

JORDAN COMMERCIAL BANK  
(A PUBLIC SHAREHOLDING COMPANY)  
AMMAN - JORDAN

FINANCIAL STATEMENTS FOR THE  
YEAR ENDED DECEMBER 31, 2013  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT

JORDAN COMMERCIAL BANK  
(A PUBLIC SHAREHOLDING COMPANY)  
AMMAN - JORDAN  
DECEMBER 31, 2013

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## INDEPENDENT AUDITOR'S REPORT

AM / 8511

To the Shareholders of  
Jordan Commercial Bank  
(Public Shareholding Company)  
Amman – Jordan

### **Audit Scope**

We have audited the accompanying financial statements of Jordan Commercial Bank (Public Shareholding Company), which comprise of the statement of financial position as of December 31, 2013, and the statements of income, comprehensive income, changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the amended International Financial Reporting Standards as amended according to the instructions of the Central Bank of Jordan and its arrangements regarding the computation of the provision for impairment loss for number of credit facilities customers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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 Jordan Commercial Bank (Public Shareholding Company) as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as amended according to the arrangements with the Central Bank of Jordan regarding the computation of the provision for the impairment loss for a number of credit facilities customers as stated in Note (6) to the financial statements .

## **Emphasis of Matter**

Without qualifying our opinion, we draw attention to what is stated in Note (13) to the financial statements, the balance of deferred restructuring costs amounted to JD 5,177,555 as of December 31, 2013, which used to be amortized over ten years starting from the year 2004 based on the approved restructuring agreement by the Central Bank of Jordan and the Council of Ministers, and by the General Assembly of the Bank's Shareholders. The International Financial Reporting Standards require to charge the balance of deferred restructuring costs to the shareholders' equity; however, based on the arrangement with the Central Bank of Jordan, the amortization of restructuring costs balance for the years 2011, 2012 and 2013 was deferred, provided that the Bank will continue to amortize the balance effective the beginning of the year 2014.

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

The Bank maintains proper accounting records that are in line with the accompanying financial statements and with the financial statements presented in the Board of Directors' annual report. Furthermore, we recommend that the General Assembly of Shareholders approves these financial statements taking into consideration the above mentioned emphasis of matter paragraph.

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

Amman – Jordan  
May 21, 2014

  
Deloitte & Touche (M.E.) – Jordan

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

JORDAN COMMERCIAL BANK  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN - JORDAN  
STATEMENT OF FINANCIAL POSITION

	Note	December 31,	
		2013	2012
<u>ASSETS</u>			
Cash and balances at central banks	4	123,785,204	103,655,689
Balances at banks and financial institutions	5	61,300,837	68,368,860
Direct credit facilities - net	6	517,278,113	440,524,180
Financial assets at fair value through profit and loss	7	5,440,483	3,111,976
Financial assets at fair value through comprehensive income	8	9,638,731	7,982,764
Financial assets at amortized cost	9	257,322,849	149,298,558
Pledged financial assets	10	-	14,300,000
Property and equipment - net	11	24,367,275	20,975,994
Intangible assets - net	12	722,991	1,360,051
Other assets	13	55,124,044	34,764,958
<b>TOTAL ASSETS</b>		<b>1,054,980,527</b>	<b>844,343,030</b>
<u>LIABILITIES AND OWNERS' EQUITY</u>			
<u>LIABILITIES:</u>			
Banks and financial institutions deposits	14	112,175,777	38,850,452
Customers deposits	15	743,003,938	618,488,435
Cash margins	16	65,354,747	57,290,028
Borrowed funds	17	2,000,000	14,300,000
Provision for income tax	18/a	2,331,748	1,381,748
Other provisions	19	800,252	983,167
Other liabilities	20	15,263,377	9,577,232
<b>TOTAL LIABILITIES</b>		<b>940,929,839</b>	<b>740,871,062</b>
<u>Owners Equity:</u>			
Shareholders Equity:			
Authorized and paid-up capital	21	100,000,000	93,342,179
Statutory reserve	22/a	8,449,542	8,034,616
General banking risks reserve	22/b	5,140,276	4,198,663
Cyclicality reserve	22/c	897,196	748,884
Fair value reserve	23	(3,851,899)	(4,491,843)
Retained earnings	24	3,415,573	1,639,469
Total Shareholders Equity		114,050,688	103,471,968
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>1,054,980,527</b>	<b>844,343,030</b>

THE ACCOMPANYING NOTES FROM (1) TO (44) CONSTITUTE AN INTEGRAL  
PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM  
AND WITH THE INDEPENDENT AUDITOR'S REPORT

CHAIRMAN OF BOARD OF DIRECTORS

GENERAL MANAGER

JORDAN COMMERCIAL BANK  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN - JORDAN  
STATEMENT OF INCOME

	Note	For the Year Ended	
		December 31,	
		2013	2012
		JD	JD
Interest income	25	57,049,342	45,611,494
<u>Less:</u> Interest expense	26	<u>(32,435,934)</u>	<u>(22,747,378)</u>
Net Interest Income		24,613,408	22,864,116
Net Commission income	27	<u>5,867,660</u>	<u>5,334,544</u>
Net Interest and Commission		30,481,068	28,198,660
Foreign exchange income	28	916,530	903,975
Gain (loss) from financial assets at fair value through profit and loss	29	54,940	(19,676)
Cash dividends from financial assets at fair value through comprehensive income	8	108,460	301,483
Other income	30	<u>4,005,216</u>	<u>2,167,282</u>
Gross Income		<u>35,566,214</u>	<u>31,551,724</u>
Employees expenses	31	9,737,020	8,415,924
Depreciation and amortization	11&12	2,328,383	1,795,178
Provision for impairment in direct credit facilities	6	10,365,470	9,960,273
Other provisions	19	195,394	416,301
Provision for impairment in financial assets at amortized cost	9	-	226,880
Other expenses	32	<u>8,790,691</u>	<u>7,700,890</u>
Total Expenses		<u>31,416,958</u>	<u>28,515,446</u>
Income for the Year before Income Tax		4,149,256	3,036,278
<u>Less:</u> Income tax for the year	18/b	<u>(950,000)</u>	<u>(973,400)</u>
Income for the Year		<u>3,199,256</u>	<u>2,062,878</u>
<u>Earnings per Share for the Year attributable to the Bank's Shareholders</u>			
Basic and Diluted	33	<u>-/032</u>	<u>-/022</u>

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CHAIRMAN OF BOARD OF DIRECTORS



GENERAL MANAGER



JORDAN COMMERCIAL BANK  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN - JORDAN  
STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended	
	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
	JD	JD
Income for the year	3,199,256	2,062,878
<u>Items that are not transferable subsequently to statement of income</u>		
Net change in fair value reserve through statement of comprehensive income	<u>721,643</u>	<u>(1,002,983)</u>
Total Comprehensive Income for the Year	<u><u>3,920,899</u></u>	<u><u>1,059,895</u></u>

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JORDAN COMMERCIAL BANK  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN - JORDAN  
STATEMENT OF CHANGES IN OWNERS' EQUITY

Description	Note	Shareholders' Equity						
		Authorized and Paid-up Capital	Reserves			Fair Value Reserve	Retained Earnings	Total
			Statutory	General Banking Risks	Cyclical			
JD	JD	JD	JD	JD	JD	JD		
<u>For the Year Ended December 31, 2013</u>								
Balance - beginning of the year		93,342,179	8,034,616	4,198,663	748,884	(4,491,843)	1,639,469	103,471,968
Income for year		-	-	-	-	-	3,199,256	3,199,256
Net change in fair value of financial assets at fair value through statement of comprehensive income		-	-	-	-	721,643	-	721,643
Realized gains from sale of financial assets at fair value through comprehensive income		-	-	-	-	(81,699)	81,699	-
Total comprehensive income for the year		-	-	-	-	639,944	3,280,955	3,920,899
Transferred to reserves	22	-	414,926	941,613	148,312	-	(1,504,851)	-
Increase in paid - up capital	21	6,657,821	-	-	-	-	-	6,657,821
Balance - End of the Year		100,000,000	8,449,542	5,140,276	897,196	(3,851,899)	3,415,573	114,050,688
<u>For the Year Ended December 31, 2012</u>								
Balance - beginning of the year		82,769,898	7,730,988	3,848,089	640,605	(4,373,535)	1,223,747	91,839,792
Income for year		-	-	-	-	-	2,062,878	2,062,878
comprehensive income		-	-	-	-	(1,002,983)	-	(1,002,983)
Released from sale of financial assets at fair value through statement of comprehensive income		-	-	-	-	996,734	(996,734)	-
Realized gains from sale of financial assets at fair value through comprehensive income		-	-	-	-	(112,059)	112,059	-
Total comprehensive income for the year		-	-	-	-	(118,308)	1,178,203	1,059,895
Transferred to reserves	22	-	303,628	350,574	108,279	-	(762,481)	-
Increase in paid - up capital	21	10,572,281	-	-	-	-	-	10,572,281
Balance - End of the Year		93,342,179	8,034,616	4,198,663	748,884	(4,491,843)	1,639,469	103,471,968

- Retained earnings include an amount of JD 1,974,218 as of December 31, 2013 and 2012 , restricted against the effect of early adoption of International Financial Reporting Standard No. (9) in accordance with Jordan Securities Commission instructions relating to unrealized differences in the revaluation of financial assets at fair value through statement of comprehensive income net of what has been actually realized through selling transactions.

- An equivalent amount to the negative balance of financial assets revaluation reserve is restricted as per Jordan Securities Commission and Central Bank of Jordan instructions.

- General Banking Risks Reserve balance is restricted except for pre-approval of the Central Bank of Jordan.

- Use of the Cyclical Reserve is restricted except for pre-approval of the Palestinian Monetary Authority .

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JORDAN COMMERCIAL BANK  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN - JORDAN  
STATEMENT OF CASH FLOWS

	Note	For the Year Ended	
		December 31,	
		2013	2012
		JD	JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income for the year before income tax		4,149,256	3,036,278
Adjustments:			
Depreciation and amortization	11 & 12	2,328,383	1,795,178
Provision for impairment in direct credit facilities	6	10,365,470	9,960,273
Net interest income		(1,332,832)	(1,158,982)
Provision for end-of-service indemnity	19	104,991	83,138
Provision for lawsuits against the Bank	19	90,403	328,163
Other provisions	19	-	5,000
(Gain) on sale of properties seized by the Bank	30	(940,706)	(52,647)
(Gain) on sale of property and equipment	30	-	(7,821)
Loss (gain) on valuation of financial assets through profit or loss	29	58,752	(75,604)
Dividends distribution from financial assets at fair value through statement of comprehensive income		(108,460)	(301,483)
Impairment losses on shares acquired against debts	13	118,225	114,382
Impairment loss of financial assets at amortized cost	9	-	226,880
Effect of exchange rate fluctuations on cash and cash equivalents		(625,527)	(558,103)
Total		14,207,955	13,394,652
<b>CHANGES IN ASSETS AND LIABILITIES:</b>			
(Increase) in direct credit facilities		(87,119,403)	(30,178,551)
(Increase) in financial assets at fair value through profit or loss		(2,387,259)	(1,129,975)
(Increase) in other assets		(18,833,026)	(11,809,788)
(Decrease) in banks and financial institutions deposits due after three months		-	(10,000,000)
Increase in customers deposits		124,515,503	8,646,812
Increase in cash margins		8,064,719	18,124,386
Increase (decrease) in other liabilities		5,686,145	(5,278,512)
Net Change in Assets and Liabilities		29,926,679	(31,625,628)
Net Cash Flows generated from (used in) Operating Activities before			
Provisions Paid and Income Tax Paid		44,134,634	(19,186,331)
Staff end-of-service indemnity paid	19	(58,935)	(44,000)
Provision for lawsuits paid	19	(210,079)	(169,075)
Other paid provisions / transferred	19	(109,295)	(24,622)
Income tax paid	18	-	(171,581)
Net Cash Flows generated from (used in) Operating Activities		43,756,325	(19,595,609)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
(Increase) in financial assets at amortized cost		(162,504,291)	(37,523,702)
Maturity of financial assets at amortized cost		54,480,000	77,549,854
Decrease (increase) in pledged financial assets		14,300,000	(14,300,000)
(Increase) decrease in financial assets at fair value through comprehensive income		(868,023)	811,191
(Acquisition) of property and equipment	11	(4,966,971)	(6,465,266)
(Acquisition) of intangible assets	12	(115,633)	(658,781)
Proceeds from sale of property and equipment		-	32,984
Proceeds from interests income		1,332,832	1,158,982
Net Cash Flows (used in) generated from Investing Activities		(98,342,086)	20,605,262
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase in paid-up capital	21	6,657,821	10,572,281
Net Cash Flows generated from Financing Activities		6,657,821	10,572,281
Effect of exchange rate fluctuations on cash and cash equivalents	28	625,527	558,103
Net (Decrease) Increase in Cash and Cash Equivalents		(47,302,413)	12,140,037
Cash and cash equivalents - beginning of the year		117,811,453	105,671,416
Cash and Cash Equivalents - End of the Year	34	70,509,040	117,811,453

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JORDAN COMMERCIAL BANK  
(A PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE FINANCIAL STATEMENTS

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**1. General**

- Jordan Commercial Bank was established as a Jordanian Public Shareholding Company on May 3, 1977 in accordance with the Jordanian Companies Law No. (12) for the year 1964 with a paid-up capital of JD 5 million divided into 5 million shares at par value of one Jordanian Dinar per share. The Bank's Head Office address is Amman, Tel. +962 (6) 5203000, P.O. Box 9989, Amman 11191 - Jordan.
- During the year 1993, Mashrek Bank (Jordan branches) was merged into Jordan and Gulf Bank. Consequently, Jordan and Gulf Bank replaced Mashrek Bank (Jordan branches) in terms of its rights and liabilities.
- At the beginning of the year 2004, the Bank was restructured after taking the necessary measures specified by the concerned governmental parties and on June 28, 2004, procedures relating to changing the Bank's name from Gulf Bank to Jordan Commercial Bank were completed.
- The Bank's capital was increased gradually, with the last increase paid during the years 2012, and 2013 whereby the General Assembly of the Bank resolved in its extraordinary meeting held on December 20, 2011 to approve the increase of the authorized, issued and paid-up capital from JD/Share 82,769,898 as of December 31, 2011 to become JD/Share 100,000,000, with an increase of JD/Share 17,230,102, through issuing 17,230,102 shares for private underwriting of One JD per each share for the Bank's registered shareholders. The underwriting procedures have been completed for JD/Share 10,572,281 of the original amount of 17,230,102 shares in the amount of One JD per each share, as the issued and paid-up capital became JD/Share 93,342,179 as of December 31, 2012. Moreover, the sale of the unsubscribed shares amounting to 6,657,821 share was completed during the year 2013 by which the Bank's capital became JD 100,000,000 JD/Share fully paid as of January 31, 2013.
- Jordan Commercial Bank is a listed Public Shareholding Company on Amman Stock Exchange.
- The Bank is engaged in banking and related financial operations through its branches totaling to (30) inside Jordan, and (4) branches in Palestine.
- The financial statements have been approved by the Bank's Board of Directors, in its meeting No. (31/2014) held on February 23, 2014 and are subject to the approval of the General Assembly of Shareholders.

