البنك التجاري الأردني
Jordan Commercial Bank
Closer to you

# Annual Report 2017

Our journey embellishes with the colors of success

# Annual Report

For the year ended on 31st December 2017

His Majesty
**King Abdullah II bin Al-Hussein**

HRH Crown Prince
**Al-Hussein bin Abdullah II**

# Contents

# Mission Statement

**Our Vision:**
Our vision is to become Jordan's leading private financial institution. We strive to achieve this goal by providing advanced and secure services in line with best banking practices.

**Our Goals:**
We aim to provide our corporate, retail, and investment clients with customized, high quality and competitively priced financial solutions. Through both our ever-increasing and regularly enhanced range of cutting-edge banking solutions and our efficient distribution channels, we are able to deliver world-class products and services that reward our stakeholders and customers, as well as our employees.

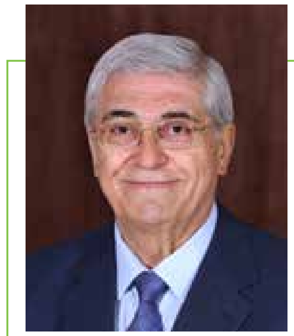
**Our Values:**
- Our employees are our greatest asset.
- Our customers are our highest priority.
- Transparency underpins our credibility.
- A sense of responsibility is the guide to our customer service.
- We strive for continuous improvement.
- We are driven by our deep sense of responsibility towards our community.

# Board of Directors

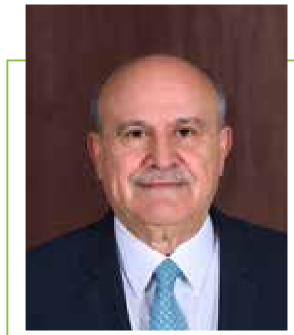
Balance and stability in every aspect

**The green**
color symbolizes
progress and balance

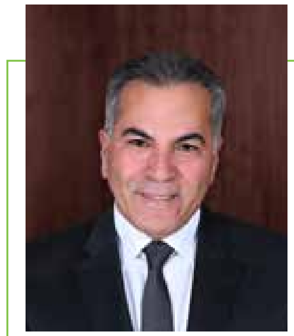
# Members of the Board of Directors



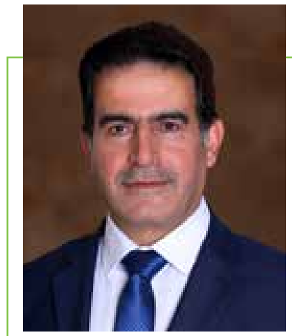
**Mr. Michael Faiq Ibrahim Sayegh**
Chairman



**H.E. Mr. Ayman Haza' Barakat Al-Majali**
Vice Chairman



**Mr. Sharif Tawfiq Hamad Al-Rawashdeh**
Member



**Social Security Corporation (first seat)**
Member Represented by:

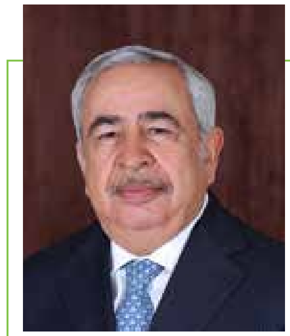
**Mr. Jihad Ali Ahmad Al Shara**
until 2017/4/22

**Mr. Mazen Hamdi Mohammad Al Sahsah**
as of 2017/4/23

**Social Security Corporation (second seat)**
Member Represented by:

**Ms. Shaden Ziad Nabih "Darwish Al-Hajji"**

# Members of the Board of Directors



**Jordan First Investment Company**
Member Represented by:

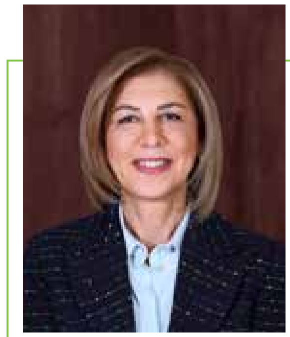
**Mr. "Mohammad Khair" Abdel Hameed Ababneh**

**Mr. Yazeed Shamseddin "Mohammad Yousef" Al-Khalidi**
Member

**Mr. Saleh Mohammad Saleh "Zeid Kilani"**
Member

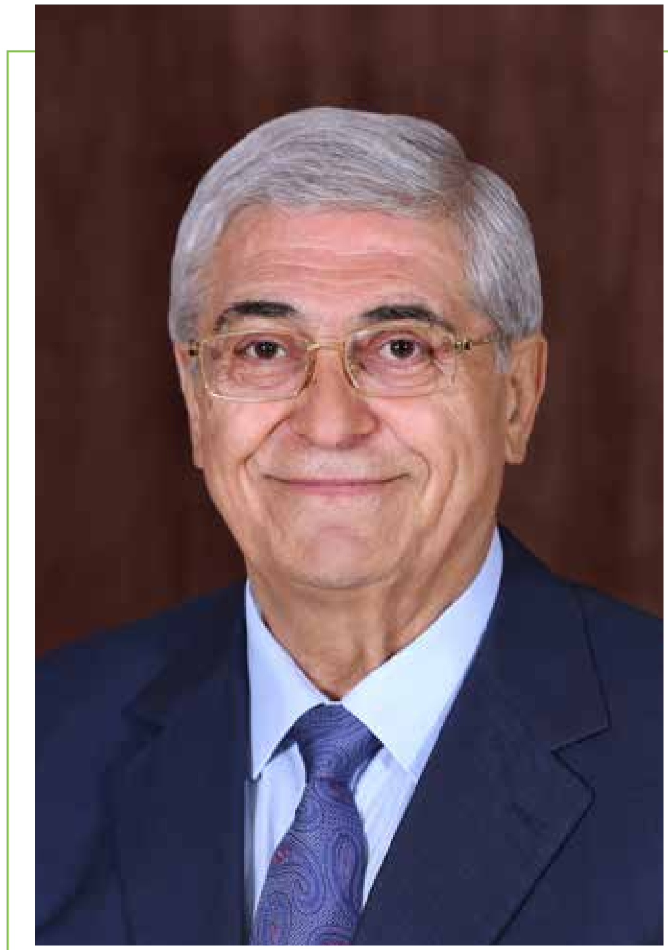
**National Paints Factories Co. Ltd.**
Member Represented by:

**Mr. Abdelnour Nayef Abdelnour Abdelnour**



**Mrs. Iman Mahmoud Allan Al-Damen**
Member

**Mr. Nabil Zaki George Mushahwar**
Member



# Chairman's Message

**Dear Shareholders,**

I am pleased to present Jordan Commercial Bank's 14th Annual Report for the year 2017.

The unstable political and security situation in the region continued to adversely affect the Jordanian economy in 2017. This was further compounded by diminishing external grants and limited solutions and resources.

As a result, GDP declined more than expected, the unemployment rate reached a record high, the debt-to-GDP ratio also remained high, the trade balance deficit rose, and foreign currency reserves declined but remained within safe limits.

This compelled the Government of Jordan to implement economic and financial reforms to mitigate this decline in the various economic indicators despite the negative impact of these measures on the daily lives of Jordanians.

Against this backdrop, Jordan Commercial Bank achieved modest results in 2017. Net income after tax and provisions amounted to JD 3.8 million while operating profit amounted to JD 18 million compared to JD 9.3 million and JD 20 million in 2016, respectively. The lower operating profit is attributed to the increase of the cost of fund. Despite the withdrawal of government institutions' deposits, customers' deposits grew by JD 14 million to reach JD 971 million, a 1.5% increase from the beginning of the year, direct credit facilities grew by 14.1% to reach JD 762 million, which is a high rate in comparison to the banking sector, which witnessed a 9.6% growth rate.

This growth was also accompanied by an improvement in the quality of the deposit portfolio with more stable, low-cost deposits increasing to 60% of the deposit portfolio compared to 50% at the beginning of 2017, meanwhile, the credit portfolio saw an increase in the coverage ratio at the end of 2017 compared to the end of 2016.

Shareholders' equity grew by 2.6% at the end of 2017 compared to 2016 to reach JD 150 million, and the capital adequacy ratio amounted to 13.7%.

In relation to our customers, who are at the core of our main business, we continued to attract new customers from the various sectors as well as retain current customers by providing excellent banking services that best suit their needs.

We completed a branching plan aimed at expanding our customer base and geographic footprint by targeting several locations for new branches including: Sports City, Abdoun, Rabieh and Umm Uthainah, with applying expansion plans also in the West Bank.

In selecting locations, we targeted areas that were most convenient for our customers based on their areas of presence and economic activity, and we updated many branches as part of a comprehensive renovation plan to introduce a new, modern design at all of our branches. In the same context, we designed and implemented an ideal branch model in Fuhais, which we intend to implement at other branches. Our aim is to present potential and loyal customers a positive image as a leading bank that offers advanced, high quality services that best meet the needs of customers from all segments of society.

Furthermore, we expanded our ATM network targeting new locations. As at the end of 2017, we had 59 ATMs spread across Jordan and Palestine.

In light of developments in the business world and the strong competition in the banking sector, we launched and developed a number of traditional and electronic products and services that best meet our customers' needs and aspirations. We also adopted a mechanism to measure customers' satisfaction.

Savings accounts were among the services and products that saw positive improvements. This involved improving our prize programs and further promoting this product, resulting in an increase in the balance of savings accounts and enhancing our market share in this highly competitive business environment where banks offer rewarding prizes and incentives to attract customers and enhance their market share.

At the level of internal work procedures and operations, 2017 saw several achievements, fulfilling the objectives of our strategic plan. These include the development of our information technology systems, the development of multiple service delivery channels and automation of many activities in order to achieve comprehensive automation of the various services and workstations.

We also updated our policies and procedures in addition to reviewing and updating chart of account and in order to improve the credit approval process, we implemented a customer's credit rating system to ensure that specific criteria are followed for assessing customers' creditworthiness and cash flow.

In addition, we continued to improve the performance of our branches and workstations by identifying and fulfilling their needs and requirements. That included introducing modern systems and applications to improve performance and quality of services.

To ensure business continuity, we tested the backup site in the Mafraq branch during 2017 to ensure its preparedness in cases of emergency in manner that guarantees continuity of the Bank's business without interruption.

This expansion and development of the Bank's business was accompanied by more focus on control measures. The Risk and Compliance and Internal Audit Departments were involved in all activities to preserve the Bank's assets and resources and safeguard shareholders' equity in line with the requirements of the regulatory authorities.

At the level of human resource development, the Bank gave a lot of attention to efforts at strengthening human resources, as employees are our most valuable asset. In 2017, we attracted experienced, talented individuals to our team and provided training to our employees to ensure that they maintain a high standard of professional expertise and efficiency.

Additionally, we conducted a study to compare the benefits and salaries of our employees against those offered in the banking sector. Based on the results, we adjusted our employees' salaries to eliminate gaps.

We also automated and modernized a number of human resource systems and activities to provide a better and more convenient environment for our employees.

In addition to the pivotal role that banks play in the economy, let us not forget their contributions to the development and growth of society. In 2017, Jordan Commercial Bank provided support and sponsorship to many scientific, economic and charitable activities as part of its corporate social responsibility efforts. We also offered a number of fresh university graduates the opportunity to train at our various departments to gain the experience they need to enter the job market.

Dear Shareholders,

In the end, I would like to thank our Board of Directors, Executive Management and all our employees for their efforts in 2017. I hope that the year 2018 will bring more success and prosperity to our dear Bank and to our beloved Jordan.

Yours sincerely,

**Michael Al-Sayegh**
Chairman of the Board of Directors

# Executive management

Infinite energy and constant boundless enthusiasm

**The purple**
color symbolizes energy and glow

# Executive Management:

| | |
|---|---|
| Caesar Hani Aziz Qulajen | Chief Executive Officer (CEO) |
| Alaa "Muhammad Salim" Abdulghani Kohof | Deputy CEO / Chief Operating Officer (COO) |
| Rami "Mohammad" Jawad Fuad Hadid | Deputy CEO / Chief Business Officer (CBO) |
| Mohammed Ali Mohammed Al-Quraan | Asst. General Manager/Credit |
| Saleem Nayef Saleem Sawalha | Asst. General Manager/Retail Banking and Branches |
| Mohammad Tawfeeq Abdul Rahman Amro | Asst. General Manager/Treasury & Investment (until 2017/11/11) |
| Abdallah Mahfouz Theodore Kishek | Asst. General Manager/Finance |
| Majdi Mahmoud Ibrahim Banat | Asst. General Manager/Operations |
| Wael Muhammad Yousif Aref Rabieh | Asst. General Manager/Corporate (Acting as of 2017/01/08) |
| Fadel Juheish Ayed Al-Dabbis | Asst. General Manager/Remedial & Collections (until 2017/07/30) |
| Anas Maher Radi Ayesh | Executive Manager / Treasury and Investment Department |
| Muntaser Marwan Shafeeq Al Shashtari | Regional Manager / Palestine Branches |

# Control Department Heads:

| | |
|---|---|
| Mahmoud Ibrahim Mahmoud Mahmoud | Manager/Compliance Monitoring and Anti Money Laundry Department |
| Abdullah Ahmad Mousa Al-Amarat | General Auditor (until 2017/02/25) |
| Mazen Abdel Salam Mahmoud Al-Khateeb | Manager/Risk Department |
| Ajoud Sharaf Al-Din Ali AlRousan | General Auditor as of 2017/04/02 |

# Support & Operations Department Heads:

| | |
|---|---|
| Ghada Mohammad Farhan Halloush | BOD Secretary as of 2017/01/01 |
| Ibrahim Barakat Fayyad Alaween | Manager, Operation Engineering Department |
| Ibrahim Omar Ibrahim Al-Alami | Manager, SMEs Department |
| Jamal Hussein Abtan Raqqad | Manager, Corporate Communications Department |
| Ruba Jihad Atieh Shihab | Manager, Credit Management Monitoring Deparment |
| Ziad Ahmad Daoud Al-Ramahi | Manager, Strategic Planning Department |
| Sami Nimr Salem Al-Nabulsi | Manager, Financial Institutions Department |
| Ameed Naeem Abdul Fattah Al-Batran | Manager, Central Operations Department |
| Fadi Anis Musa Rabee | Manager, Retail Banking Department |
| Faisal Mahmoud Mustafa Al-Nuemat | Manager, Trade Finance Department |
| Mamoun Shihadeh Muhammad Mubarak | Manager, Direct Sales Department |
| Maher Nayef Suleiman Halasa | Manager, the Administrative Department |
| Muhammad Ahmad Muhammad Obeidat | Manager, Credit Review Department |
| Noura Waleed Muhammad Al-Jitan | Manager, HR Planning and Development Department |
| Hani Abdul Rahman Mahmoud Darwish | Manager, Treasury Department |
| Haytham Faisal Muhammad Al-Shamaileh | Manager, Credit Follow-up Department |
| Sajed Mahmoud Husni Abu Touq | Manager, Corporate Department (acting as of 08/01/2017) |
| Waleed Khaled Dheifullah Al-Qheiwi | Manager, Legal Department |
| Waleed Fakhri Omran Al-Amad | Manager, IT Department |
| Yaser Fouzi Yousef Al-Qsous | Manager, Engineering Department |
| Waheed Darwish Muhareb Haymour | Manager, the Follow-up and Collections Department as of 01/06/2017 |

# Financial Analysis

Performance outline that reflects
the level of achievements

## The pink

color symbolizes
modernity and novelty

# Summary of Key Financial Indicators:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | Rounded to nearest million | | | | |
| **Main components of the Income Statement** | | | | | |
| Net interest income | 36.4 | 38.6 | 36.9 | 29.9 | 24.6 |
| Net interest and commission income | 41.4 | 43.4 | 42.7 | 35.5 | 29.5 |
| Gross income | 48.2 | 49.6 | 64.0 | 44.9 | 35.6 |
| Net income before tax | 6.3 | 12.0 | 24.1 | 15.6 | 4.1 |
| Net income after tax | 3.8 | 9.3 | 15.8 | 11.7 | 3.2 |
| Earnings per share – JD | 0.032 | 0.082 | 0.139 | 0.111 | 0.032 |
| | | | | | |
| **Main components of the balance sheet** | | | | | |
| Total assets | 1.382.3 | 1.265.3 | 1.487.6 | 1.165.3 | 1.049.8 |
| Shareholders' equity | 149.5 | 145.8 | 138.0 | 120.4 | 108.9 |
| Net loans | 718.0 | 634.0 | 599.3 | 523.9 | 517.3 |
| Securities | 344.6 | 341.0 | 405.9 | 365.4 | 272.4 |
| Cash and due from banks | 180.0 | 161.7 | 362.2 | 180.5 | 185.1 |
| Customers' deposits | 971.3 | 957.3 | 1.041.5 | 810.3 | 743.0 |
| Cash margins | 91.8 | 69.9 | 73.0 | 69.4 | 65.4 |
| Banks' deposits | 121.4 | 51.8 | 193.4 | 140.3 | 112.2 |
| | | | | | |
| **Key Financial Indicators:** | | | | | |
| Return on assets ratio | 0.3% | 0.7% | 1.2% | 1.1% | 0.3% |
| Return on equity ratio | 2.6% | 6.6% | 12.2% | 10.2% | 3.0% |
| Capital adequacy ratio* | 13.7% | 15.3% | 14,2% | 13.1% | 12.4% |
| Net loans-to-customer deposits ratio | 73.9% | 66.2% | 57.5% | 64.7% | 69.6% |
| Net non-performing loans not covered by provisions-to-net loans ratio | 2.5% | 2.9% | 3.6% | 1.9% | 3.6% |
| Coverage ratio | 63.2% | 54.8% | 56.3% | 65.3% | 69.8% |
| Statutory liquidity ratio | 119.8% | 119.7% | 131% | 116.1% | 108.6% |

*Up to 2015 according to Basel II, and from 2016 onward according to Basel III.



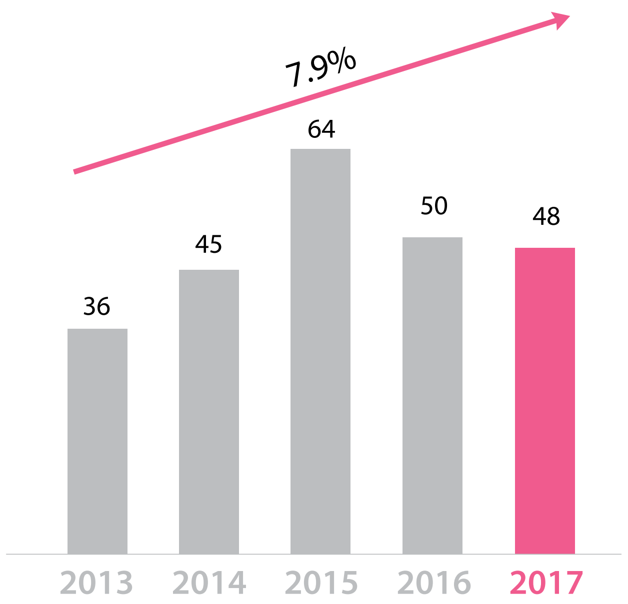
# Operating Results:

### Operating Results

Jordan Commercial Bank attained good financial results in 2017 despite the prevailing local and international economic conditions and regional security challenges. Operating profit amounted to JD 48.2 million at the end of 2017 compared to JD 49.6 million at the end of 2016. Meanwhile, the average annual growth rate over the last five years of the Bank's core operating profit amounted to 7.9%.

The Central Bank of Jordan main interest rate increased three times in 2017 by 1%, creating strong competition in the Jordanian banking sector. This led to a JD 6.2 million rise in the cost of sources of funds compared to last year and a JD 2.2 million decrease in net interest income compared to last year.

### Operating Profit (JD Million)

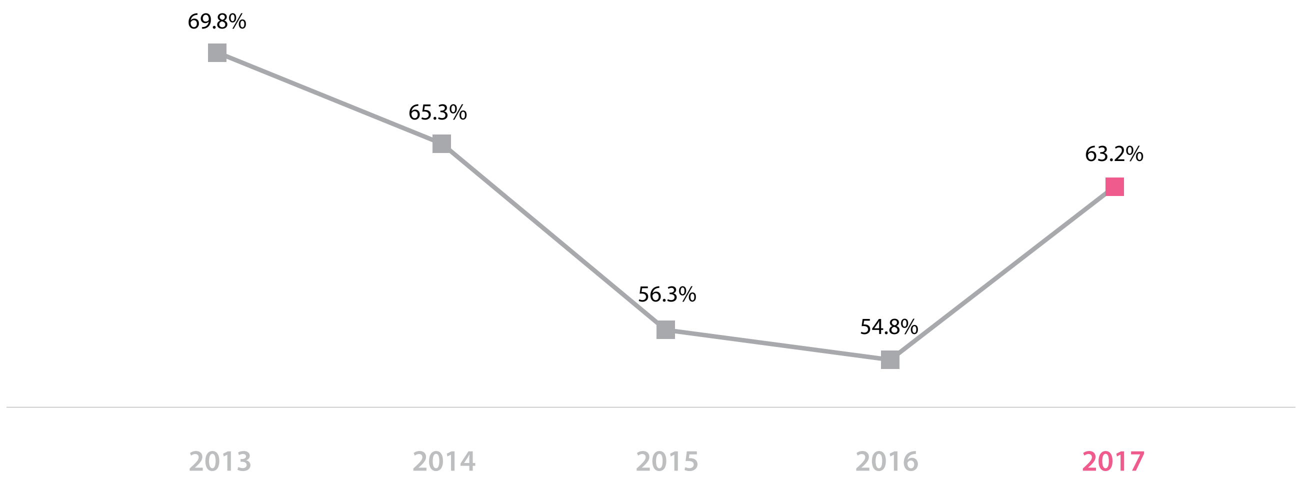



Operating expenses (employee, general and administrative expenses and depreciation expenses) increased to reach JD 30.2 million compared to JD 29.7 million at the end of 2016. This was due to a 3.8% increase in total employee expenses equal to JD 0.6 million to reach JD 15.4 million. Jordan Commercial Bank remained committed to developing its human resources based on its belief that the provision of quality services requires a team of highly qualified and professional individuals.

Meanwhile, general and administrative expenses decreased by 3.9% from last year despite the expansion of many operating activities.

The provision for impairment of credit facilities amounted to JD 8.6 million against JD 6.2 million. The Bank aimed to enhance the provisions held against non-performing loans and achieve a high coverage ratio. As such, the non-performing loan coverage ratio increased to 63.2% from 54.8% last year. Also, the provision for seized assets increased by JD 1.4 million from last year.

## Coverage ratio:

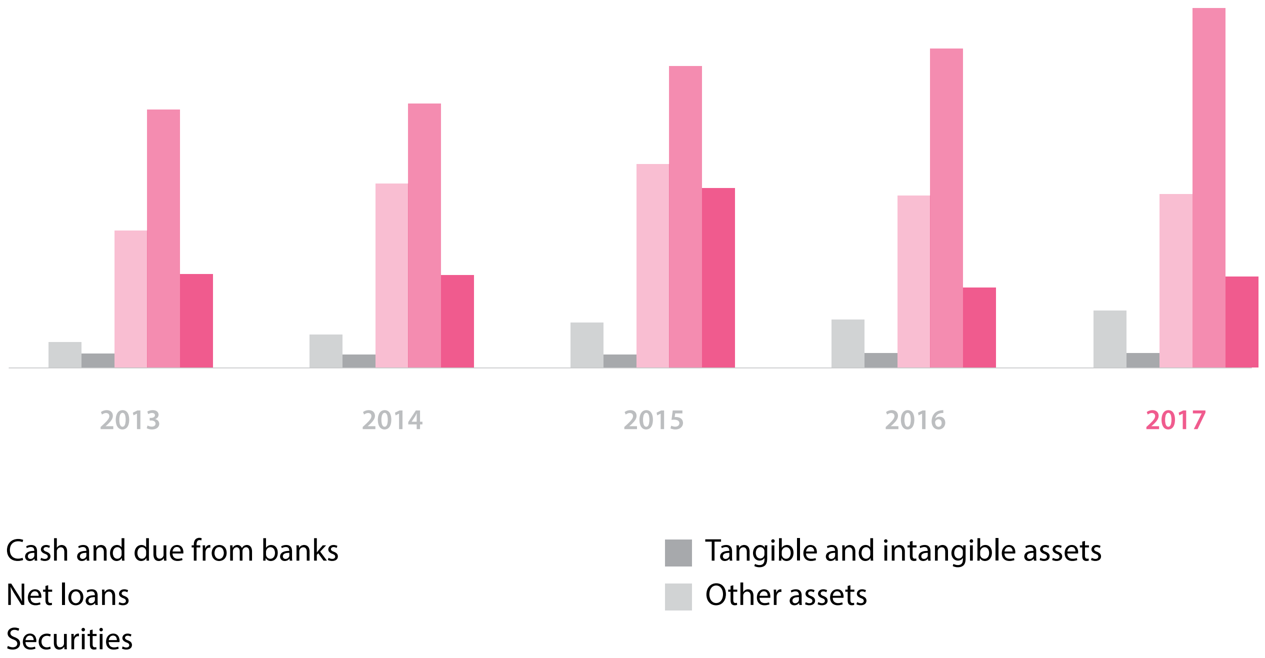



*The coverage ratio is lower in 2014 and 2015 as a result of moving facilities granted against 100% cash collateral off the balance sheet.

## Analysis of Financial Position:

Despite the continuous challenges facing Jordan as a result of the geopolitical conditions and their impact on the various economic sectors, Jordan Commercial Bank was able to achieve good growth rates in most items of financial position in 2017. Total assets rose to JD 1,382.3 million, up by JD 117 million from last year, a growth of 9.2%.

The graph below shows the changes in the main asset items over the years 2013-2017:

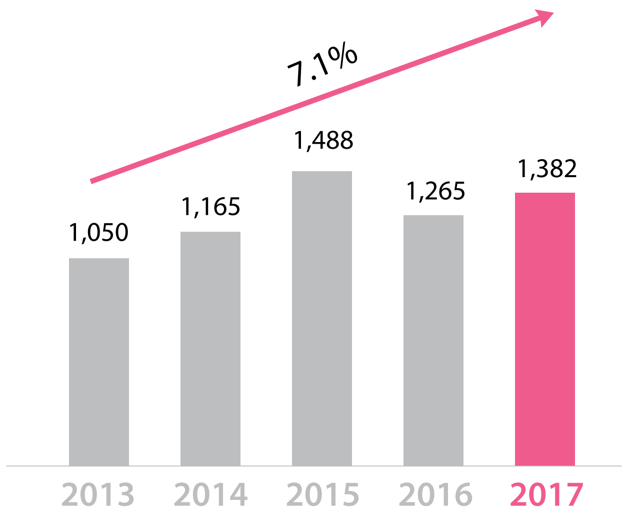



**Credit facilities:**
Net loans grew by JD 84 million to reach JD 718 million in 2017 compared to JD 634 million in 2016, a 13.3% growth rate. In 2017, the Bank continued to be selective in granting credit facilities and continued to monitor debts showing signs of default to maintain the quality of its credit portfolio. The Bank also maintained cash and in-kind collaterals against such debts, with the coverage ratio amounting to 107.8% after calculating provisions and collaterals.

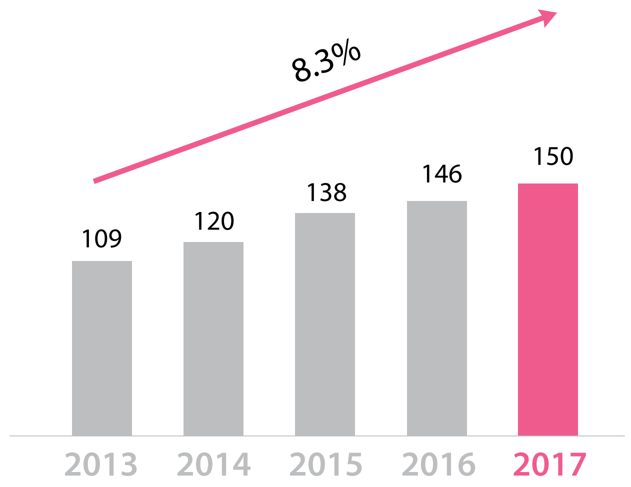
**Customers' deposits:**
Customers' deposits rose to JD 971.3 million at the end of 2017 compared to JD 957.3 million at the end of 2016. This was mainly due to an increase in low-cost savings accounts and long-term certificates of deposit, thus harmonizing sources and uses of funds.

**Shareholders' equity:**
Total shareholders' equity increased by 2.6% to reach JD 149.5 million at the end of 2017 from JD 145.8 million at the end of 2016 as a result of the year's profit. The Bank's capital increased by 6.3% to reach JD 120 million at the end of 2017 compared to JD 112.9 million at the end of 2016.

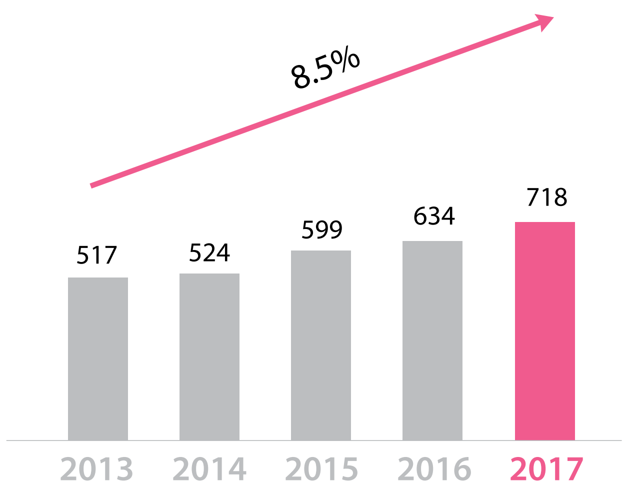
Total Assets (JD Million):



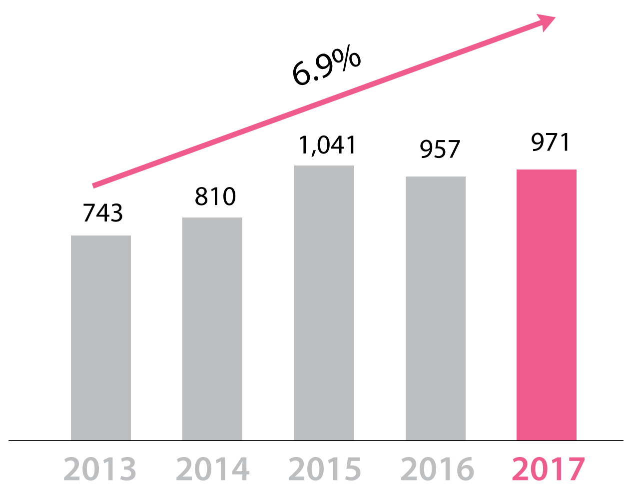

Total Equity (JD Million):




Net Loans (JD Million):




Customers' Deposits (JD Million):



# Bank's Sectors & Departments activities & Strategic Objectives for 2018

Diligence and innovation to face all the challenges

## The orange

color symbolizes vitality and ingenuity

# Retail Banking and Branches:

Retail banking plays a vital role in the banking industry in Jordan. It is the largest source of funds (deposits) and the second largest, after corporate banking, in terms of borrowing. Accordingly, significant attention has been paid to this sector in order to provide services that best suit its needs.

To this end, the Central Bank of Jordan has launched the National Financial Inclusion Strategy to improve access to financial services for all segments of the society.

The retail sector received equal attention from banks, aimed at attracting retail customers by introducing many products and services and banking solutions that meet their needs.

Jordan Commercial Bank has given great importance to retail banking by launching tailored products and services for this sector and improving its various channels, especially electronic channels.

The Bank has also sought to expand its geographical presence nationwide to enhance its customer base, targeting several areas. It has renovated and improved existing branches and expanded its ATM network.

This has increased the Bank's market share of retail deposits, in particular savings deposits. Also, facilities provided to the retail sector have witnessed growth.

The main achievements of the Retail Banking and Branches included:

## Branches:

- Introducing a new, modern design for branches.
- Relocation of Fuheis branch to introduce a new, modern design.
- Launch of the Voice of Customer program which provides clear and specific criteria for measuring customer satisfaction.
- Launch of JAH VIP banking.

## ATMs:

- Installation of six external ATMs in Jordan to increase the total number of internal and external ATMs to 59 in Jordan and Palestine.

## Electronic channels:

- Expansion of the list of services provided by the call center including opening customers' accounts by telephone and transformation of the call center into a virtual branch.
- E-Statement service for Jordan and Palestine.
- Jordan Commercial Bank has recently been added as a biller in the eFAWATEERcom system to enable credit cardholders to instantly pay the balance of their credit cards from their accounts with other banks through the Bank's online services (online Banking & Mobile application) or at any of the Bank's branches.

## Products and Cards:

**Products:**

1. Introducing new prizes for savings accounts resulting in a 35% growth as follows:
   - Daily prize: JD 300.
   - Weekly prize: Toyota Corolla.
   - Monthly prize: JD 25.000.
   - Quarterly prize: luxury car.
2. Skipped payment service was offered for the first time during Eid to help customers with Eid obligations. This service aims to enhance customer satisfaction and loyalty.
3. Launch of Super Certificates of Deposit. a product targeting small deposits with 24 months and 36 months terms and one of the highest interest rates up to 5.75% resulting in a JD 8.500.000 growth and new funds amounting to JD 2 million.
4. An agreement has been concluded with the Jordan Press Association (JPA) whereby JPA members enjoy a special offer on personal loans with preferential terms such as the highest financing amount and competitive interest rates with flexible repayment terms.

**Cards:**

- Launch of the Classic card with a new design and the U card with competitive features.
- Launch of World credit card for VIP customers.
- Offering cash back rewards on the U card in Jordan and Palestine.
- Introducing contactless payment technology for all credit cards.
- Launch of a credit card campaign offering customers the opportunity to win a luxury car.

# Corporate Banking

The corporate sector, namely large corporations, SMEs and startups, retains great economic importance as a major driver of economic growth and sustainable development. It contributes added value to the economy and plays an effective social role in reducing unemployment as the main employer in Jordan.

The corporate sector represents a major source of funds (the largest source of deposits after the retail sector). It is also the largest user of funds (credit facilities), witnessing constant growth despite adverse economic conditions and the fact that the corporate sector is the most affected by these conditions.

Jordan Commercial Bank has been able to face these challenges and turn them into opportunities. Direct credit facilities grew by 10%, which is one of the highest rates in the banking sector. Taking into account the repaid credit facilities, the growth rate is actually greater. Meanwhile, indirect credit facilities grew by 12%. This growth was accompanied by an improvement in the quality of the credit facilities portfolio by implementing policies and mechanisms to reduce non-performing loans replacing some accounts that were showing signs of default and replacing them with new accounts that are more stable and less risky.

In line with government directives and continuous evaluation of banking market needs, Jordan Commercial Bank focused on growing sectors that are receiving government support and incentives such as renewable energy, information technology, industry and tourism. In addition, the Bank provided financing to a number of leading companies in vital and strategic sectors, for example educational institutions, food trade, general trade and industrial companies that contribute to the local economy and the availability of foreign currency. Furthermore, Jordan Commercial Bank gave particular attention to the SMEs sector and launched several related products and programs. These include financing customers' withdrawals at any of MEPS' points of sale under an agreement signed with Middle East Payment Services (MEPS).

# Treasury and Investment

## Treasury Department:

The Treasury Department offers a variety of financial instruments to diversify the Bank's activities. increase revenues and optimize hedging in the local and international markets through dealings in the financial and monetary markets in local and foreign currencies as well as trading in foreign currency and derivatives and margin trading. This has had a positive impact on the Bank's profits despite the continued global volatility in financial markets.

The Treasury Department also plays a key role in pricing assets and liabilities, managing deposits, and monitoring and controlling the cost of sources of funds in accordance with the best financial standards.

Additionally. the Treasury Department manages the Bank's liquidity and maintains safe liquidity ratios according to the requirements of the Board of Directors and the Central Bank of Jordan. The Department also manages a large bond portfolio with a good return and appropriate levels of risk. while constantly monitoring and managing these risks and balancing risk and return.

## Investment Department:

The Investment Department takes advantage of investment opportunities available locally and regionally to achieve the best possible return while maintaining the quality of the investment portfolio by selecting securities with good return and liquidity within acceptable risks (through diversification of the portfolio and avoiding concentration in specific sectors).

Despite the weak performance of the local and regional financial markets due to the political and economic conditions prevailing in the region. the Investment Department continued to provide specialized investment services including issue management and custody services. payment and registration agent. and custodian and financial advisory services by attracting a number of companies in the fields of issue management and corporate bonds. The Bank participated in some of these bonds with good returns.

## Financial Institutions Department

In 2017. the Financial Institutions Department expanded its network of correspondent banks to reach additional regions worldwide with the aim of meeting customers' international trade needs. The Department participated in a number of international conferences in addition to conducting marketing visits to some countries. leading to an increase in the Bank's activity in the field of international trade (export letters of credit and external letters of guarantee) compared to last year. which reflected positively on revenues.

The Department continuously considers agreements with regional and foreign entities to support the network of correspondent banks and provide lines of credit at competitive rates.

## Support Services

### Information Technology Department

Jordan Commercial Bank has adopted a strategy to automate its activities and services and expand the list of electronic services available to its customers with a view to expanding its customer base and facilitating access to services offered by the Bank in a competitive manner. thus becoming a leading bank in the provision of electronic services.

The Information Technology Department has developed a strategy in this regard that will contribute to achieving the Bank's vision and overall strategy.

2017 has seen many achievements in the Information Technology department contributing to the overall strategic goal of fully automating the Bank's activities and services to have a comprehensive and integrated banking system. These achievements include:
- Development of the IT infrastructure to meet immediate needs while taking into account future projects and expansion plans.
- Improvement of the working environment by adopting the latest banking technology and using advanced computer systems.
- Completing the automation of the procedures of the various banking units in line with the Bank's overall strategy and contributing to the reduction of operating expenses.

These achievements covered various activities of the Bank where a number of important projects have been implemented namely. electronic applications and channels. infrastructure. information security and support and operation. Additionally. the banking system has been updated and several banking services have been automated. thus improving the performance of a number of services including eFAWATEERcom electronic payment service and many other banking services.

In addition. many servers and storage units have been upgraded to improve the quality of services provided in accordance with best practices and banking standards. Several projects have been implemented. including: raising the capacity of communication lines. which has had an important role in improving and speeding up services. and operating the backup site for the majority of the Bank's services to ensure the continuity of services without interruption.

The Information Technology Department has also updated many of the employees' work stations and peripheral devices (printers. scanners. check readers. etc.) In addition. many new ATMs have been installed at branches or in commercial centers. A call recording system compatible with the latest technologies has been put in place as an alternative to the old system. Also. an environmental monitoring system has been installed for all computer rooms in various buildings of the Bank. Moreover. the Bank has implemented several systems for monitoring and improving services as well as monitoring and predicting failures.

In the beginning of 2017. Jordan Commercial Bank received the PCI-DSS certificate for the third time. This project will help create a synergy between the efforts of the Information Technology Department and the vision of the Bank's management. It will also create harmony between all levels of management to ensure that IT projects reflect the vision of senior management and that IT investments create added value to the Bank now and in the future.

## Business Process Engineering Department

Jordan Commercial Bank has focused more closely on business process engineering in recent year in fulfillment of its strategy to be a leading bank in the provision of banking services.
Business process engineering involves rethinking and redesigning all business processes to significantly cut costs and increase the speed and quality of service delivery, in addition to meeting the requirements of the regulatory authorities in all areas.

The main achievements of the Department during 2017 included:

- Development of the Bank's policies and procedures: Work policies and procedures have been established and approved for the majority of functions and activities (including branches, operations, business banking, credit, treasury and investment, and control) in accordance with the Bank's monitoring and control systems, in addition to harmonizing all contracts and forms used at the Bank.

- Organization and development of operations: The organizational structure of the various functions and the descriptions of all positions have been reviewed and approved. A project has been carried out to assess staffing sufficiency with the aim of increasing operational efficiency and ensuring optimal utilization of human resources.

- Automation of banking processes: The Department has played an important role as an intermediary between the various departments and the IT Department. Many automation projects have been completed to meet the requirements of the regulatory authorities, ensuring better customer services and improving the automated regulatory environment for various banking processes.

## Human Resources Department

Our employees are an integral and active part of the banking process. We value our employees and implement a steadfast strategy to ensure that we are "the preferred bank to work in."

In relation to employee benefits, we have conducted a study to compare the salaries of our employees to the salaries in the banking sector. Based on the results, we have adjusted our employees' salaries to reduce any gaps between the two. Also, in recognition of 2016 performance, employees were given performance incentives based on an approved performance evaluation policy.

Moreover, in order to create an atmosphere of creativity and competition among employees, we have introduced a Distinguished Staff Award presented to the most efficient employees, taking into consideration the principles of fairness and equal opportunity within the specific terms and conditions of the nomination and selection process, with an oversight from a committee established for this purpose.

Jordan Commercial Bank gives special importance to human resource development and employee competencies. We are keen to develop desirable skill sets among employees, resulting in higher performance. Additionally, to further the Bank's HR strategy and build a good reputation in the market as the preferred bank to work for, we have launched a talent pool program to enable talent flow within the Bank, thus supporting internal hiring.

To improve our performance and competitiveness, Jordan Commercial Bank has appointed a number of qualified employees based on a specific policy that focuses on academic knowledge and practical experience. In the framework of succession planning, Jordan Commercial Bank prepares and qualifies its employees to assume positions that appropriately match their capabilities. As such, a number of employees were promoted to higher positions. In addition, an induction program for new employees was held (as is done annually) in order to prepare and qualify all employees at the various administrative levels.

To further the Bank›s business in general and to improve our Human Resources Department in particular, the HR Department has automated a number of its functions and activities including Employee Attendance and Leave Management. In addition, the HR Department has developed a mechanism for selecting and recruiting new employees using job search networks. The Bank also automated its payroll process on BANKS system.

## 2017 Training Courses

To increase the return on investment in human capital. Jordan Commercial Bank gives special importance to training given its significant impact on employee performance.

Head office and branch employees received specialized training on various topics. Training courses were held internally at the Bank's Training and Development Center by qualified trainers from inside and outside the Bank and externally at other specialized training centers and institutes. There was special focus on the in-house Training and Development Center. which grew by 7%.

63 training courses were held at the Bank's Training and Development Center benefiting 1372 employees (repeated) while 91 training courses were held at the Institute of Banking Studies. Also. 69 employees participated in specialized training programs and obtained professional certificates at the Institute of Banking Studies and the Union of Arab Banks. Employees also participated in training courses held at other qualified and reputable centers.

