

Annual Report 2010

Capitalbank
كابيتال بنك



His Majesty King Abdullah II Ibn Al Hussein



His Royal Highness Prince Hussein Ibn Abdullah II

The Crown Prince

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Boards of Directors Year 2009

Chairman

Mr. Samih Darwazah

Vice Chairman

Mr. Khaleefa Butti Omair

Members

Mr. Kim Abu Jaber

Al-Sheikh Nehayan Al- Nehayan

Mr. Samir Murad

Representative of the Social Security Corporation

Mr. Ayman Abu - Dhaim

Representative of Investment and Integrated Industries Company

Mr. Nidal Eses

Representative of Al-Jadara Company for Real Estate Investment

Mr. Mohammed Al-Seif

Representative of Hotaf Investment Company

Mr. "Mohammed Ali" AL-Husry

Representative of Al-Khalil Company for Investments

Mr. Khalil Al Salem

Boards of Directors Year 2010

Chairman

Mr. Bassem Khalil Al Salem

Vice Chairman

Mr. Said Samih Darwazah

Members

Mr. Samih Taleb Darwazah

Mr. Kim Foad Abu Jaber

Representative of Investment and Integrated Industries Company

Mr. Nidal Younis Eses

Representative of Social Security Corporation

Mr. Ayman Omran Abu- Dhaim

Representative of Al-khaleel Company for Investments

Mr. Khalil Hatem Al Salem

Representative of Al-Jadara Company for Real Estate Investment

Mr. Sultan Mohammad Al Seif

Representative of Hotaf Investment Company

Mr. "Mohammed Ali" Al - Husry

Mr . Mazen Ahmad Al Jubeir

Mr. Jawad Abdel Reda Al Qassab

Al-Sheikh Nehayan Al - Nehayan / Resigned

Mr. Khaleefa Butti Yousif Ahmad / Resigned

Mr. Samir Said Murad / Resigned

Mission

We are an integrated financial institution committed to offering first-class solutions to our clients, adding value to our stakeholders and contributing to the development of the economy.

Vision

To be the preferred partner for financial solutions in our markets, and the source of pride & admiration for all our stakeholders.

Strategy

Since its inception, Capital Bank's operations have revolved around its unique core strategy, which links trade and project finance to capital markets, allowing the Bank to offer a comprehensive range of commercial banking and investment services to its distinguished clients.

Capital Bank's philosophy has enabled it to translate its strategy characterized by modernity and innovation, to a comprehensive set of banking and financial solutions including trade finance, corporate and project finance, asset and portfolio management, in addition to financial advisory and investment banking. Based on the depth of knowledge and experience in the various sectors of the Jordanian market, Capital Bank offers services that continuously develop with the latest technologies and advancing electronic channels, tailored to the needs of its individual and corporate clients alike.

Along with its commitment to providing a unique package to its business clients, Capital Bank is dedicated to serving individuals who expect pioneering solutions and exceptional customer service, with a strong focus on developing advanced and innovative products and services to meet their needs and expectations.

Capital Bank's activities revolve around serving its clients in the Jordanian and Iraqi markets and currently seeking to further expand its regional reach and establish partnerships and strategic relationships with leading banks in the Middle East to continue offering its customers a distinguished service.

Message from the Chairman



**A strong foundation on which ever-growing
and ever-developing partnerships are built.**

Message from the Chairman

Dear Shareholders,

Despite the conditions witnessed by the national economy due to the fallout from the financial and economic global crisis, which has had a strong impact on the Jordanian economy and continues to cast its shadow upon several economic activities, the financial indicators of Capital Bank have shown a remarkable improvement in 2010.

Net income after tax grew from JD 1.3 million in 2009 to JD 5.1 million; this is effectively an increase of 285% even though JD 19 million were designated as provisions and even though the economic growth rate grew at a slow pace that did not exceed 2.85% by the end of the third quarter of 2010. The low growth rate was evidenced in spite of the optimistic expectations at the time by the International Monetary Fund of a growth rate of 3.5%; which was revised downward from a previous growth prediction of 4%.

In addition, the assets of the Bank rose by JD 130 million, a 12% increase, to arrive at JD 1.2 billion. Furthermore, the credit facilities reached JD 670 million compared to JD 570 million in 2009.

Total deposits and margins increased to JD 907 million compared to JD 767 million in 2009, an increase of 18%. This clearly indicates that the Bank continued to expand its client base and enhance its competitiveness.

Such improvements occurred in spite of the internal crisis witnessed by the Bank and the difficulties associated with the conditions that led to changing the Board of Directors, which the Bank dealt with efficiently and effectively. The Bank was able to mitigate such adverse effects on its financial results, which were satisfactory by all measures.

The achieved profits were not deterred by the provisions taken against non-performing loans. Such provisions have enabled the Bank to build a solid financial base and continue a steady credit policy underpinned by clients that have clean credit records. Furthermore, the Bank was enabled to embark on the process of expanding its banking base and offer new banking services that were in tandem with market and client needs.

The Bank was able, for the first time in Jordan, to manage and lead a private issue of Islamic Sukoks for Al- Rajhi Group under the supervision of Capital Investments Company and in partnership with local banks. In addition to demonstrating the capacity of the Jordanian market in responding to developments in financial instruments, particularly Islamic banking, which has become a secure refuge for investors following the financial crises in America and Europe, the achievement is considered a qualitative addition to the cumulative experiences of the staff of the Bank and its subsidiaries.

In light of the difficulties witnessed by the Bank, the achievements would not have been possible without a responsible, cautious and prudent administration, which supervised the execution of the operations of the Bank, and the competence of its employees at the various administrative and technical levels.

The Central Bank of Jordan, an integral component and a major contributor to the success of the banking sector at large, has created an appropriate banking environment that is conducive to prosperity and success in the Kingdom. Capital Bank has had a profound experience with the Central Bank of Jordan, when the latter stood with the rights and correct path from which the previous administration of the Bank had departed. The Central

Message from the Chairman

Bank of Jordan sided with us and, consequently, the Board of Directors was changed, which contributed to the stability of the Bank and enabled it to overcome the crisis with ease and calm.

Ladies and Gentlemen,

The Arab region continues to face challenges. After the global financial and economic crisis, the consequences of which are still apparent at the national economy level, several comprehensive transformations have emerged calling for political and economic reforms. The transformations have brought new challenges, which should drive us to be able to respond and to turn the challenges, and threats at times, into opportunities. Under the leadership of His Majesty King Abdullah II, Jordan enjoys security, social and political stability, which qualify it to play a role in maximizing investment opportunities and to positively impact the national economy, and human-based social development.

Jordan is considered among the best countries in the world in terms of its attractive business and investment conducive environment. Among the most prominent indicators on the success of economic policies in Jordan, foreign direct investment increased from JD 100 million in 2000 to JD 1.76 billion in 2009. Also, expenditures on health care increased to JD 1 billion compared to JD 598 million. In addition, the telecommunications sector witnessed a remarkable improvement in terms of efficiency, quality of service and competitive prices. The tourism sector has grown significantly with tourism income reaching approximately JD 2.5 billion in 2010. Tourism is one of the most important providers of foreign currencies and an active contributor to the development of the current account of Jordan.

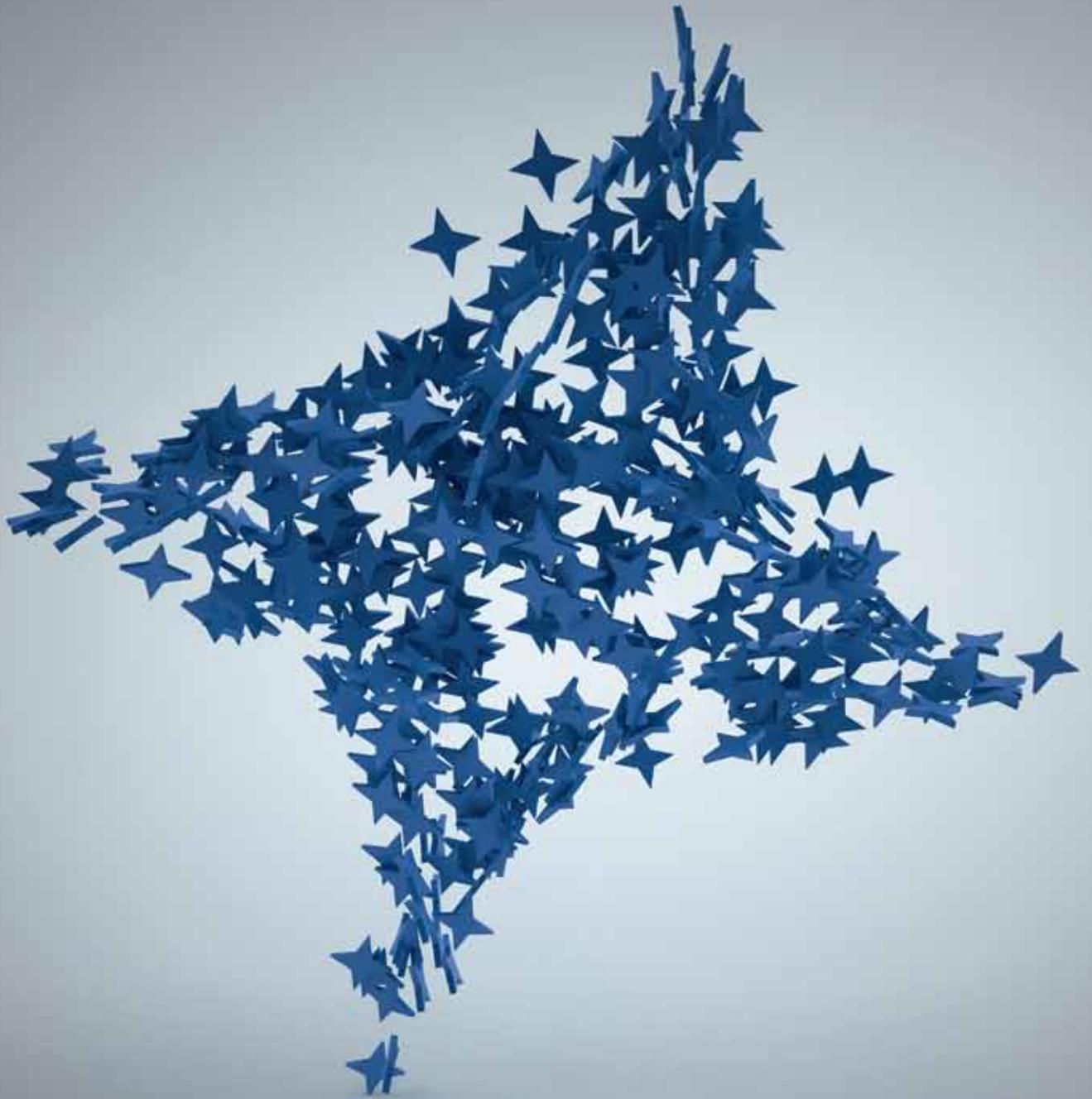
The private sector has a role and bears responsibilities. It is the primary employer of the work force, provider of new annual job opportunities, and partner in sustainable development. Provided it has the will, the private sector can make a qualitative difference and affect the desired forward developments at the country and citizen levels.

Ladies and Gentlemen,

On behalf of the Board of Directors, myself, and the executive management, I would like to extend our deep gratitude for the Central Bank of Jordan, the Securities Exchange Commission and the Ministry of Trade and Industry for their blessed efforts in supporting the development of banks and increasing their contributions to the national economy under the leadership of His Majesty King Abdullah II Ibn Al-Hussein, May God bless and protect him. God Bless Jordan and persevere it as an oasis of security, stability and peace.

Bassem Khalil Al Salem
Chairman of the Board

Board of Directors Report for 2010



**One team that places our valued expertise
in your hands.**

Board of Directors Report for 2010

The Board of Directors of Capital Bank is pleased to present the Fifteenth Annual Report on the Bank's financial statements, achievements, activities and services performed in 2010.

We are exceptionally proud of the distinguished status of Capital Bank in the banking sector, which has been made possible through the combined efforts of the management and executives of the Bank. Both management and Bank executives share one ambitious vision that aims to preserve a solid status of the Bank as an ideal and trusted choice for major companies in the Jordanian market, and build upon and continue the accomplishments of last year and the beginning of this year.

We will not spare an effort to enhance our comprehensive commercial and investment banking services to companies; an aspect that will remain, as always, a strategic priority of the Bank. In addition, we will not neglect the significance of diversifying our services, while we continue to fulfill the needs of the market and garner satisfaction of client segments at the retail and corporate levels and even exceed their expectations through the provision of a comprehensive set of services and competitive solutions.

The Bank succeeded during the last year in providing banking and investment services to different segments of clients through its branch network, which is spread out through the Kingdom. In line with the policy of the Bank, which aims to reach all locations and individuals, the network has been expanded in scope to include new and diverse areas in Amman. Moreover, the Bank paid special attention last year to providing credit facilities of all types in the Jordanian banking market.

Despite the ramifications of the financial crisis, which we expect to continue to have an impact on all economic sectors in the Kingdom, we are optimistic about the capacity of the Jordanian market in general, and the ability of Capital Bank, in particular, to support numerous investment projects and finance them according to client needs.

The policy of the Bank will focus in the coming period on diversifying the credit portfolio and marketing the economic sectors that have measurable risks. Concomitantly, we will continue to maintain the confidence of our clients, which we are honored to have and consider as a motivator for us to provide the best in banking services and investment solutions.

Corporate Services

Capital Bank succeeded in buttressing its status in the local market through attracting several major companies into its client list and enhancing its relations with existing clients through its commitment to offering comprehensive high-quality services underpinned by advanced banking tools and distinguished human expertise. These relentless efforts have led to the expansion of the corporate client base and increasing the volume of the facilities extended to this segment.

The major companies' portfolio at the Bank has increased by 12% and diversified among the various economic sectors. This was a result of the effectiveness and competence of the Corporate Services Department in responding to the needs of different companies in terms of direct and indirect facilities.

The department paid special attention to abiding by sound credit criteria, increasing prudence in financial operations, monitoring the quality of the credit portfolio and dealing with any problems that may arise in a credible and objective manner. Furthermore, prudence-related activities were not postponed to following

Board of Directors Report for 2010

years, as adequate allocations were made during the year for the facilities that were expected to face difficulties due to the economic circumstances at the time.

The Corporate Services Department expects the political unrest and the financial crisis that occurred in the region during the past period to continue to cast their shadow upon the coming years. However, the policy of the Bank in the coming days will focus on the diversification of the credit portfolio and addressing the economic sectors that have measurable risks. Furthermore, the Bank will follow-up on defaulting debt with the aim of collecting and recovering such debt, which will reflect positively on the results of the Corporate Services Department in particular and the Bank at large.

Banking Services to Small and Medium Enterprises (SMEs)

Capital Bank is keen on developing the small and medium enterprises sector. Hence, an independent department has been established with the task of providing services to clients in this sector. The Department is compliant with the criteria of the Central Bank of Jordan in classifying clients. The Bank is expected to achieve a tangible growth in the facilities extended to these enterprises based on market needs and the distinguished expertise and capacities of the staff of the Bank.

Personal Banking Services

- Branches

- Capital Bank now has a total of 18 branches located in different parts of the Kingdom. Five new branches were established and became operative in 2010 in the following locations: Dhahiyat Al-Yasmeen, Marj Al Hamam, Al-Zarqa Al-Jadeedah, Al-Hurriyah Street, Wasfi al Tal Street (formerly Gardens Street). In addition, the new main branch that is located at the General Administration Building was renovated.
- Qualifying and training programs were implemented for all branch employees, sales and management of banking services. Executives underwent training in these programs in order to bolster the sales culture of the Bank and enhance the quality of the offered banking services.

- VIP Branch

In a step that comes in line with the strategy of Capital Bank, which focuses on the aspirations of the top clients and businessmen, a new branch entitled "Capital Select" was inaugurated for this purpose. The Bank seeks to provide the highest level of sophisticated banking services and carry out financial transactions in a speedy and accurate manner that safeguards the privacy of the clients. Our qualified and highly professional team is tasked with meeting all the needs of our distinguished clients.

- Electronic Channels and Direct Communication

- Expanding The ATM network to reach to 39 ATMs distributed in different strategic locations within the Kingdom. Among these, 17 are located in the branches, while 22 other ATMs are located in other external sites. four new machines were added to the network in selected locations (Orthodox Club, Irbid Mall, Duty Free Zone – Zarqa, Al Najdawi Gas Station – Al Massa Al Zarqaa).
- More efficient and Effective modern ATM machines replaced the old ATMs in the following branches (Main, Suweifeh, Al Madinah Al Munawarah Street).

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- Evaluating the purchase of 10 new ATMs to be located in several other strategic locations and raising the total to 49 machines by the end of 2011.
- prepared to launch banking services through mobile phones (Mobile Banking) in 2011.
- prepared for the implementation of (Phone Banking) and (SMS Banking) to be launched in the third quarter of 2011.
- Completed the study of establishing and operating a call center which to be introduced in 2011.
- Magnetic tape Credit cards (including Visa Cards and Master Cards) and Visa Electron, are currently being replaced by smart cards. The step seeks to remain abreast with the most recent developments and ensure that the most modern technologies are utilized in this regard. The Bank will also introduce new cards such as Platinum Visa and Platinum Master Card.
- The Bank signed a cooperation agreement with Zain Telecom -Jordan to launch E-Mal service. The project commenced operation in the middle of 2010.
- Capital Bank was awarded the Best Website Award under the Financial Institutions in the Middle East category in recognition of the distinguished interactive website of the Bank
- New Electronic services such as Bills payment through the ATMs and mobile phone to be offered by the second half of 2011.

New more interactive and modern looking website will be launched at the beginning of 2011.

- Direct Sales and Product Development

- Capital Personal Loans and Capital Real Estate Loans were launched in 2010 in order to meet the needs and aspirations of clients. This emerged from individual credit policies that have been established for several targeted segments taking into account their needs and the competitive position of the market.
- Increasing the sales capacity of the Direct Sales Department in 2010 in order to realize the pre-set targets and facilitate the credit granting process to clients through paying periodical visits that seek to draw the largest number of target segments

- Service Quality

- Capital Bank, in light of its commitment to providing high-quality service, established a new independent department with the aim of enhancing the quality of services offered to its clients. This newly established department implements several work programs to evaluate service quality in the branches of the Bank in order to improve these services. The programs include a system for managing client complaints and suggestions, and the mystery shopper system, which utilize specific criteria for gauging service quality.

- Individual Facilities and Collections

Capital Bank continued to extend retail loans in 2010. The Bank continued to develop its product base and enhance its competitiveness through incentive programs. In order to meet the needs of all clients in the various segments, the Bank, through its branches throughout the Kingdom, extended (housing, personal, cars and cards) loans within the retail product group.

In line with the policy of the Bank, which seeks to offer distinguished and diverse products, a new type of loan, Capital Educational Program, was launched with the aim of supporting youth in academia. This type of

Board of Directors Report for 2010

loan supports youths who desire to pursue higher education and earn masters degrees from top international universities. Loans are extended under favorable conditions and relatively low interest rates. In addition, Capital Bank paid special attention in 2010 to raising the performance level of collection and follow-up procedures and mechanisms by increasing the number of employees in this department and intensifying continuous and periodic follow-up.

Treasury and Investment Department

The Treasury and Investment Department managed to overcome in 2010 the ramifications of the global financial crisis on all economic and financial activities in Jordan and the region. Taking into account investment limits, liquidity risk management and market risk, the Department succeeded in managing the assets of the Bank and its investments wisely by following an intelligent investment policy that is in line with the current economic circumstances. Moreover, the Department utilizes the best available tools in order to achieve a balance between risk and return. The Department continued to create appropriate domestic, regional and international investment opportunities that were in compliance with the investment policy guidelines which were approved by the Central Bank of Jordan. Furthermore, the Department realized the highest possible returns within acceptable degrees of risk by:

- Investing in Jordan treasury bills and bonds and debt securities papers that are guaranteed by the Jordanian government.
- Investing in debt instruments issued by Jordanian or regional companies that enjoy high credit worthiness and stable financial position.
- Investing with local, regional and international companies that enjoy high growth opportunities and quality investment returns.
- Investing in mutual funds that have good track record with acceptable risk levels.
- Investing in structured investment notes as per the needs of the Bank.

The Treasury and Investment Department proved its ability to manage liquidity in an effective manner while maintaining adequate liquidity ratios at a period characterized by lack of investment opportunities. The Department was also successful in maintaining Bank adequacy, meeting its commitments and fulfilling the needs of its retail and corporate clients. The Treasury and Investment Department continued to offers distinguished and highly efficient services to the clients of the Bank in the local regional and international markets. The services include:

- Providing foreign currency exchange rate in JD and USD in both spot and forward markets at best prices and in different periods to different segments of clients, enterprises and currency exchange companies.
- Trading for the clients of the Bank in money and capital markets by utilizing money and capital market tools including treasury notes, treasury bonds, commercial papers and government debt tools and debt tools that are guaranteed by the government or issued by Jordanian companies.
- Dealing in cash and on - margin in foreign currency spot and forward markets.
- Engaging in foreign exchange swap and interest rate swap transactions.
- Issuing certificates of deposit in various currencies, whether in JD or foreign currencies for various periods at competitive rates.
- Providing advice, consultation and solutions to clients to hedge against fluctuations in interest and currency exchange rates.

Board of Directors Report for 2010

Based on the future strategy of the Department of Treasury and Investment, the Department seeks to continue to provide the best services to its clients and expand the investments of the Bank in various fields, instruments and opportunities in order to maximize returns within acceptable risk and in a manner consistent with the guidelines of the investment policy and future conditions.

Financial Institutions Department

The Financial Institutions Department played a remarkable role in broadening the prospects for new opportunities business and banking relationships with banks and financial Institutions, in order to meet the needs of Capital Bank as well as expand the scope of its operations and presence. The Department expanded the base of highly rated correspondent banks, which further enhanced the ability of the bank to execute its activities in external trade, treasury operations and credit facilities. In addition, this has enabled the bank to enjoy greater flexibility in covering a larger number of markets to facilitate and direct different banking transactions, and promote the various banking services offered by Capital Bank.

Simultaneously, the Department handled the management and evaluation of all the credit risks that were associated with the Bank's transactions with other banks and financial Institutions. This was accomplished to reduce any potential risks, given the fact that there were several reservations on dealing with Institutions that were affected by to the global financial crisis and its ramifications and financial problems.

The year 2010 witnessed great activity in terms of business development, banking relations, trade finance transactions and management of accounts. Additionally, there were several participations in syndicated banking loans to several banks, which contributed toward bolstering the status of the Bank and its regional presence as an institution that has an active role in the region; and, also, helped promote the Bank's name and its status with large international financial institutions.

It is also worth noting that the Financial Institutions Department worked on establishing new strategic partnerships as well as activating the existing partnerships with Arab and international funds financial and corporations. which supported the external trade finance of activities and facilitated its execution and financing.

Central Operations

- The central operations departments were restructured to ensure the enhancement of the basic capacities of central operations and their efficiency by developing the employees' capabilities to provide services that meet the business and banking solutions for the customers, and provide consultations for commercial operations and different banking services as well.
- The Bank became a principal member of Visa International as an issuer and acquirer for Visa debit and credit cards. Accordingly, the share of the bank in commissions and fees on the cards holder's transactions has been increased. In addition, the issuing and management of cards are handled directly by the Bank.

Management Information Systems

Since the Bank is keen on utilizing the latest international technologies in the banking sector, the Bank is preparing to adopt a T24 System, which will be a first in Jordan. The system, provided by Temenos, is among the latest integrated international banking systems.

Board of Directors Report for 2010

The launch of the T24 system comes as a translation of a well-studied strategy that aims at enhancing the performance of the Bank and ensuring the realization of its targets of expansion at the local and regional levels. The system is known to be an essential basis for developing and launching new distinguished products and services. Additionally, the system will contribute toward achieving the strategic development goals of the Bank in a manner that is consistent, from a technical perspective, with the approaches of the upper management. Furthermore, the system supports the technical projects of the Bank to meet all of the requirements of monitoring and risk management. This will guarantee the achievement of the vision of the Bank to be among the most technically advanced banks employing modern and new technologies and the best trained and most qualified human resources.

Concomitantly, the Bank continuously works on modernizing the infrastructure of the existing information systems in order to enhance performance and increase the efficiency of the communications lines. Additionally, the employees are provided with advanced computers and equipment to guarantee a speedy performance and better, high-quality services.

Policies and Procedures Department

- Well written standard operating procedures (SOPs) were prepared for all departments of the Bank to improve performance, accountability customer satisfaction and services. Current procedures were reviewed to ensure compliance with CBJ requirements and Basel II.
- New template format and re-flowchart the existing processes and forms were redesigned in accordance with legislative regulations and control.
- Rights, Roles and authorities were reviewed in the branches to meet activity needs.

The Plan for 2011

- Implementing an automated procedures system that facilitates electronic approvals to reduce time.
- Revising the procedures to ensure compliance with the new T24 banking System.
- Preparing work procedures related to all new products
- Setting up an intranet page to be used by employees who wish to review the procedures, each according to his/her access level.
- Working with all departments of the Bank on a regular basis to arrive at best practices in implementing work procedures.

Human Resources Management

Based on the belief of Capital Bank in the significance of human resources as the core underpinning of the Bank and one of its main pillars in the implementation of strategies and plans as well as reaching our goals and arriving at goals including raising the level of services provided, the management of the Bank pays great attention to the development of human resources through:

- 1- Attracting the best talents in terms of academic qualifications and work expertise.
- 2- Administrative and organizational development
- 3- Qualitative training to enrich banking knowledge, enhance skills, and any aspect that ensures that human resources are in-sync with the most recent developments in finance, business and banking. In terms of

Board of Directors Report for 2010

policies related to human resources, the Human Resources Department in cooperation and coordination with members of the upper executive management designed systems and mechanisms that seek to enhance the employees' performance such as: workflow system, code of conduct, recruitment procedures, performance evaluation system, incentive scheme, and instructions for accounts, loans, and credit. Moreover, in order to develop and invest in human resources, the Human Resources Department held several comprehensive training programs during 2010 with the aim of developing personal and technical skills, enhancing cooperation and solidarity among employees at all levels and consequently buttress the team spirit at the Bank.

The Plan for 2011

- Designing and preparing a modern employees' system that covers all aspects related to the employees and provides the best possible privileges and benefits for them.
- Activating a salary scale structure, which is based on the weight of each position within the organizational structure of the Bank.
- Preparing a modern incentives system that abides by the performance and profitability criteria in a manner consistent with the regulations and directives of the Bank.
- Designing a special system for promotions based fairness and equality among the employees.
- Studying the work benefits in the banking sector through the participation in the salary and benefits survey in the banking sector.
- Designing a comprehensive system for performance evaluation that is linked to promotions and salary increases.
- Focusing on investing the human resources in the most appropriate manner and placing the right employee in the right position.
- Convening specialized training programs to develop the capacities and skills of employees at all administrative and job levels to increase the efficiency of performance and productivity, and enhancing the quality of the services provided to clients.

Administrative, Engineering and Real-Estate Affairs

- Issuing a tender for implementing construction improvements and interior decoration for the new General Admin Building, which is expected to be occupied by the business departments during the first half of 2011.
- Training the employees on the use of the general safety equipments and conducting fire drills in cooperation with the Civil Defense Directorate for the buildings of the Bank, including Al Madinah Al Munwarah Branch.
- Implementing the fixed asset management system by conducting an audit of all assets including machinery, equipment and furniture, and coding and entering them into the system.

The Plan for 2011

- Receipt of the new General Admin Building and equipping it with the required furniture, equipment and systems. The business departments will be moved to the building as it will be equipped with the daily systems that are needed to link the buildings of the Bank with its branches.
- Equipping the branches of the Bank and the General Admin Building with emergency electricity generators to ensure the sustainability of the work in case of a power outage.

Board of Directors Report for 2010

- Modernizing the current General Admin Building and providing general safety equipment to enable hosting of the support departments.
- Maintenance of the Irbid and Wihdat branches and modernizing the security systems and internal networks.
- Placing emphasis on controlling expenditures as a policy according to the specified expenditure items in the planned budget.

Management and Monitoring of Credit

The Bank adopted a new methodology to manage the credit process. The methodology is based on the separation between departments that generates revenues, known as the business departments, and the supporting departments: the Credit Review and the Credit Control Department.

The Credit Review Department is responsible for evaluating the credit applications; financial analysis and accordingly state their recommendations based on clients credibility and their financial statements submitted to the bank.

Moreover, the Department plays an active role in developing and upgrading credit knowledge within the bank, through the long experience of the credit department team which entitled them to be major members in credit committees.

During the last year, the bank created two different internal rating systems in order to evaluate corporate and SME clients. These systems enabled the bank to attract and retain selective and desired clients.

The Bank will continue developing these systems until the management decides to implement international accredited new rating system in compliance with central bank of Jordan requirements and Basel II accords.

The Credit Control Department responsibilities lie in ensuring that all documents and recommendations mentioned by the credit committees are properly authenticated for all clients and ensure that these recommendations are in compliance with the bank credit policy and in accordance with Central Bank of Jordan regulations prior to execution.

Moreover the department has monitoring role on daily operations to ensure maintaining a quality credit portfolio, and report excesses to management for their action.

Risk Management

Risk management is undertaken to preserve the financial position and profitability of the Bank and identify the risks and methods required to deal with, reduce or mitigate such risks as much as possible. The task is carried out by several committees within the Bank, formed from the Board of Directors and the executive management emanating therefrom, such as the Risk and Compliance Committee, the Audit Committee, the Internal Risk Committee, the Asset and Liability Committee as well as the Credit Approval Committees. In addition, all of the Bank's branches and departments are responsible for identifying and managing the risks related to their banking operations. Furthermore, all of the Bank's branches and departments are to ensure their compliance with the appropriate monitoring limitations, and the continuous maintenance of such compliance with the risk control system.

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In recognition by the Board of the significance of the various risks that face the banking sector and in compliance with the international rules and directives of the Central Bank of Jordan in this regard, the Risk Management department, which is an independent and specialized department at the Bank, focuses on identifying the existing and potential risks and designing methods to deal with and reduce them as much as possible. To this end, the Bank seeks to continue developing the risk management systems and take the necessary steps and measures that qualify the Bank to comply with the new international standards, most importantly the requirements of the Basel II Committee. Accordingly, in coordination with an international consulting firm, the Bank started implementing the second pillar (supervisory review) of Basel II Committee accord by conducting an internal evaluation of the Bank's capital adequacy, to comply with the recently issued directives of the Central Bank of Jordan.

