facility, the Bank makes sure that all the legal documentation, contracts, and Bank collaterals have been properly documented in accordance with the law to maintain the rights of the Bank.

Maintenance and follow-up of credit

The performance of the credit portfolio is continuously monitored to make sure it is within the acceptable risk limits and to identify any increasing risk levels.

The Bank continuously monitors its performing portfolio to identify any need for additional provision.

There are specialized and independent departments responsible for managing irregular credit facilities and handle the task of their administration and collection. The Bank established several units to monitor credit risks and prepare early warning reports for following up and monitoring.

Quantitative Disclosures

(46.a) Credit Risks

Credit risk exposures (after the impairment provision and interest in suspense but before collaterals and other risks mitigating factors).

	2011	2010
	JD	JD
Statement of financial position		
Cash and balances at central banks	51,191,290	72,634,322
Balance at banks and financial institutions	75,250,653	72,046,776
Deposits at banks and financial institutions	-	709,000
Direct credit facilities:		
Individuals (retail)	29,050,078	27,438,522
residential loans	84,226,137	73,088,740
Corporate:		
Corporate companies	252,901,040	246,460,345
Medium size companies	9,627,423	8,105,118
Small size companies	25,703,811	24,851,498
Public sector	18,797,413	10,500,911
Held to maturity investments	-	172,525,794
Financial assets at amortized cost	189,551,590	-
Total	736,299,435	708,361,026
Contingent liabilities		
Guarantees	90,112,591	98,129,156
Letters of credit	48,062,773	63,125,689
Acceptances	14,491,383	9,909,733
Un-utilized credit facilities ceiling	35,005,372	27,335,208
Total	923,971,554	906,860,812

The above schedule represent the maximum credit risk the Bank exposed to as of 31 December 2011 and 2010 without taking into considerations any collaterals or risk mitigations.

Collaterals against facilities are as follows:

- Real estate mortgage.
- Financial instruments such as equity shares.
- Letters of guarantee.
- Cash margins.
- Government guarantee.

The management monitors the market value for the obtained collateral on periodic basis. In case the value of the collateral decreases, the Bank requests additional collateral to cover the value of the deficit. The Bank also periodically evaluates the collateral against non-performing credit facilities.

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

			Corporate					
	Retail	Property loans	Corporate companies	Medium size Companies	Small size Companies	Public sector	Banks and other financial institutions	Total
2011	JD	JD	JD	JD	JD	JD	JD	JD
Low risk	-	-	11,622,414	-	-	168,428,241	51,191,290	231,241,94
Acceptable risk	27,646,811	83,152,943	218,117,931	5,435,613	20,545,632	-	75,250,653	430,149,58
Of which is due*								
Within 30 days	1,328,130	79,022	8,807,850	791,423	1,493,796	-	-	12,500,22
From 31 to 60 days	27,816	22,675	15,919,070	335,509	821,418	-	-	17,126,48
Watch list	1,934,045	-	29,417,581	1,152,286	439,286	-	-	32,943,19
Non-performing:								
Substandard	31,700	139,047	-	529,639	-	-	-	700,38
Doubtfull	578,209	123,474	28,140,090	1,910,560	2,472,855	-	-	33,225,18
Bad debts	6,956,754	2,028,709	30,811,651	3,837,664	4,363,641	-	-	47,998,41
Total	37,147,519	85,444,173	318,109,667	12,865,762	27,821,414	168,428,241	126,441,943	776,258,71
Less: Interest in suspense	(2,688,624)	(545,026)	(3,318,916)	(2,240,246)	(1,160,608)	-	-	(9,953,42
Less: Impairment provision	(5,408,817)	(673,010)	(21,968,949)	(998,093)	(956,995)	-	-	(30,005,86
Net	29,050,078	84,226,137	292,821,802	9,627,423	25,703,811	168,428,241	126,441,943	736,299,43
2010-								
Low risk	-	-	14,314,275	-	-	139,622,928	-	153,937,20
Acceptable risk	21,781,174	71,703,164	192,498,094	9,218,535	21,260,544	-	145,390,098	461,851,60
Of which is due*	105,842	67,893	15,091,914	536,054	1,312,407	-	-	17,114,11
Within 30 days								
From 31 to 60 days	46,347	22,049	2,997,996	84,400	206,604	-	-	3,357,42
Watch list	1,632,068	-	39,522,966	520,138	1,273,440	-	-	42,948,61
Non-performing:								
Substandard	700,297	98,199	2,346,637	252,348	617,816	-	-	4,015,29
Doubtfull	4,588,857	728,274	45,461,286	520,104	1,273,358	-	-	52,571,87
Bad debts	3,870,419	1,565,667	5,436,321	789,264	1,932,337	-	-	13,594,00
Total	32,572,815	74,095,304	299,579,579	11,300,389	26,357,495	139,622,928	145,390,098	728,918,60
Less: Interest in suspense	(1,151,722)	(444,155)	(831,496)	(2,443,513)	(629,486)	-	-	(5,500,372
Less: Impairment provision	(3,982,571)	(562,409)	(8,883,961)	(751,758)	(8761511)	-	-	(15,057,210
Net	27,438,522	73,088,740	289,864,122	8,105,118	24,851,498	139,622,928	145,390,098	708,361,02

Fair value of collateral against credit facilities are categorized according to the following table:

	Retail	Property loans	Corporate companies	Corporate Medium size companies	Small size companies	Public sector	Total
2011	JD	JD	JD		JD	JD	JD
Low risk	-	-	11,622,414	-	-	18,797,413	30,419,827
Acceptable risk	5,293,579	85,444,173	201,980,965	16,498,649	43,177,049	-	352,394,415
Watch list	20,412	-	33,063,064	1,152,286	439,286	-	34,675,048
Non- performing							
Substandard	125,613	-	-	-	-	-	125,613
Doubtful	310,942	167,080	-	370,450	53,600	-	902,072
Bad debts	4,924,002	1,012,290	21,529,480	4,362,322	2,671,757	-	34,499,851
Total	10,674,548	86,623,543	268,195,923	22,383,107	46,342,292	18,797,413	453,016,826
From which:							
Cash margins	1,662,703	-	8,345,308	602,521	-	-	10,610,532
Bank guarantees	-	-	66,665	-	-	-	66,665
Real estate	6,808,138	86,623,543	214,303,834	18,283,625	46,342,292	-	372,361,432
Listed equities	694,253	-	23,594,983	-	-	-	24,289,236
Vehicles and equipment	1,509,454	-	2,289,300	3,496,961	-	-	7,295,715
Other	-	-	19,595,833	-	-	18,797,413	38,393,246
Total	10,674,548	86,623,543	268,195,923	22,383,107	46,342,292	18,797,413	453,016,826
2010-							
Low risk	888,734	-	12,281,770	-	-	10,500,911	23,671,415
Acceptable risk	33,333,774	26,556,763	159,768,591	9,132,134	31,661,590	-	260,452,852
Watch list	1,632,068	-	39,522,966	1,433,714	359,864	-	42,948,612
Non- performing							
Substandard	910,549	132,620	506,200	437,689	48,123	-	2,035,070
Doubtfull	2,052,648	813,783	4,275,000	1,067,450	97,420	-	8,306,301
Bad debts	2,238,007	1,403,404	4,507,049	1,815,201	1,812,311	-	11,776,083
Total	41,055,780	28,906,570	220,861,576	13,886,188	33,979,308	10,500,911	349,190,333
From which:							
Cash margins	888,734	-	12,072,387	-	-	-	12,961,121
Bank guarantees	-	-	209,383	-	-	-	209,383
Real estate	37,759,132	28,906,570	180,632,483	10,000,000	33,979,308	-	291,277,493
Listed equities	205,696	-	27,947,323	61,652	-	-	28,214,671
Vehicles and equipment	2,202,218	-	-	3,824,536	-	-	6,026,754
Other	-	-	-	-	-	10,500,911	10,500,911
Total	41,055,780	28,906,570	220,861,576	13,886,188	33,979,308	10,500,911	349,190,333

Rescheduled Debts

Rescheduled loans are loans which have been previously classified as non-performing credit facilities, then excluded from the non-performing credit facilities as a result of a rescheduling process, and then classified as watch list. Rescheduled credit facilities as of 31 December 2011 amounted to JD 27,906,405 (31 December 2010: JD 24,679,024).

Restructured Debts

Restructuring is reorganizing credit facilities in terms of installments, extending the terms of credit facilities, deferment of installments, or extending the grace period and accordingly are classified as "Watch List" according to CBJ instructions and its amendments. There were no restructured loans during 2011 and 2010.

3) Securities, bonds and bills:

The following table illustrates the rating of securities, bonds and bills according to the external rating of agencies:

	2011	2010
	JD	JD
Classification degree		
Un-rated	39,920,762	43,403,777
Governmental	149,630,828	129,122,017
Total	189,551,590	172,525,794

4. Exposure to credit risk according to geographical distribution:

	Inside Jordan	Middle East Countries	Europe	Asia	Africa	America	Total
	JD	JD	JD	JD	JD	JD	JD
Cash and balances at Central Banks	34,633,989	16,557,301	-	-	-	-	51,191,290
Balances at banks and financial institutions	32,756,734	8,659,464	3,282,368	28,872,129	14,031	1,665,927	75,250,653
Direct credit facilities:							
Individuals	27,965,013	9,182,506	-	-	-	-	37,147,519
Residential loans	85,444,173	-	-	-	-	-	85,444,173
For companies:							
Corporate companies	278,188,905	-	-	-	-	-	278,188,905
Medium companies	10,951,645	1,914,117	-	-	-	-	12,865,762
Small companies	27,821,414	-	-	-	-	-	27,821,414
Public sector	1,250,000	17,547,413	-	-	-	-	18,797,413
Financial asset at amortized cost	189,551,590	-	-	-	-	-	189,551,590
Total 2011	688,563,463	53,860,801	3,282,368	28,872,129	14,031	1,665,927	776,258,719

	Inside Jordan	Middle East Countries	Europe	Asia	Africa	America	Total
	JD	JD	JD	JD	JD	JD	JD
Cash and balances at Central Banks	56,948,794	15,685,528	-	-	-	-	72,634,322
Balances at banks and financial institutions	24,647,545	12,369,177	31,671,181	1,618,150	14,031	1,726,692	72,046,776
Deposits at bank and financial institutions	-	-	-	709,000	-	-	709,000
Direct credit facilities:							
Individuals	26,527,923	6,044,892	-	-	-	-	32,572,815
Residential loans	74,095,304	-	-	-	-	-	74,095,304
For companies:							
Corporate companies	256,175,802	-	-	-	-	-	256,175,802
Medium companies	11,300,389	-	-	-	-	-	11,300,389
Small companies	26,357,495	-	-	-	-	-	26,357,495
Public sector	1,562,500	8,938,411	-	-	-	-	10,500,911
Financial asset at amortized cost	167,562,500	5,000,000	-	-	-	-	172,525,794
Total 2010	645,141,646	48,038,008	31,671,181	2,327,150	14,031	1,726,692	728,918,608