## **2. Significant Accounting Policies**

### **Basis of Preparation of Financial Statements**

- The accompanying financial statements of the Bank has been prepared in accordance with amended International Financial Reporting Standards according to Central Bank of Jordan instructions and arrangement with regards to the computation of the provision for impairment loss for a number of direct credit facilities customers and amortization of restructuring costs balance.
- The financial statements are prepared in accordance with the historical cost principle, except for financial assets / liabilities which are stated at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial derivatives which stated at fair value at the date of the financial statements. Moreover, hedged financial assets / liabilities are also stated at fair value.
- The reporting currency of the financial statements is the Jordanian Dinar, which is the functional currency of the Bank.
- The accounting policies adopted for the current year are consistent with those applied in the year ended December 31, 2012 except the effect of what is stated Note (44-a) to the financial statements.

### **Segments Information**

- A business segment is a distinguishable component of an entity engaged in providing an individual product or service or a group of related products or services subject to risks and returns different from those of other business segments, which are measured according to the reports used by executive directors and the main decision makers at the Bank.
- A geographical segment is a distinguishable component of an entity engaged in providing products or services within a particular economic environment subject to risks and returns different from those of components operating in other economic environments.

### **Financial assets at fair value through profit or loss**

- These financial assets represent investments in companies' stocks and bonds, and the purpose from maintaining them is generating gains from the fluctuations in market prices in the short term or trading margins.
- These financial assets are initially stated at fair value at acquisition date, while transaction costs are expensed in the statement of income, and are subsequently measured at fair value. Moreover, changes in fair value are recorded in the statement of income including the change in fair value resulting from translation of non-monetary assets stated at foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the statement of income.

- It is not allowed to reclassify any financial assets to / from this category except for the cases specified in International Financial Reporting Standards.
- Dividends and interests from these financial assets are recorded in the statement of income.

**Financial assets at fair value through statement of comprehensive income**

These financial assets represent investments in equity instruments held for the purpose of generating gain on a long term and not for trading purpose.

- Financial assets at fair value through comprehensive income initially stated at fair value plus transaction cost at purchase date. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated at foreign currency. Gain or loss from the sale of these investments should be recognized in the statement of comprehensive income and within owner's equity, and the balance of the revaluation reserve for these assets should be transferred directly to the retained earnings and not to the statement of income.
- No impairment loss testing is required for those assets.
- Dividends are recorded in the statement of income in a separate line item.

**Financial assets at amortized cost**

- These financial assets represent financial assets which the Bank's management intends according to its business model to hold for the purpose of collecting contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the principal outstanding.
- Those financial assets are stated at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount is amortized using the effective interest rate method, and recorded to the interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or part therefore are deducted. Any impairment is registered in the statement of income.
- The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.
- It is not allowed to reclassify any financial assets from / to this category except for certain cases specified in the International Financial Reporting Standards (in the case of selling any of these assets before its maturity date, the result should be recorded in a separate line item in the statement of income, disclosures should be made in accordance to the requirements of International Financial Reporting Standards).

### **Fair Value**

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of financial statements in active markets that represents the fair value of financial instruments and derivatives that have market values.

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

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Option pricing models.
- Long term assets and liabilities that bear no interest are evaluated in accordance with the discounted cash flows using effective interest rate. Premiums and discounts are amortized within interest revenues or expense in the statement of income.

The valuation methods aim to obtain a fair value that reflects the market expectations, taking into consideration market factors and any expected risks and benefits upon estimating the value of financial assets. Moreover financial assets at fair value of which cannot be reliably measured are stated at cost net of any impairment in their value.

### **Impairment in the Value of Financial Assets**

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

Impairment loss is determined as follows:

- Impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
- The impairment in value is recorded in the statement of income. Any surplus in the following period resulting from previous declines in the fair value of financial assets is taken to the statement of income.

### **Direct Credit Facilities**

- Direct Credit facilities are financial assets with fixed or amended payments and basically provided by the Bank or obtained with no available market value in an active markets.
- Direct Credit facilities are stated at amortized cost after deducting provision for impairment loss in direct credit facilities, interests and commissions in suspense.

- A provision for the impairment in direct credit facilities is recognized when it is obvious that the financial assets of the Bank cannot 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 loss amount can be estimated according to Central Bank of Jordan instructions, except for the arrangements with the Central Bank of Jordan with regards to the calculation of impairment and interest in suspense for a number of direct credit facilities customers, and in accordance with the Central Banks instruction in which the Bank's branches operate. Impairment loss is taken to the statement of income. The provision is taken to the statement of income.
- Interests and commissions on non-performing direct credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan or the applicable laws in the countries where the bank's branches operate whichever is more restricted.
- Impaired credit facilities, for which provision have been taken, are written off by charging the provision after all efforts that have been made to recover the assets. Any surplus in the provision is taken to the statement of income, while prior debt recoveries are taken to income.
- Credit facilities and the related suspended interests that are fully covered by provisions are taken off the statement of financial position in line with board of directors decisions with regards.

#### **Property and Equipment**

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

	%
Buildings	2
Machines and office equipment	10 – 15
Decorations	15
Vehicles	15
Computers	20

- When the carrying amounts of property and equipment exceed their recoverable values, assets are written down, and impairment losses are recorded in the statement of income.
- The useful lives of property and equipment 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 estimates.
- Property and equipment are derecognized when disposed of or when there is no expected future benefit from their use.

#### **Provisions**

Provisions are recognized when the Bank has an obligation on the date of the statement of financial position arising from past events, and the costs to settle the obligation are both probable and can be reliably measured.

### **Provision for Employees' End-of-Service Indemnities**

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

### **Income Tax**

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

### **Capital share**

#### **Costs of Issuing or Purchasing the Bank's Shares**

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

### **Pledged Financial Assets**

These assets which are mortgaged for other parties with the right of (selling or remortgaging) . These assets are continuously assessments according to accounting polices used to evaluate each one as it's originally rated.

### **Custody Accounts**

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

### **Offsetting**

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

### **Recognition of Income and Realization of Expenses**

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

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

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

### **Financial Derivatives and Hedge Accounting**

#### **Financial Derivatives Hedge**

For hedge accounting purposes, the financial derivatives are stated at fair value, and hedges are classified as follows:

- **Fair value hedge**

Hedge for the change in the fair value exposures of the Bank's assets and liabilities.

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

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

- **Cash flows hedge**

Hedge for the change in the current and expected cash flows exposures of the Bank's assets and liabilities.

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



- **Hedge for net investment in foreign entities**

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

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

**Financial Derivatives for Trading**

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

**Repurchase or Resale Agreements**

- Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the financial statements as a result of the Bank's continuous control over these assets and as the related risks and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.
- Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the financial statements because the Bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recorded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recorded as interest revenue amortized over the life of the contract using the effective interest method.

**Intangible Assets**

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

- Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the financial statements date, and impairment loss is treated in the statement of income as an expense for the period.
- No capitalization of intangible assets resulting from the Banks' operations is made. They are rather recorded as an expense in the statement of income for the period.
- Any indications of impairment in the value of intangible assets as of the financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.
- Computers software and applications are amortized according to the straight-line method over their estimated economic useful lives at an annual amortization rate of 20%.

#### **Assets Seized by the Bank**

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

#### **Foreign Currencies**

- 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.
- Gains and losses resulting from foreign currency translation are recorded in the statement of income.
- Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as shares) are recorded as part of the change in fair value.

#### **Cash and Cash Equivalents**

Cash and cash equivalents are balances, maturing within three months, which comprise of cash and balances with Central Banks, balances with banks and financial institutions, less bank deposits and balances due to banks and financial institutions maturing within three months and restricted funds.

### **3. Accounting Estimates**

Preparation of the accompanying financial statements and the application of accounting policies require the Bank's management to estimate and assess some items affecting financial assets and liabilities and to disclose contingent liabilities. These estimates and assumptions also affect income, expenses, provisions, and financial assets valuation and require the Bank's management to estimate and assess the amounts and timing of future cash flows. The aforementioned estimates are based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes arising from the conditions and circumstances of those estimates.

Management believes that the estimates in the financial statements are reasonable and are detailed herebelow:

- A provision is set for lawsuits raised against the Bank. This provision is subject to an adequate legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed frequently.
- A provision for loans is taken on the basis and estimates approved by management in conformity with Central Bank of Jordan instructions except for the arrangements with Central Bank of Jordan with regards to impairment loss for some direct credit facilities customers.
- Impairment loss for the assets seized by the Bank is taken after a sufficient and recent evaluation of the acquired assets has been conducted by approved surveyors. The impairment loss is reviewed periodically.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the statement of income.
- Management frequently reviews the financial assets stated at cost to estimate any decline in their value. Impairment loss is taken to the statement of income.
- Provision for income tax: The financial year is charged with its portion from the income tax expense according to the prevailing laws and regulations and International Financial Reporting Standards. Moreover, the necessary income tax provision is calculated and recorded.
- Fair value hierarchy: The Bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in International Financial Reporting Standards. Differentiating between Level (2) and Level (3) fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgment and careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. When evaluating the fair value of the financial asset or liability, the Bank uses information from the market if available and in absence of the first level inputs, the Bank deals with the independent and qualified parties to prepare evaluation studies. Appropriate methods of assessment and inputs used to prepare the evaluation are reviewed by management.

#### 4. Cash and Balances at Central Banks

The details of this item are as follows:

	December 31,	
	2013	2012
	JD	JD
Cash in vaults	17,298,488	20,461,371
Balances at Central Banks:		
Current and call accounts	25,471,499	44,724,261
Time and notice deposits	45,444,500	7,444,500
Mandatory cash reserve	35,570,717	31,025,557
Total Balances at Central Banks	106,486,716	83,194,318
	123,785,204	103,655,689

- There are no restricted balances as of December 31, 2013 and 2012, except for the cash reserve and the capital deposits at the Palestinian Monetary authority which amounted to JD 7,444,500.

- There are no balances maturing within a period of more than three months as of December 31, 2013 and 2012.

#### 5. Balances at Banks and Financial Institution's

The details of this item are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2012
	JD	JD	JD	JD	JD	JD
Current and call accounts	2,109,110	3,908,232	3,355,147	5,328,285	5,464,257	9,236,517
Deposits due within 3 months or less	48,987,111	31,516,329	6,849,469	27,616,014	55,836,580	59,132,343
Total	51,096,221	35,424,561	10,204,616	32,944,299	61,300,837	68,368,860

- Non-interest bearing balances at banks and financial institutions amounted to JD 2,109,110 as of December 31, 2013 (JD 3,908,232 as of December 31, 2012).

- Restricted balances amounted to JD 401,224 as of December 31, 2013 (JD 1,062,644 as of December 31, 2012).

- There are no balances maturing within a period of more than three months as of December 31, 2013 and 2012.

## 6. Direct Credit Facilities - net

The details of this item are as follows:

	December 31,	
	2013	2012
	JD	JD
<b>Individuals (retail):</b>		
Overdraft accounts	2,638,030	2,443,467
Loans and promissory notes *	99,109,012	54,768,585
Credit cards	3,658,168	2,179,444
<b>Real estate loans</b>	<b>78,738,370</b>	<b>79,499,187</b>
<b>Companies:</b>		
<b>Large:</b>		
Overdraft accounts	76,213,354	55,190,397
Loans and promissory notes *	211,074,632	198,150,559
<b>SMEs</b>		
Overdraft accounts	22,462,579	23,416,756
Loans and promissory notes *	68,755,740	56,168,720
<b>Government and public sector</b>	<b>16,139,632</b>	<b>19,069,471</b>
Total	578,789,517	490,886,586
<u>Less: Provision for impairment in direct credit facilities</u>	<u>(42,774,498)</u>	<u>(36,336,461)</u>
Interest in suspense	(18,736,906)	(14,025,945)
Net Direct Credit Facilities	517,278,113	440,524,180

\* Net after deducting interests and commissions received in advance of JD 589,960 as of December 31, 2013 (JD 639,151 as of December 31, 2012).