Compliance Department

Capital Bank believes in the important role of the external local and international monitoring bodies in maintaining the quality of the banking sector. Therefore, the Bank is committed to complying with all the requirements and limitations set by such bodies. Furthermore, the Bank perceives these requirements in addition to the criteria of integrity, transparency and credibility as integral parts of the internal culture of the Bank. To this end, the Bank has established the Compliance Department, which is tasked with determining, controlling and monitoring the risks related to non-compliance. Hence:

1. The majority of the policies, banking services and work procedures of the Bank were reviewed to ensure abidance by the requirements of compliance and anti-money laundering, the Bank carried out the following:
 - Preparing and recommending the adoption of policies and work procedures regarding the systems of social and environmental responsibility, which shall be taken into account when extending facilities to small and medium enterprises and companies.
 - Adopting an anti-money laundering questionnaire (AML Questionnaire) form, and following a know-your-client policy when establishing a relationship with or setting up accounts for foreign banks.
 - The Board of Directors adopted the policy of Anti-Money Laundering and Anti-Terrorism Finance. Furthermore, employees of the Bank attended training courses to familiarize them with the concept of monitoring, anti-money laundering and the penalties that may befall the Bank in case of non-compliance.
2. Conducting tests, investigations and field visits to work centers and reviewing some reports, credit limits and the classifications that are requested by the Central Bank of Jordan.
3. Implementing the AML/Filtering System in cooperation with East Nets Company; the AML/Profiling System will be implemented in 2011.
4. Preparing the Compliance Risk Control Matrix for the products and services of the Bank.
5. Amending the applications for setting up private accounts at the Bank to reflect the requirements of the know-your-client policy.

The Plan for 2011

- Implement the AML system in cooperation with East Nets Company in the areas of monitoring, classifying the clients and their accounts and risk evaluation.
- Adopt a program to test and control the Monitoring Compliance Risk Matrix.
- Continue to coordinate with subsidiary companies to ensure that they abide by the compliance and anti-

Board of Directors Report for 2010

money laundering policies.

- Provide continuous support to the departments, management and employees of the Bank to enable them to manage the compliance risks to which the Bank may be exposed.
- Review, through the Risk Management and Compliance Committee, any new recommendations or policies issued by the Board of Directors.

Marketing and Corporate Communications Department

The Marketing and Corporate Communications Department is entrusted with developing the corporate identity and designing and managing marketing campaigns for the various services and products of the Bank. In addition, the Department works on enhancing the positive mental image of the Bank and its trademark among all segments of society and distinguishing it in the banking market. Furthermore, the Department promotes the image of the Bank by developing a marketing strategy for the financial and banking services of the bank that is underpinned by sound marketing principles. This, in turn, ensures reaching out to the target clients through the most appropriate methods and means.

Among the most prominent contributions of The Marketing and Corporate Communications Department in 2010 was sponsoring numerous activities and conferences that dealt with: financing the small and medium enterprises, economy, medicine and supporting the youth sector.

Community Service

The Capital Bank is committed to serving all segments of the local community; therefore, it has carried on with the legacy of enhancing its role in society and contributing to social development. The Bank has contributed and provided material and moral support to a number of societal initiatives in the educational, humane and social spheres. This support stems from the culture of institutional philanthropy, which has been instilled within the work culture of the management and executives of the Bank who, as a result, participate in these initiatives and do their utmost to serve them.

The following are examples of the contributions of Capital Bank toward serving the local community:

- Supporting the third phase of the "Madrasati" initiative, which was launched by her Majesty Queen Rania Al Abudllah II in order to provide an appropriate educational environment and improve all components of the educational process in the southern governorates. Consequently, Capital Bank adopted three public schools (Abu Ayoub Al Ansari School in the Aqaba Governorate, Al Rasheediah Mixed Elementary School in the Karak Governorate and Prince Hassan Secondary School in the Tafleh Governorate).
- Supporting the Charity and Good works Campaign of the Jordanian Hashemite Fund; this was launched during the beginning of the holy month of Ramadan.
- Focusing on non-profit and charity institutions and supporting entities that help orphans and the poor. The Bank sponsors two of the houses at the SOS Children Village Association.
- Supporting institutes and societies which deal with people with special needs including Al Hussein Cancer Center.
- Sponsoring 25 orphans of the Kafel El Yateem Society, Mafrag.
- Covering the tuitions of 12 special needs students, members of the Young Muslim Women Association for Special Education.

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- Providing Iftar, food boxes and Eid gifts during the holy month of Ramadan to 100 orphan children in Mafrag with the participation of the employees of the Bank.
- Celebrating, with the participation of the employees of the Bank, the month of Ramadan and Eid Al-Fitr with the children at the SOS Children Village Association.

The Bank Contribution toward protecting the Environment

For the third consecutive year, the Bank contributed to the national reforestation initiative through the reclamation of non-forested lands in the Eira/Al-Salt and planting suitable trees there. The effort was part of the Agrarian Reform Program patronized by the Ministry of Agriculture.

The Plan for 2011

The Capital Bank aspires to activate its social role in 2011 in a number of fields that serve the needs of society by supporting some of the programs and activities which aim at realizing the aspired social development:

- Providing support and sponsorship to institutions and societies that are specialized in educational, humane, social and other spheres. In addition, the Bank seeks to adopt orphans, sponsor students with special needs and support the Charity and Good works Campaign, nursing homes, the initiatives on road safety, the scientific and medical conferences, the athletic teams and the athletic and cultural clubs.
- Contributing to the protection of the environment through the forestation campaigns in cooperation with the Ministry of Agriculture or through awareness campaigns among the citizenry in cooperation with local authorities.
- Cooperating with environmental protection societies such as the Friends of the Environment Society and participating in the paper recycling initiative.

Capital Investments

Capital Investments managed to maintain its leading position among the local and regional investment companies in 2010 by providing unsurpassed services in all areas of investment banking. Despite the fact that the region witnessed hardships in 2010, which surely affected the performance of investment companies, Capital Investments, by all measures, achieved positive results as its relentless efforts and the commitment to a high-quality performance enabled it to increase net profits by 89 %.

The Company operates in the following areas:

First: Local, Regional and International Brokerage Department

The Local Brokerage Department, which falls under the purview of Capital Investments, continued to progress while maintaining a distinguished position among tens of brokerage firms operating in the Amman Bourse. The Company, through this Department, managed to preserve its market share despite the decrease in the volume of total trading in the local market by 39 % compared to the previous year.

As the company is keen on providing the best and latest services to its clients, it intends to launch a trading service on the Internet, which is expected to enhance the competitiveness of the Company in the local market.

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The Company intends to establish next year an Institutional Desk, which will focus on attracting local and foreign investment funds that desire to invest in the Amman Bourse. In addition, the Company will establish an office (Fixed Income Desk) for the exchange of governmental bonds and corporate bonds that are listed in the local and regional markets.

The Regional Brokerage Department is still enjoying an advanced position in terms of trading volumes among brokerage firms that are active in the regional market. The Department depends on its team, which specializes in dealing in these markets. The team maintains an intensive follow-up on company news, financial and technical analysis of market movements in general, and the positions of its listed companies in particular.

The international financial brokerage service is one of the leading services provided by Capital Investments and targets the companies and investors desire to diversify their investments by investing in the international financial markets. The International Brokerage Department offers a large group of modern investment services including selling and purchasing international stocks, and derivatives such as the stock options and investment trading funds.

The International Brokerage Department continued to achieve growth in its trading volumes that were recorded in 2010. This is attributed to the fact that the team possesses a wide experience in observing and analyzing activities in the international markets and due to their precise knowledge of the various investment instruments. The Department intends to expand its activities, in 2011, into the Asian markets to attract new clients.

Second: Asset Management

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

Activities of the Asset Management Department include four main sections:

- 1- Portfolio Management: This takes into account the goals and investment limitations as determined by individual and corporate clients. It also ensures the optimal distribution of their portfolios in order to be consistent with estimated returns and the accepted levels of risk.
- 2- Investment funds: managing hedge funds and specific strategy funds in the various Middle Eastern and North African markets in addition to managing the existing Horizon Fund.
- 3- Structured investment products: designing and managing various types of investment products such as guaranteed capital portfolios.
- 4- Investment advisory services: providing financial consulting services to clients to help them determine their goals and familiarize with the necessary means to meet their needs as well as restructure their current investment portfolios.

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The Department seeks to launch new investment funds in 2011, which can deploy their capital in both the stock markets and the permanent income instruments issued in the markets of the Middle East and North Africa region. In addition, it seeks to launch new reconstructed instruments to widen its product base.

Third: Corporate Finance and Restructuring

The Corporate Finance and Restructuring Department offers a wide range of advisory and banking investment services. It depends on the wide knowledge and technical expertise enjoyed by the members of its team. The Department achieved a record of distinguished performance in terms of successful operations in addition to dealing with a diverse client base that includes public and private corporations, and financial and government institutions.

Among the most important achievements of the Department in 2010 was the arrangement of a syndicated loan of JD 56.8 million for the expansion of the Aqaba Container Terminal Company. In addition, it started working on a first of a kind achievement in the Kingdom, whereby it managed and arranged for the issuance of Islamic Sukok valued at JD 85 Million for Al-Rajhi Cement Company – Jordan.

In order to achieve best results that ensure the sustainable growth of its work and the satisfaction of clients with all that it offers, the Department is committed to understanding and realizing the financial requirements and strategic goals of each client.

The activities of the Department include:

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

Fourth: Studies and Research

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

National Bank of Iraq

The National Bank of Iraq was established in August 1995 as a public shareholding company that is owned by the private sector with a total capital of 2 million Iraqi Dinars. As of today, following several increases, which occurred over different stages, the capital of the Bank stands at 50 billion Iraqi Dinars (JD30.75 million). In addition, Capital Bank increased its share in the National Bank of Iraq to 72.36%. The National Bank of Iraq is currently completing its final preparations to raise capital to 100 billion Iraqi Dinars in June 2011, which is in

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compliance with the directives of the Central Bank of Iraq. The share of the Capital Bank will not be changed and will remain at 72.36%.

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

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

1. All types of client accounts including current, savings and deposits in both Iraqi Dinar and US Dollar.
2. Setting up accounts in Jordan and managing them at Capital Bank without the need for a physical presence in Jordan.
3. Corporate finance services and the projects supported by the US army, Iraqi government and the private sector.
4. Providing extended loan services: personal loans for special groups, housing loans and car loans.
5. Providing wire transfer services to all countries and in all currencies in addition to auction related transfers.
6. Local and international bank guarantee services.
7. Incoming and outgoing letters of credit.
8. Transfer of client accounts in foreign banks to their accounts at the National Bank of Iraq through Capital Bank.
9. Purchase and sale of stocks in the international markets for its clients in cooperation with Capital Investments, the investment arm of Capital Bank.

Moreover, a new banking system has been implemented at the National Bank of Iraq, which will enhance its banking operations. The Bank owns seven branches located in different parts of Iraq including the main branch, Raghiba Khatoun Branch in the city center and other branches in Mosul, Erbil in the northern region of Iraq, Basra in the southern region, Karbala in the central region and Al Ghadeer city, east of Baghdad.

Corporate Governance Code



We attend to even the smallest detail.

Corporate Governance Code

Introduction:

Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole. There is no doubt that good Corporate Governance provides suitable incentives to the Board of Directors and the executive management to continue achieving their objectives, which go with the interest of both; the institution and its shareholders, facilitate the existence of effective control, and keep the management accountable towards the Board of Directors on one hand, and the Board of Directors accountable towards the shareholders and other stakeholders on the other hand.

1. What is Corporate Governance?

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

Effective Corporate Governance is connected with internal factors that include; effective communication between the management of the bank, the Board of Directors, the shareholders and the management. While the external factors play a role in supporting the availability of good Corporate Governance, such as the following:

- Laws and regulations that protect rights of the shareholders’ and other stakeholders such as the depositors.
- The appropriate control environment by the supervisory bodies such as the Government, the Central Bank of Jordan and Amman Stock Exchange.

2. Corporate Governance Best Practice

The Structure of Corporate Governance process as well as the legal and organizational frameworks varies vastly among countries. Yet, the sound Corporate Governance can be achieved regardless of the model adopted by the banking institution as long as there are basic functions operating as required. There are four forms of control that organizational frame of each bank must include to ensure effective control; namely: (1) oversight by the Board of Directors, (2) oversight by individuals who are not involved in the day to day work, (3) direct line supervision of different business areas, (4) Independent Risk management, compliance, and audit functions. It is also important that the key personnel are fit and proper for their jobs.

3. Legal Framework of Corporate Governance in Jordan

The rules and principles of Corporate Governance depend on the following legislations:

- Banks Law No. 28 of 2000 and its amendments
- Companies Law No. 22 of 1997 and its amendments
- Securities Law No. 76 of 2002 and its amendments
- Regulations and Instructions issued based on the above laws

Capital Bank of Jordan’s policy for Enhancing Corporate Governance principles

1. Corporate Governance Code as a Reference

Capital Bank of Jordan is aware of the importance of enhancing Corporate Governance principles in the bank,

Corporate Governance Code

as they provide sound basis for its development and the improvement of its performance, these principles also increase trust in the bank's activities, which will attract the funds of the depositories, the capital of the shareholders, and give the bank the ability to effectively participate in developing the financial system in Jordan.

Based on the foregoing, the Bank has decided to adopt the Corporate Governance code in consistence with the best international practices in this regard, which were issued by Basel International Committee for Banking supervision in February 2006, under the title "Enhancing Corporate Governance for Banking Organization" and the Boards of Directors Guidelines which was issued by the Central Bank of Jordan in 2007.

2. The Four Principles of sound Corporate Governance

- Fairness: minority of shareholders and other stakeholders must be treated fairly and their interests must be taken into consideration.
- Transparency: financial and organizational information and the incentives of the executive management must be disclosed to the stakeholders to enable the depositors and shareholders to assess the performance of the organization.
- Accountability: The executive management answers any enquiry raised by the Board of Directors in connection with the implementation of plans and application of the prescribed policies with the aim of ensuring the maintenance of the assets and financial position of the Bank. On the other side, the Board of Directors must show preparedness once it is questioned by the shareholders in the General Assembly and any other stakeholders.
- Responsibility: Authorities and responsibility must be clearly defined.

Main Elements of the Code

First: Commitment to Corporate Governance

- The Bank has formed a committee for Corporate Governance from board members whose duties are stated in the Code.
- The Corporate Governance Committee has prepared this Code, which was then approved by the Board of Directors. The annual report of the Bank is included therein. Furthermore, an updated copy thereof is available on the website of the Bank for whoever needs it.
- The Bank annually declares its extent of compliance with this Code. Wherever necessary, details of how the Bank applies each item in the Code are set forth. In other instances, the Bank states why it followed some procedures that are different from the code content.
- In line with the developments witnessed by the Bank, this Code will be subject to periodic review and development whenever required to meet the needs of the Bank and the expectations that might arise in the surrounding environment.

Second: The Board of Directors

1. The Responsibilities of the Board of Directors

A. General Principles

- The Board assumes its responsibilities related to the operations of the Bank, its financial integrity, the satisfaction of central bank requirements, the interests of the shareholders, depositors, debtors, employees and other stakeholders ensuring that the Bank is managed prudently based on the framework of the applicable laws, instructions, and the bylaws of the Bank.

Corporate Governance Code

- The Bank is strengthening the concept which states that each member in the Board of Directors is obliged towards the Bank and all its shareholders, rather than a certain shareholder.
- The Board defines bank objectives and guides the executive management to draw up a strategy that can achieve such objectives. The executive management draws up work plans that go in line with such strategies through a process that includes the participation of all Bank departments. The Board adopts the strategy, work plans, and ensures that the executive management reviews the performance achievements in accordance with the work plans and takes corrective steps wherever necessary. The process of preparing the estimated budgets should be deemed to be part of the short term planning process and performance measurement.
- The Board ensures that the Bank enjoys high integrity in exercising its operations. This is realized by the availability of policies, rules and procedures that organize the operations with the related parties and the existence of work ethics charter, which includes a definition of conflict of interests and the transactions made by the Bank employees for their personal interest based on internal information about the Bank that was obtained/accessed as a result of the powers vested in them. Such policies and the work ethics charter should be circulated to all the Bank's employees and the members of the Board and their consent to the same should be secured and they should be published to the public.

B. The responsibilities of the Board of Directors were defined in accordance with the powers vested in them pursuant to the Bank's Articles of Association and to those provided for by the Banks Law, Companies Law and pertinent instructions. They include the following responsibilities:

- Definition of the objectives and drawing the plans with which the executive management of the Bank should comply.
- Selecting an executive management which is capable of managing the affairs of the Bank efficiently and effectively.
- Approving the different policies of the Bank including the policies of different risks, provided that the Central Bank is supplied with a copy of the policies provided for based on instructions.
- Controlling the implementation of the Bank's policies and ensuring the correctness of the procedures followed for achieving the same.
- Ensuring that no member may make personal benefit at the account of the Bank interest.
- Taking the steps that guarantee the accuracy of the information that is provided to the Central Bank according to the Central Bank's law and in pursuance with the provisions of this law.
- Taking all the procedures that guarantee compliance with the provisions of the Banks Law, and any other legislation related to the operations and activities of the Bank.
- Drawing the Bank's internal regulations and instructions that define the duties and powers of its different departments, which, in turn, guarantee the achievement of administrative and financial control over its operations.

2. The Role of the Chairman

- The positions of the Chairman and the General Manager were separated. The Bank observes that no relationship exists between the Chairman and the General Manager below third grade. Responsibilities are decided based on written instructions authorized by the Board and reviewed whenever necessary.
- The position of the Chairman was separated from that of the Chief Executive Officer (CEO) in order to promote an independent element within the Board.

Corporate Governance Code

The role of the Chairman should be as follows:

1. Representing the Bank in accordance with the provisions of the Companies Law, Banks Law and the regulations issued by virtue thereof, and any other regulations applicable in the Company.
2. Supervising the activities of the executive management and ensuring that they are made in accordance with the recognized financial and banking standards, the applicable laws, and regulations, and the policies adopted by the Board of Directors.
3. Signing the agreements, contracts, and financial transactions that fall within his powers in accordance with the provisions of the Companies Law, and the regulations and resolutions of the Board of Directors issued in this connection.
4. Inviting the Board of Directors to meet and define the subjects that are included in the meeting agenda.
5. Informing the departments with the resolutions of the Board, supervising the follow up of their implementation in cooperation with the management of the Bank, and ensuring that the executive management has taken all the necessary measures to perfectly implement such resolutions.
6. Promoting the relationship between the Board of Directors and the executive management and between the executive and non-executive members of the Board of Directors.
7. Creating a culture in the meetings of the Board of Directors that allow constructive criticism, listening to the various viewpoints and making the necessary voting for taking resolutions.
8. Ensuring that the Board of Directors obtains the necessary and adequate information in time.
9. Ensuring that the shareholders obtain the necessary and adequate information in time.
10. Ensuring the achievement of the highest standards of corporate governance in the Bank.

3. Standards, Values and Efficiency of the Board of Directors:

Standards:

Each board member must be fit and proper to serve the interests of the Bank and other pertinent parties. Besides the conditions contained in the Banks Law and Companies Law that must be fulfilled in whoever occupies the presidency and membership of the Board of Directors with regard to age, personality, requirements of financial solvency of the managers, the members must fulfill all the following experiences and qualifications:

1. Ability to be independent in judging any matters.
2. Financial knowledge, including knowledge of the financial data, reasonable understanding of the percentages used to measure performance, and the availability of the necessary expertise in the field of the international markets.
3. The availability of skills or experiences that contribute to enriching the Board in the fields of accounting, financing, banks or any other banking experience.
4. Commitment to learn the bank's business, meet the stock ownership requirements; offer to resign from the Board if there is any change in the professional responsibilities, and devoting the necessary efforts and time.
5. The availability of understanding and knowledge of the best international practices in the field of administration and its applications.
6. Leadership, represented in the ability to empower and motivate a high performance management team.
7. Ability to provide strategic orientation, conceptualize emerging trends, and challenge innovations.

Loyalty and Care Responsibilities:

Members truthfulness, loyalty and concern about the Bank is deemed to be of utmost importance to achieve good corporate governance as follows:

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1. **Trustfulness:** a member cares that his relationship with the Bank to be a trustful one and should, like any other employee, declare any important information effecting any transaction or commercial dealing with the Bank.
2. **Loyalty:** Should any conflict of interest arise between the member and the Bank, all parties must endeavor that the transaction must be fair to the Bank. This means that the director who is dealing with the Bank would be given the same conditions that would have been given to him if no relationship exists between him and the Bank. For realizing the aspired loyalty, the director should:
 - Exercise his role honestly and put the interest of the Bank always first.
 - Avoid conflict of interests, and avoid exploiting his position or the Bank's information to achieve personal goals.
 - Advise the Board with any potential conflict of interests and abstain from voting to any decisions that are related to this subject.
3. **Care:** A member must be careful to carry out all duties provided for in the laws and regulations applicable in this field, and must endeavor to obtain all the necessary information to ensure that all the decisions taken are in the interest of the Bank.

For realizing the aspired care, a member should:

- Understand the operations of the Bank, the markets and the sectors he is serving.
- Attend the meetings of the Board and prepare well and ahead, especially with regard to the decisions to be made during such meetings.
- Carry out the duties assigned to him honestly, look for precautionary indicators and follow up all important issues with the executive management of the Bank.
- Get objective advice if required.
- Comply with the provisions of the different laws relating to the Board of Directors.

Independence:

To increase the efficiency of board's control over the executive management and ensure that it doesn't exercise any imprudent measures. The Bank's Board of Directors should maintain an appropriate number of non executive members in the Board, at least three of them to be independent.

The independent member is defined as the member (whether in his personal capacity or as representing a corporate person) who has no relationship with the Bank other than his membership in the Board of Directors, which makes his judgment unaffected by any considerations or external matters. The minimum requirements that must be available in an independent member include the following:

1. The member must not have worked as an employee in the Bank during the last three years preceding his nomination to the Board membership.
2. No relationship should exist between him and any executive management in the Bank below the second grade.
3. The member must not receive any salary or financial sum, except what he receives for his membership.
4. The member must not be a director or owner of a company with which the Bank deals, except the transactions that arise because of the services and/or the ordinary activities submitted by the Bank to its clients, provided that they are governed with the same conditions of similar transactions with any other party, and without any preferential conditions.

Corporate Governance Code

5. The member must not be partner to/or employed by the external auditor during the three years preceding his nomination to the Board membership.
6. The members shares must not form an interest that affect the capital of the Bank, and must not be an ally to another shareholder.

To ensure independence, a member must comply with the following:

- He (she) must declare in writing, and regularly whether he, his spouse, or any of relatives, up to the third grade, has a personal interest in any transaction or contract to which the Bank is a party, or whether any one of them has an interest affecting a company with which that transaction or contract is related. He must not participate in any meeting in which that transaction or contract is discussed.

Evaluating to which degree his other activities affect his independence as a member in the Board of the Bank.

Acquaintance and Knowledge:

- The director of the Board should have understanding and knowledge in the banking operations and the risks that the Bank faces, in addition to the financial data which reflects its financial standing.
- The director of the Board should have knowledge in the laws and instructions with which the Bank is required to comply with, and must follow up the new topics in the financial services sector and any developments thereto.
- The member must attend the meetings of the Board of Directors and the committees resulting therefrom, and review all the subjects raised and reports presented by the executive management, the internal and external auditors, and the other stakeholders.

4. Organizing the activities of the Board

- With the aim of ensuring the comprehensiveness of the subjects presented in the board meetings, which must not be less than (6) meetings per year, the executive management should propose the subjects it deems to be important for the agenda of each meeting.
- The Bank should maintain an appropriate number of independent members with the aim of ensuring the availability of objective decisions, and to ensure that the Bank maintain a level of control that ensures the equilibrium of the influences of all parties, including the executive management and the main shareholders, and ensure as well that the decisions taken are in the interest of the Bank.
- The executive management should provide the directors of the Board with adequate information before the meetings of the Board in order to enable them take the appropriate decisions.
- The secretary should provide each member, upon being elected, with a letter which states the rights, responsibilities, and duties of the member in line with the relevant legislations.
- The policies of the Bank include an explanation of all the banking operations that require the approval of the Board of Directors, including their powers with regard to the transactions concluded with the concerned parties, or any other banking operations that fall within the authority of the Board.
- The Board and its committees may have direct contact with the executive management.
- The Board and its committees should have the power to seek assistance from external sources to help them carry out the duties assigned to them satisfactorily.

Corporate Governance Code

5. Composition of the Board of Directors and Formation of Committees

- The number of the directors is eleven, and that is deemed to be a suitable number as per the best international practices.
- The Board of Directors has delegated some of its powers to committees that are made up of a lesser number of directors with the aim of increasing its efficiency. This is achieved within a charter that puts forth the powers and responsibilities of the committees. Such committees work by meeting independently from the Board and present periodic reports to it.

Third: The Committees of the Bank's Board of Directors

1. The Executive Committee

The Charter of the Executive Committee:

The executive committee should be formed based on a decision by the Board of Directors from among the directors of the Board and should be presided by the Chairman of the Board and include five of its members. The Board should appoint a vice president to the committee and the secretary of the Board should appoint a rapporteur to the committee.

The Charter of the executive committee

The executive committee should be formed based on a decision from among the directors of the Board and should be presided by the Chairman of the Board and include five of its members. The Board should appoint a vice president to the committee and the secretary of the Board should appoint a rapporteur to the committee.

Duties and Powers of the executive committee

1. Recommending to the Board the appointment of the general manager
2. Recommending to the Board of appointment of the general manager's deputies and assistants based on a nomination by the general manager
3. Recommending to the Board of Directors the draft regulations and instructions re the Bank business.
4. Granting credit facilities or recommending granting the same in accordance with the ceilings prescribed in the credit policy.
5. Following up and evaluating the granted credit facilities and taking the appropriate measures to correct the delayed.
6. Approving purchasing of supplies or recommending to the Board purchasing the same in accordance with the powers prescribed by the Board in the pertinent regulations and decisions.
7. Following up the balances of expenditure items and comparing them with the estimated budgets and monitoring expenditure control.
8. Recommending to the Board of Directors referring lawsuits to the courts or for arbitration and following up the same.
9. Subscribing in shares and bonds in the new projects in accordance with the ceilings of amounts and conditions prescribed in the investment policy system.
10. Any powers or duties provided for by the regulations and instructions issued by the Board of Directors.
11. Any other powers or duties decided by the Board of Directors.

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The Meetings of the Executive Committee

1. The committee should meet based on an invitation from its president once every two weeks or whenever required based on a request from the president or based on a request from two members in the committee.

The meeting should be legal with the presence of four members one of them the chairman or his deputy . The committee should take its decisions by unanimous voting or with the majority of the number of its members.

2. The committee may invite the general manager and/or any employee in the Bank to attend the meeting if necessary.

Reports

1. The secretary of the Board/rapporteur of the executive committee should prepare the minutes and decisions of the meeting and get them endorsed by the committee in preparation for presenting the same to the Board of Directors.
2. The secretary of the Board should advise the general management of the decisions of the executive committee and follow up the implementation of the decisions and submit a report to the committee to follow up its decisions.

2. Appointment, Remuneration and Incentives Committee

Charter of the Appointment, Remuneration and Incentives Committee

The Appointment, Remuneration and Incentives Committee should be formed based on a decision by the Board of Directors and is made up of three non-executive members, two of whom (including the president of the committee) are from the independent members. The Board should nominate the president of the committee and its deputy and the secretary of the Board should appoint the rapporteur of the committee.

The Duties and Powers of the Appointment, Remuneration and Incentives Committee

- 1- Nominating the names of the members of the Board to the Board of Directors taking into consideration the abilities and qualifications of the nominated persons. In cases of re-nomination, the frequency of their attendance and the kind and efficacy of their participation in the meetings of the Board should be taken into account, observing the content of the Companies Law regarding the renewal of the membership of a director to ensure the fulfillment of all the necessary bases and conditions when forming the committees of the Board of Directors.
- 2- Defining whether a director has the capacity of an independent director.
- 3- The nomination and premiums committee should follow specific bases in assessing the efficiency of the Board in addition to the extent of the participation of the member in the meetings of the Board. The standard of assessing performance must be objective and must include a comparison with the other banks in addition to the standards of the integrity of the financial data of the Bank and the extent of observing the requirements of the control authorities.
- 4- The committee assumes the responsibility of providing information and abstracts about the background of some important topics on the Bank to the directors and ensuring that they continually acquaint themselves with the most up-to-date subjects relevant to banking operations.
- 5- The nomination and premiums committee should recommend premiums (including the monthly pay and other benefits) to the general manager. Moreover, the committee should review the annual increments granted to the other members of the executive management and employees.

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- 6- The nomination and premiums committee should assume the responsibility of ensuring the existence of a policy in the Bank which guarantees that the premiums/salaries be sufficient to attract qualified persons to work in the Bank and to retain them in accordance with the premiums/salaries granted by the similar banks in the market. The Bank policy must include also that the salaries be associated, partially, with performance. Programs for incentives must be drawn with the aim of promoting the value of the Bank's shares at the long term and promoting the internal control environment and leading to integrity and soundness of the financial position of the Bank, i.e. not to concentrate on increasing the allocation of the dividends of the Bank's share at the short term.
- 7- Ensuring the declaration of the premiums policy in the annual report of the Bank, specifically the premiums of the directors, individually, and the highest salaries paid during the year to the executive managers, other than the directors of the Board.
- 8- In coordination with the Chairman, Providing information and abstracts on certain important subjects regarding the bank once are demanded by the directors of the Board, and to ascertain that those are continuously advised about latest topics in relation to banking activity. Also, to encourage the directors of the Board in attending seminars and occasions whenever become available
- 9- Annually assessing the performance of the general manager.
- 10- Recommending that the Board of Directors approve succession plans re the directors and the executive managers of the Bank, so as to include the qualifications and requirements that must be fulfilled by those occupying such positions.

The Meetings of the Committee

The committee should convene based on an invitation from its Chair or Its deputy twice a year at least or whenever required based on a request from the Chair or a request from two members of the committee. The meeting will be legal with the attendance of two of its members. It takes its decisions unanimously or the by majority of two members.