5. The table shows concentrations in credit exposures according to economic sectors as follows:

	Financial	Industrial	Trade	Real estate	Agricultural	Shares	Transportation	Tourism, hotels and restaurants	Services and public utilities	Retail	Government and public	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at Central Banks	51,191,290	-	-	-	-	-	-	-	-	-	-	-	51,191,290
Balances at banks and financial institutions	75,250,653	-	-	-	-	-	-	-	-	-	-	-	75,250,653
Credit facilities	12,924,281	66,935,443	109,045,983	85,444,173	37,493,304	32,126,620	6,055,919	12,888,918	24,777,809	37,147,519	18,797,413	16,627,804	460,265,186
Financial asset at amortized cost	21,674,165	242,281	500,000	-	-	-	-	2,700,000	28,700,000	-	135,735,144	-	189,551,590
Total 2011	161,040,389	67,177,724	109,545,983	85,444,173	37,493,304	32,126,620	6,055,919	15,588,918	53,477,809	37,147,519	154,532,557	16,627,804	776,258,719
Total 2010	174,044,586	49,092,570	82,794,563	28,287,390	36,648,958	36,946,185	4,162,830	18,590,440	33,491,167	91,278,700	147,511,818	26,069,401	728,918,608

Market Risk –
Market risk is the risk resulting from fluctuations in the fair value or cash flows of financial instruments caused by the change in market prices such as interest rates and exchange rates and equity prices. Market risk arises due to the existence of open positions in interest rates, currencies and equity investments. Such risks are monitored in accordance to a specific set of policies and procedures and through specialized committees and related departments. Market Risk includes interest rates risk, foreign exchange risks and the risk of change in equity prices.

Market risk is measured and controlled through several methods, including sensitivity analysis and stress testing in addition to stop loss limits.

Interest Rate Risk
Interest Rate Risk results from the possible impact of changes in interest rates on the profits of the Bank or the value of financial instruments. The Bank is exposed to interest rate risk due to repricing mismatches between its interest rate sensitive assets and liabilities according to the different maturities and repricing terms .The Bank manages these risks through the continuous review of interest rates on its assets and liabilities in the course of its risk management strategy.

The ALM Committee reviews the sensitivity gaps of interest rates during its regular meetings and reviews its effect on the Bank profitability in light of any expected changes in market interest rates.

Interest rate risk management
The Bank seeks to have long term financing sources against long term investments with fixed interest rates as possible to face any changes in interest rates. The Bank uses also hedging instruments such as interest rate swaps to minimize interest rate risks.

Interest Repricing gap

Classification is based on interest repricing periods or maturities, whichever is nearer:

	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 or more years	Non-interest bearing	Total
2011-								
Assets								
Cash and balances at Central Banks	1,500,370	-	-	-	-	7,444,500	55,939,513	64,884,383
Balances at banks and financial institutions	69,226,811	-	-	-	-	-	6,023,842	75,250,653
Deposits at banks and financial institutions	-	-	-	-	-	-	1,906,397	1,906,397
Financial assets af FVTPL								
Direct credit facilities	17,278,248	31,526,929	54,659,459	65,024,476	11,219,345	240,597,445	-	420,305,902
Financial asset at FVTOCI	-	-	-	-	-	-	10,594,084	10,594,084
Financial asset at amortized cost	-	-	82,351,200	-	95,832,309	11,368,081	-	189,551,590
Fixed assets	-	-	-	-	-	-	15,992,258	15,992,258
Intangible assets	-	-	-	-	-	-	1,040,081	1,040,081
Other assets	-	-	-	-	-	-	22,254,198	22,254,198
Total Assets	88,005,429	31,526,929	137,010,659	65,024,476	107,051,654	259,410,026	113,750,373	801,779,546
Liabilities								
Deposits at banks and financial institutions	42,114,104	-	-	-	-	-	2,242,227	44,356,331
Customers' deposits	345,842,015	69,947,441	49,411,381	31,393,521	-	-	113,247,265	609,841,623
Margin accounts	4,361,357	3,525,765	5,288,647	10,959,524	-	-	15,030,349	39,165,642
Other provisions	-	-	-	-	-	-	804,563	804,563
Provision for income tax	-	-	-	-	-	-	579,929	579,929
Other liabilities	-	-	-	-	-	-	14,855,744	14,855,744
Total Liabilities	392,317,476	73,473,206	54,700,028	42,353,045	-	-	146,760,077	709,603,832
Interest rate sensitivity gap	(304,312,047)	(41,946,277)	82,310,631	22,671,431	107,051,654	259,410,026	(33,009,704)	92,175,714

