Arab Bank Group

Annual Report 2011

TABLE OF CONTENTS

TABLE OF CONTENTS

Distinguished Shareholders,

The repercussions of the global financial crisis deepened and its effects dramatically unfolded in 2011, making it one of the most difficult and widespread crises in several decades. The effects of the global downturn and its consequences threatened most of the world's economies, impacting individuals and institutions alike. This crisis also had an unprecedented social impact on the Arab world, and still does to this day, foreshadowing further challenges to come.

Despite international efforts and a hastened approach by all of the world's governments and central banks to formulate financial solutions and economic reforms in order to stimulate the global economy to come out from the crisis and reduce its impact, there were still many risks. Increased uncertainty, deteriorating sovereign debt in the Euro zone, downturn in trade movement globally, declining performance of the international financial markets, growing fiscal deficits in state budgets, decreased investment flows and rising unemployment rates are still warning of continued risks and challenges.

Growth forecasts for many regions and countries during the previous year have been lowered repeatedly, with most of the international rating agencies reviewing their ratings and outlook for many countries and institutions in light of those risks and challenges.

As for the banking industry, financial institutions globally faced serious challenges in light of the increasing ratios of non-performing debt, and the erosion of the quality of their credit portfolios as a result of the growing numbers of defaulting clients and the exposure of many banks to sovereign debt, especially in the Euro zone. Banks globally were forced to allocate large provisions to cover distressed debt and hedge against any risks or potential losses.

Furthermore, declining liquidity and capital adequacy ratios as well as a weak interbank market because of the economic difficulties and the overriding political situation have also had a profound effect on the banking industry. To add to the already difficult operating environment, regulatory authorities in many countries around the world imposed stricter laws, restricting a variety of lending operations, increasing the requirements concerning risk exposure, more stringent laws on liquidity and capital adequacy ratios within the framework of what has became known as Basel III.

Arab Bank was not immune from these global developments and its implications given the fact that the Bank is present in 30 countries, many of which were affected by the global economic crisis. Despite this however, Arab Bank's sound strategy which is based on the fundamentals of solid banking practices coupled with its conservative policies in lending, investments, funds deployment in addition to maintaining high liquidity and the Bank's flexibility in dealing with these challenges, all were amongst the strength points that allowed the Bank to continue its distinguished performance and reinforced its financial results.

The net operating income of Arab Bank Group before provisions and taxes amounted to USD 922 million, driven mainly by the growth of net interest income and commissions.

The Group's net profit after tax amounted to USD 305.9 million at the end of 2011 as compared to USD 270.8 million at the end of 2010 recording a growth of 13%.

On the other hand, the Group grew its deposits by more than USD 1 billion to reach USD 31.7 billion, thereby boosting liquidity, which has always been a top priority for Arab Bank's strategic goals. The growth in deposits during these turbulent times reflects the high level of confidence from customers who view the Bank as a safe haven for their deposits and investments.

It is worth mentioning that the volume of deposits at Arab Bank has grown since the beginning of the year 2008 by USD 7 billion despite the high cost of increasing deposits that was not accompanied by increase in the volume of high yield risky assets.

Despite our presence in a number of countries that experienced political, economic and social turmoil during 2011, the Bank has been able to achieve growth in operating profits in most of these countries.

The Bank's financial results were not affected by the events in Libya, in light of the early decision by the Bank to deconsolidate the financial statements of Wahda Bank in Libya from the consolidated financial statements of the Arab Bank Group.

The Bank's financial results reflected the strength of its capital base, which has reached USD 7.7 billion at the end of 2011. The capital adequacy ratio has reached 15.1%, far exceeding and almost double the 8% minimum required by the Basel Committee and higher than the minimum required by the Central Bank of Jordan of 12%.

The Bank also continued to improve its processes and procedures for managing and measuring risk, developing its lending and investment policies, improving its credit assessment methods and maintaining a quality portfolio by continuing to set aside provisions at rates exceeding the Central Bank of Jordan's requirements and other regulatory authorities. The Bank has also increased the provisions coverage ratio of non performing loans to reach more than 100% , excluding the value of collaterals, in case of unfavorable future economic developments.

In regards to budget management, we have continued our prudent approach focusing on quality, diversity and risk aversion. At the same time, we focused on maintaining high liquidity which is supported by solid deposits through a broad base of depositors. Cash and cash equivalents made up 46% of the balance sheet, while the loans to deposits ratio remained at comfortable levels to ensure depositors immediate access to their money.

As for our investment portfolio, we continued to focus mainly on highly-rated and highly-liquid investments. It is important to note that the investment portfolio does not include any exposures to sovereign debt granted to Euro zone countries.

Reflecting its solid financial position and sound credit situation and indicators, the ratings agency Fitch in 2011 affirmed the Bank at (A-). Standard & Poor's, according to the criteria modified for the classification of banks, granted a rating (BBB +) for the Group's main units.

It should be noted that, unlike the situation for a group of international banks, Arab Bank's rating is based on a 'Stand Alone Credit Profile', which takes into account that there is no sovereign external support for the Bank.

Using this rating system, Standard & Poor's placed the Bank on the same level of many of the world's major banks, which in most cases were upgraded a notch or two because of the possibility of obtaining external support.

Arab Bank in 2011 received many awards and recognitions from a variety of international and regional bodies. The Bank has received Best Bank in Jordan for the fourth year in a row from Euromoney magazine.

The Bank also received the award for Best Trade Finance Provider in the Middle East, Best Bank in Jordan and Yemen, Best Investment Bank, Best Foreign Exchange Provider and Best Consumer Internet Bank in Jordan from Global Finance magazine. Arab Bank was also named Bank of the Year in the region by Arabian Business magazine.

In the face of ever evolving challenges and shifts in the world, the Arab region in particular, we continue on our journey of success with confidence, relying on the fundamentals of banking and sound historic values. Our business is centered on our values, earning us the confidence of our shareholders and our customers under all circumstances.

In conclusion, I would like to thank the Central Bank of Jordan for the measures it has taken in dealing with the Jordanian banking system over the past year in order to maintain the integrity and strength of this sector.

I would also like to thank and express my sincere gratitude to all of our employees in the various areas for their exceptional performance, professionalism and dedication to uphold the Arab Bank name affirming our commitment to achieve the best results.

Abdel Hamid A. M. Shoman
Chairman of the Board of Directors

Corporate and Institutional Banking Group

The year 2011 has undeniably presented the Corporate and Institutional Banking Group (CIB) with many challenges; ranging from the situation in the Arab world to the continuing European debt crisis to the lackluster global economy. Yet, CIB was able to navigate through these unchartered waters driven by its conservative approach and unwavering focus on serving its customers whilst prudently controlling prevailing risks.

The harvest of CIB efforts was evident by its revenues and earnings which continued to grow. This upward trend is expected to continue into 2012 based on the platform CIB has in place and the dedicated teams involved. This platform pinpoints financing needs of a diverse group of corporate customers and provides prompt responses to their financing needs. CIB's unparalleled products, new services, competitive pricing, quality execution and commitment to helping clients achieving their financial objectives are the elements of this platform. Products and services, such as our new cash management product, are tailor-made for our regional clients so they can meet their requirements in a proficient and cost effective manner. CIB client appreciation is evidenced by the ever growing amount of repeated businesses being generated annually, thereby reflecting customer satisfaction and loyalty.

Arab Bank's institutional and multi-national clients are well serviced on all global, regional and local levels. We utilize our entire global network in order to ensure seamless delivery of products and services swiftly, efficiently and with the highest standards of service excellence and cost advantages.

Arab Bank's loan structuring, underwriting and distribution capabilities coupled with our variety of products, industry expertise, unmatched MENA coverage, thorough knowledge of Arab world markets, strong equity and history make us the preferred choice and the trusted partner for all our corporate and institutional customers. Our presence in Europe, Australia and Asia ensures that our multi-national clients are well served.

On the project financing front, CIB played a leading role in providing trusted advisory, underwriting, funding and guaranteeing numerous noteworthy transactions in the MENA region. Examples include project financing for construction of an international airport in Oman, a toll road in the UAE and fertilizer plants in many countries including Jordan and Egypt. Arab Bank also issued guarantees in relation to sizeable cash advances in connection with two large power projects in Saudi Arabia. Moreover, we have restructured the debt of

HIKMA Pharmaceuticals Plc, to be placed outside the region in order to satisfy its flourishing international growth.

Thanks to its international coverage and reputation, Arab Bank is successfully awarded various agency management roles on behalf of leading international financiers and donors. As an example, agreements were signed with the International Finance Cooperation (IFC) and other financiers of the Jordanian Indian Fertilizers Corporation (JIFCO) to act as Onshore and Offshore Security Agent in addition to the Onshore and Offshore Account Bank roles. Arab Bank was also awarded the tender for providing banking and financial services to the Millennium Challenge Account (MCA) whose mission is to channel funds donated to the Hashemite Kingdom of Jordan under the Compact Agreement signed between the Millennium Challenge Corporation (MCC)- United States of America- and the Ministry of Water and Irrigation. The donated funds will be used to upgrade water distribution and waste water collection networks in Zarqa and Amman. USD 95 Million of the MCC donation will partially finance the expansion of Samra Waste Water Treatment Plant which in turn Arab Bank was mandated to arrange the required debt financing of JOD 105 Million for this important project.

Arab Bank shall continue to pursue potential business opportunities in project finance in the MENA Region in 2012, with particular emphasis on green energy and infrastructure projects.

In attaining our goals for 2011, Arab Bank focused on quality business that pays off over the long run. Our global CIB strategy to best provide our clients within the MENA region with efficient banking services remains unaltered despite turbulence in markets and political unrests. CIB strictly focuses on products and relationships that bode well for the long term health of our credit portfolio, fits well within the overall strategy of the Bank and provides an acceptable return to our shareholders.

Consumer Banking Group

Consumer Banking launched a range of products and campaigns during 2011 to satisfy the needs of customers and to meet their expectations. MasterCard Titanium credit cards were introduced in Jordan which provide cardholders with a host of benefits and features. Also in 2011, the Golden Mortgage program was offered to our most valued customers. A card usage promotional campaign offering grand prizes to enhance credit and debit card usage was also successfully completed during the year. The Bank also enhanced its Arab Bank-Royal Jordanian credit card offering, through a mile rewards incentive in line with the new frequent traveler program. The Arabi Rewards program was launched for Gold, Black and Platinum Credit Cards.

A "Refer a Friend" campaign was also launched to build up our customer base. It is also noteworthy that our younger customer base has witnessed significant growth since the revamp of the Shabab proposition in Jordan.

Three major propositions have been introduced in Palestine catered specifically to our customers in that market. Firstly, Elite banking service, a highly personalized proposition which is tailored to serve our high-net-worth customers through preferential pricing at local and regional levels. Secondly the Shabab saving account which offers the youth demographic a combination of banking and non-banking features in addition to periodic draws and discounts relevant to their lifestyle was introduced. Finally, the Jeel Al-Arabi saving account, was also launched, designed for children and helps their parents save for their future. The account also instills a sense of saving and financial awareness at an early age.

As for the Gulf market, we continued to focus on Jordanian, Lebanese, Palestinian and Egyptian nationals residing and working in the United Arab Emirates, Qatar and Bahrain through the "Bankee Maee" banking package which was designed to facilitate banking transactions with their respective countries.

To ensure customers receive the highest levels of service and convenience through our banking channels, the Bank continued to develop its electronic services and introduced one time passwords for added security, eStatement, social security payments and online credit card funds transfer and bill payment. Arab Bank also launched the new internet banking service in Algeria, Bahrain, Qatar, Yemen and Lebanon during 2011. This service has beed launched previously in Jordan, Palestine, Egypt and UAE as part of completing the roll-out to all countries.

To promote the usage of electronic banking channels, promotional campaigns were introduced in Jordan, Palestine and Egypt that include winning the utility bill's amount back when paying it and different prizes for settling credit card balances on Arabi Online.

It is also worth mentioning that Arabi Online, Arab Bank's Internet Banking Service was named in 2011, for the third consecutive year, as "Best Consumer Internet Bank in Jordan" by Global Finance magazine.

As part of the Bank's continuous commitment toward environmental sustainability and efforts to reduce natural resources and paper consumption, Arab Bank launched the eStatement service, which allows customers to obtain their account and credit card statements electronically, rather than traditional paper statements in Jordan, Palestine and Egypt.

TREASURY:

Arab Bank's Treasury is responsible for the management of the Bank's liquidity and for actively managing exposure to foreign exchange and interest rate risk. Furthermore, Arab Bank's Treasury provides deal execution and advisory services to Arab Bank customers globally.

2011 provided the Bank, and the MENA region, with a unique set of challenges. Despite persistent economic and political crises, along with widespread volatility in the financial markets, through its small but highly skilled team of Treasury professionals, Arab Bank's Treasury maintained the Bank's strong liquidity position, in a way which is fully consistent with the Bank's policies. It should be particularly noted that:

- The Bank invested more than ever before in liquidity governance processes, and as a result Arab Bank has even better control over its liquidity than ever before and is extremely well positioned to deal with the market environment in 2012 and beyond.
- The Bank's securities portfolios are high-quality, extremely well-diversified and performed very well during 2011.
- The Bank's conservative appetite for foreign exchange risk ensured that despite operating in over 40 currencies, the Bank was well protected against the very high volatility in the world's financial markets and was able to deliver stable earnings from foreign exchange activity.

Arab Bank Treasury also had a very successful year in directly and indirectly supporting Arab Bank's customers' needs for foreign exchange and derivatives. A strong focus on foreign exchange execution services resulted in increased transaction volumes of foreign exchange with our largest customers. Whereas Arab Bank only uses derivatives for the purpose of hedging itself and its customers, and not for proprietary trading, the Bank's newly-formed Treasury Structured Solutions Group established itself in 2011 as a leading source of foreign exchange and interest rate risk hedging expertise in the region. The team, which specializes in helping Arab Bank's customers to protect their balance sheets and income from market volatility, advised on or executed deals throughout the region in 2011, including:

- Interest rate swaps
- Foreign exchange options
- Dual currency swaps

GEOGRAPHICAL COVERAGE

The following list contains basic information of Arab Bank plc's branch network and geographical coverage as of the end of 2011.

Country	Number of Branches	Operating Since	No. of Employees
Jordan	80	1934	2808
Algeria	5	2001	180
Bahrain	5	1960	189
China (Representative Office)	1	1985	4
Egypt	27	1947	1011
Lebanon	13	1944	309
Morocco	10	1962	203
Palestine	24	1930	849
Qatar	4	1957	135
South Korea (Representative Office)	1	1989	3
Singapore	1	1984	44
UAE	8	1963	363
USA (New York Agency)	1	1982	6
Yemen	9	1972	269
Kazakhstan (Representative Office)	-	2004	-
Total	**189**		**6373**

Branches & Staff Distribution According to Governorates

Governorate	Number of Branches	No. of Employees
Amman	54 (Including Head Office)	2618
Irbid	5	34
Zarqa	6	59
Aqaba	2	19
Balqa'a	5	28
Karak	1	9
Mafraq	1	8
Ma'adaba	1	8
Jarash	1	4
Ma'an	2	10
Tafeila	1	6
Ajloun	1	5
Total	**80**	**2808**

ADDRESSES OF ARAB BANK BRANCHES AND OFFICES ABROAD

Country	Operating Since	No. of Branches
Algeria	2001	5
Bahrain	1960	5
China (Representative Office)	1985	1
Egypt	1947	27
Lebanon	1944	13
Morocco	1962	10
Palestine	1930	24

Address	No. of Employees
15 Al-Sa'ada Street, Shabani Haidara Valley, Algeria Tel. 00213 (21) 608714 Fax. 00213 (21) 608707	180
P.O Box 813 Building No. 540 Road 1706 - Block 317 Diplomatic Area , Bahrain Tel. 00973 17549000 Fax. 00973 17541116	189
Shanghai Representative Office Unit 1803, Shanghai Trade Square, 188 Si Ping Road, Shanghai 200086 China Tel. 0086 (21) 65077737/38 Fax. 0086 (21) 65072776	4
P.O Box 68 Al-Mohandesseen Gazirat El Arab St, Building No. 50 Cairo, Egypt Tel. 0020 (2) 33029069/71 Fax. 0020 (2) 33029068	1011
P.O Box 11-1015 Riad El Solh Sq. Banks Street Commercial Buildings Co. Bldg. Tel. 00961 (1) 980246/9 Fax. 00961 (1) 980803/299	309
P.O Box 13810 174 Mohamed V Street, Casablanca Tel. 00212 (5) 2222 3152 Fax. 00212 (5) 2220 0233	203
P.O Box 1476 - Grand Park Hotel Street Al Masyoon – Ramallah - Palestine Tel. 00970 (2) 2978100 Fax. 00970 (2) 2982444	849

Country	Operating Since	No. of Branches
Qatar		
	1957	4
South Korea (Representative Office)		
	1989	1
Singapore		
	1984	1
United Arab Emirates		
Abu Dhabi Branch		
	1963	8
Dubai Branch		
United States of America (New York Agency)		
	1982	1
Yemen		
	1972	9
Total		**109**

Address	No. of Employees
P.O Box 172 Grand Hammed Area 119 Avenue Doha – Qatar Tel. 00974 44387777 Fax. 00974 44410774	135
Samwha Building, 4th Floor, 21 Sogong-Dong Chung-ku, Seoul 100-070 Korea Tel. 0082 (2) 775 4290 Fax. 0082 (2) 775 4294	3
80 Raffles Place –UOB Plaza 2 # 32-20 Singapore 048624 Tel. 0065 65330055 Fax. 0065 65322150	44
Abu Dhabi: P.O Box 875 Al-Naser St. Sh. Tahnoun Bin Mohammad Building, Tel. 00971 (2) 6392225 Fax. 00971 (2) 6212370 **Dubai:** P.O Box 11364 – Al-Ittihad St., Sa'id Port Area Tel. 00971 (4) 2950845 Fax. 00971 (4) 2955974	363
520 Madison Avenue New York, NY 10022-4237 Tel. 001 (212) 715 9700 Fax. 001 (212) 593 4632	6
P.O Box 475 & 1301 Zubairi Str. – Sana'a Tel. 00967 (1) 276585/93 Fax. 00967 (1) 276583	269
	3565

TOTAL EMPLOYEES OF ARAB BANK GROUP

Entity	No. of Employees
Arab Bank plc	6 373
Europe Arab Bank plc	168
Arab Bank (Switzerland) Limited	96
Arab Bank Australia Limited	132
Islamic International Arab Bank	647
Arab Sudanese Bank	63
Arab Investment Bank	5
Arab Tunisian Bank	848
Arab Bank – Syria	374
Al Arabi Investment Group (AB Invest)	41
Al Arabi Investment Group / Palestine	9
Al Nisr Al Arabi Insurance Company	246
Arab Company for Shared Services	126
Arab Gulf Tech for IT Services	44
Arab National Leasing Company	26
Total	9 198

CAPITAL INVESTMENT OF ARAB BANK

The capital investment of Arab Bank plc amounted to JOD 210.6 million, representing net fixed assets of the Bank as of the end of year 2011 in comparison to JOD 220.7 million as of the end of year 2010.

The following is a brief description of Arab Bank subsidiaries and sister company and their results for 2011.

Arab Bank (Switzerland) Limited:

Founded in 1962 in accordance with Swiss law, Arab Bank (Switzerland) is an independent bank that is owned by the very same shareholders of Arab Bank plc. It has two main areas of activity through a network of two branches: private banking, which covers asset and investment management for both private and institutional clients in addition to trade financing.

The following table lists the main financial highlights of 2011 compared to 2010:

In CHF (thousands)	2011	2010
Capital	26 700	26 700
Total shareholders' equity	492 941	496 296
Total assets	2 448 383	2 272 092
Cash and quasi cash	1 762 400	1 616 162
Direct credit facilities	616 446	583 308
Total external sources of funds (customers' & banks' deposits)	1 912 998	1 738 362
Total revenues	42 954	45 688
Net profit / (loss) before tax	5 023	5 770
Net profit / (loss) after tax	2 023	4 260

Arab Bank Australia Limited:

Arab Bank Australia Limited was founded in Australia in 1994. The current paid capital of the bank is AUD 62.5 million. The bank is a wholly owned subsidiary of Arab Bank plc. Through a network of 10 branches, the Bank provides all commercial and retail banking products and services to its customers.

The following table lists the main financial highlights of 2011 compared to 2010

In AUD (thousands)	2011	2010
Capital	62 500	55 000
Total shareholders' equity	125 718	114 135
Percentage ownership	100%	100%
Bank share of net income / (loss)	5 123	5 653
Total assets	1 326 032	1 345 858
Cash and quasi cash	421 815	369 483
Direct credit facilities	883 476	954 356
Total external sources of funds (customers' & banks' deposits)	981 729	1 088 893
Total revenues	41 705	40 022
Net profit / (loss) before tax	7 260	8 018
Net profit / (loss) after tax	5 123	5 653

Europe Arab Bank plc:

Europe Arab Bank plc is a limited liability company established in 2006. The current paid capital of the bank is EUR 550 Million. The Bank is a wholly owned subsidiary of Arab Bank plc, with its headquarters in London. EAB has a European passport that enables it to open branches anywhere in the European Union. Through a network of seven branches operating in UK, Austria, France, Germany, Italy and Spain, EAB provides all types of banking products and services, including private banking and treasury services, to its customers.

The following table lists the main financial highlights of 2011 compared to 2010:

In EUR (thousands)	2011	2010
Capital	549 985	499 998
Total shareholders' equity	270 081	298 904
Percentage ownership	100%	100%
Bank share of net income / (loss)	(44 819)	(95 896)
Total assets	4 281 788	4 408 430
Cash and quasi cash	2 516 274	2 626 737
Direct credit facilities	1 706 229	1 725 011
Total external sources of funds (customers' & banks' deposits)	3 943 193	4 033 470
Total revenues	44 485	57 813
Net profit / (loss) before tax	(44 849)	(95 379)
Net profit / (loss) after tax	(44 819)	(95 896)

Islamic International Arab Bank plc:

A wholly owned subsidiary of Arab Bank plc was established in Jordan in 1997 and started its operations in the year 1998. The current paid capital of the bank is JOD 100 million. The bank offers a full range of banking products and services, which are in accordance with Islamic Sharia rules through a network of 32 branches spread across Jordan.

The following table lists the main financial highlights of 2011 compared to 2010:

In JOD (thousands)	2011	2010
Capital	100 000	100 000
Total shareholders' equity	90 135	124 346
Percentage ownership	100%	100%
Bank share of net income / (loss)	10 641	7 010
Total assets	1 124 066	1 133 939
Cash and quasi cash	106 086	120 493
Direct credit facilities *	967 691	974 909
Total external sources of funds (customers' & banks' deposits)	1 011 285	992 458
Total revenues	30 131	23 240
Net profit / (loss) before tax	15 202	10 014
Net profit / (loss) after tax	10 641	7 010

* This includes futures sales receivables, other accounts receivables, financings, assets leasing finished with ownership, and interest free loans. The net figure was taken for each item.

Arab Sudanese Bank:

On 13/8/2008, Arab Bank plc obtained the license to establish and operate a fully owned subsidiary in Khartoum – Sudan, under the name "Arab Sudanese Bank", which offers a full range of banking products and services that are Islamic Sharia – compliant through a network of two branches.

The Bank's paid up capital is USD 50 Million and started its operational activities in 11/6/2009.

The following table lists the main financial highlights of 2011 compared to 2010:

In SDG (thousands)	2011	2010
Capital	117 515	117 515
Total shareholders' equity	132 502	127 489
Percentage ownership	100%	100%
Bank share of net income / (loss)	12 961	10 038
Total assets	464 415	435 411
Cash and quasi cash	299 042	301 154
Direct credit facilities	120 510	91 445
Total external sources of funds (customers' & banks' deposits)	322 331	268 931
Total revenues	29 842	24 441
Net profit / (loss) before tax	15 888	12 986
Net profit / (loss) after tax	12 961	10 038

Arab Investment Bank S.A.L.:

Arab Investment Bank S.A.L was founded in 1998 and is a majority-owned subsidiary of Arab Bank plc with a paid-up capital of LBP 15 billion, Arab Investment Bank S.A.L. started its operations in 1999 in Beirut / Lebanon as an investment bank, it specializes in medium and long-term lending to its customers through one branch only.

The following table lists the main financial highlights of 2011 compared to 2010:

In LBP (millions)	2011	2010
Capital	15 000	15 000
Total shareholders' equity	20 511	20 451
Percentage ownership	66.68%	66.68%
Bank share of net income / (loss)	461	520
Total assets	51 089	52 167
Cash and quasi cash	46 599	47 255
Direct credit facilities	1 746	1 958
Total external sources of funds (customers' & banks' deposits)	29 990	31 061
Total revenues	1 366	1 378
Net profit / (loss) before tax	736	829
Net profit / (loss) after tax	691	780

Arab Tunisian Bank:

Arab Tunisian Bank (ATB) was incorporated in Tunisia in 1982. The bank's current paid capital is TND 100 million. The bank is a majority-owned subsidiary of Arab Bank plc with a 64.24% share of its capital. Arab Tunisian Bank provides all banking products and services to its customers through a network of 115 branches spread across Tunisia.

The following table lists the main financial highlights of 2011 compared to 2010:

In TND (thousands)	2011	2010
Capital	100 000	100 000
Total shareholders' equity	453 560	432 572
Percentage ownership	64.24%	64.24%
Bank share of net income / (loss)	34 007	38 690
Total assets	4 328 629	4 031 636
Cash and quasi cash	1 799 540	1 589 340
Direct credit facilities	2 376 019	2 319 667
Total external sources of funds (customers' & banks' deposits)	3 654 223	3 354 905
Total revenues	155 763	150 828
Net profit / (loss) before tax	58 820	66 837
Net profit / (loss) after tax	52 938	60 228

Arab Bank – Syria:

Arab Bank – Syria was established in 2005 and it was licensed to carry out all commercial banking activities through a network of 19 branches spread across Syria. The current paid capital of the bank SYP 5.05 billion. Arab Bank plc owns 51.29% of its capital and controls technical management of the Bank.

The following table lists the main financial highlights of 2011 compared to 2010:

In SYP (millions)	2011	2010
Capital	5 050	3 180
Total shareholders' equity	6 034	3 635
Percentage ownership	51.29%	49%
Bank share of net income / (loss)	33	174
Total assets	37 596	41 507
Cash and quasi cash	12 891	16 125
Direct credit facilities	22 706	23 451
Total external sources of funds (customers' & banks' deposits)	30 839	36 905
Total revenues	1 489	1 320
Net profit / (loss) before tax	98	515
Net profit / (loss) after tax	64	356

Al Arabi Investment Group (AB Invest):

AB Invest is a financial services company, focusing mainly on investment banking activities. It has developed into one of the leading investment entities in the Arab world. It was established in Jordan in 1996 providing a wide range of services, including brokerage, asset management, corporate finance and research. The Company has two branches operating in Jordan.

The Company's paid up capital is JOD 14 million and is wholly owned by Arab Bank plc.

The following table lists the main financial highlights of 2011 compared to 2010:

In JOD (thousands)	2011	2010
Capital	14 000	14 000
Total shareholders' equity	19 095	19 216
Percentage ownership	100%	100%
Bank share of net income / (loss)	928	1 182
Total assets	23 981	26 951
Cash and quasi cash	19 819	22 134
Direct credit facilities	-	-
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	2 908	4 044
Net profit / (loss) before tax	1 198	1 744
Net profit / (loss) after tax	928	1 182

Arab National Leasing Company:

Arab National Leasing Co. was established in 1996 as a limited liability company and wholly-owned non-banking subsidiary of Arab Bank plc. The company current capital is JOD 15 Million, and it offers financial leasing services that cover a wide range of assets and products through one branch in Amman, Jordan.

The following table lists the main financial highlights of 2011 compared to 2010:

In JOD (thousands)	2011	2010
Capital	15 000	25 000
Total shareholders' equity / (loss)	63 485	66 830
Percentage ownership	100%	100%
Bank share of net income	6 099	6 062
Total assets	91 826	83 713
Cash and quasi cash	1 799	681
Investment in leasing contracts	73 676	68 633
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	10 038	9 867
Net profit / (loss) before tax	8 323	8 175
Net profit / (loss) after tax	6 099	6 062

Al Nisr Al Arabi Insurance Company:

Al Nisr Al Arabi Insurance Co. is part of Arab Bank Group. It is a majority-owned subsidiary of the Bank that offers a full range of insurance products. The company was founded in 1976 with a current paid capital of JOD 10 million. The Company has developed into one of the leading insurance companies in Jordan. The company has two branches operating in Jordan.

In May 2006, Arab Bank acquired 50% in addition to two shares of the total shares representing the company's capital.

The following table lists the main financial highlights of 2011 compared to 2010:

In JOD (thousands)	2011	2010
Capital	10 000	10 000
Total shareholders' equity	18 316	19 685
Percentage ownership	50%+2 Shares	50%+2 Shares
Bank share of net income / (loss)	369	883
Total assets	42 199	38 852
Cash and quasi cash	7 139	9 861
Total Investments	24 894	19 131
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	1 801	12 899
Net profit / (loss) before tax	959	2 326
Net profit / (loss) after tax	738	1 765

Al Arabi Investment Group Company:

Al Arabi Investment Group Company is a financial company, established in Palestine in 19/8/2009 and launched its operational activities by the start of year 2010. The company's paid up capital is JOD 1.7 million, and Arab Bank plc owns 99% of its capital.

The following table lists the main financial highlights of 2011 compared to 2010:

In JOD (thousands)	2011	2010
Capital	1 700	1 600
Total shareholders' equity	1 766	1 707
Percentage ownership	100%	100%
Bank share of net income / (loss)	10	157
Total assets	1 922	1 816
Cash and quasi cash	1 251	1 555
Total Investments	-	-
Total external sources of funds (customers' & banks' deposits)	-	-
Total revenues	437	521
Net profit / (loss) before tax (including establishment exp. and registration fees)	14	161
Net profit / (loss) after tax (including establishment exp. and registration fees)	10	157

First : Jordanian Companies:

Entity	Type	Address	Type of Activity	Capital	No. of Employees
Arab National Leasing Co.	Limited Liability	Amman, Madina Monawwara St., Arab Bank Bldg. no. 255, PO Box 940638 Amman 11194 Jordan Tel. 00962 6 5531640/49/50 Fax. 00962 6 5529891 E-Mail : anl@arabbank.com.jo	Financial leasing	JOD 15 Million	26
Al Arabi Investment Group (AB Invest)	Limited Liability	Rabia, Sharif Naser Ben Jamil St., Bldg. no. 1, PO Box 143156 Amman 11814 Jordan Tel. 00962 6 5522239 Fax. 00962 6 5519064 E-Mail : mail@ab-invest.net	Investment & Financial services	JOD 14 Million	41
Al Nisr Al Arabi Insurance Co.	Public Shareholding	Abdali, Amman Commercial Center, PO Box 9194 Amman 11191 Jordan Tel. 00962 6 5685171 Fax. 00962 6 5685890 E-Mail : al-nisr@ al-nisr.com	Insurance services	JOD 10 Million	246
Islamic International Arab Bank	Public Shareholding	Wasfi Al Tal St., PO Box 925802 Amman 11190 Jordan Tel. 00962 6 5694901 Fax. 00962 6 5694914	Islamic banking	JOD 100 Million	647

Second : Arab & Foreign Companies:

Entity	Type	Address	Type of Activity	Capital	No. of Employees
Al Arabi Investment Group / Palestine	Private Shareholding	Rammallah, Palestine, PO Box 1476 Tel. 00970 2 2980240 Fax. 00970 2 2980249	Investment & Financial services	JOD 1.7 Million	9
Arab Investment Bank	Public Shareholding	Commercial Buildings Co. Bldg., Riad Al Solh Sq., PO Box 11-7000, Riad Al Solh, 1107-2230, Beirut, Lebanon	Investment Banking specalized in medium and long term	LBP 15 Billion	5
Arab Tunisian Bank	Public Shareholding	9 Rue Hadi Nouira, P.O.Box (520) 1001 Tunis Tel. 00216 71 351 155 Fax. 00216 71 347 270 E-Mail : atbbank@atb.com.tn Website: www.atb.com.tn	Commercial banking	TND 100 Million	848

No. of Branches	Major Shareholders (5% or more of capital)				
	Name	No. of Shares as of 31/12/2010	%	No. of Shares as of 31/12/2011	%
1	Arab Bank	25 000 000 JD/Share	100%	15 000 000 JD/Share	100%
2	Arab Bank	14 000 000 JD/Share	100%	14 000 000 JD/Share	100%
2	Arab Bank	5 000 002	50%	5 000 002	50%
	Allianz Mena Holding	1 801 264	18.1%	1 801 264	18.1%
	Yacoub Sabella	677 689	6.77%	680 692	6.81%
	Zaid Sabella	643 694	6.43%	643 694	6.43%
	Jordan Investment & Finance Bank	556 750	5.57%	556 750	5.57%
32	Arab Bank	100 000 000	100%	100 000 000	100%
1	Arab Bank	1 600 000	100%	1 700 000	100%
1	Arab Bank	49 995	66.68%	49 995	66.68%
	Al Arabi Finance Co.	24 990	33.32%	24 990	33.32%
115	Arab Bank	64 237 531	64.24%	64 237 531	64.24%
	Zarzari Complex	5 547 708	5.55%	5 570 321	5.57%

Entity	Type	Address	Type of Activity	Capital	No. of Employees
Arab Bank – Syria	Public Shareholding	Damascus, Abu Rummana, Mahdi Bin Baraka St., PO Box 38 Damascus, Syria Tel. 00963 11 9421 Fax. 00963 11 49844 www.arabbank.syria.com	Commercial banking	SYP 5.05 Billion	374
Arab Sudanese Bank	Private Share-holding	Sudan, Khartoum, Al-Baladieh Str., PO Box 955, Tel. 002491 1 556550001 Fax. 002491 1 56550003	Islamic banking	USD 50 Million	63
Arab Gulf Tech for IT Services	Limited Liability	Dubai Outsource Zone (DOZ) - 031, ACSS building, 2nd floor Phone : 00971 4 3621288 Fax : 00971 4 3621299 www.agt-it.com	IT services for Arab Bank branches	USD 1.5 Million	44
Arab Company for Shared Services	Limited Liability	P O Box 11364, Dubai Outsource Zone (DOZ), Manama Street, Dubai, UAE Phone : 0097144450500 Fax : 0097144495463	Financial services for Arab Bank branches	AED 40 370 000	126
Arab Bank Australia Ltd.	Public Shareholding	Level 9 & 10, 200 George Street Sydney NSW Australia 2000 Tel. +61 2 9377 8900	Commercial banking	AUD 62.5 Million	132
Europe Arab Bank plc	Public Shareholding	13-15 Moorgate London EC2R 6AD	Commercial banking	EUR 549.9 Million	168

Third : Sister Company:

Arab Bank (Switzerland) Ltd.	Public shareholding	Claridenstrasse 26, P.O Box 2023 CH-8022, Zurich Switzerland Tel. 41 44 2657111, Fax. 41 44 2657330	Commercial banking	CHF 26.7 Million	96

No. of Branches	Major Shareholders (5% or more of capital)				
	Name	No. of Shares as of 31/12/2010	%	No. of Shares as of 31/12/2011	%
19	Arab Bank	3 116 400	49%	5 179 877	51.3%
	Basma Talal Zain	318 000	5%	490 000	4.85%
	Alia Talal Zain	318 000	5%	505 000	5%
	Samer Salah Danial	318 000	5%	505 000	5%
	Moh'd S. Sharabati	318 000	5%	505 000	5%
	Moh'd M. Dandashi	318 000	5%	502 500	4.97%
2	Arab Bank	4 999 999	100%	4 999 999	100%
1	Arab Bank	5 509 Shares	100%	5 509 Shares	100%
1	Arab Bank	40 370 000 Shares	100%	40 370 000 Shares	100%
10	Arab Bank	55 000 000	100%	62 500 000	100%
7	Arab Bank	499 925 539 ordinary shares of €1 and 49 999 deferred shares of £1	100%	549 925 539 ordinary shares of €1and 49 999 deferred shares of £1	100%
2	Shareholders of Arab Bank (Switzerland) Ltd. are the same shareholders of Arab Bank plc, with an identical ownership structure.				

Arab Bank Plc Investments in the Subsidiaries Companies as at 31/12/2011:

Name of Company	Nature of Business	Ownership %	Ownership Type	Country
Europe Arab Bank Plc.	Commercial Banking	100%	Subsidiary	UK
Arab Bank Australia Limited	Commercial Banking	100%	Subsidiary	Australia
Islamic International Arab Bank Plc.	Islamic Banking	100%	Subsidiary	Jordan
Arab National Leasing Company	Financial Leasing	100%	Subsidiary	Jordan
Al- Arabi Investment Group Co. (AB Invest)	Investment & Financia Services	100%	Subsidiary	Jordan
Arab Sudanese Bank Limited	Islamic Banking	100%	Subsidiary	Sudan
Al – Arabi Investment Group / Palestine	Investment & Financial Services	100%	Subsidiary	Palestine
Arab Investment Bank S.A.L	Investment Banking Specializes in Medium and Long Term Lending & Deposits	66.68%	Subsidiary	Lebanon
Arab Tunisian Bank	Commercial Banking	64.24%	Subsidiary	Tunisia
Al – Nisr Al – Arabi Co . LTD	Insurance Services	50% + 2 Shares	Subsidiary	Jordan
Arab Bank - Syria	Commercial Banking	51.29%	Subsidiary	Syria

Arab Bank Plc Investments in Affiliated Companies as at 31/12/2011:

Name of Company	Nature of Business	Ownership %	Ownership Type	Country
Turkland Bank	Commercial Banking	28%*	Affiliated	Turkey
Oman Arab Bank	Commercial Banking	49%	Affiliated	Oman
Arab National Bank	Commercial Banking	40%	Affiliated	Saudi Arabia
Arabian Insurance Co. LTD.	Insurance Services	36.79%	Affiliated	Lebanon
Commercial Building Co. S.A.L	Real Estate / Leasing	35.24%	Affiliated	Lebanon

* Arab Bank Group retained 50% of the capital of Turkland Bank as of 31/12/2011.

Name	**Mr. Abdel Hamid A. M. Shoman**
Title	**Chairman**
Date of membership	28/9/1976
Date of birth	1/1/1947
Academic qualifications	BSc in Business Administration, American University of Beirut, Lebanon 1970

Experiences

- Assumed the position of Chairman (since 17/1/2010)
- Assumed the position of Chairman / Chief Executive Officer (7/2005 – 1/2010)
- Assumed the position of Deputy Chairman/Chief Executive Officer of Arab Bank plc (5/2001 – 7/2005)
- Worked for 25 years as the Assistant General Manager of Arab Bank, chairing the Higher Credit Committee in addition to several other senior committees of the Bank
- Regional Executive Manager of the Arab Bank branches in the GCC countries (1972 – 1976)
- Board Member of the Central Bank of Jordan (2001 – 2005)
- Member of the Upper House of the Parliament (since 11/2005 until 10/2011)
- Member of the Board of Trustees, King Hussein Institute for Cancer and Biotechnology, Jordan (until 10/5/2011)
- Chairman of Arab Bank (Switzerland) (since 18/4/2002)
- Chairman of Europe Arab Bank (since 28/6/2005)
- Chairman of Abdul Hameed Shoman Foundation (since 26/4/2007)
- Chairman / CEO of Arab Investment Bank S.A.L (31/5/2001 – 29/3/2011)
- Chairman / CEO of Al Arabi for Finance (Holding Co.) S.A.L (31/5/2001 – 29/3/2011)
- Chairman of Al Arabi Investment Group Co. (since 2004 until 30/10/2011)
- Deputy Chairman of Oman Arab Bank (since 25/6/2001)
- Board Member of The Arab National Bank -Saudi Arabia (since 25/6/2001)

Name	**Mr. Sabih Taher Darwish Al-Masri**
Title	**Deputy Chairman**
Date of membership	27/3/1998
Date of birth	2/12/1937
Academic qualifications	BSc in Chemical Engineering, University of Texas, Austin , USA 1963

Experiences

- More than 40 years experience in managing private businesses in various areas of investment, finance, industry and commerce
- Founder of Astra Group (since 1966)
- Chairman of the Board of Directors of ASTRA Industrial Group , KSA (since 2007)
- Chairman of the Board of Directors of ZARA Holding Co., Jordan (since 5/1999)
- Chairman of the Board of Directors of Palestine Telecommunication Corp., Palestine (since 1998)
- Member of the Board of Directors of Palestine Development & Investment Co. (Padico), Palestine (since 1994)
- Chairman of the Board of Directors of Arab Supply & Trading Co. KSA (since 1979)
- Chairman of the Board of Directors of CICON for Building Materials Co. UAE (since 1968)
- Member of the Board of Director of Arab Bank (Switzerland) (since 9/7/2005)
- Member of the Board of Directors of A.H. Shoman Foundation, Jordan

Name	**Mr. Samir Farhan Khalil Kawar**
Title	**Member of the Board of Directors**
Date of membership	29/3/2002
Date of birth	29/10/1934

Academic qualifications

- MSc in Agricultural Mechanical Engineering, Kansas State University, USA 1961
- BSc in Agricultural Engineering, University of Arizona, USA 1959

Experiences

- Managing private businesses (since 1965)
- Head of the Natural, Mineral and Industrial Resources Section, Jordanian National Construction Council (1962 – 1965)
- Formerly, minister of several ministries and member of the Senate, House of Representatives, the National Consultative Council and many of its committees
- Chairman of the Board of Directors of Arab Bank Australia Ltd., Australia (until 6/2011)
- Chairman of the Board of Directors of the Middle East Insurance Company, Jordan
- Member of the Board of Directors of Bilmond University, Lebanon (previously)
- Deputy Chairman of the Board of Trustees of the University of Jordan (previously)
- Member of the Board of Trustees of Balqa Applied University
- Founding Member of the Jordanian Businessmen Association, Jordan
- Founding Member of the Salt Construction Establishment, Jordan
- Member of Amman Chamber of Commerce, Jordan
- Member of Amman Chamber of Industry, Jordan
- Chairman and board member in many private companies in Jordan

Name: Mrs. Nazik Odah Al-Hariri

Title: Member of the Board of Directors

Date of membership: 29/8/1996

Date of birth: 12/9/1957

Academic qualifications: University Degree

Experiences

- President of Rafik Al Hariri Foundation
- President of Nazek Hariri Welfare Center for Special Education - Jordan
- President of the Beirut Festivals Association
- Member of the BankMed's Board of Directors
- First Ambassador of the International Osteoporosis Foundation (IOF) and President of IOF's 206-A Bone Fund
- Vice President of the Chronic Care Center, Lebanon
- Member of the Board of Trustees of the Children's Cancer Center, Lebanon
- Member of Al-Nahda Philanthropic Society for Women, Saudi Arabia
- Member of the Board of Trustees of the Welfare Association
- Member of the Board of Trustees of Jordan Education Association
- Co-Chairperson of the Rafik Hariri UN-Habitat Memorial Award

Name	**Ministry of Finance, Saudi Arabia** **Represented by Mr. Saleh Saad A. Al-Muhanna**
Title	**Member of the Board of Directors**
Date of membership	- Legal Entity : 29/4/1966 - Legal Entity's Representative : 31/3/2006
Date of birth	11/1/1959
Academic qualifications	- MSc in Economics, Ohio State University , USA 1993 - BSc in Industrial Management, King Fahd University of Petroleum and Minerals, Saudi Arabia 1982
Experiences	- Currently holds the position of Assistant Deputy Minister for Budget Affairs, Ministry of Finance, Saudi Arabia - Allowances Committee at Ministry of Civil Services (since 2004) - Sovereign Rating of Saudi Arabia (since 2001) - Training and Scholarship Committee at the Ministry of Finance (since 2000) - Member of the Board of Directors of the Saudi Moroccan Investment Company (2000-2006) - Member of the Board of Directors of the Saline Water Conversion Corporation (2005-2011) - Member of the Board of Directors of the Technical & Vocational Training corporation (since 2008) - Member of the Board of Directors of Saudi Electricity Company (since 2009) - Head of the Audit committee of Saudi Electricity Company (since 2009) - Member of the Executive committee of Saudi Electricity Company (since 2009) - Member of the Board of Directors of the Saudi Global port company (since 2011)

Name	**Mr. Mohammed Ahmad Mokhtar Hariri**
Title	**Member of the Board of Directors**
Date of membership	6/11/2005
Date of birth	9/11/1958
Academic qualifications	BSc in Business Administration, University of Ottawa, Canada, 1979

Experience

- Over 30 years experience in the management of Saudi Oger Ltd., Saudi Arabia
- Chairman of the Board of Directors of Saudi Med Investment Co. (2007)
- Chairman of the Board of Directors of AVEA Illetisim Hizmelteri A.S., Turkey (since 9/2006)
- Chairman of the Board of Directors of Oger Telecom Ltd., Dubai (since 8/2005)
- Member of the Board of Directors of Ojer Telekomunikasyon A.S., Turkey (since 8/2005).
- Chairman of the Board of Directors of Group Med (Holding), Lebanon (since 7/2005)
- Chairman of the Board of Directors and General Manager of Bankmed sal and all of its subsidiaries (since 7/2005).
- Chairman of the Board of Directors of Turk Telekom A.S., Turkey (2005)
- Member of the Board of Directors of Entreprise des Travaux Internationaux (ETI), France (since 6/2003)
- Member of the Board of Directors of Oger Interational France (since 5/2003)
- First Deputy Chairman and Member of the Board of Directors of Saudi Oger Ltd., Saudi Arabia (since 3/2003)
- Member of the Board of Directors of 3C Telecommunications (PTY), South Africa (since 6/1999)
- Chairman of the Board of Directors of IRAD Investment (Holding), Lebanon
- Chairman of the Board of Directors of Al Mal Investment (Holding), Lebanon
- Member of the Board of Directors of Association des Banques du Liban
- Member of the Board of Directors of Commercial Building Co.