The committee may call any employee in the Bank to attend the meeting, if necessary.

Reports

1. The secretary/the committee raporrteur should prepare the minutes and decisions of the meeting and get them approved by the committee in preparation for submission to the Board of Directors.
2. The secretary of the Board should inform the general executive management of the decisions of the committee, follow up the implementation of the decisions and submit a report to the committee for following up the decisions.

3. Audit Committee

Charter of the Audit Committee

Formation of the Committee

1. The Audit committee should be formed based on a decision from the Board of Directors and is composed of three non-executive members, two of them, at least, are independent.
2. The Board should nominate the president of the committee, provided that he is non-executive and independent.
3. Upon appointing the members, two members, at least, must have academic qualifications and/or expertise in the fields of the financial management.
4. The tenure of the committee should be connected with the tenure of the Board. The committee should

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submit its reports to the Board.

5. The secretary of the Board should appoint a rapporteur to the committee.

The Objectives of the Committee

The basic objective of the committee should be to help the Board of Directors assume its responsibilities towards the shareholders and foreign parties through:

1. Reviewing the Financial Statements of the Bank;
2. Reviewing the correctness and adequacy of the internal control system;
3. Reviewing and controlling the risks management in the Bank so as to reflect the real risks surrounding the Bank operation.
4. Controlling the work of the external and internal auditors.
5. Opening communication channels between the external and internal auditors with the Board of Directors and the executive management of the Bank.
6. Controlling the compliance of the Bank with the applicable laws, legislations and instructions and any relevant guidelines and manuals.

Powers

1. The committee should be authorized by the Board of Directors to investigate any of the activities and duties assigned to it pursuant to this charter. The committee should have full power to obtain the information it requires. The executive management of the Bank and all employees should cooperate with any such request from the committee.
2. The committee should have the power of requesting legal consultancies or any other consultancies from foreign parties and from experts should it see this necessary.

Fundamental Tasks

a) Financial Statements:

1. Reviewing the financial statements, annual, semi-annual and quarterly budgets and recommending to the Board of Directors approving them before being issued.
2. Reviewing the procedures of the executive management with regard to the recommendations of the external auditors about the annual Financial Statements and the amendments that arise pursuant to the recommendations of the auditors.
3. Further to the above procedures, the committee should carry out the following measures before submitting the Financial Statements to the Board of Directors for approval:
 - Reviewing any amendment to the followed accounting policies;
 - Reviewing the mechanism of making the extraordinary or the relatively high value entries in case there is more than one method for this.
 - Any change that occurs to the accounts of the Company as a result of the auditing operations or as a result of the suggestions of the accounts auditor.
 - That they were prepared in accordance with the requirements of the Central Bank of Jordan or any other controlling or supervisory body with regard to the adequacy of the allocations to meet the doubted debts and the allocations of the investment portfolio and expressing opinion with regard to the inoperative facilities or those proposed to be depreciated, in addition to any other requirements.
 - Reviewing the accounting estimates contained in the financial data.
 - Reviewing and discussing any legal matters that may affect the Bank's Financial Statements.

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- Reviewing the data and information attached with the financial statements in the annual report such as the corporate governance.

b) Internal Control System:

1. Reviewing the internal control system with regard to its adequacy and effectiveness and ensuring that the management has paid the internal control system due attention and that the concerned personnel are aware of and comply with this system and that responsibilities are defined.
2. The plans of the internal and external auditors must provide for reviewing the framework of the discipline regulations and internal control once a year at least.
3. Reviewing the paragraph of the internal control regulations and risks management, which are included in the annual report of the Bank and recommending to the Board to approve the same.
4. Reviewing the policy of reporting for the unsound practices so that the employees may be able to report about such practices and recommending to the Board to approve the same.
5. Reviewing the policy of the Bank with regard to dealing with the concerned parties so as to ensure the non existence of any conflict of interests that may arise out of the transactions or contracts concluded by the Company or entering into projects with the concerned parties.

c) External Auditing:

1. Discussing the matters relating to the nomination of the external auditor and ensuring that he fulfils the conditions of the Commission and that nothing affects his independence and objectivity and the extent of the influence of any other operations he is carrying out to the account of the Company on such independence.
2. Discussing all matters related to the work of the external auditor including his annual plan, remarks, suggestions and reservations and following up the extent of the responsiveness of the Bank's management to the same and presenting recommendations in this regards to the Board of Directors.
3. Reviewing the remarks contained in the reports of the external auditor and following up the corrective measures taken in this regard.
4. Participating in solving the problems resulting from the difference of view points between the management of the Bank and the external auditors with regard to the technical and financial issues and promoting the independence of such auditors.
5. Discussing the possibility of recommending the regular rotation of the external auditor or requesting regular rotation from the main shareholder who is responsible for the external auditing of the Bank.

d) Internal Auditing:

1. Reviewing and adopting the organizational chart of the internal auditing department and the activities of the department.
2. The power of appointing or terminating the services of the internal auditing manager and auditors and reviewing their good performance.
3. The committee should review and adopt the performance evaluations of the manager and employees of internal auditing department and authorize their annual promotion and premiums.
4. Reviewing the efficacy of the activity of internal auditing and approving the plans of strategic and annual auditing and the budgets of the department.
5. Watching the observation of the auditing department with the standards of internal auditing that are issued by the Society of Internal Auditors and any subsequent amendments.

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6. Approving the charter of the internal auditing department and ensuring that it is coping with the changes.
7. Reviewing the results of the auditing duties and ensuring that there is a satisfactory follow up for these results.
8. Participating in solving the problems resulting from the difference in the view points between the management of the Bank and the internal auditors with regard to the technical and financial issues and promoting the independence and objectivity of such auditors.
9. The committee should be responsible for reviewing the evaluation of external auditors of the performance of the internal auditors and for reviewing the works carried out by the internal auditors re the matters of conflict of interests and observation of the rules of professional and ethical conduct in the Bank.

e) Other Duties:

1. Reviewing the charter of the committee and proposing that the Board make the necessary amendments.
2. Preparing a report to the Board about the duties and powers of the committee and the decisions and recommendations taken by the committee during the period.
3. Getting acquainted with the reports of the external supervisory bodies such as the Central Bank of Jordan and ensuring the implementation of the recommendations contained therein and the execution by the executive department of the measures that guarantee non-repetition of the violations and remarks contained therein.
4. Following up the extent of the observation of the Bank of the Securities Law and the regulations, instructions and decisions issued thereupon.
5. Training new members on the committee and continuous training of the president and committee members.
6. Ensuring coordination between the work of the external auditor and internal auditor.
7. Any other duties that are required by the Board of Directors.

f) The committee's conventions:

1. The committee convenes upon an invitation of its chairman for at least once every three months, or once necessity may arise, or upon request by the Bank's Chairman of the Board of Directors, or upon request by any of its members, or upon call by external auditors or internal auditors should a necessity arise.
2. The Head of the Internal Audit shall be called on to attend the committee's meetings. Meeting shall be periodically held with external auditor, risk department manager and compliance department manager.
3. The auditing committee shall conduct a meeting with external auditors, internal auditor, and compliance officers for at least once per annum without being attended by executive management.
4. The committee shall have the right to call on any employee of the Bank to attend any of its meeting should it deems that would be necessary.
5. Appointment dates and venues for the committee's meeting shall be set by rapporteur after coordinating with the chairman and members of the committee under invitations, provided that an agenda shall be prepared and distributed to the chairman and members of the committee and other invitees, with a reasonable time prior to the holding of meeting.
6. The meeting of the committee shall be considered legal, if attended by two members and recommendations shall be unanimously taken, or by majority of members.
7. It's a must for the chairman of the committee to attend the annual General Assembly's convention, in order to answer shareholders' queries in connection to the committee's tasks.

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Meetings Minutes:

The rapporteur shall prepare the committee's meeting minutes and to get them distributed to the committee's chairman and members so as to be decided and then to be furnished to the Board of Directors.

4. Risk and Compliance Management Committee

Formation of the committee:

1. The Risks and Compliance Management Committee is formed in accordance to the decision by the Board of Directors. The committee consists of three non-executive members, in which at least two of them are independent.
2. The chairman of committee shall be designated by the Board, provided that he is non-executive and also independent.
3. It has to be observed that upon appointing the members, two of them at least should have obtained qualifications and/or work experience in financial management areas.
4. Term of the committee work must be attached to the Board's term, as the committee reports to the Board.
5. Secretary of the Board shall be appointed as the committee's rapporteur.

Committee's objectives:

The chief objective of the committee is to help the Board of Directors in carrying out its responsibilities for shareholders and third-parties by the following:

- 1- Reviewing and monitoring risks management in the Bank, to reflect the actual risks encompassing the Bank's work.
- 2- Monitoring the Bank's abidance to rules, regulations instructions in effect and any guidelines and evidences relevant to.

Powers:

- 1- The committee shall be entitled by the Board of Directors to investigate with any of activities and duties assigned to by this charter. The committee shall have full power to acquire any information which it requires and the executive management of the Bank and all employees ought to cooperate with the committee related to any demand.
- 2- The committee is authorized to ask for any legal advice or any other consultancies from third-parties and experts should it deems that would be necessary.

Fundamental tasks:

First : In the Field of Risks:

- 1- Reviewing the strategy and policies of risks management before being accredited by the Board of Directors and to constantly appraise its effectiveness and consistency with variables.
- 2- Reviewing policies and framework of risks management, programs and tools needed for that on yearly basis in minimum, in order to make sure of its efficacy and to amend when necessary.
- 3- Reviewing organizational chart of the Risks Dept. which is being set by executive management and to recommend adoption by the Board.
- 4- Reviewing procedures of the executive management in defining, measuring and monitoring risks surrounding the Bank, which shall include:
 - a. Credit risks.
 - b. Market risks.

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c. Liquidity risks.

d. Operational risks.

- 5- Periodically reporting to the Board of Directors indicating the extent of outstanding risks harmony with adopted policies and levels of acceptable risks, which are defined within, which may enable the Board to make needed reasonable decisions.
- 6- Supervising development of database needed for management risks.
- 7- Considering periodical reports issued with respect to risks management.
- 8- Verifying that internal and external auditors' plan shall include review task of risk management in the Bank.
- 9- Verifying usage of modern information systems for managing risks. This shall ensure availability of quality information on risks faced by the Bank.

Second: In the Field of Compliance

- 1- Recommending to the board of Directors to adopt an internal compliance policy in the Bank as well as tasks entrusted to the Dept. Of Compliance.
- 2- Monitoring and following-up implementation of compliance policy.
- 3- Monitoring and appraising the degree of efficiency and effectiveness in managing risks stemming from non-compliance to.
- 4- Reinforcing values of fairness and credibility in the Bank and confirming that such values, in addition to the third-parties supervisory requirements and instructions and laws in force, are as fundamental and directive requirements in the Bank's function.
- 5- Confirming availability of sufficient support from the executive management of the Bank for compliance job, besides existence of compliance risks control mechanism.

The Committees's Conventions:

- 1- The committee convenes upon an invitation of its chairman at least once every three months, or whenever necessity arises, or upon request by the Bank's chairman of the Board of Directors, or upon request by any of its members, or upon call by external or internal auditors should a necessity arise.
- 2- The head of Risks Management and the manager of Compliance Dept. are being invited to attend the committee's meetings.
- 3- The committee shall have the right to invite any employee of the Bank to attend any of its meeting should it deems that would be necessary.
- 4- Appointment dates and venues for the committee's meeting shall be set by rapporteur after coordinating with the chairman and members of the committee under invitations, provided that an agenda must be prepared and distributed to the chairman and members of the committee and other invitees, with reasonable time prior to the holding of the meeting.
- 5- The meeting of the committee shall be legal, if attended by two members. Recommendations shall be unanimously taken or by majority of the members number.
- 6- The chairman of the committee must attend the annual convention of the General Assembly to answer shareholders queries in connection to the committee's tasks.

Meetings Minutes:

The rapporteur shall prepare the committee's meeting minutes and to get them distributed to the committees' chairman and members in order to be decided and then to be handed over to the Board of Directors.

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5. The Corporate Governance Committee

The Charter of the Committee:

The Corporate Governance Committee should be formed based on a decision by the Board of Directors and is made up of three non-executive members, two of whom (including the president of the committee) are from the independent members. The Board should appoint the president of the committee and its deputy and the secretary of the Board should appoint a rapporteur to the committee.

Duties and Powers

- Ensuring the observation of the content of the Corporate Governance Code. It should undertake the process of reviewing and updating it. since the committee demands necessary reports from the concerned authorities.
- The Committee may invite any person in the Bank, at all administrative levels to take counsel with him or to ask him about any matter.

The Meetings of the Committee

The committee should convene at least once a year based on an invitation from its president.

Reports

The committee should submit a report to the Board at least once a year, which puts forth its opinion in the extent of observing the items of the Code.

Secretary of the Board

The Duties and Powers of the Secretary of the Board of Directors

The Board of Directors should appoint a secretary for the Board and define his premiums. The secretary should organize its meetings, prepare its agendas and record the minutes of its meetings and decisions in a special register and in successive serially numbered pages, which should be signed by the Chairman and members of the Board who attended the meeting. Each page should be affixed with the Company's stamp.

First: In Connection with the Board of Directors

- 1- Preparing the agenda of the sessions of the Board in coordination with the Chairman.
- 2- Following up the management to supply the secretary of the Board with the documents, papers and work papers, which are the subject of the agenda.
- 3- Attending the sessions of the Board and recording the minutes of its meetings as well as decisions.
- 4- Preparing and checking the minutes of the meetings of the Board and dispatching the same to the Board of Directors, who, in turn, should read and approve the minutes.
- 5- Following up the measures relating to the signature of the Chairman and members of the Board on all the pages of the minutes of the meeting.
- 6- Supervising the process of the maintenance of the minutes and decisions of the Board meetings in successive serially numbered pages, and ensuring that they are signed by the members of the Board who attended the meeting.
- 7- The secretary of the Board should notify the concerned departments of the decisions that are issued by the Board of Directors for the implementation of the same.
- 8- In coordination with the concerned departments, following up the implementation of the decisions and recommendations that are issued by the Board and preparing a report to the Board of Directors, which

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includes the measures taken by the Bank directorates to implement the decisions.

Second: In Connection with the Committees of the Board of Directors

1. Following up the concerned departments to supply the secretary of the Board with the information and preparing the work papers necessary for the work of the committees of the Board.
2. Preparing the agendas of the committees in coordination with the Chairman.
3. Attending the sessions of the committees and recording the minutes of their meetings.
4. Preparing and checking the minutes of the meetings of the committee and dispatching the same to the president of each committee, who, in turn, should read and approve the minutes.
5. The maintenance of the minutes of the sessions of the committees in successive serially numbered pages, and ensuring that they are signed by the members who attended the meeting.
6. Notify the concerned departments of the decisions that are issued by the committees of the Board for the implementation of the same.
7. In coordination with the concerned departments, following up the implementation of the decisions and recommendations that are issued by the committees of the Board.

Third: The secretary should follow up the decisions of the Board of Directors, represented by the relationship of the Board with the external bodies such as the Securities Commission and/or the Ministry of Industry and Commerce and/or the Central Bank and/or the Deposition Center and/or any official or non-official party and preparing the necessary books .

Fourth: The secretary of the Board of Directors should carry out any additional duties that are assigned to him by the Chairman.

The Executive Management

Duties and Powers of The Executive Management

Responsibilities of the General Manager

The general manager is the head of the executive system in the Bank and, in exercising his duties, should be responsible towards the Board of Directors. For this end, he should implement the policies and achieve the objectives and aims that the Board draws up, based on the duties and powers hereinbelow stated:

General Description of the Responsibilities:

1. Managing and directing the Bank for achieving the basic objectives depending on profit, the capital added returns and the responsibility for the total process of managing the Bank, which includes planning, organizing and developing inside and outside Jordan. The general manager should also be responsible for the structure of work and the employees and for activating the work plan and budgets as well as developing the quality, method and procedures of the work and implementing the strategic plans and the decisions which are taken by the Board of Directors.
2. The general manager should be the main executor of the policies that are laid down by the Board of Directors.
3. The General manager should be responsible before the Board of Directors for implementing all the decisions that are taken by the Board.

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Main Duties:

1. Preparing and developing the strategies and policies, arranging to apply them following the approval of the Board of Directors and applying the current and long term objectives and the plans and policies that require the approval of the Board of Directors.
2. Preparing and developing the work procedures in such a way as to guarantee the definition, control of and watching the risks that face the Bank and applying such measures.
3. Planning, coordinating and control of the daily operations of the Bank, drawing up proper disciplinary and internal control policies and applying them following the approval of the Board of Directors.
4. Preparing the financial statements and the final accounts and preparing an annual budget and getting them approved by the Board of Directors.
5. Providing the internal and external control bodies such as the control authorities and internal and external auditing and any other competent parties with the information and statements necessary for such parties to carry out their work.
6. Preparing an organizational chart and ensuring actual observation of the same following its approval by the Board of Directors.
7. Reviewing the operations result of the Bank, comparing them with the planned objectives and taking the steps necessary for adopting the appropriate measures for the correction of the dissatisfactory results.
8. Achieving the effectiveness of the control and internal discipline and submitting an annual report, at least, to the Board of Directors re the application and effectiveness of the regulations.
9. Laying down the measures that guarantee the evaluation of the adequacy of the capital and submitting annual reports to the Board of Directors in this connection.
10. Drafting work ethics charter and getting it approved by the Board of Directors.
11. Developing the professional skills and conduct of the Bank's personnel so as to be consistent with the most up-to-date developments and technologies.
12. Applying the laws, regulations and decisions of the Board of Directors and implementing responsibilities pursuant to the powers vested.

Powers of the General Manager:

1. The general manager should exercise his powers and responsibilities in accordance with the Companies Law, Banks Law, the regulations issued according to it and the regulations and instructions that are issued by the Bank.
2. The general manager should be responsible before the Chairman of the Board of Directors for the works and duties assigned to him.
3. The general manager should exercise the following powers and responsibilities:
 - Running the ordinary daily operations of the Bank and drawing up the executive plans and general programs for implementing the applicable policies of the Bank.
 - Exercising internal control over work progress in the Bank and checking its compliance with the applicable laws, regulations and instructions.
 - Overall review of the results of the operations of the Bank to ensure that they are running as per the prescribed plans and schedules.
 - Updating the regulations, instructions and work methods and supervising the review of the draft regulations, instructions, plans and schedules for developing the performance of the Bank.
 - Endeavoring to raise the level of the performance of the employees and motivate them to give the best they have.

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- Updating and developing the systems and equipment necessary to perform the operations of the Bank in such a way as to guarantee the delivery of developed banking services based on the most recent, most efficient, fastest and most accurate bases.
- Appointing and moving the employees, deciding their promotion and delegation, defining their posts location, granting them leaves and imposing disciplinary penalties in accordance with the provisions of the personnel system in the Bank.
- Periodically providing the Board of Directors of the Bank with reports about the conditions of the Bank and ensuring that all its operations are running in accordance with the policy laid down by the Board of Directors and recommending any proposals it deems necessary for developing the work of the Bank.
- Signing the financial transactions issued by the Bank in accordance with the financial system and other regulations.
- Providing the Central Bank with the information and data it demands in accordance with the provisions of this law and the regulations and orders issued according to it.
- Submitting proposals about the financial and banking policies of the Bank to the Board of Directors through the Chairman.
- Undertaking the other financial and administrative powers assigned to him pursuant to the decisions issued by the Board.
- The general manager is entitled to delegate any of his powers to the deputy general manager and/or any of his assistants in accordance with the regulations and policies applicable in the Bank.

Discipline and Internal Control Environment

Disciplinary and Internal Control Regulations

The framework of the discipline and internal control should be reviewed by the internal auditor and external auditor once, at least, per year. The Board should also include in the annual report of the Bank a report about the extent of the adequacy of the discipline and internal control regulations regarding financial reporting.

Internal Auditing

- The Bank should make available to the internal audit directorate sufficient numbers of the qualified human resources, who will be properly trained. The auditing directorate should have access to any piece of data and contact any employee inside the Bank. It should also be given all the powers which enable it to perform the duties assigned to it as required. The Bank should document the duties, powers and responsibilities of the directorate of auditing based on the Internal Auditing Charter, which is adopted by the auditing committee and getting it circulated inside the Bank.
- The internal auditing directorate should submit its reports to the Chair of the auditing committee.
- The internal auditing employees may not be charged with any executive responsibilities. The internal auditing directorate should be responsible for proposing the frame and scope of the internal auditing as well as for informing the auditing committee for any potential conflict of interests.
- The internal auditing directorate should exercise its duties and prepare its reports in full without any foreign interference. It may discuss its reports with the audited departments.
- The basic responsibility of the internal auditing directorate, which is based on risks, includes reviewing the following as a minimum:

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1. The operations of financial reporting in the Bank (to ensure accuracy, credibility and proper timing in the main data re the financial and administrative matters and the operations).
2. Compliance with the internal policies of the Bank, the international standards and procedures and the pertinent laws and instructions.

External Auditing:

- The Bank observes the regular rotation of the external auditing between the auditing offices, or at least the regular rotation of the main shareholder who is responsible for the external auditing of the Bank.
- The external auditor should provide the auditing committee with a copy of his report. The external auditor should meet with the auditing committee without the presence of the executive management once a year at least.

Risks Management Department

- The Bank has a separate department for risks management which submits its reports periodically to the risks management committee. As to the daily operations, its connection is with the general manager.
- The responsibilities of the risks management department in the Bank include the following:
 1. Analyzing all the risks including the credit risks, market risks, liquidity risks and operations risks.
 2. Developing methodology for measuring and controlling of each kind of risks.
 3. Recommending risks ceilings and approvals to the risks management department, submitting reports and registering cases of exceptions from the risks management policy.
 4. Providing the Board and the higher executive management with information on risks measurement and risks profile in the Bank. (the Board should regularly review the qualitative and quantitative risks statistics in the Bank in each of the Board's meetings).
 5. Providing information about the risks in the Bank for use for the purposes of declaration and publication to the public.
 6. The Bank's committees, such as the credit committees and the assets and liabilities management committee/the treasury and risks should assist the risks management department in carrying out its duties in accordance with the powers assigned to such committees.
 7. The annual report of the Bank includes information about the risks management department with regard to its structure, nature of its operations and the developments that took place.

Compliance Department

- The Bank has a separate directorate that was supported with trained cadres and works as per the instructions of the Central Bank, which are issued in this connection.
- The compliance directorate should prepare an effective methodology to guarantee the compliance of the Bank with all valid laws and legislations and any pertinent guidelines and manuals. The Bank should document the duties, powers and responsibilities of compliance directorate, which will be circulated inside the Bank.
- The Board adopts and controls the compliance policy, whose drafting and application will be the responsibility of the compliance directorate.
- In compliance with the instructions of the Central Bank issued in this regard, the compliance directorate should submit its reports on the results of its activities and its compliance control to the Board or to the compliance committee which stems from it and should dispatch a copy to the executive management.

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Relationship with Shareholders

- The Bank should take steps to encourage the shareholders, especially the minor ones, to attend the annual meeting of the general assembly and to vote either in persona or by a proxy in case they are absent.
- The heads of the auditing, nomination and premiums committees and any other committees stemming from the Board should attend the annual meeting of the general assembly.
- Representatives of the external auditors should attend the annual meeting of the general assembly for answering any questions that may be raised re auditing and the report of the auditor.
- Each issue raised during the annual meeting of the general assembly should be voted for separately.
- Pursuant to the content of the Companies Law, the directors should be elected or re-elected during the annual meeting of the general assembly. The external auditor should be elected in the same meeting as well.
- Following the expiry of the annual meeting of the general assembly, a report should be prepared for the information of the shareholders re the remarks raised therein and the results, including the results of voting and the questions raised by the shareholders and the replies of the executive management thereto.

Transparency and Declaration:

- The Bank should make declarations in accordance with the International Financial Reports Standards and the valid instructions of the Central Bank of Jordan, which are issued according to the valid Banks' Law and pertinent legislations. Furthermore, the Bank is aware of the changes that occur to the international practices for financial reporting and the scope of transparency required from the financial organizations. The Bank should observe full application of all amendments that occur to the International Financial Reports Standards. The executive management should submit to the Board reports on the developments, in addition to submitting recommendations about how to enhance the Bank's practices in the field of declaration so as to go beyond the requirements of the Central Bank of Jordan in this regard.
- The Bank should provide indicative and rich information about his activities to the Central Bank, the shareholders, depositors, other banks and the public in general, concentrating at the same time on the issues that excite the worry of the shareholders, provided that the Bank periodically declare all such information and make it accessible to all.
- The Bank should in his annual report set forth his responsibilities towards the accuracy and adequacy of its financial statements and the information contained in its annual report.
- The Bank should maintain communication lines with the supervisory bodies, the shareholders, depositors, other banks and the public in general. Such lines should be through the following:
 - a. The position of shareholders affairs, which is occupied by qualified cadre that are capable of providing comprehensive, objective and updated information about the Bank, Its financial position, performance and activities.
 - b. The annual report which is issued following the end of the fiscal year.
 - c. Quarterly reports that contain quarterly financial data besides the report of the Board about the circulation of the Bank's shares and about its financial position during the year.
 - d. Periodic meetings between the executive management in the Bank, the investors and shareholders.
 - e. Providing a periodic abstract to the shareholders and the analysts in the financial market and the journalists specialized in the financial sector by the higher executive management, especially the general manager and the chief officer.
 - f. Providing the information provided for in the annual report of the Bank, in its quarterly reports or in the lectures given by the executive management, through the position of investment affairs on the website

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of the Bank in such an updated form both in Arabic and English.

- g. The annual report of the Bank and its quarter reports should include a declaration by the executive management of the Bank, that is called Management Discussion and Analysis, which allows the investors to understand the results of the current and future operations and the financial position of the Bank including the probable effect of the known trends, events and cases of non-certainty. The Bank undertakes to observe that all the clarifications provided for in this declaration are authorized, complete, fair, balanced and understandable and are based on the published financial statements of the Bank.
- h. As part of observation of transparency and full declaration, the annual report should specifically include the following:
 1. A description for the main Bank's activities, geographic locations, volume of capital investment, and the number of employees working in each one.
 2. A description for its affiliates, nature of work and areas of investment.
 3. Information about directors of the Board, names and grades of top management's employees: their qualifications, expertise, benefits/ salaries they obtain from the Bank, loans extended to them by the Bank, and any other transactions reached between the Bank and the members or his companies or parties related to him.
 4. A statement indicating names of prime shareholders in the Bank, no. of shares owned by each of them if that shareholding constitutes 5% or greater.
 5. Competitive status of the Bank within the sector of its activity, main markets, stake of the local market, in addition to its stake of foreign markets if possible.
 6. The extent of dependency on definite suppliers or/ and prime customers (internally and externally), in case it forms (10%) or higher of total purchases or/ and sales or revenues, respectively.
 7. A description to any governmental protection or advantages the Bank enjoys or any of its products under rules and regulations, and a description to any invention patents or franchises being attained by the Bank.
 8. A description to any resolutions issued by the government or Int'l organizations or other that have physical effect on the Bank or its products or competitive capability and to disclose that the Bank has applied Int'l quality criteria.
 9. An outline to the Bank's organizational chart, number of employees, qualifications categories, and employees' rehabilitation and training programs.
 10. A description to risks which the Bank is exposed to.
 11. The achievements that the Bank has realized enhanced with figures, and a description to significant events passed by the Banks during the fiscal year.
 12. The financial impact of transactions with non-recurrent nature taking place during the fiscal year and do not come within the chief activity of the Bank.
 13. The chronological order for profits and losses, distributed profits, net equity, prices of securities issued by the Bank, for a period of not less than five years or since the establishment of the Bank, whichever is less and to be represented graphically as possible.
 14. An analysis to the Bank's financial position, results of operations during the fiscal year.
 15. The important future developments, including any expansions or new projects and future plan of the Bank, for at least one upcoming year and expectations of the Board of Directors for the Bank's operations results.

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16. The amount of the Banks and affiliates' audit remunerations, and the amount of any remunerations for any services the auditor has received or/ and has been due to him.
17. A statement showing number of securities issued by the Bank and owned by any of the directors of the Board and persons of top management of executive authority and their relatives and companies controlled by any one of them. Whole to be compared with the previous year.
18. A statement indicating donations and grants the Bank paid during the fiscal year.
19. A statement displaying contracts, projects and links the Bank has entered with affiliates, sisterly or allied companies or chairman of the Board of Directors or directors of the Board or the General Manager or any employee of the Bank or their relatives.
20. The Bank's contribution to environment protection and serving local community.
21. The Corporate Governance Code of the Bank and the annual details of his observation of its items.
22. A summary of the duties and responsibilities of the committees of the Board and any powers the Board has delegated to such committees.
23. The frequency of the meetings of the Board and the committees of the Board.
24. A testimony from the Board as to the adequacy of the discipline regulations and internal control.

Capital Bank confirms its commitment to apply the provisions of the Code of Corporate Governance adopted by the Board of Directors.

Disclosure of the extent to which the application of the guidelines of the Corporate Governance Code for companies listed on Amman Stock Exchange:

Capital Bank is committed to all governing and general rules and is committed to guiding rules in line with the nature and type of banking activity / business and in accordance with the provisions of the laws in force.