Below is a breakdown of the training courses held for Jordan Commercial Bank employees in 2017:

| Internal and External Training in 2017 | | | | |
|---|---|---|---|---|
| Description | Number of courses | Number of participants | Males | Females |
| Institute of Banking Studies | 91 | 236 | 131 | 105 |
| Training institutes (courses. conferences. seminars) inside Jordan | 120 | 234 | 149 | 85 |
| Internal training (Training & Development Center) | 63 | 1372 | 925 | 447 |
| Training outside Jordan | 13 | 16 | 11 | 5 |
| Conferences and seminars outside Jordan/Senior Management | 1 | 1 | 0 | 1 |
| Professional certificates | 6 | 69 | 54 | 15 |
| Total | 294 | 1928 | 1270 | 658 |

- During 2017 newly appointed employees were enrolled in an induction program totaling 156 hours and covering 18 different topics. The program acquaints new employees with the work of the various departments and introduces them to internal policies and procedures.
- The Bank provided internships to 90 students from Jordanian universities in a step to serve the local community.

## Administrative Department

The significance of the Administrative Department comes from its connectivity with all departments of the Bank, as it manages and follows-up on the administrative affairs of the Bank's departments and branches. It is also responsible for identifying and cost-effectively meeting the various administrative needs (supplies, stationery, hospitality, security and protection, transportation, maintenance, logistics, and services related to electricity, water, cleaning, heating and others). In this context, the Department studies the administrative needs of the Bank and the employees and follows a specific mechanism to fulfill those needs by considering and selecting the best offers from suppliers. Moreover, the Department conducts periodic and continuous maintenance for all property and assets of the Bank.

The Administrative Department implements occupational safety and health standards through the Public Safety Committee, which is headed by the director of the Department. It ensures the application of public safety principles and procedures according to the highest standards. It also ensures compliance with these principles and procedures by the companies dealing with the Bank.

In order to prepare the Bank for any emergency conditions, the Administrative Department, with the participation of other departments and in cooperation with the Directorate of Civil Defense, organized a mock evacuation drill for the head office employees in 2017.

## Engineering Department

The Engineering Department continuously evaluates and meets the needs of the Bank's departments and branches in cooperation with them. It conducts renovations at the branches (buildings and decorations) to reflect the modern image of the Bank and create a positive experience for customers.

In fulfillment of the Bank's vision to expand its network of branches and increase its presence in the different regions of the Kingdom. the Engineering Department plays an active role in searching for the best places to expand the Bank's presence within an approved branching plan. It attracts the best offers (to rent sites). taking into account the presence of competitors. the suitability of the area and the nature of customers. and then prepares the selected sites (through the competent branching committee) and follows up on the work until the operation of the branch. Also. in cooperation with the branching committee. the Department prepares the appropriate sites for ATM installation taking into account the locations that best meet customers' needs.

In addition. the Engineering Department monitors the safety and security systems of the Bank on an ongoing basis. implementing periodic upgrades at the various branches and work centers as required. The Department also implements a strategy for the regular and continuous maintenance of the Bank›s assets in cooperation with the Administrative Department and within its terms of reference.

## Control Departments

### Risk Management Department

The risk management department carries out its functions within the framework of the risk management strategy emanating from the banks general strategy which is approved by the board of directors and the work plans in place in a manner that is compatible with the instructions issued by the local regulatory authorities and the Basel accords and the best international practices in risk management.

The bank follows a comprehensive strategy aimed at maintaining the best practices in risk management relating to (credit risk , operational risk , market risk , liquidity risk , interest rate risk , concentration risk , information security risk , in addition to other types of risk) in order to maintain both the financial position and profitability of the bank.

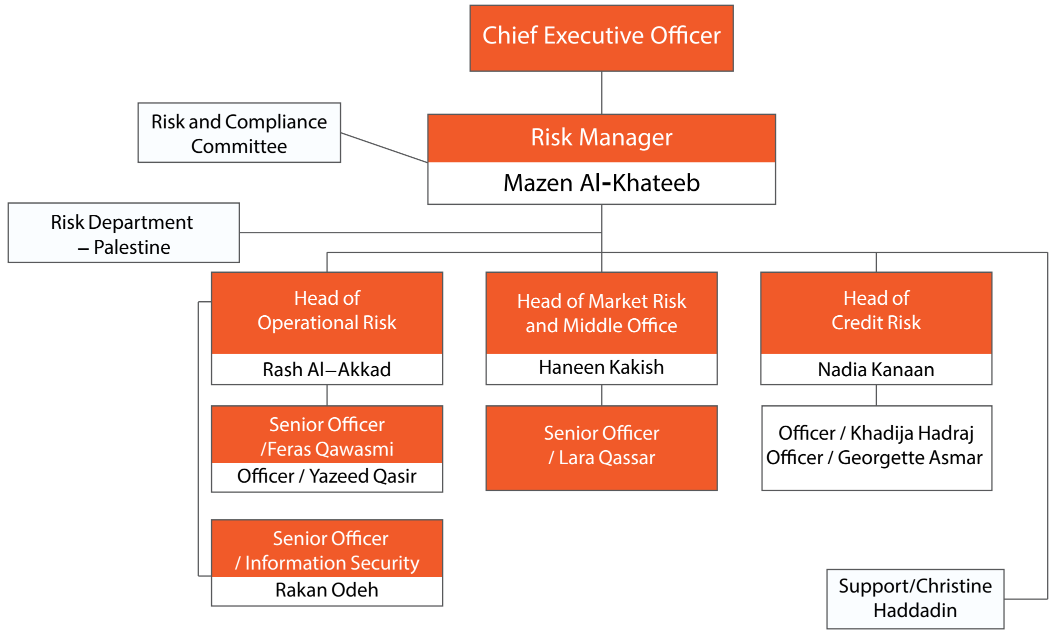
The process of identifying, managing, and mitigating risk, as well as complying with the instructions of regulatory authorities and the Basel committee is considered an overall shared responsibility throughout the bank. These tasks are carried out by several entities within the bank beginning with the board of directors and its committee , such as the risk and compliance committee , the audit committee , in addition to other internal committees within the bank such as , assets and liabilities committee , the various credit committees , in addition to all of the bank's branches and departments .

As an independent department in the bank , the risk management department focuses its efforts in accordance with its approved policies , in identifying the existing and potential threats the risk management department designs methods that help in measuring and dealing with such threats and report them to the relevant parties on a regular basis. In addition to adapting and complying with instructions set by CBJ and Basel committee , and keeping up with the best practices in relation to measuring and managing and managing risk.

In addition , the risk management department at the bank operates within the general principles and corporate governance code which are consistent with the regulators instructions , international best practices in relation to the banks size , volume of its activities , and complexity of its operations.

In order to promote a sound corporate culture , and increase risk awareness , the risk management function conducted several awareness courses for employees in this regard and distributed relevant educational materials relating to risk on the banks internal website.

## The Organizational Structure of the Risk Department:




### Compliance Department

The Compliance Department plays an essential role in monitoring the Bank›s implementation of compliance standards to avoid exposure to the risks of non-compliance in its banking transactions and to avoid actions against it by regulatory authorities. This was achieved through the following:

- Periodic disclosures: The Compliance Department coordinates the timely disclosures by the relevant parties in accordance with the requirements of regulatory bodies. It also ensures compliance with disclosures. The Department also strives to enhance the accuracy of the data provided by the Bank to the regulatory authorities.
- Implementing instructions regarding the principles of fairness, transparency and efficiency in dealing with customers and handling customer complaints. The Customer Complaints Unit receives complaints and addresses the concerned parties to determine the reasons for the complaints and recommends appropriate corrective actions.
- Coordination and cooperation with the Compliance function at the regional office. The organizational structure of the compliance function at the Regional office (Palestine) has been modified to become an independent department and has been provided with additional staff. The aim is to ensure that its practices are consistent with the Bank›s general policy. The anti-money laundering function has been separated from the compliance function (in the regional office) and an anti-money laundering policy stemming from the Bank›s general policy has been adopted.
- FATCA compliance: A plan has been implemented in accordance with the policy of registration with the IRS. A specialized department has been established responsible for holding meetings and following up with the relevant parties and implementing reporting procedures.
- Development of the compliance function: In this regard, the Department reviewed and adopted the compliance monitoring policy and the AML/CFT Policy. It prepared the AML/CFT manual and created a matrix to measure compliance with the credit limits instructions in addition to the completion of the draft instructions matrix and application of GOAML. In 2018, the Bank will adopt an integrated system aimed at strengthening compliance and anti-money laundering and counter financing of terrorism monitoring.

- Corporate governance: Identifying the requirements of the Corporate Governance Instructions issued by the Central Bank of Jordan and harmonization of the Bank's Corporate Governance Guide accordingly. A study has been conducted to identify any gaps between the most important requirements and the Bank›s practices and a work plan has been developed for implementation. Policies, manuals and charters for Board committees have been prepared, reviewed and adopted by members of the Board of Directors. The Bank has also taken steps to ensure compliance with the requirements of the Securities Commission and filled out and provided the Commission with the forms for the Balanced Scorecard. Efforts are also being made to ensure compliance with information technology governance requirements using COBIT 5. A timetable has been set for compliance with and adoption of the Bank's IT Governance Guide.
- Human resource development: The Department has been provided with qualified and experienced staff. Training has been provided to current employees in line with the best international standards. A number of the Department's staff obtained professional certificates including: (Advanced Certification Recertification Guide, COBIT 5 foundation, IISI, TOT, CCO and CAMS). This will enable the Department to meet the challenges and risks associated with the Bank's various operations and with the banking sector in general as part of a leading compliance culture and in line with best international practices.

## Internal Audit Department

The Internal Audit Department provides independent and objective assurance and advisory services to improve the control environment at the Bank. The Department's programs and activities provide added value that helps achieve the Bank›s objectives, working side by side with the various departments to achieve the Bank's strategic objectives, improve internal control over all its activities and daily operations, and create an effective control environment.

The Board of Directors Audit Committee oversees the internal audit function and defines its responsibilities and tasks as part of its regulatory role. The Auditor-General is responsible for managing the internal audit efforts and overseeing all its activities.

The main responsibilities of the Audit Department include:
- Preparation and commissioning of audit-related corporate governance guidelines in accordance with the relevant laws and regulations.
- Preparation of risk based annual audit plan approved by the Audit Committee, covering all activities and organizational units of the Bank.
- Implementation of the approved annual audit plan, in addition to the implementation of any special tasks or projects requested by the senior management.
- Preparation of an annual report on the adequacy of internal control systems to reduce risks faced by the Bank and making appropriate recommendations to address weaknesses.
- Reviewing compliance with the Corporate Governance Guide.
- Reviewing the Bank's compliance with internal policies and relevant laws and regulations.
- Following up on the executive management's plan to address internal audit observations in accordance with the timeline agreed with the audited department.
- Following up on the violations and observations contained in the reports of the regulatory authorities and the external auditor to ensure that they are addressed and to also ensure that there are appropriate controls followed by the executive management to avoid such violations in the future.
- The Audit Department provides advisory support when planning any new products, policies or procedures prior to adopting them.

## Corporate Social Responsibility:

Corporate social responsibility activities are an integral part of the Bank's commitment to the local community. In 2017, the Bank provided cash and in-kind support to various activities in different fields such as education, environment, sports, health, poverty and many others. The Bank made donations to disadvantaged groups nationwide including people with special needs, orphans and the elderly.

In 2017, the Bank also sponsored many conferences, seminars and economic, cultural, social and sports events in cooperation with many educational and social institutions. Throughout the year, the Bank supported and made donations to various charitable institutions and centers in Jordan.

# The Strategic Objectives for 2018:

## Overall Strategic Objective:

To be well positioned for growth with solid financial and operating results by maintaining high quality deposits and loans and achieving growth in operating profits leading to a strong competitive position and attracting quality deposits and loans from new customers.

## Strategy Main Pillars:

The Bank's general strategy has the following main pillars:
- **Financial pillar:** To achieve a strong financial position with constant growth in operating profits in order to be competitive, especially in the retail sector.
- **Banking services:** To be a leading bank in the provision of competitive services to targeted customer groups.
- **Human resources:** Focus on human resources to become the best bank to work for.

## General Strategic Objectives:

### First: Business

- **Retail:** To be one of the top five banks in providing services to targeted customer groups such as upper mass employees and achieve constant growth in these groups by providing services and products that match their needs (launch new targeted services or improve existing ones).
- **Treasury:** In addition to its supporting role in managing funds and maturity and interest rate gaps, Treasury should become a profit center as well.
- **Corporate:** The following sub-goals should be achieved:
- Addressing and improving the credit portfolio.
- Achieving balanced growth in credit facilities.
- Focusing on cross-selling.

### Second: Support

- **Business process engineering:** Enhance the banking identity by establishing a general and unified framework governing the work of the various departments. The procedures, conduct of business and operations of the Bank should be unified and documented for all departments.
- **Information technology:** Achieve comprehensive automation of the various activities.
- **Human resources:** Invest in human capital by attracting and retaining experienced and competent employees and improving their performance to become the preferred bank to work for.

### Third: Control

- **Credit:** Improve the credit process by implementing the highest credit control standards in cooperation with the business departments.
- **Compliance:** Aim to have the best compliance department in Jordan and identify the necessary tools to achieve this goal.
- **Risk:** Identify, monitor and manage all risks (current and expected/ quantitative and qualitative) and develop appropriate solutions to reduce those risks in line with best practices.
- **Debt collection:** Consolidate the follow up and collection process starting from default to foreclosure.

# Financial Statements & Independent Auditor's Report

Continuous efforts that pave the way for future improvements

**The turquoise**

color symbolizes openness and confidence

# Independent Auditor's Report:

Deloitte.

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Jordan Commercial Bank, which comprise the statement of financial position as at December 31, 2017, and the statement of income and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Jordan Commercial Bank as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the other ethical requirements that are relevant to our audit of the Bank's financial statements in Jordan, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**Key Audit Matters**

We have performed the tasks mentioned in the "Auditor's Responsibilities Paragraph" relating to the audit of the financial statements, in addition to all other related matters. Moreover, our audit includes performing the procedures prepared in response to our assessment of the risk regarding the material errors in the financial statements. Our performed audit procedures including the procedures relating to the treatment of the below-mentioned matters, provide a basis for our opinion on the attached financial statements. In addition, description of the manner of the study of each item below is provided within the audit procedures.

| Impairment of Credit Facilities Portfolio | Scope of Audit to Address the Risk |
|---|---|
| Impairment of credit facilities is one of the most significant matters that impact the reported results of the Bank, in addition of being an area that requires a considerable amount of judgment for determining default event and the measurement of impairment loss.<br><br>Judgment is applied to the inputs and measurement process of impairment based on the client and portfolio including valuation of collateral, inputs and calculation of specific and collective impairment and determining the default date, and as a result, impairment is calculated from that date. As of 31 December 2017, the gross credit facilities amounted to JD 762,012,050 against which accumulated loan loss provision of JD 30,663,171 were recorded. | Our audit procedures included obtaining the statements for non-performing and watch list credit facilities, samples were selected to test impairment which included collateral valuation and assessing the provision required based on the date of default.<br><br>We also selected a sample from the performing loans to determine whether management had identified all impairment events.<br><br>Disclosures of impairment of credit facilities are detailed in note 6 and note 2 to the financial statements. |

| Suspension of interest on non-performing loans | Scope of Audit to Address the Risk |
|---|---|
| Interest is suspended after 90 days from impairment event (default date) in accordance with Central Bank of Jordan regulations should be suspended.<br><br>Judgment is applied as to determining when the default date occurred which affects the amount of interest to be suspended. | Our audit procedures included selecting a sample from the schedules of non-performing loans and interest in suspense, and tested suspended interest including recalculation in accordance with Central Bank of Jordan regulations, and assessing the criteria used by management for determining the impairment event.<br><br>Disclosures of interest in suspense are detailed in note 6 to the financial statements. |

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| Provision for Income Tax and Deferred Tax Assets | Scope of Audit to Address the Risk |
| --- | --- |
| The tax expense calculation for the year, tax provision for unassessed years, and deferred tax assets involve assumptions and estimates of significant amounts in the financial statements as a whole. In addition, the Bank undertakes complex and extensive operations within its normal activities, thus rendering tax judgments and estimates are considered a key audit matter. | We have performed audit procedures to gain an understanding of the nature of risks related to income tax and to assess the professionality of the Bank's legal and tax consultants relating to the evaluation and calculation of due taxes. We have also discussed with management the scope of work of the Bank's legal and tax consultant to verify his efficiency and capability to calculate the required provisions. Furthermore, we have also discussed management's point of view concerning the accuracy and adequacy of the provisions taken, reasonableness of the adopted accounting estimates, and the Bank's adoption of International Accounting Standard No. (12). In addition, we discussed the impact of any tax differences with the tax authorities and their impact on the financial statements. |

**Other Matter**
The accompanying financial statements are a translation of the original financial statements which are in Arabic language, to which reference should be made.

**Other Information**
Management is responsible for the other information. The other information comprises the other information in the annual report excluding the financial statements and the independent auditor's report thereon, which is expected to be made available to us after the date of our audit report. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.



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**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards procedures.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

The Bank maintains proper accounting records, duly organized and in line with the accompanying financial statements, and we recommend that they be approved by the general Assembly of shareholders.

Deloitte & Touche

Deloitte & Touche (M.E.) – Jordan
Amman – Jordan
March 4, 2018

ديلويت آند توش (الشرق الأوسط)
010103
Deloitte & Touche (M.E.)

# Statement Of Financial Position

| ASSETS | Note | December 31, 2017 JD | December 31, 2016 JD |
|---|---|---|---|
| Cash and balances at central banks | 4 | 128,088,936 | 109,103,135 |
| Balances at banks and financial institutions | 5 | 51,866,315 | 52,611,438 |
| Direct credit facilities - net | 6 | 718,016,916 | 634,005,814 |
| Financial assets at fair value through statement of income | 7 | 1,394,915 | 1,928,452 |
| Financial assets at fair value through statement of comprehensive income | 8 | 11,833,839 | 8,185,950 |
| Financial assets at amortized cost | 9 | 331,324,142 | 330,870,200 |
| Property and equipment - net | 10 | 27,161,679 | 28,087,262 |
| Intangible assets - net | 11 | 2,064,338 | 1,474,632 |
| Deferred tax assets | 17/d | 4,032,827 | 3,325,672 |
| Other assets | 12 | 106,477,287 | 95,707,805 |
| **TOTAL ASSETS** | | **1,382,261,194** | **1,265,300,360** |
| | | | |
| **LIABILITIES AND OWNERS' EQUITY** | | | |
| LIABILITIES: | | | |
| Banks and financial institutions deposits | 13 | 121,378,075 | 51,804,094 |
| Customers deposits | 14 | 971,307,775 | 957,337,624 |
| Cash margins | 15 | 91,770,630 | 69,931,443 |
| Borrowed funds | 16 | 14,168,978 | 12,787,691 |
| Provision for income tax | 17/a | 3,145,154 | 3,792,448 |
| Other provisions | 18 | 890,887 | 777,307 |
| Other liabilities | 19 | 30,059,096 | 23,054,962 |
| **TOTAL LIABILITIES** | | **1,232,720,595** | **1,119,485,569** |
| | | | |
| **OWNERS EQUITY:** | | | |
| BANK SHAREHOLDERS' EQUITY: | | | |
| Authorized and paid-up capital | 20 | 120,000,000 | 112,875,000 |
| Statutory reserve | 21/a | 14,082,158 | 13,448,365 |
| General banking risks reserve | 21/b | 7,002,848 | 6,229,516 |
| Cyclicality reserve | 21/c | 1,833,820 | 1,705,716 |
| Fair value reserve - net | 22 | (1,504,051) | (1,852,705) |
| Retained earnings | 23 | 8,125,824 | 13,408,899 |
| **Total Bank Shareholders' Equity** | | **149,540,599** | **145,814,791** |
| **TOTAL LIABILITIES AND OWNERS' EQUITY** | | **1,382,261,194** | **1,265,300,360** |

The accompanying notes from (1) to (45) constitute an integral part of these financial statements and should be read with them and with the independet auditor's report.

# Statement Of Income

| | Note | For the Year Ended December 31, 2017 JD | 2016 JD |
|---|---|---|---|
| Interest income | 24 | 75,569,068 | 71,579,594 |
| Less: Interest expense | 25 | (39,210,834) | (32,987,374) |
| Net Interest Income | | 36,358,234 | 38,592,220 |
| Net commission income | 26 | 5,074,630 | 4,772,690 |
| **Net Interest and Commission** | | **41,432,864** | **43,364,910** |
| Foreign exchange income | 27 | 1,211,924 | 1,630,059 |
| (Loss) Gain from financial assets at fair value through statement of income | 28 | (4,030) | 655,292 |
| Cash dividends from financial assets at fair value through statement of comprehensive income | 8 | 260,582 | 216,682 |
| Other income - net | 29 | 5,252,853 | 3,773,704 |
| **Gross Income** | | **48,154,193** | **49,640,647** |
| | | | |
| Employees expenses | 30 | 15,374,369 | 14,813,948 |
| Depreciation and amortization | 11 & 10 | 3,151,156 | 2,816,452 |
| Provision for impairment in credit facilities | 6 | 8,641,231 | 6,198,407 |
| Other provisions | 18 | 234,722 | 312,881 |
| Provision for impairment in seized assets | 12 | 2,786,153 | 1,417,680 |
| Other expenses | 31 | 11,628,634 | 12,103,000 |
| Total Expenses | | 41,816,265 | 37,662,368 |
| Income for the Year before Income Tax | | 6,337,928 | 11,978,279 |
| Less: Income tax for the year | 17/b | (2,549,115) | (2,652,873) |
| **Income for the Year** | | **3,788,813** | **9,325,406** |
| | | | |
| **Earnings per Share for the Year attributable to the Bank's Shareholders** | | | |
| **Basic and Diluted** | **32** | **-/032** | **-/078** |

The accompanying notes from (1) to (45) constitute an integral part of these financial statements and should be read with them and with the independet auditor›s report.

# Statement Of Comprehensive Income

| | For the Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Income for the year | 3,788,813 | 9,325,406 |
| | | |
| Other Comprehensive income items: | | |
| Items that are not transferable subsequently to statement of income | | |
| Net change in fair value reserve of financial assets through statement of comprehensive income - net | 21,561 | (1,653,310) |
| (Loss) Gains from sale of financial assets at fair value through statement of comprehensive income | (84,566) | 161,263 |
| **Total Comprehensive Income for the Year** | **3,725,808** | **7,833,359** |

The accompanying notes from (1) to (45) constitute an integral part of these financial statements and should be read with them and with the independet auditor›s report.



# Statement Of Changes In Owners' Equity

| Description | Note | Shareholders' Equity | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Authorized and Paid-up Capital | Reserves Statutory | Reserves General Banking Risks | Reserves Cyclical | Fair Value Reserve-net | Retained Earnings | Total |
| | | JD | JD | JD | JD | JD | JD | JD |
| **For the Year Ended December 2017 ,31** | | | | | | | | |
| Balance - beginning of the year | | 112,875,000 | 13,448,365 | 6,229,516 | 1,705,716 | (1,852,705) | 13,408,899 | 145,814,791 |
| Profit for the year | | - | - | - | - | - | 3,788,813 | 3,788,813 |
| Net change in fair value reserve for financial assets at fair value through statement of comprehensive income -net | | - | - | - | - | 21,561 | - | 21,561 |
| Fair value reserve released from sale of financial assets at fair value through comprehensive income | | - | - | - | - | 327,093 | (327,093) | - |
| Realized (losses) from sale of financial assets at fair value through statement of comprehensive income | | - | - | - | - | - | (84,566) | (84,566) |
| Total comprehensive income for the year | | - | - | - | - | 348,654 | 3,377,154 | 3,725,808 |
| Transferred to increase capital | 20 | 7,125,000 | - | - | - | - | (7,125,000) | - |
| Transferred to reserves | | - | 633,793 | 773,332 | 128,104 | - | (1,535,229) | - |
| **Balance - End of the Year** | | **120,000,000** | **14,082,158** | **7,002,848** | **1,833,820** | **(1,504,051)** | **8,125,824** | **149,540,599** |
| | | | | | | | | |
| **For the Year Ended December 2016 ,31** | | | | | | | | |
| Balance - beginning of the year | 20 | 105,000,000 | 12,245,038 | 6,086,288 | 1,472,315 | (3,524,034) | 16,701,825 | 137,981,432 |
| Profit for the year | | - | - | - | - | - | 9,325,406 | 9,325,406 |
| Net change in fair value reserve for financial assets at fair value through statement of comprehensive income -net | | - | - | - | - | (1,653,310) | - | (1,653,310) |
| Fair value reserve released from sale of financial assets at fair value through comprehensive income | | - | - | - | - | 3,324,639 | (3,324,639) | - |
| Realized (losses) from sale of financial assets at fair value through statement of comprehensive income | | - | - | - | - | - | 161,263 | 161,263 |
| Total comprehensive income for the year | | - | - | - | - | 1,671,329 | 6,162,030 | 7,833,359 |
| Transferred to increase capital | | 7,875,000 | - | - | - | - | (7,875,000) | - |
| Transferred to reserves | | - | 1,203,327 | 143,228 | 233,401 | - | (1,579,956) | - |
| **Balance - End of the Year** | | **112,875,000** | **13,448,365** | **6,229,516** | **1,705,716** | **(1,852,705)** | **13,408,899** | **145,814,791** |

- Retained earnings balance includes JD 4,032,827 as of December 31, 2017 , restricted against deferred tax assets according to Central Bank of Jordan instructions.
- Use of retained earnings for an amount equal to the negative cumulative change in fair value of financial assets of JD 1,504,051 as of December 31, 2017 is restricted (including JD 311,112 against implementation of International Financial Reporting Standard No. (9)) according to Jordan Securities Commission and Central Bank of Jordan instructions.
- General Banking Risks Reserve balance is restricted and may not be released without the pre-approval of the Central Bank of Jordan.
- Use of the Cyclical Reserve is restricted and may not be released without the approval of the Palestinian Monetary Authority .
- Distributable profits amountd to JD 2,588,946 as of December 31, 2017

The accompanying notes from (1) to (45) constitute an integral part of these financial statements and should be read with them and with the independet auditor›s report.

# Statement Of Cash Flows

| | Note | For the Year Ended December 31, | |
|---|---|---|---|
| | | 2017 | 2016 |
| | | JD | JD |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Income for the year before income tax | | 6,337,928 | 11,978,279 |
| Adjustments: | | | |
| Depreciation and amortization | 10 & 11 | 3,151,156 | 2,816,452 |
| Provision for impairment loss in credit facilities | 6 | 8,641,231 | 6,198,407 |
| Provision for end-of-service indemnity | 18 | 171,772 | 234,039 |
| Provision for lawsuits against the Bank | 18 | 62,950 | 78,842 |
| (Gain) on sale of properties seized | 29 | (908,909) | (41,958) |
| (Gain) on sale of property and equipment | 29 | (44,104) | - |
| Loss on disposal of property and equipment | | - | 38,950 |
| (Gain) from valuation of financial assets through statement of income | 28 | (104,177) | (358,045) |
| Provision for seized assets | 12 | 2,790,052 | 1,757,634 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 27 | (449,560) | (349,484) |
| Total | | 19,648,339 | 22,353,116 |
| CHANGES IN ASSETS AND LIABILITIES: | | | |
| (Increase) in direct credit facilities | | (92,652,333) | (40,915,285) |
| Decrease in financial assets at fair value through statement of income | | 637,714 | 1,544,753 |
| (Increase) in other assets | | (12,650,625) | (10,685,250) |
| Decrease in restricted balances withdrawal | | - | 109,064 |
| Decrease in banks' and financial institutions deposits for more than three months | | 58,000,000 | 7,090,000 |
| Increase (decrease) in customers' deposits | | 13,970,151 | (84,133,589) |
| Increase (decrease) in cash margins | | 21,839,187 | (3,076,686) |
| Increase (decrease) in other liabilities | | 7,004,134 | (2,338,598) |
| Net Change in Assets and Liabilities | | (3,851,772) | (132,405,591) |
| Net Cash Flows from (used in) Operating Activities before Provisions Paid and Income Tax Paid | | 15,796,567 | (110,052,475) |
| Lawsuits provision paid | 18 | (900) | (59,321) |
| End-of-service indemnity provision paid | 18 | (120,242) | (81,604) |
| Income tax paid | 17/a | (4,246,433) | (7,345,431) |
| Net Cash Flows from (used in) Operating Activities | | 11,428,992 | (117,538,831) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| (Increase) decrease in financial assets at amortized cost | | (453,942) | 62,170,696 |
| (Increase) decrease in financial assets at fair value through statement of comprehensive income | | (3,368,025) | 943,753 |
| (Purchase) of property and equipment and advance payment for property and equipment | | (1,750,310) | (2,713,903) |
| (Purchase) of intangible assets | 10 | (1,167,498) | (866,577) |
| Proceeds from sale of property and equipment | 11 | 146,633 | 52,282 |
| Net Cash Flows (used in) from Investing Activities | | (6,593,142) | 59,586,251 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Increase in borrowed funds | | 1,381,287 | 5,874,853 |
| Net Cash Flows from Financing Activities | | 1,381,287 | 5,874,853 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 27 | 449,560 | 349,484 |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 6,666,697 | (51,728,243) |
| Cash and cash equivalents - beginning of the year | 33 | 114,910,479 | 166,638,722 |
| Cash and Cash Equivalents - End of the Year | 33 | 121,577,176 | 114,910,479 |
| Non-Cash transactions: | | | |
| Acquisition of seized assets against debts | 12 | 11,481,421 | 12,137,449 |
| Increase in paid up capital | 20 | 7,125,000 | 7,875,000 |

The accompanying notes from (1) to (45) constitute an integral part of these financial statements and should be read with them and with the independet auditor›s report.

# Notes on the Financial Statements

Transparency for a deep understanding

**The yellow**

color symbolizes optimism
and felicity

# Notes To The Financial Statements

## 1. General

- Jordan Commercial Bank was established as a Jordanian Public Limited Shareholding Company on May 3, 1977 under No. (113) 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 a 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 - The Hashemite Kingdom of 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, and the last increase was during the year 2017. In its extraordinary meeting held on April 30, 2017, the Bank's General Assembly resolved to approve the increase in the Bank's capital by JD/Share 7,125,000, so that authorized and paid-up capital would become JD/Share 120,000,000 through capitalizing part of retained earnings and distributing the amount to shareholders as stock dividends. The procedures for capital increase were completed on June 7, 2017.

- Jordan Commercial Bank is a Public Limited Shareholding Company listed on Amman Stock Exchange.

- The Bank is engaged in banking and related financial operations through its branches totaling (29) inside Jordan and (4) in Palestine.

- The financial statements have been approved by the Bank's Board of Directors, in its meeting held on February 25, 2018, and are subject to the approvals of the Shareholders General Assembly and the Central Bank of Jordan.

## 2. Significant Accounting Policies

### Basis of Preparation of Financial Statements

- The accompanying financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their related interpretations issued by IASB committee according to the instructions in force in the countries where the Bank operates as well as the Central Bank of Jordan regulations.

- The financial statements are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities stated at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial derivatives 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, 2016, except for the effect of what is stated in Note (45.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 Statement of Income

- These financial assets represent investments in companies' stocks and bonds, and the purpose from maintaining them is to generate gains from the fluctuations in market prices in the short term or from 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.
- Financial assets to / from this category may not be reclassified except for the cases specified in International Financial Reporting Standards.
- Dividends and interest 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 in the long term and not for trading purpose.

- Financial assets at fair value though comprehensive income are initially stated at fair value plus transaction costs on the 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 owners' equity, including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or loss from the sale of these investments should be recognized in the statement of comprehensive income and within owners' equity, and the balance of the revaluation reserve for these assets should be transferred directly to 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 the Bank's management intends, according to its business model, to hold for collecting contractual cash flows which comprise payments of principal and interest on the outstanding debt balance.
- 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 thereof are deducted. Any impairment is registered in the statement of income.
- The amount of the recognized impairment loss 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.
- Financial assets from / to this category may not be reclassified except for certain cases specified in the International Financial Reporting Standards (in the case of selling any of these assets before their maturity date, the result should be recorded in a separate-line item in the statement of income. Moreover, disclosures should be made according to the requirements of International Financial Reporting Standards).

## Fair Value

The closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of financial statements in active markets represents the fair value of financial instruments and derivatives with market prices.

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 market expectations, taking into consideration market factors and any expected risks and benefits upon estimating the value of financial assets. Moreover, financial assets whose fair value cannot be measured reliably 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 basically provided by the Bank or obtained with no available market value in active markets.

- Direct credit facilities are stated at amortized cost net of provision for impairment loss, interest and commissions in suspense.

- A provision for impairment in direct credit facilities is recognized when amounts due to the Bank become obviously irrecoverable, and when 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 the Central Bank of Jordan instructions, and in accordance with the central banks instructions in the countries the Bank's branches operate. The provision is taken to the statement of income.

- Interest 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 provisions have been taken, are written off by charging the provision after all collection efforts and procedures have failed. Any surplus in the provision is taken to the statement of income, while prior written-off debt recoveries are taken to other income.

- Credit facilities and the related suspended interest fully provided for are taken off the statement of financial position in line with the Board of Directors decisions in this regard.

## Property and Equipment

- Property and equipment are stated at cost net of accumulated depreciation and any impairment in their 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 |
| tnempiuqe ecffio dna senihcaM | 10 - 15 |
| Decorations | 15 |
| selciheV | 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 (for employees not covered by Social Security) is calculated on the basis of one-month salary for each year of service.

- 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.

## Share Capital

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

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 are mortgaged to other parties with other party's the right for (selling or remortgaging). These assets are continuously assessed according to accounting polices used to evaluate each asset according to its original classification.

## 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 (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 against Due Debts

Assets seized by the Bank against due debts 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.

Provision for seized assets against debts acquired for more than four years is calculated according to the Central Bank of Jordan Circular No. 10/1/4076 dated on March 27, 2014 and circular No. 10/1/2510 date February 14, 2017.

## 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 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 fair value reserve. In particular, this requires 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. The details are as follows:

A provision is set for lawsuits raised against the Bank. This provision is subject to an adequate legal study prepared by the Bank›s legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.

- A provision for loans is taken based on estimates approved by management in conformity with the Central Bank of Jordan instructions.

- Impairment loss for the assets seized by the Bank is recorded based on recent real estate evaluations conducted by certified real estate appraisers. The impairment loss is reviewed periodically. Since the beginning of the year 2015, the Bank has started to calculate a gradual provision for the assets seized by the Bank for more than 4 years in accordance with the Central Bank of Jordan regulations Number 10/1/4076 dated March 27, 2014 and circular No. February 14, 2017.

- 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.

## 4. Cash and Balances at Central Banks

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Cash in vaults | 26,501,152 | 18,671,993 |
| Balances at Central Banks: | | |
| Current and call accounts | 19,471,163 | 33,239,175 |
| Time and notice deposits | 32,858,800 | 8,224,400 |
| Mandatory cash reserve | 49,257,821 | 48,967,567 |
| Total Balances at Central Banks | 101,587,784 | 90,431,142 |
| **Total** | **128,088,936** | **109,103,135** |

- Except for the cash reserve and the capital deposits at the Palestinian Monetary Authority which amounted to JD 9,358,800, there are no restricted balances as of December 31, 2017 and 2016.
- There are no balances maturing within a period of more than three months as of December 31, 2017 and 2016.
- Total certificates of deposit amounted to JD 18,000,000 as of December 31, 2017 (zero as of December 31, 2016).

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

a. 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, | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD |
| Current and call accounts | 53,025 | 918,898 | 13,992,437 | 17,622,745 | 14,045,462 | 18,541,643 |
| Deposits due within 3 months | 29,672,250 | 17,243,016 | 8,148,603 | 16,826,779 | 37,820,853 | 34,069,795 |
| **Total** | **29,725,275** | **18,161,914** | **22,141,040** | **34,449,524** | **51,866,315** | **52,611,438** |

- Non-interest bearing balances at banks and financial institutions amounted to JD 14,045,462 as of December 31, 2017 (JD 18,541,643 as of December 31, 2016).
- There are no restricted balances as of December 31, 2017 and 2016.

## 6. Direct Credit Facilities - net

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| **Individuals (retail):** | | |
| Overdraft accounts | 421,730 | 527,631 |
| Loans and promissory notes * | 173,627,163 | 155,220,754 |
| Credit cards | 3,686,365 | 3,046,084 |
| **Real estate loans** | **107,673,346** | **66,399,490** |
| **Companies:** | | |
| **Large:** | | |
| Overdraft accounts | 78,290,206 | 57,404,264 |
| Loans and promissory notes * | 274,780,596 | 234,959,577 |
| Syndicated loans | 3,402,000 | 3,707,000 |
| **SMEs** | | |
| Overdraft accounts | 26,341,524 | 23,887,677 |
| Loans and promissory notes * | 53,430,269 | 65,942,173 |
| **Government and public sector** | **40,358,851** | **57,125,701** |
| **Total** | **762,012,050** | **668,220,351** |
| Less: Provision for impairment in direct credit facilities | (30,663,171) | (22,114,945) |
| Interest in suspense | (13,331,963) | (12,099,592) |
| **Net Direct Credit Facilities** | **718,016,916** | **634,005,814** |

* Net after deducting interest and commissions received in advance of JD 4,033,050 as of December 31, 2017 (JD 2,059,349 as of December 31, 2016).

- Non-performing credit facilities amounted to JD 61,827,739 equivalent to 8/1% of total direct credit facilities as of December 31, 2017 (JD 52,469,614, equivalent to 7/85% of total direct credit facilities as of December 31, 2016).
- Non- performing credit facilities net of interest and commissions in suspense amounted to JD 48,903,773, equivalent to 6/5% of total direct credit facilities balance as of December 31, 2017 (JD 40,869,177, equivalent to 6/2% of total credit facilities balance after deducting suspended interest as of December 31, 2016).
- Direct credit facilities include facilities granted to Palestinian National Authority of JD 13,816,290 as of December 31, 2017 (JD 15,168,585 as of December 31, 2016). They also include granted direct credit facilities guaranteed by the Government of Jordan of JD 12,500,000 as of December 31, 2017 (JD 15,000,000 as of December 31, 2016)

### Provision for Impairment in Direct Credit Facilities

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

| For the Year Ended December 31, 2017 | Individuals | Real Estate Loans | Companies | | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | | | Large | Small and Medium | | |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 4,506,428 | 674,206 | 14,049,485 | 2,884,826 | - | 22,114,945 |
| Deducted from income during the year | 3,917,412 | 13,338 | 4,541,900 | 168,581 | - | 8,641,231 |
| Used from provision during the year (written-off)* | (4,077) | - | - | (18,168) | - | (22,245) |
| Provision for debts transferred to accounts off the statement of financial position ** | (70,760) | - | - | - | - | (70,760) |
| **Balance – End of the Year** | 8,349,003 | 687,544 | 18,591,385 | 3,035,239 | - | 30,663,171 |
| Related to: | | | | | | |
| Provision for impairment for non-performing credit facilities | 7,772,819 | 653,634 | 18,351,539 | 2,970,965 | - | 29,748,957 |
| Provision for impairment for watch list credit facilities | 576,184 | 33,910 | 239,846 | 64,274 | - | 914,214 |
| **Total** | 8,349,003 | 687,544 | 18,591,385 | 3,035,239 | - | 30,663,171 |

| For the Year Ended December 31, 2016 | Individuals | Real Estate Loans | Companies | | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | | | Large | Small and Medium | | |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 5,985,803 | 775,169 | 17,702,917 | 3,284,737 | - | 27,748,626 |
| Deducted from income (surplus) during the year | 4,129,263 | (39,117) | 1,257,477 | 850,784 | - | 6,198,407 |
| Used from provision during the year (written-off)* | (5,857) | - | - | (1,062) | - | (6,919) |
| Provision for debts transferred to accounts off the statement of financial position ** | (5,602,781) | (61,846) | (4,910,909) | (1,249,633) | - | (11,825,169) |
| **Balance – End of the Year** | 4,506,428 | 674,206 | 14,049,485 | 2,884,826 | - | 22,114,945 |
| Related to: | | | | | | |
| Provision for impairment for non-performing credit facilities | 4,174,079 | 637,710 | 13,498,021 | 2,836,450 | - | 21,146,260 |
| Provision for impairment for watch list credit facilities | 332,349 | 36,496 | 551,464 | 48,376 | - | 968,685 |
| **Total** | 4,506,428 | 674,206 | 14,049,485 | 2,884,826 | - | 22,114,945 |

* During the year 2017, an amount of JD 22,245 was written-off from non-performing direct credit facilities according to the Board of Directors' decision (JD 6,919 for the year 2016).

** During the year 2017, non-performing credit facilities of JD 70,760, were transferred to off the statement of financial position items according to the Board of Directors' decisions, (JD 15,243,639 for 2016). Noting that direct credit facilities of JD 92,287,516, interest in suspense of JD 49,083,243, and related provision of JD 43,204,273 as of December 31, 2016 were transferred to off the statement of financial position items according to the Board of Directors' decision, as these accounts are fully covered as of the date of the financial statements.

- The provisions for debts calculated on the basis of the individual customer are disclosed above.
- Provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to JD 6,992,894 as of December 31, 2017 (JD 2,154,089 as of December 31, 2016).