- Non-performing credit facilities amounted to JD 80,053,791 equivalent to 13/8% of total direct credit facilities as of December 31, 2013 (JD 84,974,667 equivalent to 17/3% of total direct credit facilities as of December 31, 2012).
- Non-performing credit facilities net of interests and commissions in suspense amounted to JD 62,893,274 equivalent to 11/2% of total direct credit facilities balance as of December 31, 2013 (JD 70,948,722 equivalent to 14/9% of total credit facilities balance after deducting suspended interests as of December 31, 2012).
- There are no direct credit facilities granted to and guaranteed by the Government of Jordan for the years 2013 and 2012.
- Direct credit facilities include facilities granted to a number of customers in an amount of JD 25,284,787 net after deducting interests and commissions in suspense as of December 31, 2013, with acceptable collaterals amounting to JD 15,727,203 as per Central Bank of Jordan instructions. The provision for impairment loss against such direct credit facilities amounted to JD 19,556,900 as of December 31, 2013 based on the arrangements with Central Bank of Jordan with regards to the computation of provision for impairment loss for these customers, whereby the remaining provision will be gradually booked starting the year 2012 and during one to three years.

**Provision for Impairment in Direct Credit Facilities**

The following is the movement on the provision for impairment in direct credit facilities for the year:

Year 2013	Companies					
	Individuals	Real Estate	Companies		Government and Public Sector	Total
		Loans	Large	Small and Medium		
JD	JD	JD	JD	JD	JD	
Balance – beginning of the year	1,073,172	4,065,980	26,375,066	4,822,243	-	36,336,461
Deducted from income during the year	1,522,833	681,814	7,412,059	748,764	-	10,365,470
Used from provision during the year (written-off)*	(67,343)	-	(1,825,438)	-	-	(1,892,781)
Provision for debts transferred to accounts off the statement of financial position **	(585,196)	(125,790)	(954,412)	(574,731)	-	(2,240,129)
Transferred from credit cards losses - note (19)	205,477	-	-	-	-	205,477
Balance – End of the Year	2,148,943	4,622,004	31,007,275	4,996,276	-	42,774,498
Provision for impairment in non-performing credit facilities	2,000,889	4,622,004	30,253,787	4,894,616	-	41,771,296
Provision for impairment in watch list credit facilities	148,054	-	753,488	101,660	-	1,003,202
Balance – End of the Year	2,148,943	4,622,004	31,007,275	4,996,276	-	42,774,498

  

Year 2012	Companies					
	Individuals	Real Estate	Companies		Government and Public Sector	Total
		Loans	Large	Small and Medium		
JD	JD	JD	JD	JD	JD	
Balance – beginning of the year	2,408,817	626,095	22,641,590	4,329,362	-	30,005,864
Deducted from income during the year	452,362	3,439,885	5,558,347	509,679	-	9,960,273
Used from provision during the year (written-off)*	(174,451)	-	(144,863)	-	-	(319,314)
Provision for debts transferred to accounts off the statement of financial position **	(1,613,556)	-	(1,680,008)	(16,798)	-	(3,310,362)
Balance – End of the Year	1,073,172	4,065,980	26,375,066	4,822,243	-	36,336,461
Provision for impairment in non-performing credit facilities	1,018,605	4,065,980	25,675,923	4,738,571	-	35,499,079
Provision for impairment in watch list credit facilities	54,567	-	699,143	83,672	-	837,382
Balance – End of the Year	1,073,172	4,065,980	26,375,066	4,822,243	-	36,336,461

\* During the year 2013, an amount of JD1,892,781 was written-off from direct credit facilities according to the Board of Directors approval (with regards JD 319,314 for the year 2012).

\*\* Non-performing credit facilities debits was transferred to the off-balance sheet items during 2013 and 2012 according to the decisions of the Board of Directors with regards

- The provisions against debts calculated on the basis of the individual customer has been disclosed above

- Provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to JD 3,835,170 as of December 31, 2013 (JD 2,521,715 as of December 31, 2012).

- A balance of direct credit facilities of JD 37,604,283 and interest in suspense of JD 20,317,216 and related provision against it of JD 17,287,067 as of December 31, 2013, were included within accounts off the statement of financial position items according to the Board of Directors resolutions, whereby these accounts are fully covered as of the financial statements date.

**Interests in Suspense**

The movement on interest in suspense during the year was as follows:

Year 2013	Companies					
	Individuals	Real Estate	Companies		Government and Public Sector	Total
		Loans	Large	Small and Medium		
JD	JD	JD	JD	JD	JD	
Balance – beginning of the year	369,065	1,166,752	9,355,909	3,134,219	-	14,025,945
Add: Interest suspended during the year	597,651	279,899	6,728,739	530,780	-	8,137,069
Less: Interest reversed to income during the year (note 30)	(85,412)	(34,861)	(671,731)	(96,305)	-	(888,309)
Interest in suspense written off	(183,511)	-	(1,398,969)	(20,578)	-	(1,603,058)
Interest in suspense transferred to accounts off the statement of financial position	(194,782)	(134,104)	(513,117)	(92,738)	-	(934,741)
Balance - End of the Year	503,011	1,277,686	13,500,831	3,455,378	-	18,736,906

  

Year 2012	Companies					
	Individuals	Real Estate	Companies		Government and Public Sector	Total
		Loans	Large	Small and Medium		
JD	JD	JD	JD	JD	JD	
Balance – beginning of the year	552,710	733,430	5,942,414	2,724,866	-	9,953,420
Add: Interest suspended during the year	190,392	433,322	5,036,763	590,195	-	6,250,672
Less: Interest reversed to income during the year (note 30)	(164,712)	-	(128,366)	(81,303)	-	(374,381)
Interest in suspense written off	(125,318)	-	(190,084)	(59,273)	-	(374,675)
Interest in suspense transferred to accounts off the statement of financial position	(84,007)	-	(1,304,818)	(40,266)	-	(1,429,091)
Balance - End of the Year	369,065	1,166,752	9,355,909	3,134,219	-	14,025,945

#### 7. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	December 31,	
	2013	2012
	JD	JD
Quoted shares in active markets	5,440,483	3,111,976
Total	5,440,483	3,111,976

#### 8. Financial Assets at Fair Value through Comprehensive Income

The details of this item are as follows:

	December 31,	
	2013	2012
	JD	JD
Quoted shares in active markets	7,476,720	5,976,900
Unquoted shares in active markets *	2,162,011	2,005,864
Total	9,638,731	7,982,764

- Realized gains from the sale of shares at fair value through statement of comprehensive income amounted to JD 81,699 for the year ended December 31, 2013 were directly recorded in the retained earnings in owners' equity (JD 112,059 for the year ended December 31, 2012).
- Cash dividends for the above investments amounted to JD 108,460 for the year ended December 31, 2013 (JD 301,483 for the year ended December 31, 2012).

\* This item represents unlisted financial assets and are valued at book value as of December 2013 and 2012.

## 9. Financial Assets at Amortized Cost

The details of this item are as follows:

	December 31,	
	2013	2012
	JD	JD
Treasury bond and bills - Central Bank of Jordan	229,761,205	116,261,378
Companies bonds and debentures	27,903,012	33,355,552
Total	257,664,217	149,616,930
less: Provision for impairment in financial assets at amortized cost *	(283,600)	(283,600)
Interest in suspense **	(57,768)	(34,772)
Financial assets at amortized cost - Net	257,322,849	149,298,558

### Bonds and Bills Analysis:

Fixed rate	257,322,849	149,298,558
Total	257,322,849	149,298,558

\* The movement on the provision of impairment in financial assets at amortized cost during the year is as follows:

	2013	2012
	JD	JD
Balance – beginning of the year	283,600	56,720
Provision booked for the year	-	226,880
Balance – Ending of the Year	283,600	283,600

\*\* The movement for the interests in suspense during the year is as follows:

	2013	2012
	JD	JD
Balance – beginning of the year	34,772	17,495
Interest in suspense during the year	22,996	17,277
Balance – Ending of the Year	57,768	34,772

## 10. Pledged Financial Assets

This item represents Jordanian treasury bills and bonds in the amount of JD 14,300,000 as of December 31, 2012 against repurchasing agreement liabilities, which were executed on December 26, 2012 with an interest rate of 4/25%, and maturity date on January 2, 2013, and was not renewed.



## 11. Property and Equipment - Net

a. The details of this item are as follows:

	Lands		Machines and Office			Payments for Property and		Total
	Buildings	Equipment	Decorations	Vehicles	Computers	Equipment		
	Year 2013	JD	JD	JD	JD	JD	JD	
<b>Cost:</b>								
Balance - beginning of the year	1,896,400	13,130,467	5,271,995	5,662,869	476,112	5,764,252	-	32,202,095
Additions	690,851	1,092,668	734,308	989,414	48,000	702,136	-	4,257,377
Transfers from the payments to intangible assets (note 12)	-	-	481,862	-	-	-	-	481,862
Payments for property and equipment	-	-	-	-	-	-	709,594	709,594
Balance - End of the Year	2,587,251	14,223,135	6,488,165	6,652,283	524,112	6,466,388	709,594	37,650,928
<b>Accumulated Depreciation:</b>								
Balance - beginning of the year	-	648,086	2,757,041	3,325,210	224,984	4,270,780	-	11,226,101
Depreciation for the year	-	279,015	593,649	670,052	74,717	440,119	-	2,057,552
Balance - End of the Year	-	927,101	3,350,690	3,995,262	299,701	4,710,899	-	13,283,653
Net Book Value of Property and Equipment	2,587,251	13,296,034	3,137,475	2,657,021	224,411	1,755,489	709,594	24,367,275
<b>Year 2012</b>								
<b>Cost:</b>								
Balance - beginning of the year	1,896,400	3,947,665	4,223,195	5,069,136	517,375	4,457,060	5,765,935	25,876,766
Additions	-	780,784	760,318	434,115	25,000	508,116	3,956,933	6,465,266
Transfers from the payments for property and equipment	-	8,402,018	352,260	160,230	-	808,360	(9,722,868)	-
Disposals	-	-	(63,778)	(612)	(66,263)	(9,284)	-	(139,937)
Balance - End of the Year	1,896,400	13,130,467	5,271,995	5,662,869	476,112	5,764,252	-	32,202,095
<b>Accumulated Depreciation:</b>								
Balance - beginning of the year	-	529,414	2,405,805	2,699,275	208,843	4,041,171	-	9,884,508
Depreciation for the year	-	118,672	403,726	626,545	68,545	238,879	-	1,456,367
Disposals	-	-	(52,490)	(610)	(52,404)	(9,270)	-	(114,774)
Balance - End of the Year	-	648,086	2,757,041	3,325,210	224,984	4,270,780	-	11,226,101
Net Book Value of Property and Equipment	1,896,400	12,482,381	2,514,954	2,337,659	251,128	1,493,472	-	20,975,994
Annual depreciation percentage %	-	2	10 - 15	15	15	20	-	-

b - Property and equipment balance includes an amount of JD 7,803,041 as of December 31, 2013 (JD 6,170,090 as of December 31, 2012), representing fully depreciated property and equipment.

## 12. Intangible Assets - Net

The details of this item are as follows:

	Computers and software systems	
	2013	2012
	JD	JD
Balance-beginning of the year	1,360,051	1,040,081
Additions during the year	115,633	658,781
Amortization for the year	(270,831)	(338,811)
Transferred to property and equipment (Note 11) *	(481,862)	-
Balance-End of the Year	722,991	1,360,051
Annual amortization percentage %	20	20

\* This item represents assets which have been re-classified to the property and equipment during 2013, whereby its not listed as an intangible asset.

## 13. Other Assets

The details of this item are as follows:

	December 31,	
	2013	2012
	JD	JD
Accrued interests and revenue	5,090,983	2,687,659
Prepaid expenses	462,043	446,790
Exchange currencies/ Central Bank of Jordan	-	487,006
Assets seized by the Bank against debts - net *	37,972,231	22,450,710
Restructuring balance **	5,177,555	5,177,555
Payments for financial assets and properties***	1,734,997	252,500
Refundable deposits	1,156,940	1,645,138
Transactions under process between branches	1,869,993	507,843
Others	1,659,302	1,109,757
	55,124,044	34,764,958

\* This item includes land and seized properties sold on installments with a cost amounted to JD 6,161,100 as of December 31, 2013 against a received amount of JD 1,666,118 included in other liabilities (JD 1,323,217 as of December 31, 2012 against received amount of JD 658,523)

- The movement on assets seized by the Bank against debts during the year is as follows :

	2013			2012
	Seized Properties	Other Seized Assets	Total	Total
Balance - beginning of the year (Gross before the impairment loss)	21,227,347	1,646,400	22,873,747	13,697,519
Less: beginning balance for impairment loss	(308,655)	(114,382)	(423,037)	(264,936)
Balance - beginning of the year - net	20,918,692	1,532,018	22,450,710	13,432,583
Additions	15,910,958	1,739,338	17,650,296	9,910,248
Disposals	(1,945,354)	-	(1,945,354)	(734,020)
Impairment loss for the year	(65,196)	(118,225)	(183,421)	(423,037)
Balance - End of the Year	34,819,100	3,153,131	37,972,231	22,450,710

- The movement on impairment loss on assets seized by the bank against debts during the year is as follows :

	2013			2012
	Seized Properties	Other Seized Assets	Total	Total
Balance - beginning of the year	308,655	114,382	423,037	264,936
Booked provision during the year	234,059	118,225	352,284	158,101
Utilized from provision during the year	(168,863)	-	(168,863)	-
Balance - End of the Year	373,851	232,607	606,458	423,037

- According to Central Bank of Jordan instructions properties and shares seized by the Bank against debt should be disposed off during a period of two years from the acquisition date. For exceptional cases, Central Bank of Jordan may extend this period for two additional years at maximum.