**Consolidated Financial Statements
As Of December 31, 2010
and Auditor's Report**



**Guaranteeing the security of all financial operations
through an exceptional management ethos**

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Bank Of Jordan (a public shareholding company), which comprise the consolidated statement of financial position at 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Capital Bank Of Jordan as of 31 December 2010 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

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

Consolidated Financial Statements

Capital Bank Of Jordan Consolidated Statement of Financial Position at 31 December 2010

	Notes	2010 JD	2009 JD
ASSETS			
Cash and balances with Central Banks	4	90,622,707	190,968,435
Balances at banks and financial institutions	5	133,790,249	75,904,727
Financial assets held for trading	6	-	161,568
Direct credit facilities	7	670,119,771	569,774,041
Financial assets -available for sale	8	224,570,105	135,411,615
Financial assets -held to maturity	9	14,256,570	31,803,753
Financial assets pledged as collateral	10	13,258,028	13,367,210
Property and equipment	11	26,606,286	24,204,721
intangible assets	12	7,293,057	6,387,730
Deferred tax assets	21	3,614,372	4,789,774
Other assets	14	20,637,944	21,829,902
Total Assets		<u>1,204,769,089</u>	<u>1,074,603,476</u>
LIABILITIES AND EQUITY			
LIABILITIES -			
Banks and financial institutions' deposits	15	100,491,924	37,190,591
Customers' deposits	16	754,717,021	679,981,283
Margin accounts	17	52,053,129	50,156,175
Loans and borrowings	18	50,143,794	55,884,352
Subordinated loan (convertible to shares)	19	12,952,001	12,952,001
Sundry provisions	20	-	3,226,979
Income tax liabilities	21	837,810	1,474,145
Deferred tax liabilities	21	856,277	833,938
Other liabilities	22	18,609,181	24,833,409
Total Liabilities		<u>990,661,137</u>	<u>866,532,873</u>
Equity-			
Equity attributable to the Bank's shareholders			
Issued and paid in capital	23	150,000,000	132,280,000
Share premium	23	709,472	709,472
Statutory reserve	24	15,960,317	15,347,622
General banking risk reserve	24	5,706,830	5,883,391
Foreign currency translation reserve	25	3,272,100	3,874,407
Cumulative changes in fair value	26	4,217,320	2,387,260
Equity component of the convertible loan	19	1,022,784	1,022,784
Retained earnings	27	24,846,843	20,576,552
Proposed dividends	28	-	17,720,000
Total equity attributable to the Bank's shareholders		<u>205,735,666</u>	<u>199,801,488</u>
Non controlling interest		<u>8,372,286</u>	<u>8,269,115</u>
Total Equity		<u>214,107,952</u>	<u>208,070,603</u>
Total Liabilities and Equity		<u>1,204,769,089</u>	<u>1,074,603,476</u>

The accompanying notes from 1 to 51 are an integral part of these financial statements

Consolidated Financial Statements

Capital Bank Of Jordan Consolidated Income Statement For the Year Ended 31 December 2010

	Notes	2010 JD	2009 JD
Interest income	29	65,931,501	70,588,125
Interest expense	30	<u>31,214,440</u>	<u>37,343,379</u>
Net interest income		34,717,061	33,244,746
Net fees and commission income	31	<u>6,371,824</u>	<u>8,282,349</u>
Net interest and commission income		<u>41,088,885</u>	<u>41,527,095</u>
Net gain from foreign currencies	32	1,344,053	1,751,180
Net gain from financial assets held for trading		851	175,033
Net realized loss from financial assets available for sale	34	(129,307)	(1,329,495)
Other operating income	35	<u>2,969,276</u>	<u>3,065,383</u>
Gross profit		<u>45,273,758</u>	<u>45,189,196</u>
Employees' expenses	36	10,089,830	9,443,739
End of Service indemnity		-	1,088,505
Depreciation and amortization	11, 12	2,192,784	2,213,585
Other operating expenses	37	7,507,481	7,401,205
Impairment of repossessed assets against Non - performing loans	14	2,358,059	1,552,910
Impairment losses on direct credit facilities	7	18,915,680	19,238,180
Recovery of Sundry provisions	20	<u>(3,226,979)</u>	<u>(17,899)</u>
Total operating expenses		<u>37,836,855</u>	<u>40,920,225</u>
Profit before tax		7,436,903	4,268,971
Income tax expense	21	<u>2,286,935</u>	<u>2,930,588</u>
Profit for the year		<u>5,149,968</u>	<u>1,338,383</u>
Attributable to:			
Bank's Shareholders		4,853,976	2,008,766
Non - controlling interest		295,992	(670,383)
		<u>5,149,968</u>	<u>1,338,383</u>
		JD/Fils	JD/Fils
Basic and Diluted earnings per share	38	<u>0/032</u>	<u>0/013</u>

The accompanying notes from 1 to 51 are an integral part of these financial statements

Consolidated Financial Statements

Capital Bank Of Jordan Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2010

	2010 JD	2009 JD
Profit for the year	5,149,968	1,338,383
Foreign currency translation	(810,756)	328,919
Net movement in cumulative changes in fair value of available for sale financial assets	1,836,924	2,247,112
Cost of capital Increase	<u>(138,787)</u>	<u>-</u>
Total other comprehensive income for the year, net of tax	<u>887,381</u>	<u>2,576,031</u>
Total comprehensive income for the year	<u>6,037,349</u>	<u>3,914,414</u>
Attributable to:		
Bank's Shareholders	5,934,178	5,102,368
Non-controlling interest	<u>103,171</u>	<u>(1,187,954)</u>
	<u>6,037,349</u>	<u>3,914,414</u>

Consolidated Financial Statements

Capital Bank Of Jordan
Consolidated Statement of Changes In Equity For The Year Ended 31 December 2010

	Bank's Shareholders																							
	Issued and Paid in Capital		Share premium		Reserves		Foreign currency translation reserve		Cumulative changes in fair values		Retained earnings		Equity Component of the convertible Loan		Proposed Dividends/shares		Equity attributable to the bank's shareholders		Non-controlling Interest		Total Equity			
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Balance at 1 January 2010	132,280,000	709,472	15,347,622	5,883,391	3,874,407	2,387,260	20,576,552	1,022,784	17,720,000	199,801,488	8,269,115	208,070,603												
Total comprehensive income for the Year	-	-	-	-	(602,307)	1,830,060	4,706,425	-	-	5,934,178	103,171	6,037,349												
Transferred to reserves	-	-	612,695	(176,561)	-	-	(436,134)	-	-	-	-	-												
Proposed dividends	17,720,000	-	-	-	-	-	-	-	(17,720,000)	-	-	-												
Balance at 31 December 2010	<u>150,000,000</u>	<u>709,472</u>	<u>15,960,317</u>	<u>5,706,830</u>	<u>3,272,100</u>	<u>4,217,320</u>	<u>24,846,843</u>	<u>1,022,784</u>	<u>205,735,666</u>	<u>199,801,488</u>	<u>8,372,286</u>	<u>214,107,952</u>												
Balance at 1 January 2009	132,280,000	12,680,672	14,719,693	5,883,391	2,984,443	183,622	24,944,515	1,022,784	-	194,699,120	8,462,425	203,161,545												
Total comprehensive income for the Year	-	-	-	-	889,964	2,203,638	2,008,766	-	-	5,102,368	(1,187,954)	3,914,414												
Increase in subsidiaries capital	-	-	-	-	-	-	-	-	-	-	-	994,644												
Transferred to reserves	-	-	627,929	-	-	-	(627,929)	-	-	-	-	-												
Proposed dividends	-	(11,971,200)	-	-	-	-	(5,748,800)	-	17,720,000	-	-	-												
Balance at 31 December 2009	<u>132,280,000</u>	<u>709,472</u>	<u>15,347,622</u>	<u>5,883,391</u>	<u>3,874,407</u>	<u>2,387,260</u>	<u>20,576,552</u>	<u>1,022,784</u>	<u>17,720,000</u>	<u>199,801,488</u>	<u>8,269,115</u>	<u>208,070,603</u>												

* Included in retained earnings is JD 10 million that is restricted against lawsuits held against the Bank, in addition to JD 3,614,372 representing deferred tax assets as at 31 December 2010 (2009: JD 4,789,774). According to the Central Bank of Jordan's regulations, these balances are not available for distribution.

The accompanying notes from 1 to 51 are an integral part of these financial statements

Consolidated Financial Statements

Capital Bank Of Jordan

Consolidated Statement of Cash Flows For The Year Ended 31 December 2010

	Notes	2010 JD	2009 JD
Operating Activities			
Profit before tax		7,463,903	4,268,971
Adjustments for –			
Depreciation and amortization		2,192,784	2,213,585
Impairment losses on direct credit facilities		18,915,680	19,238,180
Unrealized loss from financial assets held for trading		-	37,841
Impairment of assets repossessed by the bank		2,358,059	1,552,910
Impairment of financial assets -available for sale		590,748	1,635,272
Sundry provisions		(3,226,979)	(17,899)
Effect of exchange rate changes		(1,256,675)	(1,267,163)
Operating cash flows before changes in operating assets and liabilities		<u>27,010,520</u>	<u>27,661,697</u>
Changes in assets and liabilities -			
Decrease in balances with Central Banks maturing after more than three months		-	3,000,000
Decrease (Increase) in restricted balances		572,037	(176,865)
Decrease in trading financial assets		161,568	19,217,620
(Increase) decrease in credit facilities		(119,427,453)	3,896,979
(Increase) decrease in other assets		(1,129,090)	10,882,008
Decrease in banks and financial institution deposits maturing after more than three months		-	(3,070,286)
Increase in customers' deposits		75,202,550	149,642,297
(Increase) decrease in margin accounts		1,920,142	(4,407,097)
(Decrease) increase in other liabilities		(6,192,408)	11,004,922
Sundry provision paid		-	(149,428)
Net cash (used in) from operating activities before income tax		<u>(21,882,134)</u>	<u>217,501,847</u>
Income tax paid		<u>(1,802,926)</u>	<u>(7,541,863)</u>
Net cash (used in) from operating activities		<u>(23,685,060)</u>	<u>209,959,984</u>
Investing Activities			
Redemption of financial assets- held to maturity		17,833,891	17,711,910
(Purchase) of financial assets - held to maturity		(507,857)	(2,253,635)
Proceeds from financial assets -available for sale		60,591,149	69,783,692
(Purchase) of financial assets -available for sale		(148,406,748)	(117,856,764)
(Purchase) Financial Assets pledged as collateral		-	(1,978,110)
(Purchase) of property and equipment		(3,998,300)	(5,661,773)
Proceeds from sale of property and equipment		-	175,005
(Purchase) of intangible assets		(1,592,410)	(1,490,070)
Net cash (used in) investing activities		<u>(76,080,275)</u>	<u>(41,569,745)</u>
Financing Activities			
Capital increase fees		(137,787)	-
Proceeds from loans and borrowings		15,434,325	7,531,813
Repayment of loans and borrowings		(21,174,884)	(58,999,430)
Net cash used in financing activities		<u>(5,878,346)</u>	<u>(51,467,617)</u>
Net (decrease) increase in cash and cash equivalents		(105,643,681)	116,922,622
Effect of exchange rate changes on cash and cash equivalents		1,256,675	1,267,163
Effect of exchange rate changes on the National Bank of Iraq		(802,496)	1,368,848
Cash and cash equivalents at 1 January	39	229,090,556	109,531,923
Cash and cash equivalents at 31 December	39	<u>123,901,054</u>	<u>229,090,556</u>

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Notes to the Consolidated Financial Statements

31 December 2010

1 GENERAL INFORMATION

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

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

The Bank originally had a paid in capital of JD 20 million. The Bank has subsequently increased its capital to reach JD 150 million. The increases in capital were affected through capitalizing its distributable reserves and private placements to shareholders, in addition to the participation of International Finance Corporation (IFC) which became a strategic partner.

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

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. (1/2011) held on 6 February 2011. These financial statements are subject to the General Assembly's approval.

2 BASIS OF PREPARATION

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

The consolidated financial statements are prepared on a historical cost basis, except for financial assets held for trading, financial assets - available for sale and financial assets and financial liabilities held at fair value through profit or loss, that have been hedged for their fair value.

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

Changes in accounting policies:

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The bank adopted this amendment as of 1 January 2010. The amendment has no impact on the financial position or performance of the bank.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after

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becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Bank has concluded that the amendment will have no impact on the financial position or performance of the bank, as the Bank has not entered into any such hedges.

IFRIC 17 Distributions of Non-cash Assets to Owners

The interpretation has no effect on either, the financial position or performance of the Bank.

Segmental reporting

Operating segments represent distinguishable components of the Bank that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are measured based on the reports sent to the chief operating decision makers.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

Basis of consolidation

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

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

- Capital Investment and Brokerage Company Ltd/Jordan; of which the Bank owns 100% of its paid in capital of JD 10,000,000 as of 31 December 2010. The company was established on 16 May 2005.
- National Bank of Iraq (NBI)/Iraq; of which the Bank owns 72.36% of its paid in capital of IQD 50,000,000,000 (JD 30,750,000) as of 31 December 2010. National Bank of Iraq was acquired effective 1 January 2005.
- Capital Investment Fund Company/Bahrain; of which the Bank owns 100% of its paid in capital of BHD 1,000 (JD 1,888) as of 31 December 2010. The purpose of the company is to manage mutual funds and it has not started operations yet.

Consolidated Financial Statements

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

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

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

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

In parent company's separate financial statements, investment in subsidiaries is recorded at cost.

Financial assets held for trading

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

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

Interest earned is included in interest income and dividends received are included in gains (losses) from financial assets and liabilities held for trading in the income statement.

Direct credit facilities

Impairment of direct credit facilities is recognized in the allowance for credit losses when events occur after the initial recognition of the facility that have an impact on the estimated future cash flows of the facilities that can be reliably estimated. The impairment is recorded in the income statement.

Interest and commission arising on non-performing facilities are suspended when loans become impaired according to the Central Bank of Jordan's regulations.

Loans and the related allowance for credit losses are written off when collection procedures become ineffective. The excess in the allowance of possible loan losses, if any, is transferred to the statement of income, and cash recoveries of loans that were previously written off are credited to the income statement.

Financial assets- available for sale

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, loans and receivables or held-to-maturity.

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

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

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

Interest earned on available-for-sale financial investments is reported as interest income using the effective interest method.

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

Financial assets- held to maturity

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

Held to maturity investments are initially recognized at cost, being the fair value of consideration given including directly attributable transaction costs. After initial measurement, held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest method.

Fair value

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

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

- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Option pricing models.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

Where the fair value of an investment cannot be reliably measured, it is stated at cost and any impairment in the value is recorded in the income statement.

Consolidated Financial Statements

Impairment of financial assets

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

Impairment is determined as follows:

- For assets carried at amortised cost, impairment is based on the difference between the carrying value and the estimated cash flows discounted at the original effective interest method.
- For assets carried at fair value, impairment is the difference between the cost and the fair value.
- For assets carried at cost, impairment is based on the difference between the carrying value and the present value of future cash flows discounted at the current market rate of return from a similar financial asset.

Impairment is recognised in the income statement if in a subsequent period, the amount of the impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognised in the income statement, except for equity instruments classified as available for sale investments for which the reversal is recognised in equity.

Property and equipment

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

	%
Buildings	2 - 5
Equipment and furniture	2.5 - 20
Vehicles	15 - 20
Computers	25
Other	10

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is recorded in the income statement.

Useful life for property and equipment is reviewed every year.

Provisions

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

Consolidated Financial Statements

Income Tax

Tax expense comprises current tax and deferred taxes.

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

Tax is calculated based on tax rates and laws that are applicable in the country of operation.

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on laws that have been enacted or substantially enacted at the balance sheet date.

The carrying values of deferred income tax assets are reviewed at each balance reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Fiduciary assets

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

Offsetting

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

Revenue and expense recognition

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

Expenses are recognized on an accrual basis.

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

Trade date accounting

Purchases and sales of financial assets are recognized on the trade date (that being the date at which the sale or purchase takes place).

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Financial instruments and hedge accounting

Fair value hedges

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

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

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in the Bank's actual and expected cash flows which is attributable to a particular risk associated with a recognized asset or liability.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity, and is subsequently transferred to the income statement in the period in which the hedged cash flows affect income, or at such time as the hedge becomes ineffective. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement.

Hedge of net investments in foreign operations

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

For hedges which become ineffective, gains or losses resulting from the change in fair value of the hedge instrument is recognized directly in the income statement.

Derivative financial instruments held for trading

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

Repurchase and resale agreements

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

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

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

Financial assets pledged as collateral

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

Assets Repossessed by the Bank

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

Intangible assets

a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arising from the investment in subsidiaries will be separately shown under intangible assets, while that arising from the investment in associates will be shown as part of investment in associates and subsequently adjusted for any impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is from the date of acquisition allocated to each of the Bank's cash-generating units, or groups of cash-generating units. Where the recoverable amount of the cash-generating unit is less than the carrying value, an impairment loss is recognized.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the estimated recoverable amount of a cash-generating unit or group of cash-generating units is less than their carrying amount. Impairment losses are transferred to the income statement.

b) Other Intangible assets

Intangible assets acquired through business combination are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

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Intangible assets with finite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalized and are expensed in the income statement.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include trademarks, computer software and programs, Management estimates the useful lives for each item. Amortization is calculated using the straight-line method at 25%.

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into respective functional currencies at rates of exchange prevailing at the balance sheet date as issued by Central Bank of Jordan. Any gains or losses are taken to the income statement.

Translation gains or losses on non-monetary items carried at fair value (such as stocks) through equity are included in equity as part of the cumulative changes in fair value. For non-monetary items carried at fair value through profit and loss, such gains and losses are taken to the income statement.

As at the reporting date, the assets and liabilities of foreign subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is transferred to the income statement.

Cash and cash equivalents

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

3 USE OF ESTIMATES

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

a) Provision for credit losses: The Bank reviews its loan portfolios to assess impairment at least on a monthly

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basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

- b) Impairment losses on collaterals acquired by the Bank are determined based on appraisal reports prepared by certified appraisers. Provisions are recognized when impairment is determined at the financial statements date individually and any impairment is recorded in the income statement. Valuation is performed on a regular basis.
- c) Income tax is calculated based on the tax rates and laws that are applicable at the balance sheet date.
- d) A periodic review is performed on assets estimated useful lives and assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.
- e) Management reviews the carrying values of financial assets held at cost, and any identified impairment is recorded in the income statement.
- f) Legal provision is calculated for facing any legal liabilities according to the lawyer's opinion.

4 CASH AND BALANCES WITH CENTRAL BANKS

	2010 JD	2009 JD
Cash on hand	13,940,833	8,173,813
Balances at Central Banks-		
Current and demand deposits	3,678,395	8,639,824
Time and term deposits	22,821,936	127,660,000
Statutory cash reserve	<u>50,181,543</u>	<u>46,494,798</u>
Total	<u>90,622,707</u>	<u>190,968,435</u>

Except for the statutory cash reserve, there are no restricted cash balances as at 31 December 2010 and 2009.

5 BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2010 JD	2009 JD	2010 JD	2009 JD	2010 JD	2009 JD
Current and demand deposits	80,995	152,759	18,276,854	18,112,468	18,357,849	18,265,227
Deposits maturing within 3 months	<u>31,827,493</u>	<u>32,393,504</u>	<u>83,604,907</u>	<u>25,245,996</u>	<u>115,432,400</u>	<u>57,639,500</u>
	<u>31,908,488</u>	<u>32,546,263</u>	<u>101,881,761</u>	<u>43,358,464</u>	<u>133,790,249</u>	<u>75,904,727</u>

Non interest bearing balances at banks and financial institutions amounted to JD 6,862,297 as at 31 December 2010 (2009: JD 2,422,773).

Restricted balances amounted to JD 19,978 as of 31 December 2010 (2009: JD 592,015).

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6 FINANCIAL ASSETS HELD FOR TRADING

	2010 JD	2009 JD
Quoted securities	<u>-</u>	<u>161,568</u>
	<u>-</u>	<u>161,568</u>

On 31 October 2008, the Bank implemented the new amendments for IAS 39 and IFRS 7 related to reclassifications of financial instruments, whereby, the Bank reclassified some of the financial assets held for trading to available for sale financial assets at the fair value of these instruments as of the date of the reclassification. The effect of this reclassification was as follows:

	JD
Reclassified Investments fair value as of 31 October 2008	3,337,993
securities Sold	(1,542,468)
Decrease in fair value	<u>(74,576)</u>
Fair value as of 31 December 2010	<u>1,720,949</u>

Further, on 30 September 2009, the Bank reclassified some of the financial assets held for trading to available for sale financial assets at the fair value of these instruments as at the date of the reclassification, the effect of this reclassification was as follow:

	JD
Reclassified Investments fair value as of 30 September 2009	15,475,878
Matured securities	(11,912,032)
Decrease in fair value	<u>(2,262,924)</u>
Fair value as of 31 December 2010	<u>1,300,922</u>

The Bank implemented this amendment as the Bank no longer had the intention to keep these instruments for short term trading purposes.

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7 DIRECT CREDIT FACILITIES

	2010 JD	2009 JD
Consumer lending		
Overdrafts	6,310,039	2,585,802
Loans and bills *	66,750,346	40,293,136
Credit cards	2,251,531	1,989,425
Real estate mortgages	75,559,181	71,476,630
Corporate lending		
Overdrafts	66,659,486	46,146,050
Loans and bills *	472,430,896	437,203,138
Small and Medium Enterprises lending "SMEs"		
Overdrafts	5,760,769	4,340,999
Loans and bills *	11,158,920	11,607,332
Government public sector	18,410,291	-
Total	<u>725,291,459</u>	<u>615,642,512</u>
Less: Suspended interest	10,741,938	7,726,553
Less: Allowance for impairment losses	<u>44,429,750</u>	<u>38,141,918</u>
Direct credit facilities, net	<u>670,119,771</u>	<u>569,774,041</u>

* Net of interest and commissions received in advance of JD 1,110,505 as at 31 December 2010 (2009: JD 1,223,928).

- Non-performing credit facilities amounted to JD 122,511,217 as at 31 December 2010 (2009: JD 77,660,359), representing %16,89 (2009: 12,61%) of gross facilities.
- Non-performing credit facilities, net of suspended interest, amounted to JD 111,769,279 as at 31 December 2010 (2009: JD 69,933,806) representing %15,64 (2009: 11,5%) of gross facilities after excluding the suspended interest.
- Government and public sector Facilities amounted JD 18,410,291, representing 2.48% of gross facilities, there was no government and public sector facilities as of 31 December 2009.

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Provision for impairment losses:

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

	Consumer JD	Real Estate mortgages JD	Corporate JD	SMEs JD	Total JD
2010					
At 1 January 2010	3,546,471	661,309	33,602,492	331,646	38,141,918
Charge for the year	(358,118)	618,979	18,872,849	(218,030)	18,915,680
Amounts written off	(38,215)	-	(12,473,372)	(27,020)	(12,538,607)
Foreign exchange differences	(3,874)	-	(84,639)	(728)	(89,241)
At 31 December 2010	<u>3,146,264</u>	<u>1,280,288</u>	<u>39,917,330</u>	<u>85,868</u>	<u>44,429,750</u>
Individual impairment	2,793,714	1,140,392	38,725,796	48,717	42,708,619
Collective impairment	352,550	139,896	1,191,534	37,151	1,721,131
At 31 December 2010	<u>3,146,264</u>	<u>1,280,288</u>	<u>39,917,330</u>	<u>85,868</u>	<u>44,429,750</u>
2009					
At 1 January 2009	2,401,960	539,006	15,705,042	280,216	18,926,224
Charge for the year	1,191,385	122,303	17,872,853	51,639	19,238,180
Amounts written off	(43,461)	-	-	-	(43,461)
Foreign exchange differences	(3,413)	-	24,597	(209)	20,975
At 31 December 2009	<u>3,546,471</u>	<u>661,309</u>	<u>33,602,492</u>	<u>331,646</u>	<u>38,141,918</u>
Individual impairment	3,332,119	513,386	32,490,629	331,436	36,667,570
Collective impairment	214,352	147,923	1,111,863	210	1,474,348
At 31 December 2009	<u>3,546,471</u>	<u>661,309</u>	<u>33,602,492</u>	<u>331,646</u>	<u>38,141,918</u>

* Non-performing credit facilities that were settled or collected amounted to JD 11,059,551 as at 31 December 2010 (2009: JD 1,823,627).

* The Board of Directors resolved in its meeting number 2/2011 dated 23 March 2011 the transfer of non-performing loans amounting to JD 15,875,495 off the accounting records, along with their related interest in suspense and records allowances accounts. The Bank will continue to follow up legally on these accounts. Total amount of non-performing loans transferred to off the accounting records as at 31 December 2010 is JD 23,386,908, these non performing loans are fully provided for.

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Interest in Suspense

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

	Consumer JD	Real Estate mortgages JD	Corporate JD	SMEs JD	Total JD
2010					
At 1 January 2010	1,236,772	221,172	6,167,566	101,043	7,726,553
Add: Suspended interest during the year	703,369	408,850	7,499,278	19,756	8,631,253
Less: Amount transferred to income on recovery	(350,179)	(118,686)	(179,699)	(43,197)	(691,761)
Less: Amounts written off	(66,364)	-	(4,819,056)	(30,377)	(4,915,797)
Foreign exchange differences	(3,072)	-	(692)	(4,546)	(8,310)
At 31 December 2010	<u>1,520,526</u>	<u>511,336</u>	<u>8,667,397</u>	<u>42,679</u>	<u>10,741,938</u>
2009					
At 1 January 2009	617,828	136,442	3,692,615	40,987	4,487,872
Add: Suspended interest during the year	661,261	115,972	2,643,116	68,401	3,488,750
Less: Amount transferred to income on recovery	(9,420)	(31,242)	(169,602)	(8,624)	(218,888)
Less: Amounts written off	(36,685)	-	-	-	(36,685)
Foreign exchange differences	3,788	-	1,437	279	5,504
At 31 December 2009	<u>1,236,772</u>	<u>221,172</u>	<u>6,167,566</u>	<u>101,043</u>	<u>7,726,553</u>

8 FINANCIAL INVESTMENTS- AVAILABLE FOR SALE

	2010 JD	2009 JD
Quoted Investments		
Treasury bills	19,836,347	35,235,950
Government debt securities	177,574,233	78,203,497
Corporate debt securities	18,802,720	15,149,591
Equities	5,158,049	4,002,656
Investment Funds	<u>679,019</u>	<u>626,676</u>
Total quoted investments	<u>222,050,368</u>	<u>133,218,370</u>
Unquoted Investments		
Equities *	<u>2,519,737</u>	<u>2,193,245</u>
Total unquoted investments	<u>2,519,737</u>	<u>2,193,245</u>
Total financial Investments available for sale	<u>224,570,105</u>	<u>135,411,615</u>
Analysis of debt instruments		
Fixed rate	208,614,797	122,429,418
Floating rate	<u>7,598,503</u>	<u>6,159,620</u>
Total	<u>216,213,300</u>	<u>128,589,038</u>

* This item represents investments carried at cost as their fair value could not be measured reliably.

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9 FINANCIAL INVESTMENTS - HELD TO MATURITY

	2010 JD	2009 JD
Quoted Investments		
Government debt securities	5,748,713	23,122,620
Corporate debt securities	8,507,857	8,000,000
Other debt securities	-	681,133
Total quoted investments	<u>14,256,570</u>	<u>31,803,753</u>
Analysis of debt instruments		
Fixed rate	11,256,570	28,122,620
Floating rate	<u>3,000,000</u>	<u>3,681,133</u>
Total	<u>14,256,570</u>	<u>31,803,753</u>

- Held to maturity bonds mature in one payment at maturity date.
- No repurchase agreements exist as at 31 December 2010 and 2009.

10 FINANCIAL ASSETS- PLEDGED AS COLLATERAL

	31 December 2010		31 December 2009	
	Pledged assets JD	Related liabilities JD	Pledged assets JD	Related liabilities JD
Financial assets-Available for sale	13,258,028	13,000,000	11,240,210	10,602,340
Financial assets- Held to maturity	-	-	<u>2,127,000</u>	<u>1,375,460</u>
	<u>13,258,028</u>	<u>13,000,000</u>	<u>13,367,210</u>	<u>11,977,800</u>

- These bonds are pledged as collaterals against advances from Real-Estate Mortgage Finance Company and Jordan International Bank (Note 18)
- Maturities for these bonds as at 31 December 2010 are as follows:

Maturity Date	Bond Balance
23/03/2011	5,057,578
02/07/2012	5,120,984
16/07/2012	<u>3,079,466</u>
	<u>13,258,028</u>

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11 PROPERTY AND EQUIPMENT

	Land JD	Buildings JD	Furniture & Fixtures JD	Vehicles JD	Computers JD	Others* JD	Total JD
2010							
Cost:							
At 1 January 2010	8,448,323	6,175,942	3,894,072	378,430	1,940,874	5,484,101	26,321,742
Foreign exchange translation differences	(3,262)	(8,727)	(6,899)	(1,203)	-	-	(20,091)
Additions	-	-	1,159,403	26,183	987,437	1,422,487	3,595,510
Disposals	-	-	(52,037)	-	(101,800)	-	(153,837)
At 31 December 2010	8,445,061	6,167,215	4,994,539	403,410	2,826,511	6,906,588	29,743,324
Depreciation:							
At 1 January 2010	-	450,914	1,547,548	150,766	1,285,931	1,417,893	4,853,052
Depreciation charge during the year	-	119,189	543,509	42,018	385,608	496,989	1,587,313
Foreign exchange translation differences	-	(2,865)	(7,212)	(592)	-	-	(10,669)
Disposals	-	-	(44,466)	(12,143)	(100,915)	-	(157,524)
At 31 December 2010	-	567,238	2,039,379	180,049	1,570,624	1,914,882	6,272,172
Net Book Value of Property and equipment	8,445,061	5,599,977	2,955,160	223,361	1,255,887	4,991,706	23,471,152
Projects under construction	-	277,337	2,080,998	-	10,810	765,989	3,135,134
Net book value of property and equipment at 31 December 2010	8,445,061	5,877,314	5,036,158	223,361	1,266,697	5,757,695	26,606,286
2009							
Cost:							
At 1 January 2009	7,716,794	3,748,450	2,626,746	325,516	2,071,670	3,803,527	20,292,703
Foreign exchange translation differences	2,240	5,992	4,280	617	1,484	-	14,613
Additions	729,289	2,421,500	1,467,464	166,497	196,667	1,684,213	6,665,630
Disposals	-	-	(204,418)	(114,200)	(328,947)	(3,639)	(651,204)
At 31 December 2009	8,448,323	6,175,942	3,894,072	378,430	1,940,874	5,484,101	26,321,742
Depreciation:							
At 1 January 2009	-	310,342	1,361,067	126,610	1,213,401	984,654	3,996,074
Depreciation charge during the year	-	138,357	400,757	50,199	316,828	436,878	1,343,019
Foreign exchange translation differences	-	2,215	(11,707)	(349)	-	-	(9,841)
Disposals	-	-	(202,569)	(25,694)	(244,298)	(3,639)	(476,200)
At 31 December 2009	-	450,914	1,547,548	150,766	1,285,931	1,417,893	4,853,052
Net Book Value of Property and equipment	8,448,323	5,725,028	2,346,524	227,664	654,943	4,066,208	21,468,690
Projects under construction	-	65,828	1,719,065	351	622,066	328,721	2,736,031
Net book value of property and equipment at 31 December 2009	8,448,323	5,790,856	4,065,589	228,015	1,277,009	4,394,929	24,204,721

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

- The estimated costs to complete the purchase of premises and equipment amounted to JD 32,205 as 31 December 2010.
- Fully depreciated property and equipment still in use amounted to JD 1,301,701 as at 31 December 2010 (2009: JD 1,127,538).