### Interests in Suspense

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

| For the Year Ended December 31, 2017 | Individuals | Real Estate Loans | Companies | | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | | | Large | Small and Medium | | |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 454,805 | 615,161 | 9,434,257 | 1,595,369 | - | 12,099,592 |
| Add: Interest suspended during the year | 742,940 | 304,672 | 2,633,603 | 596,684 | - | 4,277,899 |
| Less: Interest reversed to income during the year | (82,046) | (77,718) | (2,348,809) | (146,539) | - | (2,655,112) |
| Interest in suspense written off | (1,898) | (4,618) | (7,020) | (329,137) | - | (342,673) |
| Interest in suspense transferred to accounts off the statement of financial position | (47,743) | - | - | - | - | (47,743) |
| **Balance - End of the Year** | 1,066,058 | 837,497 | 9,712,031 | 1,716,377 | - | 13,331,963 |

| For the Year Ended December 31, 2016 | Individuals | Real Estate Loans | Companies | | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | | | Large | Small and Medium | | |
| | JD | JD | JD | JD | JD | JD |
| Balance – beginning of the year | 637,345 | 546,519 | 7,856,822 | 1,829,600 | - | 10,870,286 |
| Add: Interest suspended during the year | 1,043,598 | 187,653 | 4,619,391 | 666,006 | - | 6,516,648 |
| Less: Interest reversed to income during the year | (150,142) | (20,988) | (1,346,392) | (154,841) | - | (1,672,363) |
| Interest in suspense written off | (4,485) | (22,545) | (146,023) | (23,456) | - | (196,509) |
| Interest in suspense transferred to accounts off the statement of financial position | (1,071,511) | (75,478) | (1,549,541) | (721,940) | - | (3,418,470) |
| **Balance - End of the Year** | 454,805 | 615,161 | 9,434,257 | 1,595,369 | - | 12,099,592 |

## 7. Financial Assets at Fair Value through Statement of Income

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Quoted shares in active markets | 1,394,915 | 1,928,452 |
| **Total** | 1,394,915 | 1,928,452 |

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

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Quoted shares in active markets | 9,080,838 | 6,481,910 |
| Unquoted shares in active markets * | 2,753,001 | 1,704,040 |
| **Total** | **11,833,839** | **8,185,950** |

- Realized loss from the sale of shares at fair value through the statement of comprehensive income amounted to JD 411,659 for the year ended December 31, 2017. The loss was directly recorded in retained earnings within owners' equity (realized loss of JD 3,163,376 for the year ended December 31, 2016).
- Cash dividends for the above investments amounted to JD 260,582 for the year ended December 31, 2017 (JD 216,682 for the year ended December 31, 2016).

* This item includes unquoted financial assets in active markets of local companies evaluated according to equity method based on the latest available audited or reviewed financial statements.

## 9. Financial Assets at Amortized Cost

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Treasury bonds and bills - Central Bank of Jordan | 317,626,207 | 314,091,026 |
| Governments guaranteed bonds and debentures | 8,000,035 | 11,081,274 |
| Companies bonds and debentures | 5,697,900 | 6,118,792 |
| Total | 331,324,142 | 331,291,092 |
| less: Provision for impairment in financial assets at amortized cost * | - | (283,600) |
| Interest in suspense ** | - | (137,292) |
| Financial assets at amortized cost - Net | 331,324,142 | 330,870,200 |
| Bonds and Bills Analysis: | | |
| Fixed rate | 331,324,142 | 330,870,200 |
| **Total** | **331,324,142** | **330,870,200** |

* The movement on the provision for impairment in financial assets at amortized cost during the year was as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Balance – beginning of the year | 283,600 | 283,600 |
| Provision recovered during the year | (283,600) | - |
| Balance – Ending of the Year | - | 283,600 |

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

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Balance – beginning of the year | 137,292 | 108,864 |
| Interest in suspense during the year | 14,813 | 28,428 |
| Interest in suspense written off | (28,779) | - |
| Interest in suspense reversed to income | (123,326) | - |
| **Balance – Ending of the Year** | **-** | **137,292** |

## 10. Property and Equipment - Net

a. The details of this item are as follows:

| Year 2017 | Lands | Buildings | Machines and Office Equipment | Decorations | Vehicles | Computers | Payments for Property and Equipment | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Cost: | | | | | | | | |
| Balance - beginning of the year | 2,828,298 | 18,635,907 | 9,068,227 | 5,700,070 | 556,857 | 4,784,889 | 769,884 | 42,344,132 |
| Additions | - | 38,000 | 283,322 | 95,835 | 85,000 | 207,615 | 1,040,538 | 1,750,310 |
| Disposals | - | - | (177,476) | (67,588) | (78,152) | (393,721) | - | (716,937) |
| Payments for acquisition of property and equipment | - | 344,760 | 434,273 | 246,729 | - | 21,850 | (1,047,612) | - |
| **Balance - End of the Year** | **2,828,298** | **19,018,667** | **9,608,346** | **5,975,046** | **563,705** | **4,620,633** | **762,810** | **43,377,505** |
| Accumulated Depreciation: | | | | | | | | |
| Balance - beginning of the year | - | 1,841,489 | 4,789,517 | 4,239,075 | 271,959 | 3,114,830 | - | 14,256,870 |
| Depreciation for the year | - | 368,448 | 1,001,308 | 531,290 | 64,337 | 607,981 | - | 2,573,364 |
| Disposals | - | - | (170,575) | (21,603) | (30,346) | (391,884) | - | (614,408) |
| Balance - End of the Year | - | 2,209,937 | 5,620,250 | 4,748,762 | 305,950 | 3,330,927 | - | 16,215,826 |
| **Net Book Value of Property and Equipment - End of the Year** | **2,828,298** | **16,808,730** | **3,988,096** | **1,226,284** | **257,755** | **1,289,706** | **762,810** | **27,161,679** |
| Year 2016 | | | | | | | | |
| Cost: | | | | | | | | |
| Balance - beginning of the year | 2,694,071 | 17,716,724 | 7,778,374 | 5,533,967 | 567,673 | 4,001,128 | 2,032,220 | 40,324,157 |
| Additions | 134,227 | 344,116 | 721,198 | 37,197 | 55,722 | 256,147 | 1,165,296 | 2,713,903 |
| Disposals | - | - | (215,262) | (183,516) | (152,183) | (142,967) | - | (693,928) |
| Payments for acquisition of property and equipment | - | 575,067 | 783,917 | 312,422 | 85,645 | 670,581 | (2,427,632) | - |
| **Balance - End of the Year** | **2,828,298** | **18,635,907** | **9,068,227** | **5,700,070** | **556,857** | **4,784,889** | **769,884** | **42,344,132** |
| Accumulated Depreciation: | | | | | | | | |
| Balance - beginning of the year | - | 1,482,144 | 4,047,972 | 3,869,854 | 293,452 | 2,775,492 | - | 12,468,914 |
| Depreciation for the year | - | 359,345 | 946,914 | 522,953 | 79,137 | 482,302 | - | 2,390,651 |
| Disposals | - | - | (205,369) | (153,732) | (100,630) | (142,964) | - | (602,695) |
| **Balance - End of the Year** | **-** | **1,841,489** | **4,789,517** | **4,239,075** | **271,959** | **3,114,830** | **-** | **14,256,870** |
| **Net Book Value of Property and Equipment - End of the Year** | 2,828,298 | 16,794,418 | 4,278,710 | 1,460,995 | 284,898 | 1,670,059 | 769,884 | 28,087,262 |
| Annual depreciation percentage % | - | 2 | 10-15 | 15 | 15 | 20 | - | |

b- Property and equipment balance includes JD 6,908,267 as of December 31, 2017 (JD 5,833,398 as of December 31, 2016), representing fully depreciated property and equipment.

## 11. Intangible Assets - Net

The details of this item during the year are as follows:

| | Computers and software systems | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Balance-beginning of the year | 1,474,632 | 1,033,856 |
| Additions during the year | 682,718 | 834,168 |
| Payments for acquisition of intangible assets | 484,780 | 32,409 |
| Amortization for the year | (577,792) | (425,801) |
| **Balance-End of the Year** | **2,064,338** | **1,474,632** |
| **Annual amortization percentage %** | **20** | **20** |

## 12. Other Assets

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Accrued interest and revenue | 8,101,272 | 6,764,764 |
| Prepaid expenses | 1,202,663 | 834,598 |
| Assets seized by the Bank against due debts - net * | 84,318,625 | 78,873,375 |
| Assets seized by the Bank sold on installments - net ** | 1,832,713 | 1,478,632 |
| Refundable deposits | 950,972 | 2,462,811 |
| Transactions under process among branches | - | 780,184 |
| Clearing Cheques - Palestine branches | 981,208 | 2,406,649 |
| Purchase of Time withdrawals, policies and Letter of credits | 7,322,174 | 551,488 |
| Other | 1,767,660 | 1,555,304 |
| **Total** | **106,477,287** | **95,707,805** |

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

| | 2017 | | | 2016 |
|---|---|---|---|---|
| | Seized Properties | Other Seized Assets | Total | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year (Net after the impairment loss) | 77,863,808 | 1,009,567 | 78,873,375 | 70,663,375 |
| Additions during the year | 11,481,421 | - | 11,481,421 | 12,137,449 |
| Disposals during the year | (3,552,373) | - | (3,552,373) | (2,169,815) |
| Effect of impairment for the year | (2,487,697) | 3,899 | (2,483,798) | (1,757,634) |
| **Balance - End of the Year** | **83,305,159** | **1,013,466** | **84,318,625** | **78,873,375** |

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

| | 2017 | | | 2016 |
|---|---|---|---|---|
| | Seized Properties | Other Seized Assets | Total | Total |
| | JD | JD | JD | JD |
| Balance - beginning of the year | 2,084,017 | - | 2,084,017 | 1,254,678 |
| Booked provision during the year**** | 2,633,020 | 268,790 | 2,901,810 | 1,081,289 |
| Properties sold on installments during the year | (133,445) | - | (133,445) | - |
| Utilized from provision during the year | (11,878) | - | (11,878) | (133,725) |
| Unrealized gain from other seized assets | - | (272,689) | (272,689) | 676,345 |
| **Balance - End of the Year** | **4,571,714** | **(3,899)** | **4,567,815** | **2,878,587** |

* According to the Central Bank of Jordan instructions, properties and shares seized by the Bank against past due customer debts should be disposed of within two years from the acquisition date. For exceptional cases, the Central Bank of Jordan can extend this period for two additional years.

** This item includes JD 83,947 surplus against provision for assets seized by the Bank for the year ended December 31, 2017 reversed to income (JD 377,399 as of December 31,2016), according to the Central Bank's Circular No. 10/1/4076 dated March 27, 2014 and Circular No. 10/1/6841 dated June 3, 2015, whereby the Bank started to gradually calculate a provision for the properties seized against debt held for more than 4 years, according to the Central Bank's Circular No. 10/1/2510 dated February 14, 2017 .

*** This item includes JD 2,633,020 against provision for assets seized by the Bank for the year ended December 31, 2017 ( JD 1,040,281 for the year ended December 31, 2016) , according to the Central Bank's circular No. 10/1/4076 dated March 27, 2014 and Circular No. 10/1/6841 dated June 3, 2015 the Bank started to gradually calculate a provision for the properties seized against debt held for more than 4 years. according to the Central Bank's Circular No. 10/1/2510 dated February 14, 2017 .

## 13. Banks and Financial Institutions Deposits

The details of this item are as follows:

| | December 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Inside Kingdom | Outside Kingdom | Total | Inside Kingdom | Outside Kingdom | Total |
| | JD | JD | JD | JD | JD | JD |
| Current and call accounts | - | 2,947,780 | 2,947,780 | - | 5,225,024 | 5,225,024 |
| Term deposits | 73,379,367 | 45,050,928 | 118,430,295 | 29,135,939 | 17,443,131 | 46,579,070 |
| **Total** | **73,379,367** | **47,998,708** | **121,378,075** | **29,135,939** | **22,668,155** | **51,804,094** |

- Banks deposits maturing within a period of more than three months amounted to JD 63,000,000 as of December 31, 2017 (JD 5,000,000 as of December 31, 2016).

## 14. Customers Deposits

The details of this item are as follows:

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Individuals | Companies | | Government and Public Sector | Total |
| | | Large | Small and Medium | | |
| | JD | JD | JD | JD | JD |
| Current and call accounts | 72,028,964 | 29,895,548 | 16,368,300 | 18,671,799 | 136,964,611 |
| Saving deposits | 136,399,227 | 4,083,257 | 1,079,209 | 296,868 | 141,858,561 |
| Time certificates of deposit | 38,955,752 | - | 110,000 | - | 39,065,752 |
| Term deposits subject to notice | 334,816,870 | 109,785,978 | 89,956,260 | 118,859,743 | 653,418,851 |
| **Total** | **582,200,813** | **143,764,783** | **107,513,769** | **137,828,410** | **971,307,775** |

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Individuals | Companies | | Government and Public Sector | Total |
| | | Large | Small and Medium | | |
| | JD | JD | JD | JD | JD |
| Current and call accounts | 88,228,985 | 35,085,301 | 18,081,126 | 44,364,504 | 185,759,916 |
| Saving deposits | 105,918,730 | 2,044,538 | 910,775 | 12,084 | 108,886,127 |
| Time certificates of deposit | 26,285,391 | 10,000 | 258,785 | - | 26,554,176 |
| Term deposits subject to notice | 251,054,707 | 167,939,076 | 61,448,653 | 155,694,969 | 636,137,405 |
| **Total** | 471,487,813 | 205,078,915 | 80,699,339 | 200,071,557 | 957,337,624 |

- The Government of Jordan and the public sector deposits inside the Kingdom amounted to JD 115,516,895, equivalent to 11/9 % of total deposits as of December 31, 2017 (JD 190,233,573, equivalent to 19/9% of total deposits of December 31, 2016).
- Non-interest bearing deposits amounted to JD 130,676,416, equivalent to 13/5 % of total customers' deposits as of December 31, 2017(JD 160,549,816, equivalent to 16/8 % of total deposits as of December 31, 2016).
- Restricted deposits amounted to JD 12,098,322, equivalent to 1/2 % of total customers' deposits as of December 31, 2017 (JD 13,098,366, equivalent to 1/4 % of total deposits as of December 31, 2016).
- Dormant deposits amounted to JD 9,852,014 as of December 31, 2017 (JD 14,647,082 as of December 31, 2016) .

## 15. Cash Margins

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Cash margins on direct credit facilities | 74,619,002 | 56,012,744 |
| Cash margins on indirect credit facilities | 15,581,592 | 13,105,743 |
| Marginal cash deals | 1,570,036 | 812,956 |
| **Total** | **91,770,630** | **69,931,443** |

## 16. Borrowed Funds

These funds have been granted under the loan agreements signed with the Central Bank of Jordan whereby the repayment will be through semi - annual installments including interest. These funds will be used for the purpose of financing micro, small and medium companies.

This item includes the following:

| | Amount | Utilized | Number of Installment | Guarantees | Interest Rate |
|---|---|---|---|---|---|
| December 31, 2017 | | | | | |
| Loan from World Bank through Central Bank of Jordan | 2,000,000 | 2,000,000 | 20 years including 5 years grace period settled in semi-annual installments | – | 2/5 % |
| Loan from Arab Monetary Fund through Central Bank of Jordan | 2,100,000 | 1,953,000 | 10 years including 3 years grace period settled in semi-annual installments | – | 2/5 % |
| Advances from Central Bank of Jordan | 10,215,978 | 10,215,978 | 2 years settled in semi-annual installments | – | 2/25 % |
| **Total** | | **14,168,978** | | | |
| December 31, 2016 | | | | | |
| Loan from World Bank through Central Bank of Jordan | 2,000,000 | 2,000,000 | 20 years including 5 years grace period settled in semi-annual installments | – | 2/5 % |
| Loan from Arab Monetary Fund through Central Bank of Jordan | 2,100,000 | 2,100,000 | 10 years including 3 years grace period settled in semi-annual installments | – | 2/5 % |
| Advances from Central Bank of Jordan | 8,687,691 | 8,687,691 | 2 years settled in semi-annual installments | – | 2/25 % |
| **Total** | | **12,787,691** | | | |

The refinanced funds amounted to JD 10,234,421 as at 31 December 2017 (compared to JD 8,787,501 as at 31 December 2016) with interest rates ranging between 3% and 7.5%.

## 17. Income Tax

### a. Income tax provision

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

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Balance - beginning of the year | 3,792,448 | 8,368,127 |
| Income tax incurred | 3,599,139 | 2,769,752 |
| Income tax paid - Palestine branches | (2,038,097) | (519,538) |
| Income tax paid - Jordan Branches | (2,208,336) | (6,825,893) |
| **Balance - End of the Year** | **3,145,154** | **3,792,448** |

### b. Income tax expense

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

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Income tax incurred on current year profit - Jordan branches | 2,558,250 | 2,215,319 |
| Income tax incurred on current year profit - Palestine branches | 571,121 | 550,000 |
| Income tax incurred on prior year profit - Jordan branches | 469,768 | 4,433 |
| Effect of deferred tax assets | (1,050,024) | 354,220 |
| Effect of deferred tax liabilities | - | (471,099) |
| **Total** | **2,549,115** | **2,652,873** |

### c. Tax status

**a. Jordan Branches**

The Bank has reached a final settlement with the Income and Sales Department for Jordan branches until the end of the year 2014. The Bank submitted the income tax return for the year 2015 and 2016, but it has not been reviewed yet.

**b. Palestine branches**

The Bank has settled the income tax for Palestine branches up to the year 2016.

In the opinion of the Management and the Bank's Legal and Tax advisors in Jordan and Palestine, no liabilities in excess of the provision taken by the Bank and its branches will arise as of the date of the financial statements. Moreover, the booked income tax provision is sufficient to settle the potential tax obligations as of the date of the financial statements.

## d. Deferred Tax Assets/Liabilities :

The details of this item are as follows:

| | 2017 | | | | December 31, 2017 | December 31, 2016 |
|---|---|---|---|---|---|---|
| | Balance -beginning of the year | Amounts | | Balance - End of the Year | Deferred Tax | Deferred Tax |
| | | Additions | Released | | | |
| | JD | JD | JD | JD | JD | JD |
| **a. Deferred Tax Assets** | | | | | | |
| Provision for doubtful debts before the year 2000 | 338,221 | - | 88,392 | 249,829 | 87,440 | 118,377 |
| Provision for impairment in seized properties | 516,939 | - | 84,560 | 432,379 | 151,333 | 180,929 |
| Provision of seized properties held for more than four years | 2,062,704 | 3,028,271 | 510,908 | 4,580,067 | 1,603,023 | 721,946 |
| Provision of seized shares | - | 268,790 | - | 268,790 | 94,077 | |
| Impairment loss on shares seized against debts | 1,013,101 | (272,690) | - | 740,411 | 259,144 | 354,585 |
| Impairment loss on financial assets at amortized cost | 283,600 | - | 283,600 | - | - | 99,260 |
| Provision for lawsuits against the Bank | 43,493 | 62,950 | 900 | 105,543 | 36,940 | 15,222 |
| Provision for end-of-service indemnity | 57,926 | 21,177 | 68,398 | 10,705 | 3,747 | 20,274 |
| Provision for suspended legal fees and expense | 1,514,015 | 162,153 | 48,047 | 1,628,121 | 569,842 | 529,905 |
| Valuation losses on financial assets at fair value through statement of income | 446,539 | 104,177 | 189,953 | 360,763 | 126,267 | 156,289 |
| Fair value reserve * | 2,850,316 | (476,409) | 503,218 | 1,870,689 | 654,741 | 997,611 |
| Provision for employees bonuses | - | 900,000 | - | 900,000 | 315,000 | - |
| Other provisions | 375,065 | - | - | 375,065 | 131,273 | 131,274 |
| **Total** | **9,501,919** | **3,798,419** | **1,777,976** | **11,522,362** | **4,032,827** | **3,325,672** |

- Deferred tax benefits mentioned above represent deferred tax benefits for Jordan branches only, as there are no deferred taxes for the Bank's branches in Palestine.

* Deferred tax assets resulting from valuation loss of financial assets at fair value through comprehensive income appear within the valuation reserve for financial assets at fair value in the owners' equity statement.

## b. The movement on deferred tax assets/liabilities during the year was as follows:

| | 2017 | 2016 |
|---|---|---|
| | Assets | Assets |
| | JD | JD |
| Balance - beginning of the year | 3,325,672 | 4,579,835 |
| Additions during the year | 1,329,447 | 999,320 |
| Disposal during the year | (622,292) | (2,253,483) |
| **Balance - End of the Year** | **4,032,827** | **3,325,672** |

- Deferred tax assets for Jordan branches have been calculated using 35% as of December 31, 2017 according to the tax rate for banks as per the new Income Tax Law No (34) for the Year 2014, which came into effect on January 1st, 2015.

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

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Declared income | 6,337,928 | 11,978,279 |
| Add: Non-deductible tax expenses | 4,654,866 | 2,850,121 |
| Less: Exempted tax income | (2,398,668) | (7,240,574) |
| **Adjusted Taxable income** | **8,594,126** | **7,587,826** |
| | | |
| **Income Tax Rates:** | | |
| Jordan branches | 35% | 35% |
| Palestine branches | 15% | 15% |

## 18. Other Provisions

The details of this item are as follows:

| | Balance -Beginning of the Year | Expense for the Year | Paid during the Year | Balance - End of the Year |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Year 2017 | | | | |
| Provision for lawsuits against the Bank | 48,788 | 62,950 | (900) | 110,838 |
| Provision for end-of-service indemnity | 728,519 | 171,772 | (120,242) | 780,049 |
| **Total** | **777,307** | **234,722** | **(121,142)** | **890,887** |

| | Balance -Beginning of the Year | Expense for the Year | Paid during the Year | Balance - End of the Year |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Year 2016 | | | | |
| Provision for lawsuits against the Bank | 29,267 | 78,842 | (59,321) | 48,788 |
| Provision for end-of-service indemnity | 576,084 | 234,039 | (81,604) | 728,519 |
| **Total** | **605,351** | **312,881** | **(140,925)** | **777,307** |

## 19. Other Liabilities

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Acceptable checks | 6,805,309 | 6,583,153 |
| Accrued interests | 7,817,424 | 5,160,954 |
| Refundable and various deposits | 2,895,072 | 3,386,757 |
| Safe deposits boxes | 97,703 | 89,878 |
| Shareholders' deposits | 14,773 | 14,773 |
| Income tax and social security | 394,990 | 298,145 |
| Accrued expenses | 2,047,129 | 2,018,391 |
| Transactions in transit among branches | 506,299 | - |
| Board of Directors' remunerations | 55,000 | 55,000 |
| Received amounts on the sale of land and real estate | 8,530,135 | 5,123,526 |
| Inward remittance | 428,228 | 265,313 |
| Other | 467,034 | 59,072 |
| **Total** | **30,059,096** | **23,054,962** |

## 20. Authorized and Paid-up Capital

- The General Assembly of the Bank decided, in its extraordinary meeting held on April 30, 2017, to approve the capital increase of JD/share 7,125,000. Accordingly, the Bank's authorized and paid-up capital would become JD/share 120,000,000 through capitalizing part of retained earnings and distributing the amount free of charge to the shareholders. The procedures for the paid-up capital increase have been completed at the Companies Control Department in Jordan on June 7, 2017, whereby authorized and paid-up capital become JD/share 120,000,000 as of December 31, 2017.

- The General Assembly of the Bank decided, in its extraordinary meeting held on April 10, 2016, to approve the capital increase of JD/share 7,875,000. Accordingly, the Bank's authorized and paid-up capital would become JD/share 112,875,000 through capitalizing part of retained earnings and distributing the amount free of charge to the shareholders. The procedures for the paid-up capital increase have been completed at the Companies Control Department in Jordan on May 22, 2016, whereby authorized and paid-up capital become JD/share 112,875,000 as of December 31, 2016.

## 21. Reserves

The details of the reserves as of December 31, 2017 and 2016 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, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Jordan branches | 5,813,954 | 5,257,861 |
| Palestine branches | 1,188,894 | 971,655 |
| **Total** | **7,002,848** | **6,229,516** |

### c. Cyclicality Reserve

This item represents the risk reserve taken in accordance with the Palestinian Monetary Authority at 15% of net income after tax for Palestine branches to support the Bank's capital in Palestine and to face risks relating to the Banking sector. This reserve will accumulate until reaching 20% of paid - up capital. The cyclicality fluctuation reserve may not be used, or reduced without obtaining the pre-approval from the Palestinian Monetary Authority.

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

| Reserve Name | December 31, | | Restriction Nature |
|---|---|---|---|
| | 2017 | 2016 | |
| | JD | JD | |
| Statutory Reserve | 14,082,158 | 13,448,365 | Restricted according to the Banks Law and Companies Law. |
| General Banking Risks Reserve | 7,002,848 | 6,229,516 | Restricted according the Central Bank of Jordan and the Palestinian Monetary Authority. |
| Cyclicality Reserve | 1,833,820 | 1,705,716 | Palestinian Monetary Authority's requirements. |

## 22. Fair Value Reserve - Net

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

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | (1,852,705) | (3,524,034) |
| Unrealized (losses) | 21,561 | (1,653,310) |
| Released from selling financial assets at fair value through statement of comprehensive income | 327,093 | 3,324,639 |
| **Balance - End of the Year** | **(1,504,051)** | **(1,852,705)** |

- Fair value reserve balance includes JD 311,112 as of December 31, 2017 (JD 404,032 as of December 31, 2016) against implementation of International Financial Reporting Standard No. (9).

## 23. Retained Earnings

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

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | 13,408,899 | 16,701,825 |
| Income for the year | 3,788,813 | 9,325,406 |
| (Transferred) to reserves | (1,535,229) | (1,579,956) |
| (Transferred) to increase the paid-up capital | (7,125,000) | (7,875,000) |
| Realized (losses) from selling financial assets at fair value through statement of comprehensive income | (411,659) | (3,163,376) |
| **Balance - End of the Year** | **8,125,824** | **13,408,899** |

- Retained earnings include an amount of JD 4,032,827 as of December 31, 2017 restricted against deferred tax assets according to the Central Bank of Jordan instructions.
- Use of General Banking Risks Reserve is restricted and requires the pre-approval of the Central Bank of Jordan.
- Use of the Cyclicality Reserve is restricted and requires the pre-approval by the Palestinian Monetary Authority.
- Use of retained earnings in an amount equal to negative cumulative change in fair value of financial assets of JD 1,504,051 as of December 31, 2017 is restricted (including JD 311,112 against implementation of International Financial Reporting Standard No. (9)) according to the Jordan Securities Commission and Central Bank of Jordan instructions.

## 24. Interest Income

The details of this item are as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Direct credit facilities: | | |
| Individuals (retail) | | |
| Overdraft accounts | 30,709 | 169,200 |
| Loans and promissory notes | 15,364,095 | 14,545,983 |
| Credit cards | 608,083 | 674,390 |
| Real - estate loans | 6,294,348 | 4,952,570 |
| Companies | | |
| Large | | |
| Overdraft accounts | 5,088,881 | 4,143,741 |
| Loans and promissory notes | 18,456,348 | 14,595,566 |
| Syndicated loans | 23,474 | 7,105 |
| Small and medium | | |
| Overdraft accounts | 1,874,859 | 1,818,932 |
| Loans and promissory notes | 5,127,313 | 5,000,356 |
| Government and public sector | 2,990,502 | 3,375,982 |
| Balances at central banks | 777,073 | 940,762 |
| Balances and deposits at banks and financial institutions | 426,007 | 528,632 |
| Financial assets at amortized cost | 18,507,376 | 20,826,375 |
| **Total** | **75,569,068** | **71,579,594** |

## 25. Interest Expense

The details of this item are as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Deposits at banks and financial institutions | 4,137,399 | 1,263,846 |
| Customers deposits | | |
| Current and call accounts | 1,112,518 | 881,790 |
| Saving accounts | 1,991,246 | 1,282,207 |
| Deposits Certificates | 1,638,389 | 204,215 |
| Time and notice deposits | 25,627,586 | 25,517,527 |
| Cash margins | 1,860,630 | 1,682,549 |
| Borrowed funds | 880,386 | 106,427 |
| Deposit Insurance Corporation fees | 1,962,680 | 2,048,813 |
| **Total** | **39,210,834** | **32,987,374** |

## 26. Net Commission Income

The details of this item are as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Direct credit facilities commissions | 2,229,967 | 2,547,590 |
| Indirect credit facilities commissions | 2,844,663 | 2,225,100 |
| **Total** | **5,074,630** | **4,772,690** |

## 27. Foreign Exchange Income

The details of this item are as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Resulted from trading/transactions | 683,312 | 1,244,505 |
| Resulted from valuation | 449,560 | 349,484 |
| Margin trading accounts | 79,052 | 36,070 |
| **Total** | **1,211,924** | **1,630,059** |

## 28. Gain from Financial Assets at Fair Value through Income Statement

The details of this item are as follows:

| | Realized Gains | Unrealized (Losses) | Dividends | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **Year 2017** | | | | |
| Companies' quoted shares in active markets | 96,295 | (104,177) | 3,852 | (4,030) |

| | Realized Gains | Unrealized (Losses) | Dividends | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **Year 2016** | | | | |
| Companies' quoted shares in active markets | 247,492 | 358,045 | 49,755 | 655,292 |

## 29. Other Income - Net

The details of this item are as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Safe box rent | 41,972 | 40,316 |
| Transfers income | 374,691 | 358,455 |
| Cheques income | 655,395 | 392,832 |
| Telecommunication income | 72,516 | 80,544 |
| Recovery of debts previously written-off * | 1,881,907 | 2,033,578 |
| Income from selling seized properties | 908,909 | 41,958 |
| Income from selling property and equipment | 44,104 | - |
| Gain from seized properties | 27,608 | 18,136 |
| Income from account services | 602,881 | 511,591 |
| Income from reversal of miscellaneous provisions | 293,909 | - |
| (Expenses) income from credit cards - net | (166,919) | (125,500) |
| Insurance income | 26,329 | 66,675 |
| Others | 489,551 | 355,119 |
| **Total** | **5,252,853** | **3,773,704** |

* This item represents amounts recovered from written - off debts and suspended interest taken during the previous years off the statement of financial but recovered during the year ended December 31, 2017 and 2016.

## 30. Employees Expenses

The details of this item are as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Salaries, allowances and employees' benefits | 13,074,898 | 12,436,375 |
| Bank's contribution in social security | 1,281,472 | 1,230,721 |
| Bank's contribution in provident fund | 18,411 | 19,485 |
| Medical expenses | 585,364 | 615,872 |
| Staff training expenses | 178,008 | 272,444 |
| Per diems | 188,837 | 194,599 |
| Employees life insurance expense | 25,115 | 26,620 |
| Uniforms | 22,264 | 17,832 |
| **Total** | **15,374,369** | **14,813,948** |

## 31. Other Expenses

The details of this item are as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Rent | 1,029,892 | 859,738 |
| Stationery and publications | 625,344 | 559,444 |
| Water, electricity and telecommunication expenses | 1,423,876 | 1,355,723 |
| Legal and lawyer fees | 200,504 | 281,644 |
| Maintenance, repair and car expenses | 1,109,145 | 1,127,608 |
| Insurance expenses | 350,579 | 236,197 |
| Programs and computers maintenance | 1,041,668 | 889,258 |
| Board of Directors' transportation and attendance of meeting fees | 558,030 | 722,311 |
| Fees, licenses and taxes | 963,555 | 652,609 |
| Advertisements | 1,643,642 | 1,220,099 |
| Subscriptions | 625,730 | 577,434 |
| Professional and consultancy fees | 502,159 | 299,069 |
| Collection incentives | 42,462 | 97,370 |
| Donations and social responsibility | 421,428 | 382,907 |
| Cleaning and security services | 394,020 | 353,632 |
| Hospitality | 121,170 | 136,304 |
| Board of Directors' remunerations | 55,000 | 55,000 |
| Capital increase expenses | 57,238 | 63,241 |
| Impairment loss on seized properties | - | 41,009 |
| (Recovered)/ Impairment loss on shares seized against debts | (272,690) | 1,548,445 |
| Money shipping expenses | 142,013 | 106,553 |
| Others | 593,869 | 537,405 |
| **Total** | **11,628,634** | **12,103,000** |

## 32. Earnings Per Share for the Bank's Shareholders

The details of this item are as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Income for the year attributable to the Banks' shareholders | 3,788,813 | 9,325,406 |
| | Share | Share |
| | | |
| Weighted average number of shares * | 120,000,000 | 120,000,000 |
| | JD / Share | JD / Share |
| | | |
| Earnings per share for the Banks' shareholders | -/032 | -/078 |

* The weighted-average number of shares for basic and diluted earnings per share for the year ended December 31, 2016 is adjusted to become 120 Million shares instead of 112/875 Million shares after the increase which was through stock dividends /capitalization.

## 33. Cash and Cash Equivalents

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Balances at central banks due within three months | 128,088,936 | 109,103,135 |
| Add: Balances at banks and financial institutions due within three months | 51,866,315 | 52,611,438 |
| Less: Banks and financial institutions deposits due within three months | (58,378,075) | (46,804,094) |
| **Total** | **121,577,176** | **114,910,479** |

## 34. 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 statements.

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

| | | | | | Total | |
|---|---|---|---|---|---|---|
| | | | | | December 31, | |
| | BOD Members | Companies Represented by the BOD | Executive Managers | Others | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD |
| **On- Statement of Financial Position Items:** | | | | | | |
| Deposits | 36,759,065 | 1,403,097 | 636,195 | 494,933 | 39,293,290 | 41,972,563 |
| Direct credit facilities | 933,115 | 18,087,564 | 784,242 | - | 19,804,921 | 18,253,342 |
| Cash margins | - | 7,186,235 | - | 13,055 | 7,199,290 | 41,262 |
| | | | | | | |
| **Off- Statement of Financial Position Items:** | | | | | | |
| Letters of guarantee | - | 581,902 | - | 80,550 | 662,452 | 659,941 |
| Bills of collection | - | 16,562 | - | - | 16,562 | 20,986 |
| **Income statement items:** | | | | | Total | |
| | | | | | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD |
| Interest and commission income * | 219,464 | 757,284 | 73,353 | 285 | 1,050,386 | 1,460,081 |
| Interest and commission expense ** | 2,073,333 | 83,675 | 15,864 | 8,446 | 2,181,318 | 1,165,625 |

* Credit interest rate ranges from 8% to 8/25% .
** Debit interest rate ranges from 1% to 4/5% .

### Executive Management Remunerations

Executive management salaries and remunerations for the Bank amounted to JD 2,870,120 for the year 2017 (JD 3,076,104 for the year 2016).

## 35. 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 2017 and 2016.

## 36. 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, as well as 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, faciliting 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.

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

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| **On-Statement of Financial Position Items:** | JD | JD |
| Balances at the central banks | 101,587,784 | 90,431,142 |
| Balances at banks and financial institutions | 51,866,315 | 52,611,438 |
| Direct Credit Facilities - Net: | | |
| Individuals | 168,320,197 | 153,833,236 |
| Real estate loans | 106,148,305 | 65,110,123 |
| Companies | | |
| Large companies | 328,169,386 | 272,587,099 |
| Small and medium institutions (SMEs) | 75,020,177 | 85,349,655 |
| Government and public sector | 40,358,851 | 57,125,701 |
| Financial assets at amortized cost - Net | 331,324,142 | 330,870,200 |
| Other assets | 10,864,246 | 9,034,802 |
| **Total** | **1,213,659,403** | **1,116,953,396** |
| | | |
| **Off-Statement of Financial Position Items:** | | |
| Letters of guarantee | 156,578,863 | 120,673,138 |
| Letters of credit | 44,276,648 | 32,824,094 |
| Letters of acceptance | 14,084,232 | 14,669,689 |
| Unutilized credit facilities ceilings | 74,043,374 | 86,272,632 |
| **Total** | **288,983,117** | **254,439,553** |

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

| December 31, 2017 | Individuals | Real Estate Loans | Companies | | Government and Public Sector | Other Assets | Bonds and Treasury Bills | Banks and Other Financial Institutions | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | Large | Small and Medium | | | | | |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Low risk | 7,175,643 | 1,149,423 | 8,635,466 | 4,110,139 | 30,655,897 | - | 325,626,207 | 101,587,784 | 478,940,559 |
| Acceptable risk | 155,160,816 | 98,153,580 | 288,004,016 | 67,441,033 | 9,702,954 | 10,864,246 | 5,697,935 | 51,866,315 | 686,890,895 |
| Of which is due: | | | | | | | | | |
| within 30 days | 277,464 | 1,204,471 | 3,895,656 | 2,112,922 | - | - | - | - | 7,490,513 |
| from 31 to 60 days | 179,580 | 480,243 | 5,834,218 | 95,060 | - | - | - | - | 6,589,101 |
| Watch list | 4,852,652 | 4,818,105 | 18,475,643 | 1,848,945 | - | - | - | - | 29,995,345 |
| Non-performing: | | | | | | | | | |
| Substandard | 2,711,490 | 230,360 | 1,679,242 | 610,658 | - | - | - | - | 5,231,750 |
| Doubtful | 2,462,610 | 525,368 | 4,683,703 | 530,103 | - | - | - | - | 8,201,784 |
| Bad debt | 5,372,047 | 2,796,510 | 34,994,732 | 5,230,915 | - | - | - | - | 48,394,204 |
| **Total** | **177,735,258** | **107,673,346** | **356,472,802** | **79,771,793** | **40,358,851** | **10,864,246** | **331,324,142** | **153,454,099** | **1,257,654,537** |
| Less: Provision for impairment loss | (8,349,003) | (687,544) | (18,591,385) | (3,035,239) | - | - | - | - | (30,663,171) |
| Interest in suspense | (1,066,058) | (837,497) | (9,712,031) | (1,716,377) | - | - | - | - | (13,331,963) |
| **Net** | **168,320,197** | **106,148,305** | **328,169,386** | **75,020,177** | **40,358,851** | **10,864,246** | **331,324,142** | **153,454,099** | **1,213,659,403** |
| | | | | | | | | | |
| December 31, 2016 | | | | | | | | | |
| Low risk | 4,234,028 | 159,751 | 3,278,185 | 2,254,733 | 47,043,055 | - | 325,172,300 | 90,431,142 | 472,573,194 |
| Acceptable risk | 145,598,511 | 58,874,159 | 234,901,428 | 77,006,116 | 10,082,646 | 9,034,802 | 5,697,900 | 52,611,438 | 593,807,000 |
| Of which is due: | | | | | | | | | |
| within 30 days | 209,053 | 87,355 | 1,304,771 | 606,724 | - | - | - | - | 2,207,903 |
| from 31 to 60 days | 77,114 | 134,262 | 2,607,379 | 397,787 | - | - | - | - | 3,216,542 |
| Watch list | 3,382,225 | 3,325,329 | 21,602,275 | 4,008,297 | - | - | - | - | 32,318,126 |
| Non-performing: | | | | | | | | | |
| Substandard | 1,584,121 | 379,321 | - | 443,727 | - | - | - | - | 2,407,169 |
| Doubtful | 2,334,040 | 619,463 | 12,522,136 | 1,084,264 | - | - | - | - | 16,559,903 |
| Bad debt | 1,661,544 | 3,041,467 | 23,766,817 | 5,032,713 | - | - | 420,892 | - | 33,923,433 |
| **Total** | **158,794,469** | **66,399,490** | **296,070,841** | **89,829,850** | **57,125,701** | **9,034,802** | **331,291,092** | **143,042,580** | **1,151,588,825** |
| Less: Provision for impairment loss | (4,506,428) | (674,206) | (14,049,485) | (2,884,826) | - | - | (283,600) | - | (22,398,545) |
| Interest in suspense | (454,805) | (615,161) | (9,434,257) | (1,595,369) | - | - | (137,292) | - | (12,236,884) |
| **Net** | **153,833,236** | **65,110,123** | **272,587,099** | **85,349,655** | **57,125,701** | **9,034,802** | **330,870,200** | **143,042,580** | **1,116,953,396** |

- 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 include facilities, balances, deposits at banks, bonds and treasury bills and any other assets with credit exposure.

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

| December 31, 2017 | Individuals | Real Estate Loans | Companies | | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | | | Large | Small and Medium | | |
| | JD | JD | JD | JD | JD | JD |
| Guarantees against: | | | | | | |
| Low risk | 7,161,570 | 1,063,284 | 8,643,435 | 4,130,311 | 30,655,897 | 51,654,497 |
| Acceptable risk | 34,657,274 | 52,323,770 | 134,019,404 | 40,863,924 | 9,702,954 | 271,567,326 |
| Watch list | 2,539,639 | 1,203,910 | 8,696,069 | 2,312,374 | - | 14,751,992 |
| Non-performing: | | | | | | |
| Substandard | 995,196 | 67,514 | 1,122,325 | 566,546 | - | 2,751,581 |
| Doubtful | 549,090 | 14,945 | 2,542,811 | 672,742 | - | 3,779,588 |
| Bad debt | 1,446,159 | 1,490,105 | 9,831,461 | 2,313,351 | - | 15,081,076 |
| **Total** | **47,348,928** | **56,163,528** | **164,855,505** | **50,859,248** | **40,358,851** | **359,586,060** |
| | | | | | | |
| Of it: | | | | | | |
| Cash margins | 9,172,186 | 3,517,022 | 36,561,317 | 13,628,494 | - | 62,879,019 |
| Real estate | 22,899,073 | 52,533,321 | 106,875,151 | 34,222,794 | - | 216,530,339 |
| Trade stocks | 6,122 | 105,135 | 16,666,036 | 907,790 | - | 17,685,083 |
| Vehicles and equipment | 15,271,547 | 8,050 | 4,753,001 | 2,100,170 | - | 22,132,768 |
| Other | - | - | - | - | 40,358,851 | 40,358,851 |
| **Total** | **47,348,928** | **56,163,528** | **164,855,505** | **50,859,248** | **40,358,851** | **359,586,060** |

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

| December 31, 2016 | Individuals | Real Estate Loans | Companies | | Government and Public Sector | Total |
|---|---|---|---|---|---|---|
| | | | Large | Small and Medium | | |
| | JD | JD | JD | JD | JD | JD |
| Guarantees against: | | | | | | |
| Low risk | 4,221,618 | 160,493 | 3,282,080 | 2,254,947 | 47,043,055 | 56,962,193 |
| Acceptable risk | 17,906,233 | 43,999,933 | 112,908,858 | 51,271,570 | 10,082,646 | 236,169,240 |
| Watch list | 1,942,024 | 2,522,776 | 15,726,733 | 3,068,758 | - | 23,260,291 |
| Non-performing: | | | | | | |
| Substandard | 418,501 | 108,477 | - | 67,984 | - | 594,962 |
| Doubtful | 539,547 | 180,374 | 7,187,500 | 259,572 | - | 8,166,993 |
| Bad debt | 1,385,789 | 1,839,779 | 9,274,849 | 3,613,713 | - | 16,114,130 |
| **Total** | **26,413,712** | **48,811,832** | **148,380,020** | **60,536,544** | **57,125,701** | **341,267,809** |
| | | | | | | |
| Of it: | | | | | | |
| Cash margins | 5,509,418 | 5,489,258 | 21,584,966 | 13,329,438 | - | 45,913,080 |
| Real estate | 9,648,075 | 43,135,243 | 102,940,989 | 41,009,162 | - | 196,733,469 |
| Trade stocks | 46,644 | 4,982 | 19,709,501 | 812,381 | - | 20,573,508 |
| Vehicles and equipment | 11,209,575 | 182,349 | 4,144,564 | 5,385,563 | - | 20,922,051 |
| Other | - | - | - | - | 57,125,701 | 57,125,701 |
| **Total** | **26,413,712** | **48,811,832** | **148,380,020** | **60,536,544** | **57,125,701** | **341,267,809** |

## Scheduled Debts:
Scheduled debts are debts previously classified as non-performing credit facilities 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 6,698,103 as of December 31, 2017 (JD 14,839,662 as of December 31, 2016).