	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 or more years	Non-interest bearing	Total
2010-								
Assets								
Cash and balances at Central Banks	33,448,774	-	-	-	-	-	51,397,595	84,846,369
Balances at banks and financial institutions	55,939,920	16,106,856	-	-	-	-	-	72,046,776
Deposits at banks and financial institutions	-	709,000	-	-	-	-	-	709,000
Trading financial assets	-	-	-	-	-	-	351,645	351,645
Direct credit facilities	12,579,901	24,685,551	66,865,855	68,694,045	8,854,091	208,765,691	-	390,445,134
Available for sale financial assets	-	-	-	-	-	-	9,309,252	9,309,252
Held to maturity financial assets	-	-	172,525,794	-	-	-	-	172,525,794
Repurchase agreements	-	-	-	-	-	-	3,090,635	3,090,635
Fixed assets	-	-	-	-	-	-	11,574,252	11,574,252
Intangible assets	-	-	-	-	-	-	723,856	723,856
Other assets	-	-	-	-	-	-	17,155,664	17,155,664
Total Assets	101,968,595	41,501,407	239,391,649	68,694,045	8,854,091	208,765,691	93,602,899	762,778,377
Liabilities								
Deposits at banks and financial institutions	44,922,176	-	-	-	-	-	2,806,114	47,728,290
Customers' deposits	311,615,895	64,147,343	38,242,297	28,703,545	-	-	108,857,986	551,567,066
Margin accounts	2,092,168	4,184,336	6,276,504	9,933,283	-	20,921,678	2,181,040	45,589,009
Borrowed funds	-	10,000,000	-	-	-	-	-	10,000,000
Other provisions	-	-	-	-	-	-	741,034	741,034
Provision for income tax	-	-	-	-	-	-	2,732,535	2,732,535
Other liabilities	-	-	-	-	-	-	10,178,064	10,178,064
Total Liabilities	358,630,239	78,331,679	44,518,801	38,636,828	-	20,921,678	127,496,773	668,535,998
Interest rate sensitivity gap	(256,661,644)	(36,830,272)	194,872,848	30,057,217	8,854,091	187,844,013	(33,893,874)	94,242,379

1. Currencies Risks:

2011-

Currency	Change in exchange rate %	Impact on profit & loss
Euro	5+	32,823
GBP	5+	(32,948)
Other currencies	5+	45,686

2010-

Currency	Change in exchange rate %	Impact on profit & loss
Euro	5+	839,210
GBP	5+	(841,270)
Other currencies	5+	(29,738)

In case of negative change in the exchange rates the effect will be the same with a change in sign.

Concentration in foreign currencies risk:

	US Dollar	Euro	GBP	Shekel	Other	Total
2011-						JD
Assets						
Cash and balances at central banks	9,468,829	342,354	62,006	4,234,902	1,077,713	15,185,804
Balances at banks and financial institutions	18,412,313	19,475,918	1,431,789	9,271,652	728,323	49,319,995
Direct credit facilities	36,302,107	-	149,842	3,738,075	35,008	40,225,032
Financial assets at FVTOCI	3,538,985	-	-	-	-	3,538,985
Held to maturity financial assets	650,468	-	-	-	-	650,468
Other assets	1,168,654	-	-	80,912	-	1,249,566
Total assets	69,541,356	19,818,272	1,643,637	17,325,541	1,841,044	110,169,850
Liabilities:						
Deposits at banks and financial institutions	10,930,120	207,210	10,963	5,212,794	189	16,361,276
Customers' deposits	49,737,236	17,475,228	2,126,869	11,097,473	324,022	80,760,828
Cash margins	5,050,449	1,479,368	164,771	1,077,882	540,056	8,312,526
Other liabilities	572,902	-	-	-	-	572,902
Shareholders' equity	2,503,285	-	-	-	-	2,503,285
Total liabilities	68,793,992	19,161,806	2,302,603	17,388,149	864,267	108,510,817
Net concentration in statement of financial position	747,364	656,466	(658,966)	(62,608)	976,777	1,659,033
Contingent liabilities	29,424,251	286,710	8,532,543	341,832	2,013,897	40,599,232
2010-						
Total assets	62,887,122	19,188,544	1,250,522	14,350,336	1,843,246	99,519,770
Total liabilities	60,057,720	2,404,340	18,075,930	14,766,743	2,021,607	97,326,340
Net concentration in statement of financial position	2,829,402	16,784,204	(16,825,408)	(416,407)	(178,361)	2,193,430
Contingent liabilities	68,081,644	10,872,873	55,792	248,999	831,643	80,090,951

Equity Price Risk

Equity price risk is the risk that the fair value of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The Bank manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Bank's investments are quoted at Amman Stock Exchange and Palestine Securities Exchange.

The effect on income statement and equity due to a reasonable possible change in prices, with all other variables held consent, is as follows:

Indicator	Change in indicator %	Impact on profit & loss	Impact on equity
2011-			
Amman Stock Exchange & Palestine Stock Exchange	5+	95,350	529,704
Amman Stock Exchange & Palestine Stock Exchange	5-	(95,350)	(529,704)
2010-			
Amman Stock Exchange & Palestine Stock Exchange	5+	17,517	360,558
Amman Stock Exchange & Palestine Stock Exchange	5-	(17,517)	(360,558)

Liquidity Risk

Liquidity risk arises from the inability to make available the necessary funds to meet obligations on their maturity dates or financing the operations without the need to incur high finance cost.

Diversification of funding sources

Bank's management seeks to diversify sources of funding and prevent the concentration in the funding sources. The Bank also borrows from institutions and local and foreign banks which would provide sources of funding at appropriate costs and maturities.