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12 INTANGIBLE ASSETS

	Computer Software JD	Goodwill JD	Total JD
2010			
Net book value:			
At 1 January 2010	1,102,640	4,102,713	5,205,353
Additions	433,019	-	433,019
Foreign currency translation differences	-	(81,612)	(81,612)
Amortization	<u>(605,471)</u>	<u>-</u>	<u>(605,471)</u>
	<u>930,188</u>	<u>4,021,101</u>	<u>4,951,289</u>
Projects under construction	<u>2,341,768</u>	<u>-</u>	<u>2,341,768</u>
At 31 December 2010	<u>3,271,956</u>	<u>4,021,101</u>	<u>7,293,057</u>
2009			
Net book value:			
At 1 January 2009	1,378,958	4,076,664	5,455,622
Additions	594,248	-	594,248
Foreign currency translation differences	-	26,049	26,049
Amortization	<u>(870,566)</u>	<u>-</u>	<u>(870,566)</u>
	<u>1,102,640</u>	<u>4,102,713</u>	<u>5,205,353</u>
Projects under construction	<u>1,182,377</u>	<u>-</u>	<u>1,182,377</u>
At 31 December 2009	<u>2,285,017</u>	<u>4,102,713</u>	<u>6,387,730</u>

- As at 31 December 2010, the estimated cost to complete projects under progress is JD 421,147
- Fully amortized intangible assets amounted to JD 1,850,704 as at 31 December 2010, (2009: JD 1,494,736).

Impairment Testing of Goodwill

Goodwill arose from the acquisition of a controlling interest in the National Bank of Iraq.

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

- The recoverable amount of NBI has been determined based on the value in use calculation, using five-year cash flow projections approved by senior management based on National Bank of Iraq performance assumptions verified against financial economic indicators such as interest rates.
- The cash flow projections showed that the return on equity is estimated at 12.7% during the coming five years.
- The discount rate used by the Bank is 35%.
- In the opinion of the Bank's management based on the discounted cash flow projections, goodwill is not impaired.

* Goodwill as at 31 December 2010 has been retranslated using year-end exchange rates therefore goodwill balance Decreased by JD 81,612, compared to increase by JD 26,049 last year. This increase was recorded within the foreign currency translation reserve in the statement of changes in equity.

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13 ACQUISITION OF NATIONAL BANK OF IRAQ

The Bank acquired 59.2% of the paid up capital of National Bank of Iraq starting 1 January 2005. During 2010 the Bank increased its share to 72.36%, equal to JD 30,750,000, through a private subscription to increase National Bank of Iraq paid up capital to Iraqi Dinar 50 billion.

The Bank controls National Bank of Iraq and the financial statements were consolidated at the date of acquisition and goodwill was recognized on that date.

14 OTHER ASSETS

	2010 JD	2009 JD
Accrued interest and revenue	7,205,877	4,726,923
Prepaid expenses	1,457,338	1,606,517
Assets Repossessed by the Bank	8,646,219	10,548,381
Positive fair value of derivatives	87,665	-
Export documents and bills purchased	1,815,173	3,718,524
Others	<u>1,425,672</u>	<u>1,229,557</u>
Total	<u>20,637,944</u>	<u>21,829,902</u>

Reconciliation of assets Repossessed by the Bank during the year is as follows:

	2010			2009
	Real estate JD	*Others JD	Total JD	Total JD
At 1 January	1,031,613	9,516,768	10,548,381	11,778,324
Additions	568,712	-	568,712	322,843
Foreign currency translation differences	(180)	-	(180)	124
Retirements	(112,635)	-	(112,635)	-
Impairment losses	-	<u>(2,358,059)</u>	<u>(2,358,059)</u>	<u>(1,552,910)</u>
At 31 December	<u>1,487,510</u>	<u>7,158,709</u>	<u>8,646,219</u>	<u>10,548,381</u>

* This amount represents stocks seized by the Bank by calling on collaterals.

15 BANKS AND FINANCIAL INSTITUTIONS' DEPOSITS

	2010			2009		
	Inside Jordan JD	Outside Jordan JD	Total JD	Inside Jordan JD	Outside Jordan JD	Total JD
Current and demand deposits	17,738	27,441,276	27,459,014	36,963	8,062,606	8,099,569
Time deposits	<u>8,508,000</u>	<u>64,524,910</u>	<u>73,032,910</u>	<u>23,941,653</u>	<u>5,149,369</u>	<u>29,091,022</u>
Total	<u>8,525,738</u>	<u>91,966,186</u>	<u>100,491,924</u>	<u>23,978,616</u>	<u>13,211,975</u>	<u>37,190,591</u>

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16 CUSTOMERS' DEPOSITS

	Consumer JD	Corporate JD	SMEs JD	Governmental Sectors JD	Total JD
2010					
Current and demand deposits	67,357,050	53,739,435	8,242,242	9,930,356	139,629,083
Saving accounts	15,839,967	118,698	-	-	15,958,665
Time and notice deposits	211,835,750	191,546,424	6,342,760	155,025,568	564,750,502
Certificates of deposit	33,176,022	820,840	86,000	-	34,082,862
Others	534,478	121,431	-	-	655,909
Total	<u>328,743,267</u>	<u>246,346,828</u>	<u>14,671,002</u>	<u>164,955,924</u>	<u>754,717,021</u>
2009					
Current and demand deposits	48,853,770	34,096,245	6,721,928	17,914,027	107,585,970
Saving accounts	12,261,678	29,675	-	-	12,291,353
Time and notice deposits	257,276,245	69,871,417	10,638,622	171,351,724	509,138,008
Certificates of deposit	47,417,824	1,103,281	1,870,000	-	50,391,105
Others	504,442	70,405	-	-	574,847
Total	<u>366,313,959</u>	<u>105,171,023</u>	<u>19,230,550</u>	<u>189,265,751</u>	<u>679,981,283</u>

- Governmental institutions' and public sector deposits amounted to JD 164,955,924 as at 31 December 2010 (2009: JD 189,265,751) representing 21,85% (2009: 27,83%) of total customers' deposits.
- Non-interest bearing deposits amounted to JD 114,231,058 as at 31 December 2010 (2009: JD 83,444,650) representing 15,14% (2009: 12,27%) of total deposits.
- There is no restricted deposit as at 31 December 2010 (2009: JD 1,491,095).
- Dormant accounts amounted to JD 4,521,157 as at 31 December 2010 (2009: JD 3,934,830).

17 MARGIN ACCOUNTS

	2010 JD	2009 JD
Margins on direct credit facilities	25,862,762	23,524,093
Margins on indirect credit facilities	17,450,133	20,988,317
Deposits against cash margin dealings' facilities	1,951,421	92,649
Others	<u>6,788,813</u>	<u>5,551,116</u>
Total	<u>52,053,129</u>	<u>50,156,175</u>

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18 LOANS AND BORROWINGS

	Amount JD	Total number of instalments	Outstanding instalments	Collaterals JD	Interest rate %
2010					
Amounts borrowed from local banks and institutions	48,000,000	10	8	13,258,028	4,522% - 8,60%
Amounts borrowed from foreign banks and institutions	<u>2,143,794</u>	113	79	-	1,167%-2%
Total	<u>50,143,794</u>			<u>13,258,028</u>	
2009					
Amounts borrowed from Central Bank of Jordan	566,302	207	30	-	4.25% -6.25%
Amounts borrowed from local banks and financial institutions	47,915,634	13	10	9,262,100	4.675% - 9.25%
Amounts borrowed from foreign banks and financial institutions	<u>7,402,416</u>	135	102	<u>4,697,125</u>	1.607% - 6%
Total	<u>55,884,352</u>			<u>13,959,225</u>	

Included in the borrowings from local financial institutions are amounts due to Real Estate Mortgage Finance Company, of JD 48,000,000. The mortgage loans were refinanced at a rate of 7.99%. Governmental bonds of JD 13,258,048 as at 31 December 2010 were pledged as collaterals against JD 13,000,000 of these loans.

At 31 December 2010, fixed-rate loans amounted to JD 47,143,794 while loans with floating-rates amounted to JD 3,000,000.

Collaterals include bonds pledged of JD 13,258,028 as of 31 December 2010.

19 SUBORDINATED LOANS (CONVERTIBLE TO SHARES)

	Amount JD	number of instalment Total	number of instalment outstanding	Frequency of instalment	Collaterals	Interest rate
2010						
Subordinated Loan	<u>14,180,000</u>	12	12	Semi annual installments starting December 2012	-	variable rate libor 6 month +1.3%
Total	<u>14,180,000</u>				-	

The convertible loan has been recorded as follows:

	2010 JD	2009 JD
Nominal value of the convertible loan	14,180,000	14,180,000
Less: Equity component	1,022,784	1,022,784
Less: Issuing cost	<u>205,215</u>	<u>205,215</u>
Total	<u>12,952,001</u>	<u>12,952,001</u>

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The Bank has signed on 2 January 2008 a subordinated loan agreement with International Finance Corporation (IFC), amounting to USD 20 million, equivalent to JD 14,180,000 convertible to shares starting from the fourth year till the seventh year. The applicable conversion price per share shall be (1.75) multiplied by the book value per share of the Bank. The book value per share will be calculated by dividing the book value of the Bank (as per the most recent audited annual financial statements of the Bank) by the number of shares outstanding of the Bank. The interest rate on this loan is equal to LIBOR 6 months + 1.3%.

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

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

20 SUNDRY PROVISIONS

	Balance at 1 January JD	Provided during the year JD	Utilised during the year JD	Transferred to income JD	Balance at 31 December JD
2010					
Provision for impairment loss on stocks Repossessed by the bank	3,226,979	-	-	(3,226,979)	-
Other Provisions	-	-	-	-	-
Total	<u>3,226,979</u>	<u>-</u>	<u>-</u>	<u>(3,226,979)</u>	<u>-</u>
2009					
Provision for impairment loss on stocks Repossessed by the bank	3,226,979	-	-	-	3,226,979
Other Provisions	131,529	-	(149,428)	17,899	-
Total	<u>3,358,508</u>	<u>-</u>	<u>(149,428)</u>	<u>17,899</u>	<u>3,226,979</u>

21 INCOME TAX

- Income Tax liabilities

The movements on the income tax liability were as follows:

	2010 JD	2009 JD
At 1 January	1,474,145	6,808,394
Foreign exchange translation differences	1,099	913
Income tax paid	(1,802,928)	(7,541,863)
Income tax charge for the year	929,497	1,386,692
Income tax charge for previous year	<u>235,997</u>	<u>820,009</u>
At 31 December	<u>837,810</u>	<u>1,474,145</u>
Income tax appearing in the statement of income represents the following:		
Current income tax charge	875,311	1,386,692
Previous years income tax charges	235,997	820,009
Movement on deferred tax assets	1,175,402	724,405
Movement on deferred tax liabilities	-	-
Foreign exchange translation differences	<u>225</u>	<u>(518)</u>
	<u>2,286,935</u>	<u>2,930,588</u>

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Capital Bank, Capital Investment and Brokerage Company and National Bank of Iraq reached a final settlement with the Income Tax Department for the year ended 2009.

- The Bank reached a final settlement with income tax department for the year ended 2009.
- Capital Investment and Brokerage reached a final settlement with income tax department for the year ended 2008.
- National Bank of Iraq reached a final settlement with income tax department for the year ended 2008.
- In The opinion of the bank's management income tax provisions as at 31 December 2010 are sufficient.

- Differed tax assets / Liabilities

The movements on temporary differences giving rise to deferred tax assets and liabilities are:

	2010				2009	
	Balance at 1 January JD	Released during the year JD	Additions during the Year JD	Balance at 31 December JD	Deferred Tax JD	Deferred Tax JD
a) Deferred tax assets						
Shares granted to employees	19,726	-	15,124	34,850	8,397	4,932
Impairment loss on stocks Repossessed by the bank	3,226,979	(3,226,979)	-	-	-	968,094
Allowance for credit losses and interest in suspense	10,210,834	(8,489,375)	2,358,059	4,079,518	1,223,856	3,063,250
Unrealized loss from financial assets held for trading	37,841	(37,841)	-	-	-	11,352
Watch list Provision	739,905	-	352,853	1,092,758	327,827	221,971
Impairment loss on financial investments- available for sale	1,756,606	(85,286)	535,921	2,207,241	655,332	520,175
Other deferred tax assets	-	-	4,663,201	4,663,201	1,398,960	-
	<u>15,991,891</u>	<u>(11,839,481)</u>	<u>7,925,158</u>	<u>12,077,568</u>	<u>3,614,372</u>	<u>4,789,774</u>
b) Deferred tax liabilities						
Unrealised gain from financial assets- available for sale	<u>2,737,917</u>	<u>(2,932,923)</u>	<u>2,427,258</u>	<u>2,232,252</u>	<u>856,277</u>	<u>833,938</u>
	<u>2,737,917</u>	<u>(2,932,923)</u>	<u>2,427,258</u>	<u>2,232,252</u>	<u>856,277</u>	<u>833,938</u>

- Deferred tax liability include JD 853,759 as of December 2010 resulted from revaluation gains on financial assets - available for sale.
- Income tax rate for deferred tax assets and liabilities is 30%.

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

	2010		2009	
	Assets JD	Liabilities JD	Assets JD	Liabilities JD
At 1 January	4,789,774	833,938	5,514,179	-
Additions	2,382,380	721,905	1,705,860	833,938
Released	(3,557,782)	(699,566)	(2,430,265)	-
At 31 December	<u>3,614,372</u>	<u>856,277</u>	<u>4,789,774</u>	<u>833,938</u>

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

	2010 JD	2009 JD
Accounting profit	7,436,903	4,268,971
Non-taxable profit	(11,924,833)	(7,454,160)
Expenses not deductible in determining taxable profit	<u>3,634,613</u>	<u>5,465,680</u>
Taxable profit	<u>(853,317)</u>	<u>2,280,491</u>
Effective rate of income tax	30.75%	68.65%

The statutory tax rate on banks in Jordan is 30% and the statutory tax rates on subsidiaries range between 15% to 25%.

22 OTHER LIABILITIES

	2010 JD	2009 JD
Accrued interest expense	5,121,370	4,136,584
Escrow agreement	-	259,658
Accrued expenses	182,717	269,175
Certified cheques	1,073,480	1,009,987
Cheques payable	2,045,498	1,083,918
Universities fees	37,018	47,951
Scientific research fees	-	47,951
Educational, vocational, training and technical fund fees	-	34,045
Board of directors' remuneration	50,000	62,500
Brokerage payable	8,289,665	15,954,685
Negative fair value of derivatives (Note 39)	-	124,297
Others	<u>1,809,433</u>	<u>1,802,658</u>
	<u>18,609,181</u>	<u>24,833,409</u>

23 PAID IN CAPITAL AND SHARE PREMIUM

The authorized and paid in capital amounted to JD 150,000,000 divided into shares at a par value of JD 1 per share as at 31 December 2010 (2009: JD 132,280,000).

Additional paid up capital amounted to JD 709,472 as of 31 December 2010.

24 RESERVES

Statutory Reserve

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

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General banking risk reserve

This reserve is appropriated from retained earnings in compliance with the regulations of the Central Bank of Jordan.

The use of the following reserves is restricted by law:

Description	Amount	Restriction Law
Statutory reserve	15,960,317	Companies Law and Banks law
General banking risk reserve	5,706,830	Central Bank of Jordan

25 FOREIGN CURRENCY TRANSLATION RESERVE

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

	2010 JD	2009 JD
At 1 January	3,874,407	2,984,443
(Disposals) additions during the year	(602,307)	889,964
At 31 December	<u>3,272,100</u>	<u>3,874,407</u>

26 CUMULATIVE CHANGES IN FAIR VALUE

	Financial assets- available for sale		
	Stocks JD	Bonds JD	Total JD
2010			
At 1 January	245,996	2,141,264	2,387,260
Net unrealised (losses) gains	190,568	1,880,916	2,071,484
Deferred tax liabilities	(101,555)	79,217	(22,338)
Impairment losses of financial assets - available for sale	147,783	-	147,783
Realised losses (gains) transferred to the income statement	-	(366,869)	(366,869)
At 31 December	<u>482,792</u>	<u>3,734,528</u>	<u>4,217,320</u>
2009			
At 1 January	(321,000)	504,622	183,622
Net unrealised gains (losses)	(1,213,680)	2,637,691	1,424,011
Deferred tax liabilities	(39,712)	(794,226)	(833,938)
Impairment losses of financial assets - available for sale	1,635,272	-	1,635,272
Realised losses (gains)	185,116	(206,823)	(21,707)
At 31 December 2009	<u>245,996</u>	<u>2,141,264</u>	<u>2,387,260</u>

The cumulative change in fair value is presented net of deferred tax liabilities which equal to JD 856,277 as at 31 December 2010.

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27 RETAINED EARNINGS

Included in the retained earnings an amount of JD 3,614,372 representing deferred tax assets, in addition to JD 10,000,000 restricted for law suits held against the Bank, and according to the Central Bank of Jordan's regulations, these balances are not available for distribution.

28 PROPOSED STOCK DIVIDENDS

The management did not propose stock dividends for the year ended at 31 December 2010 (2009: JD 17,720,000)

29 INTEREST INCOME

	2010 JD	2009 JD
Consumer lending		
Overdrafts	367,013	328,869
Loans and bills	4,714,342	3,501,334
Credit cards	348,654	328,938
Residential mortgages	5,781,957	6,549,047
Corporate lending		
Overdrafts	3,902,929	5,868,989
Loans and bills	34,454,427	37,991,442
Small and medium enterprises lending (SMEs)		
Overdrafts	335,066	552,101
Loans and bills	788,078	1,008,637
Governmental Sector	1,300,193	-
Balances at central Banks	2,133,491	1,903,168
Balances at banks and financial institutions	1,528,249	853,773
Financial assets held for trading	-	756,282
Financial assets - available for sale	8,164,198	7,061,157
Financial assets -held to maturity	2,082,464	3,873,888
Others	30,440	10,500
Total	<u>65,931,501</u>	<u>70,588,125</u>

30 INTEREST EXPENSE

	2010 JD	2009 JD
Banks and financial institution deposits	622,915	1,225,359
Customers' deposits -		
Current accounts and deposits	522,746	156,627
Saving accounts	617,289	555,096
Time and notice placements	22,125,219	24,535,523
Certificates of deposits	1,760,051	2,763,673
Margin accounts	697,712	1,146,159
Loans and borrowings	3,720,839	6,006,801
Deposits guarantee fees	1,147,669	954,141
Total	<u>31,214,440</u>	<u>37,343,379</u>

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31 NET COMMISSION INCOME

	2010 JD	2009 JD
Commission income -		
Direct credit facilities	1,019,645	688,147
Indirect credit facilities	3,248,663	5,078,383
Other commission	2,296,789	2,980,921
Less: commission expense	<u>193,273</u>	<u>465,102</u>
Net commission income	<u>6,371,824</u>	<u>8,282,349</u>

32 NET GAIN FROM FOREIGN CURRENCIES

	2010 JD	2009 JD
Resulting from:		
Revaluation of foreign currencies	1,256,675	1,693,538
Trading in foreign currencies	<u>87,378</u>	<u>57,642</u>
	<u>1,344,053</u>	<u>1,751,180</u>

33 NET GAIN FROM FINANCIAL ASSETS HELD FOR TRADING

	Realized (losses) Gains JD	Unrealized (losses) JD	Dividend income JD	Total JD
2010				
Equities	(5,461)	-	6,312	851
Bonds	-	-	-	-
Total	<u>(5,461)</u>	<u>-</u>	<u>6,312</u>	<u>851</u>
2009				
Equities	(124,788)	(37,841)	12,825	(149,804)
Bonds	<u>324,837</u>	-	-	<u>324,837</u>
Total	<u>200,049</u>	<u>(37,841)</u>	<u>12,825</u>	<u>175,033</u>

34 NET REALIZED LOSS FROM FINANCIAL ASSETS - AVAILABLE FOR SALE

	2010 JD	2009 JD
Dividend income	81,164	83,784
Gain (Loss) from sale of financial investments- available for sale	380,277	221,993
Less: impairment losses	<u>(590,748)</u>	<u>(1,635,272)</u>
Total	<u>(129,307)</u>	<u>(1,329,495)</u>

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35 OTHER OPERATING INCOME

	2010 JD	2009 JD
Commission from the investments unit	2,334,101	2,613,033
Other income	<u>635,175</u>	<u>452,350</u>
Total	<u>2,969,276</u>	<u>3,065,383</u>

36 EMPLOYEES' EXPENSES

	2010 JD	2009 JD
Salaries and benefits	8,192,069	7,613,006
Bank's contribution to social security	734,230	710,208
Medical expenses	508,429	520,815
Training and research	271,649	296,108
Per Diems	116,026	108,707
Paid vacations	115,116	92,349
Bank's contribution to social activities fund	34,862	9,656
Others	<u>117,449</u>	<u>92,890</u>
Total	<u>10,089,830</u>	<u>9,443,739</u>

37 OTHER OPERATING EXPENSES

	2010 JD	2009 JD
Rent and building services	1,452,591	1,204,256
Consulting and professional fees	511,736	403,784
Stationary and printing	330,303	285,093
Board of Directors' transportation	127,289	129,442
Reuters' and Bloomberg subscription expense	70,490	186,686
Donations	294,884	551,454
Advertisement	1,397,475	1,427,158
Subscriptions, fees and licenses	122,774	283,199
Travel and transportation	213,298	127,957
Computer expenses	571,234	525,760
Post, telephone, swift and Internet	680,481	680,962
Subscriptions	277,264	134,308
Security Services	86,754	81,407
Cash transportation services	176,462	119,948
Insurance	116,370	111,831
Jordanian universities fees	37,018	47,951
Scientific research and vocational training fees	-	47,951
Technical and vocational education and training support fund fees	-	34,045
Board of Directors' remuneration	50,000	60,000
Maintenance	370,755	248,750
Others	<u>620,303</u>	<u>709,263</u>
Total	<u>7,507,481</u>	<u>7,401,205</u>

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38 EARNINGS PER SHARE

Basic and diluted earnings per share

	2010 JD	2009 JD
Profit for the year attributable to ordinary equity holders of the parent	4,853,976	2,008,766
Weighted average number of shares during the year	<u>150,000,000</u>	<u>150,200,000</u>
Basic and diluted earning per share (JD/Fils)	<u>0,032</u>	<u>0,013</u>

39 CASH AND CASH EQUIVALENTS

Cash and cash equivalents appearing in the statement of cash flow consist of the following statement of position items:

	2010 JD	2009 JD
Cash and balances with Central Banks	90,622,707	190,968,435
Add: Balances at banks and financial institutions maturing within 3 months	133,790,249	75,904,727
Less: Banks and financial institutions' deposits maturing within 3 months	(100,491,924)	(37,190,591)
Less: Restricted cash balances	<u>(19,978)</u>	<u>(592,015)</u>
Cash and cash equivalents	<u>123,901,054</u>	<u>229,090,556</u>

40 DERIVATIVE FINANCIAL INSTRUMENTS

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

	Positive fair value JD	Negative fair value JD	Total notional amount JD	Par value maturity	
				Within 3 months JD	3-12 months JD
2010					
Derivatives held For Trading (Selling Contracts)	87,665	-	26,638,587	19,827,035	6,811,552
Derivatives held For Trading (Buying Contracts)	-	-	26,726,252	19,899,785	6,826,467
2009					
Derivatives held For Trading (Selling Contracts)	-	124,297	28,785,006	22,712,957	6,072,049
Derivatives held For Trading (Buying Contracts)	-	-	28,660,709	22,582,793	6,077,916

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The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

41 RELATED PARTY TRANSACTIONS

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

Company name	Ownership	Paid in Capital	
		2010 JD	2009 JD
Capital Investment and Brokerage Company	100 %	10,000,000	10,000,000
National Bank of Iraq	72.36%	22,996,055	22,996,055
Capital Investment Fund Company	100%	1,888	1,888

The Bank entered into transactions with major shareholders, directors, senior management in the ordinary course of business at commercial interest and commission rates. All the loans and advances to related parties are performing advances and are free of any provision for credit losses.

The following related party transactions took place during the years:

	Related party			Total	
	BOD members JD	Executive management JD	Others JD	2010 JD	2009 JD
Statement of financial position items:					
Bank Deposit	-	-	464,207	464,207	1,143,283
Balances at bank	30,091,821	196,850	6,254,927	36,543,598	32,769,097
Margin accounts	28,939	12,289	517,155	558,383	149,486
Direct credit facilities	10,596,564	1,113,075	-	11,709,639	10,547,224
Off Statement of financial position items:					
Indirect credit facilities	24,600	1,200	4,106,627	4,132,427	3,745,762
Income statement items:					
Interest and commission income	572,937	55,892	1,676	630,505	1,054,522
Interest and commission expense	831,549	7,022	103,353	941,924	1,426,024

Interest rates on credit facilities in Jordanian Dinar range between 3.75% - 15%
No credit facilities were granted in foreign currency.

Interest rates on deposits in Jordanian Dinar range between 1.25% - 4.1%.
Interest rates on deposits in foreign currency range between 0% - 1%.

Compensation of the key management personnel is as follows:

	2010 JD	2009 JD
Benefits (Salaries, wages, and bonus) of senior management	1,908,996	2,135,417
End of Service Indemnity	-	1,088,055
Total	1,908,996	3,223,972

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42 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include cash balances, deposits at banks and central banks, credit facilities, other financial assets, customers' deposits, banks deposits and other financial liabilities.

As mentioned in note (8) there is an amount of JD 2,519,737 representing financial investments- available for sale carried at cost (2009: JD 2,193,245). These investments were stated at cost since their fair value could not be measured reliably.

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

There are no material differences between the carrying values and fair values of the on and off balance sheet financial instruments as of 31 December 2010 and 2009.

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

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

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

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

	First Level JD	Second Level JD	Third Level JD	Total JD
2010-				
Financial assets -				
AFS financial assets	221,371,349	679,019	-	222,050,368
Financial liabilities-				
Derivatives	-	(87,665)	-	(87,665)
2009-				
Financial assets -				
Trading financial assets	161,568	-	-	161,568
AFS financial assets	132,591,694	626,676	-	133,218,370
Financial liabilities-				
Derivatives	-	124,297	-	124,297

43 RISK MANAGEMENT POLICIES

Banking risks are managed through a comprehensive strategy aimed at maintaining the financial position and profitability of the Bank, and identifying, avoiding, mitigating and controlling risks. This task is carried out by several entities within the Bank; including the Board of Directors and its committees, such as the Risk and Compliance Committee and the Audit Committee, and other committees within the Bank such as the Internal Risk Committee, Assets and Liabilities Committee, and the various Credit Committees. In addition, all of the

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Bank's branches and departments are responsible for identifying and managing the risks that are related to the banking operations, complying with the appropriate regulatory controls and monitoring its continuous effectiveness as in accordance with the risk control system.

As the Board of Directors of the Bank is fully aware on the significance of various risks that affect the banking sector and considering the global trends and the Central Bank of Jordan directives in this regard, the risk management department, an independent specialized department in the bank, focuses on identifying the existent and potential threats and designing methods to deal with them. Thus, the Bank seeks to continuously develop its risk management systems and undertake several necessary steps and measurements to prepare the Bank to abide by the new international standards, namely the requirements of the Basel II accord. Accordingly, the Bank coordinated with an international consulting firm to implement Pillar II of Basel II accord (supervisory review) through the Internal Capital Adequacy Assessment Process (ICAPP) that is based on the Central bank of Jordan instructions that were published recently in this regard.

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

1. The Board of Directors reviews and approves the Bank's risk appetite for potential losses associated with the various risk factors and continuously provides directives for risk management. Also, the General Manager is responsible for risk management and the practices associated with it within the activity framework of the Bank, and head the Internal Risk Management Committee.
2. The risk management philosophy at the Bank is based on the knowledge, experience and the capability of the supervisory management in judging matters, and the availability of a clear.
3. Risk management is the responsibility of all the bank's employees.
4. The monitoring tasks and responsibilities are distributed among the employees, each according to specialty.
5. The dynamism of the Risk and Compliance Committee, which emanates from the Board of Directors, ensures the effectiveness of the risk management policies and procedures. The Committee is entrusted with ensuring the implementation of the strategy and directives of the Board of Directors regarding the management and implementation of the general principles, frameworks and permissible limits.
6. The role of the Assets and Liabilities Committee is in planning the optimal deployment and allocation of capital, assets and liabilities and the continuous monitoring of liquidity and market risks.
7. The Risk Department manages the Bank's risks according to a comprehensive centralized methodology, with the presence of systems that assists in managing these risks, and by providing various operational units at the Bank with the methodologies and tools that are necessary for achieving an efficient and proper management of all types of risks. The Risk Management Department, which is headed by the Chief Risk and Credit Officer, is linked with the Board's Risk and Compliance Committee and there is a direct link that connects the Chief Risk and Credit Officer with the General Manager.

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8. The Internal Audit Department provides an independent assurance on the compliance of the Bank's operational units with the risk management policies and procedures, and the effectiveness of the Bank's risk management framework.
9. The Chief Financial Officer (CFO) is responsible for monitoring the financial risks, maintaining the quality and soundness of financial information, and ensuring the accuracy and integrity of the disclosed financial statements.
10. The Compliance Officer is responsible for ensuring that the Bank complies with all the relevant regulations, legislation and laws, especially those issued by the regulatory authorities.
11. The different risk management policies are approved by the Board of Directors and are in line with all the developments, growth and expansion of the Bank's activities and services.

RISK MANAGEMENT

The Bank is exposed to the following risks:

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

CREDIT RISK

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

The Bank manages Credit Risk through:

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

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- undertaking of pre-emptive or safety actions.
- Periodical revision, or when necessary, of all extended credit facilities on individual basis to ensure that there are no negative indicators or regress that necessitate the undertaking of pre-emptive or safety actions.