## 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 940,001 as of December 31, 2017 (JD 1,730,614 as of December 31, 2016).

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

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| **Rating grade** | **JD** | **JD** |
| Unclassified | 5,697,900 | 5,697,900 |
| Governmental and guaranteed by government | 325,626,242 | 325,172,300 |
| **Total** | **331,324,142** | **330,870,200** |

* 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:

| Geographical Area | Inside the Kingdom | Middle East Countries | Europe | Asia * | Africa * | America | Total |
|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD |
| Balances at central banks | 77,102,378 | 24,485,406 | - | - | - | - | 101,587,784 |
| Balances at banks and financial institutions | 27,846,162 | 21,244,124 | 3,535,572 | 380,612 | - | (1,140,155) | 51,866,315 |
| Direct credit facilities - Net: | | | | | | | |
| Individuals | 155,768,002 | 12,552,195 | - | - | - | - | 168,320,197 |
| Real estate loans | 97,554,440 | 8,593,865 | - | - | - | - | 106,148,305 |
| Companies | | | | | | | |
| Large | 304,963,573 | 19,803,813 | - | 3,402,000 | - | - | 328,169,386 |
| Small and medium (SMEs) | 56,563,529 | 18,456,648 | - | - | - | - | 75,020,177 |
| Government and public sector | 25,202,032 | 15,156,819 | - | - | - | - | 40,358,851 |
| Financial assets at amortized cost-net | 331,324,142 | - | - | - | - | - | 331,324,142 |
| Other assets | 10,015,860 | 848,386 | - | - | - | - | 10,864,246 |
| **Total/for the Current Year** | **1,086,340,118** | **121,141,256** | **3,535,572** | **3,782,612** | **-** | **(1,140,155)** | **1,213,659,403** |
| **Total/Comparative Figures** | **997,372,064** | **106,494,282** | **10,592,137** | **8,735** | **95,715** | **2,390,463** | **1,116,953,396** |

* Excluding Middle East Countries.

Credit Risk Exposure according to Economic Sector is as follows:

| Economic Sector | Financial | Industrial | Trade | Constructions | Real - estate | Agricultural | Shares | Transportation Services | Tourism, Hotel 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 | JD |
| Balances at central banks | 101,587,784 | - | - | - | - | - | - | - | - | - | - | - | - | - | 101,587,784 |
| Balances at banks and financial institutions | 51,866,315 | - | - | - | - | - | - | - | - | - | - | - | - | - | 51,866,315 |
| Credit facilities | 44,294,181 | 65,587,282 | 136,900,730 | 64,271,204 | 107,673,346 | 7,160,680 | 21,224,051 | 14,719,419 | 28,060,388 | 51,857,329 | 179,904,589 | 40,358,851 | - | (43,995,134) | 718,016,916 |
| Financial assets at amortized cost | 3,697,900 | - | 2,000,000 | - | - | - | - | - | - | - | - | 325,626,242 | - | - | 331,324,142 |
| Other assets | 10,864,246 | - | - | - | - | - | - | - | - | - | - | - | - | - | 10,864,246 |
| Total / for the Current Year | 212,310,426 | 65,587,282 | 138,900,730 | 64,271,204 | 107,673,346 | 7,160,680 | 21,224,051 | 14,719,419 | 28,060,388 | 51,857,329 | 179,904,589 | 365,985,093 | - | (43,995,134) | 1,213,659,403 |
| Total / Comparative Figures | 193,217,492 | 63,166,213 | 124,108,763 | 49,404,179 | 66,399,489 | 7,424,645 | 17,665,799 | 17,414,954 | 27,714,183 | 40,248,929 | 158,794,469 | 382,298,001 | 3,731,709 | (34,635,429) | 1,116,953,396 |

## 36/a- Market Risks

Market risks are the potential losses that may arise from 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 cash flows of the financial instruments on and off the statement of financial position.

The Bank adopts specific policies and procedures through which market risks are identified, measured, monitored and controlled. These policies and procedures, as well as the application thereof, are reviewed periodically.

Market risks can be measured and controlled by using several methods, such as sensitivity analysis, VAR (Value at Risk), Stress Testing, and Stop Loss Limits.

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 Risk Management Department and submitting various periodic reports to the Assets and Liabilities Committee and the Board of Directors.

The Bank has a portfolio of shares for the purposes of trading (financial assets designated at fair value through profit or loss) for which it adopts the sensitivity analysis method whereby present risks are measured using the Standardized Approach for calculating minimum capital based on Basel Committee's 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 repricing assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee. Moreover, various hedging methods are used to remain within the acceptable interest rate gap limits.

### - Sensitivity Analysis:

For the Year 2017

| Currency | Change - increase in Interest Rate | Interest Income Sensitivity (Gain / Loss) | Owners' Equity Sensitivity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 1 | (4,913) | - |
| Euro | 1 | 2,207 | - |
| GBP | 1 | (1,365) | - |
| ILS | 1 | 708 | - |
| Other currencies | 1 | 3,147 | - |
| Currency | Change - (decrease) in Interest Rate | Interest Income Sensitivity (Gain / Loss) | Owners' Equity Sensitivity |
| | % | JD | JD |
| US Dollar | 1 | 4,913 | – |
| Euro | 1 | (2,207) | – |
| GBP | 1 | 1,365 | – |
| ILS | 1 | (708) | – |
| Other currencies | 1 | (3,147) | – |

For the Year 2016

| Currency | Change - increase in Interest Rate | Interest Income Sensitivity (Gain / Loss) | Owners' Equity Sensitivity |
|---|---|---|---|
| | % | JD | JD |
| US Dollar | 1 | 5,100 | – |
| Euro | 1 | 2,395 | – |
| GBP | 1 | (864) | – |
| ILS | 1 | 1,421 | – |
| Other currencies | 1 | (891) | – |
| Currency | Change - (decrease) in Interest Rate | Interest Income Sensitivity (Gain / Loss) | Owners' Equity Sensitivity |
| | % | JD | JD |
| US Dollar | 1 | (5,100) | – |
| Euro | 1 | (2,395) | – |
| GBP | 1 | 864 | – |
| ILS | 1 | (1,421) | – |
| Other currencies | 1 | 891 | – |

## 36/b. Foreign Currency Risk

The following table shows the currencies to which the Bank is exposed, the potential and reasonable change in their rates against the Jordanian Dinar, and related impact on the 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 the Board of Directors.

| Year 2017 | Change in Foreign Currency Rate | Effect on Profit or Loss | Effect on Owners' Equity |
|---|---|---|---|
| Currency | % | JD | JD |
| US Dollar | 5 | (24,563) | - |
| Euro | 5 | 11,033 | - |
| GBP | 5 | (8,177) | - |
| ILS | 5 | 3,541 | - |
| Other currencies | 5 | 15,737 | - |
| Year 2016 | Change in Foreign Currency Rate | Effect on Profit or Loss | Effect on Owners' Equity |
| Currency | % | JD | JD |
| US Dollar | 5 | 25,500 | - |
| Euro | 5 | 11,973 | - |
| GBP | 5 | (4,320) | - |
| ILS | 5 | 7,103 | - |
| Other currencies | 5 | (4,454) | - |

### - Risks of Changes in Share Prices

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

| Year 2017 | Change in Index | Effect on Profit or Loss | Effect on Owners' Equity |
|---|---|---|---|
| Index | % | JD | JD |
| Amman Stock Exchange and Palestine Exchange | 5 | 69,746 | 591,692 |
| Amman Stock Exchange and Palestine Exchange | (5) | (69,746) | (591,692) |
| Year 2016 | Change in Index | Effect on Profit or Loss | Effect on Owners' Equity |
| Index | % | JD | JD |
| Amman Stock Exchange and Palestine Exchange | 5 | 96,423 | 409,298 |
| Amman Stock Exchange and Palestine Exchange | (5) | (96,423) | (409,298) |

### 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:

| December 31, 2017 | Less than One Month | One Month Up to 3 Months | Interest Rate Repricing Gap | | | More than 3 Years | Non-Interest Bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | | | 3 Months Up to 6 Months | 6 Months Up to 1 Year | One Year Up to 3 Years | | | |
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Assets | | | | | | | | |
| Cash and balances at central banks | 23,500,000 | - | - | - | 9,358,800 | - | 95,230,136 | 128,088,936 |
| Balances at banks and financial institutions | 40,372,353 | - | - | - | - | - | 11,493,962 | 51,866,315 |
| Direct credit facilities -net | 42,192,768 | 62,935,866 | 84,037,331 | 83,484,380 | 293,794,903 | 151,571,668 | - | 718,016,916 |
| Financial assets at fair value through statement of income | - | - | - | - | - | - | 1,394,915 | 1,394,915 |
| Financial assets at fair value through statement of other comprehensive income | - | - | - | - | 2,191,164 | - | 9,642,675 | 11,833,839 |
| Financial assets at amortized cost | - | - | 28,003,197 | 19,047,438 | 265,128,054 | 19,145,453 | - | 331,324,142 |
| Property and equipment - net | - | - | - | - | - | - | 27,161,679 | 27,161,679 |
| Intangible assets - net | - | - | - | - | - | - | 2,064,338 | 2,064,338 |
| Deferred Tax Assets | - | - | - | - | - | - | 4,032,827 | 4,032,827 |
| Other assets | - | - | - | - | - | - | 106,477,287 | 106,477,287 |
| **Total Assets** | **106,065,121** | **62,935,866** | **112,040,528** | **102,531,818** | **570,472,921** | **170,717,121** | **257,497,819** | **1,382,261,194** |
| Liabilities: | | | | | | | | |
| Banks and financial institutions deposits | 53,189,181 | 2,241,113 | - | - | 63,000,000 | - | 2,947,781 | 121,378,075 |
| Customers' deposits | 370,597,060 | 135,756,864 | 167,826,619 | 99,138,499 | 67,312,317 | - | 130,676,416 | 971,307,775 |
| Cash margin | 33,634,410 | 4,894,693 | 6,556,213 | 24,663,977 | 6,031,336 | 1,000,001 | 14,990,000 | 91,770,630 |
| Borrowed funds | - | - | - | - | - | 14,168,978 | - | 14,168,978 |
| Income tax provision | - | - | - | - | - | - | 3,145,154 | 3,145,154 |
| Other provisions | - | - | - | - | - | - | 890,887 | 890,887 |
| Other liabilities | - | - | - | - | - | - | 30,059,096 | 30,059,096 |
| Total Liabilities | 457,420,651 | 142,892,670 | 174,382,832 | 123,802,47[illegible] | 136,343,653 | 15,168,979 | 182,709,334 | 1,232,720,595 |
| Interest Rate Repricing Gap | (351,355,530) | (79,956,804) | (62,342,304) | (21,270,658) | 434,129,268 | 155,548,142 | 74,788,485 | 149,540,599 |
| December 31, 2016 | | | | | | | | |
| Total Assets | 90,838,652 | 57,404,904 | 73,929,156 | 76,395,107 | 457,390,124 | 280,919,608 | 228,422,809 | 1,265,300,360 |
| Total Liabilities | 329,946,439 | 134,915,077 | 127,959,120 | 240,523,347 | 73,548,061 | 12,787,691 | 199,805,834 | 1,119,485,569 |
| **Interest Rate Repricing Gap** | **(239,107,787)** | **(77,510,173)** | **(54,029,964)** | **(164,128,240)** | **383,842,063** | **268,131,917** | **28,616,975** | **145,814,791** |

- Non-interest bearing balances at banks and financial institutions amounted to JD 14,045,462 as of December 31, 2017 (JD 18,541,643 as of December 31, 2016).
- There are no restricted balances as of December 31, 2017 and 2016.

### Concentration in Foreign Currencies Risk:

| December 31, 2017 | US Dollar | Euro | Sterling Pound | Shekel | Others | Total |
|---|---|---|---|---|---|---|
| Assets: | JD | JD | JD | JD | JD | JD |
| Cash and balances at the central banks | 18,055,907 | 1,618,366 | 203,530 | 12,160,760 | 81,955 | 32,120,518 |
| Balances at banks and financial institutions | 30,699,386 | 16,396,847 | (1,508,521) | 3,349,238 | 2,126,340 | 51,063,290 |
| Direct credit facilities - net | 51,298,554 | 4,023,153 | 41 | 29,742,767 | 5 | 85,064,520 |
| Financial assets at fair value through statement of income | - | - | - | - | - | - |
| Financial assets at fair value through statement of other comprehensive income | 1,296,678 | - | - | - | - | 1,296,678 |
| Financial assets at amortized cost | 21,343,352 | - | - | - | - | 21,343,352 |
| Other assets | 7,140,735 | 5,802 | (116,372) | 1,322,657 | 225 | 8,353,047 |
| **Total Assets** | **129,834,612** | **22,044,168** | **(1,421,322)** | **46,575,422** | **2,208,525** | **199,241,405** |
| Liabilities: | | | | | | |
| Banks and financial institutions deposits | 9,360,294 | 2,828,926 | 2,883 | 9,871,338 | 123,022 | 22,186,463 |
| Customers' deposits | 103,913,781 | 24,170,219 | 916,672 | 33,637,652 | 1,564,016 | 164,202,340 |
| Cash margins | 16,795,084 | (5,223,198) | (2,077,510) | 1,392,847 | 202,634 | 11,089,857 |
| Other liabilities | 407,312 | 47,562 | (99,830) | 1,602,767 | 4,105 | 1,961,916 |
| Shareholder equity | (151,721) | - | - | - | - | (151,721) |
| **Total Liabilities** | **130,325,870** | **21,823,509** | **(1,257,785)** | **46,504,604** | **1,893,777** | **199,289,975** |
| Net Concentration on - Statement of Financial Position for the Current Year | (491,258) | 220,659 | (163,537) | 70,818 | 314,748 | (48,570) |
| Off- Statement of Financial Position Contingent Liabilities for the Current Year | 90,228,448 | 4,143,654 | 9,581 | 1,647,142 | 663,428 | 96,692,253 |

| December 31, 2016 | US Dollar | Euro | Sterling Pound | Shekel | Others | Total |
|---|---|---|---|---|---|---|
| Assets: | JD | JD | JD | JD | JD | JD |
| Cash and balances at the central banks | 13,683,647 | 1,426,564 | 226,415 | 8,176,871 | 85,513 | 23,599,010 |
| Balances at banks and financial institutions | 14,447,757 | 16,496,468 | 830,759 | 4,835,845 | 4,500,202 | 41,111,031 |
| Direct credit facilities - net | 45,337,700 | 4,304,843 | 10 | 20,070,690 | 10 | 69,713,253 |
| Financial assets at fair value through statement of income | 65,795 | - | - | - | - | 65,795 |
| Financial assets at fair value through statement of other comprehensive income | 944,069 | - | - | - | - | 944,069 |
| Financial assets at amortized cost | 17,799,126 | - | - | - | - | 17,799,126 |
| Other assets | 3,025,146 | (31,717) | 9,411 | 2,405,257 | (88,198) | 5,319,899 |
| **Total Assets** | **95,303,240** | **22,196,158** | **1,066,595** | **35,488,663** | **4,497,527** | **158,552,183** |
| Liabilities: | | | | | | |
| Banks and financial institutions deposits | 3,811,654 | 232,581 | 70,505 | 9,424,003 | 1,128,799 | 14,667,542 |
| Customers' deposits | 85,461,722 | 20,441,922 | 1,389,406 | 23,962,955 | 3,073,554 | 134,329,559 |
| Cash margins | 5,040,318 | 1,273,690 | (321,981) | 1,181,622 | 383,521 | 7,557,170 |
| Other liabilities | 983,883 | 8,505 | 15,060 | 778,020 | 727 | 1,786,195 |
| Shareholder equity | (504,331) | - | - | - | - | (504,331) |
| **Total Liabilities** | **94,793,246** | **21,956,698** | **1,152,990** | **35,346,600** | **4,586,601** | **157,836,135** |
| Net Concentration on - Statement of Financial Position for the Current Year | 509,994 | 239,460 | (86,395) | 142,063 | (89,074) | 716,048 |
| Off- Statement of Financial Position Contingent Liabilities for the Current Year | 26,976,485 | 3,219,351 | - | 618,425 | 565,407 | 31,379,668 |

## 36/ 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.

| December 31, 2017 | 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 | Not Tied to A Specific Maturity | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| **Liabilities:** | | | | | | | | |
| Banks and financial institutions deposits | 49,915,672 | 5,898,263 | - | - | 63,000,000 | - | 2,564,140 | 121,378,075 |
| Customers' deposits | 411,960,704 | 152,751,705 | 181,509,209 | 109,508,839 | 95,309,250 | - | 20,268,068 | 971,307,775 |
| Cash margins | 4,247,687 | 8,495,375 | 12,743,062 | 23,807,632 | 42,476,874 | - | - | 91,770,630 |
| Borrowed funds | - | - | - | - | - | 14,168,978 | - | 14,168,978 |
| Income tax provision | 467,996 | - | 1,943,855 | - | - | - | 733,303 | 3,145,154 |
| Other provisions | - | - | - | - | 116,248 | - | 774,639 | 890,887 |
| Other liabilities | 10,837,903 | 2,598,578 | 3,734,312 | 3,577,801 | 7,168,394 | - | 2,142,108 | 30,059,096 |
| **Total** | **477,429,962** | **169,743,921** | **199,930,438** | **136,894,272** | **208,070,766** | **14,168,978** | **26,482,258** | **1,232,720,595** |
| Total assets based on expected maturity | 128,434,603 | 64,370,369 | 117,485,383 | 85,844,714 | 547,633,751 | 194,902,743 | 243,589,631 | 1,382,261,194 |
| **December 2016 ,31** | | | | | | | | |
| **Liabilities:** | | | | | | | | |
| Banks and financial institutions deposits | 42,583,495 | - | - | 5,000,000 | - | - | 4,220,599 | 51,804,094 |
| Customers' deposits | 344,061,692 | 149,766,863 | 135,368,901 | 230,127,206 | 77,917,502 | - | 20,095,460 | 957,337,624 |
| Cash margins | 3,228,376 | 6,456,753 | 9,685,129 | 18,277,420 | 32,283,765 | - | - | 69,931,443 |
| Borrowed funds | - | - | - | - | - | 12,787,691 | - | 12,787,691 |
| Income tax provision | 853,194 | - | 738,975 | - | - | - | 2,200,279 | 3,792,448 |
| Other provisions | - | - | - | 101,419 | - | - | 675,888 | 777,307 |
| Other liabilities | 7,494,192 | 1,798,274 | 2,312,982 | 3,570,976 | 5,341,132 | - | 2,537,406 | 23,054,962 |
| **Total** | **398,220,949** | **158,021,890** | **148,105,987** | **257,077,021** | **115,542,399** | **12,787,691** | **29,729,632** | **1,119,485,569** |
| Total assets based on expected maturity | 125,032,887 | 58,776,403 | 79,560,052 | 59,177,740 | 433,835,929 | 302,365,144 | 206,552,205 | 1,265,300,360 |

**Second: Off-Statement of Financial Position Items:**

| December 2017 ,31 | Up to 1 Year | From 1 Year up to 5 Years | Total |
|---|---|---|---|
| | JD | JD | JD |
| Guarantees | 156,578,863 | - | 156,578,863 |
| Letters of credit and acceptances | 58,360,880 | - | 58,360,880 |
| Operating lease contract liabilities | 1,299,935 | - | 1,299,935 |
| Unutilized credit facilities ceilings | 74,043,374 | - | 74,043,374 |
| **Total** | **290,283,052** | - | **290,283,052** |

| December 2016 ,31 | Up to 1 Year | From 1 Year up to 5 Years | Total |
|---|---|---|---|
| | JD | JD | JD |
| Guarantees | 120,673,138 | - | 120,673,138 |
| Letters of credit and acceptances | 47,493,783 | - | 47,493,783 |
| Operating lease contract liabilities | 848,652 | - | 848,652 |
| Unutilized credit facilities ceilings | 86,272,631 | - | 86,272,631 |
| **Total** | **255,288,204** | - | **255,288,204** |

## 37. Information on the Banks' 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 used by the general manager and key decision makers at the Bank, through the 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 banking services related to corporate customers.

- Treasury: This segment includes providing dealing services and managing the Banks' funds.

- Others: This segment includes the activities which doesn't meet the definition of the Banks' business segments mentioned above.

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

| | | | | | Total | |
|---|---|---|---|---|---|---|
| | | | | | For the Year Ended December 31, | |
| | Individuals | Corporations | Treasury | Others | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD |
| Gross income for the year | 16,005,004 | 26,645,486 | 3,442,607 | 2,061,096 | 48,154,193 | 49,640,647 |
| Less: Provision for impairment in direct credit facilities | (3,930,750) | (4,710,481) | - | - | (8,641,231) | (6,198,407) |
| Business Sector results | 12,074,254 | 21,935,005 | 3,442,607 | 2,061,096 | 39,512,962 | 43,442,240 |
| Less: Expenditures not distributed over sectors | (10,824,073) | (16,707,431) | (1,954,859) | (3,688,671) | (33,175,034) | (31,463,961) |
| Income for the year before income tax | 1,250,181 | 5,227,574 | 1,487,748 | (1,627,575) | 6,337,928 | 11,978,279 |
| Less: Income tax expense for the year | - | - | - | (2,549,115) | (2,549,115) | (2,652,873) |
| Income for the Year | 1,250,181 | 5,227,574 | 1,487,748 | (4,176,690) | 3,788,813 | 9,325,406 |
| | | | | | | |
| Capital expenditures | - | - | - | 2,917,808 | 2,917,808 | 3,580,480 |
| Depreciation and amortization | - | - | - | 3,151,156 | 3,151,156 | 2,816,452 |
| | | | | | | |
| **Total Assets** | 216,305,489 | 548,445,395 | 477,752,553 | 139,757,757 | 1,382,261,194 | 1,265,300,360 |
| **Total Liabilities** | 605,534,780 | 328,585,846 | 245,341,251 | 53,258,718 | 1,232,720,595 | 1,119,485,569 |

### b. Information related to Geographical Distribution:

This sector represents the geographical distribution of the Banks operations. The Bank performs its operations mainly in the Hashemite Kingdom of Jordan 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 the Kingdom For the Year Ended December 31, | | Outside the Kingdom For the Year Ended December 31, | | Total For the Year Ended December 31, | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD |
| Gross income | 43,963,053 | 46,752,358 | 4,191,140 | 2,888,289 | 48,154,193 | 49,640,647 |
| Capital expenditures | 2,698,256 | 3,138,911 | 219,552 | 441,569 | 2,917,808 | 3,580,480 |
| | December 31, | | December 31, | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD |
| Total assets | 1,219,975,032 | 1,108,952,704 | 162,286,162 | 156,347,656 | 1,382,261,194 | 1,265,300,360 |

## 38 - 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 prescribed in the Central Bank of Jordan instructions.

Furthermore, regulatory capital consists of two parts: (1) 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; and (2), additional paid-in capital(Tier 2) which consists of 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 2016 to become JD/share 120,000,000 as of December 31, 2017, whereby the capital increase procedures were completed on June 7, 2017.

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.

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 10% as prescribed by the Bank›s strategy.

No dividends are paid to shareholders out of the regulatory capital if such payment leads to non-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 percentage of capital adequacy for the year 2017 in accordance with Basel III:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Core capital items: | | |
| Authorized and paid-up capital | 120,000,000 | 112,875,000 |
| Retained earnings | 8,125,824 | 13,408,899 |
| Other comprehensive income items | | |
| Fair value reserve – net | (1,504,051) | (1,852,705) |
| Statutory reserve | 14,082,158 | 13,448,365 |
| Cyclicality reserve | 1,833,820 | 1,705,716 |
| **Total Core Capital before Regulatory Amendments** | **142,537,751** | **139,585,275** |
| Less: | | |
| Intangible assets – net | (2,064,338) | (1,474,631) |
| Deferred tax assets | (4,032,827) | (3,325,672) |
| **Total Regulatory Amendments** | **(6,097,165)** | **(4,800,303)** |
| **Net Core Capital** | **136,440,586** | **134,784,972** |
| Authorized and paid-up capital items: | | |
| General banking risks reserve | 7,002,848 | 6,229,516 |
| **Total supplementary capital** | **143,443,434** | **141,014,488** |
| **Assets Weighted By Risks** | | |
| Credit risk | 941,942,919 | 816,019,579 |
| Market risk | 3,413,704 | 4,659,347 |
| Operation risk | 101,129,080 | 99,086,633 |
| **Total Assets Weighted by Risks** | **1,046,507,531** | **919,765,559** |
| **Ratio of regulatory capital** | **13,71%** | **15,33%** |
| Core capital ratio | 13,04% | 14,65% |

## 39. Accounts Managed on Behalf of Customers

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

## 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:

| December 31, 2017 | Up to One Year | More than One Year | Total |
|---|---|---|---|
| | JD | JD | JD |
| ASSETS | | | |
| Cash and balances at central banks | 128,088,936 | - | 128,088,936 |
| Balances at banks and financial institutions | 51,866,315 | - | 51,866,315 |
| Direct credit facilities -net | 272,650,345 | 445,366,571 | 718,016,916 |
| Financial assets at fair value through statement of income | 1,394,915 | - | 1,394,915 |
| Financial assets at fair value through statement of comprehensive income | 5,762,079 | 6,071,760 | 11,833,839 |
| Financial assets at amortized cost-net | 47,050,635 | 284,273,507 | 331,324,142 |
| Property and equipment - net | - | 27,161,679 | 27,161,679 |
| Intangible assets - net | - | 2,064,338 | 2,064,338 |
| Deferred tax assets | 3,875,840 | 156,987 | 4,032,827 |
| Other assets | 106,477,287 | - | 106,477,287 |
| **TOTAL ASSETS** | **617,166,352** | **765,094,842** | **1,382,261,194** |
| LIABILITIES | | | |
| Banks and financial institutions deposits | 58,378,075 | 63,000,000 | 121,378,075 |
| Customers deposits | 855,730,457 | 115,577,318 | 971,307,775 |
| Cash margins | 49,293,756 | 42,476,874 | 91,770,630 |
| Borrowed funds | - | 14,168,978 | 14,168,978 |
| Provision for income tax | 3,145,154 | - | 3,145,154 |
| Other provisions | 890,887 | - | 890,887 |
| Other liabilities | 30,059,096 | - | 30,059,096 |
| **TOTAL LIABILITIES** | **997,497,425** | **235,223,170** | **1,232,720,595** |
| **NET ASSETS** | **(380,331,073)** | **529,871,672** | **149,540,599** |

| December 31, 2016 | Up to One Year | More than One Year | Total |
|---|---|---|---|
| | JD | JD | JD |
| ASSETS | | | |
| Cash and balances at central banks | 109,103,135 | - | 109,103,135 |
| Balances at banks and financial institutions | 52,611,438 | - | 52,611,438 |
| Direct credit facilities -net | 234,790,682 | 399,215,132 | 634,005,814 |
| Financial assets at fair value through statement of income | 1,928,452 | - | 1,928,452 |
| Financial assets at fair value through statement of comprehensive income | 2,606,972 | 5,578,978 | 8,185,950 |
| Financial assets at amortized cost-net | 3,000,000 | 327,870,200 | 330,870,200 |
| Property and equipment - net | - | 28,087,262 | 28,087,262 |
| Intangible assets - net | - | 1,474,632 | 1,474,632 |
| Deferred tax assets | 2,992,865 | 332,807 | 3,325,672 |
| Other assets | 95,707,805 | - | 95,707,805 |
| **TOTAL ASSETS** | **502,741,349** | **762,559,011** | **1,265,300,360** |
| LIABILITIES | | | |
| Banks and financial institutions deposits | 51,804,094 | - | 51,804,094 |
| Customers deposits | 842,707,945 | 114,629,679 | 957,337,624 |
| Cash margins | 37,647,678 | 32,283,765 | 69,931,443 |
| Borrowed funds | - | 12,787,691 | 12,787,691 |
| Provision for income tax | 3,792,448 | - | 3,792,448 |
| Other provisions | 101,419 | 675,888 | 777,307 |
| Other liabilities | 23,054,962 | - | 23,054,962 |
| **TOTAL LIABILITIES** | **959,108,546** | **160,377,023** | **1,119,485,569** |
| **NET ASSETS** | **(456,367,197)** | **602,181,988** | **145,814,791** |

## 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 | 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, | | | | | |
| | 2017 | 2016 | | | | |
| | JD | JD | | | | |
| **Financial Assets at Fair Value Through Statement of Income** | | | | | | |
| Companies' shares | 1,394,915 | 1,928,452 | Level One | Financial markets rates | Not applicable | Not applicable |
| **Total** | **1,394,915** | **1,928,452** | | | | |
| **Financial Assets at Fair Value through Statement of Comprehensive Income** | | | | | | |
| Shares that have available market price | 9,080,838 | 6,481,910 | Level One | Financial markets rates | Not applicable | Not applicable |
| Shares that doesn't have available market price | 2,753,001 | 1,704,040 | Level Two | Financial Statements issued by Companies | Not applicable | Not applicable |
| **Total** | **11,833,839** | **8,185,950** | | | | |
| **Total Financial Assets at Fair Value** | **13,228,754** | **10,114,402** | | | | |

There were no transfers between level 1 and level 2 during the year 2017.

**B -The fair value of financial assets and financial liabilities of the Bank (non-specific fair value on an ongoing basis):**
Except for 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 approximates their fair value. because the Bank's management believes that the carrying value of the items is equivalent to their fair value. This is due to either maturity or short-term interest rates that have been repriced during the year.

| | December 31, | | | | The Level of Fair Value |
|---|---|---|---|---|---|
| | 2017 | | 2016 | | |
| | Book value | Fair Value | Book value | Fair Value | |
| | JD | JD | JD | JD | |
| **Financial Assets of non-specified Fair Value** | | | | | |
| Cash at Central Banks | 101,587,784 | 101,607,615 | 90,431,142 | 90,431,953 | Level Two |
| Cash at banks and financial institutions | 51,866,315 | 52,508,955 | 52,611,438 | 52,751,729 | Level Two |
| Loans and bills and others | 718,016,916 | 719,860,815 | 634,005,814 | 635,188,800 | Level Two |
| Financial assets at amortized cost | 331,324,142 | 336,840,777 | 330,870,200 | 336,310,876 | Level One & Two |
| **Total Financial Assets of non-specified Fair Value** | **1,202,795,157** | **1,210,818,162** | **1,107,918,594** | **1,114,683,358** | |
| **Financial Liabilities of non-specified Fair Value** | | | | | |
| Deposits at banks and financial institutions | 121,378,075 | 124,127,402 | 51,804,094 | 52,090,128 | Level Two |
| Customer's deposits | 971,307,775 | 975,714,055 | 957,337,624 | 961,800,208 | Level Two |
| Cash margin | 91,770,630 | 92,323,378 | 69,931,443 | 70,313,289 | Level Two |
| Cash insurance | 14,168,978 | 14,200,277 | 12,787,691 | 12,818,181 | Level Two |
| **Total Financial Liabilities of non-specified Fair Value** | **1,198,625,458** | **1,206,365,112** | **1,091,860,852** | **1,097,021,806** | |

The fair value of financial assets and liabilities for level 2 and level 3 were determined according to agreed pricing models, which reflect the credit risk of the parties dealt with.

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

a. Credit commitments and contingencies:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Letters of credit | 44,276,648 | 32,824,094 |
| Letters of acceptances | 14,084,232 | 14,669,689 |
| Letters of guarantee : | | |
| Payments | 28,972,949 | 27,840,449 |
| Performance bonds | 56,130,337 | 45,151,925 |
| Others | 71,475,577 | 47,680,764 |
| Unutilized credit facilities ceilings | 74,043,374 | 86,272,631 |
| **Total** | **288,983,117** | **254,439,552** |

b. Operating leases amounted to JD 1,299,935 as of December 31, 2017 (JD 848,652 as of December 31, 2016).

## 43. Lawsuits against the Bank

The Bank is a defendant in lawsuits amounting to JD 8,096,422 as of December 31, 2017 (JD 7,204,006 as of December 31, 2016). In the opinion of the Bank's management and the Bank's legal advisor, no liabilities shall arise against the Bank exceeding the existing booked provision of JD 110,838 as of December 31, 2017(JD 48,788 as of December 31, 2016).

## 44. Comparative Figures

Some of the comparative figures for the prior year have been reclassified to correspond with those of the current year as of December 31, 2016 without any effect on the prior year's financial statements.

## 45. Application of new and revised International Financial Reporting Standards (IFRS)

a New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements.

**Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses**
The Bank has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Bank's financial statements.

**Amendments to IAS 7 Disclosure Initiative**
The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The application of these amendments has had no impact on the Bank's financial statements.

**Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12**
The Bank has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 45 - b).

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Bank's financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b New and revised IFRS in issue but not yet effective
The Bank has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

**Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28**
The improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.

**Annual Improvements to IFRS Standards 2015–2017**
The improvements include the amendments on IFRS 3, IFRS 11, IAS 12 and IAS 23 and they are effective for annual periods beginning on or after January 1, 2018.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration**
The interpretation addresses foreign currency transactions or parts of transactions where:
• there is consideration that is denominated or priced in a foreign currency;
• the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
• the prepayment asset or deferred income liability is non-monetary.

The interpretation is effective for annual periods beginning on or after January 1, 2018.

**IFRIC 23 Uncertainty over Income Tax Treatments**
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
• Whether tax treatments should be considered collectively;
• Assumptions for taxation authorities' examinations;
• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
• The effect of changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019.

**Amendments to IFRS 2 Share Based Payment**
The amendments are related to classification and measurement of share based payment transactions and they are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IFRS 4 Insurance Contracts**
The amendments relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard and they are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IAS 40 Investment Property**
Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IAS 28 Investment in Associates and Joint Ventures**
The amendments are related to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

**IFRS 16 Leases**
IFRS 16 specifies how an IFRS reporter will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Bank will apply IFRS 16 in the effective date which is the annual periods beginning on or after January 1, 2019 The Bank is in the process of evaluating the impact of IFRS 16 on the Bank's financial statements.

Amendments to IFRS 9 Financial Instruments
The amendments are related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

**IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)**
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

**Classification and measurement:**
Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

**Impairment:**
The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized

**Hedge accounting:**
Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

**Derecognition:**
The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Bank adopted IFRS 9 (phase 1) that was issued in 2009 related to classification and measurement financial assets, the Bank will adopt the finalized version of IFRS 9 from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Bank has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was January 1, 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information.

The Bank plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Bank has performed a detailed impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the Bank adopts IFRS 9. Based on the initial figures, the Bank expects an increase in the loss allowance based on the study prepared by the Bank's management for an amount of JD 15.8 million resulting in an equal negative impact on equity. The Central Bank of Jordan instructions allowed use of general banking risks reserve balance amount of JD 7 million against covering portion of the increase in the provision.

**IFRS 15 Revenue from Contracts with Customers**
In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. – Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

The Company intends to adopt the standard using the cumulative effect approach, which means that the Bank will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Company is continuing to analyze the impact of the changes and its impact will be disclosed in the first financial statements as of December 31, 2018 that includes the effects of it application from the effective date.

**Amendments to IFRS 15 Revenue from Contracts with Customers**
The amendments are to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IFRS 7 Financial Instruments: Disclosures**
The amendments are related to disclosures about the initial application of IFRS 9. The Amendments are effective when IFRS 9 is first applied

**IFRS 7 Financial Instruments: Disclosures**
The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. The Amendments are effective when IFRS 9 is first applied

**IFRS 17 Insurance Contracts**
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of January 1, 2021.

**Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)**
The amendments are related to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

The Amendments effective date deferred indefinitely and the adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, may have no material impact on the financial statements of the Bank in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Bank's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Bank's financial statements for the annual period beginning January 1, 2019.

# Disclosures & Corporate Governance Manual

Clear evident performance and transparent approaches

## The white

color symbolizes purity and lucidity

# Disclosures & Corporate Governance Report

Jordan Commercial Bank complies with the provisions of the Corporate Governance Code issued by the Central Bank of Jordan and the Corporate Governance Code for Shareholding Companies Listed in Amman Stock Exchange in relation to disclosures included in the Annual Report in accordance with the disclosure instructions and accounting standards. In compliance with the provisions of the Corporate Governance Code for Shareholding Companies Listed in the Amman Stock Exchange 2017 and the Corporate Governance Code for Companies, all required information has been included in the Annual Report. As such, the Bank is fully compliant with the disclosure of optimal corporate governance information. Disclosure information and corporate governance report are as follows:

1- The authorized and paid up capital of Jordan Commercial Bank amounted to JD 120 million. The Bank conducts all its banking activities through a network of 29 branches in Jordan and 4 branches in Palestine, and the Bank does not have any affiliate companies.
2- Head Office address: King Abdullah II St. 8th roundabout, Building No. 384 - Bayader Wadi Seer / Al-Rawnaq District, Amman, Jordan
3- The total number of Jordan Commercial Bank Employees was (831) at the end of 2017 distributed as follows:

| Jordan Branches | |
|---|---|
| Branch | Number of Employees |
| Head Office | 512 |
| Main Branch | 12 |
| Commercial Complex | 7 |
| Jabal Amman | 7 |
| Jabal Al Hussein | 7 |
| Abdali | 7 |
| Mecca Street | 5 |
| Shmeisani | 7 |
| Sweifieh | 10 |
| Amman | 5 |
| Yarmouk | 6 |
| Al Qweismeh | 8 |
| Marka | 5 |
| Al Hashimi Al Shamali | 6 |
| Sweileh | 4 |
| Fuheis | 7 |
| Wasfi Tal Street | 7 |
| Abu Nseir | 3 |
| Salt | 8 |
| Muadi | 8 |
| Zarqa | 6 |
| Yajouz | 4 |
| Madaba | 8 |
| Aqaba | 7 |
| Karak | 8 |
| Irbid | 11 |
| Irbid Office | 6 |
| Ramtha | 9 |
| Al Husn Street | 8 |
| Mafraq | 9 |
| **Total** | **717** |

| Palestine Branches | |
|---|---|
| Branch | Number of Employees |
| Regional Management | 73 |
| Nablus | 8 |
| Tulkarm | 9 |
| Ramallah | 9 |
| Ramallah Office | 7 |
| Bethlehem | 8 |
| **Total** | **114** |

## Corporate Governance Report:

Names of the existing and resigned Board of Directors members during 2017 and their memberships on the boards of public share holding companies, with confirmation that all board members of the Bank are non-executives:

4- Who's who on the Board of Directors?

### 1- Mr. Michael Faiq Ibrahim Sayegh
### Chairman (Non-independent)

Date of Membership: 16/02/2004

Michael Faiq Ibrahim Sayegh is the chairman of Sayegh Group, a leading multinational conglomerate of companies and investments.
A pioneer in the manufacturing industry, specifically the manufacturing of paint, Sayegh brought great dynamism to the Jordanian economy. He is also known for his active role in society.
Sayegh Group comprises 35 companies spread across the Arab world, Eastern and Western Europe, and Asia. It specializes in various industries such as chemical engineering, real estate, banking and media, providing a wide range of products and services.
Sayegh was born in August 1946 in the city of Jaffa, Palestine. He is married to Nazi Al-Kopti, who is also a member of the Sayegh Group. He is father to Faiq Sayegh, Faten Sayegh, and Fares Sayegh.
In 1966, Sayegh completed his secondary education from Al-Hussein College Secondary School and went on to obtain a Bachelor's degree in Business Administration and Political Sciences from the University of Jordan in 1971.
Sayegh's path into the industry started when he was a university student as he began to take on bigger responsibilities in managing their shop in Amman, Jordan.
In 1985, the large industrial complex of National Paints was established in Jordan.
Since its inception, Sayegh Group›s mission has been to specialize in the production of paints, metal containers, gaskets, faucets, water taps, etc. using advanced industrial technology.
Sayegh participated in the restructuring efforts of the Bank of Jordan and the Gulf during the first half of the 1990s until completion in 2004. He was then appointed Chairman of the Board of Directors of what became Jordan Commercial Bank.
In 2002, he received the Order of the Holy Sepulchre of His Holiness Metropolitan Vindictus of the Greek Orthodox Patriarchate.
In 2007, Sayegh entered the field of investment banking in the Arab world, where he founded Al-Jazeera Bank in Sudan.
In the same year, he was awarded the Al-Hussein Medal for Distinguished Performance of the First Order.
Sayegh had a special interest in the field of media. In 2011, he launched Roya TV – a satellite channel that gained loyal viewers in just one year.
In 2013, Ernst & Young awarded Sayegh the Family Business Award of Excellence.

Medals, awards and distinctions:
- The Order of the Holy Sepulchre of His Holiness Metropolitan Vindictus of the Greek Orthodox Patriarchate, 2002.
- Al-Hussein Medal for Distinguished Performance of the First Order, 2007.
- Ernst & Young Family Business Award of Excellence, 2013.

Selected Chairmanships:
- Chairman of the Board of Directors of Sayegh Group Companies.
- Chairman of the Board of Directors of National Paints in all its branches.
- Chairman of the Board of Directors of Jordan Commercial Bank.
- Chairman of Orthodox Club – Amman.
- Honorary President of Al-Fuheis Orthodox Club.
- Founder and Chairman of the Board of Directors of the Palestinian International Institute.
- Chairman of the Board of Directors of the Arab Electrical Industries Company / Jordan.

• Chairman of the Board of Directors of the Arab Company for Paint Products / Palestine.
• Chairman of the Board of Directors of Dimensions Jordan & Emirates for Commercial Investment Corporation / Amman.
• Chairman of the Board of Directors of National Trading & Investment Company LTD. / Jordan.
• Chairman of the Board of Directors of Red Sea Gas Trading Company / Jordan.

Selected Board Memberships:
• Member of the Board of Trustees of King Abdullah II Award for Free Works and Entrepreneurship / Amman.
• Member of the Central Orthodox Council.
• Member of the Board of Trustees of the International Affairs Association.
• Member of the Arab Paint and Coating Producers Association - representing Jordan.
• Member of the Board of Trustees of Jordan Medical Aid for Palestinians.
• Member of the Board of Trustees of the Jordanian Society for Scientific Research (JSSR).
• Member of the Board of Directors of Al Jazeera Sudanese Jordanian Bank / Sudan.
• Honorary member of the SMEs Association / Amman.
• Member of the Advisory board of the Faculty of Engineering Technologies at Al- Balqa' Applied University for the academic year 2013 – 2014 / Amman.
• Member of the Board of Trustees of the Hashemite University.