The Bank had also established a **Liquidity Contingency Plan**, which provides the basic framework for the management of liquidity. This includes defining an effective mechanism to manage liquidity during times of crisis, within reasonable costs and preserving the rights of depositors, borrowers, and shareholders. This plan is reviewed regularly by the ALCO.

- Analyzing and monitoring the maturities of assets and liabilities

The Bank reviews the liquidity of its assets and liabilities as well as any changes that occur on them on a daily basis. The Bank, seeks through the ALCO Committee to match between the maturities of its assets and liabilities and control the liquidity gaps within the limits defined in the Bank policies.

In order to protect the Bank against this risk, the Bank's management diversifies its funding resources and manages assets and liabilities and matches their maturities. Moreover, the Assets and Liabilities Committee analyzes and controls the maturities of assets and liabilities on monthly basis, in addition to monitoring the daily and weekly liquidity and maintaining an adequate balance of cash and cash equivalents and marketable securities.

The Treasury Department manages the Bank's liquidity and funding to ensure the availability of adequate funds to meet the Bank's cash funding requirements and any other unexpected need. Moreover, the Bank always keeps liquidity levels, as it deems appropriate, to meet any deposits, withdrawals, loan repayments, and financing and encounter any possible difficulties that may arise from the local or regional markets or geographical events.

The liquidity risk management process includes financial analysis of the Bank's statement of financial position items, measurement of the present and expected cash flow gap, making available cash resources, controlling the concentration of individual depositors, and maintaining a diversified funding base for deposits. Moreover, liquidity risk is mitigated through ensuring adherence to the pertinent instructions of the Central Bank of Jordan, particularly, the maturity gaps limits and compliance with the instructions of keeping the minimum liquid assets (100%) of total weighted assets.

The following are the Bank's policies on managing these risks:

Liquidity risk is managed by the Bank through monitoring the following ratios as part of the assets and liabilities management policy approved by the Board of Directors:

- Legal liquidity ratio.
- Ratio of liquid investments to assets.
- Ratio of liquid investments to customer's deposits.
- Ratio of net credit facilities and loans to customer's deposits.
- Ratio of net credit facilities and loans to equity.

The liquidity contingency plan is regularly reviewed and updated by the ALCO.

The gap between the maturities of assets and liabilities is monitored through the following indicators which are governed by several limits:

- During 90 days.
- During a period from 91 days to 365 days.
- Cumulative gap to equity.
- Cumulative gap to assets.

The following table summarizes the distribution of (undiscounted) liabilities based on the remaining period of the contractual maturity as of 31 December:

2011-	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	More than 3 years	No fixed maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities								
Banks and financial institutions deposits	45,465,816	-	-	-	-	-	-	45,465,816
Customers' deposits	461,515,760	71,996,600	50,859,134	31,393,521	-	11,944,967	-	627,709,982
Margin accounts	19,391,706	3,525,765	5,288,647	10,959,524	-	-	-	39,165,642
Other provisions	-	-	-	-	804,563	-	-	804,563
Provision for income tax	-	-	579,929	-	-	-	-	579,929
Other liabilities	3,796,855	10,365,271	-	634,035	39,801	-	19,782	14,855,744
Total Liabilities	530,170,137	85,887,636	56,727,710	42,987,080	844,364	11,944,967	19,782	728,581,676
Total Assets (expected maturities)	157,258,045	36,530,796	89,102,741	100,941,676	325,051,711	9,786,787	83,107,790	801,779,546
2010-								
Liabilities								
Banks and financial institutions deposits	48,396,486	-	-	-	-	-	-	48,396,486
Customers' deposits	413,719,642	66,135,911	39,427,808	30,188,366	-	-	19,193,918	568,665,645
Margin accounts	23,013,846	4,184,336	6,276,504	9,933,283	-	-	2,181,040	45,589,009
Loans and borrowings	-	10,000,000	-	-	-	-	-	10,000,000
Other provisions	-	-	-	-	424,374	-	316,660	741,034
Provision for income tax	-	-	2,460,606	-	-	-	271,929	2,732,535
Other liabilities	3,457,268	2,533,499	3,085,370	711,058	390,869	-	-	10,178,064
Total Liabilities	488,587,242	82,853,746	51,250,288	40,832,707	815,243	-	21,963,547	686,302,773
Total Assets (expected maturities)	146,693,338	46,579,115	74,010,408	79,194,045	368,594,201	9,530,082	38,177,188	762,778,377

Operational Risk

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, system failure and external events. The Bank manages operational risk through a control environment integrated with detailed control tools and a set of procedures, policies, authorities, delegation processes, and segregation of duties. This is in addition to the availability of an operational risk policy that sets the general framework for risks and the pertinent mitigation and control methods plus acceptable risks and roles assigned to the Bank's units. Operational risk facing the Bank's units and relating to their daily operations is assessed and determined by the personnel in charge of these units in coordination with the Risk Department, and controls thereon are established.

The Bank's operational risk is monitored and mitigated through several control tools such as:

- Control risk self-assessment.
- Risk-based audit.
- Loss data registration.
- Risk transfer.
- Business continuity plan.

According to Basel (2) relating to the measurement of operational risk, the basic indicator approach is used to calculate the capital adequacy ratio according to the instructions of the Central Bank of Jordan. Moreover, the capital required to meet operational risk is calculated based on summing up the average total gross income for the last three years multiplied by a fixed percentage (alpha) set by the Central Bank of Jordan at 15%.