CREDIT RISK MANAGEMENT METHODS

1. Determining Credit Concentrations:

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

2. Credit Risk Profile:

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

3. Internal Risk Rating:

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

4. Stress Testing:

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

CREDIT RISK MITIGATION TECHNIQUES

The Bank follows several techniques to reduce credit risk:

- **Collaterals against Loans and Facilities, which include:**
 - Real estate mortgages.
 - Car and vehicle.
 - Machinery and equipment mortgages.

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

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

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

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

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

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

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

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

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

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the credit size, cash flow, and pertinent guarantees and collateral.

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

1) The table below shows the maximum exposure to credit risk for the components of the Statement of financial position, including derivatives. The maximum exposure is shown after Allowances and suspended interest and before the effect of mitigation through the use of master netting and collateral agreements.

	2010 JD	2009 JD
Statement of financial position items:		
Cash and balances at Central Banks	76,681,874	182,794,622
Balances at banks and financial institutions	133,790,249	75,904,727
Direct credit facilities		
Consumer lending	70,645,126	40,085,120
Real Estate mortgages	73,767,557	70,594,149
Corporate lending:		
Large corporations	490,505,655	443,579,130
Small and medium enterprises (SMEs)	16,791,142	15,515,642
Governmental sector	18,410,291	-
Bonds and treasury bills:		
Within financial investments- available for sale	216,213,300	128,589,038
Within financial investments- held to maturity	14,256,570	31,803,753
Within financial investments pledged as collateral	13,258,028	13,367,210
Other assets	9,021,050	8,445,447
Total Statement of financial position items:	<u>1,133,340,842</u>	<u>1,010,678,838</u>
Off Statement of financial position items:		
Letters of guarantee	117,180,966	100,560,522
Letters of credit	36,752,018	33,936,654
Acceptances	10,389,575	14,515,911
Irrevocable commitments to extend credit	59,786,528	41,964,718
Forward Deals	8,134,269	18,309,696
Total off Statement of financial position:	<u>223,243,356</u>	<u>209,287,501</u>
Total	<u>1,365,584,198</u>	<u>1,219,966,339</u>

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

	Consumer JD	Residential mortgages JD	Corporate JD	SMEs JD	Governmental Sector	Banks and other Financial Institutions and other items JD	Total JD
2010							
Low risk	5,874,990	817,958	6,854,544	1,810,340	18,410,291	252,736,398	286,504,561
Acceptable risk	61,393,128	65,116,169	325,455,304	13,341,332	-	210,484,673	675,791,606
Past due:							
Up to 30 days	337,143	39,576	459,053	121,554	-	-	957,326
From 31 to 60 days	1,180,190	179,494	10,205,287	297,162	-	-	11,862,133
Watch list	1,859,189	6,391,312	93,949,117	1,505,568	-	-	103,705,186
Non performing:							
Substandard	285,474	-	3,972,581	-	-	-	4,258,055
Doubtful	1,770,864	276,446	56,862,373	203,988	-	-	59,113,671
Loss	3,787,991	2,931,102	43,920,958	56,934	-	-	50,696,985
Overdrawn accounts	<u>340,280</u>	<u>26,194</u>	<u>8,074,505</u>	<u>1,527</u>	<u>-</u>	<u>-</u>	<u>8,442,506</u>
Total	<u>75,311,916</u>	<u>75,559,181</u>	<u>539,090,382</u>	<u>16,919,689</u>	<u>18,410,291</u>	<u>463,221,071</u>	<u>1,188,512,530</u>
Less: Suspended interest	(1,520,526)	(511,336)	(8,667,397)	(42,679)	-	-	(10,741,938)
Less: Allowance for impairment losses	<u>(3,146,264)</u>	<u>(1,280,288)</u>	<u>(39,917,330)</u>	<u>(85,868)</u>	<u>-</u>	<u>-</u>	<u>(44,429,750)</u>
Net	<u>70,645,126</u>	<u>73,767,557</u>	<u>490,505,655</u>	<u>16,791,142</u>	<u>18,410,291</u>	<u>463,221,071</u>	<u>1,133,340,842</u>
2009							
Low risk	7,040,269	528,525	7,243,430	448,506	-	278,728,066	293,988,796
Acceptable risk	27,676,145	59,691,949	329,951,922	14,630,901	-	162,176,731	594,127,648
Past due:							
Up to 30 days	614,437	26,603	27,320,373	1,809,560	-	-	29,770,973
From 31 to 60 days	6,395,156	90,159	11,030,387	196,504	-	-	17,712,206
Watch list	742,025	9,868,947	80,159,534	-	-	-	90,770,506
Non performing:							
Substandard	18,678	398,702	24,255,759	89,450	-	-	24,762,589
Doubtful	4,321,105	374,451	12,014,278	64,881	-	-	16,774,715
Loss	4,674,117	553,587	28,862,093	711,686	-	-	34,801,483
Overdrawn accounts	<u>396,024</u>	<u>60,469</u>	<u>862,172</u>	<u>2,907</u>	<u>-</u>	<u>-</u>	<u>1,321,572</u>
Total	<u>44,868,363</u>	<u>71,476,630</u>	<u>483,349,188</u>	<u>15,948,331</u>	<u>-</u>	<u>440,904,797</u>	<u>1,056,547,308</u>
Less: Suspended interest	(1,236,772)	(221,172)	(6,167,566)	(101,043)	-	-	(7,726,553)
Less: Allowance for impairment losses	<u>(3,546,471)</u>	<u>(661,309)</u>	<u>(33,602,492)</u>	<u>(331,646)</u>	<u>-</u>	<u>-</u>	<u>(38,141,918)</u>
Net	<u>40,085,120</u>	<u>70,594,149</u>	<u>443,579,130</u>	<u>15,515,642</u>	<u>-</u>	<u>440,904,797</u>	<u>1,010,678,838</u>

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

	Consumer JD	Real Estate mortgages JD	Corporate JD	SMEs JD	Governmental Sector	Total JD
2010						
Collaterals						
Low risk	5,874,990	817,958	8,204,031	1,810,340	-	16,707,319
Acceptable risk	16,234,768	56,422,565	109,674,814	8,273,723	-	190,605,870
Watch list	6,108,818	6,373,161	48,289,455	292,531	-	61,063,965
Non performing:						
Substandard	179,011	-	2,239,896	-	-	2,418,907
Doubtful	3,063,407	271,955	15,378,709	196,434	-	18,910,504
Loss	1,648,069	2,695,024	24,759,310	39	-	29,102,442
Overdrawn accounts	125	-	427,005	-	-	427,130
Total	<u>33,109,188</u>	<u>66,580,663</u>	<u>208,973,219</u>	<u>10,573,067</u>	<u>-</u>	<u>319,236,137</u>
Comprising of:						
Cash margin	5,874,990	817,958	8,204,031	1,810,340	-	16,707,319
Real Estate	14,123,859	60,447,345	152,080,014	7,103,845	-	233,755,063
Traded equities	9,600,268	3,250,613	26,115,989	254,854	-	39,221,724
Vehicles and machinery	3,510,071	2,064,747	22,573,185	1,404,028	-	29,552,031
Total	<u>33,109,188</u>	<u>66,580,663</u>	<u>208,973,219</u>	<u>10,573,067</u>	<u>-</u>	<u>319,236,137</u>
2009						
Collaterals						
Low risk	7,040,270	528,525	7,243,430	448,506	-	15,260,731
Acceptable risk	14,003,487	23,969,605	96,657,378	8,290,452	-	142,920,922
Watch list	961,018	4,498,591	42,995,559	-	-	48,455,168
Non performing:						
Substandard	1,234,422	328,347	21,916,663	67,723	-	23,547,155
Doubtful	2,802,585	330,530	1,989,308	-	-	5,122,423
Loss	2,342,832	451,254	7,886,912	467,552	-	11,148,550
Overdrawn accounts	61	-	-	-	-	61
Total	<u>28,384,675</u>	<u>30,106,852</u>	<u>178,689,250</u>	<u>9,274,233</u>	<u>-</u>	<u>246,455,010</u>
Comprising of:						
Cash margin	7,040,270	528,525	7,243,430	448,506	-	15,260,731
Real Estate	1,676,722	18,270,030	70,316,338	5,848,020	-	96,111,110
Traded equities	14,829,254	7,467,217	76,983,960	873,988	-	100,154,419
Vehicles and machinery	4,838,429	3,841,080	24,145,522	2,103,719	-	34,928,750
Total	<u>28,384,675</u>	<u>30,106,852</u>	<u>178,689,250</u>	<u>9,274,233</u>	<u>-</u>	<u>246,455,010</u>

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

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Rescheduled Debts

Are defined as debts that were classified as “Non-performing” credit facilities, and subsequently removed and included under “Watch List” based upon a proper rescheduling that complies with the Central Bank of Jordan’s regulations. These debts amounted to JD 83,941,190 as at 31 December 2010 against JD 48,032,940 as at 31 December 2009.

Restructured Debts:

Restructuring is defined as reorganizing credit facilities in terms of installments, extending the term of credit facilities, deferment of installments, or extending the grace period and accordingly are classified as “Watch List” in case of restructuring twice during the year according the Central Bank of Jordan instructions and its amendments. These debts amounted to JD12,977,537 as at December 31, 2010 against JD27,593,464 as at December 31, 2009.

3) Bonds and Treasury Bills

The following table shows the classifications of bonds and treasury bills based on the international credit rating agencies:

Bonds and Bills

Risk Rating Class	Included in financial assets held for trading JD	Included in financial investments- available for sale JD	Included in financial investments- held to maturity JD	Included in Financial investments pledged as collaterals JD	Total JD
Non-rated	-	17,036,035	8,507,857	-	25,543,892
Governmental	-	197,410,581	5,748,713	13,258,028	216,417,322
Moody's / Baa 1	-	-	-	-	-
S&P / A-	-	1,485,681	-	-	1,485,681
S&P / BBB+	-	281,003	-	-	281,003
Total	-	216,213,300	14,256,570	13,258,028	243,727,898

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4) Credit concentration based on the geographical distribution is as follows:

	Inside Jordan JD	Other Middle Eastern countries JD	Europe JD	Asia * JD	Americas JD	Other JD	Total JD
2010							
Cash and balances at Central Banks,	55,325,817	21,356,057	-	-	-	-	76,681,874
Balances at banks and financial institutions	32,418,998	8,663,343	76,459,286	397,006	15,263,046	588,570	133,790,249
Direct credit facilities:							
Consumer lending	50,948,873	19,696,253	-	-	-	-	70,645,126
Real Estate mortgages	73,767,557	-	-	-	-	-	73,767,557
Corporate lending:							
Large corporations	485,974,869	3,112,786	-	-	-	1,418,000	490,505,655
Small and medium enterprises	16,324,726	466,416	-	-	-	-	16,791,142
Governmental Sector	18,410,291	-	-	-	-	-	18,410,291
Bonds and treasury bills within:							
Financial investments- available for sale	213,901,855	2,311,445	-	-	-	-	216,213,300
Financial investments- Held to maturity	7,826,724	6,429,846	-	-	-	-	14,256,570
Financial investments- available for sale pledged as collateral	13,258,028	-	-	-	-	-	13,258,028
Other assets	<u>6,614,791</u>	<u>621,057</u>	<u>921,700</u>	<u>-</u>	<u>-</u>	<u>863,502</u>	<u>9,021,050</u>
Total 2010	<u>974,772,529</u>	<u>62,657,203</u>	<u>77,380,986</u>	<u>397,006</u>	<u>15,263,046</u>	<u>2,870,072</u>	<u>1,133,340,842</u>
Total 2009	<u>903,184,458</u>	<u>80,057,132</u>	<u>18,149,303</u>	<u>3,316,078</u>	<u>5,898,834</u>	<u>73,033</u>	<u>1,010,678,838</u>

* Excluding the Arab countries

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

	Financial JD	Industrial JD	Commercial JD	Real estate* JD	Agriculture JD	Shares JD	Consumer JD	Public and governmental JD	Other JD	Total JD
2010										
Cash and balances at Central Banks										
Balances at banks and financial institutions	76,681,874	-	-	-	-	-	-	-	-	76,681,874
Direct credit facilities:	133,790,249	-	-	-	-	-	-	-	-	133,790,249
Bonds and treasury bills within:	6,645,617	166,375,773	141,982,102	126,008,295	17,512,811	127,130,987	31,994,471	18,410,291	34,059,424	670,119,771
Financial assets held for trading										
Financial assets- available for sale										
Financial assets- held to maturity	3,258,181	4,078,763	-	3,234,774	-	-	-	197,410,581	8,231,001	216,213,300
Financial assets- pledged as collaterals	5,748,713	-	-	8,507,857	-	-	-	13,258,028	-	13,258,028
Other assets	9,021,050	-	-	-	-	-	-	-	-	9,021,050
Total 2010	<u>235,145,684</u>	<u>170,454,536</u>	<u>141,982,102</u>	<u>137,750,926</u>	<u>17,512,811</u>	<u>127,130,987</u>	<u>31,994,471</u>	<u>229,078,900</u>	<u>42,290,425</u>	<u>1,133,340,842</u>
Total 2009	<u>287,271,992</u>	<u>119,376,775</u>	<u>159,679,102</u>	<u>122,119,392</u>	<u>16,217,804</u>	<u>140,398,291</u>	<u>17,582,408</u>	<u>134,706,736</u>	<u>13,326,338</u>	<u>1,010,678,838</u>

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

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Market Risk

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

1. Interest Rate Risk
2. Exchange Rate Risk
3. Equity Price Risk

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

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

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

1- Interest Rate Risk

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

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

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comparing it with the approved limits, and implementing hedging strategies when needed. The Bank uses hedging instruments such as Interest Rate Swaps to curb the negative impact of fluctuations in interest rates.

- Interest Rate Risk Management Methods:

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

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

- Interest Rate Gaps:

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

- Interest Rate Hedging:

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

The sensitivity of income statement is represented by the effect of the possible expected changes in interest rates on the Bank's profits for one year. It is calculated based on the financial assets and liabilities that carry a variable interest rate as at December 31, 2010.

2010 Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	1	(257,093)	(88,324)
Euro	1	(108,089)	-
Pound Sterling	1	752	-
Japanese Yen	1	11,496	-
Other Currencies	1	96,369	-

2009 Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	1	261,200	(120,943)
Euro	1	67,599	-
Pound Sterling	1	24,003	-
Japanese Yen	1	4,197	-
Other Currencies	1	(9,071)	-

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2010 Currency	Decrease in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	(1)	257,093	90,032
Euro	(1)	108,089	-
Pound Sterling	(1)	(752)	-
Japanese Yen	(1)	(11,496)	-
Other Currencies	(1)	(96,369)	-

2009 Currency	Decrease in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	(1)	(261,200)	123,294
Euro	(1)	(67,599)	-
Pound Sterling	(1)	(24,003)	-
Japanese Yen	(1)	(4,197)	-
Other Currencies	(1)	9,071	-

2- Currency Risk:

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

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

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

2010 Currency	Change in currency exchange rate %	Effect on profit and loss JD
Euro	5	8,355
Pound Sterling	5	100,488
Japanese Yen	5	22,750
Other currencies	5	1,774,547

2009 Currency	Change in currency exchange rate %	Effect on profit and loss JD
Euro	5	1,053
Pound Sterling	5	77,320
Japanese Yen	5	542
Other currencies	5	427,071

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

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3- Equity Price Risk

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

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

2010 Market	Decrease in equity price %	Effect on profit before tax JD	Effect on equity JD
Amman Stock exchange	5	-	32,774
Regional Markets	5	-	15,725
International Markets	5	-	70,267
Iraq Stock Exchange	5	-	69,526
2009 Market	Decrease in equity price %	Effect on profit before tax JD	Effect on equity JD
Amman Stock exchange	5	8,078	55,019
Regional Markets	5	-	15,725
International Markets	5	-	-
Iraq Stock Exchange	5	-	34,186

In the event of an opposite change in the indicator, the effect will be for the same amount but in an opposite direction.

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

	Less than 1 month JD	1 - 3 months JD	3 - 6 months JD	6 - 12 months JD	1 - 3 years JD	3 or more years JD	Non-interest bearing JD	Total JD	Average interest rate %
2010									
Assets									
Cash and balances at Central Banks	37,356,057	-	-	-	-	-	53,266,650	90,622,707	2.11
Balances at banks and financial institutions	124,381,618	-	-	2,546,334	-	-	6,862,297	133,790,249	2.15
Direct credit facilities	155,234,519	63,141,791	68,378,909	95,394,832	190,161,493	97,808,227	-	670,119,771	8.01
Financial investments- available for sale	11,201,578	29,213,163	20,144,498	23,647,016	128,486,098	3,520,948	8,356,804	224,570,105	4.32
Financial investments-held to maturity	-	-	8,748,713	-	5,000,000	507,857	-	14,256,570	6.78
Financial investments-pledged as collaterals	-	-	5,057,578	-	8,200,450	-	-	13,258,028	4.32
Property and equipment	-	-	-	-	-	-	26,606,286	26,606,286	
Intangible assets	-	-	-	-	-	-	7,293,057	7,293,057	
Deferred tax assets	-	-	-	-	-	-	3,614,372	3,614,372	
Other assets	9,986,257	1,282,195	2,112,402	1,552,707	1,841,377	1,923,321	1,939,685	20,637,944	
Total Assets	338,160,029	93,637,149	104,442,100	123,140,889	333,689,418	103,760,353	107,939,151	1,204,769,089	6.58
Liabilities									
Banks and financial institution deposits	64,332,924	36,159,000	-	-	-	-	-	100,491,924	0.75
Customers' deposits	258,096,567	141,931,413	89,919,268	117,055,569	137,209,176	-	10,505,028	754,717,021	4.59
Margin accounts	18,508,944	5,022,864	1,679,113	1,502,525	71,217	94,852	25,173,614	52,053,129	2.48
Loans and borrowings	51,214	36,508	8,455,596	342,767	27,680,646	13,577,063	-	50,143,794	37.6
Subordinated loans (convertible to shares)	-	-	12,952,001	-	-	-	-	12,952,001	2.07
Tax provision	-	-	-	-	-	-	837,810	837,810	
Deferred tax assets	-	-	-	-	-	-	856,277	856,277	
Other Liabilities	-	-	-	-	-	-	18,609,181	18,609,181	
Total Liabilities	340,989,649	183,149,785	113,005,978	118,900,861	164,961,039	13,671,915	55,981,910	990,661,137	5.9
Interest rate sensitivity gap	1,747,275	(89,512,636)	(8,563,878)	4,240,028	168,728,379	90,088,438	47,380,346	214,107,952	
2009									
Total Assets	319,253,038	62,610,244	106,674,288	134,422,028	244,013,667	92,900,842	114,729,369	1,074,603,476	
Total Liabilities	231,502,462	136,152,156	103,742,780	178,580,387	50,795,896	24,071,326	141,687,866	866,532,873	
Interest rate sensitivity gap	87,750,576	(73,541,912)	2,931,508	(44,158,359)	193,217,771	68,829,516	(26,958,497)	208,070,603	

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	US Dollar JD	Euro JD	Pound Sterling JD	Japanese Yen JD	Other JD
2010					
Assets					
Cash and balances at Central Banks	17,732,491	1,003,048	1,307,885	-	27,444,164
Balances at banks and financial institutions	98,466,572	9,880,971	10,050,539	395,622	7,117,560
Direct credit facilities	91,594,143	2,847,709	98,643	477,958	18,854,599
Financial assets available for sale	12,254,860	-	-	1,405,346	1,402,743
Financial assets - available for sale	-	-	-	-	5,748,713
Financial assets - pledged as Collaterals	-	-	-	-	2,354,391
Other assets	<u>2,001,049</u>	<u>10,079,689</u>	<u>662,401</u>	<u>263,433</u>	<u>760,163</u>
Total Assets	<u>222,049,115</u>	<u>23,811,417</u>	<u>12,119,468</u>	<u>2,542,359</u>	<u>63,682,333</u>
Liabilities					
Banks and financial institution deposits	82,296,279	2,764,169	1,284,999	62,303	2,352,156
Customers' deposits	113,897,141	15,642,640	8,530,473	94,903	22,660,875
Loans and borrowings	494,549	-	-	-	-
Margin accounts	17,595,227	4,543,237	252,997	15,289	813,653
Tax Provision	-	-	-	-	221,615
Subordinated loans convertible to shares	13,157,216	-	-	-	-
Other liabilities	<u>9,830,964</u>	<u>106,683</u>	<u>35,725</u>	<u>958,057</u>	<u>2,350,254</u>
Total Liabilities	<u>237,271,376</u>	<u>23,056,729</u>	<u>10,104,194</u>	<u>1,130,552</u>	<u>28,398,553</u>
Net concentration in the financial statement of balance sheet	(15,222,261)	754,688	2,015,274	1,411,807	35,283,780
Forward contracts	<u>(584,435)</u>	<u>(587,582)</u>	<u>(5,524)</u>	<u>(956,799)</u>	<u>207,161</u>
Net concentration in foreign currency	<u>(15,806,696)</u>	<u>167,106</u>	<u>2,009,750</u>	<u>455,008</u>	<u>35,490,941</u>
2009					
Total Assets	<u>140,427,064</u>	<u>15,253,422</u>	<u>11,069,928</u>	<u>765,763</u>	<u>13,300,020</u>
Total Liabilities	<u>146,433,434</u>	<u>15,049,387</u>	<u>9,424,921</u>	<u>184,940</u>	<u>4,758,596</u>
Net concentration in the balance sheet	(6,006,370)	204,035	1,645,007	580,823	8,541,424
Forward contracts	<u>(6,933,237)</u>	<u>(182,977)</u>	<u>(98,604)</u>	<u>(569,978)</u>	-
Net concentration in foreign currency	<u>(12,939,607)</u>	<u>21,058</u>	<u>1,546,403</u>	<u>10,845</u>	<u>8,541,424</u>

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Concentration in currency risk:

Liquidity risk

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

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

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

A.Funding Liquidity Risk: the inability of the Bank to convert assets into cash such as accounts receivable, or obtain financing to meet commitments

B.Market Liquidity Risk: the inability of the Bank to sell assets in the market or the sale of these assets at a large financial loss due to the poor liquidity or demand in the market.

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

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

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

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- 1- **Funding liquidity risk:** the inability of the Bank to convert assets into cash such as accounts receivable or obtain financing to meet commitments
- 2- **Analysis and monitoring of assets and liabilities maturity dates:** the Bank examines the liquidity of its assets and liabilities as well as any changes that may occur on a daily basis. Through the Asset and Liability Committee, the Bank seeks to achieve a balance between the maturity dates of the assets and liabilities, and monitors the gaps in relation to those specified by the policies of the Bank.
- 3- **Geographical and sectoral distribution:** the assets and liabilities of the bank are distributed regularly into local and foreign investments depending on more than one financial and capital market. The facilities are also distributed among several sectors and geographical regions while maintaining a balance between providing retail and corporate credit. Furthermore, the Bank seeks to diversify the sources of funding and their maturity dates.
- 4- **Cash reserves at the banking monitoring authorities:** The bank maintains a statutory cash reserve at the banking monitoring authorities that amount to JD 50,181,543 million.

Information Security:

The Information Security/Risk Management Unit is entrusted with implementing an information security program that safeguards the confidentiality, availability and accuracy of the information within the bank through the following measures:

1. Providing the methods, tools and measures necessary to reduce the risks related to information.
2. Preparing the security policies related to the information systems and resources.
3. Continuously raising security awareness among the employees of the Bank and ensuring their compliance with the security program.
4. Managing security events related to the resources of information systems and issuing relevant recommendations to upper management.
5. Preparing security criteria for the different information systems.
6. Ensuring the security and safety of the equipment, software programs and various applications, in terms of virtual or material security, through the conduct of risk analysis processes, periodic tests to ensure safety, and the use of various instruments and procedures to monitor their safety.

Firstly: The table below summarizes the undiscounted cash flows of the financial liabilities based on the time to maturity, as of the date of the financial statements:

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	Less than 1 month JD	1 – 3 months JD	3 – 6 months JD	6 – 12 months JD	1 – 3 years JD	3 or more years JD	No Fixed maturity JD	Total JD
Liabilities 2010								
Banks and Financial institution deposits	27,488,481	73,266,615	-	-	-	-	-	100,755,096
Customers' deposits	258,781,671	149,417,638	93,559,115	124,911,812	157,390,530	-	-	784,060,766
Margin accounts	35,808,684	9,739,691	3,303,413	2,998,860	275,423	-	-	52,126,071
Loans and borrowings	51,488	37,089	5,629,357	364,602	36,543,717	17,901,355	-	60,527,608
Subordinated loan (convertible to shares)	-	-	489,919	489,919	1,959,676	15,159,838	-	15,099,352
Tax provision	837,810	-	-	-	-	-	-	837,810
Deferred tax liabilities	-	-	-	-	-	-	856,277	856,277
Other liabilities	4,358,983	991,740	802,382	817,921	958,743	-	10,679,412	18,609,181
Total Liabilities	327,327,117	233,452,773	103,784,186	129,583,114	197,128,089	33,061,193	11,535,689	1,035,873,161
Total Assets	397,934,483	94,640,454	92,161,675	121,155,428	256,821,691	196,729,269	45,326,089	1,204,769,089
Liabilities 2009								
Banks and Financial institution deposits	36,246,783	1,012,646	-	-	-	-	-	37,259,429
Customers' deposits	264,602,065	127,105,506	103,173,506	167,476,445	37,445,843	-	-	699,803,365
Margin accounts	34,916,828	9,222,227	3,097,689	2,798,319	137,641	189,988	-	50,362,692
Loans and borrowings	664,116	5,332,519	1,896,965	19,943,386	22,905,710	15,275,137	-	66,017,833
Subordinated loan (convertible to shares)	-	-	223,672	223,672	894,689	16,416,723	-	17,758,756
Sundry provisions	-	-	-	-	3,226,979	-	-	3,226,979
Tax provision	1,474,145	-	-	-	-	-	-	1,474,145
Deferred Tax	-	-	-	-	-	-	833,938	833,938
Other liabilities	4,800,125	776,353	887,260	982,744	198,892	-	17,188,035	24,833,409
Total Liabilities	342,704,062	143,449,251	109,279,092	191,424,566	64,809,754	31,881,848	18,021,973	901,570,546
Total Assets	376,583,952	69,921,810	107,810,373	137,470,644	246,039,383	103,383,310	33,393,998	1,074,603,476

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

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

Financial derivatives/ liabilities which are settled in gross include;

Foreign currency derivatives

2010	Less than 1 month JD	1 – 3 months JD	3- 6 Month	6 months 1 Year	Total JD
Derivatives held for trading:					
Outflows	2,608,772	2,366,805	1,884,244	1,274,449	8,134,270
Inflows	2,671,792	2,380,804	1,879,765	1,251,325	8,183,686

2009	Less than 1 month JD	1 – 3 months JD	3- 6 Month	6 months 1 Year	Total JD
Derivatives held for trading:					
Outflows	14,938,771	3,370,925	-	-	18,309,696
Inflows	14,942,798	3,416,103	-	-	18,358,901

Thirdly: Off-balance sheet items

2010	Less than 1 year JD	1 – 5 years JD	Total JD
Acceptances and Letters of Credit	47,141,593	-	47,141,593
Irrevocable commitments to extend credit	-	59,786,528	59,786,528
Letters of guarantee	117,180,966	-	117,180,966
Foreign Currency Forward Deals	8,134,269	-	8,134,269
Total	172,456,828	59,786,528	232,243,356

2009	Less than 1 year JD	1 – 5 years JD	Total JD
Acceptances and Letters of Credit	47,856,270	596,295	48,452,565
Irrevocable commitments to extend credit	-	41,964,718	41,964,718
Letters of guarantee	68,658,099	31,902,423	100,560,522
Foreign Currency Forward Deals	18,309,696	-	18,309,696
Total	134,824,065	74,463,436	209,287,501

Operational risk:

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

Each employee of the Bank, regardless of level and rank, is responsible for managing the operational risk through the proper implementation of internal procedures, which can mitigate the risks in the Bank's daily transactions. Due to the continuous change in the working environment and the management's desire to

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remain in-sync with all the technological advancements and introduce new banking services and products, several methodologies have been implemented to assist the different units in identifying, measuring, monitoring and controlling the operational risks that may arise. Among these procedures, an Operational Risk Policy has been designed and developed to cover all of the Bank's departments, branches and its subsidiary, whereby the main principles are included and the policy's objectives are aligned with the bank's strategic objectives. In addition, the policy determines the level of risk appetite, including ceilings and upper acceptable limits for deviation from the acceptable risk levels.

The general framework for risk management includes the distribution of roles and responsibilities among all those concerned with implementation, including the Board of Directors, Risk Management and Compliance Committee, executive management, department's managers, Risk Management Department, and the Audit Department.

The Risk Management/ Operational Risk Unit adopted the Control and Risk Self Assessment methodology (CRSA) for evaluation of risks and controls, which is one of the tools suggested by the International Basel Committee, for evaluating and monitoring operational risk. It also adopted the Key Risk Indicators. In addition to providing a mechanism for compiling the operational events and measurement of expected losses of these events using the Monte Carlo Analysis Method, and conducting stress tests and results. Also, it participates in the internal assessment of the capital of the Bank in the aspects related to this type of risk in accordance with the Central Bank of Jordan instructions, and it is continuously involved in the development of the systems that are used to manage the operational risk. Currently, the Bank is in the process of setting a comprehensive system for the Business Continuity Plan (BCP).

Prior to their approval, the Operational Risk Management Unit revises the procedures of different units in the bank, highlights the possible risks, and proposes recommendations to mitigate and control the risks. The Unit is also tasked with revisiting the internal policies of the bank and setting recommendations before they come into effect, as well as raising awareness among the staff on the risk management concepts, in order to improve the monitoring process. Furthermore, the Bank has a Board-approved policy on operational risk management. The Control and Risk Self Assessment seeks to identify and evaluate the risks, in terms of impact and frequency, to which the bank might be exposed to. Following this evaluation, the Bank can take the appropriate actions to reduce these risks through conducting lengthy workshops that host all of the bank's departments and branches, in order to set a risk profile that highlights the most important risks which might affect the bank. In addition, the profile highlights monitoring procedures to arrive at and delineate the size of the current control gap. As a result, a comprehensive view of the Bank's operational risks is presented, followed by setting the recommendations, consolidating efforts and determining priorities, in order to manage the risks and reduce the control gap.