Name	**Ms. Dina "Moh'd Abdel Hamid" A. Shoman**
Title	**Member of the Board of Directors**
Date of membership	26/3/2010
Date of birth	24/5/1980
Academic qualifications	- MBA, Change Management, McCallum Graduate School of Business, Bentley College, Waltham, MA – USA, 2006 - BS, Finance, Bentley College, Waltham, MA – USA, 2002
Experiences	- Executive Vice President / Branding, Arab Bank plc – Amman (since 2008) - Executive Vice President / Office of the CEO, Arab Bank plc – Amman (8/2006-10/2008) - Assistant Treasurer & Financial Analyst, Arab Bank plc, New York – USA (2/2003 – 6/2004) - Project Intern, State Street Corporation, Boston, MA – USA (1-5/2006) - Rotational Trainee, HSBC Bank USA, New York – USA (2–12/2002) - Intern, Merrill Lynch, Burlington, MA – USA (6 – 9/2001). - Intern, First Investors Corporation, Waltham, MA – USA (9–11/2000) - Member of the Board of Directors of Al Nisr Al Arabi Insurance Company – Jordan (2/2008-5/2009) - Member of the Board of Directors of Arab Tunisian Bank – Tunisia (6/2009-6/2011) - Member of the Board of Directors of Arab Bank Australia Ltd. – Australia - Member of the Board of Trustees and Member of the Board of Injaz - Member of the Board of Directors of Raneen - Member of the Board of Jordan River Foundation - Member of the Board of Abdul Hameed Shoman Foundation

Name	**Social Security Corporation , Amman , Jordan** **(Represented by Mr. Ibrahim Yusuf Ibrahim Izziddin)**
Title	**Member of the Board of Directors**
Date of membership	- Legal Entity : 20/9/2001 - Legal Entity's Representative : 31/3/2006
Date of birth	3/12/1934
Academic qualifications	BA in Political Science, American University of Beirut, 1955

Experiences

- President of the Higher Media Council, Jordan (2002-2006)
- Director General of the A.H. Shoman Foundation, Jordan (1997 – 2002)
- Minister of State for Prime Ministry's Affairs and Minister of Information different periods between (1989 - 1995)
- Member of the upper house of the Parliament (1989-1991)
- President of the Bureau of Civil Service (1986 – 1989)
- Ambassador of H.K. of Jordan to Switzerland, Germany, UK and USA, in addition to serving as a non-resident Ambassador to Austria, Sweden, Norway, Denmark, Luxembourg, and Holland (1975 – 1985)
- Under Secretary General, Ministry of Information, Jordan (1971 – 1975)
- Press Secretary, The Royal Hashemite Court (1968 – 1971)
- Head of the foreign media Department, Ministry of Information, Jordan (1965 – 1968).
- Worked in the field of Publishing in Beirut - Lebanon (1958 – 1965)
- Officer in the Foreign Affairs Department, Ministry of Communication. Officer in the Prime Ministry , press. Officer in the Press and Publication Department and Ministry of Foreign Affairs, Jordan (1955 – 1958)
- Member of the Board of Directors of the Central Bank of Jordan (since 3/2007)
- Member of the Board of Trustees of King Abdullah II Ibn Al Hussein Creativity Award, Jordan
- Deputy Chairman of the Board of Trustees of the National Centre for Human Rights, Jordan
- Deputy Chairman of the Board of Directors of A.H. Shoman Foundation, Jordan
- Member of the Board of Directors of the Centre for Strategic Studies at the University of Jordan

Name	**Abdul Hameed Shoman Foundation** **Represented by Mr. Khaled Anis Moh'd (Zand Irani) (from 27/12/2010)**
Title	**Member of the Board of Directors**
Date of membership	- Legal Entity : 31/3/2006 - Legal Entity's Representative : 27/12/2010
Date of birth	21/8/1964
Academic qualifications	- MSc Degree in national parks management and tourism, New Mexico University - Jordan University 1989, MSc Degree in Arid Land Use - Jordan University 1986, BSc Degree in Soils
Experiences	- Minister of Energy and Mineral Resources (14/12/2009 - 23/11/2010) - Minister of Environment (7/4/2005 - 09/12/2009) - Director General for the Royal Society for the Conservation of Nature.(RSCN) (10/1996 - 4/6/2005) - Manager of the Protected Areas Dept. (Jan. 1986 - Jan. 1989) - Research Assistant / Jordan University (Oct.1986 - Jan. 1989) - Member of International Environmental Committees - Member of Royal Energy Committee - Member of Royal Water committee - Former Member of the Nuclear Energy Committee - Chairman of the Royal society for the conservation of nature - Member of the Board of Abdul Hameed Shoman Foundation

Name	**Mr. Riad Burhan Taher Kamal**
Title	**Member of the Board of Directors**
Date of membership	9/7/2005
Date of birth	6/12/1943
Academic qualifications	- MSc in Construction Engineering, University of London, 1966 - BSc in Civil Engineering, University of London, 1965
Experiences	- General Manager of Arabtec Holding, Dubai (since 2005) - Founder and General Manager of Arabtec Construction Co., Dubai (since 1974) - Worked for Sir Robert McAlpine Engineering Co., London (1970-1974) - Civil Engineer at Shaheen Engineering & Contracting Co. (1966-1970) - Founder and Member of the Board of Directors of Arabtec Holding, Dubai - Co-Founder and Member of the Board of Directors of Depa United Co. Dubai - Co-Founder and Member of the Board of Director of Gulf Capital Co., Abu Dhabi - Member of the Board of Directors of Turkland Bank, Istanbul, Turkey - Member of the Board of Directors of Arabia Insurance Co., Beirut, Lebanon - Member of the Board of Directors Rotana Hotels Co., Abu Dhabi - Member of the Advisory Board for Deutsche Bank (Swiss) for MENA Region - Member of the Board of Trustees of the American University of Beirut, Lebanon - Deputy Chairman, Welfare Association, Geneva

Name	**Mr. Wahbe Abdallah Wahbe Tamari**
Title	**Member of the Board of Directors**
Date of membership	31/3/2006
Date of birth	14/5/1963
Academic qualifications	BA in Management and Finance, Webster University, Geneva , Switzerland 1984

Experiences

- Member of the Board of Directors Consolidated Contractor Co. , Athens (since 9/2010)
- Member of the Board of Directors of the National Company for Real Estate Projects S.A.L (since 28/4/2010)
- Chairman of the Board of Directors / General Manager of Commercial Building Co. SAL, Lebanon (since 25/5/2009)
- Member of the Board of Directors of Arab Bank (Switzerland) Ltd., Zurich (since 20/4/2007)
- Chairman of the Board of Directors/ General Manager of Arabia insurance Co. SAL,, Lebanon (since 26/6/2006)
- Chairman of the Board of Directors of Immofina holding SAL, Lebanon (since 5/7/2006)
- Member, Welfare Association, (since 2006)
- Founder & Chairman of the Board of Directors of Watamar & Partners S.A., Geneva (since 15/1/2003)
- Chairman of the Board of Immofina S.A. Co.- Geneva (since 20/3/2001)
- Member of the Board of directors of Sucafina S.A. Co. - Geneva (since 25/8/1998)
- Executive Director sucafina S.A., Geneva (1999-2002)

Mr. Nemeh Elias Sabbagh

Chief Executive Officer

Date of Appointment : 31/1/2010

Date of birth : 15/3/1951

Academic Qualifications:

- BA in Economics and French at Austin College in Texas, 1972 with studies at L'Institut d'Etudes Politiques in Paris
- MA in International Economics - Johns Hopkins University, 1974
- MBA in Finance - University of Chicago, 1976
- Completed the Senior Executive Program at the Graduate School of Business - Stanford University, 1990

Experience:

- Chief Executive Officer - Arab Bank (since February, 2010)
- Executive General Manager - Bank Med in Lebanon (2006-2009)
- Managing Director and Chief Executive Officer - Arab National Bank in Riyadh, Saudi Arabia (1998-2005)
- General Manager of the International Banking Group- National Bank of Kuwait (1979-1998)
- Worked with the Industrial Bank of Kuwait (1976-1979), First Chicago in Chicago (1974-1975) and the World Bank in Washington, DC, (1973)

- Board Member of Turkland Bank (T-bank) – Istanbul (Chairman)
- Board Member of Europe Arab Bank plc –London
- Board Member of Association of Banks in Jordan since 15/12/2010
- Board Member of Jordan Mortgage Refinance Company Ltd.
- Board Member of Jordan Loan Guarantee Corp.
- Member of the Board of Directors of Arab National Bank
- Member of the Board of Directors of Al – Hussein Fund for Excellence

Ms. Randa Muhammad Sadik

Deputy Chief Executive Officer

Date of Appointment : 1/ 7/2010

Date of birth : 14/11/1962

Academic Qualifications:

- BA in Business Administration - American University of Beirut, 1984
- MBA in Finance - American University of Beirut, 1986

Experience:

- Deputy Chief Executive Officer - Arab Bank (since July 1, 2010)
- Group General Manager for International Banking Group - National Bank of Kuwait (2006-2010)
- Managing Director - National Bank of Kuwait (International) plc, London (2005-2006)
- Assistant General Manager - National Bank of Kuwait (International) plc, London (1998-2005)
- Executive Manager & Treasurer - National Bank of Kuwait (International) plc, London (1993-1998)
- Head of Asset Liquidity Management - National Bank of Kuwait (International) plc, London (1991-1993)
- Financial Analyst - National Bank of Kuwait (1986-1990)
- Graduate Assistant - American University of Beirut (1985-1986)

- Board Member of Arab Tunisian Bank-Tunisia
- Board Member of Oman Arab Bank- Oman
- Board Member of Arab Investment Bank S.A.L – Lebanon
- Chairman of Al -Arabi for Finance (Holding co.) S.A.L – Lebanon
- Vice Chairman of Arab Bank Australia Ltd.
- Chairman of the Supervisory Board of Al-Arabi Investment Group

Dr. "Mohammad Ghaith" Ali Mohammad Mismar

General Counsel

Date of Appointment	:	1/9/1999
Date of birth	:	24/11/1961

Academic Qualifications:

- LLB in Law, Jordan University, 1984
- LLM in Commercial Law, University of London, UK, 1992
- PhD in Law, University of London, UK, 1998

Experience:

- General Counsel, Arab Bank (since 1/9/1999)
- Judge, Amman Court of First Instance (1/9/1989 – 30/8/1999)
- Military Judge (28/3/1984 – 19/6/1989)

Mr. Ghassan Hanna Suleiman Tarazi

EVP - Chief Financial Officer

Date of Appointment : 1/8/2003

Date of birth : 8/1/1964

Academic Qualifications:

- BSc in Economics, Acadia University – Canada, 1984
- MSc in Business Management, Leuven University, Belgium, 1986
- Obtained professional certificates (CBA & CPA) from the USA and FAIBF from Australia

Experience:

- Chief Financial Officer, Arab Bank (since July 2008)
- Head of Group Internal Audit, Arab Bank (1/8/2003 - 30/6/2008)
- Head of Financial Control and Risk Management, Gulf Investment Corporation, Kuwait, (2/2003 – 7/2003)
- Partner, KPMG Certified Accountants & Auditors, Amman, Jordan (1994 – 2003)
- Assistant Manager, Jordan National Bank, Amman, (1992 – 1993)
- Senior Audit, Arthur Andersen & Co. (1989 – 1992)

- Member of the Board of Directors of Arab Tunisian Bank - Tunisia
- Member of the Board of Directors of Arabella for IT Services Co. London

Mr. Mohamed A. Hamad Ghanameh

EVP - Head of Credit

Date of Appointment : 1/2/2007

Date of birth : 6/1/1953

Academic Qualifications:

- BSc in Mathematics, Riyadh University – Saudi Arabia, 1975
- Diploma in Computer Programming - London, 1976

Experience:

- EVP - Head of Credit, Arab Bank plc – Head Office, Jordan (since 4/2010)
- Executive Vice President / Global Head of Corporate & Investment Banking, Arab Bank plc – Head Office, Jordan (2007 –2010)
- Head of Corporate & Investment Banking Banque Saudi Fransi - Riyadh / Saudi Arabia (1999 – 2007)
- Head of Corporate & Investment Banking United Saudi Bank / USCB - Riyadh / Saudi Arabia (1995 – 1999)
- Assistant General Manager / Head of Corporate - Retail Banking Groups Cairo Amman Bank – Jordan (1990 –1995)
- Vice President / Head of Saudi Corporate Marketing Unit Gulf International Bank – Bahrain (1989 –1990)
- Manager International Corporate - Credit Division Arab Bank plc – General Management Jordan (1987–1989)
- Head of Corporate Banking / Central Region Saudi American Bank / Citibank - Riyadh / Saudi Arabia (1976 –1987)

- Chairman of the Supervisory Board of Arab National Leasing Company, Amman - Jordan
- Deputy of the Supervisory Board of AB Invest , Amman – Jordan
- Member of the Board of Directors of Arab National Bank - Riyadh / Saudi Arabia

Mr. Samer S. Tamimi

EVP - Head of Corporate & Investment Banking

Date of Appointment	:	18/4/2005
Date of birth	:	30/10/1966

Academic Qualifications:

- University of Jordan - Bachelor of Science and Business Administration with focus on Finance and Accounting, 1988
- Walsh College of Accountancy and Business Administration - Master of Science in Professional Accountancy, 1991
- Accounting, University of Illinois, Chicago, 1990

Experience:

- Executive Vice President /Head of Corporate & Investment Banking, Arab Bank plc – Amman (since 1/9/2010)
- Senior Vice President – (Credit - GIS) Arab Bank – General Management (8/2005-31/8/2010)
- Credit and Portfolio Manager, Arab Bank Plc – New York (1998 – 8/2005)
- Vice President, Credit and Portfolio Manager – Arab Bank New York (1998–8/2005)
- Assistant Vice President and Credit Risk Manager – Arab Bank New York (1993 – 1998)
- Senior Auditor, Global Audit Group (1991 – 1993)
- Auditor, Deloitte & Touche, Amman – Jordan (1990 -1991)

- Member of the Board of Directors of Europe Arab Bank -UK
- Member of the Board of Directors of Arab Bank Australia Ltd. – Australia
- Member of the Supervisory Board of AB Invest - Jordan

Mr. Mohammad Musa Dawood "Moh'd Issa"

EVP - Corporate and Investment Banking Jordan & Palestine

Date of Appointment	:	1/10/1983
Date of birth	:	1/2/1956

Academic Qualifications:

BSc Math with minor in Business Administration, University of Jordan, 1978

Experience:

- Executive Vice President – Head of Corporate and Investment Banking/ Jordan & Palestine (since April, 2009)
- Senior Vice President – Head of Credit/ Jordan & Palestine (10/2006– 3/2009)
- Head of Corporate Finance/ Jordan & Palestine (08/2004 – 09/2006)
- Other senior posts within Arab Bank plc, Jordan including: Head of Commercial Lending, Head of Syndicated Loans Unit (10/1983 – 07/2004)

- Board Member Association of Banks in Jordan (1/4/2009-14/12/2010)
- Board Member of Arab Bank – Syria
- Deputy of the Supervisory Board of Arab National Leasing Company
- Deputy Chairman of International Islamic Arab Bank
- Board member of Jordan Hotels and Tourism Company

Mr. Antonio Mancuso-Marcello

EVP - Head of Treasury

Date of Appointment	:	1/6/2008
Date of birth	:	2/5/1966

Academic Qualifications:

- BA (Honors), Business Studies and German, Nottingham – UK, 1989
- Certificate in Business Sciences, Universitaet-GHS Paderborn – Germany, 1987

Experience:

- Executive Vice President / Treasury, Arab Bank (6/2008 - present)
- Group Treasurer, UniCredit – Italy (2007-2008)
- Global Treasurer, GE Insurance Solutions – UK and US (2002-2006)
- Assistant Treasurer / Head of European Funding, GE Capital – France (1999-2002)
- Associate Director / Fixed Income, UBS – UK (1997-1999)
- Associate Director / Fixed Income, NatWest Markets – UK (1992-1997)
- Assistant Director / Money Markets, Yamaichi International – UK (1990-1992)

Mr. Naim Rassem Kamel Al-Hussaini

EVP - Head of Consumer Banking

Date of Appointment	:	20/11/2011
Date of birth	:	28/11/1962

Academic Qualifications:

- BSc of Science, Industrial Management, University of Petroleum & Minerals – Saudi Arabia, 1985

Experience:

- Head of Retail Banking Group, Banque Saudi Fransi, Saudi Arabia (2008 – 2011).
- Acting Head, Retail Banking Group, Banque Saudi Fransi, Saudi Arabia (2006 – 2007)
- Division Manager, Consumer Assets Sales Division, Retail Banking Group, Banque Saudi Fransi, Saudi Arabia (2005)
- Regional Manager, Retail Banking Division, Eastern Region, Banque Saudi Fransi, Saudi Arabia (2000 – 2005)
- Manager, Network & Financial Planning Department, Retail Banking Group, Head Office, Banque Saudi Fransi, Saudi Arabia (1995 – 2000)
- Personnel Manager, Corporate Human Resources Division, Head Office, Banque Saudi Fransi, Saudi Arabia (1993 – 1995)
- Manager, Recruitment & Government Relations, Corporate Human Resources Division, Head Office, Banque Saudi Fransi, Saudi Arabia (1990 – 1993)
- Manager, Budget & Financial Planning, ITISALAT (1988 – 1990)
- Head, Tender & Contracting, ITISALAT (1986 – 1988)

Ms. Dina "Moh'd Abdel Hamid" A. Shoman

EVP - Branding Group

Date of Appointment : 1/8/2006

Date of birth : 24/5/1980

Academic Qualifications:

- BS, Finance, Bentley College, Waltham, MA – USA, 2002
- MBA, Change Management, McCallum Graduate School of Business, Bentley College, Waltham, MA – USA, 2006

Experience:

- Executive Vice President / Branding, Arab Bank plc – Amman (since 2008)
- Executive Vice President / Office of the CEO, Arab Bank plc – Amman (8/2006 – 10/2008)
- Assistant Treasurer & Financial Analyst, Arab Bank plc, New York – USA (2/2003 – 6/2004)
- Project Intern, State Street Corporation, Boston, MA – USA (1-5/2006)
- Rotational Trainee, HSBC Bank USA, New York – USA (2–12/2002)
- Intern, Merrill Lynch, Burlington, MA – USA (6 – 9/2001)
- Intern, First Investors Corporation, Waltham, MA – USA (9–11/2000)
- Member of Board of Directors of Al Nisr Al Arabi Insurance Company – Jordan (2/2008 – 5/2009)
- Member of the Board of Directors of Arab Tunisian Bank – Tunisia (6/2009 – 6/2011)

- Member of the Board of Directors of Arab Bank plc
- Member of the Board of Directors of Arab Bank Australia Ltd. – Australia
- Member of the Board of Abul Hameed Shoman Foundation
- Member of the Board of Trustees and Member of the Board of Injaz
- Member of the Board of Directors – Jordan River Foundation
- Member of the Board of Directors – Raneen

Mr. Marwan Nasha'at R. Riyal

EVP - Head of Human Resources Division

Date of Appointment	:	13/6/2004
Date of birth	:	15/10/1962

Academic Qualifications:

- BA in Economics and Politics, University of Jordan, 1983
- MA in International Economic Relations, University of Jordan, 1993

Experience:

- Executive Vice President / Global Head of Human Resources, Arab Bank plc – Amman (since 11/2005)
- Assumed senior positions within the Human Resources Division, Arab Bank plc – Amman (since 2004)
- Head of Recruitment and Training
- Head of Performance Management
- Head of Human Resources, (ABC Bank) – Jordan, (10/2003 – 6/2004)
- Human Resources & Administrative Director, Aqaba Special Economic Zone Authority (ACESAC) – Jordan, (6/2003 – 10/2003)
- Head of Human Resources, Nestle Group – Jordan, (3/2003 – 6/2003)
- Head of Human Resources, Cairo Amman Bank – Jordan, (11/1995 – 1/2002)
- Purchasing Manager, Ministry of Finance – Jordan, (1986 – 1995)

Mr. George Fouad El-Hage

EVP - Chief Risk Officer

Date of Appointment	:	1/2/2002
Date of birth	:	21/7/1958

Academic Qualifications:

- BSc (Honors) in Mechanical Engineering, King's College, University of London, UK, 1980
- MSc in Engineering- Industrial Construction, Stanford University, CA – USA, 1981
- MSc Finance, University of Toronto, Ontario – Canada, 1987
- Chartered Financial Analyst, 1993

Experience:

- Executive Vice President, Group Risk Management- Arab Bank plc – Amman (since 2002)
- Manager, Group Risk Management- TD Bank Financial Group- Toronto – Canada (1996-2002)
- Senior Analyst, Finance, TD Bank Financial Group- Toronto – Canada (1993-1996)
- Senior Relationship Manager, Commercial Banking, TD Bank Financial Group- Toronto – Canada (1987-1993)
- Project Engineer, National Petroleum Construction Company, Abu Dhabi – UAE (1982-1985)

- Member of the Board of Directors of Commercial Building Company SAL– Lebanon

Mr. Michael Matossian

EVP - Group Regulatory Compliance

Date of Appointment : 28/11/2005

Date of birth : 23/2/1956

Academic Qualifications:

- BSc Accounting, Montclair State University – USA, 1978
- Professional certificates: Certified Public Accountant, Certified Management
- Accountant, Certified Fraud Examiner, Certified Risk Professional, Certified Anti-Money Laundering Specialist - USA

Experience:

- Executive Vice President/Group Regulatory Compliance, Arab Bank plc – (since 11/2005)
- Chief Compliance Officer, Fifth Third Bank – USA (2003 - 2005)
- Senior Vice President and Director of Regulatory Risk Management, Director Anti-Money Laundering, Director Operational Risk Governance – Wachovia Corporation (formerly First Union) – USA, (1995 – 2003)
- Vice President and Director of Management Internal Control, First Fidelity Bancorporation (acquired by First Union) - USA, (1993 - 1995)
- Senior Vice President and Internal Chief Auditor, National Community Banks, Inc. – USA, (1989 – 1993)
- Senior Audit Manager, Arthur Andersen, LLP – USA, (1979 - 1989)
- Regulatory inspector, U.S. Treasury Department, Office of the Comptroller of the Currency Examiner – USA (1976 – 1979)

- Member of the MENA-Organization for Economic Co-Operation and Development (OECD) Working Group in Improving Corporate Governance in the Middle East and North Africa
- Active involvement with the Union of Arab Banks, and a speaker on compliance and risk across the MENA region

Mr. Fadi J. Zouein

EVP - Head of Internal Audit

Date of Appointment : 1/11/2009

Date of birth : 14/04/1965

Academic Qualifications:

- BA, Business Administration, Saint Joseph University – Beirut, 1987
- High Diploma in Commercial Studies, Banking and Finance , Saint Joseph University – Beirut, 1992
- Professional Certifications (CIA, CISA,CFE)

Experience:

- Executive Vice President/ Head of Internal Audit , Arab Bank plc – (since 2009)
- General Manager Internal Audit, Gulf Bank – Kuwait, (2008 – 2009)
- Head of Internal Audit, Bank of Beirut – Lebanon, (1993- 2008)
- Senior Auditor Wedge Bank Middle East – Lebanon, (1992-1993)
- Credit Analyst, Bank Tohme - Lebanon, (1989 - 1992)

- Member of the Institute of Internal Auditors

Mrs. Eman Al- Sahhar

VP - Head of Secretariat

Date of Appointment	:	18/7/2010
Date of birth	:	30/6/1955

Academic Qualifications:

- High School, 1972

Experience:

- Manager, Secretariat Department (since 1995)
- Assistant Manager, Secretariat Department (since 1990)
- Following Secretariat work and Board Meeting preparations (since 1990)
- Worked in Secretariat Department (since 6/12/1972)

NUMBER OF SHARES OWNED BY MAJOR SHAREHOLDERS AT 31 DECEMBER 2011 AND 2010

No.	Shareholder's Name	No. of shares as of 31/12/2011	Percentage %	No. of shares as of 31/12/2010	Percentage %
1.	Social Security Corporation	82768380	15.500	81645600	15.289
2.	Saudi Oger Ltd.	51686340	9.679	51686340	9.679
3.	Oger Middle East Holding	37982055	7.113	37982055	7.113

Arab Bank continues on its path of achievements, which began over 80 years ago, underlining a success story unfolding year after year. Arab Bank holds a leading position as one of the most important banks in the Middle East and North Africa in addition to being one of the most competitive and diverse. Arab Bank enjoys a strong reputation and credibility, making it a pillar of trust for its customers and shareholders under all circumstances. Reinforcing this unique position, Arab Bank Group boasts the widest Arab banking branch network in the world with over 500 branches.

Despite the challenges arising from the current situation in the Middle East and the global economic challenges, Arab Bank has continued to enhance the level of competitiveness based on its values of protection for its customers, shareholders, employees and capital. The Bank continues to implement a balanced strategy based on abundant liquidity and high capital adequacy ratios that allowed it to work effectively and efficiently under difficult and volatile conditions, while continuing to make profits and enhance its strong financial performance.

It should be noted here that the Bank's policies toward risk management, diverse credit facilities distribution and effective budget management maintained its excellent credit ratings in 2011 as opposed to many other global banks, despite the negative repercussions of the global financial crisis. The credit rating agency, Fitch, in August 2011 reaffirmed the (A-) long term rating and stable outlook. The Bank received a rating of (BBB+) stable outlook by the credit rating agency Standard & Poor's. The Bank also received a rating of (Baa1) from the credit rating agency, Moody's. These ratings take into account Arab Bank's reputation locally and globally, asset quality, durability of its capital base and comfortable liquidity levels.

2011 witnessed Arab Bank receiving a number of different international awards and recognitions from a variety of international and regional bodies. The Bank received the award for Best Trade Finance Provider in the Middle East, Best Bank in Jordan and Yemen, Best Investment Bank, Best Foreign Exchange Provider and Best Consumer Internet Bank in Jordan from Global Finance magazine.

The Bank also received Best Bank in Jordan for the fourth year in a row from Euromoney magazine. Arab Bank was also named Bank of the Year in the region by Arabian Business magazine.

Market shares in specific Locations:

Arab Bank operates in 30 countries across five continents. Its market share varies by country, according to the nature of business it conducts. The following table presents the Bank's market shares in a selected set of countries where the Bank operates:

Country	Total Assets %	Deposits %	Direct Credit Facilities %
Bahrain	4.61%	5.88%	5.13%
Egypt	2.1%	2.1%	2.5%
Jordan	24.03%	23.74%	17.01%
Lebanon	1.12%	1.06%	1.4%
Palestine	33.29%	36.58%	33.27%
Qatar	0.65%	0.76%	0.49%
UAE	0.63%	0.80%	0.65%
Yemen	11.14%	13.26%	5.63%

Note: Market shares were calculated based on the most recent data released by the central banks in the respective countries.

It is worth mentioning that Arab Bank ranks first among banks operating in Jordan and Palestine in terms of total assets, deposits and credit facilities.

PATENTS & GOVERNMENT PROTECTION

Arab Bank competes in free and open economies on the basis of fair competition. It does not enjoy any government or preferential protection. It has obtained neither preferential advantages nor specific patents.

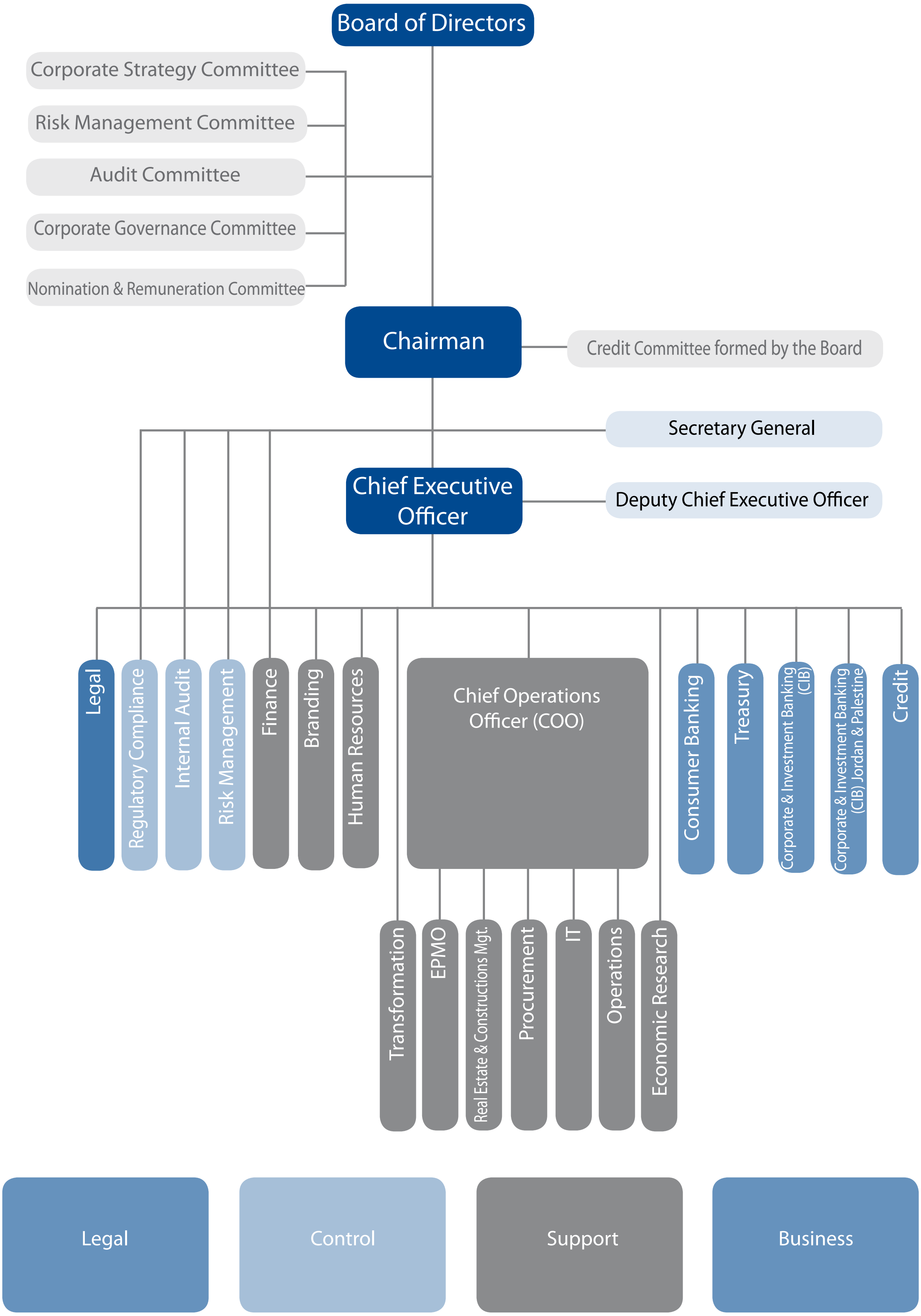
MAJOR SUPPLIERS AND CLIENTS

No specific individual supplier or client accounts for 10% or more of the Bank's activities, purchases and / or sales.

No decrees, laws or regulations were issued by any governmental bodies or international organizations or others that would have material impact on the Bank, any of its products or competitive capabilities. In addition, the international quality standards are not applicable as far as the Bank is concerned.

It is worth mentioning that the Bank's policies toward risk management, diverse credit facilities distribution and effective financial position management maintained its excellent credit ratings in 2011 as opposed to many other global banks, despite the negative repercussions of the global financial crisis. The credit rating agency, Fitch, in August 2011 reaffirmed the (A-) long term rating and a Stable Outlook. While Standard & Poor's affirmed the Bank (BBB+) with "Stable" outlook. The Bank also received a rating of (Baa1) from Moody's. The affirmation of Arab Bank's ratings reflects the franchise value both locally and international, geographically diversified assets quality, in addition to the distinctive ratios maintained by the Bank and in particular liquidity and capital.

ARAB BANK ORGANIZATION CHART / HEAD OFFICE



NUMBER OF STAFF AND ACADEMIC QUALIFICATIONS

Academic Qualifications	Arab Bank plc	Europe Arab Bank	Arab Bank (Switzerland) Ltd.	Arab Bank Australia Ltd.	Islamic International Arab Bank	Arab Sudanese Bank	Arab Investment Bank	Al-Arabi Investment Group (AB Invest)
PhD	10	0	4	1	4	1	1	0
Master's degree	492	27	10	11	47	25	2	8
Advanced diplomas	45	11	25	2	6	6	0	2
Bachelor's degree	3838	56	6	50	402	26	1	25
Junior college	743	15	13	30	85	1	0	1
High school	678	57	38	19	28	2	1	1
Sub High school	567	2	0	19	75	2	0	4
Total Employees	**6373**	**168**	**96**	**132**	**647**	**63**	**5**	**41**

	Arab Tunisian Bank	Arab Bank - Syria	Al Nisr Al Arabi Insurance Company	Arab Company for Shared Services	Arab Gulf Tech for IT Services	Arab National Leasing Company	Al-Arabi Investment Group / Palestine	Total
	3	0	0	0	0	1	0	25
	145	20	19	8	4	3	2	823
	157	2	0	0	0	0	1	257
	9	251	188	80	34	16	5	4987
	34	51	28	22	4	4	0	1031
	165	35	5	14	2	1	1	1047
	335	15	6	2	0	1	0	1028
	848	**374**	**246**	**126**	**44**	**26**	**9**	**9198**

TRAINING COURSES VS. TRAINEES IN JORDAN & ARAB AREAS IN 2011 MATRIX

Area	Training Agenda		Unscheduled Programs		Middle Management Programs and Ruwad Programs		External Courses		Internet Courses	
	Courses	Trainees	Courses	Trainees	Courses	Trainees	Courses	Trainees	Courses	Trainees
Jordan	227	5170	109	1098	96	1681	9	10	7	8
Palestine	106	1602	0	0	22	503	2	10	0	0
Egypt	63	1444	23	71	0	0	2	3	0	0
Morocco	10	144	5	79	0	0	2	3	0	0
Algeria	3	32	8	20	0	0	4	6	0	0
Lebanon	34	569	66	290	30	351	3	4	0	0
Yemen	0	0	24	44	0	0	0	0	0	0
Bahrain	73	107	2	27	0	0	1	1	0	0
UAE	139	692	3	33	0	0	3	6	0	0
Qatar	0	0	1	11	0	0	3	5	0	0
Total	**655**	**9760**	**241**	**1673**	**148**	**2535**	**29**	**48**	**7**	**8**

	Courses Attended at H.O.		English & Computer Courses		Certification Programs		Grand Total Per Area	
	Courses	Trainees	Courses	Trainees	Courses	Trainees	Courses	Trainees
	6	211	53	224	32	76	539	8478
	0	0	1	6	0	0	131	2121
	3	6	4	29	3	6	98	1559
	0	0	0	0	0	0	17	226
	0	0	0	0	0	0	15	58
	4	4	0	0	4	5	141	1223
	0	0	10	33	0	0	34	77
	0	0	5	8	0	0	81	143
	0	0	0	0	0	0	145	731
	2	2	0	0	0	0	6	18
	15	**223**	**73**	**300**	**39**	**87**	**1207**	**14634**

OVERVIEW

Arab Bank Group addresses the challenges of banking risks comprehensively through an Enterprise-Wide Risk Management Framework. This framework is built inline with leading practices, and is supported by a risk governance structure consisting of Board Committees, Executive Management Committees, and three independent levels of control as follows:

Risk Oversight Committees:

- Board Audit Committee
- Board Risk Management Committee
- Board Credit Committee
- High Asset and Liability Management Committee (High ALCO)
- Senior Credit Committee
- Various Operational Risk-related Committees (eg Investigation Committee, Information Security and Business Continuity Steering Committee, Crisis Management Committee)

Three Levels of Control:

- First Level: Business Line and Country Control Units
- Second Level: Group Risk Management (GRM) and Group Regulatory Compliance (GRC)
- Third Level: Group Internal Audit (GIA)

- The Board of Directors reviews and approves the Bank's overall risk management strategy, and ensures through its Risk Management Committee, that comprehensive risk management policies and procedures are established in all business areas.

- The Heads of Strategic Business Units manage risks within their specific business lines whether credit or operational. In addition the Global Treasurer is responsible for the management of liquidity and market risks. They operate within formally delegated risk limits and are responsible and accountable for identifying, assessing, controlling, mitigating and reporting on risks in the course of their business activities.

- The Chief Risk Officer (CRO), who reports to the Board's Risk Committee and the CEO, is responsible for ensuring that the Bank has a robust system for the identification and management of risk and for establishing appropriate risk frameworks consistent with the Bank's overall business strategy and risk appetite.

- The Chief Compliance Officer (CCO) ensures that the Bank is in compliance with applicable related laws, rules and regulations, especially those issued by banking regulatory authorities.

- The Chief Financial Officer (CFO) is in charge of defining financial risks, middle office controls, safeguarding the quality of financial data, and for ensuring the accuracy and reliability of the Bank's Financial Statements.

- Group Internal Audit as an independent third level of control reporting to the Audit Committee of the Board, provides objective assurance that all Bank functions work in compliance with the policies and procedures, in addition to assuring the effectiveness and adequacy of the risk management, control, and governance processes. Group Internal Audit provides the Board Audit Committee, the Chief Executive Officer and the respective business units with the audit results and monitors implementation of the management corrective actions.

GROUP RISK MANAGEMENT (GRM):

As part of the risk governance structure of the Bank, and as the second level of control, Group Risk Management is responsible for ensuring that the Bank has a robust system for the identification and management of risk. Its mandate is to:

- Establish risk management policies and procedures for all types of risks
- Develop and monitor the implementation of various risk management frameworks
- Develop appropriate risk measurement tools and models
- Assess risk positions against established limits
- Timely monitoring and reporting to Senior Management and the Board
- Advise and promote awareness on best practices

Each of the following departments within Group Risk Management has specific goals and responsibilities in continuing to advance the Bank's risk management capabilities based on best practices, international guidelines and regulations of the Central Bank of Jordan.

- The Credit Risk Management Department is responsible for the centralized reporting of Credit Risk, policy review, and the internal risk rating systems. These rating systems are designed to improve "probability of default" measurements and to lead to the implementation of the Bank's risk-adjusted return-on-capital model. The department is also responsible for the implementation of the Basel II and III requirements and any amendments thereof.

- The Business Risk Review Department conducts comprehensive individual, portfolio and business risk reviews. It ensures that the Bank's various portfolios are aligned to their economic perspective, business strategy and target market and recommends corrective action where necessary. The department also assesses the quality of the loan portfolio, lending policies and processes and the capabilities of the credit staff. Supplemental targeted reviews are undertaken based on market conditions and the size and sectoral nature of portfolios. In specific instances such reviews are supported by tailored stress testing scenarios.

- The Market and Liquidity Risk Management Department is responsible for setting comprehensive market and liquidity risk policy frameworks. The policy framework ensures independent measurement, monitoring and control of the Bank's market and liquidity risk. The department is also responsible for setting and monitoring risk limits, the calculation of Value-at-Risk, stress testing and other quantitative risk assessments such as Basle III in coordination with Treasury.