The general framework for the operational risk management is as follows:

- Managing operational risk is the responsibility of all employees in the Bank through the proper application of policies and procedures that would curb these risks and exposures that arise during daily operations. A special department was established since 2005 to facilitate and support all departments of the Bank to carry out their duties in managing those risks.
- Because of the constant change in the environment of work as a result of the willingness of the Bank management to keep pace with technology and new banking products and services, the Bank has adopted and implemented several procedures to help the different departments identifying, measuring, following-up and controlling operating risks that arise from the introduction of new products and services.
- An Operational Risk Policy was developed to cover all the Bank's departments, branches and subsidiaries which include risk appetite thresholds and risk limits.
- Defining the general operational risk management framework of risk management, including defining the roles and responsibilities for the Board of Directors, the risk committee, senior management, directors of departments, risk management and Audit.

Implementing operational risk measurement techniques that aim at identifying risks to the Bank and evaluating them in terms of the magnitude of the impact and frequency of occurrence, in order to take appropriate action that would mitigate these risks through the implementation of the Control and Self Assessment System (CRSA) , as well as data collection and review of actual and potential losses resulting from operations.

Reputational Risk

This risk results from failure to properly manage the operations of the Bank according to the pertinent laws and regulations. The Bank reviews the matters that may affect its reputation, and issue instructions, regulations, policies, and procedures that limit the Bank's exposure to reputation risk. Maintaining the reputation of the Bank is the responsibility of all the employees of the Bank.

Legal Risk

Legal risk relates to contractual, legislative, and litigation risks encountered by the Bank. The responsibility for legal risk is managed by the Bank's Legal Department which defines, assesses and evaluates the legal risks to which the Bank is exposed. The legal department prepares the necessary reports and submits them to the Chief Executive Officer / General Manager. Moreover, the Legal Department constantly and effectively consults the Bank's legal adviser concerning all lawsuits and claims to which the Bank is a party.

Contingent liabilities

	Up to one year	Form one year up to 5 years	Total
2011-	JD	JD	JD
Letters of credit and acceptances	62,373,218	180,938	62,554,156
Guarantees	90,112,591	-	90,112,591
Operating lease contract liabilities	706,904	-	706,904
Unutilized credits facilities	35,005,372	-	35,005,372
Total	188,198,085	180,938	188,379,023
2010-			
Letters of credit and acceptances	72,824,166	211,256	73,035,422
Guarantees	98,129,156	-	98,129,156
Operating lease contract liabilities	526,909	-	526,909
Unutilized credits facilities	27,335,208	-	27,335,208
Total	198,815,439	211,256	199,026,695

Compliance risk

Compliance risk is the risk of non-compliance with law, regulations and standards issued by domestic and international governing bodies.

In order to follow the international trends and Basel, and in order to ensure compliance with the Bank's internal policies and all laws, regulations, instructions and rules of conduct and best banking practices issued by regulatory bodies, a compliance department was established in 2005. The main objectives of the department are:

- Identify, evaluate and manage compliance risks.
- Advise management on compliance with laws and regulations.
- Monitor compliance risks through creating a data base that includes all laws and regulations that the Bank should comply with and report to the Board audit and compliance committee.
- Review and evaluate all products policies, and internal procedures and their compliance with the laws and regulations.

During 2009 the Board of directors approved the compliance policy which reflects the Board view with regard to compliance and to prepare procedures and plans based on a risk based approach.

In the field of Anti- money laundering (AML), a sub department of the compliance department was established by the Board in accordance with the AML law No. 46 for the year 2007 and best international practices to limit AML risks.

The AML unit was supported by qualified staff and automated systems and is organized in four sub-units:

-KYC unit: know your customer procedures during the service period.
-Monitoring and review unit: review transactions by customers and non-customers.
-Investigation and information unit: receiving reports from departments and branches about customers and analyze for the purpose of taking actions.
-Western Union unit: monitoring financial transactions by customers of agents and the branches.

(47) SEGMENT INFORMATION

a. Information on the Bank's business sectors:

For management purposes, the Bank is organized into the following major business sectors:

- Retail accounts.
- Corporate accounts.
- Treasury accounts.

The following is information on the Bank's business sectors distributed according to activity:

	Retail	Corporate	Treasury	Other	Total 2011	Total 2010
	JD	JD	JD	JD	JD	JD
Total revenues	7,820,047	34,777,329	9,858,075	1,764,727	54,220,178	45,841,755
Impairment loss for credit facilities	(2,333,509)	(15,072,627)	-	-	(17,406,136)	(3,305,343)
Operating segment results	5,486,538	19,704,702	9,858,075	1,764,727	36,814,042	42,536,412
Undistributed expenses	(2,150,155)	(14,529,735)	(2,364,337)	(18,761,818)	(37,806,045)	(35,365,252)
Profit before tax	3,336,383	5,174,967	7,493,738	(16,997,091)	(992,003)	7,171,160
Income tax	-	-	-	(337,746)	(337,746)	(2,794,734)
(Loss) profit of the year	3,336,383	5,174,967	7,493,738	(17,334,837)	(1,329,749)	4,376,426
Other information :						
Segment assets	85,862,117	340,422,810	348,776,978	26,717,641	801,779,546	762,778,377
Segment liabilities	387,667,282	244,157,500	60,865,092	16,913,958	709,603,832	668,535,998
Capital expenditures	-	-	-	8,679,580	8,679,580	4,043,591
Depreciation and amortization	-	-	-	1,592,612	1,592,612	3,464,299

B. Geographical distribution information

The Bank primarily conducts its activities in Jordan, in addition the Bank conducts international activities through its branches in Palestine.