The Bank is working on establishing a database on the actual and projected losses, in order to identify the true size of exposure to operational risks, which contributes to prioritizing the control procedures development. Due to the nature of operational risk; which cannot be completely mitigated, operational risk management policies are based on the principle of mitigating risks through effective control systems and continuous monitoring, qualified human resources, clear authorities limits, highly-efficient technologies, creating an environment that is fully aware of the risks, independence of the financial administration, and submission of reports.

The main responsibility of the Risk Management Department is turning the operational risk management into a daily integrated part of the Bank's daily activities by providing indicators and measures that contribute to improving the internal control systems, and monitoring them with a view to reducing risks.

Risks of compliance to the requirements of supervisory bodies:

These are risks arising from legal, monitoring penalties or financial losses or reputational risks which the bank

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can face if it does not comply with laws, regulations, instructions, orders, codes of conduct, criteria and proper banking practices.

The role of the Risk Management Department, in this regard, is to evaluate the extent of consistency between the aforementioned and the compliance procedures and instructions of the Bank. Furthermore, it follows up on any shortcomings that are revealed and proposes appropriate recommendations for amendments. In addition, the unit ensures that the bank complies with the compliance monitoring policy through conducting tests, submitting reports to the Board or the committee the latter formed with a copy of the reports sent to executive management. The reports include an evaluation of the compliance risk, the tests which were conducted during preparing the report, the transgressions, the shortcomings and the correctional procedures which have been undertaken. The compliance risk policy has been approved by the Board of Directors.

44 SEGMENT INFORMATION

For management purposes the Bank is organised into four major segments in accordance with the reports sent to the chief operating decision maker.

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

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

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

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

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

2010	Retail	Corporate	Corporate	Treasury	Other	Total	
	Banking	Banking	Finance			2010	2009
	JD	JD	JD	JD	JD	JD	JD
Total revenue	<u>10,792,514</u>	<u>45,079,684</u>	<u>308,103</u>	<u>19,221,546</u>	<u>1,086,351</u>	<u>76,488,198</u>	<u>82,539,343</u>
Allowance for credit losses	(260,861)	(18,654,819)	-	-	-	(18,915,680)	(19,238,180)
Segment result	<u>(3,418,981)</u>	<u>9,784,228</u>	<u>308,103</u>	<u>18,598,377</u>	<u>1,086,351</u>	<u>26,358,078</u>	<u>25,951,015</u>
Unallocated expenses						(18,921,175)	(21,682,044)
Profit before tax						7,436,903	4,268,971
Income tax expenses						(2,286,935)	(2,930,588)
Net profit						5,149,968	1,338,383
Other information							
Segmental assets	144,412,683	525,707,088	-	476,497,659	58,151,659	1,204,769,089	1,074,603,476
Segmental liabilities	328,743,267	478,026,883	-	163,587,719	20,303,268	990,661,137	866,532,873
Capital expenditure						(5,587,023)	(7,151,843)
Depreciation and amortization						(2,192,784)	(2,213,585)

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2. Geographical Information

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

	Jordan		Outside Jordan		Total	
	2010 JD	2009 JD	2010 JD	2009 JD	2010 JD	2009 JD
Total revenue	71,442,894	78,447,022	5,045,304	4,092,321	76,488,198	82,539,343
Total assets	271,690,848	964,575,236	933,078,241	110,028,240	1,204,769,089	1,074,603,476
Capital expenditure	5,587,023	7,151,843	-	-	5,587,023	7,151,843

45 CAPITAL MANAGEMENT

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

As per Central Bank of Jordan's regulations Number 52/2010, the minimum required paid in capital of Jordanian banks shall not be lower than JD 100 million before the end of year 2011, and the total shareholders equity shall not be less than 6% of total assets.

Through its operational years; the Bank maintained a capital adequacy ratio in excess of 12%, being the minimum capital adequacy rate required by the Central Bank of Jordan (8% as per Basel). Furthermore, the Bank regularly reviews and complies with the concentration ratios using regulatory capital as an indicator.

The bank manages and restructures its capital in light of the changes in the business environment. There has been no change on the Bank's capital structure during 2010 and 2009.

DESCRIPTION OF PAID IN CAPITAL

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

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

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REGULATORY REQUIREMENTS FOR PAID IN CAPITAL

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

	2010 JD	2009 JD
Primary capital-		
Paid in capital	150,000,000	132,280,000
Statutory Reserves	15,960,317	15,347,622
Share premium	709,472	709,472
Retained earning	24,846,843	20,576,552
Proposed dividends	-	17,720,000
Less-		
Deferred tax assets	3,614,372	4,789,774
Goodwill	4,021,101	4,102,713
Intangible assets	3,271,956	2,285,017
50% of Investments in Banks and Insurance companies Paid in Capital	1,281,561	694,705
Restricted cash balances	<u>10,000,000</u>	<u>10,000,000</u>
Total Primary capital	<u>169,327,642</u>	<u>164,761,437</u>
Supplementary Capital		
Foreign Currency translation reserve	3,272,100	3,874,407
General banking risk reserve	5,706,830	5,883,391
45% of cumulative change in fair value of financial investments available for sale	1,897,794	1,074,267
Subordinated loan	<u>11,179,828</u>	<u>13,974,785</u>
Total Supplementary Capital	<u>22,056,552</u>	<u>24,806,850</u>
Less-		
50% of Investments in Banks and Insurance companies Paid in Capital	<u>1,281,561</u>	<u>694,705</u>
Total Regulatory Capital	<u>190,102,633</u>	<u>188,873,582</u>
Total Risk Reserve	<u>960,564,621</u>	<u>866,052,452</u>
Capital adequacy (%)	19.79%	21.81%
Primary Capital (%)	17.63%	19.02%

Capital adequacy ratio at 31 December 2010 and 2009 was calculated in accordance with Basel II.

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46 FIDUCIARY ACCOUNTS

At the reporting date, the Bank had investment custody accounts amounting to approximately JD 1,095,913 as at 31 December 2010 (2009: 1,647,403). The asset management fees and commissions are recorded in the income statement.

In the normal course of business, the Bank performs investment management services for its clients. Investments and other assets held by the Bank (Horizon fund) in a fiduciary capacity amounting to JD 1,187,304 as at 31 December 2010 are segregated from the Bank's assets and are not included in the financial statements.

47 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

2010	Within 1 year JD	More than 1 year JD	Total JD
Assets			
Cash and balances at Central Banks	90,622,707	-	90,622,707
Balances at banks and financial institutions	133,790,249	-	133,790,249
Direct credit facilities	382,150,051	287,969,720	670,119,771
Financial assets - available for sale	85,237,168	139,332,937	224,570,105
Financial assets - held to maturity	-	14,256,570	14,256,570
Financial assets - pledged as collateral	5,057,578	8,200,450	13,258,028
Property and equipment	-	26,606,286	26,606,286
Intangible assets	-	7,293,057	7,293,057
Deferred tax assets	-	3,614,372	3,614,372
Other assets	16,730,012	3,907,932	20,637,944
Total Assets	713,587,765	491,181,324	1,204,769,089
Liabilities			
Banks and financial institution deposits	100,491,924	-	100,491,924
Customers' deposits	616,508,333	138,208,688	754,717,021
Margin accounts	51,605,462	447,667	52,053,129
Loans and borrowings	5,886,087	44,257,707	50,143,794
Subordinated loans	-	12,952,001	12,952,001
Tax provision	837,810	-	837,810
Deferred tax provision	-	856,277	856,277
Other liabilities	18,604,854	4,327	18,609,181
Total Liabilities	793,934,470	196,726,667	990,661,137
Net Assets	(80,346,705)	294,454,657	214,107,952

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2009	Within 1 year JD	More than 1 year JD	Total JD
Assets	190,968,435	-	190,968,435
Cash and balances at Central Banks			
Balances at banks and financial institutions	75,904,727	-	75,904,727
Financial assets held for trading	161,568	-	161,568
Direct credit facilities	320,177,197	249,596,844	569,774,041
Financial assets - available for sale	65,356,049	70,055,566	135,411,615
Financial assets - held to maturity	23,803,753	8,000,000	31,803,753
Financial assets - pledged as collateral	4,105,110	9,262,100	13,367,210
Property and equipment	-	24,204,721	24,204,721
Intangible assets	-	6,387,730	6,387,730
Deferred tax assets	3,821,680	968,094	4,789,774
Other assets	7,488,260	14,341,642	21,829,902
Total Assets	<u>691,786,779</u>	<u>382,816,697</u>	<u>1,074,603,476</u>
Liabilities			
Banks and financial institution deposits	37,190,591	-	37,190,591
Customers' deposits	647,862,410	32,118,873	679,981,283
Margin accounts	49,852,724	303,451	50,156,175
Loans and borrowings	26,238,112	29,646,240	55,884,352
Subordinated loans	-	12,952,001	12,952,001
Sundry provisions	-	3,226,979	3,226,979
Tax provision	1,474,145	-	1,474,145
Deffened tax provision	-	833,938	833,938
Other liabilities	7,446,484	17,386,925	24,833,409
Total Liabilities	<u>770,064,466</u>	<u>96,468,407</u>	<u>866,532,873</u>
Net Assets	<u>(78,277,687)</u>	<u>286,348,290</u>	<u>208,070,603</u>

48 CONTINGENT LIABILITIES AND COMMITMENTS

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

	2010 JD	2009 JD
Letters of credit	36,752,018	33,936,654
Acceptances	10,389,575	14,515,911
Letters of guarantee -		
Payments	29,754,220	30,459,021
Performance	33,884,791	27,589,224
Other	53,541,955	42,512,277
Foreign Currency Forward	8,134,269	18,309,696
Irrevocable commitments to extend credit	59,786,528	41,964,718
	<u>232,243,356</u>	<u>209,287,501</u>

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

	2010 JD	2009 JD
Intangible assets contracts	421,147	1,254,079
Fixed assets contracts	16,273	197,027
Construction contracts	<u>15,932</u>	<u>2,387</u>
	<u>453,352</u>	<u>1,453,493</u>

Annual rent of the Bank's main building and branches amounted to JD 854,373 as 31 December 2010 (2009: JD 484,056).

Included in the fiduciary assets are capital guaranteed investments amounting to JD 777,880 as at December 2010 (2009: JD 647,031).

49 LAWSUITS

The value of lawsuits proceeding against the bank, as part of the ordinary course of business, total JD 1,963,199 as at 31 December 2010 (2009: 1,527,556). According to the Bank's Management and legal counsel the Bank is not liable in any of these cases.

There is also another lawsuit of JD 15,577,122 against the Bank pertaining to ownership of shares, whereby the ownership of said shares was transferred to the Bank collateral by a customer, In addition, the plaintiff sought a claim for damages valued (for the purpose of legal fees) at JD 3 million, In the opinion of the legal counsel there is no need to provide for this claim.

There is another case for JD 17,358,705 against the Bank in order to recover the value of cheques which were paid from the account of the plaintiff company. In addition, the plaintiff sought a claim for damages estimated (for the purposes of the court fees) at JD 3 million. In the opinion of the Bank's legal counsel there is no need to provide for this claim,

In addition, there is a case for JD 3,332,816 against the Bank to recover the value of two cheques drawn by a customer. In the opinion of the legal counsellor there is no need to provide for this claim.

There is one case against the Bank and Capital Investment and Brokerages Company amounting to JD 11,351,734 related to the recovery of amounts possessed by the Bank in excess of the granted facilities.

50) STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in

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its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

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

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. Moreover the Central Bank of Jordan has instructed to adopt the first phase of IFRS9 and the effect of the adoption should be reflected on the financial statement for the period ended 30 June 2011.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

51 COMPARATIVE FIGURES:

Some of 2009 balances were reclassified to correspond with those of 2010 presentation. The reclassification has no effect on the profit for the year and equity.

Other Disclosures



Adopting a progressive vision that allows us to constantly develop and enhance our services and strengthen our enduring partnerships

Disclosures required by Jordan Securities Commission 2010

A CHAIRMAN'S STATEMENT

Included in the introduction of the annual report.

B BOD'S REPORT

Included in the introduction of the annual report.

1 DESCRIPTION OF THE MAIN ACTIVITIES OF THE BANK, BANK GEOGRAPHICAL LOCATIONS AND STAFF FOR EACH BRANCH

■ Description Of The Main Activities Of The Bank

Capital Bank of Jordan offers all banking financial businesses products and services to all economic sectors in Jordan through its head office and branches in the Hashemite kingdom of Jordan. It also offers investment and brokerage services through Capital Investments (Subsidiary): which is wholly owned by the bank with a paid in capital of JD 10 million. The Bank also owns 72.36% of the National Bank of Iraq with a paid in capital of 50 billion Iraqi dinars, Equals to proximally 30.750 Million JOD by that providing all facilities and services to customers wishing to invest in Iraq's Promising market.

■ Geographical Locations and Number of Employees in Branches

Number of employees in of the Bank and Capital Investments (Subsidiary) reached 435 distributed by geographical locations as follows:

Branch	City	Number of staff
Head Office	Amman	256
Main Branch	Amman	27
Shmesani Branch	Amman	6
Wehdat Branch	Amman	7
Sweifeyeh Branch	Amman	9
Madina Branch	Amman	9
Aqaba Branch	Aqaba	7
Aqaba Office	Aqaba	2
Zarqa Branch	Zarqa	5
Irbid Branch	Irbid	6
Majdi Mall Branch	Amman	7
Bayader Branch	Amman	6
Gardenz Branch	Amman	8
Dabouq Branch	Amman	5
Zarqa Free Zone	Zarqa	8
Al Horriyah str. Branch	Amman	6
Al-Yasmeen Branch	Amman	5
Marj Al Hamam Branch	Amman	6
New Zarqa Branch	Zarqa	5
Capital Investments (Subsidiary)	Amman	45

* There are no other branches out side Jordan

Disclosures required by Jordan Securities Commission 2010

■ Bank Capital expenditure

The volume of capital expenditure for the Bank is 33,899,343 dinars represents the net book value of the property and intangible assets as the end of 2010.

2 Subsidiaries:

- Capital Investments
- National Bank of Iraq
- Capital Investment Fund in Bahrain (not operating yet)

	Subsidiary Name		
	Capital Investments	National Bank of Iraq	Capital Investment Fund Company
Company Type	Limited liability	public shareholding	Bahraini Public Shareholding (closed)
Main activity	Brokerage and Investment Company	Banking	Establishing Investment Funds
Paid in capital	10,000,000 JOD	50 Billion Iraqi dinar	1,000 Bahraini dinar
Percentage owned by Capital Bank	100%	72.36%	100%
Address	Amman - Shmesani	Bagdad - Iraq	Bahrain
Other information	-	-	Is not operating yet

3 BOARD OF DIRECTORS AND TOP MANAGEMENT

A - Board of Directors

■ Mr. Bassem Khalil Salem AL-Salem

- Position: Chairman
- Date of birth: 19/6/1956
- Date of membership: 20/4/2010
- Academic Background: Bachelor of Chemical Engineering with Honors, from Imperial College, London University, UK, 1978
- Professional Experience: Long experience in the public sector, he served as Minister of Finance in 2009 and Minister of Labor during the period 2005 - 2009 and Chairman of the Social Security Corporation during the period 2005 - 2009. The founder and Chairman of the Board of Directors of several companies in the private sector.

Disclosures required by Jordan Securities Commission 2010

■ Mr. Said Samih Taleb Darwazah

Position	Vice Chairman
Date of birth:	25/5/1957
Date of membership:	20/4/2010
Academic Background:	BS in Industrial Engineering from Purdue University / USA and a Masters in Business Administration from INSEAD / France year 1984
Professional Experience:	Chief Executive Officer of Hikma Pharmaceuticals, he served as Minister of Health during the period 2003 - 2006, Chairman of the Board of the Dead Sea Touristic & Real Estate Investments, Chairman of the Board of the Ma'an Development Company, and Chairman of the Board of Directors of the Health Care Accreditation Council

■ Mr. Samih Taleb Darwazah

(was Chairman till 19/4/2010 and became Board Member in 20/4/2010)

Position	Member of The Board of Directors
Date of birth:	13/10/1930
Date of membership:	31/8/2009
Academic Background:	Holds a masters degree from St. Louis College of Pharmacy, Missouri in 1964.
Professional Experience:	Chairman of the Board of Directors of Hikma Pharmaceuticals, served as Minister of Energy and Mineral Resources, established The Jordan Trade Association and was a member of the Council of Economic Advisers, and member of the Jordanian Senate

■ Mr. Khalil Hatem khalil Al Salem

Position:	Member of The Board of Directors – represents Al-Khalil Company for Investments
Date of birth:	28/12/1982
Date of membership:	31/8/2009
Academic Background:	Holds Bcs in Economics from Columbia University in 2004.
Professional Experience:	Worked as financial analyst at J.P Morgan. Worked as Director of Business Development at Capital Investments. Working currently as General Secretary of Jordan Football Association

■ Mr. Nidal Younis Mohammed Eses

Position:	Member of the Board of Directors – Represents Investment and Integrated Industries Company
Date of Birth:	23/8/1966
Membership Date:	31/8/2009
Academic Background:	Bachelor of Science in Civil Engineering in 1988 and Master of Engineering Management in 1990 from George Washington University, Washington, D.C.
Professional Experience:	Chief Executive Officer and Board member of Nuqul Group. The Chief Executive Officer of Shaheen Group. Board Member of Amwaj Properties. Board Member of Tkiyet Um Ali.

Disclosures required by Jordan Securities Commission 2010

■ Mr. Kim Foad Sa'd Abu Jaber

Position: Member of the Board of Directors
 Date of Birth: 27/9/1956
 Membership Date: 31/8/2009
 Academic Background: Holds a BSc in Business Administration from Arizona University / Towson in 1980.
 Professional Experience: He is a Businessman and an investor in many companies such as Technical Packaging LLC, Solid Iron and Steel Manufacturing and Forming CO,PSC

■ Mr. Ayman Omran Abdullah Abu - Dhaim

Position: Member of The Board of Directors – Represents the Social Security Corporation
 Date of Birth: 16/11/1972
 Date of Membership: 31/8/2009
 Academic Background: Holds degrees CMA, CFM, CBM and CPA from the United States. Holds BA in Accounting from the University of Jordan. Holds Master degree in Accounting and management science from the United Kingdom in 1995.
 Professional Experience: Head of Financial Control Department in the Social Security Investment Unit

■ Mr. Sultan Mohammed Mousaed Al-Seif

Position: Member of The Board of Directors - Represents Al - Jadara Company for Real Estate Investment
 Date of Birth: 3/3/1985
 Date of Membership: 31/8/2009
 Academic Background: Holds a B.Sc. in Finance, 2007
 Professional Experience: Member of the Board of Directors in several companies, Deputy Director General in the Saudi Company for Medical Care.

■ Mr. "Mohammed Ali" Khaldoun AL-Husry

Position: Member of The Board of Directors - Represents Hotaf Investment Company
 Date of Birth: 20/4/1957
 Date of appointment: 31/8/2009
 Academic Background: Holds a B.Sc. in Mechanical Engineering from the University of Southern California, 1980 and a MBA from INSEAD, France, 1988.
 Professional Experience: Member of the board of Hikma Pharmaceuticals – London. The Chairman of the Board of Directors of Capital Bank of Jordan 1995 - 2007

■ Mr. Mazen Ahmad Mohammad Al-Jubeir

Position: Member of The Board of Directors
 Date of Birth: 19/9/1976
 Date of appointment: 26/7/2010
 Academic Background: Holds B.Sc with honors in Economics from Harvard University,1998 and a Master degree with honors from Harvard Business School, 2003.
 professional Experience: Executive Vice President of Amwal Al Khaleej, board member of several companies in Saudi Arabia, worked as a consultant at McKinsey & Co. in Washington

Disclosures required by Jordan Securities Commission 2010

■ Mr. Jawad Abdel Reda Abdel Baqi AL-Qassab

Position: Member of The Board of Directors
 Date of Birth: 1/1/1944
 Date of appointment: 16/12/2010
 Academic Background: Bachelor of Civil Engineering year 1972
 professional Experience: Businessman and founder of several companies, and Chairman and Chief Executive Officer of several companies, including United Saudi Jordanian Hotel & Tourism and Ayla Hotels & Tourism.

■ Mr. Samir Said Abdel Moaty Murad / Resigned

Position: Member of the Board of Directors
 Date of birth: 12/11/1957
 Date of membership: 31/8/2009
 Resignation Date: 28/7/2010
 Academic Background: Bachelor Degree in Management and Electrical Engineering from United Kingdom in 1982
 Professional Experience: President of Said Murad and Sons for Trade.
 Partner founder of International Energy Management Services Company and the Integrated Olives Product Company (IOP).

■ Mr. Khaleefa Butti Omair Yousif Ahmad Al-Mhery / Resigned

Position: Vice Chairman
 Date of birth: 23/8/1979
 Date of membership: 31/8/2009
 Resignation Date: 21/4/2010
 Academic Background: Holds BSc in Business Administration from the University of Suffolk / Boston.
 Professional Experience: Chairman of brokerage house securities in Abu Dhabi. Chairman of KBBO group in Abu Dhabi. Chairman of the financial brokerage Companies in Abu Dhabi. Chairman of One Financial- London

■ Mr. Mohammed Mousaed Seif Al-Seif / Resigned

Position: Member of The Board of Directors - Represents Al-Jadara Company for Real Estate Investment
 Date of Birth: 13/2/1956
 Membership Date: 31/8/2009
 Resignation Date: 27/5/2010
 Academic Background: Holds BSc in Industrial Engineering from the University of Southern California in 1980.
 Professional Experience: He has a long banking and finance experience, and he is currently the Chairman of AL-Seif for Development (UME) Holding Company.

Disclosures required by Jordan Securities Commission 2010

■ Al-Sheikh Nehayan Al-Nehayan/ resigned

Position:	Member of the Board of Directors
Date of Birth:	16/8/1968
Date of Appointment:	31/8/2009
Resignation Date:	19/4/2010
Academic Background:	Academic (university degree)

Board of Directors and its committees meetings during 2010 :

	Number meeting
Board of Directors	11
Audit Committee	12
Risk and Compliance Committee	6
Remuneration Committee	1
Corporate Governance Committee	1
Executive Committee	26

Directors of Capital Bank

B- Top Management

■ Mr. Haytham Yousef Abdelminaem Kamhiyah

Position:	General Manager
Date of appointment:	01/04/1996
Date of Birth:	01/08/1969
Academic Background:	Diploma in Advanced Management Program (AMP) from INSEAD University / France. Holds a B. A. in Accounting from University of Jordan year 1992. Holds the following professional certificates CRA, CPA, CMA.
Professional Experience:	Has an extensive experience in the field of External Audit with Arthur Anderson, Amman. Joined in 1996. His latest position was Assistant General Manager for Finance and Capital Bank, and subsequently became the General Manager in May 2005. He represents the bank in Association of Bank in Jordan Board of directors, Jordan International Insurance Company, Head Of Capital Investment and Brokerage Company, Injaz a non – Profit Organization.

Disclosures required by Jordan Securities Commission 2010

■ Mr. Ammar Bashir Ali Safadi

Position: Deputy General Manager – Business
 Date of Appointment: 01/02/2008
 Date of Birth: 15/10/ 1967
 Academic Background: he holds a Masters degree in international economics, university of Essex / UK 1991. Bachelors degree in economics and statistics, university of Jordan 1988.
 Professional Experience: He occupied various administrative positions in banking, most of which in the treasury department. He worked in different banks of which: Citibank/ Jordan. Manager of the treasury department. Executive manager of private banking department/ HSBC. Deputy Chief Executive Officer of Arab Banking Corporation / Jordan

■ Mrs. Iman Mohammad Allan Al Damen

Position: Chief Credit and Risk Officer
 Date of appointment: 16/12/2007
 Date of Birth: 05/06/1957
 Academic Background: Holds a Masters degree in Finance from University of Jordan, Diploma in Advanced Economic from UK, Manchester year 1992. Holds BSc in Business Administration from University of Kuwait year 1980.
 Professional Experience: She has a long experience in credit management. She worked in many senior positions at Cairo Amman Bank, Jordan Commercial Bank, Bank of Jordan then moved to Capital Bank in 2007 as Chief Credit and Risk Officer.

■ Mr. Sami Mohammed Musa Khair

Position: Chief of Human Resources and Administrative affairs.
 Date of Appointment: 01/02/2008
 Date of Birth: 09/12/1961
 Academic Background: Bachelor in Political Science and Public Administration, University of Jordan 1984.
 Practical Experience: Has a long experience in Human Resources Management, Administrative affairs Management and Consultation. Held senior managerial positions at different reputable institutions (Arab Banking Corporation, central bank of Jordan. Ministry of planning. Jordan Export Development Corporation, Macmillan Publishers Co.)

■ Mr. Rafat Abdallah Ismail Khalil

Position: Chief Audit Executive
 Date of appointment: 04/10/2007
 Date of Birth: 10/12/1964
 Academic Background: Holds a BSc in Accounting from Al Yarmouk University year 1986 Holds the professional certificate CBA and CICA.
 Professional Experience: Worked for seven years in Central Bank of Jordan and Oman's Commercial Bank for four years and Oman Arab Bank for seven years. He became Capital Bank's Chief Audit Executive in 2007

Disclosures required by Jordan Securities Commission 2010

■ Mr. Mohammed Hafez Abdel Kareem Mu'az

Position: Head of Legal Department / Legal counselor
 Date of Birth: 27/10/1969
 Date of appointment: 06/02/2003
 Academic Background: Holds Masters Degree in Commercial law from the UK. Holds Post graduate Diploma in International Law from the UK. Holds a Bachelors Degree. In law from University of Jordan.
 Professional Experience: Joined "Dajany and Associates / Law firm for 5 years then was appointed as a lawyer at Arab Bank PLC in the Legal Department / International Division for two years, Member of Jordanian Bar Association since 1997

■ Mr. Ali Mohammad Daoud Abu Swai

Position: Assistant General Manager / Treasury and Investment
 Date of Birth: 02/02/1966
 Date of Appointment: 09/08/1997
 Academic Background: Hold a Masters degree in finance and banking. Hold's a Bachelor's degree in finance and banking
 Professional Experience: Long banking experience in the branches, operations, financial markets and treasury and investment department.

■ Mr. Yasser Ibrahim Mohammad Kleib

Position: Assistant General Manager / Head of Corporate Banking
 Date of Birth: 27/10/1974
 Date of Appointment: 16/06/2004
 Academic Background: Holds a B.A. in business Administration from Al Yarmouk University (1996) Jordan, and is CLBB (Certified Lender Business Banker) Certified from the American Bankers Association (2005).
 Professional Experience: Worked for eight years at the Arab Bank in different areas with a focus on banking facilities. Having joined Capital Bank in 2004, Mr. Kleib started at the Department of Banking Facilities until he later became Head of Corporate Banking. Mr. Kleib utilizes his extensive professional experience to support the growth of Capital Bank's operations by developing and overseeing Capital Bank's policies and objectives, determining budgets and projected expenses, supervising the Bank's corporate services and credit facilities, and coordinating corporate relations in a manner that ensures customers' overall satisfaction

Disclosures required by Jordan Securities Commission 2010

■ Mrs. Rania “Mohammad Said” Dwaikat

Position: Head of Compliance Department
 Date of Birth: 07/02/1970
 Date of Appointment: 21/04/2002
 Academic Background: Hold a Bachelor degree Economics and Statistics Business Administration, University of Jordan 1991. Certificate of Certified Lender Business Banking from the American Bankers association the Arab Academy for Banking and Financial Sciences
 Professional Experience: 20 years of experience in banking, most of which in credit control, worked at Cairo Amman bank in charge of credit control and authentication department for 11 years. Joined Capital Bank as the head of credit control department in 2002 Certified in Anti money Laundering and Compliance from University of Reading, UK .

■ Mss. Ibtisam Mohammed Subhi El Ayyoubi / Resigned

Position: Deputy General Manager – Support
 Date of Appointment: 01/01/2008
 Date of Birth: 01/04/1959
 Date of Resignation : 7/12/2010
 Academic Background: Holds Masters degree in management banking from the American university of Beirut 1990. Bachelor of Accounting from Beirut Arab University 1983.
 Professional Experience: Wide banking experience in local and Arab banks. (Executive manager in several banks: Bank of Jordan, Jordan and Gulf Bank, Arab Bank, assistant general manager of Saudi National Arab bank) then joined Capital Bank in 2008 as chief of support Officer.

■ Mr. Ziad Abed Al-Razaq Fatayer / Resigned

Position: Retail Banking
 Date of Appointment: 13/09/2009
 Date of Birth: 01/08/1965
 Date of Resignation : 30/12/2010
 Academic Background: Holds MBA in Marketing Management from the Symbiosis Institute of Management at the University of Poona in India. Holds Post Graduate Diploma in Marketing Management from the Promotion Institute in New Delhi in India 1989. Holds a Bachelors Degree in Advanced Accounting and Auditing from the University of Poona in India year 1988.
 Professional Experience: 20 years of extensive experience and knowledge in the retail banking sector in the Mashreq Bank, Citibank, ABN AMRO, Arab Bank, the Bank of Kuwait and the Middle East, the Bank of Jordan, in addition to Amlak Finance and the International Bank for Trade & Finance

Disclosures required by Jordan Securities Commission 2010

■ Mr. Ibrahim Salah Mohammed Samha / Resigned

Position: Assistant General Manager / Financial Controller
 Date of appointment: 07/03/1999
 Date of Birth: 10/7/1973
 Date of Resignation : 21/11/2010
 Academic Background: Holds a Masters degree in Finance from the Institute of Banking Studies / University of Jordan 2005. Holds a Bachelors Degree in Accounting from University of Jordan 1995
 Professional Experience: Worked at HSBC / Jordan for 4 years then moved to Capital Bank in 1999 and held many positions in financial department. He became the Financial Controller in December 2006.

■ Mr. Michael Zaki Michael Nu'man / Resigned

Position: Assistant General Manager / Risk Department
 Date of Appointment: 20/07/1999
 Date of Birth: 01/04/1973
 Date of Resignation : 1/8/2010
 Academic Background: Master degree in finance and banking, specializing in financial management 2002. Bachelor of economics, university of Jordan 1/1995 Professional diploma in Basel II from American Banking association (American Institute Banking) Certificate of Certified lender Business banking from Institute of Certified banking and Arab Academy for Banking and financial sciences.
 Professional Experience: 13 years of experience in banking, most of which in banking facilities, worked at HSBC for four years, he joined Capital Bank in July 1999, latest position was Head of Credit Corporate Department.