Chairman and member of the following Jordan Commercial Bank Board Committees:
• Chairman of the Facilities Committee.
• Member of the Corporate Governance Committee.
• Member of the Nomination and Remuneration Committee.

## 2. H.E. Mr. Ayman Hazza' Barakat Al-Majali
## Vice Chairman (Non-independent)

Date of Membership: 16/2/2004

Academic qualifications:
• Bachelor's degree in History (1972).

Work experience:
He started his career working in the Jordanian Foreign Ministry. In 1993, he was appointed as Chief of Royal Protocol. In 1999, he was appointed as Deputy Prime Minister. He also served as Minister of Youth and Sport and Minister of Information. In 2002, he became a member of the Board of Directors of Jordan Commercial Bank and in 2004 he was re-elected as Vice Chairman of the Board. In 2010-2012, Mr. Ayman Al-Majali became a member of the Jordanian Parliament and was then elected as Head of Jordan's Lower House Finance Committee.

H.E. Mr. Ayman Al-Majali is chairman/member of the following Boards of Directors:
• Chairman, Al Jazeera Sudanese Jordanian Bank
• Chairman, Al Quds Ready Mix Concrete Company
• Vice Chairman, First Insurance Company
• Chairman, International Company for Communication Services

H.E. Mr. Ayman Al-Majali is chairman/member of the following Jordan Commercial Bank Board Committees:
• Chairman of the Debt and Property Settlement Committee
• Member of the Audit Commitee

## 3. Social Security Corporation/ Board Member
## Board Member (Non-independent)

Date of Membership: 10/5/2004 Represented by:

### a) Mr. Jehad Ali Ahmad Al-Shar'e From 26/08/2015 until 22/04/2017

Mr. Jehad Al-Shar'e was born on 1958/03/21. He holds a Bachelor's degree in Bank Management from Gazi University,Turkey, in 1983 and a Master's degree in Economics from Institute of Economic Research, Cairo, in 2003. He also holds the Certified Project Manager (CPM) certificate accredited by the International Association of Project and Program Management (IAPPM), USA, in 2010.

Mr. Jehad Al-Shar'e started working at the Social Security Corporation (SSC) in 1986 and occupied many positions across the SSC departments. He is currently working as the head of Contributions Support Department at the Social Security Investment Fund (SSIF). Mr. Jehad Al-Shar'e has represented the SSC and the SSIF by serving on the Boards of Directors for many affiliated companies. Mr. Jehad Al-Shar'e has served on Board Committees for the following companies:
• Housing Bank for Trade and Finance.
• Jordan Dubai Islamic Bank.
• Industrial Development Bank.
• Jordan Press and Publishing Company (Ad-Dustour).
• Jordan Electricity Company.
• Jordan Magnesia Company.
• Jordan Free Markets Company.
• Arab Center for Pharmaceutical and Chemistry Industries.
• Jordan Phosphate Mines Co.
• Jordan Potash Company.
• Jordan Cement Company.
• Jordan Telecommunications Company.
• Jordan Petroleum Refinery Co.
• Arab East Investment Co.
• Jordan Projects For Tourism Development (Tala Bay)
• Zara Investment Holding Co.
• Jordan International Insurance Co.
• Director General of Rama for Investment and Saving Co. owned by the Social Security Corporation.

Mr. Jehad Al-Shar'e is the Chairman and member of the Bank's Board Committees:
• Chairman of the Strategic Planning Committee.
• Member of Audit Committee.
• Member of Corporate Governance Committee.

## Social Security Corporation
## Board Member (Non-independent)

Date of Membership: 10/5/2004 Represented by:

### Mr. Mazen Hamdi Mohammad Al Sahsah as of 23/4/2017.

Date of Birth: 31/12/1975

Academic qualifications:
- Bachelor's degree in Finance from the University of Yarmouk (1997).

Professional certificates:
- Certified Valuation Analyst (CVA) certificate accredited by the IACVA, USA (2012).
- Certified Financial Management (CFM) certificate accredited by the IMA, USA (2003).
- Certified Management Accounting (CMA) certificate accredited by the IMA, USA (2002).

Work experience:
He has worked in the Social Security Investment Fund (SSIF) since 2006. He served as head of Studies and Financial Analysis in the Project Finance Department. He also previously served as Director at Saraya Aqaba Real Estate Development (2013-2017).

Mr. Mazen Al-Sahsah is a member of the following Jordan Commercial Bank Board Committees:
• Member of the Credit Committee
• Member of the Strategic Planning Committee
• Member of the Risk and Compliance Committee

## 4. Social Security Corporation (2nd Seat)
## Board Membership (Non-Independent)

Date of Membership: 25/10/2015. Represented by:

### HE Miss Shaden Ziad Nabih «Darwish Al-Haji»

Date of Birth: 19/9/1981
Academic qualifications:
• BA in Finance from the University of Jordan (2003).

Professional certificates:
• Chartered Financial Analyst (CFA) Certificate from CFA Institute, Virginia, USA (2010).
• Received the J.I.O.D certificate (Jordan Institute of Directors).

Work experience:
Ms. Shaden has held several positions at the Social Security Investment Fund since 2003 including financial analyst at the Pubic Equity Department (2003-2007); senior financial analyst (2007-2010); and currently Head of Portfolio Management - Pubic Equity Department (2010 - present).
She delivers lectures on the CFA certificate at one of the accredited training centers in Jordan.

Memberships:
• Member of the CFA Society in Jordan.
• Member of a number of committees established at the Social Security Investment Fund.

She is also a member of the following Jordan Commercial Bank Board committees:
• Member of the Audit Committee
• Member of the Risk and Compliance Committee
• Member of Debt and Property Settlement Committee

## 5. First Jordan Investment Company
## Board Member (Non-independent)

Date of Membership: 20/4/2011 Represented by:

### Mr. "Mohammad Khair" Ababneh

Date of Birth: 12/10/1945
Academic qualifications:
- Master's Degree in Military Sciences from Air University, USA, (1988).
- Master's Degree in Business Administration from Auburn University, USA, (1989).
- Diploma from the Naval Postgraduate School, USA, (1987).
- Bachelor's Degree in Military Sciences from Air University (1977).
- Bachelor's Degree in Aviation Science from the Greek Aviation Academy (1967).

Professional certificates:
- Certificate from the Jordan Institute of Directors.
- Certified Board Member Certificate from the International Finance Corporation and the International Monetary Fund.
- Received the J.I.O.D certificate (Jordan Institute of Directors).

Work experience:
He joined the Royal Jordanian Air Force in 1963, graduated as a pilot officer in 1967, and later became Chief of Staff of the Royal Jordanian Air Force from (1995-1999). He became a board member in the Royal Jordanian from (1995-1999) and vice Chairman in the Royal Wings.
He retired as Air Chief Marshal. He is currently the Chairman of the Board of Directors of First Jordan Investment Company since 2010.

Mr. "Mohammad Khair" Ababneh is also chairman/member of the following Jordan Commercial Bank Board Committees:
• Member of the Facilities Committee.
• Member of the Debt and Property Settlement Committee.
• Member of the Nomination and Remuneration Committee.

## 6. Mr. Sharif T. Al-Rawashdeh
## Board Member (Independent)

Date of Membership: 2012/06/28

Date of Birth: 1/8/1958
Academic qualifications:
- Bachelor's degree in Economics from Yarmouk University (1986).

Professional certificates:
- Received the J.I.O.D certificate (Jordan Institute of Directors).

Work experience:
• Internal auditor at the Jordan Kuwait Bank (1981-1987).
• Loans manager at Al Mashreq Bank, United Arab Emirates (1987-1988).
• Head of Retail Banking Services and Private Services and manager of the head office at the Saudi Investment Bank, Riyadh, Saudi Arabia (1988-2010).
• Former member of the 16th Jordanian Parliament and member of Health and Environment Committee and Energy Committee (2010-2011).

Board memberships:
• Chairman, Al Bilad Securities & Investment Co. since 2006.
• Chairman, International Arabian Development & Investment Trading Co. since 2012.
• Chairman, Al Jazira Capital Company, Egypt.
• Vice Chairman, Arab Jordanian Insurance Group Co. since 2012.
• Board member, Al-Bilad Medical Services P.L.C from 2002 to April 2014.
• Board member, Al Jazeera for Configuring & Managing Security Portfolios, Egypt.
• Board member, National Chlorine Industries Company P.L.C from April 2012 to October 2012.
• Member of the Board of Trustees at Mutah University.
• Member, Al Belad Medical Services from 2002 to April 2014.
• Member, Arab Company for Aluminum Industry (Aral) since April 2017.
• Chairman, Canadian International Schools.
• Chairman, Mandala Beauty Clinic.
• Member, Jordanian-Canadian Businessmen Association.
• Member at Royal Jordanian Gliding Club.

He is chairman/member of the following Jordan Commercial Bank Board Committees:
• Chairman of the Audit Committee
• Member of Nomination and Remuneration Committee
• Member of the Information Technology Committee

## 7. Mr. Saleh Mohammad Saleh «Zeid Kilani»
## Board Member (Independent)

Date of Birth: 15/10/1996
Academic qualifications:
- MBA from the United States (1989).
- Bachelor's degree in Political Sciences and International Administration from the United States (1988).
Professional certificates:
- Received the J.I.O.D certificate (Jordan Institute of Directors).

Work experience:
- He held a number of positions in both the public and private sectors. His former roles include Chief Commissioner of the Development Zones Commission, Chairman of the Dead Sea Development Company, and Commissioner for Investment and Economic Development at the Aqaba Special Economic Zone Authority from 2005-2008. He currently serves as advisor to Abdul-Hameed Shoman Foundation since April 2013.

He is chairman/member of the following Jordan Commercial Bank Board Committees:
• Chairman of Nomination and Remuneration Committee
• Member of the Strategic Planning Committee
• Member of the Audit Committee

## 8. Mrs. Iman Mahmoud A. Al-Damen
## Board Member (Independent)

Date of Membership: 2015/10/25

Date of Birth: 5/6/1957
Academic qualifications:
- Master's Degree in Finance from the University of Jordan (1992).
- Diploma in Business Administration from University of Manchester, UK, (1990).
- Bachelor's Degree in Business Administration from Kuwait University (1979).

Professional certificates:
- Received the J.I.O.D certificate (Jordan Institute of Directors).

Work experience:
Ms. Iman Al-Damen held several positions in the banking sector, including Head of the Risk and Credit Department at Capital Bank from December 2007 to December 2011, Assistant General Manager of Facilities at Cairo Amman Bank from 2003 to December 2007, Facilities Manager at Jordan Gulf Bank from 1998-2003, and Manager of the Facilities Department at Bank of Jordan from 1993-1998.

In addition to her banking experience, Ms. Iman Al-Damen has experience in the field of teaching and training. She started her career as a scientific research assistant at the Faculty of Commerce/Kuwait University. Over the years, she conducted several specialized training courses on credit and SME financing at global and regional institutes and organizations such as the USAID, Arab Academy for Banking and Financial Sciences, and the Association of Jordan Banks. She is also a certified trainer for the Financial Market International Inc.

Ms. Al-Damen represents women's associations at international organizations, most importantly the Organization for Economic Cooperation and Development (OECD), as well as local and quasi government organizations in addition to supporting SMEs and women entrepreneurs in Jordan. She also served as Senior Vice President at the Jordan Forum for Business and Professional Women and a member of the Supreme Council of the Jordanian National Women's Committee.

Ms. Al-Damen is currently:
• Member of the Higher Council of Jordan National Forum for Women (2005-Present).
• First Vice President at the Jordan Forum for Business and Professional Women (2002- 3/2016)

Ms. Al-Damen is chairperson/member of the following Jordan Commercial Bank Board Committees:
• Chairperson of the Risk and Compliance Committee
• Member of the Facilities Committee
• Member of the Corporate Governance Committee
• Member of the Information Technology Committee

## 9. Mr. Yazeed Shamseddin Al-Khalidi
## Board Member (Independent)

Date of Membership: 25/10/2015

Year of Birth: 1965.
Academic qualifications:
- MBA/Finance from New York Institute of Technology (2004).
- BA in Economics and Statistics/Business Administration from the University of Jordan (1988).

Professional certificates:
- Certified Board Member by IFC/JIOD.
- Received the J.I.O.D certificate (Jordan Institute of Directors).

Work experience:
Mr. Khalidi has over 26 years of experience in the fields of finance, public accounting, business consulting, and fund management at several local and regional companies.
• He started his career at Arthur Andersen in Amman in 1991 in the audit division.
• Group Accounting Manager at EDGO Group, a Jordanian-based company specialized in energy services.
• VP Finance at international reinsurer IGI.
• Chief Financial Officer at the regional real estate developer Empire Holdings.
• Chief Operating Officer at EuroMena Management Ltd., a UK company based in Cairo and specialized in Fund Management.
• Chief Financial Officer at the pharmaceutical retail group Pharmacy One.

Mr. Khalidi is a chairman/member of the following Jordan Commercial Bank Board committees:
• Chairman of the Corporate Governance committee
• Member of the Audit committee
• Member of the Strategic Planning committee

## 10. National Paints Factories Co. Ltd.)
## Board Member (Non-independent)

Date of Membership: 25/10/2015 Represented by:

### Mr. Abdelnour Nayef Abdelnour

Date of Birth: 14/9/1972.
Academic qualifications:
• MBA/International Business from the University of Leeds, UK, (1997).
• BA in Business Administration and Accounting from the University of Jordan (1994).

Professional certificates:
• Certified Board Member by IFC.
• Received the J.I.O.D certificate (Jordan Institute of Directors).

Work experience:
• Financial Advisor for Sayegh Group.
• General Manager at Brinsley Enterprises.
• Partner at Tadribat for Skills Development.
• Board Member at Biolab Medical Laboratory.
• Chairman at BioScan Radiology Center.

He is chairman/member of the following Jordan Commercial Bank Board Committees:
• Chairman of the Strategic Planning Committee.
• Member of the Facilities Committee.
• Member of the Debt and Property Settlement Committee.
• Member of the Information Technology Committee.

## 11- Mr. Nabil Zaki George Mushahwar
## Board Member (Independent)

Date of Membership: 10/4/2016

Date of Birth: 22/9/1963
Academic qualification:
• MA in Finance and Banking from Paris-Sorbonne University Abu Dhabi, 2015.
• BA in Computer Science from Utah State University, USA, 1985.

Work Experience:
• Executive Vice President of Finance and Strategic Planning.
• Senior Vice President at Arab Bank.
• Served on the Board of Directors of Visa Jordan and AlNisr Insurance Company.
• Member of the Board, Visa Jordan.
• Member of the Board, Al Nisit Al Arabi Insurance Company.

Current position:
• Banking consultant

Membership in Board committees:
• Chairman of the Information Technology Committee.
• Member of the Risk and Compliance Committee.
• Member of the Nomination and Remuneration Committee.

5- Executive positions of the Bank and the names of the persons holding them:

### 1- Caesar Hani Aziz Qulajen
### Chief Executive Officer (CEO)

Date of Birth: 22/08/1964
Academic qualifications:
- MBA/Finance from the University of Dallas in Texas, United States (1999).

Work experience:
Over 25 years of banking, managerial and financial experience in both the public and private sectors:
- Social Security Corporation (1989-1997).
- Manager at Arthur Andersen & Co., Saudi Arabia (1999-2004).
- Assistant General Manager at Samba Financial Group (SAMBA) (2004-2006).
- CEO at Ebram Investment Group, Saudi Arabia (2006-2008).
- Assistant General Manager at the Housing Bank for Trade and Finance (2008-2012).
- Deputy CEO at the Housing Bank for Trade and Finance (2012-2015).

Board memberships:
- Chairman of the Board of Directors of Middle East Payment Services.
- Board Member at CRIF.

### 2- Alaa "Muhammad Salim" Kohof
### Deputy CEO/ Chief Operating Officer (COO)

Date of Birth: 17/03/1973
Academic qualifications:
- MBA from the German Jordanian University (2012).
- BA in English Language and Literature.

Professional certificates:
- In the field of HR planning and development: Professional Diploma in Human Resource Management from the American University in Cairo.
- In the field of audit quality: Certified internal auditor.
- PMP
- Intensive course in information technology auditing.
- Certified trainer.

Work experience:
- Held several positions at DHL (1995 -2004) including Head of Customer Service and Products and other Quality Policy, Business Audit and Human Resources positions.
- Joined Jordan Commercial Bank in 2004 as Head of Human Resources. He subsequently held the positions of Head of Administrative Support and Assistant General Manager of Human Resources consecutively.

### 3- Rami "Mohammad Jawad" Fuad Hadid
### Deputy CEO/ Chief Business Officer (CBO)

Date of Birth: 28/02/1969
Academic qualifications:
- Master of Business Administration and Accounting from the United States (1998).

Professional certificates:
- CPA

Work experience:
- Auditing and banking experience at Ernst & Young / Amman and at several banks including Arab Banking Corporation/New York and BNP Paribas/Bahrain in corporate facilities.
- He established a commercial branch for the Housing Bank in Bahrain.
- He held the position of Assistant General Manager of Corporate Facilities at Capital Bank.
- He is a member of the Board of Directors of Rum Group for Tourism Transport and Investment and Al-Asr Investment Group representing Jordan Commercial Bank.
- He also served as Assistant General Manager of Corporate Banking at Jordan Commercial Bank.

### 4- Abdallah Mahfouz Theodore Kishek
### Assistant General Manager, Finance

Date of Birth: 05/08/1967
Academic qualifications:
- BA in Accounting from Walsh University, United States, (1990).

Professional certificates:
- CPA.

Work experience:
- Member of the Association of Chartered Accountants in Jordan.
- Senior Financial Officer at Arthur Andersen & Co., Saudi Arabia, (1993-2003).
- Assistant General Manager of Finance at Bank Al Jazira in Saudi Arabia (2003-2009).
- Assistant General Manager of Financial Operations at Bank Al-Etihad (2009-2015).

### 5- Mohammed Ali Mohammed Al-Quraan
### Assistant General Manager of Credit

Date of Birth: 20/10/1971
Academic qualifications:
- BA in Economics from Yarmouk University (1995).

He enjoys extensive banking experience in financial and credit analysis, preparation and evaluation of financial feasibility studies and financial and administrative consulting. He worked at a number of financial institutions and banks, including the Egyptian Arab Land Bank, Jordan Loan Guarantee Corporation, Industrial Development Bank, the Productivity Enhancement Program, and Jordan Ahli Bank. He also has consultancy and training experience with regional and international bodies.

Board memberships:
- Member of the Board of Directors of Jordan Emirates Dimensions for Commercial Investment (JEDI).

Work experience:
- Aribah International Company (1996-1997).
- Egyptian Arab Land Bank (1997-2000).
- Jordan Loan Guarantee Corporation (2000-2002).
- MMIS Management Consultants (2002-2003).
- Industrial Development Bank (2003-2004).

### 6- Majdi Mahmoud Ibrahim Banat
### Assistant General Manager of Operations

Date of Birth: 18/08/1970
Academic qualifications:
- BA in Economics from Yarmouk University (1994).

Summary of banking experience:
- Arab Bank main branch (1995-2005).
- Chief operations analyst/ Arab Bank Headquarters (2005-2008).
- Head of the Policies and Procedures Department / Arab Bank Headquarters (2008-2010).
- Head of the Operations Department / Arab Bank Headquarters (2010-2012).
- Head of the Quality Assurance Department at Bank Al-Etihad (2012-2014).

Work Experience:
- Head of the Policies and Procedures Department / Arab Bank (1994-2012).
- Head of the Quality Assurance Department at Bank Al-Etihad (2012-2014).

### 7- Dr. Mohammad Tawfiq Abdul Rahman Amro
### Assistant General Manager of Treasury and Investment (until 11/11/2017)

Date of Birth: 18/08/1973
Academic qualifications:
- PhD in Banking Risk Management from the Arab Academy for Banking and Financial Sciences (2006).
- MA in Finance from the University of Jordan (1998).
- BA in Economics and Finance from Yarmouk University (1995).

Summary of banking and investment experience:
- Held several senior and managerial positions at Jordan Arab Investment Bank in the LCs Department, LGs Department, Treasury Department and Domestic and Foreign Investment Department (1995-2005).
- Head of Treasury and Banking Relations in BLOM Bank (2005-2013). He also acted as advisor and active member of the Credit Committee, Strategic Planning Committee, Risk Management and Compliance Committee.
- Licensed by the Securities Commission in the following areas: investment management, investment trust, financial consulting and issue and safe custody management.
- Extensive professional, consulting and training experience at a number of universities and banking institutes such as the Arab Academy for Banking and Financial Sciences, Institute of Banking Studies, University of Damascus and the University of Jordan in derivatives and financial engineering, strategic planning and risk management.

Founder and former and current member of several Boards of Directors including:
- Member of the Board of Directors of the Arab Assurers Company from 7-2017.
- Member of the Board of Directors and Founder of Al Safwa Securities Company until 2007.
- Member of the Board of Directors and Founder of the Experts Securities Company until the end of 2013.
- Member of the Board of Directors of Middle East Payment Services until mid 2013.
- Member of the Board of Directors of the Middle East Diversified Investment Company until 2016.

## 8- Saleem Nayef Saleem Sawalha
## Assistant General Manager of Retail Banking and Branches

Date of Birth: 20/09/1975

Academic and professional qualifications:
- Two Master's degrees in Marketing and Small Enterprises from California State University, East Bay, United States, (2001).
- Member of the Association of Accountants and Financial Professionals in Business (IMA).
- Certified Management Accountant (CMA).

He has over 10 years of experience at local and international organizations holding several positions, most recently Country Manager for Jordan, Palestine and Iraq at VISA International. He worked at leading banks including Wachovia Bank and Washington Mutual in the United States.

Prior to joining VISA, he worked at Bank Al-Etihad as Head of Branches for six years. He participated in developing the Bank's retail strategy in close cooperation with McKinsey & Company.

He represents the Bank as member of the Board of Directors of Crystel, a leading outsourcing service provider.

Work experience:
- Financial Center Manager – Wachovia (2007- 2008).
- Head of Branches at Bank Al-Etihad (2008-2014).
- Country Manager for Jordan, Palestine and Iraq at Visa International Service Association (2014-2016).

## 9- Wael "Mohammad Yousif" Aref Rabieh
## Assistant General Manager – Corporate (Acting as of 08/01/2017)

Date of Birth: 07/11/1977

Academic qualifications:
- MA in Finance from the Arab Academy for Banking and Financial Studies (2004).
- BA in Accounting from Al-Zaytoona University (1999).

Work experience:

Over 17 years of banking experience in the field of corporate credit at several banks including Bank of Jordan and Jordan Ahli Bank. His latest position was Team Leader of Corporate Credit at the Arab Banking Corporation. He currently represents Jordan Commercial Bank on the Board of Directors of Methaq Real Estate Investment P.L.C.

## 10- Mahmoud Ibrahim Mahmoud Mahmoud
## Manager, Compliance Monitoring and Anti-Money Laundry Department
## (Corporate Governance Liaison Officer at Jordan Commercial Bank)

Date of Birth: 10/08/1980

Academic qualifications:
- MSc in Accounting Information Systems from Kingston University London (2007).
- Bachelor of Commerce from the University of Mysore in India (2002).

Professional certificates:
- Certified Member of the Board of Directors by IFC-JIOD.
- Certified Compliance Professional (CPC) by the Global Academy of Finance and Management.
- Certified Internal Controls Auditor (CICAO) by the Institute for Internal Controls, New Jersey, United States.
- Certified Internal Trainer.
- Certified COBIT 5 Foundation in 2017.
- Certified Compliance Officer (CCO) from the Global Academy of Finance and Management.

Work experience:
- He joined Jordan Commercial Bank in May 2013.
- Head of Compliance at Bank of Jordan (2009-2013).
- Audit Supervisor at Brothers CPA Jordan (member of INPACT) (2007-2009).
- Intern at Hazlems Fenton, UK (2007).
- Team lead at Ibrahim Hamdan Auditing and Consulting Services (2002-2005).

## 11- Ajoud Sharaf Al-Din Ali AlRousan
## General Auditor as of 02/04/2017

Date of Birth: 18/08/1969

Academic qualifications:
- MA in Finance and Accounting from the Arab Academy for Banking and Financial Sciences (1997).
- BA in Accounting from Aleppo University, Syria, (1992).

Professional certificates:
- Certified Professional Accountant (CPA), University of Illinois, United States, (1999).
- Certified Information Systems Auditor (CISA), Information Systems Audit and Control Association, United States (2001).

Work experience:

Over 24 years of professional experience at several financial institutions and banks in Jordan and abroad, the latest being as Head of Internal Audit at Standard Chartered Bank, Jordan.
- Budget Analyst at the General Budget Department in the Ministry of Finance (1993-1997).
- Manager of Performance and Risk Assurance at Abu Dhabi Accountability Authority (1997-2009).
- Chief of Internal Audit at Jordan Dubai Islamic Bank (2009-2016).
- Head of Internal Audit at Standard Chartered Bank, Jordan (2016-2017).

## 12- Mazen Abdel Salam Mahmoud Al-Khateeb
## Manager, Risk Department

Date of Birth: 20/11/1959

Academic qualifications:
- BA in Accounting from Baghdad University (1982).

Professional certificates:
- Several professional certificates in risk, audit, and anti-money laundering.

Work experience:

He has extensive banking experience at several banks.
- He joined Jordan Commercial Bank in 2004.
- Head of the Credit Control and Management at Bank Al-Etihad (1995-2004).
- Internal Auditor at the Egyptian Arab Land Bank in Jordan (1991-1995).
- Chief Internal Auditor at Kuwait Finance House in Kuwait (1986-1990).
- External Auditor at Arthur Young in Kuwait (1982-1986).

## 13- Anas Maher Radhi Ayesh
## Executive Manager of Treasury and Investment as of 12/11/2017

Date of birth: 12/10/1979

Academic qualifications:

BA in Economics and Finance from Yarmouk University (2001).

Work experience:

Mr. Ayesh has over 17 years of experience in treasury and investment and financial institutions. He has worked at several banks in Jordan and Qatar including Capital Bank of Jordan, SGBJ, and AJIB (Jordan and Qatar). His latest positon was Senior Manager – Head of Investment at Safwa Islamic Bank.

- Capital Bank of Jordan (formerly known as Export & Finance Bank) - (2001-2005).
- SGBJ (2005-2006).
- AJIB Jordan (2006-2007).
- AJIB Qatar (2007-2011).
- Safwa Islamic Bank (2011-2017).

### 14- Muntaser Marwan Shafeeq Alshashtari
### Regional Manager for Palestine Branches

Date of Birth: 26/06/1967
Academic qualifications:
- BA in Computer Science/Banking and Finance from Yarmouk University (1989).

He joined Jordan Commercial Bank in 2013. He has banking experience holding several positions including CEO of investment companies from 2007-2013, member of the boards of directors of investment and real estate companies from 2007-2013, former member of the Board of Directors of Arab Bank Australia until 2007 and credit supervisor for Arab Bank affiliates and subsidiaries (Austria, Germany, Australia, Tunisia and Oman) from 2001-2007. He worked at Arab Bank from 1989-2007.
Work experience:
- Arab Bank (1989-2007).
- Member of the Board of Directors of Arab Bank Australia 2007.
- Member of the BoD Facilities Committee at Arab Bank Australia.
- CEO of (family) investment companies (2010-2013).
- Deputy Regional Manager for Palestine branches at Jordan Commercial Bank (2013-2015).
- Regional Manager for Palestine branches at Jordan Commercial Bank (2015-present).
- Member of the Board of Directors of the Association of Banks in Palestine (2016-present).

### 15- Fadel Juheish Ayed Al-Dbais
### Assistant General Manager of Remedial & Collections (until 30/06/2017)

Date of Birth: 01/01/1951
Academic qualifications:
- BA in Law from Alexandria University (1983).
- BA in Business Administration from Yarmouk University (1990).
- MBA from Al Albayt University (1999).

He worked in the public sector for 24 years until 1995. He served as member of the Board of Directors of Omdan Commercial Complex Company. He joined Jordan Commercial Bank on 08/11/1997 as Head of the Follow-up and Collections Department. He held the position of Assistant General Manager of Follow-up and Collections and Legal Affairs until 30/06/2017. He represented the Bank as member of the Board of Directors of the Arab Assurers Company. He was also a member of the Board of Directors of Methaq Real Estate Company, representing Jordan Commercial Bank.
Work experience:
- Retired military.

### 16- Dr. Abdullah Ahmad Mousa Al-Amarat
### General Auditor until 25/02/2107

Date of Birth: 21/02/1964
Academic qualifications:
- PhD in Accounting and Finance from Khartoum University (2012).
- MA in Accounting from the University of Jordan (2004).
- BA in Accounting from the University of Jordan (2001).

He worked at Jordan Commercial Bank from 1988 until 25/02/2017.
He has 32 years of experience holding several positions in the fields of banking, risk management, auditing and information technology.
Work experience:
• Jordan Gulf Bank (now known as Jordan Commercial Bank) (1983-1984).
• General Command of the Jordanian Armed Forces (1984-1988).



**The Top Executive Management acknowledges its responsibility to provide internal controls that ensure the quality and transparency of published financial information and data.**

6- Name of The Executive Management persons who resigned during 2017:
- Dr. Abdullah Ahmad Mousa Al-Amarat - General Auditor – resignation date: 25/02/2017.
- Fadel Juheish Ayed Al-Dbais - Assistant General Manager of Remedial & Collections – resignation date: 30/06/2017.
- Dr. Mohammad Tawfiq Abdul Rahman Amro - Assistant General Manager of Treasury and Investment – resignation date: 11/11/2017.

7- Number of meetings held by the Board of Director's & Committees and the times of attendance of each member during 2017:

1- Board of Directors meetings and attendees:

| | Name | Times of Attendance | Absences with excuse |
|---|---|---|---|
| 1 | Mr. Michael Sayegh<br>Chairman | 14 meetings | - |
| 2 | Mr. Ayman Al-Majali<br>Vice Chairman | 14 meetings | - |
| 3 | Jordan First Investment Company<br>Member<br>Represented by:<br>Mr. "Mohammad Khair" Ababneh | 14 meetings | - |
| 4 | Social Security Corporation (first seat)<br>Member<br>Represented by:<br>Mr. Jihad Al Shara until 22/4/2017<br>Mr. Mazen Al Sahsah as of 23/4/2017 | 3 meetings<br>9 meetings | 1 meeting |
| 5 | Social Security Corporation (second seat)<br>Member<br>Represented by:<br>Ms. Shaden «Darwish Al-Hajji» | 3 meetings<br>9 meetings | 1 meeting<br>1 meeting |
| 6 | Mr. Sharif Al-Rawashdeh<br>Member | 12 meetings | 2 meetings |
| 7 | Mr. Saleh Kilani<br>Member | 13 meetings | 1 meeting |
| 8 | Ms. Iman Al-Damen<br>Member | 14 meetings | - |
| 9 | Mr. Yazeed Al-Khalidi<br>Member | 14 meetings | - |
| 10 | National Paints Factories Co. Ltd.<br>Member<br>Represented by:<br>Mr. Abdelnour Abdelnour | 14 meetings | - |
| 11 | Mr. Nabil Mushahwar<br>Member | 10 meetings | 4 meetings |

2- Board Committees meetings and attendees:

| | Name of Committee | Number of Meetings | Members | Times of Attendance | Absences with excuse |
|---|---|---|---|---|---|
| 1 | Credit Facilities Committee | 14 meetings | Michael Sayegh Committee Chairman | Attended all meetings | - |
| | | | Iman Al-Damen Committee Member | Attended all meetings | - |
| | | | Ayman Al-Majali Committee member until 25/1/2017 | 1 meeting | - |
| | | | Jordan First Investment Company Represented by "Mohammad Khair" Ababneh Committee member | Attended all meetings | - |
| | | | National Paints Factories Co. Ltd. represented by Abdelnour Abdelnour Committee member as of 26/1/2017 | 12 meetings | 1 meeting |
| | | | Social Security Corporation Represented by: Ms. Shaden Al-Hajji until 30/4/2017 Mr. Mazen Al Sahsah as of 30/4/2017 | 4 meetings<br>10 meetings | - |

| | Name of Committee | Number of Meetings | Members | Times of Attendance | Absences with excuse |
|---|---|---|---|---|---|
| 2 | Risk and Compliance Committee | 3 meetings | Ayman Al-Majali Committee chairman until 25/1/2017 | - | - |
| | | | Iman Al-Damen Committee chairperson as of 26/1/2017 | Attended all meetings | - |
| | | | Nabil Mushahwar Committee member | 1 meeting | 2 meetings |
| | | | Social Security Corporation (first seat) Committee member represented by: Jihad Al Shara until 22/4/2017 Mazen Al Sahsah as of 23/4/2017 | 1 meeting<br>2 meetings | - |
| | | | Social Security Corporation (second seat) Committee member Represented by Shaden Al-Hajji | Attended all meetings | - |

| | Name of Committee | Number of Meetings | Members | Times of Attendance | Absences with excuse |
|---|---|---|---|---|---|
| 3 | Debit & Property Settlement Committee | 9 meetings | Ayman Al-Majali Committee chairman | Attended all meetings | - |
| | | | Jordan First Investment Company Committee member Represented by "Mohammad Khair" Ababneh | Attended all meetings | - |
| | | | National Paints Factories Co. Ltd. Committee member Represented by: Abdelnour Abdelnour | 7 meetings | 2 meetings |
| | | | Social Security Corporation (second seat) Committee member Represented by Shaden Al-Hajji | Attended all meetings | - |

| | Name of Committee | Number of Meetings | Members | Times of Attendance | Absences with excuse |
|---|---|---|---|---|---|
| 4 | Strategic Planning Committee | 1 meeting | National Paints Factories Co. Ltd. represented by Abdelnour Abdelnour Committee chairman as of 30/4/2017 | 1 meeting | - |
| | | | Saleh Kilani Committee member | 1 meeting | - |
| | | | Yazeed Al-Khlidi Committee member | 1 meeting | - |
| | | | Social Security Corporation (first seat) Committee member Represented by Jihad Al Shara until 22/4/2017 Mazen Al Sahsah as of 30/4/2017 | 1 meeting | - |

| | Name of Committee | Number of Meetings | Members | Times of Attendance | Absences with excuse |
|---|---|---|---|---|---|
| 5 | Audit Committee | 10 meetings | Sharif Al-Rawashdeh Committee chairman | Attended all meetings | - |
| | | | Ayman Al-Majali Committee member as of27/1/2017 | 9 meetings | - |
| | | | Saleh Kilani Committee member | Attended all meetings | - |
| | | | Yazeed Al-Khalidi Committee member | Attended all meetings | - |
| | | | Social Security Corporation (first seat) Committee member Represented by Jihad Al Shara until 22/4/2017 Social Security Corporation (second seat) Committee member Represented by Shaden Al-Hajji as of 30/4/2017 | 3 meetings<br>6 meetings | 1 meeting |

| | Name of Committee | Number of Meetings | Members | Times of Attendance | Absences with excuse |
|---|---|---|---|---|---|
| 6 | Corporate Governance Committee | 1 meeting | Iman Al-Damen<br>Committee chairman until 25/1/2017 and committee member as of 26/1/2017 | 1 meeting | - |
| | | | Michael Sayegh<br>Committee member | 1 meeting | - |
| | | | Yazeed Al Khalidi<br>Committee chairman as of 26/1/2017 | 1 meeting | - |

| | Name of Committee | Number of Meetings | Members | Times of Attendance | Absences with excuse |
|---|---|---|---|---|---|
| 7 | Nominations & Rewarding Committee | 8 meetings | Saleh Kilani<br>Committee chairman | 7 meetings | - |
| | | | Sharif Al-Rawashdeh<br>Committee member | 7 meetings | - |
| | | | Michael Sayegh<br>Committee member | 7 meetings | - |
| | | | Jordan First Investment Company<br>Committee member<br>Represented by<br>"Mohammad Khair" Ababneh | 7 meetings | - |
| | | | Nabil Mushahwar<br>Committee member | 6 meetings | 2 meetings |

| | Name of Committee | Number of Meetings | Members | Times of Attendance | Absences with excuse |
|---|---|---|---|---|---|
| 8 | IT Governance Committee | 2 meetings | Nabil Mushahwar<br>Committee chairman | 2 meetings | - |
| | | | Sharif Al-Rawashdeh<br>Committee member | 2 meetings | - |
| | | | Iman Al-Damen<br>Committee member | 2 meetings | - |
| | | | National Paints Factories Co. Ltd.<br>Committee member<br>Represented by<br>Abdelnour Abdelnour | 2 meetings | - |

3- Names of the Chairpersons/Members of the Board of Directors Committee:

| | | Michael Sayegh | Ayman Al-Majali | Jordan First Investment Company Represented by "Mohammad Khair" Ababneh | Sharif Al-Rawashdeh | Jordan First Investment Company Represented by "Mohammad Khair" Ababneh | Social Security Corporation (first seat) Represented by Mazen Al Sahsah | Iman Al-Damen | Yazeed Al-Khalidi | National Paints Factories Co. Ltd. Represented by Abdelnour Abdelnour | Social Security Corporation (second seat) Represented by Shaden Al-Haji | Nabil Mushahwar |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Credit facilities Committee | Chairman | - | Member | - | - | Member | Member | - | Member | - | - |
| 2 | Risk & Compliance Committee | - | - | - | - | - | Member | Chairman | - | - | Member | Member |
| 3 | Debit & Property Settlement Committee | - | Chairman | Member | - | - | - | - | - | Member | Member | - |
| 4 | Strategic Planning Committee | - | - | - | - | Member | Member | - | Member | Chairman | - | - |
| 5 | Audit Committee | - | Member | - | Chairman | Member | - | - | Member | - | Member | - |
| 6 | Corporate Governance Committee | Member | - | - | - | - | - | Member | Chairman | - | - | - |
| 7 | Nominations & Rewarding Committee | Member | - | Member | Member | Chairman | - | - | - | - | - | Member |
| 8 | IT Governance Committee | - | - | - | Member | - | - | Member | - | Member | - | Chairman |

8- Names of major shareholders with equity of 1% or more:

| Shareholder's Name | 2017 | | 2016 | |
|---|---|---|---|---|
| | No. of shares as at 31/12/2017 | % | No. of shares as at 31/12/2016 | % |
| Al Saleh Investment Holding Company Ltd<br>**Final Beneficiary:**<br>Norah Nasser Alsaleh 25%<br>Reem Nasser Alsaleh 25%<br>Maha Nasser Alsaleh 25%<br>Sarah Nasser Alsaleh 25% | 31,800,000 | 26,50% | 29,911,875 | 26,50% |
| Social Security Corporation | 23,808,021 | 19,84% | 22,394,420 | 19,84% |
| First Jordan Investment Company | 14,776,558 | 12.31% | 14,215,300 | 12,59% |
| Michael Faiq Ibrahim Sayegh | 12,800,475 | 10.66% | 11,545,185 | 10,23% |
| Ibrahim Faiq Ibrahim Sayegh | 12,065,877 | 10.05% | 11,174,103 | 9,89% |
| Samer Saleem Fayeq Sayegh | 6,894,048 | 5.74% | 6,461,777 | 5,72% |
| Sami Salim Faeq Sayegh | 3,628,590 | 3,02% | 3,413,143 | 3,02% |
| Samar Salim Faeq Sayegh | 1,814,296 | 1,51% | 1,706,573 | 1,51% |
| National Paints Holding Company<br>**Final Beneficiary:**<br>Michael Faiq Ibrahim Sayegh 33.333%<br>Ibrahim Faiq Ibrahim Sayegh 33.333%<br>Samer Saleem Fayeq Sayegh 33.333% | 1,656,641 | 1,38% | 1,558,278 | 1,38% |
| Nuha Michael Mousa Haddad | 1,295,926 | 1,08% | 1,218,981 | 1,08% |

9- Company's competitive position by segment:

| Description | 2017 | 2016 |
|---|---|---|
| Market share/facilities | 2,50% | 2,41% |
| Market share/deposits | 2,33% | 2,38% |
| Market share/assets | 2,29% | 2,34% |

10- There is no dependence on specific suppliers or customers, local or foreign, whose dealings with the bank constitute 10% or more of the total purchases and/or sales or revenues.

11- Neither Jordan Commercial Bank nor any of its products enjoy any government protection or privileges by virtue of any laws or regulations.

12- Jordan Commercial Bank has not obtained any patents or concession rights.

13- No resolutions rendered by the government, international organizations or others have any material impact on the Bank, its products or competitiveness.

14- The number of Bank's Employees and their qualifications As of 31/12/2017 :

| Academic Qualifications | Number | | Number | | | |
|---|---|---|---|---|---|---|
| | Males | Percentage % | Females | Percentage % | Total | Percentage % |
| PhD | 2 | 0,24 | 0 | 0 | 2 | 0,24 |
| Master | 41 | 4,93 | 22 | 2,65 | 63 | 7,58 |
| Higher Diploma | 2 | 0,24 | 0 | 0 | 2 | 0,24 |
| Bachelor | 331 | 39,83 | 198 | 23,83 | 529 | 63,66 |
| 2-Year Diploma | 48 | 5,78 | 44 | 5,29 | 92 | 11,07 |
| 1-Year Diploma | 1 | 0,12 | 21 | 2,53 | 22 | 2,65 |
| High School | 15 | 1,81 | 15 | 1,81 | 30 | 3,61 |
| Secondary education | 90 | 10,83 | 1 | 0,12 | 91 | 10,95 |
| Total | 530 | 63,78 | 301 | 36,22 | 831 | 100 |

15- Dealing with Customers:

One of the key aspects of demonstrating fairness and transparency in dealing with customers is the effective handling of customer complaints and feedback.
Customer feedback is extremely important because it provides a wealth of information about issues affecting customer satisfaction. Such information can be used to improve services and take actions to ensure failures are not repeated.
Jordan Commercial Bank has a Customer Complaint Handling Unit under the Compliance and Anti-Money Laundering Department. The Unit receives and responds to customer complaints through various means of communication with the aim of enhancing customer satisfaction and trust.

The Unit classifies complaints and conducts various quantitative and analytical studies to identify the reasons for complaints, where required. It submits periodic reports to the Board of Directors and the Central Bank of Jordan accordingly.