\*\* This item represents the restructuring balance which used to be amortized over ten years starting from the year 2004 based on the approved restructuring agreement by the Central Bank of Jordan and the Council of Ministers, which was approved by the General Assembly of the Bank's Shareholders. The International Financial Reporting Standards requires to charge the balance of deferred restructuring to the shareholders equity ; however, based on the arrangement with the Central Bank of Jordan, the amortization of restructuring costs balance for the years 2012, 2011, 2012 and 2013 was deferred, provided that the Bank continue amortization of the balance effective the beginning of the year 2014.

\*\*\* This item represents payments on the financial assets at cost related to shares of the increase in capital of local investments; however, the increasing capital procedures were not completed up to the financial statements date, in addition to advance payments for acquiring properties that have been owned by Jordan Commercial Bank during the subsequent period of the year 2014.

#### 14. Banks and Financial Institutions Deposits

The details of this item are as follows:

	December 31, 2013			December 31, 2012		
	Inside	Outside	Total	Inside	Outside	Total
	Kingdom	Kingdom		Kingdom	Kingdom	
	JD	JD	JD	JD	JD	
Current and call accounts	1,875,665	1,842,324	3,717,989	-	5,904,690	5,904,690
Time deposits	13,764,369	94,693,419	108,457,788	12,135,000	20,810,762	32,945,762
Total	15,640,034	96,535,743	112,175,777	12,135,000	26,715,452	38,850,452

- There is no deposit maturity during three months period as of December 31, 2013 and 2012.

\* This item includes new deposits were adopted from foreign bank during 2013 amounted to around JD 70 million and its renewed periodically.

#### 15. Customers Deposits

The details of this item are as follows:

	December 31, 2013				
	Companies				
	Individuals	Large	Small and Medium	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current and call accounts	84,505,782	13,147,882	31,123,630	22,489,280	151,266,574
Saving deposits	57,788,318	385,995	1,336,829	4,900	59,516,042
Time deposits subject to notice	306,631,192	34,614,881	33,895,429	157,079,820	532,221,322
Total	448,925,292	48,148,758	66,355,888	179,574,000	743,003,938

  

	December 31, 2012				
	Companies				
	Individuals	Large	Small and Medium	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current and call accounts	86,178,860	13,470,743	16,858,100	10,467,938	126,975,641
Saving deposits	42,822,200	-	-	5,100	42,827,300
Time deposits subject to notice	296,162,345	22,800,161	22,669,462	107,053,526	448,685,494
Total	425,163,405	36,270,904	39,527,562	117,526,564	618,488,435

- The Government of Jordan and the public sector deposits inside the kingdom amounted to JD 175,974,334 equivalent to 23/7% of total deposits as of December 31, 2013 ( JD 114,206,710 equivalent to 18/5% as of December 31, 2012).

- Non-interest bearing deposits amounted to JD 151,616,704 equivalent to 20/4% of total customers' deposits as of December 31, 2013 (JD 127,424,015 as of December 31, 2012, equivalent to 20/6% as of December 31, 2012).

- Restricted deposits amounted to JD 12,514,789 equivalent to 1/7 % of total customers' deposits as of December 31, 2013, JD 12,165,399 equivalent to 2% as of December 31, 2012).

- Dormant deposits amounted to JD 7,707,043 as of December 31, 2013 (JD 7,205,933 as of December 31, 2012) .

#### 16. Cash Margins

The details of this item are as follows:

	December 31,	
	2013	2012
	JD	JD
Cash margins on direct credit facilities	49,195,260	39,064,459
Cash margins on indirect credit facilities	15,638,487	18,070,113
Marginal cash deals	521,000	155,456
Total	65,354,747	57,290,028

#### 17. Borrowed Funds

This item represents amount of around JD 2 million has been obtained under a loan agreement signed with Central Bank of Jordan in order to be used to finance micro, small and medium companies.

Year 2012 Balance represents balance of Jordanian treasury bills and bonds in an amount of JD 14,300,000 as of December 31, 2012 against repurchasing agreement liabilities with Central Bank of Jordan which dated on December 26, 2012 with an interest rate of 4/25 % and maturity date on January 2, 2013 and was not renewed.

The details of this item are as follows:

<u>December 31, 2013</u>	Amount JD	Number of Premiums	Guarantees	Interest Rate
	Treasury bonds - Central Bank of Jordan	2,000,000	20 years including 5 years grace period	-

<u>December 31, 2012</u>	Amount JD	Number of Premiums	Guarantees	Interest Rate
	Treasury bonds - Central Bank of Jordan	14,300,000	One payment on January 2, 2013	Treasury Bonds

#### 18. Income Tax

##### a. Income tax provision

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

	2013	2012
	JD	JD
Balance - beginning of the year	1,381,748	579,929
Income tax incurred on current year - Palestine branches	950,000	973,400
Income tax paid	-	(171,581)
Balance - ending of the year	2,331,748	1,381,748

##### b. Income tax expense

Income tax expense for the year in the statement of income consists of the following:

	2013	2012
	JD	JD
Income tax incurred on current year profit - Palestine branches	950,000	973,400
Income tax for previous years	-	-
Total	950,000	973,400

##### c. Tax status

###### a. Jordan Branches

A final settlement with the Income and Sales Tax Department for Jordan branches has been reached up to the year 2012 by approving a carry forward tax losses of JD 2,768,425 and refundable income tax amounted to JD 1,140,884 whereby those tax losses and refundable tax have been used to cover the provision for Jordan branches for the year 2013, and accordingly there is no tax liabilities for the year 2013 for Jordan branches.

Income tax return for the year 2013 has not been submitted yet, however semi annual Payment as of JD 571,879 has been paid and recorded under other assets section during the year 2013.

###### b. Palestine branches

On October 26, 2010 the Bank appealed to the Income Tax Court of Appeal in Palestine regarding income tax assessment for the year 2005 related to interests in suspense from previous years returned to customers during the year 2005, on which there is a dispute about considering it as an expense.

During the year 2011, the Bank received a final clearance from the Income and Sales Tax Department for the results of its operations for the years from 2006 to 2009 and currently seeks through its tax consultant to reopen the files for the years from 2006 to 2009 due to the expectation of errors in tax calculation for the benefit of the Bank.

The final tax amount is determined based on the outcomes of the pending case at the Income Tax Court of Appeal for the year 2005 as well as the results of seeking to reopen the files for the years from 2006 to 2009, and the result of final settlements for the years 2010 and 2011.

###### c. Subsequent events

During 2014, a final settlement final settlement has been reached for the Bank's branches in Palestine for the period from 2005 until 2010, whereby an amount of JD 1,131,541 was paid in agreement with the Palestinian Income Tax Department, and to consider it as a clearance to close the current litigation regarding these years, however a final settlement has not been reached yet.

According to the years 2011 and 2012 the Bank submitted their income tax return for the year 2011 and 2012 and currently in process of settling the tax status with Income Tax Department in Palestine, however final settlement has not been reached yet.

In the opinion of the Management and the Bank's Legal and Tax consultants, no liability exceed the booked provision for the Bank and related branches as of the date of the financial statements, and that the booked tax provision is sufficient to settle the potential tax obligations as of December 31, 2013.

d. Deferred Tax Assets / Liabilities:

The details of this item are as follows:

	2013			December 31,		
	Balance - beginning of the year	Amounts		Balance - End of the Year	2013	2012
		Additions	Released		Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	
Impairment loss in seized properties	308,654	234,059	168,864	373,849	112,155	92,597
Provision for lawsuits against the Bank	159,000	-	-	159,000	47,700	47,700
Provision for outstanding lawsuits	1,191,257	234,060	32,525	1,392,792	417,838	360,257
Provision for staff indemnity	471,364	104,991	58,936	517,419	155,226	141,409
Provision for lawsuits against the Bank	402,508	90,403	210,079	282,832	84,850	120,751
Other provisions	624,494	2,365	54,177	572,682	171,805	32,789
Total	3,157,277	665,878	524,581	3,298,574	989,574	795,503

Deferred tax assets which amounted to JD 989,574 as of December 31, 2013 (JD 795,503 as of December 31, 2012) were not recorded in the Banks' records as the Bank offsets the deferred tax losses from the profits for the year 2013, and it is not certain to benefit from the other tax assets in the near future.

e. Summary of Reconciliation Between Declared Income and Taxable Income:

	2013	2012
	JD	JD
Declared income	4,149,256	3,036,278
<u>Add:</u> Unacceptable tax expenses	1,263,913	977,248
<u>Less:</u> Exempted tax income	(3,402,412)	(1,398,994)
Taxable income	2,010,757	2,614,532

Income Tax Rates:

Jordan branches	30%	30%
Palestine branches	20%	20%

19. Other Provisions

The details of this item are as follows:

Year 2013	Balance - beginning of the year	Expense of the year	Paid during the year	Transferred from the beginning balance	Transferred during the year	Balance - End of the Year
	JD	JD	JD	JD	JD	JD
	Provision for lawsuits against the Bank	402,508	90,403	(210,079)	-	-
Provision for staff indemnity	471,364	104,991	(58,936)	-	-	517,419
Other provisions *	109,295	-	-	96,182	(205,477)	-
	983,167	195,394	(269,015)	96,182	(205,477)	800,251

  

Year 2012	Balance - beginning of the year	Expense of the year	Paid of the year	Transferred from the beginning balance	Transferred during the year	Balance - End of the Year
	JD	JD	JD	JD	JD	JD
	Provision for lawsuits against the Bank	243,420	328,163	(169,075)	-	-
Provision for staff indemnity	432,226	83,138	(44,000)	-	-	471,364
Other provisions	128,917	5,000	(24,622)	-	-	109,295
	804,563	416,301	(237,697)	-	-	983,167

\* This item represents credit cards provision which has been transferred from credit facilities provision as per the Central Bank of Jordan requirements.

## 20. Other Liabilities

The details of this item are as follows:

	December 31,	
	2013	2012
	JD	JD
Acceptable checks	5,260,531	2,926,875
Accrued interests	3,758,151	2,502,789
Refundable and various deposits	3,803,917	2,254,211
Forward currency exchange - Central Bank of Jordan	-	487,006
Foreign currency positions	-	42,424
Safe deposits boxes	62,910	54,661
Shareholders' deposits	12,250	12,250
Income tax deposits	26,387	17,132
Accrued expenses	538,914	378,836
Inwards transfers	380	5,497
Board of Directors' remunerations	35,000	35,000
Received amounts on the sale of land and real estate (Note 13)	1,666,118	658,523
Others	98,819	202,028
Total	15,263,377	9,577,232

## 21. Authorized and Paid-up Capital

The General Assembly of the Bank resolved in its extraordinary meeting held on December 20, 2011 to approve the increase of the authorized, issued and paid-up capital from JD/ Share 82,769,898 as of December 31, 2011, to become JD/Share 100 million, with an increase of JD/Share 17,230,102, by issuing 17,230,102 shares for private underwriting for the price of 1 JD per share for the Bank's registered shareholders. The underwriting procedures have been completed for JD/Share 10,572,281 and the issued and paid-up capital became JD/Share 93,342,179 as of December 31, 2012.

On January 30, 2013 the process of increasing authorized and paid-up capital has been completed whereas the unquoted shares deposited at the Securities Depository Center amounted to JD/Shares 6,657,821 were sold through Amman Stock Exchange, and the authorized and paid-up capital became JD/Shares 100,000,000 in line with Central Bank of Jordan requirements.

## 22. Reserves

The details of the reserves as of December 31, 2013 and 2012 are as follows:

### a. Statutory Reserve

This account represents the accumulated amount of the appropriations from income before tax at 10% during the year and previous years according to the Banks Law and Jordanian Companies Law. This amount is not distributable to the shareholders.

#### b. General Banking Risks Reserve

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

The following represents the general banking risks reserve according to the Banks' branches:

	December 31,	
	2013	2012
	JD	JD
Jordan branches	4,401,302	3,614,043
Palestine branches	738,974	584,620
	<u>5,140,276</u>	<u>4,198,663</u>

#### c. Cyclicity Reserve

This item represents the risk reserve taken in accordance with Palestinian Monetary Authority at a percentage of 15% from net income after tax for Palestine branches for the purpose of supporting the Bank's capital in Palestine and to face risk related to Banking sector. This reserve will accumulate until reaching 20% of the paid - up capital. It is not allowed to use any part of the cyclicity fluctuation reserve or to reduce it without pre-approval from the Palestinian Monetary Authority.

- Restricted Reserves as of the financial statements date are as follows :

Reserve Name	December 31		Restriction Nature
	2013	2012	
	JD	JD	
Statutory Reserve	8,449,542	8,034,616	Restricted according to Banks law and Companies law
General Banking Risks Reserve	5,140,276	4,198,663	Restricted according the Central Bank of Jordan and the Palestinian Monetary Authority
Cyclicity Reserve	897,196	748,884	Palestinian Monetary Authority requirements

#### 23. Fair Value Reserve

The Movement during the year on this item during the year is as follows :

	2013	2012
	JD	JD
Balance - beginning of the year	(4,491,843)	(4,373,535)
<u>Less:</u> Unrealized income (losses) - net	721,643	(1,002,983)
Released from selling financial assets at fair value through statement of comprehensive income	-	996,734
Effect of selling financial assets at fair value through statement of comprehensive income	(81,699)	(112,059)
Balance - End of the Year	<u>(3,851,899)</u>	<u>(4,491,843)</u>

#### 24. Retained Earnings

The movement during the year on this item during the year is as follows:

	<u>2013</u>	<u>2012</u>
	JD	JD
Balance - beginning of the year	1,639,469	1,223,747
Income for the year	3,199,256	2,062,878
(Transferred) to reserves	(1,504,851)	(762,481)
Released from selling financial assets at fair value through comprehensive income	-	(996,734)
Realized gains from selling financial assets at fair value through comprehensive income	<u>81,699</u>	<u>112,059</u>
Balance - End of the Year	<u><u>3,415,573</u></u>	<u><u>1,639,469</u></u>

- Retained earnings include an amount of JD 1,974,218 as of December 31, 2013 and 2012, restricted against the effect of adopting International Financial Reporting Standard No. (9) in accordance with Jordan Securities Commission instructions relating to unrealize differences in the revaluation of financial assets at fair value through statement of comprehensive income net of what has been actual realized through selling transactions.