Executive Management of Capital Investments (Subsidiary):

■ Mr. Bassem Khalil Salem AL-Salem

Position: Chairman
 Date of birth: 19/6/1956
 Date of membership: 20/4/2010
 Academic Background: Bachelor of Chemical Engineering with Honors, from Imperial College, London University, UK, 1978
 Professional Experience: Long experience in the public sector, he served as Minister of Finance in 2009 and Minister of Labor during the period 2005 - 2009 and Chairman of the Social Security Corporation during the period 2005 - 2009. The founder and Chairman of the Board of Directors of several companies in the private sector.

Disclosures required by Jordan Securities Commission 2010

■ Mr. Haytham Yousef Abdelminaem Kamhiyah

Position: General Manager
 Date of appointment: 01/04/1996
 Date of Birth: 01/08/1969
 Academic Background: Diploma in Advanced Management Program (AMP) from INSEAD University / France. Holds a B. A. in Accounting from University of Jordan 1992. Holds the following professional certificates CRA, CPA, CMA .
 Professional Experience: Has an extensive experience in the field of External Audit with Arthur Anderson, Amman. Joined in 1996. His latest position was Assistant General Manager for Finance and Risk, and subsequently became the General Manager in May 2005. He represents the bank in Association of Bank in Jordan Board of directors, Jordan International Insurance Company, Capital Investment and Brokerage Company, Injaz a non – Profite Organization.

■ Mr. Ammar Bashir Ali Safadi

Position: Deputy General Manager – Business
 Date of Appointment: 01/02/2008
 Date of Birth: 15/01/ 1967
 Academic Background: he holds a Masters degree in international economics, university of Essex / UK 1991. Bachelors degree in economics and statistics, university of Jordan 1988.
 Professional Experience: He occupied various administrative positions in banking, most of which in the treasury department. He worked in different banks of which: Citibank/ Jordan. Manager of the treasury department. Executive manager of private banking department/ HSBC. Deputy Chief Executive Officer of Arab Banking Corporation / Jordan

■ Mr. Omar Munib Elyas Alwir

Position: Chief Executive Officer- Capital Investments
 Date of Appointment: 4/7/2010
 Date of Birth: 7/11/1980
 Academic Background: Bachelor of Arts degree, magna cum laude, from the University of Pennsylvania with a Major in Economics with Distinction, and minors in History and Psychology
 Professional Experience: Before joining Capital Investments, he co-founded and was managing partner of Singularity Advisors, an Indo-Mena strategic and financial advisory practice, and CST Capital, a special opportunities fund Served as an Assistant for Policy at the Office of His Majesty King Abdullah II of Jordan Served as Advisor for Policy to the Minister of Finance of Jordan, and Advisor for Policy to the Minister of Planning and International Cooperation of Jordan Founding principal at Enjaz Limited, a financial advisory business based in Dubai (currently AB Capital; on whose board he served from 2008-2010). Worked in the restructuring and bankruptcy consulting field in the U.S. with Chicago-based Navigant Consulting.

Disclosures required by Jordan Securities Commission 2010

■ Mr. Eyad Ismail Sabti Mashal /Resigned

Position:	Chief Executive Officer, Capital Investments
Date of Appointment:	01/06/2009
Date of Birth:	08/11/1972
Date of Resignation :	30/4/2010
Academic Background:	Holds Masters Degree in Accounting, University of Jordan . Holds Bachelors Degree in Accounting, University of Jordan. Holds the professional certificate Chartered Financial Analyst (CFA)
Professional Experience:	16 years of investment and financial focused primarily on asset management, worked an Executive Director with Bank Julius Baer, acting as a senior investment advisor for and manager of the Onyx MENA Fund. Prior to that, Eyad was the head of Asset Management of Atlas Investment Group A member of the CFA Institute An affiliate of the Market Technician Association (MTA) and colleague of the International Federation for Market Technicians.

■ Mr. Samer Mouhamad Mousa Sunnuqrot / Resigned

Position:	General Manager, Capital investment
Date of appointment:	01/02/2008
Date of Birth:	17/09/ 1965
Date of Resignation :	01/07/2010
Academic Background:	Holds Masters Degree in Financial Markets from the Arab Academy for Banking and Financial Sciences – Jordan 2001. Holds Bachelors Degree in Accounting from Georgia State University / USA 1988
Professional Experience:	Former Deputy CEO at Jordan Ahli Bank. Held several Senior Positions in Investment Banking, Research and Strategic Planning with total Banking Experience of 18 years. Attended high level seminars, conferences, and training programs in the field of investment banking.

4 Major Shareholders who own 5% or more and the number of stocks owned by them :

Name	Nationality	No. of Stock as of 31/12/2010	%	No. of Stock as of 31/12/2009	%
Rami Mohammad Suleiman Al-Hadidi	Jordanian	14,968,249	9.979%	15,000	0.011%
Al Janabi Group for General Trading & Contracting Jordan	Jordanian	14,464,868	9.643%	-	-
Social Security Corporation	Jordanian	13,908,218	9.272%	12,290,469	9.291%
Said Samih Taleb Darwazeh	Jordanian	11,629,003	7.753%	4,673,295	3.533%
International Finance Corporation	International	10,523,132	7.015%	9,255,000	6.997%
Investment and Integrated Industries Company	Jordanian	7,554,756	5.037%	6,662,288	5.037%

Disclosures required by Jordan Securities Commission 2010

5 Competitive position and market share

Past years witnessed growth in Capital Bank market share in terms of assets which accounted for 3.47% of banking sector assets, credit facilities accounted for 4.82%, and customer deposits accounted for 3.25% of the customer's deposits in the banking sector.

6 No dependence on specific suppliers or key customers locally or abroad constitute 10% or more of the total purchases and/ or sales

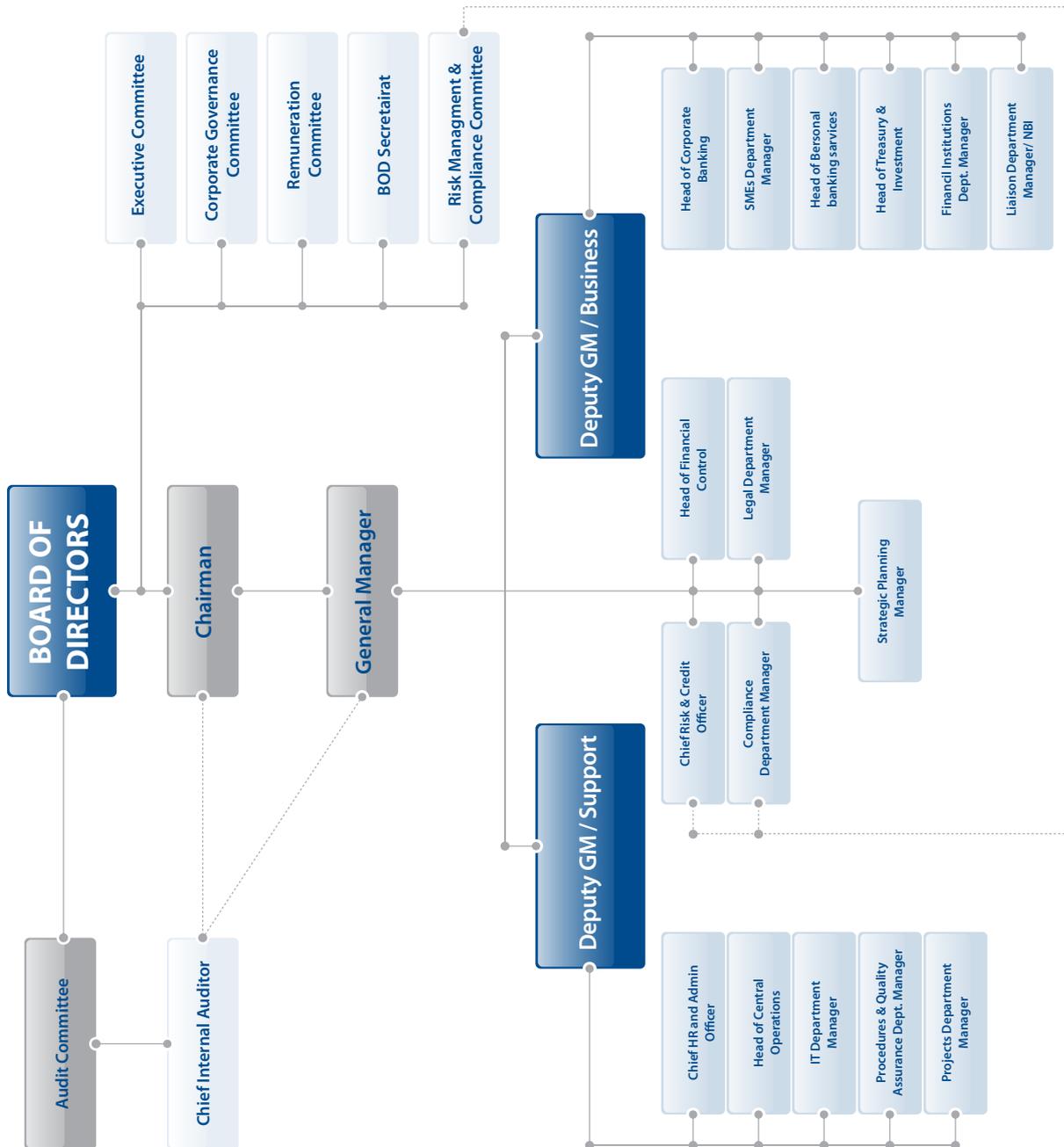
7 There is no governmental protection or privileges awarded to the Bank or any of its products. The Bank has not got patent of invention or copyrights.

8 There are no decisions issued by the government or any international organization that have a material effect on the Bank's operations, products or competitive capability.

Quality standards do not apply to the bank

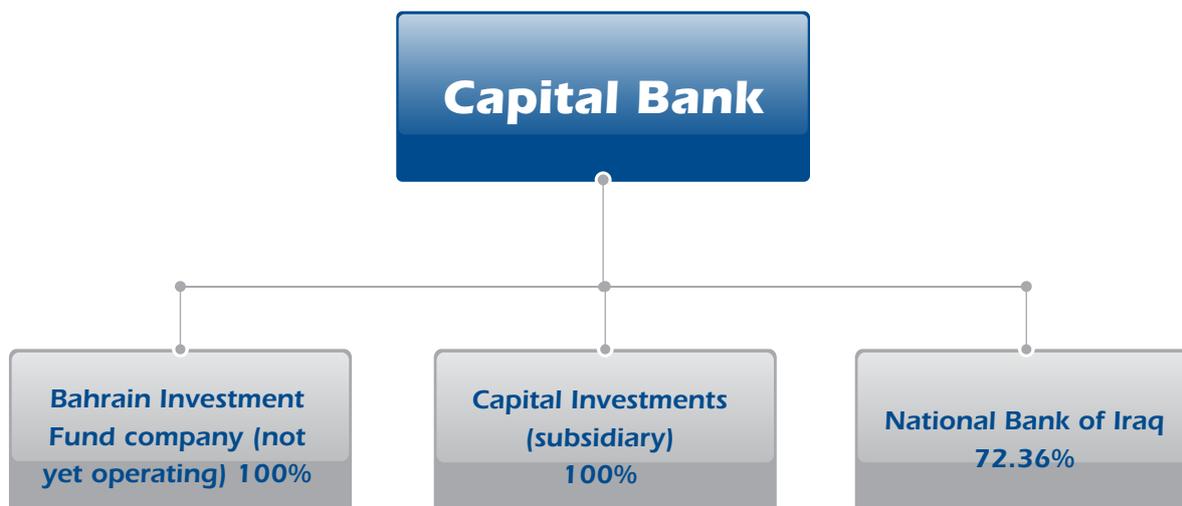
Disclosures required by Jordan Securities Commission 2010

A- Bank organizational structure



Disclosures required by Jordan Securities Commission 2010

B- Subsidiaries organizational structure



C- Number of employees and their Qualifications:

Scientific Degree	Capital Bank	Capital Investments (subsidiary)
Doctorate	1	0
Masters	26	6
High Diploma	2	0
B.A / BSc	298	29
Diploma	38	2
Secondary School	14	1
Lower than Secondary School	11	7
Total	390	45

Disclosures required by Jordan Securities Commission 2010

D- Training and qualifying programs for the Bank and Capital Investments (subsidiary)

Course location	Capital Bank		Capital Investments (subsidiary)	
	Number of courses	Number of participants	Number of courses	Number of participants
In-house training	11	873	5	86
Training in side Jordan	87	187	13	16
Training out side Jordan	13	15	3	5
TOTAL	111	1075	21	107

Course Title	Number of courses	Number of participants / Capital Bank	Number of courses	Number of participants / Capital investments (subsidiary)
External courses and conferences	13	15	3	5
Specialized courses in human resource development and skills development	12	377	3	38
Specialized courses in banking operations	11	78	-	-
Local conferences	7	21	1	1
Specialized courses in investment and treasury	2	3	-	-
Specialized courses in risk management and banking crises, auditing and controls and compliance	19	124	5	27
Specialized courses in information technology and systems	14	26	5	5
Specialized courses in corporate and Retail banking, collection and customer service	10	171	-	-
Project Management	1	7	-	-
Specialized courses in legal aspects	5	9	-	-
Financial analysis	3	6	1	3
Security and Public Safety	1	216	1	25
Other	13	22	2	3
Total	111	1075	21	107

10 The bank is exposed to the following Risks

Credit Risk
 Liquidity Risk
 Market Risk
 Operational Risk
 Compliance Risk

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11 Achievement of the bank for the year 2010

As included in the chairman statement at the introduction of this annual report.

12 The financial effect for extraordinary and non - recurring operations that occurred in 2010 and not included in the main activities of the bank

There are no extraordinary non - recurring operations during the year 2010

13 Net Income, dividends paid and net shareholders equity (2001-2010)

Year	Equity	Net Income	Dividends		Closing Price
			Cash Dividend	Stock Dividend	
2001	34,106,664	5,056,890	-	3.3 Million	1.84
2002	37,590,373	5,568,252	-	4.7 Million	1.38
2003	45,779,476	8,061,827	-	4.5 Million	3.93
2004	59,872,518	12,346,354	-	7 Million	4.41
2005	135,934,724	21,358,989	-	10.5 Million	3.32
2006	156,991,770	18,059,905	-	14 Million	1.93
2007	172,375,124	13,508,666	-	7 Million	2.07
2008	203,161,545	15,250,169	7.5 Million	-	1.80
2009	208,070,603	1,338,383	-	17.2 Million	1.56
2010	214,107,952	5,149,968	-	-	1.54

14 Bank's Financial Position and Results of Operations Analysis

Financial Ratio	31/12/2010	31/12/2009
Return on average assets	0.45%	0.13%
Return on average equity	2.44%	0.65%
Earnings per share	0.032	0.013
Equity / Assets	17.77%	19.4%
Capital adequacy	19.79%	21.81%
Non performing loans ratio	15.64%	11.5%
Provision Coverage ratio (after interest in suspense)	39.75%	54.54%
Liquidity Ratio	121.32%	136.18%

15 Future Developments and Plans for the year 2011:

Capital Bank will continue in 2011 to work within its strategy which is to link trade and project finance with capital markets, and provide a full range of commercial banking services and innovative and competitive investments, depending on the in-depth knowledge of developments in the local and regional economic sectors and on the latest technologies characterized by high efficiency. Capital Bank will focus most of its activities and its potential to enhance the level of services and strengthen its position in the banking sector, including meeting the expectations of shareholders and all concerned parties in its work, and through the development of infrastructure and strengthening banking systems used in the conduct of its operations. It also includes the expectations of the bank to take advantage of investment opportunities and value in the markets of Jordan and Iraq and the region alike; where aspires to enter in feasible projects and building investment strategies with leading banks at the regional level, in response to the needs of customers in those markets. The Bank remains committed to doing its utmost to maintain the confidence given to its customers. Taking the Bank's business focus on corporates and investors primarily, but it does not overlook the importance of

Disclosures required by Jordan Securities Commission 2010

servicing retail banking sector, as seen on the design of suitable products and solutions to meet the unique and sophisticated needs of individuals, with a high level of quality

16 Bank and its Subsidiaries External Auditor's Fees

Ernst and Young's fees for auditing the Bank and its subsidiaries in 2010 amounted to JD 149,909 Including Tax.

- Capital Bank	61,480
- Capital Investments (subsidiary)	12,180
- Horizon Fund	4,640
- National Bank of Iraq	71,609
Total	149,909

17 Number of Financial Securities

A- Number of financial securities issued by the bank and owned by the board of directors, top management, with executive authority, and Board of Directors relatives.

■ Securities owned by Members of the Board of Directors

Members	Position	Nationality	Number of shares as of 31/12/2010	Number of shares as of 31/12/2009
Bassem Khalil Salem Al Salem	Chairman	Jordanian	7,208,833	6,379,277
Said Samih Taleb Darwazah	Vice Chairman	Jordanian	11,629,003	4,673,295
Investment and Integrated Industries Company	Member	Jordanian	7,554,756	6,662,288
Nidal Younis Mohammed Eses	Member	Jordanian	-	-
Social Security Corporation	Member	Jordanian	13,908,218	12,290,469
Ayman Omran Abu Dhaim		Jordanian	-	-
Samih Taleb Mahmoud Darwazah	Member	Jordanian	711,276	1,510,000
Kim Foad Sa'd Abu Jaber	Member	Jordanian	1,796,086	1,583,909
Al-Khaleel Company For Investment	Member	Jordanian	48,427	42,707
Khalil Hatem Khalil Al-Salem		Jordanian	90,712	79,996
Hotaf Investment Company	Member	Jordanian	4,535,833	4,000,000
"Mohammed Ali" Kahldoon Al-Husry		Jordanian	2,267,916	2,000,000
Al-Jadara Company for Real Estate Investment	Member	Jordanian	28,348	25,000
Sultan Mohammad Mousaed AL-Seif		Saudi Arabia	-	-
Jawad Abdel Reda Al Qassab	Member	Jordanian	28,348	25,000
Mazen Ahmad Al Jubier	Member	Saudi Arabia	25,000	-

■ Securities owned by Relatives of Members of Board of Directors

Member's Relatives	Member	Relation	Number of shares as of 31/12/2010	Number of shares as of 31/12/2009
Rudayna Farhan	Bassem Khalil Salem Al Salem	Wife	514,388	453,622
Sa'd abu Jaber				
Emad Kim Fuad	Kim Foad Sa'd Abu Jaber	Son	1,366	1,205
Abu Jaber				

- There are no shares owned by the remaining BOD relatives

Disclosures required by Jordan Securities Commission 2010

■ Securities owned by Companies Controlled By Board of Directors:

Member Name	Position	Controlled Company Name	Legal Form	Bank Shares Owend by the Controlled Company	
				31/12/2010	31/12/2009
Kim Foad Abu Jaber	Board Member	Al- Tamasok Investment Company	Limited liability	965,708	850,465
		Al- Yadudh Investment Company	Limited liability	119,306	105,212
Said Samih Taleb Darwazah	Vice-Chairman of the Board of Directors	Al- Tamasok Investment Company	Limited liability	965,708	850,465
		Darhold Limited	Private	2,653,124	2,339,702
Investment and Integrated Industries Company	Board Member	Universal Modern Industrial for Edible Oil	Public Shareholding Company	19,370	17,082
		Darhold Limited	Private	2,653,124	2,339,702
Samih Taleb Darwazah	Board Member	Darhold Limited	Private	2,653,124	2,339,702
Mohammad Ali Khaldoun	Board Member	Darhold Limited	Private	2,653,124	2,339,702
Alhusry/ representative of Hotaf Investment Company					

■ Securities owned by Members of Top Management

Members	Position	Nationality	Number of shares as of 31/12/2010	Number of shares as of 31/12/2009
Mr. Haytham Yosef Abed El-Monaem Kamhiyah	General Manager	Jordanian	71,534	63,084
Mr. Mohammad Hafez Moh'd Muaz	Head of legal Department / Legal Counselor	Jordanian	15,364	14,814
Mr. Ziad Abed Al Razaq Fatayer	Head of Personal Banking Services (Till 30/12/2010)	Jordanian	1,133	-

- There are no shares owned by the remaining BODs
- There are no shares owned by top executive management Relatives
- There are no shares owned by the controlled Companies by the top executive management and relatives.

Disclosures required by Jordan Securities Commission 2010

18 Board of directors and top executive management remuneration and other benefits

A: Board of Directors

Board of directors	Position	Overall yearly salaries	Transportation	Yearly Bonus	Yearly traveling expenditure	Yearly total benefits
Mr. Bassem Khalil Al salem	Chairman	293,009	11,800	-	-	304,809
Mr. Said Samih Darwazah	Vice Chairman	-	9,200	-	-	9,200
Mr. Samih Taleb Darawzah	Member	-	8,000	-	-	8,000
Investment and Integrated Industries Company / Mr. Nidal Younis Eses	Member	-	18,700	-	-	18,700
Social Security Corporation/ Mr. Ayman Omran Abu Dhaim	Member	-	16,600	-	-	16,600
Al-Jadara Company For Real Estate Investment/. Mr. Mohammed Mousaed Al-Seif	Member	-	6,353	1,250	-	7,603
Al Khalil Company for Investments / Mr. Khalil Hatem Al salem	Member	-	15,800	-	-	15,800
Hotaf Investment Company /Mr. Mohammed Ali Khalidoun Al- Husry	Member	-	14,200	-	-	14,200
Mr. Kim Abu Jaber	Member	-	18,400	5,000	-	23,400
Mr. Mazen Ahmad Al-Jubier	Member	-	6,716	-	-	6,716
Mr. Nahian Hamdan Al Nahian	Member/ resigned	-	1,200	-	-	1,200
Mr. Khaleefa Butti Yousif Ahmad	Member/ resigned	-	2,975	-	-	2,975
Mr. Samir Murad	Member/ resigned	-	12,100	-	-	12,100
Total		293,009	142,044	6,250	-	441,303

Disclosures required by Jordan Securities Commission 2010

B. Executive Senior management benefits and rewards:

Name	Salary	Bonus*	Total
Mr. Haytham Kamhiyah	225,375	-	225,375
Mr. Ammar Safadi	150,000	-	150,000
Mr. Rafat Khalil	98,025	-	98,025
Mr. Mohammed Muaz	71,625	-	71,625
Mr. Ali Abu Sway	71,250	-	71,250
Mr. Sami Khair	105,000	-	105,000
Ms. Iman Al- Damen	112,500	-	112,500
Mr. Yasser Ibrahim Klieb	58,500	-	58,500
Ms. Rania Dweikat	46,500	-	46,500
Mr. Omar Al wir	73,946	-	73,946
Ms. Ibtissam Al Ayoubi (Resigned) dated 7/11/2010	149,071	-	149,071
Mr. Ibrahim Samha (Resigned) dated 21/11/2010	76,705	-	76,705
Mr. Mecheal Zaki Nu'man (Resigned) dated 1/8/2010	53,115	-	53,115
Mr. Zeyad Abed Al Razaq Fatayer (Resigned) dated 3/12/2010	94,951	-	94,951
Mr. Samer Mohammad Sunkrot (Resigned) dated 1/7/2010	110,077	-	110,077
Mr. Eyad Ismaeel Mush'al (Resigned) dated 30/4/2010	119,347	-	119,347
Total	1,615,987	-	1,615,987

19 Donations paid by the Bank during 2010

Requesting Party	Amount
Queen Rania's Madrasati Initiative	125,000
SOS Children's Village Association of Jordan Charity Campaign	30,000
Young Women Muslim Association (YWMA)/sponsoring 12 students	28,444
King's Academy / Sponsoring one student	23,500
Association for Orphan Care/ AL-Mafraq	21,270
King Hussein Club	16,000
National Center for Human Rights	5,000
"Al.Awn" Humanitarian Aid	5,000
Palestinian Heritage Foundation	4,560
"That Ras" Sports Club	3,545
Donating Medical expenses for some humanitarian cases	3,000
Jordan River Foundation	2,787
Steps Program	2,500
"Ebal" Charity	2,127
Jordan Hashemite Charity Organization	2,000
Support the initiatives of the Public Security Directorate in the Fight Against Drugs & Road Safety	2,000
Miscellaneous	1,305
	16,846
	294,884

Disclosures required by Jordan Securities Commission 2010

20 There are no contracts or projects or engagements entered with the subsidiaries or the chairman or the board of directors or the general manager or any employee in bank or their relatives.

21 Bank contribution for environment protection and community service

A- Contribution and environment protection

Participation in the exerted efforts to protect the environment. In example of this is the participation of the bank in the national forestation project for the forestation and land development of unplanted areas in Eira/ Salt of the program of agricultural reform that is led by the Ministry of Agriculture.

B- Contribution and community Service

Stemming from its social responsibility commitment towards its local community, and realizing the importance of continuous effective interaction with its social surroundings, and to achieve mutual benefit for it and the different social strata, this year Capital Bank continued to:

C – Affirmation

1. Board of Directors admits of nonexistence of major matters that might affect the Bank's continuity during 2011.

2. Board of Directors admits its responsibility for preparation of the financial data and for existence of an effective control system.

Disclosures required by Jordan Securities Commission 2010

Chairman
Mr. Bassem Khalil Al Salem



Vice Chairman
Mr. Said Samih Darwazah



Member
Mr. Samih Taleb Darwazah



Member
Mr. Kim Foad Sa'd Abu Jaber



Member
Mr. Mazen Ahmad Al Jubier



Member
Social Security Corporation
Mr. Ayman Omran Abu- Dhaim



Member
Investment and Integrated
Industries Company
Mr. Nidal Younis Eses



Member
Al-Jadara Company for
Real Estate Investment
Mr. Sultan Mohammad Mousaed
Al Seif

Member
Hotaf Investment Company
Mr. "Mohammed Ali"
khalidoun Al-Husry



Member
Al-Khaleel Company for Investments
Mr. Khalil Hatem Al Salem



Member
Mr. Jawad Abdel Reda Al Qassab



3-The Chairman, General Manager and Financial Controller admit the accuracy and completeness of the provided information in this report.

Chairman
Mr. Bassem Khalil Al Salem



General Manager
Mr. Haytham Yousef Kamhiyah



Acting Director of Financial Control
Ms. Mais Al Shalabi



Branches

Branch	Address
Main Branch Telephone: Fax: P.O.Box: E- mail:	Shmesani - Esam Al- ajlony street +962-6-5100200 +962-6-5692062 Amman 941283 jordan 11194 Main@capitalbank.jo
Shmesani Branch Telephone: Fax: P.O.Box: E- mail:	Shmesani - Esam Al- ajlony street +962-6-5100200 +962-7-5695942 Amman 941283 jordan 11194 Shmesani@capitalbank.jo
Madina Street Branch Telephone: Fax: P.O.Box: E- mail:	Madina Monawarh Street +962-6-5529994 +962-6-5549252 Amman 941283 jordan 11194 Madinah@capitalbank.jo
Sweifeyeh Branch Telephone: Fax: P.O.Box: E- mail:	Cross Tareq Aljondy street with NasooH Altaher street +962-6-5833799 +962-6-5885176 Amman 941283 jordan 11194 Sweifeyeh@capitalbank.jo
Dabouq Branch Telephone: Fax: P.O.Box: E- mail:	King Abdullah II St. +962 6 5413338 +962 6 5412637 Amman 941283 jordan 11194 Dabouq@CapitalBank.jo
Bayader Branch Telephone: Fax: P.O.Box: E- mail:	Bayader Industrial Area +962 6 5833300 +962 6 5885298 Amman 941283 jordan 11194 Bayader@capitalbank.jo
Majdi Mall Branch Majdi Mall - First Floor Telephone: Fax: P.O.Box: E- mail:	Queen Rania Al Abdulla St. +962 6 5331500 +962 6 5357614 Amman 941283 jordan 11194 majdimall@capitalbank.jo
Wehdat Branch Telephone: Fax: P.O.Box: E- mail:	Madaba street +962-6-4750801 +962-6-4750845 Amman 941283 jordan 11194 wehdat@capitalbank.jo
Zarqa Branch Telephone: Fax: P.O.Box: E- mail:	Prince Shaker street +962-5-3979295 +962-5-3979103 Amman 941283 jordan 11194 zarqa@capitalbank.jo

Branch	Address
Free Zone / Zarqa Branch Telephone: Fax: P.O.Box: E- mail:	Vehicle Licensing Area +962 5 3825533 +962 5 3824722 Amman 941283 jordan 11194 freezone@capitalbank.jo
Irbid Branch Telephone: Fax: P.O.Box: E- mail:	Alkoba Circle +962-2-7246280 +962-2-7395803 Amman 941283 jordan 11194 irbid@capitalbank.jo
Aqaba Branch Telephone: Fax: P.O.Box: E- mail:	Alnahda Street +962-3-2039990 +962-3-2039949 Amman 941283 jordan 11194 Aqaba@capitalbank.jo
Aqaba office Telephone: Fax: P.O.Box: E- mail:	Airport Street +962-3-2039710 +962-3-2039711 Amman 941283 jordan 11194 Aqaba@capitalbank.jo
Gardens Branch Telephone: Fax: P.O.Box: E- mail:	Wassfi Al-Tal St. - Bldg. #115 +962 6 5540444 +962 6 5527834 Amman 941283 jordan 11194 algardenzbranch@capitalbank.jo
Al-Hurreyah St. Branch Telephone: Fax: P.O.Box: E- mail:	Al-Muqabalen - opposite to Abu Zaghlal Restaurant +962 6 4201616 +962 6 4204227 Amman 941283 jordan 11194 alhorriyah@capitalbank.jo
Dahiet Al-Yasmeen Branch Telephone: Fax: P.O.Box: E- mail:	Al-Yasmeen Circle - Jabal Arafat St. +962 6 4200200 +962 6 5732689 Amman 941283 jordan 11194 alyasmeen@capitalbank.jo
Marj Al-Hamam Branch Telephone: Fax: P.O.Box: E- mail:	Main St.- Beside Jordan Ahli Bank +962 6 5715252 +962 6 5732689 Amman 941283 jordan 11194 MarjElhamam@capitalbank.jo
New Zarka Branch Telephone: Fax: P.O.Box: E- mail:	New Zarka - 36 St. Al-Kurdi Plaza Complex +962 5 3933555 +962 5 3856009 Amman 941283 jordan 11194 NewZarqa@capitalbank.jo

Capitalbank
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