- The Operational Risk Management Department, which also covers strategic and reputation risks, leads the implementation of a Bank-wide risk management framework, as part of the overall strengthening and continuous improvement of the controls within the Bank. The framework consists of policies and procedures supported by a formal methodology of risk-control and self-assessment for the identification, assessment, mitigation, control, and reporting of operational risk in all business activities.

- The Information Security Department establishes a Bank-wide framework aimed at minimizing information and technology risks, maximizing compliance and enabling the safe use of technology. The aim is to ensure that information assets, people, processes and technologies are adequately protected from threats, whether internal or external, deliberate or accidental. The program includes activities to promote good practice, raise awareness, strengthen controls, and enhance the effectiveness of monitoring and incident response.

It recognizes the importance of Information Security in establishing trust between our customers, business partners, employees and the Bank

- The Business Continuity Department aims to counteract interruptions to business activities, to protect critical processes from the effects of major information systems failures or disasters, whether natural or otherwise, and to ensure their timely resumption. The framework starts by identifying major risks and analyzing their impact on business. The risk assessments are input into a centralized database and then used to build the bank's comprehensive continuity plans. These are updated by each country through the use of a web-based application, and tested on a regular basis to ensure timely resumption of essential operations and services.

- The Insurance Department's mandate is to oversee all insurance policies through a centralized database whether these are global or local. It ensures that insurable risks are appropriately mitigated and establishes minimum insurance criteria at the Group and country level. The department also supports the Business Units in reviewing and delivering customized insurance coverage for products, portfolios, or individual transactions.

- The Policy Center Department is responsible for centrally managing all Bank policies from the development phase until final approval, according to a standard framework specifically customized for the Bank. These high level policies are then embedded in more details into the bank's various operational processes and its policies and procedures.

- The various departments work together and with Finance on Capital Management related assignments to assess impact on capital of new regulations (eg Basle III etc) and to deliver a comprehensive Internal Capital Adequacy Assessment (ICAAP) supported by a stress test framework which includes multiple scenarios covering credit, market, liquidity and operational risk events. Periodic reporting to Senior Management and to banking regulators further ensures that our capital is managed properly.

CREDIT RISK:

Arab Bank maintains a low risk strategy towards the activities it takes on. This combined with its dynamic and proactive approach in managing credit risk are key elements in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and frameworks, solid structure and infrastructure, risk monitoring and control enable the Bank to deal with the emerging risks and challenges with a high level of confidence and determination.

Portfolio management decisions are based on the Bank's business strategy and risk appetite as reflected in the tolerance limits. The quality of the portfolio is examined on regular basis in relation to key performance indicators. Diversification is the cornerstone for mitigating portfolio risks which is achieved through industry, geographical and customer tolerance limits. Periodic stress testing based on continuously revised and conservative scenarios and capital planning are key tools in managing the credit portfolio.

The credit process at Arab Bank is well defined and institutionally predicated on:

- Clear tolerance limits and risk appetite set at the Board level, well communicated to the business units and periodically reviewed and monitored to adjust as appropriate.
- Credit Committee Structure that ensures credit approvals are made with consensus by a committee and not individuals with high level of independency.
- Authorities are delegated based on risk-differentiated grids for each committee at Country and Head Office levels.
- Well-defined target market and risk asset acceptance criteria.
- Rigorous financial, credit and overall risk analysis for each customer/transaction.
- Concentrations together with mitigation strategies are continuously assessed.
- Early warning system is continually validated and modified to ensure proper functioning for risk identification.
- Systematic and objective credit risk rating methodologies that are based on quantitative, qualitative and expert judgment.
- Systematic credit limits management enabling the Bank to monitor its credit exposure on daily basis at country, borrower, industry, credit risk rating and credit facility type levels.
- Solid documentation and collateral management processes where collateral is continuously monitored and assessed to ensure proper coverage and top-up triggers.

- Annual and interim individual credit reviews to ensure detecting any weakness signs or warning signals and considering proper remedies in case of need.
- Strict control and monitoring systems which are based on disciplined follow up and monitoring.
- Conservative approach to provisioning and managing bad-debt collection through roll rate, vintage analysis and delinquency trends analysis to enable the early identification of problem areas.
- Periodic legal and credit reviews are conducted and account strategies are set to minimize NPLs and maximize recoveries and collections.
- The Bank continues to upgrade its systems and technological infrastructure to further enhance performance of the above and to be aligned with the changing environment of the financial services.
- Our rigorous credit processes as noted above are supplemented by sectoral portfolio reviews focused on countries, regions or specific industries which are intended to identify any inherent risks in the portfolios resulting from changes in market conditions and are supplemented by independent reviews by the Business Risk Review team in Group Risk Management and our Group Internal Audit.

  The Bank continuously works to build a highly motivated team, working in a culture where learning and expertise are maximized through enrolling its credit staff at various levels into well selected and designed credit training programs and courses to be well equipped to efficiently conduct their roles and responsibilities.

LIQUIDITY RISK:

Liquidity is defined by the Bank for International Settlements as the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Arab Bank has built a robust infrastructure of policies, processes and people, in order to ensure that all obligations are met in a timely manner, under all circumstances and without undue cost.

Liquidity continues to be an area of great focus for Arab Bank. The Bank has a highly diversified funding footprint. In addition, it maintains a large portfolio of highly liquid assets, which acts as a contingent funding source in order to boost liquidity. Arab Bank's long-standing emphasis on maintaining a broad and stable liquidity base has largely protected the Bank from the effects of the market volatility and funding stress experienced by many other financial institutions in recent years.

Arab Bank's liquidity management strategy is determined by the High Asset and Liability Management Committee (High ALCO). The operations of the country level Treasury teams are centrally controlled, monitored and coordinated. In coordination with local Asset and Liability Management Committees, the various countries' Treasury teams across Arab Bank act as a community, mandated to work together to meet local and Group-wide needs. The Asset and Liability Management Committees analyze cash flows and market risk exposures and take action where appropriate to adjust the pricing and product mix, in order to ensure an optimal balance sheet structure and risk profile.

The Global Treasurer receives daily and weekly information on actual, forecast and modeled liquidity. Such information is received at country level, legal entity level and at Group level. This enables the Treasurer to provide the High ALCO with comprehensive management information on liquidity across the Group. This reporting is supported by stress testing, which applies various stress scenarios to existing forecast results. The process of stress testing is owned and managed by the Chief Risk Officer. The establishment of limits for Arab Bank's tolerance for liquidity risk, (as with other forms of risk), is managed by the Chief Risk Officer and the High ALCO.

The Bank uses a variety of tools to measure liquidity risk in the balance sheet. These metrics help the Bank to plan and manage its funding and help to identify any mismatches in assets and liabilities which may expose the Bank to roll risk. These metrics include one week and one month liquidity ratios, cumulative liquidity modeling, liquidity risk factors, inter-group borrowing and lending analysis, loan to deposit ratios, large depositor concentration monitoring, and stress testing.

Arab Bank's comprehensive approach to measuring and managing liquidity gives the Group a great deal of confidence in its ability to endure all unforeseen market events or crises, while still being able to meet all of its obligations to its customers and regulators.

Liquidity risk will continue to have a major influence on how the world's banks operate and interact, and regulators require increasingly high standards of liquidity governance. Arab Bank's approach to liquidity management, along with its current and contingent funding structures, leaves it extremely well placed to face the future with great confidence. Arab Bank's funding model has shown itself to be extremely resilient for many years and hence remains fundamentally unchanged.

MARKET RISK:

Market risk is defined as the potential for loss from changes in the value of the Bank's portfolios due to movements in interest rates, foreign exchange rates, and equity or commodity prices. The three main activities that expose the bank to market risk are: Money Markets Trading, Foreign Exchange Trading and Capital Markets Trading, across the Trading and Banking books.

Historically the Bank has managed its market risk across its Trading and Banking Books on a consolidated basis as this is a more conservative approach to the management of this risk. In addition, the Bank has implemented and refined its Transfer Pricing policy in order to ensure that market risk is transferred from Corporate and Investment Banking and Consumer Banking to Treasury, where it can be centrally managed.

Market risk is governed by the Global Treasurer, the Chief Risk Officer and the Chief Financial Officer. The High ALCO provides market risk oversight and guidance on risk appetite and policy settings and establishes the global limits which are then allocated to the various entities by the Global Treasurer. The Global Treasury's Policies and Procedures clearly define the rules that exist for the active management of all the Group's portfolios which are subject to market risk. Group Risk Management, in coordination with Global Treasury ensures that the policies and procedures are updated on a regular basis, or when the need arises. The market risk limits are established based on the Bank's strategy and risk appetite, and risks are monitored by an independent Middle Office and are reviewed on a regular basis by Global Treasury and Group Risk Management.

Interest Rate Risk:

Interest rate risk in the Group is limited, well managed, and continuously supervised. A large proportion of the interest rate exposure is concentrated in the short end of the yield curve, with durations of up to one year. Exposures of more than one year are particularly limited.

Interest rate risk is managed in accordance with the policies and limits established by the High ALCO. The Asset and Liability Management Committees in the various countries, as well as the respective treasurers, handle the day-to-day management of interest rate risks.

In general, the Group has limited appetite for interest rate risk.

Capital Markets Exposures:

Investments in capital market instruments are subject to market risk stemming from changes in their prices. Arab Bank Group's exposure to this kind of risk is limited due to its strong control over credit and interest rate risk.

The equities investment portfolio represents a very small percent of the Bank's overall investments and generally consists of direct investments in strategic alliances as well as seed investment in mutual funds that we originate within the Group.

Foreign Exchange Risk

Foreign exchange activity arises principally from customers' transactions. Strict foreign exchange risk limits are set which define exposure and sensitivity limits for trading in foreign exchange. The Group hedges itself appropriately against potential currency fluctuations in order to minimize foreign exchange exposure.

In Treasury, positions are held open only for small risk equivalents. The majority of positions arising from customers are covered on a daily basis. Positions are measured and supervised by local management daily and by global management weekly. Foreign exchange exposure resulting from participations is strictly managed.

Managing market risk is a key part of the Bank's business planning process, and in line with the Bank's risk appetite, is kept at a minimal level. Our main tools used for measuring and managing market risk are the following:

PV01: PV01 measures the risk to economic value arising from changes in interest rates by multiplying the net balance in each time bucket by its weighted average price sensitivity to changes in interest rates. This is measured at country, legal entity and Group level. All interest rate positions are included in the PV01 calculation, including both on-balance sheet and off-balance sheet products in the Trading and Banking Books.

NII 100: NII100 measures the effect of a 1% Increase in Interest rates on first and second year pretax earnings. This is measured at country, legal entity and Group level.

Overall Net Open FX Position: The Overall Net Open FX Position measures the open position for each currency, including precious metals, at country, legal entity and Group level.

Value at Risk (VaR): VaR is currently used as an internal measure of market risk to estimate the maximum loss that may be experienced by the Group over a one day holding period with 99% confidence level using the Historical Simulation approach supported by 500 days of data. The Group's VaR calculation is run at the consolidated and unit levels and covers both interest rate and foreign exchange risk.

Stress Testing: The Stress Testing model aims to complement the Group's Value at Risk calculations by identifying and quantifying the effects of extreme, but plausible events on the Group's portfolio. The methodologies used range from single factor to multi-factor stress tests. The single factor stress tests incorporate a number of standard shocks in addition to worst historical movements for each risk factor. The multi-factor tests consist of hypothetical and historical tests as well as a hybrid of the two. All scenarios are tailored to account for the special characteristics of the Group's portfolio.

OTHER RISKS:

Arab Bank faces a number of other banking risks, which include compliance risk and strategic risk.

COMPLIANCE RISK:

Arab Bank continues to maintain an unwavering commitment to integrity and exercises the highest ethical standards across its operation, applying both the letter and spirit of regulations to ensure compliance with statutory, regulatory, and supervisory requirements. Evolving to meet the needs of rapidly changing business environments, Arab Bank ensures that its internal processes are consistent with applicable regulatory requirements, are risk-based, promote efficiency, foster effectiveness and meet or exceed customer expectations. This requires Arab Bank to balance risk and reward, anticipate new dimensions of risk, and to ensure that its activities are aligned with the institution's risk appetite and risk tolerance.

All Bank staff is accountable for compliance. Group Regulatory Compliance with the Chief Compliance Officer reporting directly to the Chairman, along with a team of dedicated Compliance Managers and staff located within each Arab Bank operating jurisdiction, are responsible for the oversight of compliance with requirements impacting the business lines including, but not limited to, Know Your Customer, Anti-Money Laundering, and Combating Terrorist Financing compliance.

With the steadfast support and commitment of the Arab Bank Board of Directors and Senior Management, coupled with the dedication of Bank staff, Arab Bank is resolved to sustain and further strengthen its sound compliance program and to continue to meet and/or exceed the regulatory expectations.

No known compliance matters exist that expose the Bank to significant financial liability, material loss, or associated adverse publicity.

STRATEGIC RISK:

The Bank maintains clearly defined work standards and comprehensive strategic planning procedures. The Board of Directors, together with the Bank's management, periodically analyses the impact of the Bank's major operations on its strategy, including the internal and external working conditions, the implications of competition, customer requirements, changes in laws and information technology as well as the Bank's existing systems.

Achievement of the Bank's clearly-defined objectives depends on a basic principle; its ability to fully leverage its widespread network of branches, maintain and develop its strong customer base, continuously expand and improve its products and services and maintain its sound financial position.

Management assesses the Group's historical performance in light of the current strategy and the need to revise its objectives, if necessary, in the context of a continuously changing work and market environment. As such, profitability and commitments of projects to be undertaken are assessed in the context of "Business As Usual" as well as "Stressed Conditions" scenarios. This ensures the Bank is able to quickly react to developing situations in managing its longer term strategy.

Despite the difficult conditions experienced by the banking industry in 2011, Arab Bank was able to accomplish much in a variety of fields. The Bank in 2011 focused on prudent balance sheet management in order to maintain a high and comfortable level of liquidity. The broad geographical spread, diverse lines of business which allowed for multiple sources of income combined with a conservative strategic direction and prudent risk management helped minimize the impact of the economic and political volatility which was witnessed in the Middle East and North Africa.

According to Arab Bank Group's financial statements for the year ended in 30 / 12 / 2011, Arab Bank Group's net pretax and after provisions income amounted to $467.8 million during the year 2011, while operational revenues amounted to $1,625.3 million compared with $1,638.5 million for the year ended 31 December 2010.

Net interest income amounted to $956.7 million and forming 59% of total income, whilst commission income have increased by $16.9 million to reach $303.4 million for the year ended 31/12/2011 as compared to $286.5 million at the end of 2010 and forming 19% of total income. Income from associated companies has increased by $27 million to reach $265.8 million as compared to $239.2 million for the year ended 31/12/2010, provision for doubtful loans amounted to $434.9 million as compared to $473.4 million at the end of 2010.

On the other hand, total assets reached $45.6 billion, compared with $45.3 billion at the end of 2010, meanwhile, customer deposits accounted for 70% of the Bank's total sources of funds to reach $31.7 billion, compared with $30.6 billion at the end of 2010. In addition, total banks deposits amounted to $5.1 billion compared with $5.7 billion at the end of 2010. Credit facilities decreased by $392 million to reach $20.9 billion compared with $21.3 billion at the end of 2010 and forming 46% of total assets, whilst investment portfolio amounted to $9 billion at the end of 2011 and forming 20% of total assets.

Shareholders' equity stood at $7.7 billion, whilst total capital adequacy ratio is at 15.1% exceeding the requirements of both Basel II of 8% and the Central Bank of Jordan of 12%. Further, liquidity ratio as represented by cash and quasi cash reached 46%, whilst loans to deposits ratio stood at 66%.

It should be noted here that the Bank's policies toward risk management, diverse credit facilities distribution and effective budget management maintained its excellent credit ratings in 2011 as opposed to many other global banks, despite

the negative repercussions of the global financial crisis. The credit rating agency, Fitch, in August 2011 reaffirmed the (A-) long term rating and stable outlook. The Bank received a rating (BBB+) stable outlook by the credit rating agency, Standard & Poor's. The Bank also received a rating (Baa1) from the credit rating agency, Moody's. These ratings take into account Arab Bank's reputation locally and globally, asset quality, durability of its capital base and comfortable liquidity levels.

On the project financing front, Corporate and Institutional Banking (CIB) played a leading role in providing trusted advisory, underwriting, funding and guaranteeing numerous noteworthy transactions in the MENA region. Examples include project financings for construction of an international airport in Oman, a toll road in the UAE and fertilizer plants in many Countries including Jordan and Egypt. Arab Bank also issued guarantees in relation to sizeable cash advances in connection with two large power projects in Saudi Arabia. Moreover, we have restructured the debt of HIKMA Pharmaceuticals Plc, to be placed outside the region in order to satisfy its flourishing international growth.

Arab Bank signed with the International Finance Cooperation (IFC) and other financiers of the Jordanian Indian Fertilizers Corporation (JIFCO) to act as Onshore and Offshore Security Agent in addition to the Onshore and Offshore Account Bank roles. Arab Bank was also awarded the tender for providing banking and financial services to the Millennium Challenge Account (MCA) whose mission is to channel funds donated to the Hashemite Kingdom of Jordan under the Compact Agreement signed between the Millennium Challenge Corporation (MCC)- United States of America- and the Ministry of Water and Irrigation. The donated funds will be used to upgrade water distribution and waste water collection networks in Zarqa and Amman Cities. USD 95 Million of the MCC donation will partially finance the expansion of Samra Waste Water Treatment Plant which in turn Arab Bank was mandated to arrange the required debt financing of JOD 105 Million for this important project.

Arab Bank shall continue to pursue potential business opportunities in project finance in the MENA Region in 2012, with particular emphasis on green energy and infrastructure projects.

In attaining our goals for 2011, Arab Bank focused on quality business that pays off over the long run. Our global CIB strategy to best provide our clients within MENA region with efficient banking services remains unaltered despite turbulence in markets and political unrests. CIB strictly focuses on products and relationships that bode well for the long term health of our credit portfolio, fits well

within the overall strategy of the Bank and provides an acceptable return to our shareholders.

Consumer Banking launched a range of products and campaigns during 2011 to satisfy the needs of customers and to meet their expectations. MasterCard Titanium credit cards were introduced in Jordan which provide cardholders with a host of benefits and features. Also in 2011, the Golden Mortgage program was offered to our most valued customers. A card usage promotional campaign offering grand prizes to enhance credit and debit card usage was also successfully completed during the year. The Bank also enhanced its Arab Bank-Royal Jordanian credit card offering, through a mile rewards incentive in line with the new frequent traveler program. The Arabi Rewards program was launched for Gold, Black and Platinum Credit Cards. A "Refer a Friend" campaign was also launched to build up our customer base. It is also noteworthy that our younger customer base has witnessed significant growth since the revamp of the Shabab proposition in Jordan.

Three major propositions have been introduced in Palestine catered specifically to our customers in that market. Firstly, Elite banking service, a highly personalized proposition which is tailored to serve our high-net-worth customers through preferential pricing at a local and regional levels. Secondly, the Shabab saving account which offers the youth demographic a combination of banking and non-banking features in addition to periodic draws and discounts relevant to their life-style was introduced. Finally, the Jeel Al-Arabi saving account was also launched, which is designed for children and helps their parents save for their future. The account also instills a sense of saving and financial awareness at an early age.

As for the Gulf market, we continued to focus on Jordanian, Lebanese, Palestinian and Egyptian nationals residing and working in the United Arab Emirates, Qatar and Bahrain through the "Bankee Maee" banking package which was designed to facilitate banking transactions with their respective countries.

To ensure customers receive the highest levels of service and convenience through our banking channels, the Bank continued to develop its electronic services and introduced one time passwords for added security, eStatement, social security payments and online credit card funds transfer and bill payment. Arab Bank also launched the new internet banking service in Algeria, Bahrain, Qatar, Yemen and Lebanon during 2011. This service has been launched in Jordan, Palestine, Egypt and UAE part of completing the roll-out to all countries.

To promote the usage of electronic banking channels, promotional campaigns were introduced in Jordan, Palestine and Egypt that include winning the utility bill's amount back when paying it and different prizes for settling credit card balances on Arabi Online.

It is also worth mentioning that Arabi Online, Arab Bank's internet banking service was named in 2011, for the third consecutive year, as "Best Consumer Internet Bank in Jordan" by Global Finance magazine.

As part of the Bank's continuous commitment toward environmental sustainability and efforts to reduce natural resources and paper consumption, Arab Bank launched the eStatement service, which allows customers to obtain their account and credit card statements electronically, rather than traditional paper statements in Jordan, Palestine and Egypt.

On the other hand, during 2011 Arab Bank finalized its Branding, Corporate Communication and Marketing strategy, which includes the development of frameworks for the Bank's activities to ensure the necessary support for the Bank's brand and its products and services across the different markets. The Bank also introduced the slogan (Success is a journey) to accompany the Bank's logo through a regional television advertising campaign focused on the Bank's established values which distinguish it as a leading bank in the region.

The Bank has also issued its first Sustainability report in 2011, covering its sustainability initiatives during 2010. The report was published according to the Global Reporting Initiative (GRI) principles at a level (B), making it the first bank in Jordan to issue such a specialized report. The report covers the performance of the Bank's social, environmental and economic contributions toward the community.

2011 witnessed Arab Bank receiving a number of different international awards and recognitions from a variety of international and regional bodies. The Bank received the award for Best Trade Finance Provider in the Middle East, Best Bank in Jordan and Yemen, Best Investment Bank, Best Foreign Exchange Provider and Best Consumer Internet Bank in Jordan from Global Finance magazine.

The Bank also received Best Bank in Jordan for the fourth year in a row from Euromoney magazine. Arab Bank was also named Bank of the Year in the region by Arabian Business magazine.

FINANCIAL IMPACT OF NON-RECURRING OPERATIONS

Except as stated in Note (2) in the consolidated financial statements for Arab Bank Group concerning the deconsolidated financial statements of Wahda Bank, in 2011, there has been no non-recurrening operations that had a material effect on the Bank's financial position.

Time Series Data for Major Financial Indicators (2007 – 2011)

Value in JOD Millions for the Bank & in USD Millions for the Group					
	2011	**2010**	**2009**	**2008**	**2007**
Arab Bank Plc : Net Profit After Tax	263.0	145.1	250.0	360.2	334.7
Arab Bank Group :Net Profit After Tax	305.9	270.8	575.5	839.8	774.9
Arab Bank Plc :Shareholders' Equity	3 813.5	3 786.6	3 801.2	3 580.0	3 548.0
Arab Bank Group :Owners' Equity	7 656.7	7 809.1	8 096.8	7 508.4	6 857.3

Distributed Dividends

Total Dividends (JOD in millions)	133.5	106.8	106.8	133.5	106.8
Dividends (%)	25%	20%	20%	25%	30%
Number of Issued Shares (in thousands)	534 000	534 000	534 000	534 000	356 000
Share Price on Last Working Day (JOD)	7.85	9.98	12.15	15.2	29.3

The share closing price on April 28, 2008 was 26.8 JOD and the share opening price on the following day April 29, 2008 was 17.87 JOD due to the formula applicable when the listed company increases its capital on the Amman Stock Exchange/ Securities Exchange Commission in light of the Bank distributing half a share for every share for free.

This section of the Board of Directors report highlights relevant financial data which is included in the financial statements of Arab Bank plc and Arab Bank Group for the year 2011. The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations issued by the Committee of the IFRS Board and the prevailing rules of the countries where the Group operates and the Central Bank of Jordan requirements. The accompanying notes are an integral part of the financial statements.

The financial statements of Arab Bank Group consolidate the statements of Arab Bank plc, its sister company, Arab Bank (Switzerland), and the following subsidiaries:

	Percentage of ownership as of 31 December 2011
Arab Bank Australia Limited	100.00%
Europe Arab Bank plc	100.00%
Islamic International Arab Bank plc	100.00%
Arab National Leasing Company	100.00%
Al-Arabi Investment Group Limited	100.00%
Arab Sudanese Bank Limited	100.00%
Arab Investment Bank S.A.L.	100.00%
Al-Arabi Group for Investment Co.	100.00%
Arab Tunisian Bank	64.24%
Al Nisr Al Arabi Insurance Company	50.00%
Arab Bank – Syria	51.29%

Subsidiaries are the companies under the effective control of Arab Bank plc. Control becomes effective when the Bank has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities. Transactions are eliminated between Arab Bank plc, the subsidiaries, and its sister company Arab Bank (Switzerland) upon the consolidation of the financial statements.

Arab Bank Group

Statement of Income

Arab Bank Group's net income for the year ended 31 December 2011 amounts to USD 305.9 million compared to USD 270.8 million in 2010. Total revenues of the Group stood at USD 1 625.3 million compared to USD 1 638.5 million in 2010, recording a drop of 0.8%. Expenses were well managed with employees and other operating expenses recording a drop. Net provision for doubtful debts amounts to USD 434.9 million represents the provisions booked during the year against 'watch-list' and 'non-performing' loans.

The following schedule compares the principal components of the Group's income statement:

In USD (thousands)	2011	2010	Variance	%
Revenue				
Net interest income	956 717	933 313	23 404	3%
Net commission income	303 422	286 558	16 864	6%
Other	365 147	418 583	(53 436)	(13%)
Total Income	**1 625 286**	**1 638 454**	**(13 168)**	**(1%)**
Expenses				
Employees expenses	393 566	376 086	17 480	5%
Other expenses	325 723	342 502	(16 779)	(5%)
Provision for impairment - direct credit facilities at amortized cost	434 941	473 391	(38 450)	(8%)
Provision for impairment - other financial assets at amortized cost	3 231	(1 298)	4 529	349%
Total expenses	**1 157 461**	**1 190 681**	**(33 220)**	**(3%)**
Profit for the year before tax	**467 825**	**447 773**	**20 052**	**5%**
Income tax	161 881	177 015	(15 134)	(9%)
Profit for the year	**305 944**	**270 758**	**35 186**	**13%**

Arab Bank Group's comprehensive income for the year ended 31 December 2011 amounts to USD 132.5 million compared to USD 298.7 million in 2010. The following schedule shows the principal components of the Group's comprehensive income statement:

In USD (thousands)	2011	2010
Profit for the year	**305 944**	**270 758**
Add:		
Net exchange differences arising on the translation of foreign operations	(83 191)	8 076
Net change in fair value of financial assets at fair value through other comprehensive income	(90 208)	-
Net change in fair value of available-for-sale financial assets	-	19 831
Total comprehensive income for the year	**132 545**	**298 665**

Financial Position

Arab Bank Group assets reached USD 45.6 billion as at 31 December 2011. Customer deposits have over the year increased by over USD 1 082 million to reach almost USD 31.7 billion. Investment portfolio has reached USD 9 billion. Credit facilities amount to USD 20.9 billion forming 46% of total assets while owners' equity reached USD 7.7 billion.

The following schedule compares the principal components of the Group's financial position:

In USD (thousands)	2011	2010	Variance	%
Assets				
Cash and due from banks	12 048 353	12 445 254	(396 901)	(3%)
Investment portfolio	9 129 494	7 914 782	1 214 712	15%
Direct credit facilities at amortized cost	20 954 633	21 346 936	(392 303)	(2%)
Other	3 480 731	3 555 561	(74 830)	(2%)
Total Assets	**45 613 211**	**45 262 533**	**350 678**	**1%**
Liabilities				
Due to banks	5 133 722	5 767 283	(633 561)	(11%)
Due to customers	31 720 001	30 637 141	1 082 860	4%
Other	1 102 740	1 049 057	53 683	5%
Owners' equity	7 656 748	7 809 052	(152 304)	(2%)
Total liabilities and owners' equity	**45 613 211**	**45 262 533**	**350 678**	**1%**

Arab Bank plc

Statement of Income

Arab Bank plc's net income for the year ended 31 December 2011 amounts to JOD 263 million compared to JOD 145.1 million in 2010. Total revenues of the plc stood at JOD 792.2 million compared to JOD 797.5 million in 2010, recording a drop of 0.7%. Expenses were well managed with employees expenses and other expenses recording a drop. Net provision for doubtful debts amounts to JOD 83.3 million represents the provisions booked during the year against 'watch-list' and 'non-performing' loans.

The following schedule compares the principal components of the plc's income statement:

In JOD (thousands)	2011	2010	Variance	%
Revenue				
Net interest income	505 903	490 515	15 388	3%
Net commission income	153 941	141 438	12 503	9%
Other	132 359	165 502	(33 143)	(20%)
Total Income	**792 203**	**797 455**	**(5 252)**	**(1%)**
Expenses				
Employees expenses	183 484	165 029	18 455	11%
Other expenses	191 283	186 066	5 217	3%
Provision for impairment - direct credit facilities at amortized cost	83 352	224 769	(141 417)	(63%)
Provision for impairment - held to maturity financial assets	-	2 832	(2 832)	(100%)
Total expenses	**458 119**	**578 696**	**(120 577)**	**(21%)**
Profit for the year before tax	**334 084**	**218 759**	**115 325**	**53%**
Income tax	71 083	73 674	(2 591)	(4%)
Profit for the year	**263 001**	**145 085**	**117 916**	**81%**

Arab Bank plc's comprehensive income for the year ended 31 December 2011 amounts to JOD 153.1 million compared to JOD 111.6 million in 2010. The following schedule shows the principal components of the Bank's comprehensive income statement:

In JOD (thousands)	2011	2010
Profit for the year	**263 001**	**145 085**
Add:		
Net exchange differences arising on the translation of foreign operations	(37 073)	(46 643)
Net change in fair value of financial assets at fair value through other comprehensive income	(72 801)	-
Net change in fair value of available-for-sale financial assets	-	13 197
Total comprehensive income for the year	**153 127**	**111 639**

Financial Position

Arab Bank plc assets reached JOD 23.9 billion as at 31 December 2011. Customer deposits have over the year increased by over JOD 543 million to reach almost JOD 16.7 billion. Investment portfolio has reached JOD 4.6 billion. Credit facilities amount to JOD 10 billion forming 42% of total assets while shareholders' equity reached JOD 3.8 billion.

The following schedule compares the principal components of the plc's financial position:

In JOD (thousands)	2011	2010	Variance	%
Assets				
Cash and due from banks	7 741 917	7 641 915	100 002	1%
Investment portfolio	4 614 213	3 884 630	729 583	18%
Direct credit facilities at amortized cost	10 003 554	10 061 711	(58 157)	(1%)
Other	1 561 801	1 731 152	(169 351)	(10%)
Total Assets	**23 921 485**	**23 319 408**	**602 077**	**3%**
Liabilities				
Due to banks	2 870 365	2 891 784	(21 419)	(1%)
Due to customers	16 703 718	16 159 848	543 870	3%
Other	533 878	481 181	52 697	11%
Shareholders 'equity	3 813 524	3 786 595	26 929	0.7%
Total liabilities and shareholders' equity	**23 921 485**	**23 319 408**	**602 077**	**3%**

INCOME APPRORIATION

Arab Bank follows a well-established policy with regards to cash dividends, which aims at achieving the enhancement of its revenues and financial position, and the distribution of a reasonable dividend to the shareholders.

Arab Bank plc Dividend Distribution:

The Board of Directors' recommends the distribution of cash dividends of 25% of the shares' par value, or JOD 133.5 million for the year 2011 compared to 20% or JOD 106.8 million for the year 2010.

The following table shows the income appropriation for Arab Bank plc:

In JOD (thousands)	2011	2010
Income available for appropriation	263	145
Proposed appropriation:		
Statutory reserve	33.4	21.8
Voluntary reserve	-	-
General reserve	-	-
General banking risk reserve	-	-
Proposed cash dividends	133.5	106.8
Retained earnings	96.1	16.4
Total appropriation	**263**	**145**

Arab Bank (Switzerland) Limited Dividend Distribution:

The shareholders of Arab Bank Group receive annual dividends from Arab Bank plc as well as from Arab Bank (Switzerland). The Board of Directors of Arab Bank (Switzerland) decided to recommend to the General Assembly the distribution of 20% of the shares' par value to shareholders.

The following table shows the proposed income appropriation of the Arab Bank (Switzerland) Ltd:

In CHF (thousands)	2011	2010
Profit after tax	2 022	4 260
Retained earnings from previous year	751	869
Transfer from other reserves	2 567	211
Total appropriation	**5 340**	**5 340**

CAPITAL ADEQUACY

Arab Bank maintains capital adequacy ratios that exceed the required levels as per Basel Committee, which is 8%, and Central Bank of Jordan requirements of 12%.

The following table presents a summary of the capital adequacy calculations in accordance with Basel II regulations for 2011 and 2010:

Arab Bank Group

In USD (thousands)	2011	2010 (Represented)
Risk-weighted assets	31 412 688	31 823 249
Core capital	5 249 351	5 367 956
Supplementary capital	466 887	570 333
Regulatory capital	4 753 939	5 050 030
Core capital / risk-weighted assets	15.1%	15.5%
Regulatory capital / risk-weighted assets	15.1%	15.9%

Arab Bank plc

In JOD (thousands)		
Risk-weighted assets	15 107 029	14 910 467
Core capital	3 449 122	3 399 740
Supplementary capital	170 624	226 379
Regulatory capital	2 279 658	2 147 377
Core capital / risk-weighted assets	15.09%	14.40%
Regulatory capital / risk-weighted assets	15.09%	14.40%

Financial ratios related to Arab Bank Group:

	2011	2010
Owners' equity / Total assets	16.8%	17.3%
Loan / Deposit	66.1%	69.7%
Liquidity ratio (cash and quasi cash)	46.4%	45.7%
Cost / Income	71.2%	72.7%
Cost / Income (excluding provision for doubtful debts)	44.5%	43.8%
Core Capital	15.1%	15.5%
Regulatory Capital	15.1%	15.9%
Return on Equity	4.0%	3.5%
Return on Assets	0.7%	0.6%
Net interest and commission income/ total assets	2.8%	2.7%
EPS (USD)	0.55	0.47

Financial ratios related to Arab Bank plc:

	2011	2010
Shareholders' equity / Total assets	15.9%	16.2%
Loan / Deposit	59.9%	62.3%
Liquidity ratio (cash and quasi cash)	51.7%	49.4%
Cost / Income	57.8%	72.6%
Cost / Income (excluding provision for doubtful debts)	47.3%	44.4%
Core Capital	15.09%	14.40%
Regulatory Capital	15.09%	14.40%
Return on Equity	6.9%	3.8%
Return on Assets	1.1%	0.6%
Net interest and commission income/ total assets	2.8%	2.7%

Our plans for 2012 and beyond have been developed whilst taking into consideration the prevailing and expected market conditions locally and internationally. Though we expect the global economy to recover slowly, we expect to still be indirectly affected along with the world's markets at large.

We have been closely monitoring the evolving global and regional situation, regularly simulating their impact and taking the necessary measures to preserve our historical values and principles relating to:

- **Liquidity:**

  We strongly believe in maintaining an ample amount of liquidity to support our operations and protect our shareholders and customers in the regions in which we operate. This has always been and will continue to be one of the pillars on which Arab Bank is built.

- **Capital Adequacy:**

  We are committed to maintaining a high capital adequacy ratio that exceeds limits set by Basel II, the Central Bank of Jordan and other regulatory bodies in the countries where we operate at all times.

- **Risk Management:**

  We believe in taking calculated risk. We have not and will not enter into any business which we do not understand, cannot calculate and whose risks we cannot mitigate.

- **Excellence:**

  We have been and will continue to build upon and enhance our customers' satisfaction, our shareholders' return and operational efficiency.

Our corporate objectives for 2012 focus on further strengthening our financial position in terms of capitalization and liquidity, improving our customer service and business processes in addition to further strengthening our credit policies and enhancing our risk management platform.

Arab Bank will continue to take a cautious approach to protect shareholders' equity and to be able to face any instability globally and more specifically in the Middle East and North Africa. Corporate and Institutional Banking (CIB) in 2012 will continue targeting top-quality corporate customers. CIB will also focus on financing projects in infrastructure and economic sectors that show high rates of growth in addition to special attention to environmentally friendly and green projects.

CIB will also offer new products and services that will allow for large corporations across the Middle East and North Africa to have more efficient operations and at the same time save on extraneous costs. It is expected that these new products will enhance Arab Bank's reputation internationally as it will attract new customers to the Bank.

As part of the Bank's constant attention toward service excellence, CIB will develop a cash management system that will allow corporate customers to manage liquidity and cash payments according to their needs. Many products and specialized services will be provided to our corporate customers to help them increase their ability to efficiently manage deposits and cash payments on an electronic platform, with the launch of Arab Bank's Corporate@Arabi service. On the trade finance front, CIB will introduce several new dimensions in the field of international banking and trade finance, integrating the cash management system platform, to provide our customer base a range of services and solutions.

Moreover, in 2012, new systems will be launched for a range of CIB services that will allow for more efficient customer relationship management and simpler business operations. These new systems will enhance the overall productivity and allow better management of the relationship with customers from the perspectives of cost and revenue. The new system will also improve our service capabilities and profitability. During the coming year, this system will be applied to other countries since its launch in Jordan at the end of 2011.

As for the Bank's Consumer Banking division, the focus will be on the development of this sector by offering additional products and services to existing customers and to attract new customers within the strategy of the Bank. Arab Bank will also continue to meet customer needs and improve their level of satisfaction with our services at the heart of all development plans. The Bank will also implement a set of plans designed to ensure an efficient branch and ATM network in various markets at the same time developing our electronic banking services which

include Internet banking, ATM services and telephone call center. Consumer Banking division will also work on raising the level of service across all channels, adopting advanced systems to provide excellent service and highest levels of security and confidentiality of personal information.

In the year 2012 we will continue our efforts to provide a variety of products and services that meet the expectations of different customer segments in the various markets, which will help to achieve a higher market share and increase profitability.

Arab Bank will focus its efforts on the high-net worth consumers through the Elite program and will continue to work to provide more personal service at the regional level to them through a network of branches in various countries. The Bank also seeks to provide exceptional services to Arab expatriates to meet their needs in their country of residence as well as their home country.

As for Treasury services, 2012 will be a year to further develop our product and service offerings, and to continue to support and serve our customers, while preserving the quality and liquidity of Arab Bank's balance sheet, and ensuring that the Bank remains well positioned to continue to thrive in an uncertain economic environment.