The following is the distribution of the Bank's revenues, assets and capital expenditures according to geographical sector:

	Inside Jordan		Outside Jordan		Total	
	2011	2010	2011	2010	2011	2010
	JD	JD	JD	JD	JD	JD
Total revenues*	49,217,452	42,948,205	5,002,726	2,893,550	54,220,178	45,841,755
Total assets*	703,122,965	719,224,809	98,656,581	43,553,568	801,779,546	762,778,377
Capital Expenditure	8,170,400	4,000,080	509,180	43,511	8,679,580	4,043,591

* Net after eliminating the transactions between Jordan branches and Palestine branches.

(48) CAPITAL MANAGEMENT

There are many terms for describing capital like paid - up capital and regulatory capital and others.

Regulatory capital consists of two parts:
- Capital, which consists of subscribed (paid) capital, legal reserve, premiums and retained earnings. The balance of the Bank's restructuring and investments in the capitals of banks and other financial institutions and intangible assets are deducted from regulatory capital.

- Additional capital, which consists of the net amount of the valuation reserve, general banking risks reserve, and subordinated debt.

Jordan Commercial Bank's capital amounts to JD 82,769,898 million. The Bank is in the process of increasing Its capital to JD 100 million in accordance with the Central Bank of Jordan regulations.

The capital adequacy ratio of the Jordan Commercial Bank is 10.68% which is less than the required ratio by the Central Bank of Jordan (the required ratio should not be less than 12%).

The Bank appropriates 10% of its net profits each year to the legal reserve in accordance with the provisions of the Banks Law in this regard to enhance capital.

- The Bank periodically monitors and reviews the credit facilities granted to clients and investments and compares them with capital and ensures that there is no contradiction in this regard with the instructions of the Central Bank of Jordan and other relevant legislations.

- In managing its capital, the Bank aims at developing the Bank's various business activities to achieve the maximum return possible.

- The Bank's management reviews the periodic financial analysis studies and takes the appropriate decisions such as:

1. Comparing the Bank's actual results with budgets.
2. Comparing the current year financial ratios with those of prior years and explaining variances.
3. Comparing the Bank's performance with the performance of other similar banks.
4. Reasons for and sources of the changes in the Bank's regulatory capital during the year.

The changes in the Bank's regulatory capital during the year represent an increase in capital, statutory reserve, general banking risks reserve, and retained earnings. The table below shows the capital adequacy.

The following table shows the amount considered as capital by the Bank and the capital adequacy ratio:

	2011	2010
	JD	JD
Primary capital items		
Paid up capital	82,769,898	80,359,125
Statutory reserve	7,730,988	7,440,123
Share premium	-	56,698
Cyclical fluctuation reserve	640,605	204,308
Accumulated losses / retained earnings	(410,277)	2,825,236
Less:		
Bank's restructuring balance	(5,177,555)	(5,177,555)
Investments in capital of other banks and financial institutions	(4,338,700)	(1,772,778)
Intangible assets	(1,040,081)	(723,856)
Repossessed properties for more than four years	(1,565,533)	-
Adjustments required by Central Bank of Jordan	(7,836,000)	-
Total primary capital	70,773,345	83,211,301
Additional capital		
Cumulative changes in fair value	-	(324,954)
Investments revaluation reserve	(4,037,613)	-
General banking risk reserve	3,848,089	3,681,843
Investments in capital of banks and financial institutions	189,524	(1,772,778)
Total additional capital	-	1,584,111
Total primary and additional capital	70,773,345	84,795,412
Total regulatory capital	70,773,345	84,795,412
Total risk weighted assets	662,734,212	624,206,011
Regulatory capital adequacy (%)	10.68%	13.58%
Primary capital adeqbacy (%)	10.68%	13.33%

(49) MATURITY OF ASSETS AND LIABILITIES

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

2011-	Up to one year	More than one year	Total
	JD	JD	JD
Assets			
Cash and balances at central banks	64,884,383	-	64,884,383
Balances at banks and financial institutions	75,250,653	-	75,250,653
Financial assets at fair value through profit and loss	-	1,906,397	1,906,397
Direct credit facilities	181,773,464	238,532,438	420,305,902
Financial assets at fair value through other comprehensive income	-	10,594,084	10,594,084
Financial assets at amortize cost	82,351,200	107,200,390	189,551,590
Property and equipment	-	15,992,258	15,992,258
Intangible assets	-	1,040,081	1,040,081
Other assets	5,437,353	16,816,845	22,254,198
Total assets	409,697,053	392,082,493	801,779,546
Liabilities			
Banks and financial institutions deposits	44,356,331	-	44,356,331
Customers' deposits	577,123,996	32,717,627	609,841,623
Cash margins	39,165,642	-	39,165,642
Other provisions	374,231	430,332	804,563
Provision for income tax	579,929	-	579,929
Other liabilities	14,855,744	-	14,855,744
Total liabilities	676,455,873	33,147,959	709,603,832
Net	(266,758,820)	358,934,534	92,175,714