## 25. Interest Income

The details of this item are as follows:

	<u>2013</u>	<u>2012</u>
	JD	JD
Direct credit facilities:		
<b>Individuals (retail)</b>		
Overdraft accounts	269,464	87,949
Loans and promissory notes	8,554,439	5,610,035
Credit cards	405,056	327,688
<b>Real - estate loans</b>	6,517,649	6,757,851
<b>Companies</b>		
<b>Large</b>		
Overdraft accounts	5,813,455	4,409,851
Loans and promissory notes	13,071,715	12,371,336
<b>Small and medium</b>		
Overdraft accounts	1,743,312	1,996,309
Loans and promissory notes	3,867,939	2,915,633
<b>Government and public sector</b>	986,729	544,779
<b>Balances at central banks</b>	532,109	201,893
<b>Balances and deposits at banks and financial institutions</b>	994,241	835,816
<b>Financial assets at amortized cost</b>	14,293,234	9,552,354
Total	<u>57,049,342</u>	<u>45,611,494</u>

## 26. Interest Expense

The details of this item are as follows:

	<u>2013</u>	<u>2012</u>
	JD	JD
<b>Deposits at banks and financial institutions</b>	3,201,349	874,099
<b>Customers deposits</b>		
Current and call accounts	635,679	358,961
Saving accounts	683,804	461,930
Time and notice deposits	24,856,196	18,954,411
Cash margins	1,848,781	956,499
Borrowed funds	24,909	-
Deposit Insurance Corporation fees	1,185,216	1,141,478
Total	<u>32,435,934</u>	<u>22,747,378</u>

## 27. Net Commission Income

The details of this item are as follows:

	<u>2013</u>	<u>2012</u>
	JD	JD
Direct credit facilities commissions	2,874,509	2,154,753
Indirect credit facilities commissions	<u>2,993,151</u>	<u>3,179,791</u>
Total	<u><u>5,867,660</u></u>	<u><u>5,334,544</u></u>

## 28. Foreign Exchange Income

The details of this item are as follows:

	<u>2013</u>	<u>2012</u>
	JD	JD
Resulted from trading/transactions	291,003	345,872
Resulted from valuation	<u>625,527</u>	<u>558,103</u>
Total	<u><u>916,530</u></u>	<u><u>903,975</u></u>

## 29. Gain (Loss) from Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	Realized	Unrealized		
	Gain	(Losses)	Dividends	Total
<u>Year 2013</u>	JD	JD	JD	JD
Companies' quoted shares	<u>43,420</u>	<u>(58,752)</u>	<u>70,272</u>	<u><u>54,940</u></u>

	Realized	Unrealized		
	(Losses)	Gain	Dividends	Total
<u>Year 2012</u>	JD	JD	JD	JD
Companies' quoted shares	<u>(120,126)</u>	<u>75,604</u>	<u>24,846</u>	<u><u>(19,676)</u></u>

### 30. Other Income

The details of this item are as follows:

	<u>2013</u>	<u>2012</u>
	JD	JD
Credit cards income	596,581	455,259
Rental of safe deposit boxes	23,549	25,382
Collection services income	5,663	18,718
Income from immediate issuance of statements of accounts	13,414	15,868
Telecommunication income	106,644	97,492
Suspended interest transferred to income	888,309	374,381
Recovery of debts previously written-off	597,715	667,914
Income from selling seized properties	940,706	52,647
Proceeds from seized properties	55,360	7,930
Various commissions	146,267	267,520
Gain on sale of property and equipment	-	7,821
Others	631,008	176,350
Total	<u>4,005,216</u>	<u>2,167,282</u>

### 31. Employees Expenses

The details of this item are as follows:

	<u>2013</u>	<u>2012</u>
	JD	JD
Salaries, allowances and employees' benefits	8,138,204	6,942,879
Bank's contribution in social security	737,577	673,397
Bank's contribution in provident fund	29,195	44,138
Medical expenses	432,727	511,507
Staff training expenses	144,081	68,005
Per diems	172,689	135,253
Employees life insurance expense	19,288	21,820
Uniforms	36,273	18,925
Employees gas allowance	26,986	-
Total	<u>9,737,020</u>	<u>8,415,924</u>

### 32. Other Expenses

The details of this item are as follows:

	<u>2013</u>	<u>2012</u>
	JD	JD
Rents	610,359	764,631
Stationery and publications	451,810	392,151
Water, electricity and telecommunication expenses	1,165,731	1,032,238
Legal and lawyer fees	301,402	230,080
Maintenance and car expenses	516,012	461,249
Insurance expenses	169,281	155,026
Programs and computers maintenance	693,770	661,549
Board of Directors' transportation and attendance of meeting fees	132,488	144,266
Fees, licenses and taxes	486,862	285,784
Advertisements and subscriptions	1,485,767	1,318,949
Professional and consultancy fees	393,595	361,002
Collection incentives	438,619	319,622
Donations and social responsibility	320,582	307,660
Cleaning and services	310,343	305,946
Credit card expenses	459,015	399,378
Hospitality	143,096	122,069
Board of Directors' remunerations	35,000	35,000
Restructuring program expenses	-	57,710
Capital increase expenses	53,920	22,233
Impairment loss of seized real estate	234,059	50,272
Impairment loss of seized financial assets	118,225	-
Money shipping expenses	58,286	77,845
Others	212,469	196,230
Total	<u>8,790,691</u>	<u>7,700,890</u>

### 33. Earnings Per Share Pertains to Bank's Shareholders

The details of this item are as follows:

	<u>2013</u>	<u>2012</u>
	JD	JD
Income for the year attributable to the Banks' shareholders	<u>3,199,256</u>	<u>2,062,878</u>
	Share	Share
Weighted average number of shares	<u>100,000,000</u>	<u>93,342,179</u>
	JD / Share	JD / Share
Earnings per share pertains to Banks' shareholders: (Basic)	<u>-/032</u>	<u>-/022</u>
Earnings per share pertains to Banks' shareholders: (Diluted)	<u>-/032</u>	<u>-/022</u>

### 34. Cash and Cash Equivalents

The details of this item are as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
	JD	JD
Balances at central banks due within three months	123,785,204	103,655,689
<u>Add:</u> Balances at banks and financial institutions due within three months	61,300,837	68,368,860
<u>Less:</u> Banks and financial institutions deposits due within three months	(112,175,777)	(38,850,452)
Borrowed funds - Note (17)	(2,000,000)	(14,300,000)
Restricted balances - Note (5)	(401,224)	(1,062,644)
Total	<u>70,509,040</u>	<u>117,811,453</u>

### 35. Transactions with Related Parties

The Bank entered into transactions with the members of the Board of Directors and related parties and companies represented by the members of the Board of Directors and executive management within the normal banking practice and according to the normal interest rates and trading commissions. All of the credit facilities granted to related parties are considered as performing facilities and no impairment provision has been taken as of the date of the financial statement.

Financial statements include transactions and balances with related parties as follows:

	BOD Members and their Related Parties	Companies Represented by the BOD	Employees	Total	
				December 31,	
				2013	2012
	JD	JD	JD	JD	JD
<u>On- Statement of Financial Position Items:</u>					
Deposits	20,250,776	4,359,840	-	24,610,616	10,304,122
Direct credit facilities	265,928	19,678,062	2,252,226	22,196,216	20,071,875
Cash margins	-	477,292	-	477,292	542,202
<u>Off- Statement of Financial Position Items:</u>					
Letters of guarantee	17,590	1,270,458	-	1,288,048	427,932
Letters of acceptance	52,080	5,258,834	-	5,310,914	3,722,905
<u>Statement of Income items:</u>					
Interest and commission income *	14,525	1,350,948	160,892	1,526,365	1,426,553
Interest and commission expense **	609,687	134,697	-	744,384	673,825

\* Credit interest rate ranges between 8% to 8/25% .

\*\* Debit interest rate ranges between 5/85% to 6/9% .

### Executive Management Remunerations

Executive management salaries and remunerations for the Bank amounted to JD 1,482,485 for the year 2013 (JD 1,145,001 for the year 2012).

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

There are no significant differences between the book value and the fair value of the financial assets and liabilities as of year – end 2013 and 2012.

37. Risks Management

The Board of Directors performs its role in ensuring that the Bank manages the various risks and adopts the policies and procedures that streamline the Bank's risks management through the Risks and Audit Committee. Moreover, the Bank sets the risks acceptable limits (risk appetite).

The Risks Management Department evaluates, controls, and recommends mitigating risks, and submits the necessary reports to higher management independently from the other Bank's departments (risk takers) which perform other banking activities in order to ensure the objectivity of the Risks Management Department in analyzing the various risk types.

Furthermore, the Risks Management Department is responsible for the market operating, credit, and liquidity risks (within the Assets and Liabilities Model) of the Bank's local and external branches. It submits its reports to the Risks and Audit Committee within the Board of Directors. These reports are audited by the Internal Audit Department.

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

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

- Setting clear requirements, policies, and decision-making procedures relating to the new or to be renewed credit facilities or any material amendment thereon within specified authorities that match the size and specifications of the credit facilities. Among the factors taken into consideration when granting credit are the purpose of the credit facilities and payment sources.
- Taking decisions within qualified management levels. Moreover, the Bank has various credit committees at the executive management level and the Board of Directors level. This is done away from the impact of conflict of interest and in a manner that guarantees the soundness and independence of the evaluation procedures of the customer requesting credit and the related compatibility with the Bank's credit policy requirements.

- Laying out clear and effective policies and procedures for managing and executing credit including continuous analysis of the ability and readiness of the borrower to pay according to contractual terms, monitoring the credit documentation and any credit terms and covenants, and continuously controlling and evaluating guarantees.
- Establishing adequate policies and procedures to ensure evaluation and management of non-performing credit and its classification in addition to evaluating the adequacy of the provisions monthly based on the instructions of the Central Bank of Jordan and other regulatory authorities under which the Bank operates. This is in addition to a clear policy for writing off debt. Moreover, the Board of Directors approves the adequacy of these provisions.
- Having an independent department that follows up on troubled debts through amicable settlements prior to dealing with them legally.
- Determining the type and size of the required guarantee based on the customer's credit risk evaluation according to clear acceptance procedures and customers evaluation standards.
- Periodically monitoring the fair value of the guarantees. In case their value becomes less than what is specified in the loan terms, the customer is required to provide more guarantees. Upon assessing the adequacy of the provisions, the necessary evaluation of the guarantees is performed.
- Disposing of any guarantee owned after repayment of the customer's debts. In general, seized real estates are not used for the Bank's operations.
- Having an internal credit rating system for its customers documented and approved by the Board of Directors. Any factor contributing to the customer's default is considered in a manner that helps in measuring and rating the customer's risks, and consequently, facilitating the decision-making process and the pricing of credit facilities.
- Having clear rating standards taking into consideration the various financial and non-financial factors. The credit rating system is reviewed and evaluated independently from the credit department through the Risks Management Department in coordination with the concerned departments.

- Having specified and documented controls and ceilings with clear policies and procedures that guarantee commitment to these ceilings and the necessity to obtain prior approvals for any excesses. These controls and ceilings are reviewed and amended periodically, if necessary. Moreover, there are ceilings specified and approved by the Board of Directors relating to dealing with various banks, countries, and economic sectors.
  
- Providing the Board of Directors with a clear picture and analysis of the credit portfolio through the Risks Management Department that clarifies its quality and its various classifications and any concentrations therein, in addition to historical and banking benchmarks.
  
- The Bank adheres to the instructions of the Central Bank of Jordan relating to credit concentration and related parties. The Bank deals with them on an aggregate basis and accords them special care, exercises control, and expresses explicit and clear disclosure thereon when preparing the Bank' financial statements. The required credit facilities are presented by the related parties to the Board of Directors provided that the persons granted the credit facilities have no influence over the Board of Directors, and receive no preferential treatment over the Bank's customers.