In JOD Thousands	2011	2010
Fees for annual, semi annual and quarterly audits and reviews	1 144	1 056

Number of Arab Bank Shares Owned by Members of the Board:

	Name	Position
1.	Mr. "Mohammad Abdel Hamid" A. M. Shoman	Chairman
2.	Mr. Sabih Taher D. Al-Masri	Deputy Chairman
3.	Ministry of Finance and Economy, Saudi Arabia Represented by H.E. Mr. Saleh Saad Al-Muhanna	Member of the Board
4.	Mrs. Nazek Odeh Al Hariri	Member of the Board
5.	Social Security Corporation Represented by H.E. Mr. Ibrahim Youssouf Izziddin	Member of the Board
6.	Mr. Samir Farhan Kawar	Member of the Board
7.	Mr. Riad Burhan Taher Kamal	Member of the Board
8.	Mr. Mohammed Hariri	Member of the Board
9.	Abdul Hameed Shoman Foundation Represented by H. E. Mr. Khaled Anis Moh'd (Zand Irani)	Member of the Board
10.	Mr. Wahbe Abdallah Tamari	Member of the Board
11.	Ms. Dina "Moh'd Abdel Hamid" A. Shoman	Member of the Board

Nationality	Number of Shares		Holdings of Controlled Companies	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Jordanian	8163660	11663700	---	---
Jordanian	7017120	7017120	---	---
Saudi	24000000	24000000	---	---
Saudi	60120	60120	---	---
Jordanian	82768380	81645600	---	---
Jordanian	183300	183300	Middle East Insurance Co. 513975	Middle East Insurance Co. 513975
Jordanian	15000	15000	Al Gazal Foundation 2013150	Al Gazal Foundation 1833510
Lebanese / Canadian	68700	68700	---	---
Jordanian	13352415	13211400	---	---
Lebanese	15000	15000	---	---
Jordanian	524010	24000	---	---

Number of Arab Bank Shares Owned by Senior Executives :

	Name	Position
1.	Mr. Nemeh Elyas Sabbagh	Chief Executive Officer
2.	Ms. Randa El Sadek	Deputy Chief Executive Officer
3.	Dr. Mohammad Ghaith Ali Mohammad Mismar	Legal Counsel/ Secretary General of the Board of Directors
4.	Ms Dina "Moh'd Abdel Hamid" A. Shoman	EVP – Branding Group
5.	Mr. Marwan Nashat Ragheb Riyal	EVP – Head of Human Recourses
6.	Mr. Ghassan Hanna Suleiman Tarazi	EVP – Chief Financial Officer
7.	Mr. Mohamed Abdul Fattah Hamad Ghanameh	EVP – Head of Credit
8.	Mr. Samer Saadi Hassan Al Saheb Al Tamimi	EVP - Head of Corporate & Investment Banking
9.	Mr. Mohamad Musa Daowd Mohamad Issa	EVP - Head of Corporate & Investment Banking (JORDAN & PALESTINE)
10.	Mr. Naem Rasem Kamel Al Husseini	EVP- Head of Consumer Banking
11.	Mr. Michael Matossian	EVP – Group Regulatory Compliance
12.	Mr. George Fouad Georgy El Hage	EVP – Chief Risk Officer
13.	Mr. Fady Zouein	EVP - Head of Internal Audit
14.	Mr. Antonio Mancuso Marcello	EVP - Head of Treasury
15.	Mrs. Eman Jamal Omar Al-Sahhar	Head of Secretariat Department

Nationality	Number of Shares		Holdings of Controlled Companies	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Lebanese	2850	2850	------	-------
British	------	------	-------	-------
Jordanian	------	------	-------	-------
Jordanian	524010	24000	-------	-------
Jordanian	195	195	-------	-------
Jordanian	10020	5010	-------	-------
Jordanian	------	------	-------	-------
Jordanian	8715	4455	-------	-------
Jordanian	7005	7005	-------	-------
Saudi	-------	-------	-------	-------
American	1200	1200	-------	-------
Canadian	------	------	-------	-------
Lebanese	------	------	-------	-------
British	------	------	-------	-------
Jordanian	5250	5250	-------	-------

Number of Arab Bank Shares Owned by the Relatives of the Board Members :

	Name	Relationship	Nationality
1.	Mr. "Mohammad Abdel Hamid" A. M. Shoman Chairman		
	Mrs. Suzan Taj Eddin Nour Eddin Arafat	Spouse	Jordanian
		Minors	- - -
2.	Mr. Sabih Taher Al-Masri Deputy Chairman		
	Mrs. Najwa Mohamad Abdul Rahman Madi	Spouse	Jordanian
		Minors	- - -
3.	Ministry of Finance and Economy, Saudi Arabia Member of the Board Represented by H.E. Mr. Saleh Saad Al-Muhanna		
		Spouse	- - -
		Minors	- - -
4.	Mrs. Nazek Asaad Oudeh Al Hariri Member of the Board		
		- - -	- - -
		Minors	- - -
5.	Social Security Corporation Member of the Board Represented by H.E. Mr. Ibrahim Youssouf Izziddin		
		Spouse	- - -
		Minors	- - -

	Number of Shares		Holdings of Controlled Companies	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	24000	24000	- - -	- - -
	- - -	- - -	- - -	- - -
				- - - - - -
	3172800	3172800	- - -	- - -
	- - -	- - -	- - -	- - -
	- - -	- - -	- - -	- - -
	- - -	- - -	- - -	- - -
	- - -	- - -	- - -	- - -
	- - -	- - -	- - -	- - -
	- - -	- - -	- - -	- - -
	- - -	- - -	- - -	- - -

	Name	Relationship	Nationality
6.	Mr. Samir Farhan Kawar Member of the Board		
	Mrs. Randa Elias Issa Moa'sher	Spouse	Jordanian
		Minors	- - -
7.	Mr. Riad Burhan Taher Kamal Member of the Board		
		Spouse	- - -
		Minors	- - -
8.	Mr. Mohammed Hariri Member of the Board		
		Spouse	- - -
		Minors	- - -
9.	Abdul Hameed Shoman Foundation Member of the Board		
	Represented by H.E. Mr. Khaled Anis Moh'd (Zand Irani)	Spouse	- - -
		Minors	- - -
10.	Mr. Wahbe Abdullah Tamari Member of the Board		
		Spouse	- - -
		Minors	- - -
11.	Ms. Dina "Moh'd Abdel Hamid" A. Shoman Member of the Board		
		- - -	- - -
		- - -	- - -

	Number of Shares		Holding of Controlled Companies	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	105000	105000	---	---
	---	---	---	---
	---	---	---	---
	---	---	---	---
	---	---	---	---
	---	---	---	---
	---	---	---	---
	---	---	---	---
	---	---	---	---
	---	---	---	---
	---	---	---	---
	---	---	---	---

Number Of Arab Bank Shares Owned by the Relatives of Senior Executives:

	Name	Relationship	Nationality
1.	Mr. Nemeh Elyas Sabbagh		
		Spouse	Lebanese
		Moinors	------
2.	Ms. Randa El Sadek		
		------	-------
		------	------
3.	Dr. Mohammad Ghaith Ali Mohammad Mismar		
		Spouse	Jordanian
		Minors	------
4.	Ms. Dina "Moh'd Abdel Hamid" A. Shoman		
		------	-------
		------	------
5.	Mr. Ghassan Hanna Suleiman Tarazi		
	Mrs. Nawal Wafa Najib Tarazi	Spouse	Jordanian
		Minors	------
6.	Mr. Marwan Nashat Ragheb Riyal		
		Spouse	Jordanian
		Minors	------
7.	Mr. Mohamed Abdul Fattah Hamad Ghanameh		
		Spouse	Jordanian
		Minors	------

	Number of Shares		Holdings of Controlled Companies	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	------	-------	------	-------
	------	------	------	------
	------	-------	------	-------
	------	------	------	------
	------	-------	------	-------
	------	------	------	------
	------	-------	------	-------
	------	------	------	------
	1005	1005	------	-------
	------	------	------	------
	------	-------	------	-------
	------	------	------	------
	------	-------	------	-------
	------	------	------	------

	Name	Relationship	Nationality
8	Mr. Samer Saadi Hassan Al Saheb Al Tamimi		
		Spouse	Jordanian
		Minors	------
9	Mr. Mohamad Musa Daowd Mohamad Issa		
		Spouse	Jordanian
		Minors	------
10	Mr. Naem Rasem Kamel Al Husseini		
		Spouse	Saudi
		Minors	------
11	Mr. Michael Matossian		
		Spouse	American
		Minors	------
12.	Mr. George Fouad Georgy El Hage		
		Spouse	Canadian
		Minors	------
13.	Mr. Fady Zouein		
		Spouse	Lebanese
		Minors	------
14.	Mr. Antonio Mancuso Marcello		
		Spouse	British
		Minors	------
15.	Mrs. Eman Jamal Omar Al-Sahhar		
	Mr. Jamal Abdel Naser Mohamad Tawfiq Alhaj Ahmad	Spouse	Jordanian
		Minors	------

	Number of Shares		Holdings of Controlled Companies	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	--------	--------	--------	--------
	2400	2400	--------	--------
	--------	--------	--------	--------

Board Compensation and Benefits in 2011:

	Name	Position
1.	Mr. Abdel Hamid A. M. Shoman	Chairman
2.	Mr. Sabih Taher Darwish Al-Masri	Deputy Chairman
3.	Ministry of Finance, Saudi Arabia Represented by Mr. Saleh Saad A. Al-Muhanna	Member
4.	Mrs. Nazik Odah Al-Hariri	Member
5.	Social Security Corporation Represented by Mr. Ibrahim Youssouf Ibrahim Izziddin	Member
6.	Mr. Samir Farhan Khalil Kawar	Member
7.	Mr. Riad Burhan Taher Kamal	Member
8.	Mr. Mohammed Ahmad Mokhtar Hariri	Member
9.	Mr. Wahbe Abdallah Wahbe Tamari	Member
10.	Abdul Hameed Shoman Foundation Represented by H. E. Mr. Khaled Anis Moh'd (Zand Irani).	Member
11.	Ms. Dina "Moh'd Abdel Hamid" A. Shoman	Member

(In JOD)

Annual Salary	Annual Transportation Allowance	Board Remuneration	Total
480 000	19 000	5 000	504 000
----	19 000	5 000	24 000
----	19 000	5 000	24 000
----	19 000	5 000	24 000
----	19 000	5 000	24 000
----	19 000	5 000	24 000
----	19 000	5 000	24 000
----	19 000	5 000	24 000
----	19 000	5 000	24 000
----	19 000	5 000	24 000
----	19 000	5 000	24 000

Executive Management Compensation and Benefits in 2011:

	Name	Position
1.	Mr. Nemeh Elias Sabbagh	Chief Executive Officer
2.	Ms. Randa Muhammad Sadik	Deputy Chief Executive Officer
3.	Dr. "Mohammad Ghaith" Ali Mohammad Mismar	General Counsel
4.	Ms. Dina "Moh'd Abdel Hamid" A. Shoman	EVP - Branding Group
5.	Mr. Marwan Nasha'at R. Riyal	EVP - Head of Human Resources Division
6.	Mr. Mohamed A. Hamad Ghanameh	EVP - Head of Credit
7.	Mr. Samer S. Tamimi	EVP - Head of Corporate & Investment Banking
8.	Mr. Mohammad Musa Dawood «Moh'd Issa»	EVP - Head of Corporate & Investment Banking (Jordan & Palestine)
9.	Mr. George Fouad El-Hage	EVP - Chief Risk Officer
10.	Mr. Michael Matossian	EVP - Head of Group Regulatory Compliance
11.	Mr. Naim Rassem Kamel Al-Hussaini (Date of Appointment 20/11/2011)	EVP - Head of Consumer Banking
12.	Mr. Fadi J. Zouein	EVP - Head of Internal Audit
13.	Mr. Antonio Mancuso-Marcello ("Tony Marcello")	EVP - Head of Treasury
14.	Mrs. Eman Al-Sahhar	VP - Head of Secretariat

*** Records at Finance Accountancy and Mohasabeh - Geneva showed the following :**

	Name	Position
1	Mr. Ghassan Hanna Suleiman Tarazi	EVP - Chief Financial Officer

(In JOD)

Annual Salary	Annual transportation allowance	Travel expenses (not include accommodation and tickets)	Total
432 000	---	---	432 000
400 000	---	---	400 000
165 400	---	---	165 400
179 640	---	---	179 640
189 824	---	---	189 824
203 976	---	---	203 976
252 130	---	---	252 130
228 047	---	---	228 047
104 320	---	---	104 320
306 520	---	---	306 520
27 356	---	---	27 356
207 232	---	---	207 232
394 644	---	---	394 644
79 406	---	---	79 406

(In CHF)

Annual Salary	Annual transportation allowance	Travel expenses (not include accommodation and tickets)	Total
312 000	---	---	312 000

Project / Entity	JOD
Abdul Hameed Shoman Foundation	8 134 057
The King Abdullah II Fund for Development	177 250
Jordan River Foundation	148 000
Teaching employee children in Jordanian universities	61 897
The Jordanian Hashemite Fund for Human Development	50 000
Al Aman Fund For The Future of The Orphans	50 000
Injaz implementation program	48 500
Scientific institutions and research councils	30 000
Tkiyet Um Ali	27 500
King Hussein Cancer Foundation	25 000
Donation through the Together Program	8 587
Greater Amman Municipality – (school bags 2000)	6 000
The Royal Airforce Ladies Club	5 000
Red Cross Japan - Japanese Embassy	3 545
King Hussein Cancer Foundation - Greating Cards	2 500
National Security – parcels donation	2 500
Zarka Yamama Secondary School for girls	200
Total	**8 780 536**

Excluding transactions carried out within the context of the Bank's regular business, the Bank did not enter in any form of contracts, projects or commitments with any of its subsidiaries, sister companies or affiliates. The Bank has neither entered in any form of contracts with its Chairman, any of its Directors, the Chief Executive Officer, any of its staff or their relatives.

	In JOD (thousands)			
	31 December 2011			
	Dues from related parties	Direct Credit Facilities	Deposits from related parties	Guarantees, acceptances, letters of credit and unused credit facilities
Subsidiaries & Sister Company	1 769 505	138 554	743 457	202 314
Affiliates	101 013	-	91 266	2 163
Major shareholders and members of the Board of Directors	-	264 739	294 678	57 211
Total	**1 870 518**	**403 293**	**1 129 401**	**261 688**

	In JOD (thousands)			
	31 December 2010			
	Dues from related parties	Direct Credit Facilities	Deposits from related parties	Guarantees, acceptances, letters of credit and unused credit facilities
Subsidiaries & Sister Company	1 534 962	230 765	939 578	140 827
Affiliates	28 736	-	25 341	33 664
Major shareholders and members of the Board of Directors	-	351 645	241 532	107 528
Total	**1 563 698**	**582 410**	**1 206 451**	**282 019**

In JOD (thousands)

	2011	
	Interest Income	Interest expense
Subsidiaries & Sister Company	16 664	14 860
Affiliates	218	47
Total	**16 882**	**14 907**

In JOD (thousands)

	2010	
	Interest Income	Interest expense
Subsidiaries & Sister Company	15 687	15 592
Affiliates	198	248
Total	**15 885**	**15 840**

Interest on facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.

Arab Bank believes that a clean and sustainable environment is essential for the welfare of future generations including employees, their families and society as a whole. Based on this conviction, the Bank participates actively in initiatives and activities aimed at protecting the environment, both internally and externally.

In regards to the internal environment, the Bank has worked in recent years to reduce the direct negative effects on the environment through a number of initiatives aimed to rationalize water, electricity, and fuel consumption, thus protecting natural resources and improving internal operating processes. During 2011, electricity consumption was reduced by approximately 3% (340,410 kilowatts (kWh)). The Bank is looking into the feasibility of applying a number of global environmental standards, which will contribute to further reductions in energy and water consumption. Currently the Bank is working to develop its first integrated sustainability strategy, which has environmental protection as one of the main pillars. This strategy will ultimately contribute to reductions in energy and water consumption over the years.

As part of the Bank's continuous commitment toward environmental sustainability and efforts to reduce natural resource and paper consumption, Arab Bank launched the eStatement service, which allows customers to receive their account and credit card statements electronically, rather than traditional paper statements in Jordan, Palestine and Egypt.

With regards to the external environment, Arab Bank considers certain criteria when participating in projects and new investment opportunities that take into account reducing environmental impact of these projects on natural resources. To promote financial responsibility, the Bank integrated environmental and social criteria in the management of credit relationships with corporate clients with plans to reflect these standards in its lending policy.

Arab Bank follows the basic standards of the Equator Principles for project financing, which are a set of accredited lending criteria adopted by leading international banks. Arab Bank will adopt these standards formally, which will include a credit and loan documentation process to review environmental impact reports from customers based on their commitments to legal permits and licenses.

In terms of environment-related businesses, the Bank provided corporate relationship management services to the first photovoltaic (PV) solar panels producer in Jordan and the Arab region, Philadelphia Solar, which produces PV modules that generate electric power through direct conversion of solar radiation. This relationship reflects Arab Bank's vision of Jordan as a host country for private investment in clean energy industries.

In addition, Arab Bank is currently arranging to finance the Samra Waste Water Treatment Plant Expansion Project that entails expanding capacity by 100,000 cubic meters per day of treated water to the current project, estimated at 267,000 cubic meters. This expansion will increase the amount of treated water available for irrigation to reduce dependence on fresh water. In addition, the completion of this project will lead to reduced odor emitted from wastewater and will generate its own electricity without relying on the national power grid.

Moreover, Arab Bank is involved as an account bank and lead arranger in the financing of the first and second independent power generation plants in Jordan. The projects were a partnership between the private and public sectors and structured on a Build Own and Operate (BOO) basis. Each plant uses two natural gas fired turbines and a third combined cycle–steam turbine, which is considered a source of 'green' fuel that reduces emissions.

Supporting renewable energy projects in Jordan is in line with the objectives of the Bank's strategy, accordingly the Project Finance team at the Bank pursues opportunities closely through meetings with companies involved in solar and wind electricity generation projects that bid through the Department of Energy and Mineral Resources. It is worth mentioning that the national plan aims to achieve 10% of the Kingdom's electricity needs by the year 2020 through renewable energy. The plan aims to accomplish this through cooperation between the private sector and the Ministry of Energy and Mineral Resources. Arab Bank is keen on financing future renewable energy projects in Jordan such as the Al-Fujeij wind farm and Al-Kamsha solar energy plant, which in turn will add approximately 220 megawatts to the national grid.

As for supporting environmental initiatives and activities, Arab Bank has supported a number of initiatives implemented by the Royal Society for the Conservation of Nature, through direct financial contribution in addition to employee volunteering. The Bank was involved in the "Nature Station" traveling exhibition which aims to familiarize school students and the general community on environmental threats and preservation efforts of biodiversity in Jordan. This was done through the participation of 18 employees who received training on the subject matter in order to educate the community. In addition the Bank has supported Clean up the World campaign, which was held in the protected forest of Dibeen where 34 employees volunteered with their friends and family. Arab Bank also sponsored World Wetlands Day, which was held at the Azraq Wetland Reserve with the participation of 20 employees.

Arab Bank also supported the Shaumari Safari project, which aims to establish a safari in the Shaumari land in order to increase awareness of the diverse animals and plants living there. The implementation of the project will begin in early 2012.

In order to meet the needs of the RSCN and increase its capabilities, the Bank has sponsored an RSCN employee to attend the "Writing Winning Proposals" by Sustainability and Survival Solutions. RSCN has received approximately 82 hours of training including social marketing and fundraising skills, which reflected positively on their plans and to build their capacities.

The RSCN has also received donations from the Bank's channels through individual customers. These channels allow customers to donate directly to the non-profit orginizations participating in the Together program.

Furthermore, Arab Bank employees participated in many environmental protection activities and initiatives, such as a recycling event at the Azraq Wetland Reserve which witnessed the participation of 28 volunteers. In addition to supporting the Jordanian Association of Inbound Tour Operator's initiative to install recycling bins in Jerash; 16 volunteers participated in this initiative.

It is also important to mention that the Abdul Hameed Shoman Foundation plays an important role in the field of environmental awareness by hosting a number of distinguished thinkers and lecturers to discuss important environmental issues. In 2011, as part of this forum, the Foundation oversaw the establishment of seven lectures centered on the issues of renewable energy, environmental resources and food security in the Kingdom. The foundation will continue to support such lectures as part of its belief in the importance of spreading environmental awareness and education.

Sustainability at Arab Bank

Sustainability is not a new concept to Arab Bank. Since its establishment in 1930, the Bank began working within the framework of effective community development and economic growth. At the beginning of our journey toward sustainability, the Bank's initiatives were based mainly on financial support and donations in line with the needs of the community. Stemming from that, special attention was given to develop a strategic social and environmental responsibility approach through the implementation of initiatives based on the Bank's vision, values and aspirations to address key community priorities.

To strengthen its strategic approach, the Bank has identified five key areas to support, including health, poverty alleviation, environmental protection, education and orphan support. The Bank is currently working according to a clear plan for sustainability, which seeks to translate the values of the bank to sustainable programs and initiatives in order to meet the needs of a wide range of stakeholders. These stakeholders are comprised of shareholders, customers, employees, government entities, communities, business partners, suppliers and non-profit institutions. In line with this plan, the Bank issued its first sustainability report in 2011, covering its activities during 2010. The report was published according to the "Global Reporting Initiative" (GRI) principles, making it the first bank in Jordan to issue such a report. The report aims to promote transparency and open communication channels with stakeholders and the Bank will continue to issue this report on an annual basis.

The adoption of such a strategic approach contributes to the sustainability of our business by improving economic performance and contributing to the development and progress of society and the environment.

Corporate Social Responsibility Program: Together

Together, launched in 2009, is a large-scale program that focuses on a range of areas that are critical to the community: health, poverty alleviation, environ mental protection, education and orphan support. It brings under its umbrella reputed non-profit organizations within each focus area, to work jointly towards a common goal to achieve sustainable development. These include: King Hussein Cancer Foundation (KHCF),Tkiyet Um Ali, the Royal Society for the Conservation of Nature (RSCN), Madrasati and Al Aman Fund.

Arab Bank's role in the success of this program was through providing sponsorships and financial donations (from the Bank as financial contributions and

from customers through enabling the Bank's channels to facilitate these donations), and establishing a volunteering program and building up the NGOs' capacities through training and development. In 2011, 313 employees volunteered through 30 activities (745 participations).

The below are highlights of the contributions in the fields of health, poverty alleviation, environmental protection, education and orphan support:

1. Health

In cooperation with the King Hussein Cancer Foundation (KHCF), 34 Arab Bank employees participated in a campaign to raise funds for cancer patients who are unable to afford their treatment. Two teams were created to collect donations for the respective patients' treatment. Employees also participated for the second consecutive year in supporting efforts to fight breast cancer through cooperation with Jordan Breast Cancer Program. Ten employees volunteered to input data that was collected through a campaign to help determine the level of awareness in the Kingdom about the disease. It is also worth mentioning that 88 employees donated blood to benefit patients of the King Hussein Cancer Center.

In addition, the Bank recently made a financial donation to KHCF. The donation will go towards supporting the construction of a new state-of-the-art facility at the King Hussein Cancer Center (KHCC), which will have a capacity of 152 rooms. This donation is part of the Foundation's Naming and Recognition Program where a room is dedicated under the Bank's name in the original building for its contribution to the expansion of the new building.

Besides the financial contributions and volunteering, in order to meet the needs of the King Hussein Cancer Foundation and build their capacity, the Bank sponsored a KHCF employee to attend "Writing Winning Proposals" by Sustainability and Survival Solutions. The Foundation has received 82 hours of training on social marketing and fundraising skills, which reflected positively on their objectives and enriched their experience.

KHCF has also received donations from the Bank's channels through individual customers. These channels allow customers to donate directly to the non-profit organaizations participating in the Together program.

In addition to the above-mentioned cooperation with the King Hussein Cancer Foundation, Arab Bank places particular importance on health through the support of several sports and social activities. In 2011, the Bank has signed a sponsorship agreement for a period of four years with the Jordan Football Association to support the Jordan National Football and youth leagues. The Bank was also the gold sponsor for the Amman International Marathon in addition to encouraging the participation of a large number of employees in this national event. The Bank also sponsored the participation of staff in the Dead Sea ultra Marathon.

To encourage employees to monitor their health and be more active, 50 Arab Bank employees, families and friends participated in moderate physical activity as well as special consultations by healthcare professionals to conduct basic medical tests such as glucose, CO, blood pressure and body mass index (BMI) measurements.

2. Poverty Alleviation

As part of Arab Bank's commitment to support poverty pockets in the Kingdom, the Bank has allocated one million Jordanian Dinars for projects aimed at developing poverty-stricken areas aimed at decreasing unemployment and therefore raising the standard of living. This fund will be managed by the Abdul Hameed Shoman Foundation, as part of the restructuring of the institution's work during 2012. In this respect and in conjunction with the Jordan River Foundation, the bank has allocated an amount from the Fund to be used as revolving loans in order to create jobs and productive projects in the governorates of Maan and Zarqa. The total number of beneficiaries of these projects are 113 people (64 males and 49 females), including 50 beneficiaries from Ma'an and 63 beneficiaries from Zarqa.

The Bank has also supported the Greater Amman Municipality's school bag distribution initiative, where 19 employee volunteers handed out 2,000 school bags for the children of low income families attending public schools in Khraibt Elsouq Area in collaboration with the Ministry of Education.

The Bank also continued supporting Tkiyet Um Ali (TUA) through sponsoring 17 families in Ruweished to receive monthly food packages for one year. Further collaboration with TUA came in the form of sponsoring their Ramadan campaign which witnessed the distribution of 6,000 Iftar meals to families in poverty areas around Jordan. The Bank also involved employees in this activity. One hundred forty employees volunteered in this activity, packaging meals and visiting the families during Ramadan distributing those packages in Zarqa, Amman, Ma'an and Aqaba. It is worth mentioning that employees helped TUA

staff at their kitchens over four weeks in the preparation and packaging of 3,700 meals.

In addition, Arab Bank supported TUA's campaign, 'Warm Touch', which involve the distribution of 2,142 blankets in East Amman, Zarqa, Karak, Ma'an and Tafileh in early 2012 to more than 1,100 families.

Beside the financial contributions and volunteering, in order to meet the needs of TUA and build their capacity, the Bank sponsored a TUA employee to attend "Writing Winning Proposals" by Sustainability and Survival Solutions. TUA has received 82 hours of training on social marketing and fundraising skills, which reflected positively on their objectives and enriched their experience.

TUA has also received donations from the Bank's channels through individual customers. These channels allow customers to donate directly to the non-profit organizations participating in the Together program.

3. Environmental Protection

As for supporting environmental initiatives and activities, Arab Bank has participated in a number of initiatives implemented by the Royal Society for the Conservation of Nature (RSCN), through direct financial contribution in addition to volunteering. The Bank was involved in the Nature Station traveling exhibition which aims to familiarize school students and the general public on environmental threats and preservation efforts of biodiversity in Jordan. This was done through the participation of 18 employees who received training on the subject matter in order to educate the community.

In addition, the Bank has supported Clean up the World campaign, which was held in the protected forest of Dibeen where 34 employees volunteered with their friends and family. Arab Bank also sponsored the World Wetlands Day, which was held at the Azraq Wetland Reserve with the participation of 20 employees.

Arab Bank has also supported the Shaumari Safari project, which aims to establish a safari in the Shaumari area in order to increase awareness of the diverse animals and plants living in that area. The implementation of the project will begin in early 2012.

In order to meet the needs of the RSCN and increase its capabilities, the Bank has sponsored an RSCN employee to attend "Writing Winning Proposals" by Sustainability and Survival Solutions. RSCN has received approximately 82 hours of training including social marketing and fundraising skills, which reflected positively on their plans and to build their capacities.

The RSCN has also received donations from the Bank's channels through individual customers. These channels allow customers to donate directly to the non-profit organizations participating in the Together program.

Furthermore, Arab Bank employees participated in many environmental protection activities and initiatives, such as a recycling event at the Azraq Wetland Reserve which witnessed 28 volunteers. In addition to supporting the Jordanian Association of Inbound Tour Operators initiative to install recycling bins in Jerash; 16 volunteers participated in this initiative. Regarding environmental protection both internally and externally, it was detailed in "Environmental Protection" section.

4. Education

In order to achieve effective education support, the Bank is working with a number of leading organizations in this field such as Injaz. As part of this collaboration with Injaz, the Bank has adopted five schools in the area of Jabal Al Nuzha in order to provide a better educational environment for its students. Part of this initiative involved 48 employees teaching and educating over 4032 students through a number of programs. The programs aim to equip students with basic skills, decision-making and successful planning. The programs include:

- Career Month: This program aims to introduce students to the banking sector. During the month, students got a clearer idea about the working and banking culture in addition to the skills required to enter this field. The students received expert insight which will help them in decision-making about their future careers. The program has benefited 200 students who got a chance to explore this career option.
- How Do I Become a Leader: This is a program designed to help students and to assess their skills in decision-making and planning through an entrepreneurship project that will benefit the community. One of the teams that were mentored by the Bank received the gold medal out of all the projects submitted by universities in Jordan. The team also represented the Kingdom at the international competition in Oslo.
- Company Program: This program aims to encourage students' creativity and development through a leadership experience to create a company with an actual marketing plan to sell their products.
- Business Leaders: This program motivates and encourages students through the involvement of a number of entrepreneurs that share their success stories and personal experiences. The Bank participated with the Executive Vice President of Branding sharing with the students Arab Bank's success story.

To improve the infrastructure and educational environment of the schools adopted by Arab Bank, in collaboration with the Traffic Department, employees painted walkways, sidewalks and the wall of these schools in order to enhance traffic safety for students. Thirty volunteers participated in this activity, which has been directed by the Traffic Department. In addition, the Bank, for the second consecutive year, sponsored the Traffic Department's awareness campaigns to improve safety on the roads.

In addition to supporting the initiatives mentioned above, the Bank has implemented several other educational campaigns with the cooperation of the Abdul Hameed Shoman Foundation. One example is the 'Kitaby (My Book)' campaign which aims to involve employees to donate books in order to create a number of libraries at schools of the poverty pockets in the Kingdom. The first library was created in the Bushairi School in the city of Salt. Sixteen employees also participated in the summer programs at the school to develop students' skills, creativity and innovation through workshops in cooperation with Raneen. In addition, Arab Bank participated in the Nature Station exhibition across different schools in order to increase awareness of biodiversity and nature reserves in Jordan.

As for Al-Sewaniyeh School, which was adopted by the Bank under the Madrasati initiative; eight employees volunteered to do maintenance to the school's tables and boards with the participation of a number of students. Moreover, students were engaged through the summer school program in a unique workshop with the Zawayed initiative, with the participation of nine volunteers, through creating poster boards from recycled material, raising their environmental awareness on recycling and reusing material and unleashing their creativity.

In order to meet the needs of Madrasati and increase its capabilities, the Bank has sponsored a Madrasati employee to attend "Writing Winning Proposals" by Sustainability and Survival Solutions. Madrasati has received 82 hours of training on social marketing and fundraising skills, which reflected positively on their objectives and enriched their experience.

Madrasati also received donations from the Bank's channels through individual customers. These channels allow customers to donate directly to the non-profit organizations participating in the Together program

The Bank has also sponsored three Jordanian delegates to represent Jordan at the One Young World Summit that was held in Zurich recently with the participation of 1200 delegates from 170 countries to discuss issues facing the world today.

5. Orphan Support

In this aspect, Arab Bank in collaboration with Al Aman Fund for the Future of Orphans sponsored the vocational training of 50 youth orphans in poverty pockets across Jordan. This will help equip them with practical training to build up their skills and abilities before entering the job market. Another aim was to promote self reliance so that the orphans can be empowered to seek a steady source of income and become productive members in their societies.

Additionally, the Bank is continuing its support through sponsoring four orphans to complete their education at one of the universities in Jordan, providing them with the tools to be independent and pursue promising careers for a fruitful future.

Al Aman fund also received donations from the Bank's channels through individual customers. These channels allow customers to donate directly to the non-profit organizations participating in the Together program.

Other initiatives

In order to promote economic development and investment in Jordan, the Bank played a leading role in supporting the Euromoney Jordan conference, which brings together business leaders to discuss economic growth strategies in the Kingdom. Arab Bank was the Senior Lead Sponsor of the event and participated in several workshops and panels on topics such as the importance of corporate social responsibility, structured and project finance and investment opportunities.

Arab Bank was also the strategic partner during the World Economic Forum held in October of 2011. The Forum focused on job creation in the Middle East and brought together a number of international political, economic and cultural leaders to discuss issues facing the region. The Forum was attended by a delegation from the Bank that participated in the dialogue on the situation in the Middle East

As part of Arab Bank's belief in the potential of entrepreneurs, the Bank sponsored the Boot Camp initiative from Oasis 500. In order to extend further support to entrepreneurship, Arab Bank signed a private placement memorandum with Oasis 500 to invest 250,000 JD in Oasis Venture 1, which aims to facilitate investment in information and communications technology (ICT) and digital media entrepreneurial projects in Jordan.

In order to promote a culture of voluntary work, the Bank sponsored the "Sho El Qessa (What's the Story)" initiative which aims to give an opportunity for volunteers across the Arab world to share their stories in the field of voluntary work by writing or preparing audio or video files and publishing them through a Facebook application. The initiative awards two participants with an invitation to visit Jordan and take part in activities carried out by local social organizations. In addition, the Bank has supported the campaign "Sho El Fekra (What's the Idea)", which aims to raise awareness about voluntary work in Jordan by establishing a network to link the volunteer with non-profit organizations.

Abdul Hameed Shoman Foundation

The establishment of the Abdul Hameed Shoman Foundation in 1978 by Arab Bank represents its contribution toward social responsibility. The various activities of the Foundation and its achievements since its establishment reflect its commitment toward social responsibility in Jordan in particular, and in the Arab world in general.

Among the activities conducted by the Foundation in the field of scientific research is the continuous support to Arab intellectuals through several channels such as the Abdul Hameed Shoman Award for Young Arab Researchers. Three hundred forty people were granted this award since 1982 coming from 17 different Arab countries. The Foundation has celebrated granting the awards to the winners for the year 2010 on September 17, 2011.

Due to the importance of this award, the Chairman of the Board agreed to establish a new award for electronic applications that will be launched during 2012.

It is also worth mentioning that 79 science teachers from primary and secondary schools in Jordan received awards. Other awards were granted for children's literature – those who won this award since its establishment in 2006 reached 13 from eight Arab countries.

The Abdul Hameed Shoman fund for Supporting Scientific Research in Jordanian universities and scientific institutions approved the financial support – to date – of sixty research papers, out of which thirty have been completed.

As for the Harvest of the Century project, the third and last volume about the most important achievements in science and technology during the 20th century was issued before the end of 2011.

The Foundation continued with its policy to support universities in Jordan in the form of granting financial support to conferences and workshops held at the universities in the fields that correspond with the Foundation's objectives. The Foundation has singed an agreement with Balqa Applied University to establish a new computer lab in addition to the previous ones established at Mutah and Al-Albayt universities to improve the performance of teachers.

In addition to the previously singed agreements with cultural and scientific institutions in the Arab world, the Foundation signed in 2011 cooperation agreements with the Union of Arab Scientific Research, Jordan Scientific Research Association and the Queen Rania Award Association.

The Abdul Hameed Shoman Cultural Forum hosted in 2011 a number of distinguished intellectuals from Jordan and Arab countries who gave lectures on various topics ranging from cultural, social, economic, educational, medical, and financial subjects. In addition, lectures about water, youth, women, media and food security were held at the Forum.

Stemming from the Forum, the Foundation published several books containing the lectures that were presented. In the year 2011, the Foundation published six new books. Notably of which was "The Future and its Challenges", which includes lectures presented at the seminar held in cooperation with the Sultan Bin Ali Owais Foundation.

At the same time, the Foundation adopted a policy to support Jordanian writers by convening seminars during which they presented their accomplishments.

The Abdul Hameed Shoman Library remains an excellent reference for readers and researchers, housing many recent publications covering various topics. The library's management continued its periodic visits to the libraries established in various governates in Jordan to ensure their requirements are being met. At the same time, the Foundation continued to provide libraries established in a number of cities in Palestine with recent publications. The Foundation also continued participating in the mobile library in cooperation with the Haya Cultural Center and the Ministry of Culture, in addition to its support and participation in the "Family Book" project.

The Foundation also conducted during 2011 a number of training courses in the field of computerized library systems with participation from both Jordanian and Palestinian librarians.

On the other hand, the Foundation continued its cooperation with the Dubai Cultural Center and Juma' Al Majid Center to update the Arab Thesaurus which has been originally prepared with those partners. The objective of this collaboration is to issue a new and updated thesaurus.

Arab Bank Group

Arab Bank plc

ARAB BANK GROUP

USD '000	Note	December 31, 2011	2010 (Represented)
ASSETS			
Cash and balances with central banks	6	7 787 678	7 645 103
Balances with banks and financial institutions	7	4 084 882	4 574 302
Deposits with banks and financial institutions	8	175 793	225 849
Financial assets at fair value through profit or loss	9	952 545	-
Financial assets at fair value through profit or loss - held for trading	11	-	397 989
Financial assets at fair value through profit or loss - designated	11	-	224 927
Financial derivatives - positive fair value	42	53 261	69 025
Direct credit facilities at amortized cost	12	20 954 633	21 346 936
Financial assets at fair value through other comprehensive income	10	641 581	-
Financial assets - available for sale	14	-	6 015 726
Other financial assets at amortized cost	13	7 535 368	-
Financial assets - held to maturity	15	-	1 276 140
Investment in associates	16	2 244 764	2 077 809
Investment in Al Wahda Bank	59	-	328 951
Fixed assets	17	530 635	559 699
Other assets	18	613 684	486 340
Deferred tax assets	19	38 387	33 737
TOTAL ASSETS		**45 613 211**	**45 262 533**
LIABILITIES AND OWNERS' EQUITY			
Banks and financial institutions' deposits	20	4 323 310	4 949 845
Customer deposits	21	28 744 612	27 454 694
Cash margin	22	2 975 389	3 182 447
Financial derivatives - negative fair value	42	64 920	93 431
Borrowed funds	23	810 412	817 438
Provision for income tax	24	197 905	213 340
Other provisions	25	131 370	133 357
Other liabilities	26	693 446	591 502
Deferred tax liabilities	27	15 099	17 427
Total Liabilities		**37 956 463**	**37 453 481**
Share capital	28	776 027	776 027
Share premium	28	1 225 747	1 225 747
Statutory reserve	29	529 652	482 547
Voluntary reserve	30	977 315	977 315
General reserve		1 822 824	1 822 824
General banking risks reserve	31	363 458	363 458
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve		120 182	193 033
Investment revaluation reserve / Available-for-sale financial assets revaluation reserve	32	(39 002)	(13 576)
Retained earnings	33	165 330	279 567
Total Equity Attributable to Shareholders of the Bank		**7 482 429**	**7 647 838**
Non-controlling interests		174 319	161 214
Total Owners' Equity		**7 656 748**	**7 809 052**
TOTAL LIABILITIES AND OWNERS' EQUITY		**45 613 211**	**45 262 533**

The accompanying notes from (1) to (59) are an integral part of these consolidated financial statements and should be read with them.

CONSOLIDATED STATEMENT OF INCOME

	USD '000	Note	2011	2010 (Represented)
REVENUE	Interest income	34	1 623 647	1 568 184
	Less: interest expense	35	666 930	634 871
	Net interest income		**956 717**	**933 313**
	Net commissions income	36	303 422	286 558
	Net interest and commissions income		**1 260 139**	**1 219 871**
	Foreign exchange differences		70 462	70 984
	(Loss) from financial assets at fair value through profit or loss	37	(22 898)	-
	(Loss) from financial assets at fair value through profit or loss - held for trading	38	-	(3 846)
	(Loss) from financial assets at fair value through profit or loss - designated	38	-	(9 118)
	Dividends on financial assets at fair value through other comprehensive income		5 707	-
	Gain from financial assets - available for sale	38	-	69 771
	Group's share of profits of associates	16	265 860	239 208
	Group's share of profits of Al Wahda Bank	59	-	8 707
	Other revenue	39	46 016	42 877
	TOTAL INCOME		**1 625 286**	**1 638 454**
EXPENSES	Employees' expenses	40	393 566	376 086
	Other expenses	41	258 820	277 973
	Depreciation and amortization	17	51 375	48 941
	Provision for impairment - direct credit facilities at amortized cost	12	434 941	473 391
	Provision for impairment - other financial assets at amortized cost	13	3 231	-
	(Surplus) in provision for impairment - held to maturity financial assets	15	-	(1 298)
	Other provisions	25	15 528	15 588
	TOTAL EXPENSES		**1 157 461**	**1 190 681**
PROFIT FOR THE YEAR	**Profit before Income Tax**		**467 825**	**447 773**
	Less: Income tax expense	24	161 881	177 015
	Profit for the Year		**305 944**	**270 758**
	Attributable to :			
	Bank shareholders		292 177	251 016
	Non-controlling interests		13 767	19 742
	Profit for the Year		**305 944**	**270 758**
	Earnings per share attributable to Bank Shareholders			
	- Basic and Diluted (US Dollars)	54	0.55	0.47

The accompanying notes from (1) to (59) are an integral part of these consolidated financial statements and should be read with them.

USD '000	2011	2010 (Represented)
Profit for the Year	**305 944**	**270 758**
Add: Other comprehensive income items - after tax		
Net exchange differences arising on the translation of foreign operations	(83 191)	8 076
Net change in fair value of financial assets at fair value through other comprehensive income	(90 208)	-
Net change in fair value of available-for-sale financial assets	-	19 831
Total other comprehensive income items - after tax	**(173 399)**	**27 907**
Total Comprehensive Income for the Year	**132 545**	**298 665**
Attributable to :		
- Bank shareholders	129 602	291 453
- Non-controlling interests	2 943	7 212
Total	**132 545**	**298 665**

The accompanying notes from (1) to (59) are an integral part of these consolidated financial statements and should be read with them.

		Note	Share Capital	Share Premium	Treasury shares	Statutory reserve	Voluntary reserve	General reserve
2011	**Balance at the beginning of the year**		**776 027**	**1 225 747**	**-**	**482 547**	**977 315**	**1 822 824**
	Effect of adoption of IFRS 9	3	-	-	-	-	-	-
	Balance at the Beginning of the Year (Adjusted)		**776 027**	**1 225 747**	**-**	**482 547**	**977 315**	**1 822 824**
	Profit for the year		-	-	-	-	-	-
	Other comprehensive income for the year		-	-	-	-	-	-
	Total Comprehensive Income for the Year		**-**	**-**	**-**	**-**	**-**	**-**
	Appropriation to reserves		-	-	-	47 105	-	-
	Investments revaluation reserve transferred to retained earnings		-	-	-	-	-	-
	Paid dividends		-	-	-	-	-	-
	Effect of increase in ownership in subsidiary		-	-	-	-	-	-
	Balance at the End of the Year		**776 027**	**1 225 747**	**-**	**529 652**	**977 315**	**1 822 824**
2010 (Represented)	**Balance at the beginning of the year**		**776 027**	**1 226 185**	**(1 500)**	**451 702**	**977 315**	**1 823 321**
	Profit for the Year		-	-	-	-	-	-
	Other comprehensive income for the year		-	-	-	-	-	-
	Total Comprehensive Income for the Year		**-**	**-**	**-**	**-**	**-**	**-**
	Sale of treasury shares		-	(438)	1 500	-	-	-
	Appropriation to reserves		-	-	-	30 845	-	-
	Paid dividends		-	-	-	-	-	-
	Effect of increase in ownership in subsidiary		-	-	-	-	-	(497)
	Effect of increase in paid up capital in subsidiary		-	-	-	-	-	-
	Adjustments		-	-	-	-	-	-
	Balance at the End of the Year		**776 027**	**1 225 747**	**-**	**482 547**	**977 315**	**1 822 824**

* The retained earnings include restricted deferred tax assets in the amount of USD 38.4million, and the revaluation reserve of investments amounted to USD (39) million. Moreover, restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances, as a result of the adoption of certain International Financial Reporting Standards, amounted to USD 1.6 million as of December 31, 2011.

* Retained earnings include an unrealized loss in the amount of USD (202.4) million due to the effect of the adoption of IFRS 9.

The accompanying notes from (1) to (59) are an integral part of these consolidated financial statements and should be read with them.