In 2017, the Unit received a total of 279 complaints. The complaints were mainly focused on the central region branches and related to work processes, some technical errors and other complaints related to customers' confusion by the services provided by the bank.

The Customer Complaint Handling Unit followed up on these complaints by reaching out to customers to clarify any misunderstanding or confusion and recommending appropriate corrective actions to ensure their satisfaction.
The most commonly used method for submitting complaints is the telephone followed by the website.

16- Risks faced by the Bank:
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Compliance risk
- Information security risk

17- There is no financial impact of any non-recurring transactions that occurred during the financial year which are not within the bank's main activities.

18- Chronological order of realized profits, dividends, shareholders' net equity, and share price for the years 2013 -2017 (JD):

| Description | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Net profit | 3,788,813 | 9,325,406 | 15,756,877 | 11,728,020 | 3,199,256 |
| Shareholders' net equity | 149,540,599 | 145,814,791 | 137,981,433 | 120,411,810 | 108,873,133 |
| Cash dividend (proposed) | - | | - | - | - |
| Dividend payout ratio (proposed) | - | | - | - | - |
| Bonus issue (proposed) | - | 7,125,000 | 7,875,000 | 5,000,000 | - |
| Bonus issue ratio (proposed) | - | 6.3% | 7.5% | 5.0% | - |
| Closing price/share | 1.19 | 1.4 | 1.17 | 1.16 | 1.04 |

19 - The auditor's fees including sales tax amounted to JD 116,571

20- Credit ratings:

The schedule below shows Jordan Commercial Bank's credit ratings issued by Capital Intelligence:

| | | | |
|---|---|---|---|
| Foreign currency risk rating (short term) | B | Sovereign risks (short term) | B |
| Foreign currency risk rating (long term) | BB- | Sovereign risks (long term) | BB- |
| Financial strength rating | BB | Outlook | Negative |
| Support rating | 3 | | |

21- Number of securities owned by members of the Board of Directors, and their families and companies controlled by them and Senior Executive Management:

- Number of securities owned by members of the Board of Directors :

| Serial No. | Number of securities | |
|---|---|---|
| | 2017 | 2016 |
| Michael Faiq Ibrahim Sayegh<br>Chairman | 12,800,475 | 11,545,185 |
| Ayman Haza' Barakat Al-Majali<br>Vice Chairman | 1,144,546 | 1,076,589 |
| Social Security Corporation<br>Two seats represented by<br>Shaden Ziad Nabih «Darwish Al-Haji»<br>Mazen Hamdi Mohammad Al Sahsah<br>As of 2017/4/23<br>Replacing Jihad Ali Ahmad Al Shara | 23,808,021<br>-<br>-<br>- | 22,394,420<br>-<br>-<br>- |
| Jordan First Investment Company<br>Represented by "Mohammad Khair" Abdul Hameed Ababneh | 14,776,558<br>20,000 | 14,215,300<br>25,000 |
| Sharif Tawfiq Hamad Al-Rawashdeh<br>Member | 1,073,754 | 1,063,036 |
| Saleh Mohammad Saleh Zeid Kilani<br>Member | 11,999 | 11,287 |
| Iman Mahmoud Allan Al-Damen<br>Member | 11,999 | 11,287 |
| Yazeed Shamseddin "Mohammad Yousef" Al-Khalidi<br>Member | 11,999 | 11,287 |
| National Paints Factories Co. LTD.<br>Represented by Abdelnour Nayef Abdelnour Abdelnour | 11,428<br>615 | 10,750<br>579 |
| Nabil Zaki George Mushahwar<br>Member | 11,428 | 10,750 |

*All members of the Board of Directors are of Jordanian nationality with the exception of National Paints Factories CO. LTD which is Emirati.

- Number of securities owned by members of the senior executive management and the companies controlled by them:

| Name | Number of Securities | |
|---|---|---|
| | 2017 | 2016 |
| Caesar Hani Aziz Qulajen<br>Chief Executive Officer | - | - |
| Alaa "Muhammad Salim" Abed Al Ghani Kohof<br>Chief Operating Officer | - | - |
| Rami "Mohammad Jawad" Fuad Hadid<br>Chief Business Officer | - | - |
| Abdallah Mahfouz Theodore Kishek<br>Assistant General Manager of Finance/Chief Financial Officer | - | - |
| Mohammed Ali Mohammed Al-Quraan<br>Assistant General Manager of Credit | - | - |
| Fadhel Juheish Ayed Al-Dabbis<br>Assistant General Manager of Follow-up & Collections<br>Until 30/06/2017 | - | - |
| Mohammad Tawfiq Abdel Rahman Amro<br>Assistant General Manager of Treasury and Investment<br>Until 9/11/2017 | - | - |
| Anas Maher Radi Ayyash<br>Executive Director - Treasury and Investment Department<br>As of 12/11/2017 | - | - |
| Majdi Mahmoud Ibrahim Banat<br>Assistant General Manager of Operations | - | - |
| Saleem Nayef Saleem Sawalha<br>Assistant General Manager of Retail and Branches | - | - |
| Mahmoud Ibrahim Mahmoud Mahmoud<br>Compliance and AML Manager | - | - |
| Abdullah Ahmad Mousa Al-Amarat<br>Head of Internal Audit Department<br>Until 25/2/2017 | - | - |
| Ajoud Sharaf Al-Din Ali AlRousan<br>Auditor General<br>As of 02/04/2017 | - | - |
| Mazen Abdel Salam Mahmoud Al-Khateeb<br>Manager/Risk Department | - | - |
| Muntaser Marwan Shafeeq Alshashtari<br>Regional Manager for Palestine Branches | - | - |
| Wael «Mohammed Yousif» Aref Rabieh<br>Acting Assistant General Manager of Corporate Banking<br>As of 8/1/2017 | - | - |

*All members of the senior executive management are of Jordanian nationality.

- Number of securities owned by relatives of members of the Board of Directors:

| Name | Number of Securities | |
|---|---|---|
| | 2017 | 2016 |
| Nazi Tawfiq Nakhleh Qebti<br>Chairman's Wife | 240,000 | 225,750 |
| Flare Adel Abdul Rahman Zawati<br>Vice Chairman's Wife | 22,439 | 21,107 |

- Number of securities held by companies controlled by members of the Board of Directors:

| # | Name | Controlled Companies | Number of securities | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| 1 | Michael Faiq Ibrahim Sayegh<br>Chairman | National Paints Factories Co. Ltd | 11,428 | 10,750 |
| | | National Paints Holdings LLC | 1,656,641 | 1,558,278 |
| 2 | Jordan First Investment Company | Al-Salt Al-Oula Investment Company | 1,500 | 2,200 |

- Number of securities held by companies controlled by relatives of members of the Board of Directors: N/A
- Number of securities held by companies controlled by members of the senior executive management: N/A
- Number of securities held by companies controlled by relatives of members of the senior executive management: N/A

## 22 - Remuneration of the Board of Directors and Executive Management for the period (1/1/2017 - 31/12/2017)

| Board of Directors | Transportation allowance for Board members | Transportation allowance for Board committee members | Board members annual bonus * | Travel, training and other expenses | Total | Position |
|---|---|---|---|---|---|---|
| Michael Sayegh | 36,000 | 4,500 | 5,000 | 100,000 | 145,500 | Chairman |
| Ayman Al-Majali | 36,000 | 6,700 | 5,000 | 2,275 | 49,975 | Vice Chairman |
| Social Security Corporation (Represented by 2 seats) | 72,000 | 10,800 | 10,000 | - | 92,800 | Board member |
| Jordan First Investment Company | 35,000 | 6,600 | 5,000 | - | 46,600 | Board member |
| Sharif Al-Rawashdeh | 36,000 | 6,600 | 5,000 | - | 47,600 | Board member |
| Saleh Kilani | 36,000 | 6,300 | 5,000 | - | 47,300 | Board member |
| Abdelnour Abdelnour | 36,000 | 5,700 | 5,000 | - | 46,700 | Board member |
| Yazeed Al-Khalidi | 36,000 | 5,100 | 5,000 | - | 46,100 | Board member |
| Iman Al-Damen | 36,000 | 4,500 | 5,000 | 355 | 45,855 | Board member |
| Nabil Mushahwar | 34,000 | 1,800 | 5,000 | - | 40,800 | Board member |
| **Total** | **393,000** | **58,600** | **55,000** | **102,630** | **609,230** | |
| **Executive Management** | **Salaries** | **Bonuses** | **Transportation allownace for committees** | **Travel and training expenses** | **Total** | **Position** |
| Caesar Qulajen | 315,000 | 125,000 | - | 9,594 | 449,594 | CEO |
| Ghada Farhan - Board secretary | 58,948 | 12,465 | 800 | 3,863 | 76,076 | Board Secretary |
| Mohammed Al-Quraan | 113,060 | 17,273 | 900 | - | 131,233 | Assistant General Manager - Credit |
| Saleem Sawalha | 108,895 | 13,867 | - | 800 | 123,562 | Assistant General Manager - Retail and Branches |
| Mohammad Amro (until 2017/11/11) | 111,026 | 31,259 | - | - | 142,285 | Assistant General Manager - Treasury and Investment until (11/11/2017) |
| Anas Ayyash (As of 2017/11/12) | 10,394 | - | - | - | 10,394 | Executive Director - Treasury and Investment Department |
| Rami Hadid | 139,280 | 17,325 | - | 300 | 156,905 | Chief Business Officer |
| Fadhel Al-Dabbis (Until 2017/6/30) | 93,538 | 86,224 | 400 | - | 180,162 | Assistant General Manager - Follow-up & Collections until (2017/06/30) |
| Wahid Haymoor (As of 2017/6/1) | 37,097 | - | 500 | - | 37,597 | Manager/Follow-up & Collections Department |
| Abdallah Kishek | 187,751 | 23,870 | - | 666 | 212,287 | Assistant General Manager - Fiance/CFO |
| Alaa Kohof | 131,040 | 16,013 | - | 1,703 | 148,756 | Chief Operating Officer |
| Majdi Banat | 107,350 | 16,406 | - | - | 123,756 | Assistant General Manager - Operations |
| Mahmoud Mahmoud | 38,955 | 5,955 | 300 | 986 | 46,196 | Compliance and AML Manager |
| Abdullah Al-Amarat (until 2017/2/25) | 14,854 | 37,950 | - | - | 52,804 | Auditor General until (2017/2/25) |
| Ajoud AlRousan (as of 2017/04/02) | 83,092 | - | - | 316 | 83,408 | Auditor General |
| Mazen Al-Khateeb | 72,248 | 6,612 | 300 | - | 79,160 | Manager/Risk Department |
| Wael Rabieh | 82,746 | 7,568 | - | 533 | 90,847 | Assistant General Manager - Corporate |
| **Total** | 1,705,274 | 417,786 | 3,200 | 18,760 | 2,145,020 | |
| **Total of Board of Directors and Executive Management - Jordan** | 2,098,274 | 476,386 | 58,200 | 121,390 | 2,754,250 | |
| **Regional Manager for Palestine** | 112,360 | - | - | 3,510 | 115,870 | |
| **Total of Board of Directors and Executive Management - Combined** | 2,210,634 | 476,386 | 58,200 | 124,900 | 2,870,120 | |

* Board members annual bonus awarded in 2016 and paid in 2017.

| Regional Manager for Palestine branches (Muntaser Alshashtari) | 2017 | 2016 |
|---|---|---|
| Salary | 112,360 | 100,245 |
| Bonus | - | - |
| Allowances (transportation, training) | 3,510 | 3,082 |
| Loans granted | 12,583 | 14,785 |
| Deposits | - | - |
| Interest on facilities | 1,117 | 1,291 |
| Interest on deposits | - | - |

## 23 - Number of shares pledged by shareholders that own 1% or more of the capital of the Bank as at 31/12/2017:

| Serial No. | Shareholder | Balance | Pledged shares | Beneficiary |
|---|---|---|---|---|
| 1 | First Jordan Investment Company | 14,776,558 | 1,199,998 | Arab Jordan Investment Bank (AJIB) |
| | | | 1,250,000 | Bank Al-Etihad |

## 24- Credit Facilities / Related Parties:

| | Member's name | Direct credit facilities (credit limits) as at 2017/12/31 | Direct credit facilities (credit balances) as at 2017/12/31 | Indirect credit facilities (credit limits) as at 2017/12/31 | Indirect credit facilities (credit balances) as at 2017/12/31 |
|---|---|---|---|---|---|
| As Associated Parties | Michael Sayeth | 8,386,461 | 7,060,344 | 1,107,915 | 984,014 |
| | Sharif Al-Rawashdeh | 4,239,795 | 4,235,811 | - | 6,000 |
| | Ayman Al-Majali | 399,619 | 384,190 | - | - |
| | Abdelnour Abdelnour Group | 2,341,850 | 2,266,847 | - | - |
| | Mohammad Khair Ababneh | 5,110,545 | 5,040,155 | - | 155,000 |
| As Individuals | Saleh Mohammad Saleh Kilani | 32,471 | 32,471 | - | - |
| | Yazeed Shamseddin Al-Khalidi | - | 79 | - | - |
| | Iman Mahmoud Allan Al-Damen | 783 | 783 | - | - |
| As Related parties | Sharif Al-Rawashdeh Group | 1,500,000 | 1,378,769 | - | 600,000 |

25- As part of its corporate social responsibility efforts, Jordan Commercial Bank provided support to many organizations in the various domains as follows:

| Domain | Value |
|---|---|
| Environment | 0 |
| Education | 19460 |
| Charitable societies and social institutions | 213002 |
| Sports | 10200 |
| Health | 8900 |
| Children, Women and Families | 1850 |
| Poverty | 41664 |
| Culture and Arts | 13450 |
| Supporting national institutions | 70250 |
| People with special needs | 8200 |
| **Total** | **386977** |

26- All contracts and engagements concluded between Jordan Commercial Bank and its Chairman, General Manager, the bank employees and their relatives are consistent with the bank's internal regulations, CBJ instructions and the Banks Law as set out in Note 34 mentioned in the Financial Statements of the bank.

27- No contracts, projects, or engagements have been concluded between Jordan Commercial Bank and its subsidiaries, sister companies, affiliates, the Chairman, members of the Board of Directors, the General Manager, the bank's employees or their relatives that have not been disclosed.

28- Any Shareholder has the right of remedy at law against any dispute or if exposed to any harm, and to refer such dispute or claim to alternative dispute resolutions such as mediation and arbitration, which are available for shareholders to claim compensation against any harm that may affect them.

29- Shareholders are given priority to subscribe to new shares in an IPO.

30- The Board of Directors of Jordan Commercial Bank declares that there are no material issues that may affect the Bank's continuous effective performance during the year 2017. The Board of Directors also declares that they did not receive any payments or benefits in cash or in-kind other than what was disclosed in the remuneration table.

**Chairman:**
Michael Sayegh

**Vice Chairman:**
Ayman Al-Majali

**Board member:**
Jordan First Investment Company represented by "Mohammad Khair" Ababneh

**Board member:**
Saleh Kilani

**Board member:**
Social Security Corporation (first seat) represented by Mazen Al Sahsah

**Board member:**
Sharif Al-Rawashdeh

**Board member:**
Nabil Mushahwar

**Board member:**
Iman Al-Damen

**Board member:**
Yazeed Al-Khalidi

**Board member:**
Social Security Corporation (second seat) represented by Shaden Al-Haji

**Board member:**
National Paints Factories Co. Ltd. represented by Abdelnour Abdelnour

31- The Board of Directors and Executive Management of Jordan Commercial Bank declare their responsibility for the preparation of the financial statements and the effectiveness of the Bank's internal control and monitoring systems.

**Chairman:**
Michael Sayegh

**Chief Executive Officer:**
Caesar Qulajen

**Chief Financial Officer:**
Abdallah Kishek

# Corporate Governance Manual & Information & Related Technologies Governance Guide

Our harmony drives our distinctive success

## The maroon

color symbolizes power
and passion

## Introduction

Owing to the constant strive by Jordan Commercial Bank towards maintaining and upholding its status, and with utmost regard to the security of the overarching Jordanian banking system – of which JCB is a member – and in adherence to international standards for sound banking practices; JCB recognizes the necessity of compliance with the best standards of corporate governance – warranting the practice of corporate management and compliance with the laws and legislations issued by regulatory bodies – together with the implementation of the policies, instructions and procedures established by the Board of Directors and Executive Management.

Corporate Governance is based on a number of fundamental principles; the most important of which is the separation of the responsibilities assigned to the Board of Directors and those assumed by the General Manager (Chief Executive Officer). Another principle is that the Chairman of the Board must be a non-Executive Member thereof. This is in addition to the necessity of the existence of organizational and administrative structures, in which responsibilities and authorities are distributed with complete clarity and distinction; and the existence of effective regulatory frameworks that are defined in a clear and distinctive manner. This also warrants the treatment of all stakeholders through fairness, transparency and disclosure, enabling them to assess the position of the Bank and its financial performance. Members of the Bank's Board of Directors and Senior Executive Management must also exhibit an appropriate level of educational and professional competency.

Sound Corporate Governance contributes to strengthening the relationship between the shareholders, Board of Directors, Executive Management and relevant entities (other banks, creditors, regulatory authorities); while also holding Executive Management accountable to the Board of Directors on the one hand; and holding the Board of Directors accountable vis-a-vis the Owners and relevant entities, on the other.

This Guide and its policies were compiled by JCB; validating its unique identity and confirming the independence of the Members of the Board of Directors, the absence of any conflict of interests and the efficacy of Board members in selecting an Executive Management that is capable of administering the Bank's affairs. This is in alignment with best practices and local and international corporate governance standards.

The provisions stipulated in this Guide, as well as the policies of Corporate Governance thereof shall be pertinent to JCB branches in both Jordan and Palestine.

# Part One: Definition, Aspects and Importance of Corporate Governance

## First: Definitions

**Non-Executive Board Member:** A member who is not a full-time Bank administrator or employee; and does receive a wage thereof.

**Authorized Person:** A person who is authorized to view internal information – owing to his/her title or function at the Bank; including the Chairman and Members of the Board of Directors, Financial Director, Auditor-General, External Accounts Auditor, Representative of a Legal Person, Board Secretary and relatives of the aforementioned parties.

**Cumulative Voting:** Voting mechanism for electing Members of the Bank's Board of Directors, which allows each shareholder the option of distributing the number of votes as per the number of shares owned. The shareholder is entitled to utilize the votes in favor of one nominee or to distribute the same among more than one nominee; whereby one share carries one vote, without the replication of these votes.

**Governance Report:** A report outlining the Bank's Corporate Governance applications and practices, which is included in the Annual Report of the Bank and is signed by the Chairman of the Board.

**Relatives:** Mother, father, brother, sister, spouse and offspring.

## Second: Corporate Control

This is the set of relationships existing between the Bank's Board of Directors, Executive Management, Shareholders and other entities of interest to the Bank and indicates a mechanism clarifying the institution's objectives and the means for achieving and regulating the fulfillment of these objectives. Therefore, sound corporate governance is what avails appropriate incentives to the Board and Executive Management for achieving the objectives that are in the interest of the institution; while facilitating the creation of effective control and monitoring and thus, assists the institution in efficiently utilizing its resources.
This is in addition to being the system demonstrating the methods through which authorities are practiced, decisions are made, banking operations are run in a safe manner, the interests of creditors are safeguarded, and a commitment is made to shareholders and other stakeholders; as well as the Bank's adherence to legislations and internal policies.

## Third: Aspects of Corporate Governance

**1. Internal Factors**
These are exemplified by the efficient transactions between shareholders, the Board of Directors, the Bank's Executive Management and other relevant entities. The presence of sound corporate governance facilitates the Bank's definition and achievement of objectives, through the Board's designation of the objectives and purposes of the Bank and its approval of the strategies devised by the Bank's Executive Management to fulfill the objectives sought.

**2. External Factors**
External factors include the following:
- Adherence to laws, legislations and instructions safeguarding the rights of shareholders and other relevant entities – such as other Bank creditors and debtors.
- The existence of a suitable supervisory environment availed by the regulatory authorities.
- The availability of capital markets infrastructure, which enhances stakeholder ability to hold the Bank's Management accountable.
- Adherence to accounting standards relating to the prompt and accurate representation of financial data, while adopting a methodology of disclosure.
- Presence of a third party for regulating the Bank's performance; such as the financial market, Central Bank, international rating institutions, professional and commercial associations, etc.
- Existence of an appropriate legal, legislative and regulatory environment clarifying the rights of relevant entities.

Corporate Governance requires the availability of both an internal and external environment; bearing in mind that the presence of either one does not necessarily mean the presence of the other. In both cases, the following components are considered guiding principles in improving sound Corporate Governance:

**• Fairness:**
Small shareholders and relevant entities are treated in a fair manner and their interests are taken into consideration.

**• Transparency:**
The Bank discloses financial and organizational information and Executive Management remuneration to the relevant entities, in a manner that enables shareholders and creditors to assess bank performance; and in alignment with the instructions of the Central Bank of Jordan – as issued by virtue of the Banks Law. The Bank must also be aware of any changes that may arise in international financial reporting practices and the degree of transparency required by financial institutions. The Bank also undertakes to provide quality information on all its activities to regulatory authorities, shareholders, creditors, other banks and the general public; through various reporting and communication tools.

**• Accountability:**
The Executive Management undertakes to address any inquiry when being held accountable by the Board of Directors; insofar as implementing plans and invoking established policies thereof; with the objective of safeguarding the Bank's assets and the integrity of its financial position. The Board of Directors undertakes to demonstrate readiness when being held accountable by the shareholders and other authorized entities.

**• Responsibility:**
The Bank's Organizational Structure – as approved by the Board of Directors – shall specify the communication channels and limits of responsibility. The Authority Matrices approved by the Board of Directors shall also indicate the limits of responsibility.
The Board of Directors shall monitor the Executive Management; whereas the latter shall be responsible for the Bank's day-to-day operations. The Board of Directors undertakes to approve clear limits of responsibility and liability, while obligating all administrative levels in the Bank to adhere to the same. The Board shall also ensure that the organizational structure clearly reflects the lines of authority and responsibility and that it includes multiple regulatory tiers; in addition to ensuring that Senior Executive Management undertakes its responsibilities pertaining to running the day-to-day operations of the Bank, that it contributes to implementing corporate governance, designates authorities to personnel, creates an effective administrative environment that is conducive to accountability, executes its duties insofar as various business areas and activities in line with the policies and procedures approved by the Board and adopts appropriate regulatory guidelines enabling it to hold Senior Executive Management accountable.

### Fourth: The Importance of Corporate Governance to the Bank

1) The Jordanian banking sector – of which JCB is a part thereof – is one of the most important components of Jordan's economy. This sector is subject to international regulation and auditing; while also utilizing the government's financial security networks and thus, it is important for the Bank to embrace a robust corporate governance system.
2) The most important source of incoming funds is the funds of others – namely creditors – and in light of the fierce competition witnessed by the Jordanian capital market, the existence of sound corporate governance at the Bank shall maximize its market share.
3) For the purpose of maintaining the security and resilience of the Bank's financial position, Members of the Board of Directors play an effective and important role in the Bank's corporate governance through their supervisory role. This is in addition to provisioning a sound risk management system allowing the alignment of revenues and risks, within the permissible limits of the Bank's position and strategy; and through compliance with laws and instructions on all administrative levels.
4) Corporate governance enhances the Bank's performance by providing a mechanism linking the interests of shareholders, other relevant entities and the Bank.

## Part Two: Standards Pertaining to the Board of Directors

### First: Board Structure and Meetings

– The number of members of the Bank's Board of Directors must not be less than 11 members and must not exceed 13 members; exhibiting practical, professional expertise and specialized skills. It shall not be permissible for any member thereof to be an Executive Member; and there shall be no Executive Members (*) at the Bank.
– The number of independent members shall not be less than four members.
– The members shall be elected in accordance with cumulative voting, by the General Assembly of the Bank through secret ballot.
– JCB shall take into account the diversity in expertise and the terms and conditions of the Members' permanent residency in the Hashemite Kingdom of Jordan.
– Numerous committees shall emanate from the Board of Directors for regulating and following up workflow at the Bank, while reporting the same to the Board of Directors; with the latter identifying the roles, responsibilities and authorities of these committees upon formation thereof and via a separate charter for each.
– It shall not be permissible to combine between the title of Chairman of the Board and General Manager. Additionally, the Chairman of the Board, any Member thereof or main shareholders shall not be a relative of the Managing Director – up to the fourth degree. The General Manager shall assume the following duties:
  • Developing the Bank's strategic direction
  • Implementing the Bank's strategies and policies
  • Executing the decisions of the Board of Directors
  • Providing instructions for the implementation of short-term and long-term work plans
  • Conveying the Bank's mission, vision and strategies to personnel
  • Informing the Board of Directors of all important aspects relating to the Bank's operations.
  • Managing the Bank's day-to-day operations

(*) Executive Member: is a Board Member who participates in managing the Bank's daily activities in return for a charge.

The Board of Directors shall convene its meetings by virtue of a written invitation issued by the Chairman or Deputy Chairman - in case of the Chairman's absence - or based on a written request submitted to the Chairman of the Board by no less than a quarter of the Members thereof, in the attendance of the absolute majority of Members. The Members shall allocate sufficient time to assume their designated tasks and responsibilities as Members of the Board; including preparing in advance for Board meetings. These shall be convened no less than six times per year. The Bank undertakes that a period of two months shall not elapse without convening a meeting of the Board of Directors and temporary and permanent Committees thereof, and for attendance to be in person. Should it not be possible to attend in person, then a Board Member may express his/her point of view via videoconference or telephone, upon the Chairman's approval and without being entitled to vote or sign the minutes of meeting.

The Chairman of the Board shall deliberate with the other Members and the General Manager upon compiling a specific meeting agenda of discussion topics, which shall be presented to the Board. The agenda shall be dispatched – accompanied by the relevant documents – to the Members well in advance of the meeting. Board of Director meetings and the meetings of Board Committees shall be recorded in official minutes; outlining the action taken and decisions made by the Board of Directors and Board Committees. These minutes shall be construed as being legal proof of evidence of the procedures undertaken by the Board or the Committees thereof, as well as serving to document the events witnessed during the meetings to avoid any ambiguity. These Minutes shall be accurately drafted; while meticulously recording any voting process that may have occurred during the meetings or attaching any document or reference to documents quoted during the meetings. This is in addition to recording any reservations that may have been expressed by any Board Member. The Bank shall maintain all these minutes, as appropriate, and the Palestine Monetary Authority shall be furnished with the outcomes of the minutes of meeting resolutions – for subjects pertaining to Palestine – within one month from the date of the meeting.

The tenure for each selected Member shall be a term of four years – to be renewable – with no maximum limit for the number of times a Member of the Board may be permitted to serve; bearing in mind that re-appointment shall be based on assessing the Member's continuation of performing the necessary duties assigned and maintaining a sufficient degree of objectiveness therewith.

### Second: Roles and Responsibilities of the Board:

By virtue of the Bank's statute, relevant laws and legislations and the instructions issued by the Central Bank, the Board of Directors shall assume its duties and undertake its responsibilities, which include the following:
1. Identifying the Bank's strategic objectives, directing the Executive Management towards devising a strategy to achieve said objectives, approving this strategy – which the Bank's Executive Management undertakes to adopt – and approving work plans that are in line with the established strategy.
2. Selecting an Executive Management that is capable of managing the Bank's affairs in a competent and efficient manner.
3. Supervising Senior Executive Management and monitoring its performance, ensuring the security of the Bank's financial position and solvency and hence, approving appropriate policies, plans and procedures for supervising and monitoring the Bank's performance.
4. Approving a policy for monitoring and auditing the Executive Management's performance by establishing Key Performance Indicators (KPIs) for identifying, measuring and detecting performance; and proceeding with the achievement of corporate objectives.
5. Ensuring the comprehensiveness of the credit policy for assessing the type of corporate governance for corporate clients; whereby client risks are assessed by strengths and weaknesses in accordance with their governance practices. This is in addition to identifying credit terms and conditions and investment fundamentals.
6. Ensuring the existence of policies, plans and work procedures at the Bank; that these include all banking activities, are in line with the relevant legislations, have been circulated at all administrative levels and periodically reviewed, as well as monitoring policy implementation and verifying the soundness of adopted procedures in this regard.
7. Identifying the Bank's corporate values, establishing clear lines of responsibility and accountability for all activities, institutionalizing a culture of ethical standards, integrity and professional administrative conduct; in addition to approving an organizational structure representing a managerial hierarchy – including Board Committees and Executive Management.
8. Ensuring that no Board Member, member of Executive Management or any Bank employee acquires any personal gain at the detriment of the Bank's interests.
9. Verifying – through the Board of Directors' Audit Committee – the accuracy of information provided to the regulatory authorities.

10. Assuming responsibility for the safety of all Bank operations and transactions; including its financial position and the fulfillment of the requirements established by the Central Bank; as well as the requirements of other supervisory and regulatory entities, while taking the interests of stakeholders into account. This is in addition to ensuring that the Bank is managed in accordance with internal legislations, that effective supervision of bank activities is continuously practiced – including outsourced activities – compliance with legislative regulations issued by governmental and supervisory authorities and ensuring that all the Bank's personnel – at all administrative levels – adhere to the same.
11. Approving the Bank's internal instructions and systems; identifying the authorities, duties and communication channels between all administrative levels, for safeguarding the fulfillment of administrative and financial supervision of activities.
12. Approving the Bank's internal control and audit systems, reviewing the same on an annual basis and ensuring that the Auditor-General reviews the structure of said systems at least once annually.
13. Ensuring the existence of an ethics policy and charter; and circulating the same among all Bank employees.
14. Safeguarding the initial and continuous independence of the External Accounts Auditor
15. Approving the roles and responsibilities of the Compliance Division
16. Approving a risk management strategy and overseeing the implementation thereof; so that it includes an acceptable risk level and does not expose the Bank to high risks. The Board of Directors must be familiar with the Bank's operational environment and associated risks and must ensure the existence of risk management tools and infrastructure that is capable of determining, measuring, controlling and monitoring all risks to which the Bank is exposed.
17. The Board of Directors shall approve the Bank's Risk Appetite document
18. Securing the availability of an adequate and reliable Management Information System covering all the Bank's activities.
19. Establishing a policy for Corporate Social Responsibility at the Bank, targeting the local community and environment; ensuring that the Bank adopts appropriate social initiatives in the field of environment protection, health and education. This is while provisioning funding to small and medium enterprise at suitable prices and terms and in accordance with a clear approach safeguarding transparency and fairness.
20. Adopting procedures that secure a clear separation between the authorities of shareholders possessing a substantial stake on the one hand, and Executive Management on the other. This is for the purpose of enhancing sound corporate governance; while devising suitable mechanisms for stemming the impact of shareholders possessing a substantial stake, so that they do not assume employment in any Senior Executive Management position. Senior Executive Management shall derive its authority solely from the Board of Directors and shall operate within the framework of the delegation granted to it by the Board.
21. The Board of Directors shall identify the banking operations and transactions requiring its approval; taking into account that such is not extended in a manner that compromises the Board's supervisory role. There shall be no executive mandates for the Board – including granting credit to a Member of the Board, individually, including the Chairman.
22. The Board of Directors shall specify the roles of its Secretary, which include the following:
- Attending all Board meetings, recording all deliberations, propositions, objections and reservations; and the means for voting on draft Board resolutions.
- Specifying the dates of Board meetings, in coordination with the Chairman of the Board.
- Ensuring that Members of the Board of Directors sign minutes of meetings and resolutions.
- Monitoring the implementation of decisions issued by the Board and following up the investigation of topics that were deferred in a previous meeting.
- Maintaining Board meeting records and documentation
- Undertaking the necessary procedures for ensuring that the draft resolutions to be issued by the Board are in line with legislations.
- Preparing for General Assembly meetings and cooperating with Board Committees.
- Furnishing the Central Bank with statement signed by Members of the Board of Directors.

23. Members of the Board of Directors and Board Committees shall communicate directly with Executive Management and Board Secretary; while facilitating the roles assigned to them – including soliciting the assistance of external sources, where necessary and at the Bank's expense – in coordination with the Chairman of the Board. This is while ensuring that none of the Members of the Board of Directors impacts the decisions of Executive Management, unless through deliberations occurring during the course of Board meetings or the meetings of Committees thereof.
24. Approving Succession Plans for the Bank's Executive Directors; including the qualifications and prerequisites that must be fulfilled by the occupants of these positions.
25. Approving the Bank's organizational structure and ensuring that it clearly reflects the lines of responsibility and authority; provided that this includes – at minimum – the following supervisory levels:
    - Board of Directors and the Board Committees
    - Executive Management Committees
    - Separate departments for Risks, Compliance and Auditing not conducting executive daily activities.
    - Units/employees not participating in the Bank's day-to-day operations (such as Credit Officers and Mid Office).
26. Ensuring that Senior Executive Management performs the duties assigned insofar as managing daily operations and contributing to implementing Corporate Governance within the Bank; and that it delegates authority to employees, creates an effective administrative environment conducive to accountability, executes the duties of various business activities in a manner that is in line with the policies and procedures approved by the Board and approves suitable monitoring guidelines enabling it to hold Upper Executive Management accountable.
27. The Board of Directors must approve an Internal Audit Charter containing the duties, authorities and responsibilities of the Audit Department; while circulating said Charter throughout the Bank.
28. Appointing the General Manager, Auditor-General, Risks Manager and Compliance Manager; accepting their resignations or terminating their service; provided that a "No Objection" is obtained from the Central Bank for the same. The Central Bank shall be entitled to summon any Bank Administrator to verify the reasons for resignation or termination; based on the recommendations of the competent committee for regulatory functions of the aforementioned designations (Audit Committee for the Auditor-General and the Risks and Compliance Committee for Risks and Compliance Managers).
29. Approving the appointment of the Executive Management; accepting the resignation or terminating the services thereof and ensuring its members exhibit the required expertise and skills; while issuing relevant recommendations to the Nomination and Remuneration Committee.
30. The roles and responsibilities of the Board of Directors pertaining to the Information Technology Department, as stipulated in the attached IT Governance Guide.
31. Ensuring the independence of the Compliance Department and guaranteeing it is continuously supplied with adequate and trained talent.
32. Approving a policy ensuring the Bank's compliance with all relevant legislations, reviewing said policy regularly and verifying its implementation.
33. The Board of Directors shall establish the necessary procedures for ensuring that all shareholders – including non-Jordanians – obtain their rights and that they are treated in a fair and equal manner without discrimination.
34. Regulating the Bank's financial, accounting and administrative affairs in accordance with special internal systems.
35. Appointing a Liaison Officer to be assigned with monitoring the affairs pertaining to the implementation of Corporate Governance with the Jordan Securities Commission.
36. Approving the Bank's disclosure and transparency policy and following up implementation thereof; in accordance with the requirements of the regulatory authorities and applicable legislations.
37. Approving the functional succession policy and the policy pertaining to the Bank's human resources and training.
38. Establishing a mechanism allowing shareholders possessing no less than %5 of underwritten Bank shares to add items to the General Assembly meeting agenda, prior to dispatching it – in its final format – to the shareholders. This is in addition to furnishing the JSC with said mechanism.
39. Approving the risk management policy for risks to which the Bank may be exposed.
40. The Board of Directors may solicit the assistance of an external advisor – on its own account – provided that the majority of Members of the Board of Directors approve the same and that any conflict of interest is avoided.
41. Approving the Governance Report and including it in the Bank's Annual Report
42. Each Board Member – at minimum – must be familiar with the following:
    – Legislations and principles pertaining to the field of banking and the Bank's operational environment; while staying abreast of all developments thereof as well as externally, as related to business – including pre-requisites for appointments to Senior Executive Management positions.
    – Attend Board and Committee meetings as required, as well as meetings convened with JSC.
    – Non-disclosure of confidential information pertaining to the Bank or utilizing the same for his/her own benefit or the benefit of others.
    – Give precedence to the interest of the Bank in all transactions conducted with other companies in which he/she has a stake; and avoid capitalizing on the Bank's commercial business for personal gain, avoid conflict of interest and disclose to the Board – in detail – any conflict of interest should it occur. This is in addition to avoiding attendance or participation in the decisions made during the course of a meeting deliberating on subjects that may carry a suspected conflict of interests. Such disclosure shall be recorded in the Board's minutes of meeting.
    – Allocate sufficient time for assuming his/her duties as Member of the Board.

### Third: Role of the Chairman of the Board

The Chairman of the Board – at minimum – must ensure the following:
1. Forging a constructive relationship between the Board of Directors and the Bank's Executive Management.
2. Creating a culture – during Board meetings – that fosters constructive criticism of matters witnessing varying opinions; while pushing for discussing and voting on such matters.
3. Ensuring that adequate information is promptly delivered to shareholders and Members of the Board of Directors.
4. Ensuring that a high standard of Corporate Governance is maintained at the Bank.
5. Ensuring the receipt and signature of all Members of the Board of Directors on previous minutes of meeting and their receipt of the agenda in advance prior to any meeting; provided that the agenda contains sufficient information – in writing – of the subjects to be discussed. Delivery of the same shall be via the Board Secretary.
6. Ensuring the existence of a Charter regulating and specifying Board functions.
7. Discussing strategic and important matters in detail during Board meetings.
8. Ensuring all Members of the Board of Directors – upon election thereof – are furnished with the provisions of relevant laws pertaining to banking functions, the pertinent instructions issued by the Central Bank, relevant Corporate Governance directives and a guide indicating the rights and obligations of Members of the Board of Directors and Board Secretary.
9. Furnishing each Board Member with a sufficient summary of the Bank's business, upon appointment or request.
10. Deliberating – with any new Member and with the assistance of the Bank's Legal Advisor – the roles and responsibilities of the Board; especially insofar as the legal and regulatory requirements, for clarifying the roles, authorities and other matters pertinent to membership thereof – including tenure. This is in addition to meeting dates, committee tasks, remunerations and the possibility of obtaining expert technical advice when necessary.
11. Fulfilling the needs of Board members with respect to developing their expertise and continuing education and for new Members to be allowed to attend an orientation Program; taking into account the Member's banking background, while enrolling in training sessions focusing on the basics and applications of Corporate Governance; furnishing the Member with the Bank's organizational infrastructure, ethical behavior charter, corporate objectives, the Bank's strategic plan and approved policy – including the suitability of Members of the Board of Directors – as well as the Bank's financial status, risk structure, risk management framework and the charters of the Board committees.

### Fourth: Shareholders and their Role in Corporate Governance

Legal sovereignty and supreme authority shall lie with the shareholders, who convene via the general assembly to consider and deliberate matters of relevant to the Bank; taking into account that the interest of shareholders is not limited to merely monitoring the prices of shares and receiving dividends; but transcends this to include monitoring the Bank's performance through financial data and continuous communication with Management to stay abreast of the latest developments. This is together with attending general assembly meetings, participating in voting for the formulation of decisions and discussing all aspects of business and outcomes with Members of the Board of Directors. Shareholders also play an important supervisory role in monitoring the performance of Board members and in obtaining the information enabling them to excise their rights to the fullest extent.

### Fifth: Stakeholder Rights

- The Board of Directors provides a definitive mechanism for guaranteeing communication with stakeholders, through disclosure and availing to them meaningful information relating to the Bank's activities via the following means:

1. General Assembly meetings
2. Annual Reports
3. Quarterly Reports containing financial information; in addition to the Board's report on trading Bank shares and its financial status for that year.
4. The Bank's web portal
5. Shareholder Relations Division

- The Bank designates a part of its web portal to clarify shareholder rights and to encourage them to attend and vote in general assembly meetings. This is in addition to publishing information pertaining to meetings – including the full invitation text and minutes of meeting thereof – in a manner that does not conflict with the law or violate regulations of confidentiality.

## Part Three: The Suitability of Members of the Board of Directors, Required Qualifications and Evaluation

### First: Suitability

Members of the Board and Senior Executive Managers must possess the utmost credibility, integrity, proficiency and necessary skills, while dedicating sufficient time for serving the Bank, in accordance with the Suitability Policy of JCB – which clarifies the pre-requisites for each Member. The Board of Directors and the Nomination and Remuneration Committee shall be responsible for verifying the same.

Senior Executive Management includes the Bank's Manager or Regional Director, Deputy Managing or Regional Director, Assistants of the Managing or Regional Director, Financial Director, Operations Director, Risk Manager, Auditor-General, Treasury Manager (Investment) and the Compliance Manager. This is in addition to any Bank employee commanding an executive authority corresponding to the authorities of any of the aforementioned persons who is functionally linked to the General Manager directly. A "No Objection" certificate shall be obtained from the Central Bank before appointing any member to Senior Executive Management; the members of whom are determined by virtue of a designated suitability policy.

### Second: The Qualifications Required for Members of the Board

Individuals occupying the position of Chairman of the Board or Board Member must exhibit certain pre-requisites; insofar as professional experience, personal traits and the fulfillment of solvency requirements. This is together with the following expertise, qualifications and competencies that must be commanded by Members of the Board:

**a) Expertise and Qualifications**
- Independent judgment and participation in sound decision-making
- Awareness of financial data and a fair understanding of financial percentages used in measuring performance.
- Reasonable expertise or skills in the disciplines of accounting, finance, banking or any other banking expertise.
- Commitment to gain knowledge of Bank activities, fulfilling contribution requirements and allocating sufficient time and effort towards serving the Bank.
- Readiness to resign from the Board of Directors in case of any change to professional responsibilities.
- Knowledge and awareness of best international practices in the field of management; while applying the same in rapidly-evolving business environments.
- Ability to handle and manage crises on both the short and long terms.
- Knowledge of global markets
- A leader who is capable of designating authority and motivating employees
- Ability to provide clear strategic direction and a futuristic vision

**b) Requirements for Members of the Board**

The following requirements are necessary for persons occupying the positions of Chairman of the Board or Board Members:

- Must not be less than twenty-five years of age
- Must not be a Board Member in any other Bank within the Hashemite Kingdom of Jordan or a Regional Manager or employee thereof; unless that other bank is a subsidiary.
- Must not be a lawyer, legal consultant or accounts auditor of the Bank
- Must be a holder of a bachelor's degree, at minimum, whether in Economics, Finance, Accounting, Business Management or any other similar discipline. The Nomination and Numeration Committee may consider adding other specializations if associated with expertise pertinent to the Bank's business.
- Must not be a government employee or an employee of any official public entity; unless he/she are representing the same.
- Must not be a Board Member of more than five public shareholding companies inside the Kingdom, in a personal capacity at some, and as a representative of a legal person at others; and must not be a Member or representing a Member in the Board of another similar or competitor company or representing its purposes thereof.
- Not less than five years of experience in the field of banking, finance or similar.