Credit risk exposure (after the provision for impairment and interest in suspense and before guarantees and other risks - mitigating factors):

	December 31,	
	2013	2012
	JD	JD
<u>On-Statement of Financial Position Items</u>		
Balances at the central banks	106,486,716	83,194,318
Balances at banks and financial institutions	61,300,837	68,368,860
Direct Credit Facilities - Net:		
Individuals	102,753,256	57,949,259
Real estate loans	72,838,680	74,266,455
Companies		
Large companies	242,779,880	217,609,981
Small and medium institutions (SMEs)	82,766,665	71,629,014
Government and public sector	16,139,632	19,069,471
Treasury Bonds and Bills:		
Financial assets at amortized cost - Net	257,322,849	149,298,558
Pledged financial assets	-	14,300,000
Other assets	5,553,026	3,567,841
Total	<u>947,941,541</u>	<u>759,253,757</u>
<u>Off-Statement of Financial Position Items</u>		
Letters of guarantee	105,511,582	88,224,730
Letters of credit	39,158,054	47,393,133
Letters of acceptance	3,556,873	3,745,050
Unutilized credit facilities ceilings	51,590,769	30,135,915
Total	<u>1,147,758,819</u>	<u>928,752,585</u>

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

	Companies								
	Individuals	Real Estate Loans	Large	Small and Medium	Government and Public Sector	Other Assets	Bonds and Treasury Bills and Pledged Financial Assets	Banks and Other Financial Institutions	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
<u>December 31, 2013</u>									
<u>Low risk</u>	328,796	-	18,669,244	7,341,292	16,139,632	-	229,761,205	106,486,716	378,726,885
<u>Acceptable risk</u>	100,161,231	68,916,457	161,343,164	54,686,858	-	5,553,026	27,561,644	61,300,837	489,523,217
Of which is due:									
within 30 days	147,906	28,650	4,074,844	2,653,687	-	-	-	-	6,905,087
from 31 to 60 days	38,025	57,506	1,134,729	1,236,013	-	-	-	-	2,466,273
<u>Watch list</u>	971,664	998,991	51,475,965	7,702,432	-	-	-	-	61,149,052
<u>Non-performing:</u>									
Substandard	1,790,933	31,882	1,334,034	174,483	-	-	-	-	3,331,332
Doubtful	1,685,372	2,691,441	830,000	1,514,636	-	-	-	-	6,721,449
Bad debt	467,214	6,099,599	53,635,579	9,798,618	-	-	341,368	-	70,342,378
Total	105,405,210	78,738,370	287,287,986	91,218,319	16,139,632	5,553,026	257,664,217	167,787,553	1,009,794,313
<u>Less: Provision for impairment loss</u>	(2,148,943)	(4,622,004)	(31,007,275)	(4,996,276)	-	-	(283,600)	-	(43,058,098)
Interest in suspense	(503,011)	(1,277,686)	(13,500,831)	(3,455,378)	-	-	(57,768)	-	(18,794,674)
Net	102,753,256	72,838,680	242,779,880	82,766,665	16,139,632	5,553,026	257,322,849	167,787,553	947,941,541

	Companies								
	Individuals	Real Estate Loans	Large	Small and Medium	Government and Public Sector	Other Assets	Bonds and Treasury Bills	Banks and Other Financial Institutions	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
<u>December 31, 2012</u>									
<u>Low risk</u>	648,850	-	10,486,905	322,172	19,069,471	-	130,561,378	83,194,318	244,283,094
<u>Acceptable risk</u>	56,343,392	69,327,683	137,747,226	60,877,707	-	3,567,841	33,037,180	68,368,860	429,269,889
Of which is due:									
within 30 days	321,190	-	1,431,527	1,788,002	-	-	-	-	3,540,719
from 31 to 60 days	78,304	-	5,976,009	571,447	-	-	-	-	6,625,760
<u>Watch list</u>	262,736	1,010,441	46,382,105	5,578,145	-	-	-	-	53,233,427
<u>Non-performing:</u>									
Substandard	-	147,259	-	715,329	-	-	-	-	862,588
Doubtful	242,040	1,582,941	3,326,037	2,923,438	-	-	-	-	8,074,456
Bad debt	1,894,478	7,380,863	55,398,683	9,168,685	-	-	318,372	-	74,161,081
Total	59,391,496	79,449,187	253,340,956	79,585,476	19,069,471	3,567,841	163,916,930	151,563,178	809,884,535
<u>Less: Provision for impairment loss</u>	(1,073,172)	(4,065,980)	(26,375,066)	(4,822,243)	-	-	(283,600)	-	(36,620,061)
Interest in suspense	(369,065)	(1,116,752)	(9,355,909)	(3,134,219)	-	-	(34,772)	-	(14,010,717)
Net	57,949,259	74,266,455	217,609,981	71,629,014	19,069,471	3,567,841	163,598,558	151,563,178	759,253,757

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

- Credit exposures includes facilities, balances, deposits at banks ,bonds and treasury bills and any other assets that has a credit exposure.

The following details of distribution for fair value of collaterals against direct credit facilities:

December 31, 2013	Companies					Government and Public Sector	Total
	Individuals	Real Estate Loans	Large	Small and Medium			
	JD	JD	JD	JD	JD		
Guarantees against:							
Low risk	328,796	-	18,669,244	7,341,292	16,139,632		42,478,964
Acceptable risk	3,148,170	68,916,457	169,564,245	92,851,851	-		334,480,723
Watch list	-	998,991	37,855,147	8,848,950	-		47,703,088
Non-performing:							
Substandard	-	31,882	997,910	280,456	-		1,310,248
Doubtful	940,254	2,691,441	2,641,950	1,852,128	-		8,125,773
Bad debt	183,290	6,099,599	21,297,067	8,741,140	-		36,321,096
	<u>4,600,510</u>	<u>78,738,370</u>	<u>251,025,563</u>	<u>119,915,817</u>	<u>16,139,632</u>		<u>470,419,892</u>
Of it:							
Cash margins	328,796	-	12,822,957	7,341,292	-		20,493,045
Accepted letters of guarantee	-	-	3,946,389	-	-		3,946,389
Real estate	1,792,474	78,738,370	190,492,087	97,868,037	-		368,890,968
Trade stocks	765,011	-	39,025,018	7,958,165	-		47,748,194
Vehicles and equipment	1,714,229	-	2,839,214	6,748,323	-		11,301,766
other	-	-	1,899,898	-	16,139,632		18,039,530
	<u>4,600,510</u>	<u>78,738,370</u>	<u>251,025,563</u>	<u>119,915,817</u>	<u>16,139,632</u>		<u>470,419,892</u>

The following details of distribution for fair value of collaterals against direct credit facilities:

December 31, 2012	Companies					Government and Public Sector	Total
	Individuals	Real Estate Loans	Large	Small and Medium			
	JD	JD	JD	JD	JD		
Guarantees against:							
Low risk	649,200	-	10,486,905	364,709	19,069,471		30,570,285
Acceptable risk	4,032,597	70,388,124	147,904,640	76,755,781	-		299,081,142
Watch list	-	-	46,382,105	5,578,145	-		51,960,250
Non-performing:							
Substandard	-	147,259	-	575,990	-		723,249
Doubtful	148,118	1,582,941	169,601	4,018,003	-		5,918,663
Bad debt	1,741,400	7,380,863	24,284,097	9,869,337	-		43,275,697
	<u>6,571,315</u>	<u>79,499,187</u>	<u>229,227,348</u>	<u>97,161,965</u>	<u>19,069,471</u>		<u>431,529,286</u>
Of it:							
Cash margins	641,200	-	10,381,459	364,709	-		11,387,368
Accepted letters of guarantee	-	-	105,446	-	-		105,446
Real estate	3,284,844	79,499,187	170,555,954	85,728,556	-		339,068,541
Trade stocks	525,956	-	47,048,489	7,101,028	-		54,675,473
Vehicles and equipment	2,119,315	-	1,136,000	3,967,672	-		7,222,987
other	-	-	-	-	19,069,471		19,069,471
	<u>6,571,315</u>	<u>79,499,187</u>	<u>229,227,348</u>	<u>97,161,965</u>	<u>19,069,471</u>		<u>431,529,286</u>

**Scheduled Debts:**

Scheduled debts are debts that have been previously classified as non-performing credit facilities, and have been taken out from the framework of non-performing credit facilities according to proper scheduling treatment and classified under watch list debts. Furthermore, scheduled debts amounted to JD 21,919,210 as of December 31, 2013 (JD 35,824,852 as of December 31, 2012).

**Restructured Debts**

Restructuring debts means reorganizing credit facilities in terms of adjusting payments, extending their terms, postponing some installments, or extending the grace period. Restructured debts amounted to JD 17,663,901 as of December 31, 2013 (JD 3,368,007 as of December 31, 2012).

**Bonds, Bills and Treasury Bills**

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

<u>Rating grade</u>	December 31	
	2013	2012
	JD	JD
Unclassified	27,561,644	33,037,180
Governmental and guaranteed by government	229,761,205	116,261,378
	<u>257,322,849</u>	<u>149,298,558</u>

\* All bonds, bills and treasury bills are included in the portfolio of financial assets at amortized cost.

Credit Risk Exposure according to Geographical Areas is as follows:

<u>Geographical Area</u>	<u>Inside the Kingdom</u>	<u>Other Middle East Countries</u>	<u>Europe</u>	<u>Asia *</u>	<u>Africa *</u>	<u>America **</u>	<u>Total</u>
	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	94,231,499	12,255,217	-	-	-	-	106,486,716
Balances at banks and financial institutions	51,096,221	6,827,157	3,709,464	16,064	235,429	(583,498)	61,300,837
Direct credit facilities - Net:							
Individuals	95,970,916	6,782,340	-	-	-	-	102,753,256
Real estate loans	72,838,680	-	-	-	-	-	72,838,680
Companies:							
Large	242,779,880	-	-	-	-	-	242,779,880
Small and medium (SMEs)	70,465,850	12,300,815	-	-	-	-	82,766,665
Government and public sector	625,000	15,514,632	-	-	-	-	16,139,632
Financial assets at amortized cost-net	242,322,849	15,000,000	-	-	-	-	257,322,849
Pledged financial assets							
Other assets	5,469,036	83,990	-	-	-	-	5,553,026
Total/for the Current Year	<u>875,799,931</u>	<u>68,764,151</u>	<u>3,709,464</u>	<u>16,064</u>	<u>235,429</u>	<u>(583,498)</u>	<u>947,941,541</u>
Total/Comparative Figures	<u>654,840,207</u>	<u>82,996,428</u>	<u>19,949,458</u>	<u>19,424</u>	<u>-</u>	<u>1,448,240</u>	<u>759,253,757</u>

\* Excluding Middle East Countries.

\*\* This item represent balance at foreign bank accounts that have been covered during the subsequent period in 2014.

Credit Risk Exposure according to Economic Sector is as follows:

Economic Sector	Financial	Industrial	Trade	Real - estate	Agricultural	Shares	Transportation Services	Tourism, Hotels and Restaurants	Services and Public	Individuals	Government and Public Sector	Other	Impairment Provision and Interest in Suspense	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	106,486,716	-	-	-	-	-	-	-	-	-	-	-	-	106,486,716
Balances at banks and financial institutions	61,300,837	-	-	-	-	-	-	-	-	-	-	-	-	61,300,837
Direct credit facilities - net	10,969,036	73,194,761	147,628,156	78,738,370	28,776,426	37,643,984	7,256,184	13,682,563	45,718,421	97,979,063	16,139,632	21,062,921	(61,511,404)	517,278,113
Financial assets at amortized cost - net	2,006,937	-	-	8,880,000	-	-	-	1,675,000	14,999,707	-	229,761,205	-	-	257,322,849
Other assets	5,553,026	-	-	-	-	-	-	-	-	-	-	-	-	5,553,026
<b>Total / for the Current Year</b>	<b>186,316,552</b>	<b>73,194,761</b>	<b>147,628,156</b>	<b>87,618,370</b>	<b>28,776,426</b>	<b>37,643,984</b>	<b>7,256,184</b>	<b>15,357,563</b>	<b>60,718,128</b>	<b>97,979,063</b>	<b>245,900,837</b>	<b>21,062,921</b>	<b>(61,511,404)</b>	<b>947,941,541</b>
<b>Total / Comparative Figures</b>	<b>170,200,937</b>	<b>87,226,384</b>	<b>125,993,374</b>	<b>82,533,925</b>	<b>30,819,714</b>	<b>33,501,911</b>	<b>7,643,660</b>	<b>17,451,462</b>	<b>25,503,978</b>	<b>59,391,496</b>	<b>164,417,225</b>	<b>5,250,469</b>	<b>(50,680,778)</b>	<b>759,253,757</b>

### 37/a- Market Risks

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

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

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

The Bank has shares and bonds investment portfolio for trading purposes (Financial Assets designated at Fair value through profit or loss) and adopts the sensitivity analysis method thereon whereby present risks are measured according to the Standardized Approach for calculating minimum capital based on Basel Committee recommendations.

#### Interest Rate Risk:

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

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

- Sensitivity Analysis:

For the Year 2013

Currency	Change - increase in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	(67,844)	-
Euro	1	(339)	-
GBP	1	(3,694)	-
ILS	1	(15,055)	-
Other currencies	1	(101,862)	-

Currency	Change - (decrease) in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	67,844	-
Euro	1	339	-
GBP	1	3,694	-
ILS	1	15,055	-
Other currencies	1	101,862	-

For the Year 2012

Currency	Change - increase in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	50,135	-
Euro	1	5,265	-
GBP	1	332	-
ILS	1	(27,565)	-
Other currencies	1	39,433	-

Currency	Change - (decrease) in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	(50,135)	-
Euro	1	(5,265)	-
GBP	1	(332)	-
ILS	1	27,565	-
Other currencies	1	(39,433)	-



### 37/b-Foreign Currencies Risk

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

#### For the Year 2013

<u>Currency</u>	<u>Change in Foreign Currency Rate</u>	<u>Effect on Profit or Loss</u>	<u>Effect on Owners' Equity</u>
	%	JD	JD
USD	5	(339,220)	-
Euro	5	(1,335)	-
GBP	5	18,468	-
ILS	5	(75,274)	-
Other currencies	5	509,308	-

#### For the Year 2012

<u>Currency</u>	<u>Change in Foreign Currency Rate</u>	<u>Effect on Profit or Loss</u>	<u>Effect on Owners' Equity</u>
	%	JD	JD
USD	5	250,673	-
Euro	5	26,322	-
GBP	5	1,656	-
ILS	5	(137,822)	-
Other currencies	5	197,165	-

#### - Risks of Changes in Shares Prices

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

#### For the Year 2013

<u>Indicator of</u>	<u>Change in Indicator</u>	<u>Effect on Profit or Loss</u>	<u>Effect on Owners' Equity</u>
	%	JD	JD
Amman and Palestine Stock Exchange	5	272,024	481,937
Amman and Palestine Stock Exchange	(5)	(272,024)	(481,937)

#### For the Year 2012

<u>Indicator of</u>	<u>Change in Indicator</u>	<u>Effect on Profit or Loss</u>	<u>Effect on Owners' Equity</u>
	%	JD	JD
Amman and Palestine Stock Exchange	5	155,598	298,845
Amman and Palestine Stock Exchange	(5)	(155,598)	(298,845)

**Interest Rate Repricing Gap:**

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

Reclassification is made in accordance with pricing interest periods or maturity, whichever is nearer.