USD '000

General banking risks reserve	Reserves with associates	Foreign currency translation reserve	Investment revaluation reserve / Available-for-sale financial assets revaluation reserve	Retained earnings	Total equity attributable to shareholders of the Bank	Non-control-ling interests	Total
363 458	**1 540 896**	**193 033**	**(13 576)**	**279 567**	**7 647 838**	**161 214**	**7 809 052**
-	-	-	63 610	(202 370)	(138 760)	(1 263)	(140 023)
363 458	**1 540 896**	**193 033**	**50 034**	**77 197**	**7 509 078**	**159 951**	**7 669 029**
-	-	-	-	292 177	292 177	13 767	305 944
-	-	(72 851)	(89 724)	-	(162 575)	(10 824)	(173 399)
-	**-**	**(72 851)**	**(89 724)**	**292 177**	**129 602**	**2 943**	**132 545**
-	-	-	-	(47 105)	-	-	-
-	-	-	688	(688)	-	-	-
-	-	-	-	(156 251)	(156 251)	(4 922)	(161 173)
-	-	-	-	-	-	16 347	16 347
363 458	**1 540 896**	**120 182**	**(39 002)**	**165 330**	**7 482 429**	**174 319**	**7 656 748**
391 964	**1 540 896**	**177 728**	**(38 708)**	**222 328**	**7 547 258**	**148 243**	**7 695 501**
-	-	-	-	251 016	251 016	19 742	270 758
-	-	15 305	25 132	-	40 437	(12 530)	27 907
-	**-**	**15 305**	**25 132**	**251 016**	**291 453**	**7 212**	**298 665**
-	-	-	-	20	1 082	-	1 082
-	-	-	-	(30 845)	-	-	-
-	-	-	-	(162 952)	(162 952)	(5 684)	(168 636)
-	-	-	-	-	(497)	(5 430)	(5 927)
-	-	-	-	-	-	16 873	16 873
(28 506)	-	-	-	-	(28 506)	-	(28 506)
363 458	**1 540 896**	**193 033**	**(13 576)**	**279 567**	**7 647 838**	**161 214**	**7 809 052**

ARAB BANK GROUP

	USD '000	Note	2011	2010 (Represented)
CASH FLOWS FROM OPERATING ACTIVITIES	**Profit for the year before tax**		**467 825**	**447 773**
	Adjustments for:			
	- Group's share from associates profits		(265 860)	(239 208)
	- Depreciation and amortization		51 375	48 941
	- Provision for impairment - direct credit facilities		434 941	473 391
	- Net interest income		(89 481)	(82 956)
	- (Gain) from sale of fixed assets		(185)	(845)
	- Loss from revaluation of financial assets at fair value through profit or loss		35 569	-
	- Loss from revaluation of financial assets at FVTPL - held for trading		-	6 261
	- Loss from revaluation of financial assets at FVTPL - designated		-	9 172
	- (Surplus) provision for impairment- other financial assets at amortized cost		3 231	-
	- (Surplus) provision for impairment – held to maturity financial assets		-	(1 298)
	- Other provisions		15 528	15 588
	Total		**652 943**	**676 819**
	(Increase) decrease in assets:			
	Balances with central banks (maturing after 3 months)		40 780	(26 016)
	Deposits with banks and financial institutions (maturing after 3 months)		50 056	83 685
	Direct credit facilities at amortized cost		(533 894)	(820 779)
	Financial assets at fair value through profit or loss		486 221	-
	Financial assets at fair value through profit or loss - held for trading		-	(91 687)
	Financial assets at fair value through profit or loss - designated		-	(64 152)
	Other assets		104 271	279 368
	Increase (decrease) in liabilities:			
	Banks and financial institutions deposits (maturing after 3 months)		98 131	(118 546)
	Customer deposits		1 289 918	1 322 643
	Cash margin		(207 058)	(685)
	Other liabilities		(272 879)	(251 018)
	Net change in assets and liabilities		**1 055 546**	**312 813**
	Net Cash Generated by Operations before Income Tax		**1 708 489**	**989 632**
	Income tax paid		(181 761)	(172 467)
	Net Cash Generated by Operations		**1 526 728**	**817 165**
CASH FLOWS FROM INVESTING ACTIVITIES	Financial assets at fair value through other comprehensive income		22 381	-
	Sale (purchase) of financial assets - available for sale		-	347 790
	Other financial assets at amortized cost		(967 333)	-
	Financial assets-held to maturity		-	615 891
	(Purchase) of investments in associates and subsidiaries		(50 486)	(16 104)
	Dividends received from associates		110 087	104 576
	(Purchase) of fixed assets		(22 311)	(126 457)
	Proceeds from sale of fixed assets		34 236	18 812
	Net Cash (Used in) Generated by Investing Activities		**(873 426)**	**944 508**
CASH FLOWS FROM FINANCING ACTIVITIES	Increase in borrowed funds		-	203 437
	Dividends paid to shareholders		(156 928)	(162 972)
	Dividends paid to non-controlling interests		(4 922)	(5 684)
	Proceeds from sale of treasury shares		-	1 062
	Net Cash (Used in) Generated by Financing Activities		**(161 850)**	**35 843**
	Net Increase in Cash and Cash Equivalents		491 452	1 797 516
	Exchange differences - change in foreign exchange rates		(72 851)	15 305
	Cash and cash equivalent at the beginning of the year		7 520 169	5 707 348
	Cash and Cash Equivalent at the End of the Year	56	**7 938 770**	**7 520 169**

The accompanying notes from (1) to (59) are an integral part of these consolidated financial statements and should be read with them.

1. General

- Arab Bank was established in 1930, and is registered as a Jordanian public shareholding limited company. The Head Office of the Bank is domiciled in Amman, Jordan, and the Bank operates worldwide through its branches (79 branch in Jordan and 107 branch abroad), subsidiaries and sister company, Arab Bank (Switzerland) Limited.

- Arab Bank shares are traded on Amman Stock Exchange.

- The accompanying consolidated financial statements were approved by the Board of Directors on January 26, 2012 and are subject to the approval of the General Assembly of Shareholders.

2. Basis of Consolidation

- The accompanying consolidated financial statements of Arab Bank Group, presented in US dollars, comprise the financial statements of Arab Bank plc, its sister company, Arab Bank (Switzerland) Limited and its subsidiaries. The Group main subsidiaries are as follows:

Company Name	Percentage of Ownership (%) 2011	2010	Principal Activity	Place of Incorporation	Paid-up Capital
Europe Arab Bank plc	100.00	100.00	Banking	United Kingdom	€ 550m
Arab Bank Australia Limited	100.00	100.00	Banking	Australia	AUD 62.5m
Islamic International Arab Bank plc	100.00	100.00	Banking	Jordan	JD 100m
Arab National Leasing Company Limited	100.00	100.00	Finance leasing	Jordan	JD 15m
Al-Arabi Investment Group Limited	100.00	100.00	Brokerage and Financial Services	Jordan	JD 14m
Arab Sudanese Bank Limited	100.00	100.00	Banking	Sudan	SDG 117.5m
Arab Investment Bank S.A.L.	100.00	100.00	Banking	Lebanon	LBP 15bm
Al Arbai Capital Limited	-	100.00	Brokerage and Financial Services	U.A.E	-
Al Arabi Investment Group – Palestine	100.00	100.00	Brokerage and Financial Services	Palestine	JD 1.7m
Arab Tunisian Bank	64.24	64.24	Banking	Tunisia	TND 100m
Al Nisr Al Arabi Insurance	50.00	50.00	Insurance	Jordan	JD 10m
Arab Bank Syria	51.29	49.00	Banking	Syria	SYP 5.05bm

- Due to the circumstances in Libya, Arab Bank Group no longer controls the financial and operational policies of Al Wahda Bank (19% owned company) and accordingly, the financial statements of Al Wahda Bank were deconsolidated effective 1st January 2011 and the investment in Al Wahda Bank was classified as financial assets at fair value through other comprehensive income in accordance with IFRS 9 which was early adopted effective of that date. The comparative figures of the Group's financial statements were represented so that the above developments can be evaluated on a comparable basis with the consolidated financial statements for the year end 2010. The impact of deconsolidation of the financial statement for Al Wahda Bank for the comparative figures on the consolidated Arab Bank Group financial statements is represented in Note (59).

- Subsidiaries are companies under the effective control of Arab Bank plc. Control is achieved when the Group has the power to govern the strategic financial and operating policies of the subsidiary so as to obtain benefits from its activities.
- The consolidated financial statements reflect the consolidated financial position and consolidated results of operations at the level of the consolidated economic ownership of Arab Bank plc and the sister company, Arab Bank (Switzerland) Limited, which is considered an integral part of Arab Bank Group.
- The financial statements of subsidiaries are prepared using uniform accounting policies of those used by other members of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.
- The results of operations of subsidiaries are included in the consolidated statement of income effective from the acquisition date, which is the date of transfer of control over the subsidiary by the Group. The results of operations of subsidiaries disposed of during the year are included in the consolidated statement of income up to the effective date of disposal, which is the date of loss of control over the subsidiary.
- Upon consolidation, inter-Group transactions and balances between Arab Bank plc, the sister company, Arab Bank (Switzerland) Limited and other subsidiaries are eliminated. Items in transit are stated within other assets or other liabilities, as appropriate. Non-controlling interests (the interest not owned by the Group in the equity of subsidiaries) are stated separately within owners' equity in the consolidated statement of financial position.

3. Adoption of the New and Revised International Financial Reporting Standards (IFRS)

A. Early Adoption of IFRS (9) "Financial Instruments" Issued on November 2009 and Adjusted on October 2010

- During the year, the Group has adopted IFRS 9: Financial Instruments in advance of its effective date based on the Central Bank of Jordan and Security Exchange Commission requirements. The Group has chosen 1st January 2011 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets).
- IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.
- Debt instruments are measured at amortized cost only if:

a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
b) The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

- If either of the two criteria's did not meet the financial asset (debt instruments) above they are classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amortized cost criteria the entity may choose at initial recognition to designate the financial asset as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.
- Only financial assets that are classified as measured at amortized cost are tested for impairment.
- Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. The Group is permitted to transfer the cumulative gains or losses on financial assets at FVTOCI to retained earnings upon the derecognition of such financial assets (when the rights to the contractual cash flows have expired or transferred to other party).
- The Group's policy on the financial instruments are disclosed in detail in note (4) below:
- The Group has reviewed and assessed all of existing financial assets as at the date of initial application of IFRS 9. As a result:
  - The Group's investments in debt instruments meeting the required criteria are measured at amortized cost;
  - The Group's equity investments not held for trading have been designated as at FVTOCI;
  - The Group's remaining investments in equity investments and debt instruments are measured at FVTPL.
- The Standard has been applied retrospectively and as permitted by IFRS 9, comparative amounts have not been restated. The adoption of IFRS 9 and the resulting change in accounting policy had the below impact on the opening balances of retained earnings and investment revaluation reserve attributable to the shareholders of the bank as of 1st January 2011:

	Effect on Retained Earnings	Effect on Investment Revaluation Reserve
Reclassification of Financial Assets to:	**USD'000**	**USD'000**
Financial assets measured at FVTPL	(214 571)	24 683
Financial assets measured at FVTOCI	20 011	18 270
Financial assets measured at amortized cost	(7 810)	20 657
Total	**(202 370)**	**63 610**

- The following table compares the classification and measurement of financial assets in accordance with IFRS (9) and IAS (39) as of 1st January 2011:

Financial Assets	Original Measurement Criteria under IAS 39
Cash and balance with central banks	Loans and receivables
Balances with banks and financial institutions	Loans and receivables
Deposits with banks and financial institutions	Loans and receivables
Financial assets held for trading and designated as at FVTPL:	
- Financial assets held for trading:	
Debt instruments	Financial assets at FVTPL
Debt instruments	Financial assets at FVTPL
Equity instruments	Financial assets at FVTPL
Equity instruments	Financial assets at FVTPL
- Financial assets designated as at FVTPL:	
Debt instruments	Financial assets at FVTPL
Financial derivatives – positive fair value	Financial assets at FVTPL
Direct credit facilities at amortized cost	Loans and receivables
Direct credit facilities at amortized cost	Loans and receivables
Non-trading financial assets	
- Financial assets held to maturity:	
Debt instruments	Financial assets held to maturity
Debt instruments	Financial assets held to maturity
- Financial assets available for sale:	
Debt instruments	Financial assets available for sale
Debt instruments	Financial assets available for sale
Equity instruments	Financial assets available for sale
Equity instruments	Financial assets available for sale
Other assets – accrued interest receivable	Loans and receivables

New Measurement Criteria under IFRS 9	Carrying Amount under IAS (39)	Carrying Amount under IFRS (9)
	USD'000	**USD'000**
Other financial assets at amortized cost	7 645 103	7 645 103
Other financial assets at amortized cost	4 574 302	4 574 302
Other financial assets at amortized cost	225 849	225 849
Financial assets at FVTPL	290 810	290 810
Other financial assets at amortized cost	49 703	48 855
Financial assets at FVTPL	55 898	55 898
Financial assets at FVTOCI	1 578	1 578
Financial assets at FVTPL	224 927	224 927
Financial assets at FVTPL	69 025	69 025
Other financial assets at amortized cost	21 060 628	21 060 628
Financial assets at FVTPL	286 308	108 303
Other financial assets at amortized cost	1 252 417	1 252 417
Financial assets at FVTPL	23 723	12 513
Other financial assets at amortized cost	5 064 198	5 006 826
Financial assets at FVTPL	465 702	465 702
Financial assets at FVTPL	126 967	127 439
Financial assets at FVTOCI	358 859	398 439
Other financial assets at amortized cost	204 948	204 948

B. New and revised IFRSs applied with no material effect on the consolidated financial statements:

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

• IAS 24 Related Party Disclosures (2009)	Amends the requirements of the previous version of IAS 24 to: Provide a partial exemption from related party disclosure requirements for government-related entities Clarify the definition of a related party Include an explicit requirement to disclose commitments involving related parties.
• Amendments to IFRS 1 relating to Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Provides additional exemption on IFRS transition in relation to IFRS 7 Financial Instruments: Disclosures, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers.
• Amendments to IAS 32 Financial Instruments: Presentation, relating to classification of Rights Issues	Amends IAS 32 Financial Instruments: Presentation to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments.
• Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement	Makes limited-application amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognized as an asset.

• Improvements on IFRSs issued in 2010	The application of Improvements to IFRSs issued in 2010 which amended IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 32, IAS 34 and IFRIC 13 has not had any material effect on amounts and disclosures reported in the consolidated financial statements.
• IFRIC 19 Extinguishing Liabilities with Equity Instruments	Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognized in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions.

C. New and revised IFRSs issued but not yet effective

- The Group has not applied the following new and revised IFRSs that have been issued but are not effective yet:

	Effective for annual periods beginning on or after
• Amendments to IAS 12 Income Taxes relating to Deferred Tax: Recovery of Underlying Assets	1 January 2012
• Amendments to IAS 32 Financial Statements – Offsetting Financial Assets and Liabilities	1 January 2014
• Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities	1 July 2013
• IAS 1 Presentation of Financial Statements	1 July 2012
• IAS 19 Employee Benefits	1 January 2013

• IAS 27 Separate Financial Statements	1 January 2013
• IAS 28 Investments in Associates and Joint Ventures	1 January 2013
• IFRS 10 Consolidated Financial Statements	1 January 2013
• IFRS 11 Joint Arrangements	1 January 2013
• IFRS 12 Disclosures of Interests in Other Entities	1 January 2013
• IFRS 13 Fair Value Measurement	1 January 2013
• IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

International Financial Reporting Standards no. (10), (11), (12) and the amendments on International Accounting Standards (27) and (28) issued in the year 2011

- During May 2011, the International Accounting Standards Board have issued five standards relating to the consolidation of financial statements, joint ventures, affiliate companies, and disclosures, being IFRS (10), (11), (12) and the amendments on International Accounting Standards (27) and (28) issued in the year 2011.
- The Group's management anticipates that the above five standards and interpretations will be implemented by their implementation dates, these standards might have material impact on the Group's consolidated financial statements in addition to expanding note disclosures, however, management still currently assessing the impact of implementing the above standards on the Group consolidated financial statement and accordingly, the impact of the initial implementation is not quantified.
- Except for what is stated above, the Group's management anticipates that the implementation of the remaining standards and interpretations will be adopted in the consolidated financial statements by its date mentioned above. Moreover, these standards and interpretations will not have any material impact on the Group's consolidated financial statements.

4. Significant Accounting Policies

A.Basis of preparation

- The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the Interpretations issued by the International Financial Reporting Interpretations Committee, the prevailing rules in the countries where the Group operates and the instructions of the Central Bank of Jordan.
- The consolidated financial statements are prepared using the historical cost principle, except for financial assets and financial liabilities which are stated at fair value as of the date of the consolidated financial statements.

B. Revenue Recognition

Interest Income and Expenses

- Interest income and expenses for all interest bearing financial instruments are recognized in the consolidated statement of income using the effective interest rate method except for interest and commissions on non performing credit facilities, which are recorded as interest and commission in a suspense account.
- The effective interest rate is a method of calculating the amortized cost of financial assets or financial liabilities and of allocating the interest income and expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets or financial liability, or where appropriate a shorter period to the net carrying of the financial asset or the financial liability. The Group estimate the cash flow considering all contractual terms of the financial instrument but does not consider future credit losses.
- Commission income in general are recognized on the date that the transaction arises .Loan recoveries are recorded upon receipt.

Dividends income

- Dividends income from financial assets is recognized when the Group's right to receive dividends has been established (upon the general assembly resolution).

Insurance Contract Revenue

- Insurance premiums arising from insurance contract are recorded as revenue for the year (earned insurance premiums) on the basis of the maturities of time periods and in accordance with the insurance coverage periods. Insurance premiums from insurance contracts unearned at the date of the consolidated statement of financial position are recorded as unearned insurance premiums within other liabilities.

Leasing Contracts Revenue

- The Group policy relating to leasing contract are illustrated in note (4.C) below:

C. Leasing contracts

- Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases as follows:

1.The Group as lessor:

- Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.The Group as lessee:

- Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease payments. The finance lease obligation is recorded at the same value. Lease payments are apportioned between finance costs and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to the consolidated statement of income.
- Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

D.Foreign currencies

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when the fair value was determined at the date of the consolidated financial statements. Gains or losses resulting from foreign currency translation are recorded in the consolidated statement of income.
- Non-monetary items recorded at historical cost are translated according to the exchange rate prevailing at the transaction date.
- Differences resulting from the translation of non-monetary assets and liabilities denominated in foreign currency, such as equity shares, are recorded as part of the change in the fair value.

- Upon consolidation, the financial assets and financial liabilities of the branches, sister companies and subsidiaries abroad are translated from the local currency to the reporting currency at the average rates prevailing at the date of the consolidated financial statements. Exchange differences arising from the revaluation of the net investment in the branches and subsidiaries abroad are recorded in a separate item in other comprehensive income items.

E.Fixed assets

- Fixed assets are stated at cost, net of accumulated depreciation and any impairment in value. Such cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.
- Depreciation is charged so as to write-off the cost of assets, using their useful life of the respective assets
- Land and assets under construction are not depreciated.
- Assets under construction is carried at cost, less any accumulated impairment losses and is depreciated when the assets are ready for intended use using the same depreciation rate of the related category with fixed assets.
- Fixed assets are derecognized when disposed of or when no future benefits are expected from their use or disposal.
- The gain or loss arising on the disposal of an item (the difference between the sales proceeds and the carrying amount of the asset) is recognized in the consolidated statement of income in the year that the assets were disposed.

F.Investments in associates

- Associates are those in which the Group exerts significant influence over the financial and operating policy decisions, and in which the Group holds between 20% and 50% of the voting rights.
- Investments in associated companies are accounted for according to the equity method.
- Transactions and balances between the Group and the associates are eliminated to the extent of the Group's ownership in the associate.

G.Income taxes

- Income tax expenses represent current and deferred taxes for the year.
- Income tax expense is measured on the basis of taxable income. Taxable income differs from income reported in the consolidated financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by the tax authorities and items not accepted for tax purposes or subject to tax.

- Current and deferred taxes are calculated on the basis of the enacted tax rates according to the prevailing laws, regulations and instructions of the countries where the Group operates.
- Deferred taxes represent taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and their respective tax basis. Deferred taxes are calculated on the basis of the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.
- Deferred tax assets are reviewed on the date of the consolidated financial statements, and reduced if it is expected that no benefit will arise from the deferred tax, partially or totally.

H.Financial assets

- Financial assets transactions are measured at the trade date at fair value net of direct transaction cost except for costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of income.

1. Financial assets according to IFRS 9:

Financial assets are measured either at amortized cost or fair value.

Financial Assets Classification

Financial assets at amortized cost

- Debt instruments, including direct credit facilities, treasury bills and bonds, are measured at amortized cost only if:
  1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  2. The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at amortized cost are recorded at cost upon purchase plus acquisition expenses. Moreover, the issue premium \ discount is amortized using the effective interest rate method, and recorded to interest or in its account. Any allocations resulting from the decline in value of these investments leading to the inability to recover the investment or part thereof are recorded, and any impairment is registered in the consolidated statement of income.

- In case the business model objective changed to contradict with amortized cost conditions, the Group should reclassify its financial instrument classified as amortized cost to be at fair value through profit or loss.
- The Group might chose to classify debt instruments that meets the amortized cost criteria to designate such financial asset as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments that do not meet the amortized cost criteria (as described above) are measured at FVTPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVTPL by the Group are measured at FVTPL.
- In case the business model objectives changes and contractual cash flows meets the amortized cost criteria, the Group should reclassify the debt instrument held at FVTPL to amortized cost. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.
- Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.
- Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognized in the consolidated statement of income.
- Dividend income on investments in equity instruments at FVTPL is recognized in the consolidated statement of income when the Group's right to receive the dividends is established (upon the general assembly resolution).

Financial assets at fair value through other comprehensive income (FVTOCI)

- At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

  A financial asset is held for trading if:

  - it has been acquired principally for the purpose of selling it in the near term;
  - on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
  - it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

- Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to consolidated income statement, but is reclassified to retained earnings.
- Dividends on these investments in equity instruments are recognized in the consolidated income statement when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2. Financial assets according to IAS 39

Financial assets at fair value through profit or loss – held for trading

- Such financial assets are those assets that have been acquired principally for the purpose of selling them in the near term, or on initial recognition have been part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.
- Financial assets held for trading are initially recognized at their fair value, while transaction costs are expensed in the consolidated statement of income; and are stated subsequently at fair value. Changes in fair value of these financial assets are included in the consolidated statement of income in the period in which the change occurs.
- Changes in fair value resulting from changes in foreign exchange rates are recorded in the consolidated statement of income as gain or loss on foreign exchange. As for non-monetary assets they are recorded as part of the change in fair value.
- Dividend revenue is recognized as income from financial assets held for trading in the consolidated statement of income, whereas earned interest revenue is recognized as interest income in the consolidated statement of income.

Financial assets at fair value through profit or loss – designated

- Such financial assets are those initially designated as at fair value through profit or loss if such designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise. Financial assets maybe designated as at fair value through profit or loss if they make part of a group of financial assets or financial liabilities or both, that are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy.
- Financial assets designated as at fair value through profit or loss are initially recognized at their fair value, while transaction costs are expensed in the consolidated statement of income; and are stated subsequently at fair

value. Changes in fair value of these financial assets are included in the consolidated statement of income in the period in which the change occurs.

- Gains (losses) from the changes in the foreign exchange rates of monetary assets denominated in foreign currencies are recorded within gain (losses) from foreign currency translation. As for non-monetary assets they are recorded as part of the change in fair value.
- Dividends revenue is recognized as income from financial assets designated at fair value through profit or loss in the consolidated statement of income, where as interest earned is recognized as interest income in the consolidated statement of income.

Financial assets – Available-for-sale

- Such financial assets are those assets that have not been classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.
- Available-for-sale financial assets are initially recognized at fair value, including transaction costs and are subsequently stated at fair value as of the date of the consolidated financial statements with changes in fair value recorded in a separate item in consolidated other comprehensive income.
- When such assets are fully or partially sold, disposed of, or judged to be impaired, the change in fair value is recorded in the consolidated statement of income, including the related amounts previously recorded in other comprehensive income.
- Impairment losses recognized in the consolidated statement of income on debt instruments are reversed only when it is objectively evident that the increase in fair value occurred after the losses have been recognized. Impairment losses recognized on equity instruments are not reversed.
- Changes in fair value resulting from changes in foreign exchange rates on monetary financial assets are recorded in the consolidated statement of income as gain or loss on foreign exchange with changes in foreign exchange rates on non-monetary items recorded in other comprehensive income.
- Interest income earned on available-for-sale financial assets is recorded in the consolidated statement of income using the effective interest method.
- Financial instruments for which fair value cannot be reliably determined are stated at cost, net of any accumulated impairment losses.

Financial assets – Held to maturity

- Such financial assets are those that have fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
- Financial assets held to maturity are recorded at cost (fair value) plus acquisition costs, less any provision for impairment in value. Premiums and discounts are systematically amortized in the consolidated statement of income using the effective interest method.

Direct credit facilities

- Such financial assets are those with fixed or determinable payments that are not quoted in an active market.
- Direct credit facilities are stated at cost, and are stated in the consolidated statement of financial position net of impairment provisions and interest and commission in suspense.
- Provisions for impairment of direct credit facilities are recognized when it is apparent that the financial assets of the Group cannot be recovered, there is objective evidence of an event that adversely affects the future cash flows of the direct credit facilities and when the amount of impairment can be estimated.
- Impairment in value is determined using the present value of the future cash flows discounted at the original interest rate or according to the instructions of the regulatory authorities of the countries where the Group operates, whichever is higher. Impairment losses are recorded in the consolidated statement of income.
- Interest and commission on non-performing credit facilities are suspended in accordance with the instructions of the Central Bank or the regulatory authorities in the countries where the Group operates whichever is higher.
- Specific provisions for impairment of direct credit facilities are written off when management is satisfied that no recovery of the amounts owing is possible. Any surplus in the general provisions or any recoveries of written-off debts is recognized in the consolidated statement of income.

I. Fair value

- The closing price of quoted financial assets and derivatives in active markets represents their fair value. When no quoted prices are available or when no active markets exist for the financial instrument, the fair value is estimated by one of the following methods:
  - Comparing the fair value of another financial asset with similar terms and conditions;
  - Discounting future cash flows; or
  - Using options pricing models.
- The valuation methods aim at arriving at a fair value that reflects the expectations of market participants, expected risks and expected benefits. When the fair value cannot be measured reliably, financial assets are stated at cost / amortized cost.

J. Impairment in the value of the financial assets

- The Group reviews the values of the amortized cost on the date of the consolidated financial statements in order to determine if there are any indications of impairment in their value, individually or in the form of a portfolio. If such indications exist, the recoverable value is estimated so as to determine the amount of impairment loss.

- Impairment is determined as follows:
  - Impairment in financial assets recorded at amortized cost is determined on the basis of the difference between the carrying amount and the present value of the cash flows discounted at the original interest rate.
  - Impairment in the financial assets recorded at cost is determined on the basis of the difference between the carrying amount and the present value of the expected cash flows discounted at the market interest rate of similar instruments.
  - Financial assets recorded at amortized cost is reduced by the impairment in value through provision for impairment in the consolidated statement of income.

K.Financial derivatives

- - Financial derivatives (e.g. currency forward contracts, forward rate agreements, swaps and option contracts) are recognized at fair value in the consolidated statement of financial position.

a) Financial derivatives held for hedge purposes

Hedges are classified as follows:

Fair value hedge: Represents hedging for changes in the fair value of the Group's assets and liabilities. When the conditions for an effective fair value hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income. Changes in the fair value of the hedged assets or liabilities are also recognized in the consolidated statement of income.

Cash flow hedge: Represents hedging for changes in the current and expected cash flows of the Group's assets and liabilities that affects the consolidated statement of income. When the conditions for an effective cash flow hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in other comprehensive income and are reclassified to the statement of income in the period in which the hedge transaction has an impact on the consolidated statement of income.

When the conditions for an effective hedge are not met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income.

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

b) Financial derivatives for trading

- Financial derivatives held for trading are recognized at fair value in the consolidated statement of financial position among "other assets" or "other liabilities" with changes in fair value recognized in the consolidated statement of income.

L. Foreclosed assets

- Such assets are those that have been the subject of foreclosure by the Group, and are initially recognized among "other assets" at the foreclosure value.
- At the date of the consolidated financial statements, foreclosed assets are revalued individually; any decline in fair value is recognized in the consolidated statement of income. Any subsequent increase in value is recognized only to the extent that it does not exceed the previously recognized impairment losses.

M. Provisions

- Provisions are recognized when the Group has an obligation as of the date of the consolidated financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.
- Provision for employees' end-of-service indemnities is estimated in accordance with the prevailing rules and regulations in the countries in which the Group operates. The expense for the year is recognized in the consolidated statement of income. Indemnities paid to employees are reduced from the provision.

N. Fiduciary deposits

- Fiduciary deposits resulting from holding or placing of assets on behalf of customers. These assets and the income arising from them are excluded from the consolidated financial statements of the Group. Commission and fees income for managing these accounts are recognized in the consolidated statement of income.
- Provision for the decline in fair value is recognized only when the fair value of a portfolio of guaranteed capital declines below the amount of guaranteed capital.

O. Offsetting

- Financial assets and financial liabilities are offset, and the net amount is presented in the consolidated statement of financial position only when there is a legal right to offset the recognized amounts, and the Group intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

P. Cash and cash equivalents

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

5. Use of Estimates

- Preparation of the accompanying consolidated financial statements requires estimations and judgments in applying accounting policies relating to some of the consolidated financial statement items. Examples of such items include an estimation of the provision for impairment of non-performing direct credit facilities, the intention of management to hold the financial investment until maturity, and an estimation of the useful life of assets and impairment of their value. Management also uses estimates and judgments for some matters that are uncertain on the date of the consolidated financial statements and may require adjustments to the balances of the assets and liabilities stated in the consolidated financial statements of the following year. This includes estimation of the various provisions and contingent liabilities.

6. Cash and Balances with Central Banks

The details of this item are as follows:

USD '000

	December 31, 2011	2010 (Represented)
Cash in vaults	342 154	367 168
Balances with central banks:		
- Current accounts	529 466	546 960
- Time and notice	5 532 004	5 268 538
- Mandatory cash reserve	1 120 608	1 159 710
- Certificates of deposit	263 446	302 727
Total	**7 787 678**	**7 645 103**

- Except for the mandatory cash reserve, there are no restricted balances at Central Bank.
- Balances maturing after three months amounted to USD 162.2 million as at December 31, 2011 (USD 202.9 million as at December 31, 2010).

7. Balances with Banks and Financial Institutions

The details of this item are as follows:

USD '000

	December 31, 2011	2010 (Represented)
Current accounts	1 192 201	796 534
Time deposits maturing within 3 months	2 892 681	3 695 742
Certificates of deposit	-	82 026
Total	**4 084 882**	**4 574 302**

8. Deposits with Banks and Financial Institutions

The details of this item are as follows:

USD '000

	December 31, 2011	2010
Time deposits maturing after 3 months and before 6 months	124 228	102 447
Time deposits maturing after 6 months and before 9 months	27 341	40 240
Time deposits maturing after 9 months and before a year	20 874	32 683
Time deposits maturing after one year	3 350	50 479
Total	**175 793**	**225 849**

- There are balances with local banks for the time period of less than three months in the amount of USD 33.811 million as of December 31, 2011 (Zero as of December 31,2010).
- There are no restricted balances as of December 31 2011 and 2010.
- There are no restricted balances or deposits that don't pay interest as of December 31, 2011 and 2010.

9- Financial assets at fair value through profit or loss

The details of this item based on IFRS 9 are as follows:

	USD '000
	December 31,
	2011
Treasury bills and bonds	194 223
Corporate bonds	450 028
Loans and advances	126 619
Corporate shares and mutual funds	181 675
Total	**952 545**

10 - Financial assets at fair value through other comprehensive income

The details of this item based on IFRS 9 are as follows:

	USD '000
	December 31,
	2011
Corporate shares and mutual funds*	641 581
Total	**641 581**

* Cash dividends from investments above amounted to USD 5.7 million for the year ended at December 31,2011.

11 - Financial assets at fair value through profit or loss - held for trading and designated

The details of this item based on IAS (39) are as follows:

	USD '000
A- Financial assets at fair value through profit or loss - held for trading	December 31,
	2010
Government bonds	83 415
Corporate Bonds	257 099
Corporate shares and mutual funds	57 475
Total	**397 989**

	USD '000
B - Financial assets at fair value through profit or loss - designated	December 31,
	2010
Government bonds	25 709
Corporate bonds	199 218
Total	**224 927**

12. Direct Credit Facilities at Amortized Cost

The details of this item are as follows:

USD '000

	December 31, 2011					
	Retail	Corporates - Small and Medium	Corporates - Large	Banks and Financial Institutions	Government and Public Sector	Total
Discounted bills *	63 928	221 962	345 352	227 944	10 706	869 892
Overdrafts *	80 290	719 104	2 725 234	375	355 317	3 880 320
Loans and advances *	1 853 765	1 621 382	11 673 442	145 953	861 115	16 155 657
Real-estate loans	1 297 851	257 929	16 785	-	-	1 572 565
Credit cards	86 826	-	-	-	-	86 826
Total	**3 382 660**	**2 820 377**	**14 760 813**	**374 272**	**1 227 138**	**22 565 260**
Less: Interest and commission in suspense	37 770	92 821	105 755	1 519	-	237 865
Provision for impairment - direct credit facilities	148 014	148 098	1 070 924	3 290	2 436	1 372 762
Total	**185 784**	**240 919**	**1 176 679**	**4 809**	**2 436**	**1 610 627**
Net Direct Credit Facilities at amortized cost	**3 196 876**	**2 579 458**	**13 584 134**	**369 463**	**1 224 702**	**20 954 633**

* Net of interest and commission received in advance, which amounted to USD 103.3 million as of December 31, 2011.

- Direct credit facilities granted to and guaranteed by the government of Jordan as of December 31, 2011 amounted to USD 147.2 million, or 0.7% of total direct credit facilities.
- Non-performing direct credit facilities as of December 31, 2011 amounted to USD 1586.5 million, or 7% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of December 31, 2011 amounted to USD 1348.7 million, or 6% of net direct credit facilities.

USD ‘000

	December 31, 2010 (Represented)					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Discounted bills *	59 316	189 540	390 942	32 111	6 034	677 943
Overdrafts *	69 918	661 648	2 549 740	698	255 472	3 537 476
Loans and advances *	1 762 315	1 678 752	11 796 246	363 528	1 169 566	16 770 407
Real-estate loans	1 123 025	300 259	128 033	-	-	1 551 317
Credit cards	71 853	-	-	-	-	71 853
Total	**3 086 427**	**2 830 199**	**14 864 961**	**396 337**	**1 431 072**	**22 608 996**
Less: Interest and commission in suspense	27 971	91 233	85 125	869	-	205 198
Provision for impairment - direct credit facilities	129 147	138 788	786 251	-	2 676	1 056 862
Total	**157 118**	**230 021**	**871 376**	**869**	**2 676**	**1 262 060**
Direct credit facilities at amortized cost	**2 929 309**	**2 600 178**	**13 993 585**	**395 468**	**1 428 396**	**21 346 936**

* Net of interest and commission received in advance, which amounted to USD 80.6 million as of December 31, 2010.

- Direct credit facilities granted to and guaranteed by the government of Jordan as of December 31, 2010 amounted to USD 114.2 million, or 0.5% of total direct credit facilities.
- Non-performing direct credit facilities as of December 31, 2010 amounted to USD 1738.2 million, or 7.7% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of December 31, 2010 amounted to USD 1533 million, or 6.8% of net direct credit facilities.

The details of movement on interest and commissions in suspense are as follows:

USD '000

	2011					
	Retail	Corporates: Small and Medium	Corporates: Large	Banks and Financial Institutions	Govern-ment and Public Sector	Total
Balance at the beginning of the year	27 971	91 233	85 125	869	-	205 198
Interest and commission suspend-ed during the year	11 869	12 309	40 056	649	-	64 883
Interest and commission in suspense written off	(280)	(8 512)	(17 064)	-	-	(25 856)
Recoveries	(1 548)	(1 949)	(2 010)	-	-	(5 507)
Adjustments during the year	-	-	-	-	-	-
Translation adjustments	(242)	(260)	(352)	1	-	(853)
Balance at the end of the Year	**37 770**	**92 821**	**105 755**	**1 519**	**-**	**237 865**

USD '000

	2010 (Represented)					
	Retail	Corporates: Small and Medium	Corporates: Large	Banks and Financial Institutions	Govern-ment and Public Sector	Total
Balance at the beginning of the year	22 720	87 346	48 683	242	-	158 991
Interest and commission suspend-ed during the year	11 633	12 838	41 366	627	-	66 464
Interest and commission in suspense written off	(5 601)	(4 052)	(2 921)	-	-	(12 574)
Recoveries	(1 516)	(2 744)	(1 118)	-	-	(5 378)
Adjustments during the year	(511)	(1 152)	(1 569)	-	-	(3 232)
Translation adjustments	1 246	(1 003)	684	-	-	927
Balance at the end of the Year	**27 971**	**91 233**	**85 125**	**869**	**-**	**205 198**

The details of movement on the provision for impairment of direct credit facilities at amortized cost are as follows:

USD '000

	2011					
	Retail	Corporates		Banks and Financial Institutions	Govern-ment and Public Sector	Total
		Small and Medium	Large			
Balance at the beginning of the year	129 147	138 788	786 251	-	2 676	1 056 862
Effect of applying IFRS (9)	-	-	(87 082)	-	-	(87 082)
Balance at the beginning of the year - Adjusted	**129 147**	**138 788**	**699 169**	**-**	**2 676**	**969 780**
Impairment losses charged to income	30 222	25 948	405 476	3 290	199	465 135
Used from provision (written off)	(1 584)	(11 012)	(15 417)	-	-	(28 013)
Surplus in provision trans-ferred to statement of income	(7 513)	(8 110)	(14 190)	-	(381)	(30 194)
Adjustments during the year	-	293	(293)	-	-	-
Translation adjustments	(2 258)	2 191	(3 821)	-	(58)	(3 946)
Balance at the end of the Year	**148 014**	**148 098**	**1 070 924**	**3 290**	**2 436**	**1 372 762**

USD '000

	2010 (Represented)					
	Retail	Corporates		Banks and Financial Institutions	Govern-ment and Public Sector	Total
		Small and Medium	Large			
Balance at the beginning of the year	126 646	143 166	363 644	24 090	329	657 875
Impairment losses charged to income	35 341	24 605	441 437	21 195	1 147	523 725
Used from provision (written off)	(19 588)	(4 054)	(11 676)	(44 850)	-	(80 168)
Surplus in provision trans-ferred to statement of income	(15 446)	(14 607)	(18 682)	(982)	(617)	(50 334)
Adjustments during the year	4 213	(3 787)	26 261	-	1 819	28 506
Translation adjustments	(2 019)	(6 535)	(14 733)	547	(2)	(22 742)
Balance at the end of the Year	**129 147**	**138 788**	**786 251**	**-**	**2 676**	**1 056 862**

- Impairment is assessed based on individual customer accounts.

USD '000

13-Other financial assets at amortized cost

The details of this item based on IFRS 9 are as follows:

	December 31, 2011
Treasury bills and bonds	4 114 225
Government bonds	1 709 176
Corporate bonds	1 719 974
Less: Provision for impairment	(8 007)
Total	**7 535 368**

Analysis of bonds based on interest payments:

	December 31, 2011
Floating rate	1 274 305
Fixed rate	6 261 063
Total	**7 535 368**

Analysis of financial assets based on market quotation:

Financial assets quoted in the market:	December 31, 2011
Treasury bills and bonds	593 871
Government bonds	568 554
Corporate bonds	1 243 234
Total	**2 405 659**

Financial assets unquoted in the market:	December 31, 2011
Treasury bills and bonds	3 520 354
Government bonds	1 140 622
Corporate bonds	468 733
Total	**5 129 709**

The details of movement on the provision for impairment of other financial assets at amortized cost:	**2011**
Balance at the beginning of the year	23 764
Impairment losses charged to income	3 231
Used from provision (written off)	(18 713)
Translation adjustments	(275)
Balance at the end of the year	**8 007**

USD '000

14. Financial Assets - available for sale

The details of this item based on IAS 39 are as follows:

	December 31, 2010 (Represented)
Treasury bills and bonds	2 409 229
Government bonds	1 369 385
Corporate bonds	1 751 286
Shares	485 826
Total	**6 015 726**

* Among the financial assets-available for sale there are shares and mutual funds in the amount of USD 220.8 million represented at cost and treasury bills and bonds in the amount of USD 2 259 million .represented at cost or amortized cost, and that is due to the inability to measure the fair value sufficiently

Analysis of bonds based on interest payments:

	December 31, 2010 (Represented)
Floating rate	1 650 114
Fixed rate	3 879 786
Total	**5 529 900**

Analysis of financial assets based on market quotation:

Financial assets quoted in the market:	December 31, 2010 (Represented)
Treasury bills and bonds	736 939
Government bonds	442 142
Corporate bonds	1 574 537
Shares	330 777
Total	**3 084 395**

Financial assets unquoted in the market:	December 31, 2010 (Represented)
Treasury bills and bonds	1 672 290
Government bonds	927 243
Corporate bonds	176 749
Shares	155 049
Total	**2 931 331**

USD '000

15. Financial Assets - held to maturity

The details of this item based on IAS 39 are as follows:

	December 31, 2010
Treasury bills and bonds	509 161
Government bonds	176 912
Corporate bonds	613 831
Less: Provision for impairment	(23 764)
Total	**1 276 140**

Analysis of bonds based on interest payments:

	December 31, 2010
Floating rate	379 491
Fixed rate	896 649
Total	**1 276 140**

Analysis of financial assets based on market quotation:

Financial assets quoted in the market:	December 31, 2010
Treasury bills and bonds	436 743
Government bonds	172 656
Corporate bonds	539 460
Total	**1 148 859**

Financial assets unquoted in the market:	December 31, 2010
Treasury bills and bonds	72 418
Government bonds	4 256
Corporate bonds	50 607
Total	**127 281**

The details of movement on the provision for impairment of financial assets - held to maturity are as follows:	**2010**
Balance at the beginning of the year	25 844
Impairment losses charged to income	3 994
Transferred to income	(5 292)
Translation adjustments	(782)
Balance at the end of the Year	**23 764**

During the third quarter of the year 2008 and effective July 1,2008, the Group has reclassified certain investment in debt instruments with a book value of approximately USD 755 million out of "financial assets at fair value through profit or loss - held for trading" to "financial assets - held to maturity".

The Group was able to apply the fair values as at July 1, 2008 to determine the carrying value at the date of reclassification. If the reclassification had not occurred, a positive fair value movement of USD 930 thousand would have been recognized for the year ended on December 31, 2010. Interest income of USD 5.3 million has been recognized in the consolidated statement of income against these securities for the year ended on December 31, 2010.

The Group expects to recover the full par value against the reclassified securities on maturity. The average effective interest rate of these securities when reclassified was 5.6%.

The fair value of the reclassified securities is shown in the below table:

USD '000

	December 31, 2010	
	Fair Value	Book Value
Financial assets held to maturity at initial recognition	969 837	1 041 411
Financial assets reclassified to held to maturity	232 390	234 729
Total	**1 202 227**	**1 276 140**

16. Investment in Associates

The details of this item are as follows:

	December 31,					
	2011		2010			
	Ownership	Cost	Ownership	Cost	Place of In-corporation	Principal Activity
The Group's investments in associates:	%	USD '000	%	USD '000		
Turkland Bank A.Ş.	50.00	172 268	50.00	162 346	Turkey	Banking
Oman Arab Bank S.A.O.	49.00	204 903	49.00	162 682	Oman	Banking
Arab National Bank	40.00	1 817 001	40.00	1 700 042	Saudi Arabia	Banking
Arabia Insurance Company	36.79	37 423	36.79	38 878	Lebanon	Insurance
Other	Various	13 169	Various	13 861	Various	Various
Total		**2 244 764**		**2 077 809**		

The details of movement on investments in associates are as follows:

USD '000

	2011	**2010**
Balance at the beginning of the year	2 077 809	1 955 106
Purchase of additional investments	50 486	10 179
Group's share of profits for the year	265 860	239 208
Dividends received	(122 561)	(104 576)
Group's share of other changes in equity	(26 830)	(22 108)
Balance at the end of the Year	**2 244 764**	**2 077 809**

* The closing price of the Arab National Bank's share as of December 31, 2011 was Saudi Riyal 27.5 as quoted on Saudi Arabia Stock Exchange (Saudi Riyal 37.7 as of December 31,2010). However, due to matters relating to the ownership concentrations of the Arab National Bank, the closing price of the share may not necessarily represent its fair value.