**c) Courtesy and Loyalty**

Members of the Bank's Board of Directors shall commit to their roles in a courteous and loyal manner as follows:

**1. Honesty:**

The Member of the Board of Director's relationship with the Bank shall be one based on honesty; and that member shall communicate any relevant information prior to conducting any deal or commercial transaction with the Bank.

**2. Loyalty**

In the case of a conflict of interest between a member of the Board of Directors interacting with the Bank and the Bank itself, the member shall be given the same requirements that he/she would have been given if he/she had no relationship with the Bank. In fulfillment of this, the member of the Board of Directors shall undertake all roles in a trustworthy manner; while being mindful of the interests of the Bank, avoiding conflict of interest and refraining from exploiting his/her position or information acquired through the Bank for personal gain. The member of the Board of Directors shall advise the Board of Directors of any potential conflict of interest and shall refrain from voting on any pertinent matter thereof.

**3. Attentiveness**

The member of the Board of Directors shall attend to performing all the obligations stipulated in the applicable laws and regulations; and shall strive to obtain all necessary information for ensuring that all decisions taken are in the interest of the Bank.

In order to fulfill the desired level of attentiveness, the member of the Board of Directors must be knowledgeable of and familiar with the Bank's activities as well as the markets and sectors served; whereby he/she shall attend the meetings of the Board of Directors, prepare in advance in a satisfactory manner – especially insofar as the decisions to be taken – as well as honestly undertake assigned obligations. This is in addition to determining the presence of cautionary indicators, monitoring important matters with Bank Management, obtaining objective advice when necessary and adhering to the provisions of the various laws pertaining to the Bank.

**d) Independence**

1. The Board of Directors shall practice effective leadership that is independent of the Bank's Management; owing to the absence of executive members therewith. The number of independent members of the Board of Directors shall not be less than four.

The most impactful relationships that may affect a member's independence in the Bank is the existence of conflict between Board of Director memberships, the presence of an advisory relationship with entities relevant to the Bank, the existence of a direct or indirect commercial relationship between the member and the Bank or the forging of any new relationship with the bank that has been created and developed due to that person's membership in the Board of Directors.

2. To guarantee a member's independence, he/she shall disclose – periodically and in writing – any personal interest that may exist insofar as any transaction or contract with the Bank for him/herself, spouse or relative to the third degree; or if any of the aforementioned persons possesses a significant stake in a Company relating to such transaction or contract. The member of the Board of Directors shall not participate in any meeting witnessing the deliberation of said transaction or contract. The degree of impact of other activities on that person's independence as a member of the Bank's Board of Directors shall be assessed.

An independent member is defined as being a member of the Board of Directors who is not subject to any influences compromising his/her ability to take objective decisions in favor of the Bank, and who fulfills the following requirements:

1) Must not have been an executive member of the Board of Directors during the three years preceding his/her election.
2) Must not have been a Bank employee or an employee of any subsidiary during the three years preceding his/her election.
3) Must not be a relative of any of the other members of the Board of Directors of the Bank, of any subsidiary thereof or a relative of any of the primary shareholders, up to the second degree.
4) Must not be a relative of any of the members of Senior Executive Management of the Bank, or of any subsidiary thereof, up to the second degree.
5) Must not be a partner, employee or relative of the Bank's external auditor; and must not have been a partner or employee thereof during the three years preceding his/her election as member of the Board of Directors; and must not be related to the partner responsible for the audit process, up to the first degree.
6) Must not be a primary shareholder in the Bank, a representative of a primary shareholder or an ally of a primary shareholder in the Bank; or whose shares added to the shares of an ally constitute the shares of a primary shareholder; or a primary shareholder in one of the Bank's subsidiaries or a primary shareholder in the Group assuming ownership of the Bank.
7) Must not have served as member of the Bank's Board of Directors or any subsidiary thereof; or served as Manager in either for more than eight consecutive years.
8) Must not have obtained – or any company in whose Board he/she serves, or a company owned by him/her or in which he/she is a primary shareholder – credit facilities from the Bank exceeding %50 of the Bank's underwritten capital; and must not be a guarantor of Bank credit whose value exceeds the referenced percentage.
9) The member of the Board of Directors – or any of his/her relatives – must not maintain a direct or indirect stake in the contracts, projects and ties established with the Bank, any ally or subsidiary thereof whose value exceeds JD 50,000 (fifty thousand Jordanian Dinars).
10) The member must not own %50 or more of the Bank's underwritten shares, or of any ally or subsidiary thereof.
11) Must not be a relative of a shareholder owning %50 or more of the Bank's underwritten shares.
12) Must command advanced qualifications and financial or banking expertise

**e) Knowledge and Awareness**

Members of the Board of Directors must be knowledgeable and aware of banking operations and the risks to which the Bank is exposed; in addition to the financial data reflecting the Bank's financial status. This is together with being aware of the laws, legislations and directives to which the Bank must adhere; monitoring new developments in the financial services sector; attending Board of Director and Board committee meetings; reviewing the reports and recommendations presented by the Bank's Executive Management, the Auditor-General, external auditor and regulatory authorities.

**f) Business Conduct Charter**

The Board of Directors has approved and issued a Business Conduct Charter, which the Executive Management circulates at all administrative levels and obligates Bank personnel to adhere to the contents thereof. This includes, but is not limited to, obligating administrators to refrain from exploiting insider information for personal gain; in addition to containing regulations and procedures regulating transactions with relevant individuals; and outlining the cases that may give rise to a conflict of interest.

## Third: Assessing the Performance of Administrators

1. The Board of Directors has devised a system for assessing its performance and the performance of its members, which includes the following:

- Setting specific objectives and identifying the role of the Board of Directors in achieving these objectives quantifiably.
- Identifying Key Performance Indicators (KPIs) that may be derived from the strategic plans and objectives to measure the performance of the Board of Directors.
- Regular communication between the Board of Directors and shareholders
- Regularly convening meetings between the Board of Directors and Senior Executive Management.
- Role of each member of the Board of Directors in meetings convened and in comparison with the performance of other members. Feedback must be obtained from the relevant member for the purpose of improving the evaluation process.

2. The Board of Directors shall approve a system for measuring the performance of the Bank's Executive Management, which shall include the following:
- Designating an appropriate weight for measuring compliance performance within the framework of the Risks Department; while implementing internal guidelines and organizational requirements.
- Total income or profit must not constitute the sole criterion for measuring performance; since other performance-measuring factors should be taken into consideration such as the risks associated with fundamental operations, customer satisfaction and other factors – where applicable.
- Refraining from abuse of power and avoiding conflict of interest.

### Fourth: Remuneration and Compensation for Members of the Board

Bank regulations shall identify the means by which Members of the Board of Directors are remunerated. Such remuneration and compensation shall be in the form of attendance allowance or transportation allowance, or in-kind benefits, a specific percentage of profits and as set forth in the Suitability Policy for Members of the Board of Directors, as approved by the Bank.

## Part Four: Control and Regulatory Systems

### First: Selection of Management and Supervisory Roles

**1. Selection of Management**
The Board of Directors shall approve the appointment of a General Manager for the Bank or any of the members of the Bank's Senior Executive Management; provided that the following requirements are fulfilled (bearing in mind that the Central Bank shall be entitled to object to said appointment):
- Must be of good conduct and reputation
- Must not be a member of the Board of Directors at any other bank, unless it is a subsidiary of the bank at which he/she is appointed.
- Must be available on a full-time basis to manage the business of the Bank
- Must exhibit the competency and banking expertise required
- Must be in possession of a bachelor's degree, at minimum, whether in Economics, Finance, Accounting, Business Management or any other similar discipline pertaining to the Bank's business.
- Not less than five years of experience in the field of banking or other relevant discipline; with the exception of the position of General Manager or Regional Manager, where expertise in the discipline of banking must not be less than ten years.

Other requirements stipulated in the Executive Management Suitability Policy shall be taken into account.

**2. Management's Regulatory Role**
The Bank's Executive Management – through various Bank departments and divisions – shall furnish the Board of Directors with regular reports, information and data – when the need arises. This is to ensure that the Board of Directors performs its regulatory role insofar as Bank operations and that it evaluates current and anticipated risks so that these are managed in an efficient and effective manner.

**3. External Communications**
The Bank's Board of Directors shall promptly furnish relevant parties with accurate information so that they are able to monitor the Board of Directors and Executive Management and hold them accountable insofar as the means of managing Bank assets. This shall be done through the reports requested by the Central Bank of Jordan as well as the periodic financial reports issued to shareholders and the disclosure of the following in accordance with the applicable Disclosure Policy:
1) Names of the members of the Board of Directors and members of Executive Management.
2) Organizational structure and the Corporate Governance Guide
3) Incentives and remuneration of members of the Board of Directors and Executive Management.
4) Nature and magnitude of transactions with allies and relevant entities
5) Identifying key risks and the Bank's Risk Management Policy

**4. Planning**
One of the most important duties assigned to the Board of Directors is mapping the Bank's general strategies and approving business policies, through participation and approval of long-term strategic plans, the annual work plan and estimated budgets. Accordingly, the Board of Directors shall undertake the following:
- Availing a planning mechanism, appropriate work plans and ensure that these are implemented; while monitoring their outcomes.
- Measuring the extent of which the Bank achieves its objectives and purposes by developing its systems.
- Identify the Bank's strengths, weaknesses, threats and opportunities
- Ensuring the existence of a suitable Management team
- Verifying Management's adherence to capital adequacy ratios, liquidity ratios, the availability of sources of funds – including capital – in a manner that ensures fulfillment of the Bank's planned objectives and purposes.

**5. Policies**
Since the Board of Directors is the primary body responsible for managing the risks to which the Bank may be exposed, the Bank maintains the policies mentioned hereunder, which shall cover all activities. Executive Management shall ensure the existence of these policies; while periodically reviewing the same and shall strive to issue unavailable policies:
a) Credit policy
b) Investment policy
c) Fund Sources Management/Asset Management policy
d) Business Conduct charter at JCB
e) Personnel Affairs policy
f) Other policies:
– Risk Management policy
– Compliance Control policy
– Anti-Money Laundering and Terrorism Financing policy
– Compliance with the requirements of US Tax Law - Foreign Account Tax Compliance Act (FACTA).
– Fair and Transparent Client Dealings policy

As well as other approved policies.

### Second: Internal Control Systems

One of the tasks assigned to the Board of Directors is to supervise and regulate the activities of Senior Executive Management, with the objective of verifying the efficiency and effectiveness of operations, the credibility of financial reports, the degree of compliance with applicable laws, legislations and directives. Senior Executive Management shall implement the following fundamental principles pertaining to internal control and regulation systems:
- Providing a regulatory environment reflected by the existence of an organizational structure that clearly outlines communication and responsibility channels.
- Working to establish an independent Risk Management department, strengthened by the existence of a risk management policy, for identifying the risks to which the Bank may be exposed; while assessing the same and determining the required economic capital to contain such risks.
- Availing regulatory guidelines and the separation of responsibilities – including separating between the responsibilities of "risk-takers" and "risk controllers".
- Observing the principle of bilateral control when establishing regulatory guidelines
- Availing procedures that ensure information is promptly conveyed to decision makers; so as to guarantee expediting activation of the contingency plan, where necessary.
- Revisiting the internal control and supervisory system approved by the Board of Directors – periodically – by both the Auditor-General and external auditor in order to assess its efficiency and ensure that it is in accord with applicable laws, regulations and directives.
- Observing the independence of Risks, Internal Audit and Compliance departments and divisions.
- Provisioning financial and accounting systems capable of demonstrating the Bank's actual financial position and availing the information necessary for sound decision-making; in a manner permitting the compilation of periodic and annual financial data and in accord with International Financial Reporting Standards (IFRS).
- Ensuring the efficiency and security of the Information and Technology department by devising effective internal control and regulatory systems.
- Providing the necessary security, safety and protection requirements for the Bank.

The following are the key themes for administrative control:

**1. Internal Auditing**
Internal auditing is considered an important source of information and assists the Bank's Management in identifying risks and efficiently managing the same.

a) The Audit Division shall, at minimum, undertake the following responsibilities:
- Verifying the availability of adequate internal control and regulatory systems for the Bank's activities and those of its subsidiaries; and adherence to the same.
- Verifying compliance with the Bank's internal policies, international standards and relevant legislations.
- Auditing financial and administrative affairs in order to verify key information pertaining to the same; and that such information is accurate, reliable and prompt.
- Reviewing the adherence to the Bank's Corporate Governance Guide.
- Reviewing the correctness and comprehensiveness of stress testing, in a manner that is in line with the methodology approved by the Board of Directors.
- Verifying the accuracy of procedures applied insofar as the Internal Capital Adequacy Assessment Process (ICAAP).

b) The Board of Directors shall ensure and enhance the independence of internal auditors, shall afford them appropriate standing in the Bank's hierarchy and shall ensure that they are qualified to assume their duties and responsibilities. This includes their right to access all records and information and to contact any of the Bank's employees so that they are able to perform the tasks assigned to them and compile required reports without any external interference.

c) The Bank shall take all the necessary measures to enhance the efficiency of internal auditing, by affording the auditing process due priority, institutionalizing the same and monitoring the rectification of observations emanating from the audit process.

d) The Internal Audit division shall be subject to direct supervision by the Audit Committee; whereby:
- It shall directly report to the Board's Audit Committee, which shall be responsible for assessing its performance.
- The internal auditor and Audit Committee shall review the reports of the external auditor and Central Bank; while monitoring the measures taken in regard thereof.
- Both the internal and external auditors shall cooperate and deliberate for the purpose of enhancing the efficiency of internal control and regulatory systems.

e) The Bank shall not assign any executive tasks or responsibilities to internal audit personnel.

f) Internal auditing duties are based on risks.

g) Review the financial reporting processes at the Bank and ensure that key information pertaining to financial, administrative and operational affairs is accurate, reliable and prompt.

h) Ensure adherence to the implementation of all the Bank's internal policies, directives and procedures; as issued by the regulatory authorities, as well as relevant international standards, procedures and laws.

**2. External Audit**
- The general assembly shall elect an external accounts auditor who is licensed to perform external audit activities in accordance with approved international audit standards, professional criteria and applicable legislations.
- The external auditor shall furnish the Internal Audit Committee with a copy of its report and shall convene with said Committee at least once annually, without the attendance of Executive Management.
- The external auditor shall attend the Bank's general assembly meetings.
- The external auditor shall audit the Bank's accounts, as per international standards and agreed professional regulations; while examining the Bank's internal administrative, financial, control and regulatory systems to ensure efficiency of the same; as well as the credibility and fairness of financial data issued by the Bank's accounting and information systems. This is in addition to reporting any breaches of the law or any financial or administrative matters that may negatively impact the position of Bank vis-à-vis competent authorities.
- The Bank shall regularly rotate the external auditor amongst audit offices, subsidiaries, allies or any of its affiliates thereof every seven years, at most, as of the date of election thereof (General Management – Jordan). The seven-year period shall be calculated at the commencement of implementation as of 2010 – and the first year (upon rotation) of the new office shall be jointly with the old office. It shall not be permissible to re-elect the office unless at least two years have elapsed from the date of election at the Bank; except the joint audit responsibility; and every five years (for Regional Management – Palestine).
- The Audit Committee shall annually verify the independence of the external auditor.
- The Board of Directors shall take the necessary measures to rectify weaknesses in internal control and regulatory systems, or any other issues revealed by the external auditor.
- The external auditor must furnish the Central Bank of Jordan with an annual external audit report; containing the response of Executive Management and the Board of Directors' recommendation thereof. This shall be done in the first quarter of every year.
- The Board of Directors shall recommend approval of the external auditor (assigned with auditing the activities of Palestine branches) to the general assembly; after obtaining the consent of the Palestine Monetary Authority.
- Upon appointing the external auditor, the Bank shall verify that the former is not a founder, shareholder or member of the Board of Directors, or a partner of any member of the Board of Directors or an employee of the Bank.
- Upon appointing the external auditor, the Bank shall verify that the former is a registered auditor with the Securities Commission.
- The Bank shall ensure that the external accounts auditor shall not conduct any additional activities; such as provision administrative and technical advice unless after obtaining the approval of the Board of Directors, based on the Bank's Audit Committee.
- Upon appointing the external auditor, the Bank shall verify that the former is an independent auditor, as per international audit standards.
- The Bank shall ensure that the auditor performs all activities in an impartial manner without any intervention – either by the Board of Directors or Senior Executive Management.
- The Bank shall not appoint any employee of the external auditor's office at the Bank's Senior Executive Management, until after one year at least has elapsed from the date of the auditor relinquishing any audit works for the Bank.
- The external auditor undertakes to perform the tasks assigned in an independent and impartial manner.
- The external auditor shall monitor the Bank's business activities.
- The external auditor shall examine the Bank's administrative and financial systems as well as internal regulatory systems; expressing an opinion on the same – insofar as efficiency – and ensuring the suitability of said systems for safeguarding the Bank's funds and ensuring seamless operations.
- The external auditor shall verify the Bank's ownership of assets and the legality of the obligations arising thereof.
- The external auditor shall attend the Bank's general assembly meetings.
- The external auditor shall respond to the shareholders' questions and queries; insofar as financial data and final statements during general assembly meetings.
- The external auditor shall express an opinion regarding fairness of the Bank's financial data and shall request amendment thereof, should fairness of said data be compromised.
- The external auditor shall report any breaches of the law or any financial or administrative matters that may negatively impact the position of the Bank vis-à-vis competent authorities.

**3. Risk Management**
The roles and responsibilities of the Bank's Risk Division include the following:

1) Submitting its reports to the Risk Management and Compliance Committee, with a copy to the General Manager. As for daily operations, these shall be the responsibility of the General Manager.
2) Examining and analyzing all risks met by the Bank; including credit risks, market risks, liquidity risks and operational risks.
3) Developing measurement and control methodologies for all types of risks.
4) Identifying the risk appetite in coordination with the Bank's relevant entities – as approved by the Board of Directors – as well as submitting reports to the Board of Directors, recording exceptions to risk appetite and monitoring the rectification of negative deviations.
5) Furnishing the Board of Directors and Executive Management with information pertaining to the measurement of risks and the Bank's risk profile; while monitoring the rectification of negative deviations.
6) Availing risk information for use in purposes relating to disclosure and public communication.
7) Select Executive Management Committees – such as the Credit Committees, Assets, Liabilities and Treasury Management and Investment Committees – shall assist the Risks Division in performing its duties; in accordance with the mandates designated to said Committees.
8) Monitoring the commitment – by various Executive Bank Divisions – to specific levels of acceptable risk.

9) The Board of Directors shall verify the rectification of violations to acceptable risk levels; including holding Senior Executive Management accountable for such violations.
10) The Risks Management Department shall conduct stress tests on a regular basis, in order to measure the Bank's ability to accommodate shocks and handle high risks. The Board of Directors shall play a key role in approving assumptions and scenarios utilized; and in discussing the results of said tests; while approving the measures that must be taken based on these results through the Risks and Compliance Committee.
11) The Bank shall approve the internal assessment methodology for capital adequacy. This is a comprehensive and effective methodology that is capable of identifying all the risks to which the Bank may be exposed; taking into consideration the Bank's strategic and capital plan. This methodology shall be reviewed on a regular basis and its implementation verified, while ensuring that the Bank maintains adequate capital to accommodate all potential risks.
12) The Bank shall take into account the risks arising from any expansion in its activities and the competencies and qualifications of Risk Division employees prior to expansion or approving new activities.
13) The Board of Directors shall ensure the independence of the Bank's Risk Division, by having it report to the Risk Management Committee and granting it the necessary authorities to enable it to obtain information from other Bank departments; while cooperating with other Committees in performing its duties.
14) Reviewing the Bank's Risk Management Framework as approved by the Board of Directors.
15) Implementing the risk management strategy, in addition to developing policies and procedures for managing all types of risks.
16) Verifying the integration of risk measurement mechanisms with the administrative information systems used.
17) Providing recommendations to the Risk Management Committee about the risks to which the Bank is exposed and recording exceptions to the risk management policy.
18) Primarily responsible for ensuring the prudent management of information technology risks and of "risk management".

**4. Compliance:**

A Compliance Control and Anti-Money Laundering Division has been established at the Bank, reporting directly to the Board of Directors and its Committees; while also being connected to the General Manager. The Division has been endowed with trained personnel and shall devise an effective methodology to ensure the Bank's compliance with all applicable laws and legislations; as well as any relevant instructions, tasks, authorities and responsibilities. This shall be circulated within the Bank to all personnel and the Bank shall undertake the following:

– Approve the anti-money laundering and terrorist financing policy, in accordance with the regulating laws and legislations; in addition to any of the other policies issued by the Compliance Division, concerned with internal control and governance of relevant decisions.
– The Compliance Division shall report to the Board of Directors through the Committees thereof, while dispatching a copy of its reports to the General Manager.

# Part Five: Board of Director Committees

## First: Corporate Governance Committee

The Committee is comprised of three members, two of whom are independent, with one being Committee Chairman. The Committee shall include the Chairman of the Board of Directors and shall convene regularly; provided that it holds no less than two meetings annually with the minutes of meeting recorded therewith. Duties of the Committee may be summarized as follows:

1. Ensuring the implementation of what has been stipulated in the Corporate Governance Guide.
2. Reviewing and updating the Corporate Governance Guide where required.
3. The Committee may invite any person in the Bank – at all administrative levels – to ask their opinion or to hold them accountable for any matter.
4. The Committee shall submit a report to the Bank's Board of Directors – at least once annually – including its opinion regarding the extent of adherence to the provisions of the Corporate Governance Guide.
5. Compiling the corporate governance report and submitting the same to the Board of Directors.
6. Examining the observations put forth by the Securities Commission with regards to the implementation of governance principles and following up the action taken thereof.

The Compliance Control and Anti-Money Laundering Division Manager shall be Committee Rapporteur.

## Second: Audit Committee

The majority of Committee members shall be independent members of the Board of Directors – including Committee Chairman; who shall not be the Chairman of the Board or the Chairman of any other Board Committee. The Committee shall be reconstituted to include four members – of whom three shall be independent – and all of whom shall exhibit practical and professional expertise, qualifications, adequate knowledge and understanding of the international accounting standards and principles required; as well as financial and other competencies relevant to the Bank's business. This is in addition to being well-versed in the instructions of the Central Bank of Jordan and the regulatory authorities. The Committee shall continue to perform its duties throughout the duration of the tenure of the Board of Directors; and the Bank shall refrain from combining the activities of any other committee with those of the Audit Committee. The Bank's Audit Committee shall have the following authorities and duties:

– Recommending the nomination of account auditors for appointment or termination and verifying their fulfillment of the requirements set forth in the instructions issued by the Securities Commission.
– Reviewing the wages of account auditors and recommending the fair value of the same, in light of the audit scope expected of them.
– Recommending the appointment or termination of the Internal Audit Department's senior personnel and in general, assessing internal and external audit activities; reviewing the scope, outcomes and adequacy of fundamental accounting matters impacting the Bank's financial data and internal control and regulating systems; developing the same; while providing the necessary support to the main internal audit staff. This is while enhancing their independence and paying due attention to their employment statuses.
– Approving the annual internal audit plan after deliberating with the account auditors on the nature and scope required; to ensure necessary coordination between the activity of internal audit and the review made by the external auditor. This is for achieving a wider audit coverage of the activities of the Bank, its divisions and branches with minimal duplicity.
– Approving any deviation from the annual internal audit plan or any amendment or postponement thereof.
– Examining and monitoring the reports of the Internal Audit Department, the Bank's auditor, Central Bank inspectors and other audit reports to which the Bank is subject from time to time; fulfilling the outcomes, observations and recommendations thereof, considering the response of Management to the same and undertaking the necessary procedures in this regard.
– The Committee shall have the authority to obtain any information from Executive Management and shall be entitled to attend any meetings thereof; in accordance with the provisions of the Committee's Charter.
– The Committee shall review and monitor the procedures enabling any employee to confidentially report any error in financial reports or otherwise. The Committee shall ensure the availability of the necessary arrangements for independent verification, securing the outcomes of such verification and objectively acting on the same.
– Monitoring the implementation of any important audit observations – whatever their source – in an efficient and prompt manner; while ensuring appropriate corrective measures without delay.
– Examining the observations of account auditors relating to internal control systems and reviewing the Bank's responses to the same. This includes reviewing the correspondence exchanged between the Bank and account auditors to assess the contents thereof and issue relevant observations and recommendations.
– Reviewing the Bank's periodic and annual financial data before presenting the same to the Board of Directors, with special attentiveness to any disputes that may arise between Management and account auditors during the compilation of financial data or results. This is as well as verifying the implementation of the instructions issued by the Central Bank relating to the adequacy of bad debts reserves and securities portfolio provisions; while expressing an opinion on the Bank's non-performing debts or those proposed to be considered bad debts.
– Considering any fundamental amendments or other important matter relating to auditing processes or applicable accounting principles in compiling the annual financial data; ensuring the adherence of said data to the instructions issued by the Central Bank of Jordan, the Securities Commission, other legal requirements and applicable accounting standards.
– Considering deliberating with account auditors – where necessary – on the suitability of the Bank's internal control systems, extent of adherence thereof - specifically the adequacy of said systems insofar as disclosure of the Bank's annual financial data - in a correct and honest manner that is in line with applicable accounting regulations.

- Regularly convening with the internal and external auditors and the Compliance Control and Anti-Money Laundering Division Manager, at least one annually.
- Ensuring full adherence to the laws, systems and decrees to which the Bank's activities are subject.
- Expressing an opinion on other matters presented by the Board of Directors to the Committee from time to time.
- The Committee shall receive detailed quarterly data on the different categories of defaulted debts, as approved in its credit facilities regulations. This data must include the debts to be restructured or for which a settlement shall be reached.
- The Committee shall receive detailed quarterly data on in-kind and cash collection of defaulted debts and the impact of the same on the profit and loss account.
- Committee Chairman shall attend the Bank's annual general assembly meeting.
- Ensuring the availability of sufficient resources and adequate human resources whom are qualified to manage internal audit processes and training said personnel.
- The Committee must ensure rotation of the Bank's internal audit staff, every three years at most.
- Ensuring that internal audit staff are not assigned any Executive duties.
- Ensuring that all bank activities are subject to auditing, including outsourced activities
- The Board of Directors shall approve an Internal Audit Charter, which includes the duties, authorities and responsibilities of the Audit Department and shall circulate the same throughout the Bank.
- The Audit Committee must assess the performance of the Internal Audit Department's Manager and personnel, as well as determine their remuneration.
- The Audit Committee must verify the independence of the external auditor on an annual basis.
- Reviewing the external auditor's report, monitoring whether it is inclusive of all the Bank's activities, reviewing the report of the Central Bank and following up the procedures undertaken in this regard.
- Detailing the roles and responsibilities of the Audit Committee insofar as managing pertinent information technology; as stipulated in the attached Information Technology Governance Guide.
- The Committee shall operate under the supervision of the Board of Directors and shall submit its reports and outcomes of recommendations – pertaining to its practices – to the Board of Directors.
- Examining all matters relating to the activities of the external account auditor – including observations, suggestions and reservations – and monitoring the extent to which the Bank's Management responds to the same; and submitting the Committee's recommendations to the Board of Directors.
- Reviewing the Bank's correspondence with the external accounts auditor, assessing the contents of the same and presenting the relevant observations and recommendations to the Board of Directors.
- Viewing the assessment performed by the external accounts auditor of the internal control and auditing procedures.
- Viewing internal control and audit reports – especially those pertaining to any violations revealed by the internal auditor.
- Recommending to the Board of Directors any matters relevant to internal control and audit procedures and the activities of the internal auditor.
- Ensuring that no conflict of interest exists from the Bank's execution of deals, contract agreements or projects with relevant parties.
- Reviewing the transactions of relevant parties with the Bank and issuing recommendations to the Board of Directors prior to concluding the same.
- The Audit Committee shall convene by virtue of an invitation from its Chairman; provided that meetings convened shall not be less than four meetings annually, as necessary or based on a decision by the Bank's Board of Directors or upon the request of two other members. The meetings of the Committee shall be deemed legal if they are attended by at least two members. The Minutes of Meeting shall be recorded in a proper legal manner, and recommendations thereof shall be made by majority.
- The Internal Audit Division Manager/Auditor-General shall be invited to attend the Committee's meetings; and the Committee shall be entitled to invite any person to express an opinion regarding a specific matter.
- The Secretary of the Board of Directors shall be Committee Rapporteur.

## Third: Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall comprise of no less than three members; and the majority of Committee members – including the Chairman – shall be independent members thereof. The Committee shall convene regularly; at least twice per year or whenever the need arises. Minutes of Meeting thereof shall be recorded in a proper legal manner, with said Committee assuming the following roles and authorities:

1. Recommending the designation and nomination of Board members; while noting that any person who has previously been convicted of any crime involving a breach of honor and trust shall not be appointed.
2. Devising a clear methodology for verifying that adequate time is allocated by Board members towards performing their designated roles in a fully dedicated manner; including (for instance) involvement of members in the Boards of other entities, associations, etc.
3. Identifying the strengths and weaknesses of the Board of Directors and proposing rectification of the same in alignment with the Bank's interests. This is by observing specific and approved principles in effectively assessing the Board of Directors; using objective evaluation criteria that include comparisons to other banks and similar financial institutions. Additionally, verifying the standards of security and correctness of the Bank's financial data and degree of adherence to regulatory requirements.
4. Ensuring that members of the Board of Directors attend workshops or seminars concerned with banking topics – specifically risk management, corporate governance and the latest developments in the banking industry.
5. Availing information and summaries on important Bank matters for members of the Board of Directors – upon request – and ensuring they are continuously updated on the latest matters pertaining to the banking industry.
6. Ensuring the existence of a replacement plan for Senior Executive Management.
7. Annually revisiting the required skills for Board membership and compiling a description of the required competencies; including specifying the time that must be allocated by the member for Board responsibilities.
8. Annually verifying the independence of independent members of the Board and that no conflict of interest exists, if the member serves on the Board of Directors at another company.
9. Ensuring the existence of clear policies for remunerating members of the Board of Directors and Senior Executives and defining said remuneration based on performance-related criteria. This in addition to verifying that salaries are sufficient for attracting and retaining qualified talent at the Bank. The policy shall aim to observe the following:

- Retaining competent, skilled and experienced managers; attracting, motivating and improving the performance of the same and ensuring that this policy is not utilized in a manner that compromises the Bank's solvency and reputation.
- The policy shall take into consideration risks, liquidity status, profits and timing thereof; and shall express the Bank's objectives and strategic values.
- Remunerations shall be based on employee performance in the medium and long term (5-3 years) and not solely on the performance of the current year.
- Remunerations may take the form of wages, salaries, allowances, raises, stock options or any other benefits.
- The policy shall include the possibility of deferring a reasonable percentage of remunerations; where such percentage shall be determined based on the nature of work, the risks thereof and relevant administrative activities.
- Regulatory division managers (risk management, auditing, compliance, etc.) shall not be granted cash remuneration based on the performance of the divisions managed by them; but rather based on their own performance and accomplishments.

10. Approving the remuneration scheme, specifying the remunerations of the Executive Department – including the General Manager's salary and benefits – approving the staff remuneration schedule and the annual salary increase policy based on the recommendations made by the General Manager.
11. The Committee shall present its reports/recommendations and the outcome of its activities to the Bank's Board of Directors.
12. Assessing the overall performance of the Board of Directors and members thereof annually; while advising the Central Bank of the results of said assessment.

13. Assessing the performance of the General Manager on an annual basis – in accordance with a predetermined appraisal system – including setting key performance indicators – whereby performance assessment criteria encompasses the Bank's financial and administrative performance, the extent to which he/she has accomplished the Bank's medium and long-term plans and strategies. The Central Bank shall be notified of this assessment.
14. Establishing the policy pertaining to the Bank's remuneration, benefits, incentives and wages; and reviewing the same on a regular basis.
15. Identifying the Bank's talent needs; on the level of Senior Executive Management, employees and the basis of selection thereof.

The Human Resources Planning and Development Division Manager shall be Committee Rapporteur.

## Fourth: Risk Management and Compliance Committee

The Risk Management and Compliance Committee was formed by a decision issued by the Bank's Board of Directors and is composed of four members – two of whom are independent – bearing in mind that members of Senior Executive Management may participate as members of said Committee, as per its Charter. The Committee shall continue to operate throughout the tenure of Board membership and shall have the following roles and authorities:

**a) Aspects Relating to Risk Management**

- Approving the organizational structure of the Risk Management Division.
- Approving the policies, instructions, procedures and reporting system of the Risk Management Division; reviewing the same on a regular basis and determining their efficiency.
- Approving and supervising the acceptable risk levels at the Bank and reviewing the same on a regular basis.
- Identifying the risks to which the Bank is exposed, monitoring the efficiency of controls thereof; as well as the means of assessing and measuring risks, mitigating the same and striving to develop said controls.
- Assessing the efficiency of the Bank's control systems and ensure that all Divisions fully implement the same.
- Reviewing all reports issued by the Risk Division, taking all precautions to mitigate risks to which the Bank may be exposed and presenting recommendations in this regard to the Bank's Board of Directors.
- Enhancing the awareness of employees of all types of risks to which the Bank may be exposed.
- Any other roles pertaining to risk management and reviewing the Bank's risk management framework.
- Reviewing the Bank's risk management strategy before approval by the Board of Directors.
- Staying abreast of developments impacting the Bank's risk management and reporting the same to the Board of Directors on a regular basis.
- Ensuring no discrepancy exists between actual risks taken by the Bank and the level of acceptable risks approved by the Board of Directors.
- Availing appropriate conditions for identifying risks carrying a fundamental impact and any activity undertaken by the Bank, which may expose it to risks that are greater than the acceptable level. The same shall be reported to the Board of Directors, while monitoring the rectification thereof.
- Monitoring and assessing various risks to which the Bank may be exposed.

**b) Aspects Pertaining to Compliance**

- Reviewing the observations stipulated in the reports of the Control and Compliance Division, Central Bank and External Auditor – with regards to the Bank's control and compliance – and monitoring the measures undertaken for the same, in a manner that does not conflict with the authorities of the Audit Committee.
- Recommending to the Board of Directors the approval of the compliance policy, anti-money laundering policy, know your customer policy and any amendments made to thereof; as well as any other policy regulating the Bank's compliance activities.
- Viewing the periodic audit reports (quarterly, bi-annual, annual) issued by the Compliance Division with respect to the compliance of all the Bank's policies, procedures and work plans with the relevant official laws and instructions.
- Viewing the Compliance Division's annual plan and work plan and ensuring observance thereof.
- Receiving reports on suspicious transactions of which the Anti-Money Laundering and Terrorism Financing Division is notified.
- Viewing the corrective and/or disciplinary procedures and measures taken by Executive Management once any violations are discovered, arising from non-compliance – especially in the case of violations exposing the Bank to legal penalization, financial loss or compromised reputation.
- Any other roles pertaining to compliance.
- The Committee shall operate under the supervision of the Board of Directors – presenting its reports and recommendations to the same with respect to the outcomes of its activities. The Committee shall convene regularly by invitation from its Chairman at least twice annually, whenever the need arises, based on a decision by the Bank's Board of Directors or upon the request of its other members. Minutes of Meeting thereof shall be recorded in a proper legal manner and Committee meetings shall be considered legal if convened in the attendance of at least two members. Committee recommendations shall be made by majority.

The Risk Division Manager shall be Committee Rapporteur.

## Fifth: Facilities Committee

The Committee was formed by a decision of the Board of Directors. The number of members of said Committee members shall not be less than five and any one thereof may be an independent member; provided that he is not a member of the Audit Committee. Members of Senior Executive Management may participate in the Committee's meetings to present their recommendations and examine credit facilities surpassing the authority of the highest Executive Management Committee. The legal quorum for Committee meetings shall be the attendance of at least four members, with decision-making being by majority of its members, regardless of the number of attendees. Attendance of meetings and voting thereof shall be done in-person; however, should this not be possible, then the member may convey his/her point of view by video-conference or via telephone. A member shall have the right to vote and sign the minutes of meeting, provided that this is duly documented; with this procedure being considered an exception specifically for this Committee. The Committee shall be concerned with matters pertaining to granting credit facilities and strategic investments and its authorities – insofar as credit and investment – shall be determined in accordance with the Authority Matrix approved by the Board of Directors. The Committee's roles and authorities may be summarized as follows:

- Sound decision-making with regards to facilities recommended for approval by the Executive Management Committee.
- Establishing maximum boundaries for Committee authorities; in relation to granting, amending, renewing or structuring credit facilities; so that there are clear authorities for the Board of Directors in this regard.
- Presenting the details of facilities – approved by the Committee – to the Board of Directors on a regular basis.
- Decision-making in exceptional cases and within the boundaries of the authority matrix; as well as in accordance with sound requirements, principles and administrative hierarchy.
- The Board of Directors may delegate some or all the authorities of the Facilities Committee – insofar as amending the requirement or restructuring of facilities – to Senior Executive Management Committee. This is while advising the Facilities Committee of the decisions taken within these authorities.
- Monitoring the outcome of the activities assumed by Executive Management's credit committees – within Committee authorities and the Bank's approved authority matrix – asserting the separation of the Committee's authorities and those of the Executive Management committees.
- Approving credit transactions in accordance with the Bank's authority matrix and the Committee's charter as approved by the Board of Directors.

The Credit Department's Assistant Manager shall be Committee Rapporteur.

### Sixth: Strategic Planning Committee:

The Committee was formed by a decision of the Board of Directors and shall comprise of four members; one of whom shall be Committee Chairman. Committee members must be knowledgeable of administrative and financial affairs and experienced in banking and markets. A Rapporteur shall be appointed to the Committee by the Board of Directors and the Committee shall convene regularly or whenever the need arises and shall make decisions and issue recommendations by majority of three of its members – of whom one shall be Committee Chairman – submitting its reports and recommendations, as they are issued, to the Board of Directors. The Committee may not convene less than twice annually, and its roles and authorities may be summarized as follows:

- Recommending to the Board of Directors its suggestions regarding the Bank's appropriate strategic direction, in light of economic conditions, investment climate, competition in the banking field and pertinent factors thereof.
- Informing the General Manager of the Board of Directors' strategic direction, plans and decisions, so that he may establish the plans and executive procedures for the various business units. Such strategic direction shall be adopted in compiling the annual work plans and balance sheets.
- Reviewing the suggestions put forth by the General Manager regarding business strategies to discuss the same and devise the necessary recommendations for presentation to the Board of Directors.
- Discussing the Bank's projected balance sheets and ruling on the same ahead of presentation to the Board of Directors.
- Reviewing the performance of the annual work plans and projected budgets, by comparing the actual accomplishments to the predicted objectives; while assessing the reasons for any deviation from set goals.
- The General Manager shall be invited to attend the meetings convened by the Committee, in addition to any other person it deems fit. Timings of said meetings shall be decided in coordination with its Chairman or when requested; provided that the General Manager is advised of the same by the Committee Rapporteur.
- Committee Rapporteur shall be responsible for compiling the invitations for Committee meetings, agendas, minutes of meeting and monitoring implementation of recommendations thereof; as approved by the Board of Directors.
- Any other roles assigned to the Committee by the Board of Directors.

Strategic Planning Division Manager shall be Committee Rapporteur.

### Seventh: Debts Settlement and Property Committee

The Property Committee has been formed to consist of four members of the Board of Directors, who shall appoint the Committee Chairman from among these four members. The Committee shall convene on a regular basis, provided that this is not less than twice annually and shall make decisions and issue recommendations by majority of at least two of its members – of whom one shall be Committee Chairman – submitting its reports and recommendations, as they are issued or whenever the need arises, to the Board of Directors. The Committee may not convene less than twice annually, and its roles and authorities may be summarized as follows:

- Establishing the executive policy and plans pertaining to the disposal of property expropriated by the Bank, with the aim of reducing the property portfolio to a minimum, in realization of capital profits – on the one hand – and increasing capital adequacy and preserving liquidity on the other.
- Specifying auction ceilings for property mortgaged to the Bank – upon the Bank's participation in these auctions – with Executive Management, to predict any parameters imposed by the size of the mortgage loan, its provisions and outstanding interest.
- Monitoring the predicted values of all Bank-owned properties, ensuring these are updated at least every two years and taking into account the requirements of the Central Bank and account auditors in this regard.
- Examining the recommendations of the Property Sub-committee with respect to selling and substituting properties; and sound decision-making for any property purchase proposal. This is while taking into account market estimates and Bank considerations.
- Examining the recommendations presented by Executive Management – through its practical experience – and taking the necessary decisions thereof.
- Viewing the monthly register of new properties mortgaged to the Bank, their predicted values and the auction participation register.
- Any other relevant roles assigned to the Committee by the Board of Directors.

Control and Collection Division Manager shall be Committee Rapporteur.

### Eighth: Information Technology Governance Committee

The IT Governance Committee shall be comprised of four members of the Board of Directors, convening at least on a quarterly basis, while presenting its reports regularly to the Board of Directors. This is in addition to the Committee roles stipulated in the attached IT Corporate Governance Guide.

The Compliance Control and Anti-Money Laundering Division Manager shall be Committee Rapporteur.

Voting on the decisions issued by the Board of Directors and its Committees shall be by majority. In case of equal votes, the Chairman shall have a casting vote. The Committee shall have the following authorities:

- Request any data or information from Bank personnel, whom shall in turn, be cooperative and provide such information in a complete and accurate manner.
- Request legal, financial, administrative or technical advice from any external advisor.
- Request the presence of any Bank employee to obtain the necessary clarifications.

## Part Six – Conflict of Interest, Disclosure and Transparency

### First: Conflict of Interest within the Board of Directors

The Bank shall ensure that any member of the Board of Directors has no direct or indirect interest in the business and contracts concluded by the Bank; however, if this is necessary, it shall warrant the approval of the general assembly – to be renewed annually. Exempt from this condition are operations concluded via public tenders, if the member of the Board of Directors has offered the best proposal, in a manner that does not conflict with the Companies Law. The member of the Board of Directors shall notify the Board of his personal interest in the Bank's business and contracts, with such notification being documented in the minutes of meeting; provided that said member does not participate in voting on the decision issued in this regard. The General Manager shall inform the general assembly – once it convenes – of the business and contracts in which a member of the Board maintains a personal interest. Such notification shall be accompanied by a special report from the chartered accountant. The member of the Board of Directors shall refrain from participating in any activity which may be in competition with the Bank, as well as avoid conflict of interest through:

- The existence of policies and procedures for rectifying conflict of interest.
- The existence of policies and procedures governing transactions with relevant parties – including the identification of said parties – taking into account legislations, transaction requirements, approval procedures and control mechanisms.
- The Bank's control divisions shall ensure that the transactions of relevant parties are conducted in accordance with approved policies and procedures; with the Audit Committee reviewing all pertinent transactions, monitoring the same and communicating them to the Board of Directors.
- The Board of Directors shall ensure that Executive Management implements approved policies and procedures.
- The Board of Directors shall approve guidelines to govern the transfer of information between departments, which prevents exploitation for personal gain.
- The Board of Directors shall ensure that Executive Management exhibits utmost integrity in conducting its activities and that it avoids conflict of interest.