Interest rate sensitivity is as follows:

	Interest Rate Repricing Gap								
	December 31, 2013		One Month	3 Months Up	6 Months Up	One Year	More than	Non-Interest	Total
	Less than One Month	Up to 3 Months	to 6 Months	to 1 Year	Up to 3 Years	3 Years	Bearing		
<b>Assets:</b>	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	38,000,000	-	-	-	-	-	7,444,500	78,340,704	123,785,204
Balances at banks and financial institutions	53,033,225	6,158,502	-	-	-	-	-	2,109,110	61,300,837
Direct credit facilities -net	31,418,066	58,624,880	37,087,210	72,879,332	7,874,577	309,394,048	-	-	517,278,113
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,440,483	5,440,483
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	9,638,731	9,638,731
Financial assets at amortized cost	1,999,960	8,002,434	18,001,923	42,379,137	137,862,408	49,076,987	-	-	257,322,849
Pledged financial assets	-	-	-	-	-	-	-	24,367,275	24,367,275
Property and equipment - net	-	-	-	-	-	-	-	-	-
Intangible assets - net	-	-	-	-	-	-	-	722,991	722,991
Other assets	5,090,983	-	-	-	-	-	-	50,033,061	55,124,044
<b>Total Assets</b>	<b>129,542,234</b>	<b>72,785,816</b>	<b>55,089,133</b>	<b>115,258,469</b>	<b>145,736,985</b>	<b>365,915,535</b>	<b>170,652,355</b>	<b>1,054,980,527</b>	
<b>Liabilities:</b>									
Banks and financial institutions deposits	69,620,777	42,555,000	-	-	-	-	-	-	112,175,777
Customers' deposits	373,895,708	81,905,111	76,691,719	58,894,696	-	-	-	151,616,704	743,003,938
Cash margin	33,222,891	6,040,526	9,060,789	17,030,541	-	-	-	-	65,354,747
Borrowed funds	-	-	-	-	-	2,000,000	-	-	2,000,000
Other provisions	-	-	-	-	-	-	-	2,331,748	2,331,748
Income tax provision	-	-	-	-	-	-	-	800,252	800,252
Other liabilities	-	-	-	-	-	-	-	15,263,377	15,263,377
<b>Total Liabilities</b>	<b>476,739,376</b>	<b>130,500,637</b>	<b>85,752,508</b>	<b>75,925,237</b>	<b>-</b>	<b>2,000,000</b>	<b>170,012,081</b>	<b>940,929,839</b>	
Interest Rate Repricing Gap	(347,197,142)	(57,714,821)	(30,663,375)	39,333,232	145,736,985	363,915,535	640,274	114,050,688	
<b>December 31, 2012</b>									
Total Assets	136,681,393	44,423,873	37,361,904	101,827,124	119,051,665	267,707,464	137,289,607	844,343,030	
Total Liabilities	406,572,639	77,622,107	60,242,727	42,711,951	-	-	153,721,638	740,871,062	
Interest Rate Repricing Gap	(269,891,246)	(33,198,234)	(22,880,823)	59,115,173	119,051,665	267,707,464	(16,432,031)	103,471,968	

Concentration in Foreign Currencies Risk:

December 31, 2013

	US Dollar	Euro	Sterling Pound	Shekel	Others	Total
	JD	JD	JD	JD	JD	JD
<b>Assets:</b>						
Cash and balances at the central banks	19,451,439	2,650,322	157,388	3,560,271	424,459	26,243,879
Balances at banks and financial institutions	25,539,446	3,736,781	1,336,874	4,195,563	877,911	35,686,575
Direct credit facilities - net	30,548,395	141,019	6	5,236,014	12,142,369	48,067,803
Financial assets at fair value through other comprehensive income	1,935,709	-	-	-	-	1,935,709
Financial assets at amortized cost	12,231,494	-	-	-	-	12,231,494
Property and equipment - net	5,757	-	-	-	-	5,757
Other assets	3,256,073	-	-	1,856,503	15,319	5,127,895
<b>Total Assets</b>	<b>92,968,313</b>	<b>6,528,122</b>	<b>1,494,268</b>	<b>14,848,351</b>	<b>13,460,058</b>	<b>129,299,112</b>
<b>Liabilities:</b>						
Banks and financial institutions deposits	9,579,243	665,758	7,226	1,612,714	148,528	12,013,469
Customers' deposits	76,156,244	5,394,806	1,117,692	13,968,119	1,637,630	98,274,491
Cash margins	8,657,135	501,428	-	658,001	1,486,029	11,302,593
Other liabilities	1,468,296	-	-	115,005	1,714	1,585,015
Shareholders' equity	3,891,804	-	-	-	-	3,891,804
<b>Total Liabilities</b>	<b>99,752,722</b>	<b>6,561,992</b>	<b>1,124,918</b>	<b>16,353,839</b>	<b>3,273,901</b>	<b>127,067,372</b>
<b>Net Concentration on - Statement of Financial</b>						
<b>Position for the Current Year</b>	<b>(6,784,409)</b>	<b>(33,870)</b>	<b>369,350</b>	<b>(1,505,488)</b>	<b>10,186,157</b>	<b>2,231,740</b>
<b>Off- Statement of Financial Position Contingent</b>						
<b>Liabilities for the Current Year</b>	<b>26,715,638</b>	<b>206,017</b>	<b>6,131,102</b>	<b>245,625</b>	<b>1,477,096</b>	<b>34,775,478</b>

December 31, 2012

<b>Assets:</b>						
Cash and balances at the central banks	18,007,410	10,229,700	46,073	4,551,805	898,367	33,733,355
Balances at banks and financial institutions	39,941,907	3,582,626	1,640,377	10,915,203	2,234,538	58,314,651
Direct credit facilities - net	33,110,990	139,851	23	5,119,671	4,144,578	42,515,113
Financial assets at fair value through other comprehensive income	1,531,857	-	-	-	-	1,531,857
Financial assets at amortized cost	4,134,063	-	-	-	-	4,134,063
Other assets	2,248,028	-	-	1,044,041	640	3,292,709
<b>Total Assets</b>	<b>98,974,255</b>	<b>13,952,177</b>	<b>1,686,473</b>	<b>21,630,720</b>	<b>7,278,123</b>	<b>143,521,748</b>
<b>Liabilities:</b>						
Banks and financial institutions deposits	21,402,169	679,744	2,313	9,839,640	554,568	32,478,434
Customers' deposits	83,809,671	10,451,068	1,651,017	13,696,329	1,867,620	111,475,705
Cash margins	8,961,556	2,294,920	7	801,816	905,061	12,963,360
Other liabilities	(20,212,608)	-	-	49,371	7,578	(20,155,659)
Shareholders' equity	2,525,343	-	-	-	-	2,525,343
<b>Total Liabilities</b>	<b>96,486,131</b>	<b>13,425,732</b>	<b>1,653,337</b>	<b>24,387,156</b>	<b>3,334,827</b>	<b>139,287,183</b>
<b>Net Concentration on - Statement of Financial</b>						
<b>Position for the Current Year</b>	<b>2,488,124</b>	<b>526,445</b>	<b>33,136</b>	<b>(2,756,436)</b>	<b>3,943,296</b>	<b>4,234,565</b>
<b>Off- Statement of Financial Position Contingent</b>						
<b>Liabilities for the Current Year</b>	<b>26,672,628</b>	<b>205,685</b>	<b>6,121,231</b>	<b>245,230</b>	<b>1,444,766</b>	<b>34,689,540</b>

### 37/ c. Liquidity Risk

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

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

- The Bank adheres to the liquidity ratios set by the Central Bank of Jordan and other regulatory authorities under which the Bank's external branches operate. Liquidity is monitored on a daily basis by the Bank.
- Liquidity is also monitored by the Assets and Liabilities Management Committee headed by the General Manager through periodic reports.

	Less than One Month	More than One Month up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to One Year	More than One Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total
	JD	JD	JD	JD	JD	JD	JD	JD
<u>December 31, 2013</u>								
Liabilities:								
Banks and financial institutions deposits	69,620,777	42,555,000	-	-	-	-	-	112,175,777
Customers' deposits	497,340,171	81,905,111	76,691,719	58,894,696	-	-	28,172,241	743,003,938
Cash margins	22,834,959	8,348,955	12,523,433	21,647,400	-	-	-	65,354,747
Borrowed funds	-	-	-	-	-	2,000,000	-	2,000,000
Income tax provision	-	-	-	2,331,748	-	-	-	2,331,748
Other provisions	-	-	-	800,252	-	-	-	800,252
Other liabilities	5,417,047	7,174,512	-	1,666,118	48,590	-	957,110	15,263,377
Total	595,212,954	139,983,578	89,215,152	85,340,214	48,590	2,000,000	29,129,351	940,929,839
Total Assets based on expected maturity	233,540,282	68,700,490	55,105,635	117,236,334	507,280,769	-	73,117,017	1,054,980,527
<u>December 31, 2012</u>								
Liabilities:								
Banks and financial institutions deposits	38,850,452	-	-	-	-	-	-	38,850,452
Customers' deposits	429,253,911	68,077,451	46,664,976	54,045,690	-	-	20,446,407	618,488,435
Cash margins	28,424,591	5,168,107	7,752,161	15,945,169	-	-	-	57,290,028
Borrowed funds	14,300,000	-	-	-	-	-	-	14,300,000
Other provisions	-	-	-	983,167	-	-	-	983,167
Income tax provision	-	-	1,381,748	-	-	-	-	1,381,748
Other liabilities	4,238,068	4,561,832	35,000	658,523	42,251	-	41,558	9,577,232
Total	515,067,022	77,807,390	55,833,885	71,632,549	42,251	-	20,487,965	740,871,062
Total Assets based on expected maturity	159,074,898	56,167,046	35,565,093	162,760,577	351,545,005	-	79,230,411	844,343,030

Second: Off - statement of financial position items:

December 31, 2013	Up to One Year	From One Year to 5 Years	Total
	JD	JD	JD
Guarantees	105,511,582	-	105,511,582
Letters of credit and acceptances	42,714,927	-	42,714,927
Operating lease contract liabilities	637,387	-	637,387
Unutilized credit facilities ceilings	51,590,769	-	51,590,769
	200,454,665	-	200,454,665
	200,454,665	-	200,454,665

  

December 31, 2012	Up to One Year	From One Year to 5 Years	Total
	JD	JD	JD
Guarantees	88,224,730	-	88,224,730
Letters of credit and acceptances	51,138,183	-	51,138,183
Operating lease contract liabilities	604,694	-	604,694
Unutilized credit facilities ceilings	30,135,915	-	30,135,915
	170,103,522	-	170,103,522
	170,103,522	-	170,103,522

**38. Information on the Bank's Business Segments**

a. Information on the key business segments :

The Bank is organized for managerial purposes, into four major sectors. Which are measured according to reports that are used by the executive and the key decision makers at the Bank, through its following major sectors:

- Individual accounts: includes following up on individual customers deposits, and granting them credit, credit cards and other services.
- Corporate accounts: includes following up on deposits, credit facilities, and other banking services related to customers from corporate.
- Treasury: includes providing dealing services and managing the Bank's funds.
- Others: this industry includes the activities which do not meet the definition of Bank's business segments mentioned above.

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

	Individuals	Corporations	Treasury	Others	Total	
					For the Year Ended December 31,	
					2013	2012
	JD	JD	JD	JD	JD	JD
Gross income for the year	5,233,114	19,925,336	9,009,542	1,398,222	35,566,214	31,551,724
<u>Less: Provision for impairment loss in direct credit facilities</u>	(1,522,833)	(8,842,637)	-	-	(10,365,470)	(9,960,273)
<u>Less: Impairment in financial assets</u>	-	-	-	-	-	(226,880)
Business Sector results	3,710,281	11,082,699	9,009,542	1,398,222	25,200,744	21,364,571
<u>Less: Expenditures not distributed over sectors</u>	(3,053,588)	(11,626,686)	(5,714,832)	(656,382)	(21,051,488)	(18,328,293)
Income (loss) before income tax	656,693	(543,987)	3,294,710	741,840	4,149,256	3,036,278
<u>Less: Income tax expense for the year</u>	-	-	-	(950,000)	(950,000)	(973,400)
Income (loss) for the Year	656,693	(543,987)	3,294,710	(208,160)	3,199,256	2,062,878
Capital Expenditures	-	-	-	5,082,604	5,082,604	7,124,047
Depreciation and Amortization	-	-	-	2,328,383	2,328,383	1,795,178
Total Assets	100,361,879	418,781,711	422,581,586	113,255,351	1,054,980,527	844,343,030
Total Liabilities	448,925,293	356,483,904	118,505,481	17,015,161	940,929,839	740,871,062

**b. Information on the Geographical Allocation:**

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

The following is the Bank's revenue, assets, and capital expenditures according to geographic allocation:

	Inside Kingdome		Outside Kingdom		Total	
	For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,	
	2013	2012	2013	2012	2013	2012
	JD	JD	JD	JD	JD	JD
Gross Income	31,094,004	27,674,558	4,472,210	3,877,166	35,566,214	31,551,724
Capital Expenditures	4,636,958	6,118,828	445,646	1,005,219	5,082,604	7,124,047
	December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2012
	JD	JD	JD	JD	JD	JD
Total Assets	980,918,417	731,210,458	74,062,110	113,132,572	1,054,980,527	844,343,030

### 39 - Capital Management

#### a. Description of Capital

Capital is categorized into various categories, such as; paid-up capital, economic capital, and regulatory capital. Moreover, regulatory capital is defined, according to the Banks Law, as the total value of the items determined by the Central Bank for control purposes to meet the requirements of the capital adequacy ratio required by the Central Bank of Jordan instructions. Furthermore, regulatory capital consists of two parts: Primary Capital (tier 1) made up of paid-up capital, declared reserves (including statutory reserve, voluntary reserve, share premium, and treasury share premium), and retained earnings after excluding restricted amounts and non-controlling interests net of loss for the period(if any), costs of the acquisition of treasury shares, deferred provisions approved by the Central Bank, restructuring balance and goodwill Support capital, as for the second part (tier 2), additional paid in capital, it consists of the foreign currencies translation differences, general banking risks reserve, instruments with debt-equity shared characteristics, support debts and 45% of the financial assets valuation reserve, if positive, and is deducted in full, if negative.