The Group's share from assets, liabilities and revenue of associates are as follows:

USD '000

	2011	**2010**
Total Assets	14 691 273	14 206 188
Total Liabilities	12 530 725	12 225 015
Total Revenues	592 742	586 956

17. Fixed assets

USD '000

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Computers and Communication Equipment	Motor Vehicles	Leasehold Improvements	Total
Historical Cost:							
Balance at January 1, 2010(Represented)	51 787	329 718	141 751	81 545	14 008	102 800	721 609
Additions	8 947	85 626	16 271	24 364	1 376	15 307	151 891
Disposals	(843)	(4 202)	(3 850)	(3 999)	(2 687)	(6 739)	(22 320)
Adjustments during the year	(778)	4 217	4 779	15 657	2 299	(1 349)	24 825
Translation Adjustments	(1)	5 346	(703)	(945)	(114)	2 679	6 262
Balance at December 31, 2010(Represented)	**59 112**	**420 705**	**158 248**	**116 622**	**14 882**	**112 698**	**882 267**
Additions	9 782	9 263	22 352	2 233	1 683	17 342	62 655
Disposals	(1 735)	(31 711)	(8 318)	(5 588)	(1 674)	(26 853)	(75 879)
Translation Adjustments	-	878	(384)	(254)	(8)	-	232
Balance at December 31, 2011	**67 159**	**399 135**	**171 898**	**113 013**	**14 883**	**103 187**	**869 275**

Accumulated Depreciation :

	Land	Buildings	Furniture, Fixtures and Equipment	Computers and Communication Equipment	Motor Vehicles	Leasehold Improvements	Total
Balance at January 1, 2010(Represented)	-	61 336	92 288	52 732	7 898	24 703	238 957
Depreciation charge for the year	-	10 947	13 322	11 168	2 063	11 441	48 941
Disposals	-	(443)	(3 271)	(3 534)	(2 460)	(6 200)	(15 908)
Adjustments during the year	-	(3 165)	1 889	23 262	3 113	18 794	43 893
Translation adjustments	-	4 729	(133)	(479)	(60)	2 628	6 685
Balance at December 31, 2010(Represented)	**-**	**73 404**	**104 095**	**83 149**	**10 554**	**51 366**	**322 568**
Depreciation charge for the year	-	10 550	13 796	10 040	1 752	15 237	51 375
Disposals	-	(715)	(7 643)	(5 294)	(1 345)	(20 203)	(35 200)
Translation adjustments	-	318	(206)	(8)	(34)	(173)	(103)
Balance at December 31, 2011	**-**	**83 557**	**110 042**	**87 887**	**10 927**	**46 227**	**338 640**
Net Book Value as of December 31, 2011	**67 159**	**315 578**	**61 856**	**25 126**	**3 956**	**56 960**	**530 635**
Net Book Value as of December 31, 2010(Represented)	**59 112**	**347 301**	**54 153**	**33 473**	**4 328**	**61 332**	**559 699**

18. Other Assets

USD '000

The details of this item are as follows:

	December 31, 2011	December 31, 2010 (Represented)
Accrued interest receivable	220 501	204 948
Prepaid expenses	107 293	104 949
Foreclosed assets *	47 446	45 065
Items in transit	399	1 930
Miscellaneous assets	238 045	129 448
Total	**613 684**	**486 340**

* The Central Bank of Jordan instructions require disposal of these assets during a maximum period of two years from the date of Forclosure.

*** The details of movement on foreclosed assets are as follows:**

USD '000

2011	Land	Buildings	Total
Balance at the beginning of the year	5 096	39 969	45 065
Additions	2 981	7 312	10 293
Disposals	(2 745)	(4 692)	(7 437)
Impairment losses charged to income	(481)	(42)	(523)
Impairment loss-returned to profit	3	141	144
Translation adjustments	1	(97)	(96)
Balance at the end of the Year	**4 855**	**42 591**	**47 446**

USD '000

2010	Land	Buildings	Total
Balance at the beginning of the year	6 170	33 715	39 885
Additions	44	8 990	9 034
Disposals	(1 892)	(2 061)	(3 953)
Impairment losses charged to income	-	(845)	(845)
Impairment loss-returned to profit	18	251	269
Translation adjustments	756	(81)	675
Balance at the end of the Year	**5 096**	**39 969**	**45 065**

19. Deferred Tax Assets

Items attributable to deferred tax assets are as follows:

USD '000

	2011				
	Balance at the Beginning of the Year	Adjustments During the Year	Amounts Added	Amounts Released	Balance at the End of the Year
Provision for impairment - direct credit facilities	35 177	2 524	11 514	(4 898)	44 317
End-of-Service indemnity	46 829	422	5 669	(723)	52 197
Interest in suspense	6 984	-	4 180	(2 572)	8 592
Other provisions	39 118	(10 114)	13 744	(5 895)	36 853
Total	**128 108**	**(7 168)**	**35 107**	**(14 088)**	**141 959**

USD '000

	2010 (Represented)				
	Balance at the Beginning of the Year	Adjustments During the Year	Amounts Added	Amounts Released	Balance at the End of the Year
Provision for impairment - direct credit facilities	27 495	1 635	7 049	(1 002)	35 177
End-of-Service indemnity	37 428	-	12 002	(2 601)	46 829
Interest in suspense	6 516	-	2 989	(2 521)	6 984
Other provisions	57 686	1 011	9 616	(29 195)	39 118
Total	**129 125**	**2 646**	**31 656**	**(35 319)**	**128 108**

Deferred tax assets balances are as follows:

USD '000

	December 31,	
	2011	**2010** (Represented)
Provision for impairment - direct credit facilities	12 207	9 601
End-of-Service indemnity	14 538	12 656
Interest in suspense	2 009	1 593
Other provisions	9 633	9 887
Total	**38 387**	**33 737**

* Deferred tax results from temporary timing differences of the provisions not deducted for tax purposes in the current year or previous years. This is calculated according to the regulations of the countries where the Group operates. The Group will benefit from these amounts in the near future.

The details of movements on deferred tax assets are as follows:

USD '000

	2011	**2010** (Represented)
Balance at the beginning of the year	33 737	34 841
Additions during the year	4 209	7 955
Adjustments during the year	1 574	(113)
Amortized during the year	(1 133)	(8 946)
Balance at the end of the Year	**38 387**	**33 737**

20. Banks and Financial Institutions Deposits

USD '000

The details of this item are as follows:

	December 31,	
	2011	**2010** (Represented)
Current and demand	920 701	1 080 716
Time deposits maturing within 3 months	2 850 909	3 415 560
Time deposits maturing after 3 months and before 6 months	438 292	319 930
Time deposits maturing after 6 months and before 9 months	57 459	92 684
Time deposits maturing after 9 months and before one year	34 390	19 939
Time deposits maturing after one year	21 559	21 016
Total	**4 323 310**	**4 949 845**

21. Customer Deposits

The details of this item are as follows:

	December 31, 2011				
	Retail	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
Current and demand	5 439 224	1 580 295	2 122 826	455 078	9 597 423
Savings	2 145 076	20 452	8 377	204	2 174 109
Time and notice	8 503 993	951 017	4 174 162	2 858 643	16 487 815
Certificates of deposit	410 364	4 040	51 602	19 259	485 265
Total	**16 498 657**	**2 555 804**	**6 356 967**	**3 333 184**	**28 744 612**

- The government of Jordan and Jordanian public sector deposits amounted to USD 685.4 million, or 2.4% of total customer deposits at December 31, 2011.
- Non-interest bearing deposits amounted to USD 7889.8 million, or 27.4% of total customer deposits at December 31, 2011.
- Blocked deposits amounted to USD 502.9 million, or 1.7% of total customer deposits at December 31, 2011.
- Dormant deposits amounted to USD 242.6 million, or .8% of total customer deposits as at 31 December 2011.

USD '000

	Retail	Corporates: Small and Medium	Corporates: Large	Government and Public Sector	Total
	December 31, 2010(Represented)				
Current and demand	4 982 487	1 679 628	1 687 866	334 993	8 684 974
Savings	1 967 362	20 476	12 097	-	1 999 935
Time and notice	8 525 129	886 846	4 147 019	2 686 738	16 245 732
Certificates of deposit	395 231	17 650	7 642	103 530	524 053
Total	**15 870 209**	**2 604 600**	**5 854 624**	**3 125 261**	**27 454 694**

- The government of Jordan and Jordanian public sector deposits amounted to USD 525.9 million, or 1.9% of total customer deposits at December 31, 2010
- Non-interest bearing deposits amounted to USD 7317.2 million, or 26.7% of total customer deposits at December 31, 2010.
- Blocked deposits amounted to USD 383.9 million, or 1.4% of total customer deposits at December 31, 2010.
- Dormant deposits amounted to USD 273.2 million, or 1% of total customer deposits as at 31 December 2010.

22. Cash Margin

USD '000

The details of this item are as follows:

	December 31,	
	2011	**2010** (Represented)
Against direct credit facilities	2 491 660	2 679 845
Against indirect credit facilities	430 760	460 164
Against margin trading	7 290	1 089
Other cash margins	45 679	41 349
Total	**2 975 389**	**3 182 447**

23. Borrowed Funds

USD '000

The details of this item are as follows:

	December 31,	
	2011	**2010**
From banks and financial institutions *	810 412	817 438
Total	**810 412**	**817 438**

* In 2007, the Group issued a USD 500 million syndicated term loan to its favor through the external banking unit in Bahrain with a tenure of five years and paying LIBOR + 25 basis points.
The Group borrowed amounts from banks and financial institutions, as well issued syndicated term loans through the Arab Tunisian Bank for periods ranging from five years to thirteen years at different interest rate the lowest of which amounted to 2% and the highest to TMM plus 200 basis points (TMM + 200bp).
During 2010, the Group issued through Arab Bank Australia Limited a syndicated term loan of AUD 200 million for a term of three years paying interest equivalent to BBSW plus 47 basis points (BBSW + 47 bp). These bonds are guaranteed by the Australian Government at a cost of 100 basis points.
During the year 2010, the Group borrowed USD 5 million from the American Overseas Private Investment Corporation through the branches of Arab Bank plc in Jordan for a term of 25 years and paying fixed interest of 5.051%.

Analysis of borrowed funds according to interest payments is as follows:

USD '000

	December 31,	
	2011	**2010**
Floating rate	805 412	812 438
Fixed rate	5 000	5 000
Total	**810 412**	**817 438**

24. Provision for Income Tax

The details of this item are as follows:

USD '000

	2011	2010 (Represented)
Balance at the beginning of the year	213 340	206 575
Income tax expense for the year	166 326	179 232
Income tax paid	(181 761)	(172 467)
Balance at the end of the Year	**197 905**	**213 340**

Income tax expense charged to the consolidated statement of income consists of the following:

USD '000

	2011	2010 (Represented)
Income tax expense for the year	166 326	179 232
Effect of deferred tax assets	(4 445)	(2 217)
Total	**161 881**	**177 015**

In Jordan, banks are subject to corporate income tax at a rate of 30%, moreover, the tax rate in the countries where the Group has branches and subsidiaries is ranging between 0 to 40%.

25. Other Provisions

The details of this item are as follows:

USD '000

	2011					
	Balance at the Beginning of the Year	Addition during the Year	Utilized during the Year	Returned to Income	Translation Adjust-ments	Balance at the End of the Year
End-of-service indemnity	90 453	11 988	(4 406)	(296)	361	98 100
Legal cases	7 686	885	(194)	(425)	(31)	7 921
Other	35 218	3 521	(12 385)	(145)	(860)	25 349
Total	**133 357**	**16 394**	**(16 985)**	**(866)**	**(530)**	**131 370**

USD '000

	2010(Represented)					
	Balance at the Beginning of the Year	Addition during the Year	Utilized during the Year	Returned to Income	Translation Adjust-ments	Balance at the End of the Year
End-of-service indemnity	85 450	11 913	(7 096)	(92)	278	90 453
Legal cases	4 699	4 183	(294)	(994)	92	7 686
Other	32 937	831	(16 972)	(253)	18 675	35 218
Total	**123 086**	**16 927**	**(24 362)**	**(1 339)**	**19 045**	**133 357**

26. Other Liabilities

The details of this item are as follows:

USD '000

	December 31,	
	2011	2010 (Represented)
Accrued interest payable	131 020	121 992
Notes payable	158 007	132 925
Interest and commission received in advance	135 250	103 041
Accrued expenses	66 267	58 707
Other miscellaneous liabilities	202 902	174 837
Total	**693 446**	**591 502**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Deferred Tax Liabilities

Items attributable to deferred tax assets are as follows:

USD '000

	2011				
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjust-ments during the Year	Balance at the End of the Year
Investement revaluation reserve / cumulative change in fair value of available-for-sale financial assets	51 096	13 953	(29 410)	9 539	45 178
Retained earnings	591	2 604	(6 651)	11 822	8 366
Other	4 838	513	(456)	(4 025)	870
Total	**56 525**	**17 070**	**(36 517)**	**17 336**	**54 414**

USD '000

	2010				
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjust-ments during the Year	Balance at the End of the Year
Cumulative change in fair value of available-for-sale financial assets	78 798	24 812	(48 415)	(4 099)	51 096
Retained earnings	65	-	(1 724)	2 250	591
Other	5 849	-	(526)	(485)	4 838
Total	**84 712**	**24 812**	**(50 665)**	**(2 334)**	**56 525**

USD '000

The balance of deferred tax liabilities is as follows:	December 31,	
	2011	2010
Investement revaluation reserve / cumulative change in fair value of available-for-sale financial assets	13 556	16 561
Retained earnings	1 456	130
Other	87	736
Total	**15 099**	**17 427**

USD '000

The details of movements on deferred tax liabilities are as follows:	**2011**	**2010**
Balance at the beginning of the year	17 427	21 474
Additions during the year	133	1 960
Amortized during the year	(2 461)	(6 007)
Balance at the End of the Year	**15 099**	**17 427**

28. Share Capital

A. The subscribed and paid-up capital amounted to USD 776.027 million as of 31 December 2011 and 2010.

B. Share premium amounted to USD 1225.747 million as of December 31, 2011 (USD 1225.747million as at 31 December 2010).

29. Statutory Reserve

- Statutory reserve amounted to USD 529.652 million as of end of December 2011 (USD 482.547 million as of 31 December 2010) and cannot be distributed to shareholders

30. Voluntary Reserve

- The voluntary reserve amounted to USD 977.315 million as at December 31, 2011 (USD 977.315 million as at December 31, 2010). This reserve is used for purposes determined by the Board of Directors and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

31. General Banking Risks Reserve

- The general banking risk reserve amounted to USD 363.458 million as at December 31, 2011 (USD 363.458 million as at December 31, 2010) and it is available for use in accordance with certain procedures, including the approval of the Central Bank of Jordan and the General Assembly, only when the amount of that reserve exceeds the minimum amount set or required according to the instructions of the relevant banking authorities.

32. Investment Revaluation Reserve

USD '000

The details of this item are as follows:

	2011			
	Shares	Bonds	Derivatives	Total
Balance at the beginning of the year	38 244	(51 304)	(516)	(13 576)
Effect of adoption of IFRS 9	12 306	51 304	-	63 610
Change in fair value during the year	(90 240)	-	516	(89 724)
Net realized loss transferred to retained earning	688	-	-	688
Balance at the End of the Year	**(39 002)**	**-**	**-**	**(39 002)**

USD '000

	2010			
	Shares	Bonds	Derivatives	Total
Balance at the beginning of the year	56 733	(95 441)	-	(38 708)
Change in fair value during the year	19 631	921	(516)	20 036
Net realized (gains) losses transferred to income	(40 292)	42 404	-	2 112
Impairment losses charged to income	936	-	-	936
Translation adjustments	1 236	812	-	2 048
Balance at the End of the Year	**38 244**	**(51 304)**	**(516)**	**(13 576)**

* Cumulative change in fair value of available-for-sale financial assets is stated net of deferred tax liabilities in the amount of USD 13.6 million as at December 31, 2011 (USD 16.6 million as at December 31, 2010).

33. Retained Earnings

USD '000

The details of this item are as follows:

	December 31,	
	2011	**2010** (Represented)
Balance at the beginning of the year	279 567	222 328
Effect of adoption of IFRS (9)	(202 370)	-
Adjusted balance at the beginning of the year	**77 197**	**222 328**
Profit for the year Attributable to Shareholders of the Bank	292 177	251 016
Investments revaluation reserve transferred to retained earnings	(688)	-
Paid dividends	(156 251)	(162 932)
Appropriation to reserves	(47 105)	(30 845)
Balance at the End of the Year *	**165 330**	**279 567**

* Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances, amounted to USD 1.6 million as of December 31, 2011 as a result of the adoption of certain International Financial Reporting Standards (USD 1.3 million as of December 31, 2010).

* In 2011, Arab Bank PLC Board of Directors recommend a 25% of capital as cash dividend, equivalent to USD 188.2 million. This proposal is subject to the approval of the General Assembly of shareholders (USD 150.6 million for the year 2010 equivalent to 20% of paid-up capital).

34. Interest Income

USD '000

The details of this item are as follows:

	2011	2010 (Represented)
Direct credit facilities at amortized cost *	1 105 952	1 051 244
Central banks	80 255	81 312
Banks and financial institutions	21 033	47 906
Financial assets at FVTPL	27 812	-
Other financial assets at amortized cost	388 595	-
Financial assets at FVTPL - held for trading	-	9 620
Financial assets designated as at FVTPL	-	11 517
Financial assets-available for sale	-	259 625
Financial assets-held to maturity	-	106 960
Total	**1 623 647**	**1 568 184**

USD '000

* The details of interest income earned on direct credit facilities at amortized cost are as follows:

2011

	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Discounted bills	4 247	12 696	23 663	4 969	865	46 440
Overdrafts	8 336	39 076	166 691	-	19 313	233 416
Loans and advances	121 132	107 806	432 292	9 789	39 309	710 328
Real estate loans	82 928	17 352	749	-	-	101 029
Credit cards	14 739	-	-	-	-	14 739
Total	**231 382**	**176 930**	**623 395**	**14 758**	**59 487**	**1 105 952**

USD '000

2010 (Represented)

	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Discounted bills	7 213	14 975	28 945	1 121	504	52 758
Overdrafts	6 600	39 977	152 017	16	16 424	215 034
Loans and advances	125 089	98 302	414 038	13 351	39 329	690 109
Real estate loans	61 595	18 232	137	-	-	79 964
Credit cards	13 379	-	-	-	-	13 379
Total	**213 876**	**171 486**	**595 137**	**14 488**	**56 257**	**1 051 244**

35. Interest Expense

USD '000

The details of this item are as follows:

	2011	2010 (Represented)
Customer deposits *	511 183	482 979
Banks and financial institutions	69 423	83 523
Cash margins	49 730	45 870
Borrowed funds	20 372	8 050
Deposit insurance fees	16 222	14 449
Total	**666 930**	**634 871**

* Interest expense charged to income on customers' deposits is as follows:

USD '000

2011

	Retail	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
Current and demand	4 736	2 019	9 047	1 909	17 711
Savings	44 988	196	61	-	45 245
Time and notice	226 894	32 651	98 508	50 434	408 487
Certificates of deposit	31 505	845	1 858	5 532	39 740
Total	**308 123**	**35 711**	**109 474**	**57 875**	**511 183**

USD '000

2010 (Represented)

	Retail	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
Current and demand	3 899	2 542	10 920	1 212	18 573
Savings	39 750	125	127	-	40 002
Time and notice	220 578	31 524	96 708	38 720	387 530
Certificates of deposit	25 600	1 497	1 341	8 436	36 874
Total	**289 827**	**35 688**	**109 096**	**48 368**	**482 979**

USD '000

36. Net Commission Income

The details of this item are as follows:

	2011	2010 (Represented)
Commission income:		
- Direct credit facilities	83 204	66 581
- Indirect credit facilities	152 283	144 015
- Fiduciary deposits	14 090	16 106
- Other	72 440	76 451
Less: commission expense	(18 595)	(16 595)
Net Commission Income	**303 422**	**286 558**

37.(Loss) from Financial Assets at Fair Value Through Profit or Loss

The details of this item are as follows:

USD '000

	2011			
	Realized Gains	Unrealized (Losses)	Dividends	Total
Treasury bills and bonds	7 528	(22 253)	-	(14 725)
Shares	2 012	(13 316)	3 131	(8 173)
Total	**9 540**	**(35 569)**	**3 131**	**(22 898)**

38.(Loss) from Investments

A.(Loss) from financial assets at fair value through profit or loss - held for trading

USD '000

	2010			
	Realized Gains	Unrealized (Losses)	Dividends	Total
Treasury bills and bonds	1 382	(5 874)	-	(4 492)
Shares	25	(387)	1 008	646
Total	**1 407**	**(6 261)**	**1 008**	**(3 846)**

B.(Loss) from financial assets at fair value through profit or loss - designated

USD '000

	2010			
	Realized Gains	Unrealized (Losses)	Dividends	Total
Loans and Government and Corporate Bonds	54	(9 172)	-	(9 118)
Total	**54**	**(9 172)**	**-**	**(9 118)**

C. Gain from Financial Assets - Available for Sale

USD '000

	2010 (Represented)
Gain from sale of financial assets	65 554
Dividend revenue	6 961
Less: Impairment losses	(2 744)
Total	**69 771**

USD '000

39. Other Revenue

The details of this item are as follows:

	2011	2010 (Represented)
Revenue from customer services	18 385	21 004
Safe box rent	2 306	2 529
(Loss) from derivatives	(2 350)	(1 409)
Miscellaneous revenue	27 675	20 753
Total	**46 016**	**42 877**

40. Employees' Expenses

USD '000

The details of this item are as follows:

	2011	2010 (Represented)
Salaries and benefits	294 813	283 588
Social security	23 598	22 919
Savings fund	4 956	4 743
Indemnity compensation	7 459	4 686
Medical	8 556	8 482
Training	2 387	2 444
Allowances	38 636	36 363
Other	13 161	12 861
Total	**393 566**	**376 086**

41. Other Expenses

USD '000

The details of this item are as follows:

	2011	2010 (Represented)
Occupancy	56 161	54 876
Office	65 739	65 946
Services	78 821	74 563
Fees	12 263	15 945
Information technology	27 335	27 991
Other administrative expenses	18 501	38 652
Total	**258 820**	**277 973**

42. Financial Derivatives

The details of this item are as follows:

USD '000

	December 31,	
	2011	**2010**
Forward contracts	307 695	297 510
Interest rate swaps	1 847 562	2 601 395
Foreign currency forward contracts	7 521 801	7 895 846
Total	**9 677 058**	**10 794 751**

The details of financial derivatives are as follows:

USD '000

	December 31, 2011						
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Notional amounts by maturity			
				Within 3 Months	From 3 Months to 1 Year	From 1 Year to 3 Years	More than 3 Years
Forward rate agreements	2 722	3 328	307 695	134 754	82 542	53 268	37 131
Interest rate swaps	26 493	38 180	1 395 891	25 847	203 030	839 518	327 496
Currency forward contracts	28 802	18 791	7 177 411	3 355 157	3 815 615	6 639	-
Derivatives held for trading	**58 017**	**60 299**	**8 880 997**	**3 515 758**	**4 101 187**	**899 425**	**364 627**
Interest rate swaps	(5 191)	393	277 431	28 350	4 400	115 000	129 681
Currency forward contracts	-	-	118 140	38 956	79 184	-	-
Derivatives held for fair value hedge	**(5 191)**	**393**	**395 571**	**67 306**	**83 584**	**115 000**	**129 681**
Interest rate swaps	37	3 865	174 240	25 217	18 155	104 089	26 779
Currency forward contracts	398	363	226 250	226 250	-	-	-
Derivatives held for cash flow hedge	**435**	**4 228**	**400 490**	**251 467**	**18 155**	**104 089**	**26 779**
Total	**53 261**	**64 920**	**9 677 058**	**3 834 531**	**4 202 926**	**1 118 514**	**521 087**

The notional amount represents the value of the transactions at year-end and does not refer to market or credit risks.

	December 31, 2010						USD '000
				Notional amounts by maturity			
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 Months to 1 Year	From 1 Year to 3 Years	More than 3 Years
Forward rate agreements	528	949	297 510	65 061	85 597	146 852	-
Interest rate swaps	49 934	56 298	1 907 929	358 878	278 483	989 607	280 961
Currency forward contracts	16 343	30 093	6 455 252	6 194 063	207 728	53 461	-
Derivatives held for trading	**66 805**	**87 340**	**8 660 691**	**6 618 002**	**571 808**	**1 189 920**	**280 961**
Interest rate swaps	(1 318)	1 764	265 094	71 384	-	193 710	-
Currency forward contracts	-	-	104 197	42 355	61 671	-	171
Derivatives held for fair value hedge	**(1 318)**	**1 764**	**369 291**	**113 739**	**61 671**	**193 710**	**171**
Interest rate swaps	149	1 111	428 372	240 860	49 798	103 709	34 005
Currency forward contracts	3 389	3 216	1 336 397	1 336 397	-	-	-
Derivatives held for cash flow hedge	**3 538**	**4 327**	**1 764 769**	**1 577 257**	**49 798**	**103 709**	**34 005**
Total	**69 025**	**93 431**	**10 794 751**	**8 308 998**	**683 277**	**1 487 339**	**315 137**

The notional amount represents the value of the transactions at year-end and does not refer to market or credit risks.

43 - Business Segments

Description of Segments Activities

The Group has an integrated group of products and services dedicated to serve the Group's customers and constantly developed in response to the ongoing changes in the banking business environment, and related state-of-the-art tools.

The following is a summary of these groups' activities stating their business nature and future plans:

1. Corporate & Investment Banking

This group provides banking services and finances to the following: corporate sector, private projects, foreign trading, small and medium sized projects, and banks and financial institutions.

2. Treasury Group

This group is considered a source of financing for the Group, in general, and for the strategic business units in particular. It steers the financing of the Group, and manages both the Group's cash liquidity and market risks.

Moreover, this group is responsible for the management of the Group's assets and liabilities within the frame set by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal transfer prices within the Group's departments, in addition to being a central unit for the financial organization and main dealing in the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money market instruments.
- Certificates of deposits.
- Interest rate swaps.
- Other various derivatives.
- Stocks.

3. The Elite

During the year 2009, the Group consolidated its services provided to high-networth customers with those provided to the Elite within the retail domain in order to enhance the Group's onshore services and products offered to customers in the countries where it operates. At the same time, the Group transfers ownership of the offshore activities to Arab Bank (Switzerland) Ltd.

The most significant objective of the ultimate work model is to reinforce the Group's ability to benefit from the distribution channels relating to the Elite and retail activities in a more efficient manner so as to fulfill the needs of all types of clients of the Group.

This will be through transferring the Group's offshore activities to Arab Bank (Switzerland) Ltd as it is the arm dedicated to dealing with all requirements of the external activities of the Group's high-networth clients.

4. Retail Banking Group

This group provides banking services to individuals, and endeavors to meet their financial services needs using the best methods, through effective distribution channels, and a variety of product services. Moreover, this group is in direct and close contact with the customers in order to provide them with timely and continuous services through different electronic channels, such as direct phone calls, the internet, and text messaging via cellular phones. Expansion of the communication center to cover all locations for incoming and outgoing services will enable the Group to provide exceptional services to customers.

Information about the Group's Business Segments

USD '000

	December 31, 2011					
	Corporate Banking	Treasury	Elite	Retail Banking	Other	Total
Total income	796 072	444 602	(122 787)	192 111	315 288	1 625 286
Net inter-segment interest income	(106 514)	(148 472)	173 292	81 694	-	-
Provision for impairment - direct credit facilities at amortized cost	177 883	-	1 268	32 290	223 500	434 941
Other provisions	6 597	204	41	3 333	8 584	18 759
Direct administrative expenses	166 285	21 747	14 738	139 921	6 157	348 848
Result of operations of segments	**338 793**	**274 179**	**34 458**	**98 261**	**77 047**	**822 738**
Indirect expenses on segments	175 271	67 351	22 775	117 778	(28 262)	354 913
Profit for the year before income tax	**163 522**	**206 828**	**11 683**	**(19 517)**	**105 309**	**467 825**
Income tax expense	51 108	45 757	6 833	6 355	51 828	161 881
Profit(Loss) for the Year	**112 414**	**161 071**	**4 850**	**(25 872)**	**53 481**	**305 944**
Depreciation and amortization	17 677	2 634	1 193	29 871	-	51 375
Other information						
Segment assets	20 395 992	18 986 469	478 838	2 585 575	921 573	43 368 447
Inter-segment assets	-	1 175 785	8 640 210	4 684 763	5 379 928	-
Investment in associates	-	-	-	-	2 244 764	2 244 764
TOTAL ASSETS	**20 395 992**	**20 162 254**	**9 119 048**	**7 270 338**	**8 546 265**	**45 613 211**
Segment liabilities	16 993 929	3 683 631	9 119 048	7 270 338	889 517	37 956 463
Capital and reserves	-	-	-	-	7 656 748	7 656 748
Inter-segment liabilities	3 402 063	16 478 623	-	-	-	-
TOTAL LIABILITIES AND OWNERS' EQUITY	**20 395 992**	**20 162 254**	**9 119 048**	**7 270 338**	**8 546 265**	**45 613 211**

Information about the Group's Business Segments

USD '000

	December 31, 2010(Represented)					
	Corporate Banking	Treasury	Elite	Retail Banking	Other	Total
Total income	785 975	421 090	(122 474)	189 449	364 414	1 638 454
Net inter-segment interest income	(93 091)	(177 992)	182 337	88 746	-	-
Provision for impairment - direct credit facilities	446 243	-	7	27 141	-	473 391
Other provisions	3 179	208	67	2 637	8 199	14 290
Direct administrative expenses	156 774	20 654	16 836	134 797	-	329 061
Result of operations of segments	**86 688**	**222 236**	**42 953**	**113 620**	**356 215**	**821 712**
Indirect expenses on segments	153 289	51 149	24 835	111 594	33 072	373 939
Profit for the year before income tax	**(66 601)**	**171 087**	**18 118**	**2 026**	**323 143**	**447 773**
Income tax expense	52 714	39 699	12 973	4 811	66 818	177 015
Profit (Loss) for the Year	**(119 315)**	**131 388**	**5 145**	**(2 785)**	**256 325**	**270 758**
Depreciation and amortization	12 303	2 839	1 107	32 692	-	48 941
Other information						
Segment assets	20 859 345	18 506 248	374 491	2 294 632	1 150 008	43 184 724
Inter-segment assets	-	1 410 638	8 508 976	4 513 601	5 110 847	-
Investment in associates	-	-	-	-	2 077 809	2 077 809
TOTAL ASSETS	**20 859 345**	**19 916 886**	**8 883 467**	**6 808 233**	**8 338 664**	**45 262 533**
Segment liabilities	17 662 467	3 569 702	8 883 467	6 808 233	529 612	37 453 481
Capital and reserves	-	-	-	-	7 809 052	7 809 052
Inter-segment liabilities	3 196 878	16 347 184	-	-	-	-
TOTAL LIABILITIES AND OWNERS' EQUITY	**20 859 345**	**19 916 886**	**8 883 467**	**6 808 233**	**8 338 664**	**45 262 533**

44 . Banking Risk Management

The Group manages its various risks by methods within a comprehensive strategy that defines the risks and the related methods to meet them and mitigate them. Risk management is exercised at several levels including the Board of Directors, Chief Executive Officer, Asset and Liability Management Committee (ALCO), Group Chief Financial Officer, Global Treasury, Head of Departments, Group Risk Management, Group Internal Audit, the Strategic Business Units and other supporting units and committees at different managerial levels.

The following illustrates the Groups methods in managing its various risks:

a. Credit Risk Management

Credit risk refers to the risk that the customer / counterparty will default on its contractual obligation resulting in financial insolvency or/and loss to the Group. Credit risks arise in the course of the normal activities of the Group.

In pursuit of improving the size of businesses and increasing the loans and facilities portfolio, the Group adopts the highest credit standards and best methods and techniques on credit management, thus maintaining the high quality and variety of the credit portfolio.

Moreover, the Group enforces the corporate framework that governs credit management through continuously developing and upgrading the related policies and procedures.

- Credit Concentration

  The Group's credit concentration is subject to specific limits set by the Central Bank of Jordan which requires that credit concentration should not exceed 25% of regulatory capital.

- Criteria for Credit Ratings

  1) Borrower's Strength

  The borrowers' strength is measured based on the nature of the economic sector, competitiveness, operating performance, cash flow, financial position and management.

  2) Credit Risk Classification

  Credit risk classification is measured on the basis of guarantees, structure of the loan, duration and collateral.

- Risk Mitigation

  The Group offers the appropriate facilities structure, monitors and follows up on the utilization of the facilities and obtains proper collaterals (as a second source of payment) to mitigate credit risks.

- Credit Facilities Analysis

  The Group has independent managerial units in charge of studying, monitoring, and following up on credit utilization and repayment of facilities. These units are the credit relationships development unit, analysis unit, execution unit and monitoring unit.

b. Geographic Concentration Risk

The Group reduces the geographic concentration risk through distributing its operations over various sectors and various geographic locations inside and outside the Kingdom.

Note (46 e) shows the details of the geographical distribution of assets.

c. Interest Rate Risk

Interest rate risk arises from potential changes in interest rates. The Group has several committees, with duties to mitigate these risks to the minimum. Note (48) shows the details of the interest gap sensitivity of the Group.

d. Liquidity Risk

Liquidity risk is defined as the inability to raise adequate funds to meet either the Group's short-term or long-term obligations. The Group has several managerial levels, with duties to review and manage assets, liabilities and liquidity. Note (49) shows the maturities of the assets and liabilities of the Group.

e. Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The major part of income from foreign currency exchange differences comes from dealing with the Group's customers. Moreover, the Group follows studied policies in managing its foreign currencies risks. Note (50) shows the net positions of foreign currencies.

f. Market Risk

Market risk is defined as the potential loss in the value of financial instruments. The Group manages this risk through several units that supervise, monitor, and manage these risks.

The Group continuously follows up on developments and changes in the global financial markets, and implements procedures designed to mitigate those risks through applying several methods, such as entering into hedges and swaps when needed. Note (47) shows the details of market risk sensitivity analysis.

g. Operational Risk

Operational risk is defined as the loss incurred by the Group due to disorder in work policies or procedures, personnel, automated systems, technological infrastructure, in addition to external accidents. Such risk is measured through statistical methodologies compatible with the Group's operations.

USD '000

45. Concentration of Assets Revenues and According to Geographical Distribution

The Group undertakes its banking activities through its branches in Jordan and abroad. The following are the details of the distribution of assets and revenues inside and outside Jordan:

	December 31,	
Assets		
	2011	**2010** (Represented)
Inside Jordan	10 348 125	10 393 819
Outside Jordan	35 265 086	34 868 714
Total	**45 613 211**	**45 262 533**
Revenues		
Inside Jordan	366 876	365 864
Outside Jordan	1 258 410	1 272 590
Total	**1 625 286**	**1 638 454**

46. Credit Risk

USD '000

A. Gross exposure to credit risk (net of impairment provisions and prior to other risk collaterals):

	December 31,	
	2011	**2010**
Credit risk exposures relating to assets:		(Represented)
Balances with central banks	7 445 524	7 277 935
Balances with banks and financial institutions	4 084 882	4 574 302
Deposits with banks and financial institutions	175 793	225 849
Financial assets at fair value through profit or loss	770 870	-
Financial assets at fair value through profit or loss - held for trading	-	340 514
Financial assets at fair value through profit or loss - designated	-	224 927
Financial derivatives - positive fair value	53 261	69 025
Direct credit facilities at amortized cost	**20 954 633**	**21 346 936**
Retail	3 196 876	2 929 309
Corporates (Small and medium)	2 579 458	2 600 178
Corporates (Large)	13 584 134	13 993 585
Banks and financial institutions	369 463	395 468
Government and public sector	1 224 702	1 428 396
Financial assets-available for sale	-	5 529 900
Other financial assets at amortized cost	7 535 368	-
Financial assets-held to maturity	-	1 276 140
Other assets	327 794	309 897
Credit risk exposures relating to items off the statement of financial position:		
Letters of credit	2 381 202	1 991 506
Acceptances	777 922	485 798
Letters of guarantees	13 284 272	13 140 527
Unused credit facilities	3 160 799	3 528 178
Total	**60 952 320**	**60 321 434**

B. Classification of direct credit facilities at amortized cost based on credit risk:

The table below shows the amount of direct credit facilities for each internal credit scoring.

USD '000

	December 31, 2011					
	Retail	Corporates: Small and Medium	Corporates: Large	Banks and Financial Institutions	Government and Public Sector	Total
Low risk	**1 206 533**	**1 524 845**	**1 645 419**	**154 191**	**917 702**	**5 448 690**
Acceptable risk	**1 978 164**	**908 563**	**11 592 464**	**206 924**	**307 956**	**14 994 071**
Due:	36 768	82 863	297 044	-	-	416 675
- Up to 30 days	29 175	72 778	253 709	-	-	355 662
- 31 - 60 days	7 593	10 085	43 335	-	-	61 013
Watch list	**25 902**	**50 232**	**446 691**	**13 157**	**-**	**535 982**
Non-performing:	**172 061**	**336 737**	**1 076 239**	**-**	**1 480**	**1 586 517**
- Substandard	23 845	76 745	62 005	-	-	162 595
- Doubtful	23 841	21 111	602 423	-	-	647 375
- Problematic	124 375	238 881	411 811	-	1 480	776 547
Total	**3 382 660**	**2 820 377**	**14 760 813**	**374 272**	**1 227 138**	**22 565 260**
Less: interest in suspense	37 770	92 821	105 755	1 519	-	237 865
Less: provision for impairment	148 014	148 098	1 070 924	3 290	2 436	1 372 762
Total	**3 196 876**	**2 579 458**	**13 584 134**	**369 463**	**1 224 702**	**20 954 633**

USD '000

	December 31, 2010 (Represented)					
	Retail	Corporates: Small and Medium	Corporates: Large	Banks and Financial Institutions	Government and Public Sector	Total
Low risk	**1 161 334**	**1 582 225**	**2 008 809**	**352 638**	**1 181 013**	**6 286 019**
Acceptable risk	**1 735 661**	**903 788**	**11 093 460**	**43 589**	**243 355**	**14 019 853**
Due:	30 514	45 785	66 870	-	16 408	159 577
- Up to 30 days	19 483	29 176	41 904	-	16 408	106 971
- 31 - 60 days	11 031	16 609	24 966	-	-	52 606
Watch list	**28 899**	**60 342**	**470 571**	**-**	**5 028**	**564 840**
Non-performing:	**160 533**	**283 814**	**1 292 121**	**110**	**1 676**	**1 738 254**
- Substandard	24 203	24 372	66 680	-	18	115 273
- Doubtful	24 174	26 567	686 311	-	26	737 078
- Problematic	112 156	232 875	539 130	110	1 632	885 903
Total	**3 086 427**	**2 830 199**	**14 864 961**	**396 337**	**1 431 072**	**22 608 996**
Less: interest in suspense	27 971	91 233	85 125	869	-	205 198
Less: provision for impairment	129 147	138 788	786 251	-	2 676	1 056 862
Total	**2 929 309**	**2 600 178**	**13 993 585**	**395 468**	**1 428 396**	**21 346 936**

C. Fair value of collaterals obtained against direct credit facilities at amortized cost:

USD '000

December 31, 2011

	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Collaterals against direct credit facilities of:						
Low risk	**682 578**	**1 912 680**	**1 213 248**	**-**	**238 566**	**4 047 072**
Acceptable risk	**803 339**	**552 449**	**6 342 691**	**8 454**	**9 778**	**7 716 711**
Past due	25 683	96 619	14 037	-	-	136 339
Watch list	**18 543**	**37 273**	**307 778**	**-**	**-**	**363 594**
Non-performing:	**38 780**	**150 357**	**158 053**	**-**	**14**	**347 204**
- Substandard	14 107	82 793	14 635	-	-	111 535
- Doubtful	6 284	9 021	29 605	-	-	44 910
- Problematic	18 389	58 543	113 813	-	14	190 759
Total	**1 568 923**	**2 749 378**	**8 035 807**	**8 454**	**248 358**	**12 610 920**
Of which:						
Cash margin	444 830	678 748	1 064 576	-	39 441	2 227 595
Accepted letters of guarantees	14 999	72 364	1 421 771	1 089	60 364	1 570 587
Real estate properties	86 226	884 462	2 571 159	6 990	-	3 548 837
Listed securities	48 485	9 012	554 930	375	1 350	614 152
Vehicles and equipment	91 153	48 855	526 781	-	-	666 789
Other	883 230	1 055 937	1 896 590	-	147 203	3 982 960
Total	**1 568 923**	**2 749 378**	**8 035 807**	**8 454**	**248 358**	**12 610 920**

C. Fair value of collaterals obtained against direct credit facilities at amortized cost:

	December 31, 2010 (Represented)					USD '000
		Corporates				
	Retail	Small and Medium	Large	Banks and Financial Institutions	Govern-ment and Public Sector	Total
Collaterals against direct credit facilities of:						
Low risk	**457 269**	**1 354 687**	**1 299 544**	**-**	**168 477**	**3 279 977**
Acceptable risk	**662 289**	**543 960**	**5 709 857**	**13 255**	**3 273**	**6 932 634**
Past due	11 049	73 651	166 346	-	-	251 046
Watch list	**14 629**	**40 830**	**100 440**	**-**	**-**	**155 899**
Non-performing:	**42 609**	**48 064**	**305 059**	**-**	**15**	**395 747**
- Substandard	14 652	10 903	25 706	-	-	51 261
- Doubtful	11 137	5 655	55 763	-	-	72 555
- Problematic	16 820	31 506	223 590	-	15	271 931
Total	**1 187 845**	**2 061 192**	**7 581 246**	**13 255**	**171 765**	**11 015 303**
Of which:						
Cash margin	227 842	185 003	1 048 880	-	26 691	1 488 416
Accepted letters of guar-antees	3 002	21 843	1 371 043	-	7 618	1 403 506
Real estate properties	77 814	817 324	3 290 378	12 076	-	4 197 592
Listed securities	21 380	42 002	481 086	1 179	1 923	547 570
Vehicles and equipment	74 684	29 201	775 057	-	-	878 942
Other	783 123	965 819	614 802	-	135 533	2 499 277
Total	**1 187 845**	**2 061 192**	**7 581 246**	**13 255**	**171 765**	**11 015 303**

D. Classification of debt securities based on credit risk:

The table below analyzes the credit exposure of debt securities using the rating by global credit rating agencies.