**Second: Disclosure and Transparency**

- The Board of Directors shall ensure that financial and non-financial information of relevance to stakeholders is published and disseminated.
- The Bank's Annual Report shall include a provision stating that the Board of Directors is responsible for the accuracy and adequacy of information, as well as the information contained in the report and for the adequacy of internal control and monitoring systems.
- The Board of Directors shall ensure the Bank's compliance with the disclosure standards established by IFRS, IAS standards, the instructions of the Central Bank and other relevant legislations; while also ensuring that Executive Management is aware of the changes in the international standards of financial reporting.
- The Bank shall furnish the Central Bank with the number of pledged shares by the Bank's shareholders, owning %1 or more of the Bank's capital and the pledgee of said shares.
- The Board of Directors shall ensure that the Bank's annual report and quarterly reports include disclosures enabling current or potential shareholders to view the outcomes of operations and the Bank's financial position.
- Prior to appointing any member of Senior Executive Management, the Bank shall obtain from the nominee his/her resume, accompanied by educational documents and certificates, experience certificates, certificate of good conduct and other necessary supporting documentation. The nominee shall be asked to sign the acknowledgement attached to the governance instructions and the Bank shall furnish the Central Bank with a copy of the acknowledgement and the member's resume.
- The Board of Directors shall ensure that the annual report includes at least the following:
- Summary of the organizational structure
- Summary of the roles and responsibilities of Board Committees and any authorities delegated by the latter to said Committees.
- Information of importance to stakeholders, as indicated in the Bank's Corporate Governance Guide and the extent to which the instructions contained in said Guide are observed.
- Information on each member of the Board – including qualifications, expertise, contribution to the Bank's capital, whether that member is an independent member, membership in Board Committees, date of appointment, membership in the Boards of other companies and all forms of remuneration received from the Bank for the past year. This is in addition to any loans granted by the Bank and any other transaction conducted between the Bank and the member, or the member and relevant parties.
- Information on the Risks Division; including its structure, nature of transactions and developments thereof.
- The number of meetings convened by the Board of Directors and its Committees and the number of meetings attended by each member thereof.
- The names of that year's independent members of the Board of Directors and Senior Executive Management.
- Summary of the Bank's remuneration policy, disclosure of all forms of remuneration granted to members of the Board of Directors – individually – as well as all forms of remuneration granted to Senior Executive Management – individually – for the past year.
- Names of shareholders owning %1 or more of the Bank's capital, while identifying the ultimate beneficial owners of these shares or part thereof and clarifying whether any of these shares are pledged – in whole or in part.
- Acknowledgements from all members of the Board of Directors stating that they did not acquire any personal gain through the Bank without disclosing the same – whether material or in-kind and whether to their person or anyone related to them – for the past year.
- The Central Bank may object to nominating any person as member of the Board of Directors, if deemed not to have fulfilled the requirements stipulated in the instructions issued by the Central Bank of Jordan. The Bank shall observe the following:
- Anyone who is a member or Chairman of the Board of Directors shall sign an acknowledgement, with a copy maintained by the Bank and another submitted to the Central Bank and accompanied by the member's resume.
- Ensuring that the Central Bank is notified of any fundamental information that may be detrimental to the suitability of any member.
- Inviting the Central Bank to attend the general assembly meetings, at least fifteen days in advance of the set date, so that it may designate a representative thereof.
- The Bank shall notify the Central Bank – at least thirty days in advance of the general assembly meeting – of its desire to nominate an external auditor for election (or re-election) thereof by the general assembly.
- Furnishing the Central Bank with information pertaining to the members of Boards, Directors and Senior Executive Management of the Bank's subsidiaries – whether inside or outside the Kingdom – in accordance with the forms attached to the Corporate Governance Guide on a bi-annual basis and upon any amendment thereof.
- Furnishing the Central Bank with general assembly minutes of meeting, within a period not exceeding five days from the date of approval by the General Controller or a representative thereof.
- The Central Bank shall be entitled to summon any person nominated for membership in Senior Executive Management, for the purpose of conducting an interview prior to appointment. The Central Bank shall also be entitled – in the cases it deems necessary – to summon any nominee for membership in the Board of Directors and conduct an interview with said nominee.
- The Central Bank shall be entitled to appoint an external entity for assessing the Bank's governance, at the expense of the latter.
- The Central Bank may – at any time – invite members of the Audit Committee, Internal Audit Division Manager or Compliance Manager to examine any matter pertaining to their responsibilities.
- The Central Bank shall be entitled to set the maximum number of independent members from which the Board of Directors is composed, if this is deemed necessary.
- The Central Bank shall have the right to consider any member as being un-independent – as per specific indicators – in spite of that member fulfilling all requirements stipulated in Article 6/d of the Corporate Governance Instructions No. 2016/63 dated 2016/9/25 indicated in Part Three "Suitability of Members of the Board of Directors, Required Qualifications and Evaluation" of the Corporate Governance Guide.
- The instructions issued by the Palestine Monetary Authority and the regulatory authorities in Palestine shall be taken into account, insofar as corporate governance. Should there be any conflict therewith, the prior approval of Jordan Central Bank shall be obtained in rectification thereof.
- The Companies Law and any other relevant laws and legislations issued by the regulatory authorities shall be taken into account; without contradiction to the provisions of the corporate governance instructions.
- The roles of Board Committee Rapporteurs shall be set to include attending all Committee meetings; recording all deliberations, suggestions, objections and reservations; coordinating meetings with Committee Chairman and members; ensuring that Committee members sign minutes of meetings and decisions; maintaining the Committee's meeting records and documents and preparations thereof. Committee Rapporteur shall not have a voting authority.
- A Member of the Board of Directors shall be prohibited from Chairing more than one Committee outlined in the corporate governance instructions (Corporate Governance Committee/Audit Committee/Nomination and Remuneration Committee/Risks and Compliance Committee); and shall also be prohibited from Chairing more than two Board Committees.

## Part Seven – General Regulations

The Bank shall compile the governance report and attach the same to its Annual Report. The report shall be signed by the Chairman of the Board and shall primarily include the following:

- Information and details pertaining to the implementation of these instructions and corporate governance regulations at the Bank.
- The names of current and resigning members of the Board of Directors for that year; and whether they are executive or non-executive, independent or non-independent members.
- Names of legal representatives of members of the Board; whether they are executive or non-executive, independent or non-independent representatives.
- The Bank's Executive positions and the names of occupants thereof.
- All Board memberships occupied by any member of the Board of Directors, in public shareholder companies, if any.
- Names of Board Committees
- The names of the Chairman and members of the Audit Committee and an outline of the qualifications and expertise relating to financial and accounting affairs.
- The names of the Chairman and members of the Nomination and Remuneration Committee, Governance Committee and Risks and Compliance Committee.
- The number of meeting convened by all Committees during that year and the attending members thereof.
- The number of meetings convened by the Audit Committee with the External Accounts Auditor during that year.
- The number of meeting convened by the Board of Directors during that year and the attending members thereof.

# Information and Related Technologies Governance Guide

### Introduction

Owing to the constant strive by Jordan Commercial Bank towards safeguarding its position and observing the best international practices in the field of managing IT resources, projects and services in a manner enabling it to conduct its activities and fulfill its strategic objectives effectively and efficiently – which shall, in turn reflect positively on the Bank's products and services on the one hand, and on decision-making mechanisms and risk management on the other – and with great regard to the integrity of the overarching banking system, in conformity to sound international banking practices; the Bank recognizes the importance of observing the best standards in the field of information and related technologies.

The Board of Directors and Executive Management acknowledge the need for adopting successful products that warrant the implementation of information technology efficiently and effectively in parallel with various business practices and procedures. This requires the existence of a framework for the governance of IT and related technologies. It is also important to separate the Board's processes, roles and responsibilities from those lying within the scope of Executive Management – insofar as the governance of IT and related technologies – while observing sound tenets and standards with regards to managing IT resources, in line with best international practices; and primarily the principles of Control Objectives for Information and Related Technologies (COBIT). This contributes to risk control and fulfilling stakeholder expectations by implementing sound governance regulations; while avoiding participation in unfeasible investments and averting unjustified expenditure, which ultimately translate into significant losses that may – at times – compromise the Bank's reputation and undermine its performance.

In asserting the unique identity of Jordan Commercial Bank, this Guide was compiled and attached to the Corporate Governance Guide, which expresses the Bank's stance on the governance and management of information and related technologies. This is insofar as its concept, importance and basic principles and in a manner that conforms to legislations and best international practices; while asserting the Bank's observance of all laws and legislations issued in this regard.

The provisions of this Guide shall be applicable to the branches of Jordan Commercial Bank in both Jordan and Palestine. The Bank shall publish the IT Governance Guide on its web portal and shall disclose said Guide through its Annual Report, while indicating the extent to which the contents of its provisions have been implemented.

## Part One – IT Governance, Scope and Objectives

### First: Governance

Management of information and related technologies is viewed as being an array of continuous activities, falling within the scope of responsibilities assigned to Executive Management. These activities include planning – with the intent of fulfilling strategic objectives as well as alignment and regulation – building and development activities including procurement and implementation; commissioning, service delivery and support; in addition to monitoring activities and evaluation. This is done in a manner securing the durability and permanence of achieving the Bank's objectives and strategic direction. In light of this, governance of information and related technologies is defined as being an operation whereby roles and responsibilities are distributed and relationships between parties, various entities and stakeholders are ascribed; with the aim of maximizing the Bank's added value. In so doing, an ideal methodology is adopted for maintaining a balance between risks and anticipated revenues; and required regulations, principles and mechanisms are implemented – for ensuring sound decision-making and determining the Bank's strategic direction and objectives – as well as mechanisms for controlling and monitoring compliance with the same. This is in the strive towards continuous progress and development, through the governance of processes and operations, which is related to an array of practices and activities emanating from the Bank's policies, while being necessary for achieving the objectives of related IT technologies. These objectives – arising from corporate objectives – may be divided into primary and secondary objectives and are required for fulfilling stakeholder needs.

In this respect, "stakeholders" refers to any person maintaining an interest in the Bank; such as shareholders, employees, creditors, clients, external providers or regulatory authorities concerned with the activities of the Bank.

### Second: The Scope of IT Governance and Relevant Parties

The scope for implementing the instructions of IT governance includes all IT-based operations and transactions in various Bank branches and departments; with all stakeholders deemed to be concerned with such implementation. The Bank had previously launched a project for creating and providing the required environment and fulfilling the instructions of IT governance in accordance with the COBIT framework; while designating roles to each of the following:

- Chairman, members of the Board and external experts for purposes of providing direction, approving roles and responsibilities, availing necessary support and authorizing the required funding for the project.

- Executive Management, Managers of IT operations and procedures; and through Executive Management's IT Steering Committee, which provides overall direction, submits the required reports to the Board's IT Governance Committee and monitors the role of project managers. This is while taking into account the provision of sufficient resources and the sound acknowledgement of the corporate objectives pertaining to IT governance.

- Internal Audit shall also be assigned with providing advice and practicing independent control, to ensure successful implementation – insofar as Executive matters as independent consultant and controller. This is for the purpose of facilitating the successful completion of the corporate governance framework, by viewing the IT audit reports and appropriately acting on the same via procedures seeking to rectify any deviation thereof; monitoring the caliber of technical and technological services and striving to enhance and improve their efficiency on a continuous basis, in light of recommendations and suggestions made. The Audit Committee – on the one hand – and the External Auditor – on the other – shall furnish the Central Bank with both an annual internal and external audit report respectively; outlining the response of Executive Government and the recommendations made by the Board of Directors thereof, during the first quarter of the year.

- The Risks Department, Information Security Department, Compliance Department and Legal Department shall participate in the aforementioned project; implementing its framework, monitoring requirements, adhering to its objectives and policies and ensuring the existence of an appropriate regulatory environment.

- The Bank shall entrust designated individuals whom are technically and professionally qualified and certified in the following standards: COBIT Foundation, COBIT Assessor, COBIT Implementation and CGEIT; whether within the Bank or otherwise to assume the role of director and assessor during the phases of implementation, as well as to communicate knowledge of the standard and facilitate compliance therewith.

- Upon concluding outsourcing agreements with external parties, the Bank shall provide human resources, services, software and IT infrastructure with the aim of ensuring seamless operations. The Bank shall guarantee that such external parties implement the instructions pertaining to IT governance – whether in part or in whole – as proportionate to the importance and nature of the Bank's operations, services, software and infrastructure provisioned before and after the contract duration. The Board of Directors and Executive Management shall not be exempt from the ultimate responsibility for fulfilling the requirements of all instructions; including the audit requirements stipulated in this Guide.

### Third: The Objectives of Governance and Management of Information and Related Technologies

The main objective of IT governance is "to create added value" for the Bank through the optimal use of IT, preserving and increasing the value provided through investment thereof and disposing of IT initiatives and assets that fall short of creating sufficient added value in favor of the Bank. This means securing the optimal utilization of resources while controlling risks, rectifying business risks associated with IT use, ownership, operation and possession and ensuring the existence of appropriate capabilities for implementing strategic plans. Additionally, this warrants availing sufficient, suitable and effective resources, securing a sound decision-making process that accommodates both the interest of stakeholders in added value on the one hand; and comparing risks to revenues through the optimal utilization of resources on the other.

Accordingly, the objectives sought by the Bank through the adoption of an IT governance frameworks are as follows:

1. Fulfilling stakeholder needs by achieving the objectives pertaining to information and related technologies, in a manner ensuring:
- Availing high-quality information as a foundation supporting the Bank's decision-making mechanisms.
- Prudent management of IT resources and projects, maximizing the benefits from these resources and reducing wastage thereof.
- Providing an exceptional and supportive technology infrastructure enabling the Bank to fulfill its objectives.
- Upgrading various operations via deployment of an efficient and reliable technology system.
- Prudent management of IT risks and affording necessary protection for Bank assets.
- Assisting the realization of compliance to the requirements of various laws, legislations and instructions; in addition to compliance with internal business strategies, policies and procedures; by strengthening the Bank's internal control and monitoring systems.
- Maximizing the level of user satisfaction with IT, by fulfilling business needs in an efficient and effective manner.
- Managing the services of outsourced parties assigned with executing various processes, tasks, services and products.

2. Achieving comprehensive governance and management of IT and related technologies, by availing the required enablers.

3. Adopting practices, regulation and organization procedures that are in line with best international standards as a foundation from which to launch the governance and management of IT processes, projects and resources.

4. Separating the Board of Director's governance processes, roles and responsibilities from those falling within the jurisdiction of Executive Management; insofar as information and related technologies.

5. Enhancing the mechanisms of self-monitoring and independent monitoring and examining compliance in the fields of governance and management of information and related technologies; so as to contribute to continuous improvement and development.



## Part Two – Governance Framework of the Control Objectives for Information and Related Technologies (COBIT) and Enablers

### First: The Principles of IT Governance

The key principles of IT governance seek to enable the Bank to forge an effective governance and management framework, which enhances the utilization of information and investment in technology in an optimal manner. The following constitute the key principles for the governance and management of information and related technologies in accordance with COBIT:

**1. Meeting Stakeholder Needs**
The main purpose of the Bank is to create added value for stakeholders and thus realize benefits at optimal cost of resources.

**2. Covering the Enterprise End-to-End**
IT governance seeks to create an integration with corporate governance, in a manner covering and including all positions and processes within the Bank.

**3. Applying a Single Integrated Framework**
In line with relevant standards and frameworks, enabling it to become a comprehensive framework that safeguards corporate IT and everything pertaining to the management thereof.

**4. Enabling a Holistic Approach**
A holistic and comprehensive corporate an IT governance approach is implemented.

**5. Separating Governance from Management**
The Board of Directors shall be concerned with implementing sound corporate governance at the Bank and separating between the role of the Board and that of Executive Management. The responsibilities of Executive Management are represented in the tasks and duties required from the General Manager and other Executive Management personnel; such as planning, building, operating and monitoring various activities; while aligning the same with the direction established by the Board in order to realize the Bank's strategic objectives.

## Second: Enablers

Holistic and comprehensive governance and management of information and related technologies is realized, insofar as taking into consideration not only the technology per se, but also by availing 7 enablers that complement and supplement IT services; represented as follows:

1. Principles, policies and frameworks, which are considered the mediums through which desirable behavior is translated into practical instructions for day-to-day management.

2. Processes, which represent an array of regulated practices and activities aimed at realizing specific objectives.

3. Organizational structures

4. Culture, ethics and behavior via the Bank's value, ethics and behavior system.

5. Information, including all information produced and utilized by the Bank and which is necessary for properly operating and governing the Bank.

6. Services, infrastructure and applications concerned with IT processing and facilitating the provision of services.

7. People, skills and competencies considered important to successfully completing all activities while adopting sound decisions and procedures.

The Bank, therefore, undertakes to activate the aforementioned seven enablers in order to fulfill the required inclusiveness and to ensure a successful framework for IT governance.

Upon proceeding with the implementation of the seven enablers and secondary processes and objectives, the Bank shall tailor the same as appropriate, for the purpose of serving the objectives and requirements of IT governance and COBIT. This is in addition to working towards creating the needed change for fostering the necessary implementation environment, by adopting a Gap Analysis methodology and comparing the current situation to implementation standards and instructions. The Bank shall submit the completion report pertaining to COBIT implementation requirements to the Central Bank of Jordan on a bi-annual basis, indicating the completion rate thereof.

## Third: IT Governance Processes

The overarching framework for implementing IT governance (COBIT) consists of the following two key scopes:

1) The Board's Scope of Operations: This may be divided into five processes; with each process defining the practices pertaining to Evaluation, Direction and Monitoring – also known as EDM5. These ensure the establishment and maintenance of an IT governance framework; while realizing benefits, risk management, ensuring optimal use of resources and transparent dealings with stakeholders.

2) Executive Management's Scope of Operations: This comprises of four themes that are in line with the responsibilities of Planning, Building, Running and Monitoring – also known as PBRM. Said themes provide a complete and comprehensive coverage of the scope of IT governance and their headings have been selected in accord with their respective key implications:

- Alignment, Planning and Organization (APO): formulating the IT policy, IT strategy, establishing the Bank's organizational structures as well as those of the Financial Department and Investment Portfolios Department.
- Building, Acquisition and Implementation (BAI): considered as business analysis, project management, utilization scenario assessment, identifying and managing requirements, programming, system engineering, decommissioning of systems and capability management.
- DSS: Managing access, issues, services and incidents office, IT process and operations and database management.
- Monitoring, Estimation and Assessment (MEA): this is exemplified by performing a compliance review, monitoring efficiency and auditing controls.

The Bank shall implement the indicated themes and processes in an optimal manner, so as to ensure sound and successful IT governance.

## Fourth: Maturity and Procedure Capabilities

The use of maturity levels is done for the purpose of improving procedures, assessing the maturity of processes, identifying targeted levels and detecting deviations. Procedures may be classified into the following six levels:

- Level (0) – Incomplete Process: which is the complete absence of any clear process and thus, the Bank has not acknowledged or recognized any issue requiring rectification.
- Level (1) – Performed Process: where evidence exists that the Bank has acknowledged existing issues requiring rectification, yet no standard procedures are present; only approaches related to a specific purpose, which are implemented on an individual or ad-hoc basis. Therefore, the Bank's management approach is unsystematic.
- Level (2) – Managed Process: Processes are developed to a stage where similar procedures are followed by different individuals performing the same task. No official training or publication of standard procedures exist; responsibility is left at the discretion of individuals, substantial reliance is placed upon individual knowledge and thus there exists a potential for errors.
- Level (3) – Established Process: Procedures have been documented and identified to be standard procedures and are thus disseminated throughout the Bank via training. Documentation stipulates the necessity of following these procedures, however, it is unlikely that deviations are detected.
- Level (4) – Predictable Procedure: Management shall work towards monitoring and measuring the level of compliance with policies; while taking measures in cases where processes are found to operate inefficiently. Procedures are subject to continuous improvement, a mature experience is provided to others and automation and tools are utilized in a limited or fragmented manner.
- Level (5) – Enhanced Procedure: At this level, procedures have been refined and reiterated to achieve the level of sound practice, based on the outcomes of continuous improvement and the compilation of maturity models through participation with other institutions. Here, IT technologies are utilized in an integrated manner for automating work flow, providing the tools for enhancing quality and efficiency, as well as enabling the Bank to adapt swiftly.

The Bank seeks to realize maturity level (2.3) before 2018/4/25; and maturity level (2.5) before 2019/10/25 fully for both periods, as per the maturity levels set forth in COBIT.

# Part Three – Role of the Board of Directors in Management of Information and Related Technologies

The roles, activities and relationships constitute the components defining the entities concerned with governance and the means by which they become engaged in the implementation process. One of the most important principles upon which IT governance is based is that involving the separation of the roles of the Board and those of Executive Government; and distinguishing between them by identifying the means of communication between stakeholders and Executive Management. The roles and responsibilities of said entities are as follows:

## 1) Roles and Responsibilities of the Board of Directors

– Monitoring the activities of Senior Executive Management with the aim of verifying the effectiveness and efficiency of operations, the credibility of financial reports and compliance with applicable laws, legislations and instructions. Senior Management shall implement the fundamental principles of internal control and monitoring systems; with the Board of Directors being directly responsible for assessing, directing and monitoring the same and for "ensuring prudent management of IT risks and risk management".
– Allocating adequate budgets and designating the necessary tools and resources – including qualified human talent – through dedicated IT audit divisions; ensuring that the Bank's internal auditor and external auditor are capable of reviewing and auditing the processes pertaining to employing and managing IT resources and projects and IT-based operations and transactions as well as guaranteeing the existence of a specialized IT Audit. This shall be done at the hands of qualified and internationally certified professionals in the field, commanding valid certifications such as CISA from internationally acclaimed institutions, as per the standards of ISO/IEC 17024 or equivalent.
– The Board of Directors shall – through the IT Governance Committee – approve the required principles, policies and frameworks for fulfilling the overarching framework pertaining to the IT Resources and Projects Control and Monitoring Department. This is for the purpose of fulfilling he requirements of IT governance objectives and processes; relating to IT Risks, IT Security and Human Resources Department. This shall also achieve the requirements of the policy system needed for managing IT governance resources and processes; while observing said policies in integration with the Bank's other regulatory policies - and aligning objectives and mechanisms thereof. The owners, scope of implementation, review and update frequency as well as the authorities for viewing and distribution, objectives, responsibilities, relevant work procedures, penalties in case of non-compliance and compliance investigation mechanisms shall all be defined. In devising the various policies, all internal and external partners shall be invited to contribute to the same; while adopting best international practices and any updates thereof.
– Approving the organizational structures (hierarchical and Committees) relating to IT Resources and Projects Control and Monitoring, IT Risks, Information Security and Human Resources Department; which fulfills the requirements of IT governance processes and achieves the Bank's objectives efficiently and effectively. It is also important to ensure the separation of roles and to apply bilateral control – at minimum – as well as to update job descriptions upon approving and amending the Bank's organizational structures.
– Developing the necessary infrastructure and information systems for availing information and reports to their users, as a foundation upon which the Bank's decision-making processes are to be based. Information Quality Criteria must be availed; such as integrity, completeness, accuracy, validity and currency; together with confidentiality – as per the data classification policy, availability requirements and compliance with such information and reports – in addition to other requirements stipulated by COBIT and Information Enabling.
– The Board of Directors shall – through the IT Governance Committee – approve the information and reporting system, considering it a minimum requirement, while identifying the owners of said information and reports. Authorities pertaining to viewing and use shall be determined through said owners – in accordance with work needs and concerned partners – and shall be continuously reviewed and developed to remain up to speed with the Bank's objectives and processes. This shall be done in line with best acceptable international practices.
– The Board of Directors shall – through the IT Governance Committee – approve the services, programs and IT infrastructure supporting and endorsing the fulfillment of IT governance and the objectives of related information and technology and ultimately, the overarching corporate objectives. This system shall be considered a minimum requirement and shall be continuously developed to remain up to speed with the Bank's objectives and processes; while being in line with best acceptable international practices.
– The Board of Directors shall – through the IT Governance Committee and Nomination and Remuneration Committee – approve the HR Competencies Matrix and the required HR Department policies for fulfilling the requirements of IT governance – based on merit. The Board of Directors and Senior Executive Committee shall employ various mechanisms for driving desirable behavior and circumventing damaging conduct; by way of rewards and sanctions.
– The Board of Directors shall – through the IT Governance Committee and the Audit Committee – approve a corporate and professional ethics system that reflects internationally-accepted professional conduct regulations. This is insofar as handling information and related technologies; while clearly defining both desirable and damaging behavior and the implications thereof.

## 2. IT Governance Committee

For the purpose of fulfilling the mentioned tasks required from the Board of Directors, the IT Governance Committee was formed, based on a decision issued by the Board. The Committee comprises four Board members, exhibiting strategic expertise and knowledge in the IT industry. A Committee Chairman was appointed from the four members and the Committee shall convene on at least a quarterly basis; while maintaining documented minutes of meeting. Regular reports shall be submitted to the Board of Directors, with Committee roles being summarized as follows:

– Approving the strategic objectives of IT and appropriate organizational structures; including the IT Steering Committee at the level of Senior Executive Management. This is to be done in a manner that guarantees the realization and fulfillment of the Bank's strategic objectives, achieving the best added value from the projects and investments in IT resources and the utilization of necessary monitoring tools and standards for verification thereof.
– Approving the general framework of the IT Resources and Projects Control and Monitoring Department, simulating the best international standards in this regard; specifically, COBIT.
– Approving the corporate objectives matrix and the objectives of information and related technologies; while detailing the required secondary objectives for fulfillment thereof.
– Approving the responsibilities matrix (RACI Chart) insofar as the key processes of IT governance and sub-processes thereof.
– Ensuring the existence of a general framework for IT risk management, which is in line - and integrates - with the Bank's overarching risk management framework.
– Approving the IT resources and projects budget, in accordance with the Bank's strategic objectives.
– Overseeing and observing IT work flow, resources and projects to verify their adequacy and efficient contribution to fulfilling the Bank's requirements and business activities.
– Viewing IT audit reports and acting as necessary to rectify any deviation thereof.
– Recommending to the Board of Directors the adoption of necessary procedures for rectifying any deviations.

The Committee shall have the right to invite the Bank's Administrators to attend its meetings and to request their opinion on various matters. The Compliance Monitoring and Anti-Money Laundering Division Manager shall be Committee Rapporteur.

### 3. Audit Committee

- Including the responsibilities, authorities and work scope of IT auditing into the Audit Charter on the one hand; and within the agreed procedures with the external auditor on the other, in accordance with the requirements of regulatory authorities.
- Confirming to the Board of Directors that both the Bank's internal and external auditors – and upon implementing designated auditing for information and related technologies – that the following shall be observed:

1. IT audit standards as per the latest update of international standards (Information Technology Assurance Framework – ITAF – issued by Information Systems Audit and Control Association (ISACA); including:
- Implementing audit tasks as part of an approved plan designated for the same, which takes into consideration the relative importance of operations, risk level and impact on the Bank's objectives and interests.
- Availing and adhering to continuous training and education schemes provided by designated individuals.
- Observing Professional and Organizational Independency standards and ensuring no conflict of interest occurs, currently or in future.
- Adhering to the standards of objectivity, due professional care, maintaining competitiveness and professionalism, proficiency in the knowledge and skills required, thorough awareness of the Bank's IT-based mechanisms and processes. This is in addition to awareness of other audit reports (financial, operational, legal), the ability to present commensurate evidence and a general sense for detecting unacceptable practices that violate the provisions of applicable laws, regulations and instructions.

2. Examining, assessing and reviewing operations pertaining to the employment and management of IT resources and Bank operations based on the same, while providing reasonable overall assurance as to the composite risk level to which information and related technologies are exposed. This is to be done within an audit scheme including at least the required themes; taking into account that risk assessment scores are divided into five levels (composite risk rating) in the following descending order: Rate 1: Strong; Rate 2: Satisfactory Performance; Rate 3: Fair Performance; Rate 4: Marginal Performance and Rate 5: Unsatisfactory Performance.

Frequency of auditing all themes or part thereof shall be a minimum of once annually, should the risks be rated as either 4 or 5 on the composite risk rating scale; once every two years at minimum if the risks are rated 3; and once every three years at least in case of a rating of 1 or 2. This is while taking into account the constant change in the level of risks and the fundamental changes met by information and related technologies during the mentioned audit periods. The Central Bank shall be furnished with the audit reports; which shall include assessment of the mentioned themes, the Bank's strategic planning and policy mapping mechanisms, written and approved principles and business procedures, the mechanisms adopted in employing various resources – including IT and human resources – monitoring, control and development mechanisms and tools. The results and outcomes of audit operations shall be duly documented and evaluated, based on the importance of weaknesses and shortcomings (observations), in addition to activated controls and guidelines and assessing the level of remaining risks pertaining to each, using a methodological standard for measuring and analyzing risks. This shall include the agreed corrective measures intended for implementation by the Bank's Management, with specific rectification dates –special reference shall be made in a separate table to the title of the responsible person to which the observation relates. The Central Bank shall be furnished with an annual internal and external audit report – respectively – which shall include the response from Executive Management and the recommendations of the Board of Directors thereof, in accordance with the audit report template (risks-controls) for information and related technologies. This shall be during the first quarter of the year.

3. Regular procedures for following up audit outcomes, to ensure that the observations and shortcomings stipulated in the auditor's reports have been rectified; while working towards gradually upgrading the level of importance and risks in the case of no response; and notifying the Board of the same whenever the need arises.

4. Including objective measuring standards to the annual performance evaluation mechanisms utilized by IT auditors; provided that the evaluation process is conducted by the Board, through its Audit Committee and in accordance with the organizational hierarchy of audit divisions.

5. Approving the ethics and business conduct scheme stipulated in the Information Technology Assurance Framework (ITAF), as issued by ISACA and updates thereof, to which both the internal and external auditors must comply.

The Bank may outsource the role of the Internal IT Audit to a designated external entity that is independent to the approved external auditor; provided that all IT governance instructions requirements and those of any other applicable requirements are fulfilled. The Board of Directors and its Audit Committee shall maintain their roles, insofar as compliance and ensuring the fulfillment of requirements, as a minimum.

## Part Four – The Role of Executive Management in Managing Information and Related Technologies

### 1. The Roles and Responsibilities of Senior Executive Management

- Employing, qualified, trained and certified professionals in the field; exhibiting experience in the management of IT resources, risk management, information security management and IT audit management; based on valid certifications obtained from internationally acclaimed institutions, as per the standards of ISO/IEC 17024 or equivalent. This shall be done in accordance with the Bank's policies; while enrolling personnel in continuous education and training schemes for maintaining a specific caliber of knowledge and skills in a manner that fulfill and realizes IT governance.

- Approving the services, programs and IT infrastructure supporting and endorsing the fulfillment of IT governance and the objectives of related information and technology and ultimately, the overarching corporate objectives. This system shall be continuously developed to remain up to speed with the Bank's objectives and processes; while being in line with the best acceptable international practices.

- Including objective measuring standards to the annual performance evaluation mechanisms; which take into consideration contributions to achieving the Bank's objectives through employment positions.

- Developing the necessary infrastructure and information systems for availing information and reports to their users, as a foundation upon which the Bank's decision-making processes are based. Information Quality Criteria must be availed; such as integrity, completeness, accuracy, validity and currency; together with confidentiality – as per the data classification policy, availability requirements and compliance with such information and reports – in addition to other requirements stipulated by COBIT and Information Enabling.

- Employing various mechanisms for driving desirable behavior and circumventing damaging conduct; by way of adopting a rewards and sanctions system.

## 2. IT Steering Committee

An IT Steering Committee has been formed for ensuring strategic alignment of IT with the sustainable fulfillment of the Bank's strategic objectives. The Committee shall be chaired by the General Manager and includes in its membership Managers of Senior Executive Management – including IT Manager, Risks Department Manager and Information Security Manager. One member of the Board has also been elected to serve as a monitoring member, in addition to the Internal Audit Manager in the capacity of Controller. The Committee may invite others to attend its meetings and shall duly and legally document minutes of meeting thereof. The Committee shall convene at least once every three months and its duties may be summarized as follows:

1) Establishing annual plans aimed a realizing the strategic objectives ratified by the Board of Directors, supervising implementation of the same and continuously monitoring internal and external factors impacting such plans.

2) Linking the corporate objectives matrix to the objectives of information and related technologies; approving and continuously reviewing the same in a manner that safeguards the fulfillment of the Bank's strategic objectives and the instructions of governance pertaining to information and related technologies. Measurement standards shall be defined, reviewed and continuously monitored by relevant individuals from Executive Management, with the Committee being notified of the same.

3) Recommending the allocation of necessary financial and non-financial resources for achieving the objectives and processes of IT governance; utilizing the assistance of qualified and suitable human resources through organizational structures that include all the necessary processes for supporting established objectives. This is together with separating between roles, preventing conflict of interest, adapting IT and other related infrastructure so as to serve the desired objectives, supervising the implementation of IT governance projects and operations.

4) Prioritizing IT projects and programs.

5) Monitoring the caliber of technical and technological services and striving to constantly enhance their efficiency.

6) Presenting the necessary recommendations to the IT Governance Committee in relation to the following:
– Allocating the required resources and mechanisms capable of achieving the objectives of the IT Governance Committee.
– Any deviations that may negatively impact the fulfillment of strategic objectives.
– Any unacceptable risks pertaining to technology and the security or protection of information.
– Reports relating to compliance and performance, as pertinent to the general framework for managing, controlling and monitoring IT resources and projects.

7) Presenting Committee minutes of meeting as soon as they are drafted and ensuring that they are duly reviewed.

The Process Engineering Division Manager shall be Committee Rapporteur.

### References:

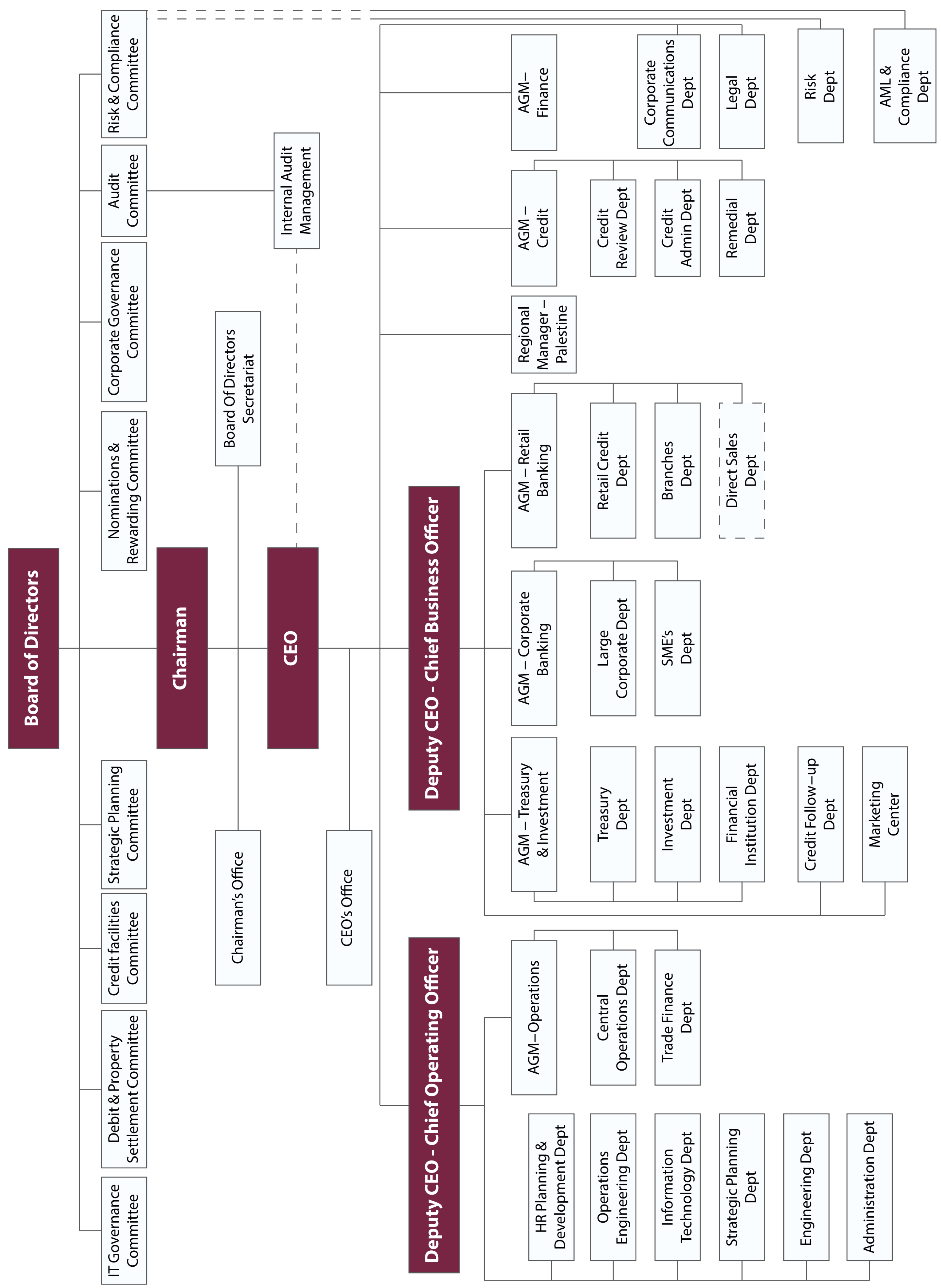
1. Corporate Governance Instructions No. 63/2016 dated 25/9/2016 issued by the Central Bank of Jordan.

2. Instructions for the Governance of Information and Related Technologies No. 65/2016 dated 25/10/2016 issued by the Central Bank of Jordan.

3. COBIT instructions issued by ISACA in the USA.



# Organizational Structure



# Branches and Offices

| Jordan Branches | | | |
|---|---|---|---|
| **Branch Name** | **Branch Location** | **Telephone No.** | **Fax No.** |
| Head Office | Amman – King Abdullah the Second St. – Al Rawnaq District | 06-5203000 | 5664110 |
| Headquarters | Amman – King Abdullah the Second St. – Al Rawnaq District | 06-5203000 | 5203086 |
| Shmeisani | Amman – Shmeisani – Issam Al Ajlouni St. | 06-5203000 | 5621878 |
| Jabal Amman | Amman – Jabal Amman – Prince Muhammad St. | 06-5203000 | 5621968 |
| Commercial Complex | Amman – Commercial Complex – Issam Al Ajlouni St. | 06-5203000 | 5683657 |
| Jabal Al Hussein | Amman – Jabal Al Hussein – Khaled Bin Al Waleed St. | 06-5203000 | 5639519 |
| Abdali | Amman – Abdali – King Hussein St. | 06-5203000 | 5661484 |
| Mecca St. | Amman – Um Al Sumaq – Mecca St. | 06-5203000 | 5817791 |
| Amman | Amman – Downtown – King Hussein St. | 06-5203000 | 4638154 |
| Al Yarmouk | Wadi Al Rimam – Yarmouk St. | 06-5203000 | 4778685 |
| Al Quwaysimah | Amman – Madaba St. | 06-5203000 | 4784692 |
| Marka | Amman – Marka – King Abdullah the First St. | 06-5203000 | 4883665 |
| Abu Nseir | Amman – Abu Nseir – Arab St. | 06-5203000 | 5233379 |
| Sweileh | Amman – Sweileh – Yajouz Road | 06-5203000 | 5356890 |
| Fuhais | Fuhais – Hijaz St. / Al Tilal Complex | 06-5203000 | 4720520 |
| Wasfi Al Tal / Gardens | Amman – Wasfi Al Tal St. - Gardens | 06-5203000 | 5525676 |
| Suwaifeya | Amman – Suwaifeya – Galleria Mall – Abdulraheem Al-Hajj Muhammad St. | 06-5203000 | 4017608 |
| Northern Hashmi | Amman – Northern Hashmi – Al Bathaa St. | 06-5203000 | 5203177 |
| Zarqa | Zarqa – Al Saadeh St. | 06-5203000 | 053993290 |
| Madaba | Madaba – King Abdullah the Second St. | 06-5203000 | 053246931 |
| Karak | Karak – Amman Main St. – Al Thanya | 06-5203000 | 032386967 |
| Aqaba | Aqaba – Eastern Wihdat – Bin Rushd St. | 06-5203000 | 032014166 |
| Al Salt | Al Salt – Maidan St. | 06-5203000 | 053551561 |
| Maadi | Der Ala – Main St. | 06-5203000 | 053571761 |
| Irbid | Ibrid – Baghdad St. – Al Qairawan Circle | 06-5203000 | 027243036 |
| Al Husn St. | Irbid – Al Husn St. | 06-5203000 | 027251785 |
| Irbid Office | Irbid – Al Balad – Cinema St. | 06-5203000 | 027247087 |
| Ramtha | Ramtha – Municipality Building – Al-Wihda Al-Arabiyya St. | 06-5203000 | 027381857 |
| Mafraq | Mafraq – East Mafraq – Dr. Khaled Abu Smaqah St. | 06-5203000 | 026236652 |
| Yajouz | Northern Mountain Area – King Abdullah the Second st. | 06-5203000 | 053751677 |

| Palestine Branches | | | |
|---|---|---|---|
| **Branch Name** | **Branch Location** | **Telephone No.** | **Fax No.** |
| Regional Management | Ramallah- Ramallah al-Tahta- Berlin Street | 0097022987682 | 0097022987683 |
| Ramallah | Ramallah- Ramallah al-Tahta- Berlin Street | 0097022989232 | 0097022989230 |
| Ramallah Office | Ramallah- Al-Manara Square- City Center Building | 0097022963723 | 0097022987680 |
| Bethlehem | Bethlehem - Al-Mahd Street | 0097022767237 | 0097022767233 |
| Nablus | Nablus - Anabtawi Building | 0097092381953 | 0097092382191 |
| Tulkarm | Tulkarm - Samara and Araj Building | 0097096276591 | 0097096276584 |

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