A third part of capital (tier 3) might be formed in case the capital adequacy ratio goes below 12% due to factoring capital adequacy ratio into market risks.

Investments in the capitals of banks, insurance and other financial institutions are deducted.

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

Instructions of the Central Bank require that paid-up capital not to be less than JD 100 million and shareholders' equity-to-assets ratio not to be less than 6%. Moreover, the Central Bank instructions require that the ratio of regulatory capital to assets weighted by risks and market risks (capital adequacy ratio) be not less than 12% which the Bank considers to meet. Furthermore, the Bank increased its issued and paid-up capital during the year 2012 to become JD/share 93,342,179 as of December 31, 2012, whereby the increasing paid-up capital procedures were completed to become JD/share 100 million as of January 31, 2013, to commensurate with the Central bank of Jordan Requirements .

The Bank complies with Article (62) of the Banks Law which requires the Bank to appropriate 10% of its annual net profits in the Kingdom and continue to do so until the reserve equals the Bank's paid-up capital. This meets the requirements of the statutory reserve prescribed by the Companies Law.

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

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

c. Method of Achieving Capital Management Goals.

The Bank considers the compatibility of the size of its capital with the size, nature, and complexity of the risk the Bank is exposed to in a manner that does not contradict the prevailing regulations and instructions. This is reflected in its strategic plans and annual budgets. To be more conservative in hedging against surrounding conditions and economic cycles, the Board of Directors decided, within the Bank's strategy, that capital adequacy ratio be not less than 12%.

When entering into investments, the impact on capital adequacy ratio is considered. Moreover, capital and its adequacy are monitored periodically as capital adequacy ratio is monitored at the Group level and the individual Bank every quarter. Furthermore, capital adequacy is reviewed by internal audit, and capital ratios are monitored monthly. Such ratios are financial leverage, shareholders' equity to assets, shareholders' equity to customers' deposits, internal growth of capital, provisions, and free capital. This should achieve the appropriate financial leverage, and consequently, the targeted return on shareholders' equity not less than 20% as prescribed by the Bank's strategy.

No dividends are paid to shareholders out of the regulatory capital if such payment leads to in adherence to the minimum capital requirement. The Bank concentrates on the internal growth of capital and can resort to public subscriptions to meet expansionary needs and future plans, or the requirements of the regulatory bodies according to specified studies.



### Capital Adequacy

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

	December 31,	
	2013	2012
	JD	JD
Core capital items:		
Authorized and paid-up capital	100,000,000	93,342,179
Statutory reserve	8,449,542	8,034,616
Cyclical Reserve	897,196	748,884
Retained earnings	2,329,753	553,648
<u>Less:</u>		
Bank's Capital restructuring balance	(5,177,555)	(5,177,555)
Investments in banks capital and other financial institutions	(3,103,584)	(3,958,545)
Intangible assets – net	(722,991)	(1,360,051)
Seized properties whose ownership period is more than four years	(3,258,441)	(2,700,326)
Adjustments according to the Central Bank of Jordan requirements	(2,159,792)	(7,416,147)
<b>Total Core Capital</b>	<b>97,254,128</b>	<b>82,066,703</b>
Authorized and paid-up capital items:		
Financial assets valuation reserve	(3,851,899)	(4,491,843)
General banking risks reserve	5,140,276	4,198,663
Investments in banks capital and other financial institutions	(1,288,377)	293,180
<b>Total supplementary capital</b>	<b>-</b>	<b>-</b>
<b>Total Core and Regulatory Capital</b>	<b>97,254,128</b>	<b>82,066,703</b>
<b>Total Regulatory Capital</b>	<b>97,254,128</b>	<b>82,066,703</b>
Total assets weighted by risks	786,325,941	672,368,943
Ratio of regulatory capital	12/37%	12/21%
Core capital ratio	12/37%	12/21%

40. Analysis of Maturities Assets and Liabilities

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

	<u>December 31, 2013</u>		
	<u>Up to One Year JD</u>	<u>More than One Year JD</u>	<u>Total JD</u>
<b>ASSETS</b>			
Cash and balances at central banks	123,785,204	-	123,785,204
Balances at banks and financial institutions	61,300,837	-	61,300,837
Direct credit facilities -net	202,187,878	315,099,235	517,287,113
Financial assets at fair value through profit or loss	5,440,483	-	5,440,483
Financial assets at fair value through other comprehensive income	-	9,638,731	9,638,731
Financial assets at amortized cost-net	70,383,454	186,939,395	257,322,849
Property and equipment - net	-	24,367,275	24,367,275
Intangible assets - net	-	722,991	722,991
Other assets	12,109,469	43,005,575	55,115,044
<b>TOTAL ASSETS</b>	<b>475,207,325</b>	<b>579,773,202</b>	<b>1,054,980,527</b>
<b>LIABILITIES</b>			
Banks and financial institutions deposits	112,175,777	-	112,175,777
Customers deposits	714,831,697	28,172,241	743,003,938
Cash margins	65,354,747	-	65,354,747
Borrowed funds	-	2,000,000	2,000,000
Other provisions	800,252	-	800,252
Provision for income tax	2,331,748	-	2,331,748
Other liabilities	15,214,787	48,590	15,263,377
<b>TOTAL LIABILITIES</b>	<b>910,709,008</b>	<b>30,220,831</b>	<b>940,929,839</b>
<b>NET ASSETS</b>	<b>(435,501,683)</b>	<b>549,552,371</b>	<b>114,050,688</b>
<u>December 31, 2012</u>			
<b>ASSETS</b>			
Cash and balances at central banks	103,655,689	-	103,655,689
Balances at banks and financial institutions	68,368,860	-	68,368,860
Direct credit facilities - net	177,104,077	263,420,103	440,524,180
Financial assets at fair value through profit or loss	-	3,111,976	3,111,976
Financial assets at fair value through other comprehensive income	-	7,982,764	7,982,764
Financial assets at amortized cost -net	45,256,475	104,042,083	149,298,558
Property and equipment - net	14,300,000	-	14,300,000
Intangible assets - net	-	20,975,994	20,975,994
Other assets	-	1,360,051	1,360,051
<b>TOTAL ASSETS</b>	<b>4,902,513</b>	<b>29,862,445</b>	<b>34,764,958</b>
	<b>413,587,614</b>	<b>430,755,416</b>	<b>844,343,030</b>
<b>LIABILITIES</b>			
Banks and financial institutions deposits			
Customers deposits	38,850,452	-	38,850,452
Cash margins	598,042,028	20,446,407	618,488,435
Borrowed funds	57,290,028	-	57,290,028
	14,300,000	-	14,300,000
Other provisions	983,167	-	983,167
Provision for income tax	1,381,748	-	1,381,748
Other liabilities	9,493,423	83,809	9,577,232
<b>TOTAL LIABILITIES</b>	<b>720,340,846</b>	<b>20,530,216</b>	<b>740,871,062</b>
<b>NET ASSETS</b>	<b>(306,753,232)</b>	<b>410,225,200</b>	<b>103,471,968</b>

#### 41. Fair Value Hierarchy

A. The fair value of financial assets and financial liabilities of the Bank specified at fair value on an ongoing basis:

Some financial assets and liabilities of the bank are evaluated at fair value at the end of each fiscal period, the following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used).

Financial Assets/Financial Liabilities	Fair Value	The Level of Fair Value	Evaluation Method and Inputs used	Important Intangible Inputs	Relation between the fair value and the important intangible inputs
	December 31, 2013 JD				
<b>Financial Assets at Fair Value</b>					
<b>Financial Assets at Fair Value Through Income Statement</b>					
Shares that have available market price	5,440,483	Level One	Stated Rates in financial markets	Doesn't Apply	Doesn't Apply
<b>Total</b>	<b>5,440,483</b>				
<b>Financial Assets at Fair Value through Comprehensive Income</b>					
Shares that have available market price	7,476,720	Level One	Stated Rates in financial markets	Doesn't Apply	Doesn't Apply
Shares that doesn't have available market price	2,162,011	Level Two	Financial Statements issued by Companies	Doesn't Apply	Doesn't Apply
<b>Total</b>	<b>9,638,731</b>				
<b>Total Financial Assets at Fair Value</b>	<b>15,079,214</b>				

There were no transfers between level 1 and level 2 during the year 2013

#### B - The fair value of financial assets and financial liabilities of the bank (non-specific fair value on an ongoing basis):

Except what is set out in the table below, we believe that the carrying amount of financial assets and liabilities shown in the financial statements of the bank approximate their fair value, because the bank managements believes that the carrying value of the items is equivalent to the fair value. And this is due to either maturity or short-term interest rates that have been repriced during the year

	December 31, 2013		The Level of Fair Value
	Book value	Fair Value	
	JD	JD	
<b>Financial Assets of non-specified Fair Value</b>			
Cash at Central Banks	123,785,204	123,785,204	Level Two
Cash at Banks and Financial Institutions	61,300,837	61,300,837	Level Two
Deposits at Banks and Financial Institutions	517,278,113	517,278,113	Level Two
Loans and Bills and others	257,322,849	257,322,849	Level One&Two
Financial Assets at Amortized Cost	54,490,460	60,825,188	
<b>Total Financial Assets of non-specified Fair Value</b>	<b>1,014,177,463</b>	<b>1,020,512,191</b>	
<b>Financial Liabilities of non-specified Fair Value</b>			
Deposits at Banks and Financial Institutions	112,175,777	112,175,777	Level Two
Customer's Deposits	743,003,938	743,003,938	Level Two
Cash Margin	65,354,747	65,354,747	Level Two
Cash Insurance	2,000,000	2,000,000	Level Two
<b>Total Financial Liabilities of non-specified Fair Value</b>	<b>922,534,462</b>	<b>922,534,462</b>	

The fair value for the financial assets and liabilities for the level 2 and level 3 were determined in accordance to an agreed pricing models, which reflects the credit risk of the parties that are dealing with it.

42. Commitments and Contingent Liabilities (Off - Statement of Financial Position)

a. Credit commitments and contingencies:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
	JD	JD
Letters of credit	39,158,054	47,393,133
Letters of acceptances	3,556,873	3,745,050
Letters of guarantee :		
Payments	29,470,229	20,429,234
Performance bonds	30,266,352	31,748,118
Others	45,775,001	36,047,378
Unutilized credit facilities ceilings	<u>51,590,769</u>	<u>30,135,915</u>
Total	<u><u>199,817,278</u></u>	<u><u>169,498,828</u></u>

b. Operating leases amounted to JD 637,387 as of December 31, 2013 (JD 604,694 as of December 31, 2012).

#### 43. Lawsuits against the Bank

The Bank is a defendant in lawsuits amounting to JD 1,764,669 as of December 31, 2013 (JD 2,333,065 as of December 31, 2012). In the opinion of the Bank's management and legal advisor, no liabilities shall arise against the Bank exceeding the existing booked provision of JD 282,832 as of December 31, 2013 (JD 402,508 as of December 31, 2012).

#### 44. Adoption of new and revised International Financial Reporting Standards (IFRSs)

##### 44.a. New and revised IFRSs applied with no material effect on the financial statements:

The following new and revised IFRSs have been adopted in the preparation of the financial statements for which they did not have any material impact on the amounts and disclosures of the financial statements; however, they may affect the accounting for future transactions and arrangements.

##### **IFRS 10 Consolidated Financial Statements.**

Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

##### **IFRS 11 Joint Arrangements.**

Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

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

Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

##### **IFRS 13 Fair Value Measurement**

Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements.

**IAS 27 Separate Financial Statements (2011)**

Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

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

This Standard supersedes IAS 28 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

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

Amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosures to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

***Annual Improvements IFRSs 2009-2011 Cycle***

IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34.

***Amendments to Governmental loans***

IFRS 1.

***Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance***

Provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

44.b. New and revised IFRSs issued but not yet effective

The following new and revised IFRSs have been issued but are not effective yet:

The Bank has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

	Effective for Annual Periods <u>Beginning On or After</u>
Amendments to IAS 32 Financial Statements Offsetting Financial Assets and Liabilities.	1 January 2014.
Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities.	1 January 2014.
<i>Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets.</i>	1 January 2014.
<i>Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting.</i>	1 January 2014.
IFRIC 21 Levies	1 January 2014.
Amendments to IFRS (9): Financial Instruments and IFRS (7) : Financial Instruments / Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2017

Management anticipates that each of the above standards and interpretations will be adopted in the financial statements by its date mentioned above without having any material impact on the Bank's financial statements.