USD '000

Credit rating	December 31, 2011 Financial assets at fair value through Profit or loss	Other financial assets at amortized cost	Total
Private sector:			
AAA to A-	392 298	1 322 124	1 714 422
BBB+ to B-	-	267 025	267 025
Below B-	1 892	13 901	15 793
Unrated	182 457	108 917	291 374
Governments and public sector	194 223	5 823 401	6 017 624
Total	**770 870**	**7 535 368**	**8 306 238**

USD '000

Credit rating	December 31, 2010 (Represented) Financial assets at fair value through Profit or loss - Held for trading	Financial assets at fair value through Profit of loss - Designated	Financial Assets - Available for Sale	Financial Assets - Held to Maturity	Total
Private sector:					
AAA to A-	239 301	128 525	994 744	468 406	1 830 976
BBB+ to B-	17 798	5 200	646 185	79 896	749 079
Below B-	-	-	-	-	-
Unrated	-	65 493	110 357	41 765	217 615
Governments and public sector	83 415	25 709	3 778 614	686 073	4 573 811
Total	**340 514**	**224 927**	**5 529 900**	**1 276 140**	**7 371 481**

E. Credit exposure categorized by geographical region:

USD '000

	December 31, 2011						
	Jordan	Other Arab countries	Asia *	Europe	America	Rest of the World	Total
Balances with central banks	3 692 051	1 921 069	329	1 832 075	-	-	7 445 524
Balances and deposits with banks and financial institutions	201 041	1 562 688	284 777	1 709 605	491 079	11 485	4 260 675
Financial assets at fair value through profit or loss	17 471	277 797	29 699	419 569	2 726	23 608	770 870
Direct credit facilities at amortized cost	5 116 646	14 059 140	334 326	1 014 018	261 572	168 931	20 954 633
Other financial assets at amortized cost	2 141 913	3 682 780	61 618	787 565	457 942	403 550	7 535 368
Other assets	89 484	153 645	36 145	47 884	242	53 655	381 055
Total	**11 258 606**	**21 657 119**	**746 894**	**5 810 716**	**1 213 561**	**661 229**	**41 348 125**

USD '000

	December 31, 2010(Represented)						
	Jordan	Other Arab countries	Asia *	Europe	America	Rest of the World	Total
Balances with central banks	4 043 511	2 645 913	197	577 967	-	10 347	7 277 935
Balances and deposits with banks and financial institutions	10 502	136 968	71 394	4 369 508	66 840	144 939	4 800 151
Financial assets at fair value through profit or loss - held for trading	16 551	64 956	-	243 439	1 807	13 761	340 514
Financial assets at fair value through profit or loss - designated	-	93 049	41 440	65 493	-	24 945	224 927
Direct credit facilities at amortized cost	4 050 131	13 265 635	373 382	1 923 225	282 125	1 452 438	21 346 936
Financial assets - available for sale	1 287 643	2 468 589	96 498	776 903	579 502	320 765	5 529 900
Financial assets - held to maturity	88 955	586 282	5 825	455 030	19 533	120 515	1 276 140
Other assets	20 141	192 435	3 312	62 402	1 880	98 752	378 922
Total	**9 517 434**	**19 453 827**	**592 048**	**8 473 967**	**951 687**	**2 186 462**	**41 175 425**

* Excluding Arab Countries.

F. CREDIT EXPOSURE CATEGORIZED BY ECONOMIC SECTOR

	Retail	Corporates			
		Industry and Mining	Constructions	Real Estate	Trade
Balances with Central Banks	-	-	-	-	-
Balances and deposits with banks and financial institutions	-	-	-	-	-
Financial assets at fair value through profit or loss	-	24 220	-	134 237	9 183
Direct credit facilities at amortized cost	3 196 876	4 341 083	1 581 684	1 846 432	3 364 005
Other financial assets at amortized cost	-	47 417	38 136	10 094	1 149
Other assets	21 418	13 010	2 523	4 910	13 678
Total	**3 218 294**	**4 425 730**	**1 622 343**	**1 995 673**	**3 388 015**

	Retail	Corporates			
		Industry and Mining	Constructions	Real Estate	Trade
Balances with Central Banks	-	-	-	-	-
Balances and deposits with banks and financial institutions	-	-	-	-	-
Financial assets at fair value through profit or loss - held for trading	-	15 098	-	-	-
Financial assets at fair value through profit or loss - designated	-	7 822	-	45 406	-
Direct credit facilities at amortized costs	2 929 309	3 904 316	1 847 339	2 063 948	3 722 030
Financial assets - available for sale	-	671	-	14 579	16 223
Financial assets - held to maturity	-	34 600	-	12 883	-
Other Assets	31 825	35 574	16 315	18 872	33 460
Total	**2 961 134**	**3 998 081**	**1 863 654**	**2 155 688**	**3 771 713**

USD '000

December 31, 2011

Corporates				Banks and Financial Institutions	Government and Public Sector	Total
Agriculture	Tourism and Hotels	Transportation	General Services			
-	-	-	-	7 445 524	-	7 445 524
-	-	-	-	4 260 675	-	4 260 675
-	-	26 487	23 938	358 582	194 223	770 870
174 406	813 052	1 332 931	2 709 999	369 463	1 224 702	20 954 633
-	-	8 647	193 927	1 412 597	5 823 401	7 535 368
1 156	4 054	12 095	67 137	111 287	129 787	381 055
175 562	**817 106**	**1 380 160**	**2 995 001**	**13 958 128**	**7 372 113**	**41 348 125**

USD '000

December 31, 2010 (Represented)

Corporates				Banks and Financial Institutions	Government and Public Sector	Total
Agriculture	Tourism & Hotels	Transportation	General Services			
-	-	-	-	7 277 935	-	7 277 935
-	-	-	-	4 800 151	-	4 800 151
-	-	-	9 030	232 971	83 415	340 514
-	20 087	-	56 424	69 479	25 709	224 927
175 192	770 625	1 147 889	2 962 424	395 468	1 428 396	21 346 936
-	-	5 074	166 792	1 547 947	3 778 614	5 529 900
-	-	-	80 633	461 951	686 073	1 276 140
1 547	6 983	10 183	29 131	195 032	-	378 922
176 739	**797 695**	**1 163 146**	**3 304 434**	**14 980 934**	**6 002 207**	**41 175 425**

47. MARKET RISK

Market Risk sensitivity

Assuming market prices as at 31 December 2011 and 2010 change by 5%, the impact on the consolidated statement of income and owners' equity will be as follows:

USD '000

	December 31, 2011			December 31, 2010 (Represented)		
	Statement of Income	Owners' Equity	Total	Statement of Income	Owners' Equity	Total
Interest rate sensitivity	21 886	-	21 886	28 957	5 792	34 749
Foreign exchange rate	6 519	2 035	8 554	5 509	2 332	7 841
Share prices	9 084	32 079	41 163	2 874	24 291	27 165
Total	**37 489**	**34 114**	**71 603**	**37 340**	**32 415**	**69 755**

48. Interest Rate Risk

A - Exposure to interest rate volaitility as at December 31, 2011 (classification is based on interest rate repricing or maturity date, whichever is closer).

USD '000

	Within 3 Months	After 3 Months and before 6 Months	After 6 Months and before 1 Year	After 1 Year and before 3 Years	After 3 Years Months	Not Tied to Interest Rate Risk	Total
ASSETS							
Cash at vaults	-	-	-	-	-	342 154	342 154
Mandatory cash reserve	-	-	-	-	-	1 120 608	1 120 608
Balances with central banks	5 640 227	90 560	20 610	44 053	-	529 466	6 324 916
Balances and deposits with banks and financial institutions	2 892 681	63 732	108 711	-	3 350	1 192 201	4 260 675
Financial assets at fair value through profit or loss	604 660	112 910	53 300	-	-	181 675	952 545
Direct credit facilities at amortized cost	11 912 514	2 591 754	2 021 283	1 602 239	2 826 843	-	20 954 633
Financial assets at fair value through OCI	-	-	-	-	-	641 581	641 581
Other financial assets at amortized cost	2 386 303	1 209 520	1 155 556	1 895 175	888 814	-	7 535 368
Investment in associates	-	-	-	-	-	2 244 764	2 244 764
Fixed assets	-	-	-	-	-	530 635	530 635
Other assets	86 445	42 549	3 474	268	83	534 126	666 945
Deferred tax assets	-	-	-	-	-	38 387	38 387
TOTAL ASSETS	**23 522 830**	**4 111 025**	**3 362 934**	**3 541 735**	**3 719 090**	**7 355 597**	**45 613 211**
LIABILITIES AND OWNERS' EQUITY							
Banks and financial institutions' deposits	3 367 232	200 629	54 379	21 559	-	679 511	4 323 310
Customer deposits	14 342 130	3 199 997	2 179 719	860 341	272 572	7 889 853	28 744 612
Cash margin	1 448 904	1 280 415	120 807	30 572	4 323	90 368	2 975 389
Borrowed funds	701 589	2 852	2 936	28 214	74 821	-	810 412
Provision for income tax	-	-	-	-	-	197 905	197 905
Other provisions	-	-	-	-	-	131 370	131 370
Other liabilities	-	-	-	-	-	758 366	758 366
Deferred tax liabilities	-	-	-	-	-	15 099	15 099
Owners' equity	-	-	-	-	-	7 656 748	7 656 748
Total liabilities and owners' equity	**19 859 855**	**4 683 893**	**2 357 841**	**940 686**	**351 716**	**17 419 220**	**45 613 211**
Gap	3 662 975	(572 868)	1 005 093	2 601 049	3 367 374	(10 063 623)	-
Accumulated gap	**3 662 975**	**3 090 107**	**4 095 200**	**6 696 249**	**10 063 623**	**-**	**-**

B - Exposure to interest rate volatility as at December 31, 2010 (Represented) (classification is based on interest rate repricing or maturity date, whichever is closer).

USD '000

	Within 3 Months	After 3 Months and before 6 Months	After 6 Months and before 1 Year	After 1 Year and before 3 Years	After 3 Years Months	Not Tied to Interest Rate Risk	Total
ASSETS							
Cash at vaults	-	-	-	-	-	367 168	367 168
Mandatory cash reserve	-	-	-	-	-	1 159 710	1 159 710
Balances with central banks	5 525 669	29 238	16 358	-	-	546 960	6 118 225
Balances and deposits with banks and financial institutions	3 803 751	112 925	61 701	25 240	-	796 534	4 800 151
Financial assets at fair value through profit or loss - held for trading	221 305	73 804	31 035	14 370	-	57 475	397 989
Financial assets at fair value through profit or loss - designated	70 529	25 900	10 504	-	117 994	-	224 927
Direct credit facilities at amortized cost	10 473 353	2 061 980	2 259 522	2 500 730	4 051 351	-	21 346 936
Financial assets - available-for-sale	2 157 800	482 554	341 175	1 411 356	1 137 015	485 826	6 015 726
Financial assets - held-to-maturity	850 153	77 304	195 907	69 473	83 303	-	1 276 140
Investment in associates	-	-	-	-	-	2 077 809	2 077 809
Investment in Al Wahda Bank	-	-	-	-	-	328 951	328 951
Fixed assets	-	-	-	-	-	559 699	559 699
Other assets	43 049	2 668	1 873	740	29	507 006	555 365
Deferred tax assets	-	-	-	-	-	33 737	33 737
TOTAL ASSETS	**23 145 609**	**2 866 373**	**2 918 075**	**4 021 909**	**5 389 692**	**6 920 875**	**45 262 533**
LIABILITIES AND OWNERS' EQUITY							
Banks and financial institutions' deposits	3 574 510	226 784	66 819	1 016	-	1 080 716	4 949 845
Customer deposits	15 689 693	2 176 290	1 507 013	733 586	30 919	7 317 193	27 454 694
Cash margin	1 238 284	1 560 038	156 575	4 833	-	222 717	3 182 447
Borrowed funds	500 000	207 974	3 038	29 190	77 236	-	817 438
Provision for income tax	-	-	-	-	-	213 340	213 340
Other Provisions	-	-	-	-	-	133 357	133 357
Other liabilities	-	-	-	-	-	684 933	684 933
Deferred tax liabilities	-	-	-	-	-	17 427	17 427
Owners' equity	**-**	**-**	**-**	**-**	**-**	**7 809 052**	**7 809 052**
Total liabilities and owners' equity	**21 002 487**	**4 171 086**	**1 733 445**	**768 625**	**108 155**	**17 478 735**	**45 262 533**
Gap	2 143 122	(1 304 713)	1 184 630	3 253 284	5 281 537	(10 557 860)	-
Accumulated gap	**2 143 122**	**838 409**	**2 023 039**	**5 276 323**	**10 557 860**	**-**	**-**

49. Liquidity Risk

A. The details of the maturity of assets and liabilities as at December 31, 2011:

USD '000

	Within 1 Month	After 1 Month and before 3 Months	After 3 Months and before 6 Months	After 6 Months and before 1 Year	After 1 Year and before 3 Years	After 3 Years Months	Not Tied to a Specific Maturity	Total
ASSETS								
Cash at vaults	-	-	-	-	-	-	342 154	342 154
Mandatory cash reserve	-	-	-	-	-	-	1 120 608	1 120 608
Balances with central banks	5 555 142	78 128	97 444	64 053	683	-	529 466	6 324 916
Balances and deposits with banks and financial institutions	941 706	1 950 975	124 228	48 215	3 350	-	1 192 201	4 260 675
Financial assets at fair value through profit or loss	144 837	96 813	97 734	63 780	184 279	183 427	181 675	952 545
Direct credit facilities at amortized cost	4 037 204	3 804 813	1 418 227	1 859 382	3 428 021	6 406 986	-	20 954 633
Financial assets at fair value through OCI	-	-	-	-	-	-	641 581	641 581
Other financial assets at amortized cost	714 114	1 036 200	1 308 857	1 253 545	2 272 987	949 665	-	7 535 368
Investment in associates	-	-	-	-	-	-	2 244 764	2 244 764
Fixed assets	-	-	-	-	-	-	530 635	530 635
Other assets	31 640	60 087	58 140	32 202	5 524	12 666	466 686	666 945
Deferred tax assets	-	-	-	-	-	-	38 387	38 387
TOTAL ASSETS	**11 424 643**	**7 027 016**	**3 104 630**	**3 321 177**	**5 894 844**	**7 552 744**	**7 288 157**	**45 613 211**
LIABILITIES AND OWNERS' EQUITY								
Banks and financial institutions' deposits	1 393 923	1 456 986	438 292	91 849	21 559	-	920 701	4 323 310
Customer deposits	8 357 494	4 225 751	3 199 997	2 231 031	860 341	272 575	9 597 423	28 744 612
Cash margin	1 287 816	150 315	1 289 259	122 564	30 744	4 323	90 368	2 975 389
Borrowed funds	-	-	2 852	502 936	229 803	74 821	-	810 412
Provision for income tax	-	197 905	-	-	-	-	-	197 905
Other Provisions	179	-	-	-	-	-	131 191	131 370
Other liabilities	29 063	10 473	6 818	3 908	14 402	21 049	672 653	758 366
Deferred tax liabilities	-	-	-	-	-	-	15 099	15 099
Owners' equity	-	-	-	-	-	-	7 656 748	7 656 748
Total liabilities and owners' equity	**11 068 475**	**6 041 430**	**4 937 218**	**2 952 288**	**1 156 849**	**372 768**	**19 084 183**	**45 613 211**
Gap	356 168	985 586	(1 832 588)	368 889	4 737 995	7 179 976	(11 796 026)	-
Accumulated gap	**356 168**	**1 341 754**	**(490 834)**	**(121 945)**	**4 616 050**	**11 796 026**	**-**	**-**

B. The details of the maturity of assets and liabilities as at December 31, 2010 (Represented):

USD '000

	Within 1 Month	After 1 Month and before 3 Months	After 3 Months and before 6 Months	After 6 Months and before 1 Year	After 1 Year and before 3 Years	After 3 Years Months	Not Tied to a Specific Maturity	Total
ASSETS								
Cash at vaults	-	-	-	-	-	-	367 168	367 168
Mandatory cash reserve	-	-	-	-	-	-	1 159 710	1 159 710
Balances with central banks	5 338 585	29 720	25 738	16 358	160 864	-	546 960	6 118 225
Balances and deposits with banks and financial institutions	2 406 866	1 370 902	102 447	72 923	50 479	-	796 534	4 800 151
Financial assets at fair value through profit or loss - held for trading	82 368	66 335	405	-	121 891	69 515	57 475	397 989
Financial assets at fair value through profit or loss - designated	20 087	5 036	85 256	38 997	-	75 551	-	224 927
Direct credit facilities at amortized cost	4 979 326	3 720 068	2 400 624	2 072 738	2 572 728	5 601 452	-	21 346 936
Financial assets - available-for-sale	341 112	1 173 678	701 405	347 761	1 791 067	1 174 877	485 826	6 015 726
Financial assets - held to maturity	190 504	349 136	97 469	261 359	227 362	150 310	-	1 276 140
Investment in associates	-	-	-	-	-	-	2 077 809	2 077 809
Investment in Al Wahda Bank	-	-	-	-	-	-	328 951	328 951
Fixed assets	-	-	-	-	-	-	559 699	559 699
Other assets	22 799	11 989	13 010	1 632	15 158	7 938	482 839	555 365
Deferred tax assets	-	-	-	-	-	-	33 737	33 737
TOTAL ASSETS	**13 381 647**	**6 726 864**	**3 426 354**	**2 811 768**	**4 939 549**	**7 079 643**	**6 896 708**	**45 262 533**
LIABILITIES AND OWNERS' EQUITY								
Banks and financial institutions' deposits	1 425 369	1 990 192	319 930	112 623	21 015	-	1 080 716	4 949 845
Customer deposits	8 156 402	5 871 231	2 209 573	1 584 158	916 023	32 333	8 684 974	27 454 694
Cash margin	1 165 514	143 743	1 569 449	158 445	5 014	-	140 282	3 182 447
Borrowed funds	-	-	2 951	5 068	732 183	77 236	-	817 438
Provision for income tax	-	213 340	-	-	-	-	-	213 340
Other provisions	23 015	-	-	-	-	88	110 254	133 357
Other liabilities	136 272	40 269	28 169	5 553	19 341	13 809	441 520	684 933
Deferred tax liabilities	-	-	-	-	-	-	17 427	17 427
Owners' equity	-	-	-	-	-	-	7 809 052	7 809 052
Total liabilities and owners' equity	**10 906 572**	**8 258 775**	**4 130 072**	**1 865 847**	**1 693 576**	**123 466**	**18 284 225**	**45 262 533**
Gap	2 475 075	(1 531 911)	(703 718)	945 921	3 245 973	6 956 177	(11 387 517)	-
Accumulated gap	**2 475 075**	**943 164**	**239 446**	**1 185 367**	**4 431 340**	**11 387 517**	**-**	**-**

50. Net Foreign Currency Positions

The details of this item are as follows:

USD '000

	December 31,			
	2011		2010 (Represented)	
	Base currency in thousands	Equivalent in thousand US Dollars	Base currency in thousands	Equivalent in thousand US Dollars
USD	293 807	293 807	403 364	403 364
GBP	525	812	(13 736)	(21 305)
EUR	124 632	161 074	93 764	124 049
JPY	2 808 763	36 036	9 060 170	112 060
CHF	87 191	(92 491)	(20 099)	(21 316)
Other currencies *		24 945		(58 510)
Total		**424 183**		**538 342**

* Various foreign currencies translated to US dollars.

51. Fair Value of Financial Assets and Financial Liabilities

A. Financial assets and financial liabilities not stated at fair value:

The details of this item are as follows:

USD '000

	December 31,			
	2011		2010 (Represented)	
	Book Value	Fair Value	Book Value	Fair Value
ASSETS				
Cash and balances with central banks	7 787 678	7 789 734	7 645 103	7 646 576
Balances and deposits with banks and financial institutions	4 260 675	4 276 875	4 800 151	4 817 722
Direct credit facilities at amortized cost	20 954 633	21 035 459	21 346 936	21 423 690
Other financial assets at amortized cost	7 535 368	7 614 746	-	-
Financial assets held to maturity	-	-	1 276 140	1 285 826
LIABILITIES				
Banks' and financial institutions' deposits	4 323 310	4 340 643	4 949 845	4 968 612
Customer deposits	28 744 612	28 841 826	27 454 694	27 540 564
Cash margin	2 975 389	2 984 322	3 182 447	3 191 302
Borrowed funds	810 412	810 412	817 438	817 438

B. Financial assets and financial liabilities stated at fair value

The table below analyzes financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The details of this item are as follows:

USD '000

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets at fair value through profit or loss	802 226	65 371	84 948	952 545
Financial derivatives - positive fair value	-	53 261	-	53 261
Financial assets at fair value through OCI	397 395	244 186	-	641 581
TOTAL ASSETS	**1 199 621**	**362 818**	**84 948**	**1 647 387**
LIABILITIES				
Financial derivatives - negative fair value	-	64 920	-	64 920
TOTAL LIABILITIES	**-**	**64 920**	**-**	**64 920**

	December 31, 2010 (Represented)			
	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets at fair value through profit or loss - held for trading	397 989	-	-	397 989
Financial assets at fair value through profit or loss - designated	159 434	20 087	45 406	224 927
Financial derivatives - positive fair value	-	69 025	-	69 025
Financial assets - available for sale	2 940 396	143 299	700	3 084 395
TOTAL ASSETS	**3 497 819**	**232 411**	**46 106**	**3 776 336**
LIABILITIES				
Financial derivatives - negative fair value	-	93 431	-	93 431
TOTAL LIABILITIES	**-**	**93 431**	**-**	**93 431**

Reconciliation of Level 3 fair value measurements of financial assets:

USD '000

	Financial Asset at Fair Value Through Profit or Loss	Financial Asset at Fair Value through Profit or Loss - Designated
	2011	**2010**
Balance at the beginning of the year	46 106	47 543
Effect of adopting IFRS9	57 757	-
Net additions and settlements	(1 179)	(149)
Net change in fair value restricted to consolidated statement of income	(17 453)	899
Translation adjustments	(283)	(2 187)
Balance at the End of the Year	**84 948**	**46 106**

52. Contractual Maturity of the Contingent Accounts

The table below details the maturity of expected liabilities and commitments on the basis of contractual maturity:

USD '000

	December 31, 2011			
	Within 1 Year	After 1 Year and before 5 Years	After 5 Years	Total
Letters of credit	2 289 915	91 287	-	2 381 202
Acceptances	701 847	75 992	83	777 922
Letters of guarantees:				
- Payment guarantees	1 072 282	531 978	4 359	1 608 619
- Performance guarantees	2 576 182	2 149 665	76 312	4 802 159
- Other guarantees	4 216 806	2 517 116	139 572	6 873 494
Unutilized credit facilities	2 583 820	559 340	17 639	3 160 799
Total	**13 440 852**	**5 925 378**	**237 965**	**19 604 195**
Constructions projects contracts	92	-	-	92
Procurement contracts	3 315	458	-	3 773
Rent contracts	3 715	7 014	15 669	26 398
Total	**7 122**	**7 472**	**15 669**	**30 263**

USD '000

	December 31, 2010 (Represented)			
	Within 1 Year	After 1 Year and before 5 Years	After 5 Years	Total
Letters of credit	1 837 028	154 394	84	1 991 506
Acceptances	478 817	6 981	-	485 798
Letters of guarantees:				
- Payment guarantees	1 254 043	340 818	97 504	1 692 365
- Performance guarantees	2 493 627	2 009 984	152 540	4 656 151
- Other guarantees	4 523 635	2 184 779	83 597	6 792 011
Unutilized credit facilities	2 600 918	705 476	221 784	3 528 178
Total	**13 188 068**	**5 402 432**	**555 509**	**19 146 009**
Constructions projects contracts	2 468	-	-	2 468
Procurement contracts	3 900	1 546	-	5 446
Rent contracts	4 351	9 251	21 627	35 229
Total	**10 719**	**10 797**	**21 627**	**43 143**

53. Capital Management

The Group manages its capital to safeguard its ability to continue as a going concern while maximizing the return to shareholders. The composition of the regulatory capital, as defined by the Basel Committee, is as follows:

USD '000

	December 31,	
	2011	**2010** (Represented)
A- CORE CAPITAL		
Share capital	776 027	776 027
Statutory reserve	529 652	482 547
Voluntary reserve	977 315	977 315
Share premium	1 225 747	1 225 747
General reserve	1 822 824	1 822 824
Retained earnings *	(66 747)	88 468
Intangible assets	(4 198)	(4 972)
Foreclosed assets	(11 269)	-
Total core capital	**5 249 351**	**5 367 956**
B- SUPPLEMENTARY CAPITAL		
Foreign currency translation reserve	120 182	193 033
Investments revaluation reserve	(39 002)	(13 576)
Subordinated loans	35 709	34 953
General banking risk reserve	349 998	355 923
Total supplementary capital	**466 887**	**570 333**
C- INVESTMENTS	962 299	888 259
Regulatory capital (A+B-C)	**4 753 939**	**5 050 030**
Risk-weighted assets (RWA)	**31 412 688**	**31 823 249**
Regulatory capital / risk-weighted assets	15.1%	15.9%
Core capital / risk-weighted assets	15.1%	15.5%

* Net after deducting deffered tax assets

- The Board of Directors performs an overall review of the capital structure of the Group on a quarterly basis. As part of such review, the Board takes into consideration matters such as cost and risks of capital as integral factors in managing capital through setting dividend policies and capitalization of reserves.
- The minimum level of the capital adequacy ratio as defined by the Basel Committee is 8% and 12% as per the instructions of the Central Bank of Jordan. Capital adequacy ratio amounted to 15.1% as at December 31, 2011 (15.9% as at December 31, 2010).

54. Earnings Per Share

The details of this item are as follows:

	December 31, USD '000	
	2011	**2010** (Represented)
Profit for the year attributable to Shareholders of the Bank	292 177	251 016
	Thousand Shares	
Average number of shares	534 000	533 907
	USD / Share	
Earnings Per Share	0.55	0.47

55. Fiduciary Deposits

Fiduciary deposits as at 31 December 2011 amounted to USD 1193.1million (USD 970.7 million as at 31 December 2010). These deposits are not included in the Group consolidated financial statements.

56. Cash and Cash Equivalent

The details of this item are as follows:

	December 31, USD '000	
	2011	**2010** (Represented)
Cash and balances with central banks maturing within 3 months	7 625 498	7 442 143
Add: balances with banks and financial institutions maturing within 3 months	4 084 882	4 574 302
Less: banks and financial institutions deposits maturing within 3 months	3 771 610	4 496 276
Total	**7 938 770**	**7 520 169**

57. Transactions and Balance with Related Parties

The details of this item are as follows:

USD '000

	December 31, 2011			
	Deposits from Related Parties	Direct Credit Facilities	Due to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
Associates	150 753	-	157 170	39 504
Major Shareholders and Member of the Board of Directors	-	466 474	461 787	139 902
Total	**150 753**	**466 474**	**618 957**	**179 406**

USD '000

	December 31, 2010			
	Deposits from Related Parties	Direct Credit Facilities	Due to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
Associates	40 739	-	56 103	54 791
Major Shareholders and Member of the Board of Directors	-	633 192	353 271	154 922
Total	**40 739**	**633 192**	**409 374**	**209 713**

- All facilities granted to related parties are performing loans in accordance with the credit rating of the Group.
- Moreover, no provisions for the year have been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

USD '000

	December 31, 2011	
	Interest Income	Interest Expense
Associates	313	323

	December 31, 2010	
	Interest Income	Interest Expense
Associates	977	467

- Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.
- The salaries and other fringe benefits of the Group's key management personnel, inside and outside Jordan, amounted to USD47.3million for the year ended on December 31, 2011 (USD 42.3 million for the year ended on December 31, 2010).

58. Legal Cases

a. Lawsuits have been filed against Arab Bank Plc in which it was alleged that Arab Bank has, through its New York branch, channeled funds to parties described as "terrorists" and "terrorist organizations in Palestine", and has aided and abetted acts of terrorism which led to the death or the injury of family members of the claimants. The claimants in the said lawsuits are requesting compensation for the damages that have befallen them as a result of the alleged acts of the Bank. The lawsuits are currently in the pre-litigation phase and the appellate court is considering appeals submitted by the adversaries in the lawsuits in connection with procedural rulings.

   Arab Bank, in the opinion of its management, has been and is still fully respectful of and compliant with all anti-terrorism legislation in all countries in which it operates.

   In 2005, the Bank in New York has entered into an agreement with the Office of the controller of Currency pursuant to which the branch was converted into a Federal Agency with limited operations in compliance with the provisions of the US Federal Banking Act. It was also agreed that the Federal Agency shall be allowed to maintain financial assets in the amount of USD 420 million.

b. There are other lawsuits filed against the Bank totaling USD 209.7 million as of 31 December 2011 (USD 197.6 million as of 31 December 2010). In the opinion of the management and the lawyers representing the Bank in the litigation at issue, the Bank will not be held liable for any amount in excess of the amount of provisions taken in connection with the lawsuits totaling USD 7.9 million as of 31 December 2011 (USD 7.9 million as of 31 December 2010).

59. Comparative Figures

As stated in Note (2) to the consolidated financial information, due to the circumstances in Libya, the Group no longer controls the financial and operational policies of Al Wahda Bank (19% owned company), and accordingly, the financial statements of Al Wahda Bank were deconsolidated effective 1 January 2011 and the investment was classified as financial assets at FVTOCI. The comparative figures of the Group's financial information for the year ended 31 December 2011 were represented so that the above developments can be evaluated on a comparable basis.

The following represents the impact of deconsolidation of the financial statements for Al Wahda Bank for the comparative figures on the consolidated Arab Bank Group consolidated financial statements.

A - Consolidated Statement of Financial Position

USD '000

	31 December		
ASSETS	**2010** (Reported)	**2010** (Represented)	Effect of Deconsolidation
Cash and balances with central banks	12 137 615	7 645 103	(4 492 512)
Balances with banks and financial institutions	4 676 055	4 574 302	(101 753)
Deposits with banks and financial institutions	225 849	225 849	-
Financial assets at fair value through profit or loss - held for trading	397 989	397 989	-
Financial assets at fair value through profit or loss - designated	224 927	224 927	-
Financial derivatives - positive fair value	69 025	69 025	-
Direct credit facilities at amortized cost	22 489 729	21 346 936	(1 142 793)
Financial assets - available for sale	6 088 626	6 015 726	(72 900)
Financial assets - held to maturity	1 276 140	1 276 140	-
Investment in associates	2 077 809	2 077 809	-
Investment in Al Wahda Bank	-	328 951	328 951
Fixed assets	667 996	559 699	(108 297)
Intangible assets	199 393	-	(199 393)
Other assets	532 983	486 340	(46 643)
Deferred tax assets	33 737	33 737	-
TOTAL ASSETS	**51 097 873**	**45 262 533**	**(5 835 340)**
LIABILITIES AND OWNERS' EQUITY			
Banks' and financial institutions' deposits	4 948 672	4 949 845	1 173
Customer deposits	32 110 473	27 454 694	(4 655 779)
Cash margin	3 558 339	3 182 447	(375 892)
Financial derivatives - negative fair value	93 431	93 431	-
Borrowed funds	817 438	817 438	-
Provision for income tax	236 167	213 340	(22 827)
Other provisions	137 701	133 357	(4 344)
Other liabilities	903 302	591 502	(311 800)
Deferred tax liabilities	17 427	17 427	-
TOTAL LIABILITIES	**42 822 950**	**37 453 481**	**(5 369 469)**
Share capital	776 027	776 027	-
Share premium	1 225 747	1 225 747	-
Statutory reserve	482 547	482 547	-
Voluntary reserve	977 315	977 315	-
General reserve	1 822 824	1 822 824	-
General banking risks reserve	363 458	363 458	-
Reserves with associates	1 540 896	1 540 896	-
Foreign currency translation reserve	179 638	193 033	13 395
Available-for-sale financial assets revaluation reserve	(13 576)	(13 576)	-
Proposed dividends	279 567	279 567	-
Total Equity Attributable to Shareholders of the Bank	**7 634 443**	**7 647 838**	**13 395**
Non-controlling interests	640 480	161 214	(479 266)
TOTAL OWNERS' EQUITY	**8 274 923**	**7 809 052**	**(465 871)**
TOTAL LIABILITIES AND OWNERS' EQUITY	**51 097 873**	**45 262 533**	**(5 835 340)**

B - Consolidated Statement of Income USD '000

	December 31,		
	2010 (Reported)	**2010** (Represented)	Effect of Deconsolidation
REVENUE			
Interest income	1 659 180	1 568 184	(90 996)
Less: interest expense	638 344	634 871	(3 473)
Net Interest Income	**1 020 836**	**933 313**	**(87 523)**
Net commission income	320 578	286 558	(34 020)
Net Interest and Commissions Income	**1 341 414**	**1 219 871**	**(121 543)**
Foreign exchange differences	77 536	70 984	(6 552)
(Loss) from financial assets at fair value through profit or loss - held for trading	(3 846)	(3 846)	-
(Loss) from financial assets at fair value through profit or loss - designated	(9 118)	(9 118)	-
Gain from financial assets - available for sale	71 764	69 771	(1 993)
Share of profits of associates	239 208	239 208	-
Share of profits of Al Wahda Bank	-	8 707	8 707
Other revenue	47 751	42 877	(4 874)
TOTAL INCOME	**1 764 709**	**1 638 454**	**(126 255)**
EXPENSES			
Employees' expenses	431 476	376 086	(55 390)
Other expenses	300 740	277 973	(22 767)
Depreciation and amortization	58 011	48 941	(9 070)
Provision for impairment - direct credit facilities at amortized cost	473 391	473 391	-
Provision for impairment - financial assets held to maturity	(1 298)	(1 298)	-
Other provisions	15 588	15 588	-
Total Expenses	**1 277 908**	**1 190 681**	**(87 227)**
Profit for the Year before Tax	**486 801**	**447 773**	**(39 028)**
Less: Income tax expense	178 924	177 015	(1 909)
Profit for the Year	**307 877**	**270 758**	**(37 119)**
Attributable to :			
- Shareholders of the Bank	251 016	251 016	-
- Non-controlling interests	56 861	19 742	(37 119)
Total	**307 877**	**270 758**	**(37 119)**
Earnings per share attributable to Bank Shareholders			
- Basic and Diluted (US Dollars)	0.47	0.47	

Deloitte

Deloitte & Touche (M.E.) - Jordan
Jabal Amman, 5th Circle
190 Zahran Street
P.O.Box 248
Amman 11118, Jordan

Tel : +962 (0) 6 5502200
Fax : +962 (0) 6 5502210
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

AM / 218

To the Shareholders
Arab Bank plc
Amman – Jordan

We have audited the accompanying consolidated financial statements of Arab Bank Group, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 Arab Bank Group as of December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards. We recommend that the General Assembly of Shareholders approve these consolidated financial statements.

Amman – Jordan
January 26, 2012

Deloitte & Touche

Deloitte & Touche (M.E.) – Jordan

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

ARAB BANK Plc

JD '000

	Note	December 31, 2011	2010	
Cash and balances with central banks	5	3 964 882	4 649 556	ASSETS
Balances with banks and financial institutions	6	3 415 545	2 613 031	
Deposits with banks and financial institutions	7	361 490	379 328	
Financial assets at fair value through profit or loss	8	223 808	-	
Financial assets at fair value through profit or loss - held for trading	10	-	44 805	
Financial assets at fair value through profit or loss - designated	10	-	95 382	
Financial derivatives - positive fair value	43	1 357	21 426	
Direct credit facilities at amortised cost	11	10 003 554	10 061 711	
Financial assets at fair value through other comprehensive income	9	357 532	-	
Financial assets- available for sale	12	-	3 300 875	
Other financial assets- at amortised cost	13	4 032 873	-	
Financial assets - held to maturity	14	-	443 568	
Investments in subsidiaries and associates	15	1 060 196	1 259 555	
Fixed assets	16	210 637	220 775	
Other assets	17	271 369	211 977	
Deferred tax assets	18	18 242	17 419	
TOTAL ASSETS		**23 921 485**	**23 319 408**	
Banks' and financial institutions' deposits	19	2 512 210	2 533 629	LIABILITIES AND SHAREHOLDERS' EQUITY
Customer deposits	20	14 682 026	13 997 658	
Cash margin	21	2 021 692	2 162 190	
Financial derivatives - negative fair value	43	5 590	24 736	
Borrowed funds	22	358 155	358 155	
Provision for income tax	23	97 607	101 846	
Other provisions	24	75 612	70 045	
Other liabilities	25	344 781	273 344	
Deferred tax liabilities	26	10 288	11 210	
Total Liabilities		**20 107 961**	**19 532 813**	
Share capital	27	534 000	534 000	
Share premium	27	859 626	859 626	
Statutory reserve	28	340 744	307 336	
Voluntary reserve	29	614 920	614 920	
General reserve		1 066 674	1 066 674	
General banking risks reserve	30	200 468	200 468	
Foreign currency translation reserve		42 476	79 549	
Investment revaluation reserve/Available-for-sale financial assets revaluation reserve	31	(39 397)	(18 310)	
Retained earnings	32	194 013	142 332	
Total Shareholders' Equity		**3 813 524**	**3 786 595**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**23 921 485**	**23 319 408**	

The accompanying notes from (1) to (57) are an integral part of these financial statements and should be read with them.

ARAB BANK Plc

JD '000

		Note	2011	2010
REVENUE	Interest income	34	847 331	806 546
	Less: interest expense	35	341 428	316 031
	Net interest income		**505 903**	**490 515**
	Net commissions income	36	153 941	141 438
	Net interest and commissions income		**659 844**	**631 953**
	Foreign exchange differences		36 511	33 313
	(Loss) from financial assets at fair value through profit or loss	37	(1 274)	-
	(Loss) from financial assets at fair value through profit or loss - held for trading	38	-	(66)
	(Loss) from financial assets at fair value through profit or loss - designated	38	-	(442)
	Dividends from financial assets at fair value through other comprehensive income		3 693	-
	Gain from financial assets - available for sale	38	-	42 384
	Bank's share of dividends from subsidiaries and associates	39	70 936	60 216
	Other revenue	40	22 493	30 097
	Total Income		**792 203**	**797 455**
EXPENSES	Employees expenses	41	183 484	165 029
	Other expenses	42	156 976	151 638
	Depreciation and amortization	16	25 721	25 261
	Provision for impairment - direct credit facilities at amortized cost	11	83 352	224 769
	Provision for impairment - held-to-maturity financial assets	14	-	2 832
	Other provisions	24	8 586	9 167
	Total Expenses		**458 119**	**578 696**
PROFIT FOR THE YEAR	**Profit before Income Tax**		**334 084**	**218 759**
	Less: Income tax expense	23	71 083	73 674
	Profit for the Year		**263 001**	**145 085**

The accompanying notes from (1) to (57) are an integral part of these financial statements and should be read with them.

ARAB BANK Plc

JD '000

	2011	2010
Profit for the year	**263 001**	**145 085**
Add: Other comprehensive income items, after tax		
Net exchange differences arising on the translation of foreign operations	(37 073)	(46 643)
Net change in fair value of financial assets at fair value through other comprehensive income	(72 801)	-
Net change in fair value of available for sale financial asset	-	13 197
Total Other Comprehensive Income Items, After Tax	**(109 874)**	**(33 446)**
Total Comprehensive Income for the Year	**153 127**	**111 639**

The accompanying notes from (1) to (57) are an integral part of these financial statements and should be read with them.

ARAB BANK Plc

		Note	Share Capital	Share Premium	Treasury Shares	Statutory Reserve
2011	**Balance at the beginning of the year**		**534 000**	**859 626**	**-**	**307 336**
	Effect of early adoption of IFRS 9	2	-	-	-	-
	Balance at the beginning of the year (adjusted)		**534 000**	**859 626**	**-**	**307 336**
	Profit for the year		-	-	-	-
	Other comprehensive income for the year		-	-	-	-
	Total comprehensive income for the year		**-**	**-**	**-**	**-**
	Investment revaluation reserve transfered to retained earnings		-	-	-	-
	Appropriation to reserves		-	-	-	33 408
	Paid dividends		-	-	-	-
	Balance at the end of the year		**534 000**	**859 626**	-	**340 744**
2010	**Balance at the beginning of the year**		**534 000**	**859 937**	**(1 064)**	**285 460**
	Profit for the year		-	-	-	-
	Other comprehensive income for the year		-	-	-	-
	Total comprehensive income for the year		**-**	**-**	**-**	**-**
	Sale of treasury shares		-	(311)	1 064	-
	Appropriation to reserves		-	-	-	21 876
	Paid dividends		-	-	-	-
	Adjustments during the year		-	-	-	-
	Balance at the end of the year		**534 000**	**859 626**	**-**	**307 336**

- Retained earnings include restricted deferred tax assets of JD18.2 million, as well as investment revaluation reserve of JD (39.4) million. Restricted retained earnings that cannot be distributed or otherwise utilized except under certain circumstances amounted to JD 1.1 million as at December 31, 2011

- The retained earnings include unrealized loss of JD (70.6) million as result of the adoption of IFRS (9).

The accompanying notes from (1) to (57) are an integral part of these financial statements and should be read with them.