2010-	Up to one year	More than one year	Total
	JD	JD	JD
Assets			
Cash and balances at central banks	74,076,648	10,769,721	84,846,369
Balances at banks and financial institutions	72,046,776	-	72,046,776
Deposits at banks and financial institutions	709,000	-	709,000
Trading financial assets	-	351,645	351,645
Direct credit facilities	170,400,352	220,044,782	390,445,134
Available for sale financial assets	-	9,309,252	9,309,252
Held to maturity financial assets	30,509,267	142,016,527	172,525,794
Property and equipment	-	11,574,252	11,574,252
Repurchase agreements	-	3,090,635	3,090,635
Intangible assets	-	723,856	723,856
Other assets	12,840,071	4,315,593	17,155,664
Total assets	360,582,114	402,196,263	762,778,377
Liabilities			
Banks and financial institutions deposits	47,728,290	-	47,728,290
Customers' deposits	532,373,148	19,193,918	551,567,066
Cash margins	43,407,969	2,181,040	45,589,009
Borrowed funds	10,000,000	-	10,000,000
Other provisions	-	741,034	741,034
Provision for income tax	2,460,606	271,929	2,732,535
Other liabilities	9,787,195	390,869	10,178,064
Total liabilities	645,757,208	22,778,790	668,535,998
Net	(285,175,094)	379,417,473	94,242,379

(50) COMMITMENTS AND CONTINGENT LIABILITIES

a. Commitments and contingent liabilities:

	2011	2010
	JD	JD
Letters of credit	48,062,773	63,125,689
Acceptances	14,491,383	9,909,733
Letters of guarantee:		
Payments	25,294,934	32,661,961
Performance	30,672,510	32,115,484
Other	34,145,147	33,351,711
Unutilized credit facilities	35,005,372	27,335,208
Total	187,672,119	198,499,786

b. Operating lease contracts of JD 706,904 which represent the annual rent for leasing the Bank's branches as of 31 December 2011 (JD 526,909 as of 31 December 2010).

(51) LAWSUITS AGAINST THE BANK

The Bank is a defendant in lawsuits demanding cancellation of the Bank's claims against others, lifting of real estate mortgages, compensation for damages, and non-cashing of checks. These lawsuits amounted to JD 2,379,790 as of 31 December 2011 (JD 1,182,113 as of 31 December 2010). According to the Bank's management and its legal advisor, no liabilities shall arise against the Bank exceeding the existing provision amounting to JD 243,420 as of 31 December 2011.

(52) EFFECT OF IMPLEMENTATION OF IFRS 9

The Bank has early adopted IFRS 9 starting from 1 January 2011 the effect of the implementation is detailed below:

A. Reclassification of equity and debt instruments financial assets:

	Measurement		Carrying value		Difference
	IAS 39	IFRS 9	IAS 39	IFRS 9	
	JD	JD	JD	JD	
Financial assets					
Equity instruments	Available for sale	Financial assets at fair value through profit or loss	3,537,314	3,537,314	-
Equity instruments	Available for sale	Financial assets at fair value through other comprehensive income	5,771,938	5,771,938	-
Equity instruments	Trading securities	Financial assets at fair value through profit or loss	278,913	278,913	-
Equity instruments	Trading securities	Financial assets at fair value through other comprehensive income	72,732	72,732	-
Bonds	Held to maturity	Amortized cost	172,525,794	172,525,794	-
Total			182,186,691	182,186,691	-

B. Investments in equity instruments previously classified as available for sale and valued at fair value, part of them was reclassified as financial assets at fair value through profit or loss and the other part was classified as strategic investments not for trading purposes based on the business model, within financial assets at fair value through other comprehensive income. Consequently, an amount of JD 2,970,952 was reclassified from the cumulative change in fair value account to retained earnings within shareholders equity as of 1 January 2011.

C. The adoption of this standard had no effect on the previous book values based on (IAS 39) and the current book values (IFRS 9) for financial assets as of 1 January 2011.

D. The early adoption of IFRS 9 had an effect in decreasing the loss for the year ended 31 December 2011 by JD 966,117. The decrease represents impairment losses on available for sale investments that should have been recorded in the income statement under IAS 39. These investments were reclassified as financial assets at fair value through other comprehensive income under IFRS (9).

E. The implementation of IFRS (9) increased the retained earning by JD 2,970,952.

(53) NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new and revised standards, have been issued up to 31 December 2011. However, these IFRS were not effective and were not implemented by the Bank:

IFRS 10 Consolidated Financial Statements

The IFRS is to be applied for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC12 Consolidation - Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 Joint Arrangements
The IFRS is to be applied for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

International Financial Reporting Standard 11 Joint Arrangements establishes principles for financial reporting by parties to a joint arrangement. The IFRS supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-Monetary Contributions by Ventures.

IFRS 12 Disclosure of Interests in Other Entities
The IFRS is to be applied for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IFRS 12 Disclosure of Interests in Other Entities applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

IFRS 13 Fair Value Measurement
The IFRS is to be applied for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The IFRS explains how to measure fair value for financial reporting and sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

Revised and amended standards

IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Bank's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 *Income Taxes – Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 *Employee Benefits* (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Bank does not expect any impact and the financial position of financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

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

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Bank does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

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

As a consequence of the new IFRS 11 and IFRS 12 IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 *Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of Bank's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Bank's financial position or performance.

(54) COMPARATIVE FIGURES

Some of the year 2010 figures have been reclassified to correspond with the year 2011 presentation.