JD ‘000

Voluntary Reserve	General Reserve	General Banking Risk Reserve	Foreign Currency Translation Reserve	Investment revaluation reserve/Available-for-sale financial assets revaluation reserve	Retained Earnings	Total
614 920	**1 066 674**	**200 468**	**79 549**	**(18 310)**	**142 332**	**3 786 595**
-	-	-	-	51 226	(70 624)	(19 398)
614 920	**1 066 674**	**200 468**	**79 549**	**32 916**	**71 708**	**3 767 197**
-	-	-	-	-	263 001	263 001
-	-	-	(37 073)	(72 801)	-	(109 874)
-	**-**	**-**	**(37 073)**	**(72 801)**	**263 001**	**153 127**
-	-	-	-	488	(488)	-
-	-	-	-	-	(33 408)	-
-	-	-	-	-	(106 800)	(106 800)
614 920	**1 066 674**	**200 468**	**42 476**	**(39 397)**	**194 013**	**3 813 524**
614 920	**1 066 674**	**220 685**	**126 192**	**(31 507)**	**125 909**	**3 801 206**
-	-	-	-	-	145 085	145 085
-	-	-	(46 643)	13 197	-	(33 446)
-	**-**	**-**	**(46 643)**	**13 197**	**145 085**	**111 639**
	-	-	-	-	14	767
	-	-	-	-	(21 876)	-
-	-	-	-	-	(106 800)	(106 800)
-	-	(20 217)	-	-	-	(20 217)
614 920	**1 066 674**	**200 468**	**79 549**	**(18 310)**	**142 332**	**3 786 595**

JD '000

		Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES	**Profit for the year before tax**		**334 084**	**218 759**
	Adjustments for:			
	Depreciation and amortization		25 721	25 261
	Provision for impairment - direct credit facilities at amortized cost		83 352	224 769
	Net interest income		(35 659)	(35 995)
	Provision for impairment - held-to-maturity financial assets		-	2 832
	(Gain) from sale of fixed assets		(131)	(599)
	Loss from revaluation of financial assets at fair value through profit or loss		7 481	-
	Loss from revaluation of financial assets- held for trading		-	122
	Loss from revaluation of financial assets at FVTPL - designated		-	480
	Other provisions		8 586	9 167
	Total		**423 434**	**444 796**
	(Increase) decrease in assets			
	Balances with central banks (maturing after 3 months)		29 003	(18 173)
	Deposits with banks and financial institutions (maturing after 3 months)		17 838	(143 236)
	Direct credit facilities at amortized cost		(209 302)	(168 489)
	Financial assets at fair value through profit or loss		317 190	-
	Financial assets at fair value through profit or loss- held for trading		-	7 147
	Financial assets at fair value through profit or loss - designated		-	(45 435)
	Other assets		58 706	139 457
	(Decrease) increase in liabilities:			
	Banks and financial institutions deposits (maturing after 3 months)		(43 483)	(88 624)
	Customer deposits		684 368	1 012 310
	Cash margin		(140 498)	(31 863)
	Other liabilities		(29 998)	(110 085)
	Net change in assets and liabilities		**683 824**	**553 009**
	Net Cash Generated by Operations before Income Tax		**1 107 258**	**997 805**
	Income tax paid		(76 698)	(71 153)
	Net Cash Generated by Operations		**1 030 560**	**926 652**
CASH FLOWS FROM INVESTING ACTIVITIES	Sale of financial assets at fair value through other comprehensive income		25 497	-
	Sale (Purchase) of financial assets - available for sale		-	189 024
	Other financial investments at amortized cost		(689 608)	123 263
	(Purchase) of investments in subsidiaries and associates		(27 765)	(40 426)
	(Purchase) of fixed assets		(94 793)	(49 919)
	Proceeds from sale of fixed assets		24 281	3 633
	Net Cash (used in) Generated by Investing Activities		**(762 388)**	**225 575**
CASH FLOWS FROM FINANCING ACTIVITIES	Increase (Decrease) in borrowed funds		-	3 545
	Dividends paid to shareholders		(106 320)	(106 786)
	Proceeds from sale of treasury shares		-	753
	Net Cash (used in) Financing Activities		**(106 320)**	**(102 488)**
	Net Increase in Cash and Cash Equivalent		161 852	1 049 739
	Exchange differences - change in foreign exchange rates		(37 073)	16 299
	Cash and cash equivalent at the beginning of the year		4 817 449	3 751 411
	Cash and Cash Equivalent at the End of the Year	56	**4 942 228**	**4 817 449**

The accompanying notes from (1) to (57) are an integral part of these financial statements and should be read with them.

1. GENERAL

- Arab Bank was established in 1930, and is registered as a Jordanian public shareholding limited company. The Head Office of the Bank is domiciled in Amman - Jordan, and the Bank operates worldwide through its 79 branches in Jordan and 107 abroad.
- Arab Bank shares are traded on Amman Stock Exchange. The share of Arab Bank represents the Bank's share in all entities of the Group except for the sister company, Arab Bank (Switzerland) Limited shares that are stapled with Arab Bank shares and traded at the same time.
- The accompanying financial statements were approved by the Board of Directors in its meeting No. (1) on January 26, 2012 and are subject to the approval of the General Assembly of Shareholders.

2. Adoption of the New and Revised International Financial Reporting Standards (IFRS)

A. Early Adoption of IFRS (9) "Financial Instruments" Issued on November 2009 and Adjusted on October 2010

During the year, the Bank has adopted IFRS 9: Financial Instruments in advance of its effective date based on the Central Bank of Jordan and Security Exchange Commission requirements. The Bank has chosen 1 January 2011 as its date of initial application (i.e. the date on which the Bank has assessed its existing financial assets).

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

Debt instruments are measured at amortized cost only if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

  If either of the two criteria's did not meet the financial asset (debt instruments) above they are classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amortized cost criteria the entity may choose at initial recognition to designate the financial asset as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

  Only financial assets that are classified as measured at amortized cost are tested for impairment.

  Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Bank as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. The Bank is permitted to transfer the cumulative gains or losses on financial assets at FVTOCI to retained earning upon the derecognition of such financial assets (when the rights to the contractual cash flows have expired or transferred to other party).

  The Bank's policy on the financial instruments are disclosed in detail in note (3) below:

  The Bank has reviewed and assessed all of existing financial assets as at the date of initial application of IFRS 9. As a result:

- The Bank's investments in debt instruments meeting the required criteria are measured at amortized cost;
- The Bank's equity investments not held for trading have been designated as at FVTOCI;
- The Bank's remaining investments in equity investments and debt instruments are measured at FVTPL.

The Standard has been applied retrospectively and as permitted by IFRS 9, comparative amounts have not been restated. The adoption of IFRS 9 and the resulting change in accounting policy had the below impact on the opening balances of retained earnings and investment revaluation reserve attributable to the shareholders of the bank as of 1st January 2011:

JD '000

Reclassification of Financial Assets to:	Effect on Retained Earnings	Effect on Investment Revaluation Reserve
Financial assets measured at FVTPL	(78 670)	17 558
Financial assets measured at FVTOCI	8 046	14 404
Financial assets measured at amortized cost	-	19 264
Total	**(70 624)**	**51 226**

The following table compares the classification and measurement of financial assets in accordance with IFRS 9 and IAS 39 as of 1st January 2011:

Financial Assets	Original Measurement Criteria under IAS 39
Cash and balance with central banks	Loans and receivables
Balances with banks and financial institutions	Loans and receivables
Deposits with banks and financial in situations	Loans and receivables
Financial assets held for trading and designated as at FVTPL:	
- Financial assets held for trading:	
Debt instruments	Financial assets at FVTPL
Equity instruments	Financial assets at FVTPL
- Financial assets designated as at FVTPL:	
Debt instruments	Financial assets at FVTPL
Financial derivatives – positive fair value	Financial derivatives – positive fair value
Direct credit facilities at amortized cost	Loans and receivables
Direct credit facilities at amortized cost	Loans and receivables
Non-trading financial assets:	
- Financial assets held to maturity	
Debt instruments	Financial assets held to maturity
- Financial assets available for sale:	
Debt instruments	Financial assets available for sale
Debt instruments	Financial assets available for sale
Equity instruments	Financial assets available for sale
Equity instruments	Financial assets available for sale
Other assets – accrued interest receivable	Loans and receivables

JD '000

New Measurement Criteria under IFRS 9	Carrying Amount under IAS 39	Carrying Amount under IFRS 9
Other Financial assets at amortized cost	4 649 556	4 649 556
Other Financial assets at amortized cost	2 613 031	2 613 031
Other Financial assets at amortized cost	379 328	379 328
Financial assets at FVTPL	43 686	43 686
Financial assets at FVTOCI	1 119	1 119
Financial assets at FVTPL	95 382	95 382
Financial assets at FVTPL	21 426	21 426
Other Financial assets at amortized cost	9 969 512	9 969 512
Financial assets at FVTPL	92 199	28 369
Other Financial assets at amortized cost	443 568	443 568
Other Financial assets at amortized cost	2 807 790	2 826 760
Financial assets at FVTPL	276 423	276 423
Financial assets at FVTPL	40 789	41 124
Financial assets at FVTOCI	175 873	202 143
Other Financial assets at amortized cost	91 908	91 908

B. New and revised IFRSs applied with no material effect on the financial statements:

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

• IAS 24 Related Party Disclosures (2009)	Amends the requirements of the previous version of IAS 24 to: • Provide a partial exemption from related party disclosure requirements for government-related entities • Clarify the definition of a related party • Include an explicit requirement to disclose commitments involving related parties.
• Amendments to IFRS 1 relating to Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Provides additional exemption on IFRS transition in relation to IFRS 7 Financial Instruments: Disclosures, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers.
• Amendments to IAS 32 Financial Instruments: Presentation, relating to classification of Rights Issues	Amends IAS 32 Financial Instruments: Presentation to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments.

• Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement	Makes limited-application amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognized as an asset.
• Improvements on IFRSs issued in 2010	The application of Improvements to IFRSs issued in 2010 which amended IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 32, IAS 34 and IFRIC 13 has not had any material effect on amounts and disclosures reported in the financial statements.
• IFRIC 19 Extinguishing Liabilities with Equity Instruments	Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognized in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions.

C. New and revised IFRSs issued but not yet effective

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

	Effective for annual periods beginning on or after
Amendments to IAS 12 Income Taxes relating to Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to IAS 32 Financial Statements – Offsetting Financial Assets and Liabilities	1 January 2014
Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities	1 July 2013
IAS 1 Presentation of Financial Statements	1 July 2012
IAS 19 Employee Benefits	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosures of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Bank's management anticipates that the implementation of the remaining standards and interpretations will be adopted in the financial statements by its date mentioned above. Moreover, these standards and interpretations will not have any material impact on the Bank's financial statements

3 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the Interpretations issued by the International Financial Reporting Interpretations Committee, the prevailing rules in the countries where the Bank operates and the instructions of the Central Bank of Jordan.

The financial statements are prepared using the historical cost principle, except for financial assets and financial liabilities which are stated at fair value as of the date of the financial statements.

B. Basis of Presentation

The accompanying financial statements include the financial statements of the Bank's branches in Jordan and abroad after eliminating inter-branch balances. Transactions in transit at year end are presented among other assets or other liabilities, as appropriate. The financial statements of the Bank's branches operating outside the Kingdom of Jordan are translated to Jordanian Dinars using the exchange rates prevailing as at the date of the financial statements.

The Bank issues audited consolidated financial statements for the Bank and its subsidiaries, including the financial statements of its sister company, Arab Bank (Switzerland) Limited, to reflect the consolidated financial position and results of operations at the level of the consolidated economic ownership of the Group.

C. Revenue Recognition

Interest Income and Expenses

Interest income and expenses for all interest bearing financial instruments are recognized in the statement of income using the effective interest rate method except for interest and commissions on non performing credit facilities, which are recorded as interest and commission in a suspense account.

The effective interest rate is a method of calculating the amortized cost of financial assets or financial liabilities and of allocating the interest income and expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets or financial liability, or where appropriate a shorter period to the net carrying of the financial asset or the financial liability. The Bank estimate the cash flow considering all contractual terms of the financial instrument but does not consider future credit losses.

Commission income in general are recognized on the date that the transaction arises and loan recoveries are recorded upon receipt.

Dividends income

Dividends income from financial assets is recognized when the Bank's right to receive dividends has been established (upon the general assembly resolution).

Insurance Contract Revenue

Insurance premiums arising from insurance contract are recorded as revenue for the year (earned insurance premiums) on the basis of the maturities of time periods and in accordance with the insurance coverage periods. Insurance premiums from insurance contracts unearned at the date of the statement of financial position are recorded as unearned insurance premiums within other liabilities.

Leasing Contracts Revenue

The Bank policy relating to leasing contract are illustrated in note (3.D) below:

D. Leasing contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases as follows:

1.The Bank as lessor:

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.The Bank as lessee:

Assets held under finance leases are initially recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease payments. The finance lease obligation is recorded at the same value. Lease payments are apportioned between finance costs and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to the statement of income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

E. Foreign currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when the fair value was determined at the date of the financial statements. Gains or losses resulting from foreign currency translation are recorded in the statement of income.

Non-monetary items recorded at historical cost are translated according to the exchange rate prevailing at the transaction date.

Differences resulting from the translation of non-monetary assets and liabilities denominated in foreign currency, such as equity shares, are recorded as part of the change in the fair value.

Upon compilation, the financial assets and financial liabilities of the branches are translated from the local currency to the reporting currency at the average rates prevailing at the date of the financial statements. Exchange differences arising from the revaluation of the net investment in the branches abroad are recorded in a separate item in other comprehensive income items.

F. Fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and any impairment in value. Such cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

Depreciation is charged so as to write-off the cost of assets, using their useful life of the respective assets

Land and assets under construction are not depreciated.

Assets under construction is carried at cost, less any accumulated impairment losses and is depreciated when the assets are ready for intended use using the same depreciation rate of the related category with fixed assets.

Fixed assets are derecognized when disposed of or when no future benefits are expected from their use or disposal.

The gain or loss arising on the disposal of an item (the difference between the sales proceeds and the carrying amount of the asset) is recognized in the statement of income in the year that the assets were disposed.

G. Investments in associates

Associates are those in which the Bank exerts significant influence over the financial and operating policy decisions, and in which the Bank holds between 20% and 50% of the voting rights.

Investments in associated companies are accounted for according to the equity method.

Transactions and balances between the Bank and the associates are eliminated to the extent of the Bank's ownership in the associate.

H. Income taxes

Income tax expenses represent current and deferred taxes for the year.

Income tax expense is measured on the basis of taxable income. Taxable income differs from income reported in the financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by the tax authorities and items not accepted for tax purposes or subject to tax.

Current and deferred taxes are calculated on the basis of the enacted tax rates according to the prevailing laws, regulations and instructions of the countries where the Bank operates.

Deferred taxes represent taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and their respective tax basis. Deferred taxes are calculated on the basis of the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

Deferred tax assets are reviewed on the date of the financial statements, and reduced if it is expected that no benefit will arise from the deferred tax, partially or totally.

I. Financial assets

Financial assets transactions are measured at the trade date at fair value net of direct transaction cost except for costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of income.

1. **Financial assets according to IFRS 9:**

Financial assets are measured either at amortized cost or fair value.

Financial Assets Classification

Financial assets at amortized cost

Debt instruments, including direct credit facilities, treasury bills and bonds, are measured at amortized cost only if:

A. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

B. The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are recorded at cost upon purchase plus acquisition expenses. Moreover, the issuing premium \ discount is amortized using the effective interest rate method, and recorded to interest or in its account. Any allocations resulting from the decline in value of these investments leading to the inability to recover the investment or part thereof are recorded, and any impairment is registered in the statement of income.

In case the business model objective changed to contradict with amortized cost conditions, the Bank should reclassify its financial instrument classified as amortized cost to be at fair value through profit or loss.

The Bank might choose to classify debt instruments that meets the amortized cost criteria to designate such financial asset as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at fair value through profit or loss (FVTPL)

Debt instruments that do not meet the amortized cost criteria (as described above) are measured at FVTPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVTPL by the Bank are measured at FVTPL.

In case the business model objectives change and contractual cash flows meet the amortized cost criteria, the Bank should reclassify the debt instrument held at FVTPL to amortized cost. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Investments in equity instruments are classified as at FVTPL, unless the Bank designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognized in the statement of income.

Dividend income on investments in equity instruments at FVTPL is recognized in the statement of income when the Bank's right to receive the dividends is established (upon the general assembly resolution).

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to statement of income, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognized in the statement of income when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery part of the cost of the investment.

2. Financial assets according to IAS 39

Financial assets at fair value through profit or loss – held for trading

Such financial assets are those assets that have been acquired principally for the purpose of selling them in the near term, or on initial recognition have been part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking.

Financial assets held for trading are initially recognized at their fair value, while transaction costs are expensed in the statement of income; and are stated subsequently at fair value. Changes in fair value of these financial assets are included in the statement of income in the period in which the change occurs.

Changes in fair value resulting from changes in foreign exchange rates are recorded in the statement of income as gain or loss on foreign exchange. As for non-monetary assets they are recorded as part of the change in fair value.

Dividend revenue is recognized as income from financial assets held for trading in the statement of income, where as earned interest revenue is recognized as interest income in the statement of income.

Financial assets at fair value through profit or loss – designated

Such financial assets are those initially designated as at fair value through profit or loss if such designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise. Financial assets maybe designated as at fair value through profit or loss if they make part of a group of financial assets or financial liabilities or both, that are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial assets designated as at fair value through profit or loss are initially recognized at their fair value, while transaction costs are expensed in the statement of income; and are stated subsequently at fair value. Changes in fair value of these financial assets are included in the statement of income in the period in which the change occurs.

Gains (losses) from the changes in the foreign exchange rates of monetary assets denominated in foreign currencies are recorded within gain (losses) from foreign currency translation. As for non-monetary assets they are recorded as part of the change in fair value.

Dividends revenue is recognized as income from financial assets designated at fair value through profit or loss in the statement of income, where as interest earned is recognized as interest income in the statement of income.

Financial assets – Available-for-sale

Such financial assets are those assets that have not been classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are initially recognized at fair value, including transaction costs and are subsequently stated at fair value as of the date of the financial statements with changes in fair value recorded in a separate item in other comprehensive income.

When such assets are fully or partially sold, disposed of, or judged to be impaired, the change in fair value is recorded in the statement of income, including the related amounts previously recorded in other comprehensive income.

Impairment losses recognized in the statement of income on debt instruments are reversed only when it is objectively evident that the increase in fair value occurred after the losses have been recognized. Impairment losses recognized on equity instruments are not reversed.

Changes in fair value resulting from changes in foreign exchange rates on monetary financial assets are recorded in the statement of income as gain or loss on foreign exchange with changes in foreign exchange rates on non-monetary items recorded in other comprehensive income.

Interest income earned on available-for-sale financial assets is recorded in the statement of income using the effective interest method.

Financial instruments for which fair value cannot be reliably determined are stated at cost, net of any accumulated impairment losses.

Financial assets – Held to maturity

Such financial assets are those that have fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Financial assets held to maturity are recorded at cost (fair value) plus acquisition costs, less any provision for impairment in value. Premiums and discounts are systematically amortized in the statement of income using the effective interest method.

Direct credit facilities

Such financial assets are those with fixed or determinable payments that are not quoted in an active market.

Direct credit facilities are stated at cost, and are stated in the statement of financial position net of impairment provisions and interest and commission in suspense.

Provisions for impairment of direct credit facilities are recognized when it is apparent that the financial assets of the Bank cannot be recovered, there is objective evidence of an event that adversely affects the future cash flows of the direct credit facilities and when the amount of impairment can be estimated.

Impairment in value is determined using the present value of the future cash flows discounted at the original interest rate or according to the instructions of the regulatory authorities of the countries where the Bank operates, whichever is higher. Impairment losses are recorded in the statement of income.

Interest and commission on non-performing credit facilities are suspended in accordance with the instructions of the Central Bank or the regulatory authorities in the countries where the Bank operates whichever is higher.

Specific provisions for impairment of direct credit facilities are written off when management is satisfied that no recovery of the amounts owing is possible. Any surplus in the general provisions or any recoveries of written-off debts is recognized in the statement of income.

J. Fair value

The closing price of quoted financial assets and derivatives in active markets represents their fair value. When no quoted prices are available or when no active markets exist for the financial instrument, the fair value is estimated by one of the following methods:

- Comparing the fair value of another financial asset with similar terms and conditions;
- Discounting future cash flows; or
- Using options pricing models.

The valuation methods aim at arriving at a fair value that reflects the expectations of market participants, expected risks and expected benefits. When the fair value cannot be measured reliably, financial assets are stated at cost / amortized cost.

K. Impairment in the value of the financial assets

The Bank reviews the values of the amortized cost on the date of the financial statements in order to determine if there are any indications of impairment in their value, individually or in the form of a portfolio. If such indications exist, the recoverable value is estimated so as to determine the amount of impairment loss.

Impairment is determined as follows:

Impairment in financial assets recorded at amortized cost is determined on the basis of the difference between the carrying amount and the present value of the cash flows discounted at the original interest rate.

Impairment in the financial assets recorded at cost is determined on the basis of the difference between the carrying amount and the present value of the expected cash flows discounted at the market interest rate of similar instruments.

Financial assets recorded at amortized cost is reduced by the impairment in value through provision for impairment in the statement of income.

L. Financial derivatives

Financial derivatives (e.g. currency forward contracts, forward rate agreements, swaps and option contracts) are recognized at fair value in the statement of financial position.

1. Financial derivatives held for hedge purposes

Hedges are classified as follows:

- **Fair value hedge**: Represents hedging for changes in the fair value of the Bank's assets and liabilities. When the conditions for an effective fair value hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in the statement of income. Changes in the fair value of the hedged assets or liabilities are also recognized in the statement of income.

- **Cash flow hedge:** Represents hedging for changes in the current and expected cash flows of the Bank's assets and liabilities that affects the statement of income. When the conditions for an effective cash flow hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in other comprehensive income and are reclassified to the statement of income in the period in which the hedge transaction has an impact on the statement of income.

  When the conditions for an effective hedge are not met, gains or losses from changes in the fair value of financial derivatives are recognized in the statement of income.

- **Hedge for net investment in foreign entities** When the conditions of the hedge for net investment in foreign entities are met, fair value is measured for the hedging instrument of the hedged net assets. In case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in the statement of comprehensive income and recorded in the statement of income when the investment in foreign entities is sold. The ineffective portion is recognized in the statement of income.

2. Financial derivatives for trading

Financial derivatives held for trading are recognized at fair value in the statement of financial position among "other assets" or "other liabilities" with changes in fair value recognized in the statement of income.

M. Foreclosed assets

Such assets are those that have been the subject of foreclosure by the Bank, and are initially recognized among "other assets" at the foreclosure value.

At the date of the financial statements, foreclosed assets are revalued individually; any decline in fair value is recognized in the statement of income. Any subsequent increase in value is recognized only to the extent that it does not exceed the previously recognized impairment losses.

N. Provisions

Provisions are recognized when the Bank has an obligation as of the date of the financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

Provision for employees' end-of-service indemnities is estimated in accordance with the prevailing rules and regulations in the countries in which the Bank operates. The expense for the year is recognized in the statement of income. Indemnities paid to employees are reduced from the provision.

O. Fiduciary deposits

Fiduciary deposits resulting from holding or placing of assets on behalf of customers. These assets and the income arising from them are excluded from the financial statements of the Bank. Commission and fees income for managing these accounts are recognized in the statement of income.

Provision for the decline in fair value is recognized only when the fair value of a portfolio of guaranteed capital declines below the amount of guaranteed capital.

P. Offsetting

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position only when there is a legal right to offset the recognized amounts, and the Bank intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

Q. Cash and cash equivalents

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

4. Use of Estimate

Preparation of the accompanying financial statements requires estimations and judgments in applying accounting policies relating to some of the financial statement items. Examples of such items include an estimation of the provision for impairment of non-performing direct credit facilities, the intention of management to hold the financial investment until maturity, and an estimation of the useful life of assets and impairment of their value. Management also uses estimates and judgments for some matters that are uncertain on the date of the financial statements and may require adjustments to the balances of the assets and liabilities stated in the financial statements of the following year. This includes estimation of the various provisions and contingent liabilities.

5. Cash and Balances with Central Banks

The details of this item are as follows:

JD '000

	December 31,	
	2011	**2010**
Cash in vaults	197 701	211 718
Balances with central banks:		
- Current accounts	154 855	149 263
- Time and notice	2 675 173	3 320 237
- Mandatory cash reserve	750 312	753 638
Certificates of deposit	186 841	214 700
Total	**3 964 882**	**4 649 556**

Except for the mandatory cash reserve, there are no restricted balances at Central Bank.
Balances maturing after three months amounted to JD114.5 million as at December 31, 2011 (JD 143.5 million as at December 31, 2010).

6. Balances with Banks and Financial Institutions

The details of this item are as follows:

JD '000

	December 31,	
	2011	**2010**
Current accounts	591 426	337 434
Time deposits maturing within 3 months	2 824 119	2 275 597
Total	**3 415 545**	**2 613 031**

7. Deposits with Banks and Financial Institutions

The details of this item are as follows:

JD '000

	December 31,	
	2011	**2010**
Time deposits maturing after 3 months and before 6 months	174 697	191 018
Time deposits maturing after 6 months and before 9 months	104 780	44 496
Time deposits maturing after 9 months and before one year	60 769	86 886
Time deposits maturing after one year	21 244	56 928
Total	**361 490**	**379 328**

- There are balances with local banks for the time period of less than three months in the amount to JD 23.98 million as of 31 December 2011 (zero as of 31 December 2010).
- There are no restricted balances and deposits as of 31 December 2011 (nil as of 31 December 2010).
- There are no restricted balances and deposits that don't pay interests as of 31 December 2011 (nil as of 31 Decmber 2010).

8. Financial assets at fair value through profit or loss

The details of this item based on IFRS 9 are as follows:

JD '000

	December 31, 2011
Treasury bills and bonds	71 007
Corporate bonds	92 466
Loans	23 041
Corporate shares and mutual funds	37 294
Total	**223 808**

9. Financial assets at fair value through other comprehensive income

The details of this item based on IFRS 9 are as follows:

JD '000

	December 31, 2011
Corporate shares and mutual funds *	357 532
Total	**357 532**

* Cash dividend on the investments above amounted of JD 3.7 million for the year ended 31 December 2011.

10. Financial assets at fair value through profit or loss - held for trading and designated

The details of this item based on IAS 39 are as follows:

JD '000

A- Financial assets at fair value through profit or loss - held for trading	December 31, 2010
Corporate bonds	43 686
Corporate shares and mutual funds	1 119
Total	**44 805**

JD '000

B- Financial assets at fair value through profit or loss - designated	December 31, 2010
Government bonds	18 233
Corporate bond	77 149
Total	**95 382**

11. Direct Credit Facilities At Amortized Cost

The details of this item are as follows:

JD '000

	December 31, 2011					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Discounted bills *	44 868	113 087	145 510	63 155	-	366 620
Overdrafts *	23 360	353 207	1 783 498	-	247 844	2 407 909
Loans and advances *	766 629	244 347	5 629 193	219 027	451 509	7 310 705
Real-estate loans	583 556	2 625	705	-	-	586 886
Credit cards	60 541	-	-	-	-	60 541
Total	**1 478 954**	**713 266**	**7 558 906**	**282 182**	**699 353**	**10 732 661**
Less: Interest and commission in suspense	21 539	58 721	69 077	1 077	-	150 414
Provision for impairment - direct credit facilities	71 169	54 285	449 178	2 333	1 728	578 693
Total	**92 708**	**113 006**	**518 255**	**3 410**	**1 728**	**729 107**
Net Direct Credit Facilities at Amortized Cost	**1 386 246**	**600 260**	**7 040 651**	**278 772**	**697 625**	**10 003 554**

* Net of interest and commission received in advance, which amounted to JD 13.1 million as at December 31, 2011.

- Direct credit facilities granted to and guaranteed by government of Jordan as of December 31, 2011 amounted to JD 104.4 million or 1% of total direct credit facilities.
- Non-performing direct credit facilities as at December 31, 2011 amounted to JD 832 million or 7.8% of total direct credit facilities.
- Non-performing direct credit facilities, net of interest and commission in suspense, as of December 31, 2011 amounted to JD 681.6 million or 6.4% of net direct credit facilities

JD ‘000

	December 31, 2010					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Discounted bills *	41 273	56 447	159 275	19 362	-	276 357
Overdrafts *	23 539	313 816	1 661 995	35	163 077	2 162 462
Loans and advances *	817 668	334 261	5 448 166	477 167	616 457	7 693 719
Real-estate loans	500 298	2 763	1 278	-	-	504 339
Credit cards	49 864	-	-	-	-	49 864
Total	**1 432 642**	**707 287**	**7 270 714**	**496 564**	**779 534**	**10 686 741**
Less: Interest and commission in suspense	15 074	58 544	44 559	616	-	118 793
Provision for impairment - direct credit facilities	60 398	57 983	385 958	-	1 898	506 237
Total	**75 472**	**116 527**	**430 517**	**616**	**1 898**	**625 030**
Net Direct Credit Facilities at Amortized Cost	**1 357 170**	**590 760**	**6 840 197**	**495 948**	**777 636**	**10 061 711**

* Net of interest and commission received in advance, which amounted to JD 11.6 million as at December 31, 2010.

- Direct credit facilities granted to and guaranteed by government of Jordan as at December 31, 2010 amounted to JD 80.9 million or 0.8% of total direct credit facilities.
- Non-performing direct credit facilities as at December 31, 2010 amounted to JD 834.4 million or 7.8% of total direct credit facilities.
- Non-performing direct credit facilities, net of interest and commission in suspense, as at December 31, 2010 amounted to JD 715.6 million or 6.8% of net direct credit facilities.

- The details of movement on the provision for impairment of direct credit facilities at amortized cost are as follows:

JD '000

2011

	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Balance at the beginning of the year	60 398	57 983	385 958	-	1 898	506 237
Impairment losses charged to income	17 736	6 123	75 647	2 333	141	101 980
Used from provision (written off)	(1 121)	(5 307)	(3 776)	-	-	(10 204)
Surplus in provision transferred to statement of income	(5 142)	(5 726)	(7 490)	-	(270)	(18 628)
Adjustments during the year	-	208	(208)	-	-	-
Translation adjustments	(702)	1 004	(953)	-	(41)	(692)
Balance at the end of the Year	**71 169**	**54 285**	**449 178**	**2 333**	**1 728**	**578 693**

JD '000

2010

	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Balance at the beginning of the year	48 084	67 209	169 729	10 262	233	295 517
Impairment losses charged to income	20 454	6 909	210 924	15 032	813	254 132
Used from provision (written off)	(917)	(2 484)	(2 837)	(25 294)	-	(31 532)
Surplus in provision transferred to statement of income	(10 760)	(10 263)	(7 902)	-	(438)	(29 363)
Adjustments during the year	2 988	(2 686)	18 625	-	1 290	20 217
Translation adjustments	549	(702)	(2 581)	-	-	(2 734)
Balance at the end of the Year	**60 398**	**57 983**	**385 958**	**-**	**1 898**	**506 237**

The details of movement on interest and commissions in suspense are as follows:

JD '000

	2011					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Balance at the beginning of the year	15 074	58 544	44 559	616	-	118 793
Interest and commission suspended during the year	7 664	7 465	26 107	460	-	41 696
Interest and commission in suspense / written off	(115)	(6 037)	(685)	-	-	(6 837)
Recoveries	(1 085)	(1 317)	(901)	-	-	(3 303)
Adjustments during the year	-	-	-	-	-	-
Translation adjustments	1	66	(3)	1	-	65
Balance at the end of the Year	**21 539**	**58 721**	**69 077**	**1 077**	**-**	**150 414**

JD '000

	2010					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
Balance at the beginning of the year	8 486	55 366	23 184	172	-	87 208
Interest and commission suspended during the year	7 704	8 464	22 390	445	-	39 003
Interest and commission in suspense written off	(73)	(2 874)	(1 288)	-	-	(4 235)
Recoveries	(1 023)	(1 821)	(3)	-	-	(2 847)
Adjustments during the year	(18)	120	(102)	-	-	-
Translation adjustments	(2)	(711)	378	(1)	-	(336)
Balance at the end of the Year	**15 074**	**58 544**	**44 559**	**616**	**-**	**118 793**

12. Financial Assets - Available for Sale

The details of this item based on IAS 39 are as follows:

	JD '000 December 31, 2010
Treasury bills and bonds	1 708 673
Government bonds	611 309
Corporate bonds	764 231
Shares	216 662
Total	**3 300 875**

* Among the financial assets-available for sale there are shares and mutual funds in the amount of JD 41.8 million represented at cost and treasury bills and bonds in the amount of JD 1 578.4 million .represented at cost or amortized cost, and that is due to the inability to measure the fair value sufficiently

Analysis of Bonds based on Interest payments:

	JD '000 December 31, 2010
Floating rate	716 619
Fixed rate	2 367 594
Total	**3 084 213**

Analysis of Financial Assets based on Market Quotation:

Financial assets quoted in the market:	JD '000 December 31, 2010
Treasury bills and bonds	522 651
Government bonds	311 313
Corporate bonds	639 325
Shares	171 511
Total	**1 644 800**

Financial assets unquoted in the market:	JD '000 December 31, 2010
Treasury bills and bonds	1 186 022
Government bonds	299 996
Corporate bonds	124 906
Shares	45 151
Total	**1 656 075**

13. Other financial assets- at amortised cost

The details of this item based on IFRS9 are as follows:

JD '000

	December 31, 2011
Treasury bills and bonds	2 917 890
Government bonds	665 114
Corporate bonds	452 701
Less: Provision for impairment	(2 832)
Total	**4 032 873**

Analysis of bonds based on interest payments:

JD '000

	December 31, 2011
Floating rate	359 200
Fixed rate	3 673 673
Total	**4 032 873**

Analysis of financial assets based on market quotation:

JD '000

Financial assets quoted in the market:	December 31, 2011
Treasury bills and bonds	421 185
Government bonds	355 498
Other bonds	358 696
Total	**1 135 379**

JD '000

Financial assets unquoted in the market:	December 31, 2011
Treasury bills and bonds	2 496 705
Government bonds	309 616
Other bonds	91 173
Total	**2 897 494**

The details of movement on the provision for the impairment of other financial assets at amortized cost are as follows:

JD '000

	2011
Balance at the beginning of the year	2 832
Impairment losses charged to income	-
Total	**2 832**

14. Financial Assets - Held to maturity

JD '000

The details of this item based on IAS 39 are as follows:

	December 31, 2010
Treasury bills and bonds	361 107
Government bonds	70 065
Corporate bonds	15 228
Less: Provision for impairment	(2 832)
Total	**443 568**

Analysis of bonds based on interest payments:

JD '000

	December 31, 2010
Floating rate	16 012
Fixed rate	427 556
Total	**443 568**

Analysis of financial assets based on market quotation:

JD '000

Financial assets quoted in the market:	December 31, 2010
Treasury bills and bonds	309 747
Government bonds	70 065
Other bonds	-
Total	**379 812**

JD '000

Financial assets unquoted in the market:	December 31, 2010
Treasury bills and bonds	51 360
Government bonds	-
Other bonds	12 396
Total	**63 756**

The details of movement on the provision for the impairment of financial assets - held to maturity are as follows:

JD '000

	2010
Balance at the beginning of the year	-
Impairment losses charged to income	2 832
Total	**2 832**

15. Investment in Subsidiaries and Associates

The details of this item are as follows:

JD '000

	December 31, 2011		December 31, 2010			
	Ownership %	Cost	Ownership %	Cost	Place of incorporation	Principal activity
The Bank's investments in subsidiaries:						
Europe Arab Bank plc	100.00	504 127	100.00	469 145	U.K.	Banking
Arab Bank Australia Limited	100.00	44 709	100.00	39 642	Australia	Banking
Islamic International Arab Bank	100.00	73 500	100.00	73 500	Jordan	Banking
Arab National Leasing Company Ltd	100.00	15 000	100.00	25 000	Jordan	Finance leasing
Al-Arabi Investment Group Ltd	100.00	8 900	100.00	8 900	Jordan	Financial services
Arab Sudanese Bank Limited	100.00	30 253	100.00	31 747	Sudan	Banking
Arab Investment Bank S.A.L	66.68	5 129	66.68	5 129	Lebanon	Banking
Arab Tunisian Bank	64.24	68 637	64.24	71 619	Tunisia	Banking
Al Arabi Capital Limited	-	-	100.00	10 910	U.A.E.	Financial services
Al Arabi Investment Group Limited - Palestine	100.00	1 600	100.00	1 600	Palestine	Financial services
Al-Nisr Al Arabi plc	50.00	11 250	50.00	11 250	Jordan	Insurance
Arab Bank Syria	51.29	36 954	49.00	22 237	Syria	Banking
Al Wahda Bank	-	-	19.00	227 124	Libya	Banking
Other		8 895		9 447		Various
Total		**808 954**		**1 007 250**		
The Bank's investments in associates						
Turkland Bank A.Ş	28.33	91 067	50.00	103 861	Turkey	Banking
Oman Arab Bank	49.00	56 850	49.00	45 119	Oman	Banking
Arab National Bank	40.00	102 870	40.00	102 870	Saudi Arabia	Banking
Arabia Insurance Company S.A.L	36.79	75	36.79	75	Lebanon	Insurance
Commercial Building Company S.A.L	35.24	380	35.24	380	Lebanon	Real estate operating leasing
Total		**251 242**		**252 305**		
Grand Total		**1 060 196**		**1 259 555**		

16. Fixed Assets

The details of this item are as follows:

JD '000

	Land	Buildings	Furniture, Fixtures and Equipment	Computers and Communication Equipment	Motor Vehicles	Leasehold Improvements	Total
Historical Cost :							
Balance at January 1, 2010	33 284	141 900	84 361	41 353	8 053	36 126	345 077
Additions	-	36 286	5 378	3 196	220	4 839	49 919
Disposals	-	(2 666)	(2 413)	(2 218)	(1 624)	(3 620)	(12 541)
Translation adjustments	(38)	(553)	(164)	(282)	(10)	(2)	(1 049)
Balance at December 31, 2010	**33 246**	**174 967**	**87 162**	**42 049**	**6 639**	**37 343**	**381 406**
Additions	232	14 486	15 061	3 456	459	6 191	39 885
Disposals	(1 141)	(22 490)	(5 578)	(2 900)	(732)	(14 302)	(47 143)
Translation adjustments	-	-	(272)	(180)	(6)	-	(458)
Balance at December 31, 2011	**32 337**	**166 963**	**96 373**	**42 425**	**6 360**	**29 232**	**373 690**
Accumulated Depreciation :							
Balance at January 1, 2010	-	39 425	53 955	34 550	6 072	11 202	145 204
Depreciation charge for the year	-	4 756	7 209	3 327	829	9 140	25 261
Disposals	-	-	(2 124)	(2 174)	(1 512)	(3 657)	(9 467)
Translation adjustments	-	(98)	48	(298)	(16)	(3)	(367)
Balance at December 31, 2010	**-**	**44 083**	**59 088**	**35 405**	**5 373**	**16 682**	**160 631**
Depreciation charge for the year	-	4 956	8 164	3 101	585	8 915	25 721
Disposals	-	(507)	(5 244)	(2 829)	(635)	(13 647)	(22 862)
Translation adjustments	-	113	(146)	(309)	(24)	(71)	(437)
Balance at December 31, 2011	**-**	**48 645**	**61 862**	**35 368**	**5 299**	**11 879**	**163 053**
Net Book Value as of December 31, 2011	**32 337**	**118 318**	**34 511**	**7 057**	**1 061**	**17 353**	**210 637**
Net Book Value as of December 31, 2010	**33 246**	**130 884**	**28 074**	**6 644**	**1 266**	**20 661**	**220 775**

17. Other Assets

The details of this item are as follows:

JD '000

	December 31,	
	2011	**2010**
Accrued interest receivable	98 852	91 908
Prepaid expenses	61 549	56 983
Foreclosed assets *	31 861	29 840
Miscellaneous assets	79 107	33 246
Total	**271 369**	**211 977**

* The central bank of Jordan instructions require disposal of these assets during a maximum period of two years from the date of foreclosure

The details of movement on foreclosed assets are as follows:

JD '000

	2011		
	Land	Buildings	Total
Balance at the beginning of the year	3 614	26 226	29 840
Additions	2 114	5 186	7 300
Disposals	(1 947)	(3 084)	(5 031)
Impairment loss charged to income	(341)	(30)	(371)
Impairment loss - returned to profit	2	121	123
Translation adjustments	-	-	-
Balance at the End of the Year	**3 442**	**28 419**	**31 861**

JD '000

	2010		
	Land	Buildings	Total
Balance at the beginning of the year	4 376	21 324	25 700
Additions	31	6 376	6 407
Disposals	(1 342)	(748)	(2 090)
Impairment loss charged to income	-	(360)	(360)
Impairment loss - returned to profit	13	178	191
Translation adjustments	536	(544)	(8)
Balance at the End of the Year	**3 614**	**26 226**	**29 840**

18. Deferred Tax Assets

Items attributable to deferred tax assets are as follows:

JD '000

	2011						
	Balance at the Beginning of the Year	effect of applying IFRS 9	Amounts Added	Amounts Released	Translation Adjust-ments	Balance at the End of the Year	Deferred Tax
Provision for impairment - direct credit facilities	13 838	-	233	(955)	-	13 116	3 359
End-of-Service indemnity	31 978	-	3 630	(383)	-	35 225	9 777
Interest in suspense with taxes paid on it	4 953	-	2 970	(1 824)	-	6 099	1 425
Other provisions	17 310	(7 018)	7 142	(4 099)	(19)	13 316	3 681
Total	**68 079**	**(7 018)**	**13 975**	**(7 261)**	**(19)**	**67 756**	**18 242**

JD '000

	2010					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Transla-tion Ad-justments	Balance at the End of the Year	Deferred Tax
Provision for impairment - direct credit facilities	9 287	4 551	-	-	13 838	3 503
End-of-Service indemnity	25 452	8 354	(1 828)	-	31 978	8 465
Interest in suspense with taxes paid on it	4 621	2 120	(1 788)	-	4 953	1 130
Other provisions	27 007	5 494	(15 211)	20	17 310	4 321
Total	**66 367**	**20 519**	**(18 827)**	**20**	**68 079**	**17 419**

The details of movement on deferred tax assets are as follows:

JD '000

	2011	2010
Balance at the beginning of the year	17 419	16 582
Effect of applying IFRS 9	(1 404)	-
Additions during the year	3 847	5 309
Amortized during the year	(1 620)	(4 472)
Balance at the End of the Year	**18 242**	**17 419**

19. Banks' and financial institutions' deposits

The details of this item are as follows:

JD '000

	December 31, 2011	December 31, 2010
Current and demand	217 775	293 041
Time deposits maturing within 3 months	2 105 887	2 008 557
Time deposits maturing after 3 months and before 6 months	134 691	183 328
Time deposits maturing after 6 months and before 9 months	14 177	20 378
Time deposits maturing after 9 months and before one year	24 390	14 141
Time deposits maturing after one year	15 290	14 184
Total	**2 512 210**	**2 533 629**

20. Customer Deposits

The details of this item are as follows:

JD '000

December 31, 2011

	Retail	Corporates		Government and public sector	Total
		Small and medium	Large		
Current and demand	2 638 564	808 799	1 062 153	197 006	4 706 522
Savings	1 167 446	12 108	4 949	139	1 184 642
Time and notice	4 306 681	526 973	2 177 041	1 469 981	8 480 676
Certificates of deposit	291 038	2 865	4 525	11 758	310 186
Total	**8 403 729**	**1 350 745**	**3 248 668**	**1 678 884**	**14 682 026**

JD '000

	December 31, 2010				
	Retail	Corporates		Government and public sector	Total
		Small and medium	Large		
Current and demand	2 321 165	849 606	755 908	172 846	4 099 525
Savings	1 084 682	13 911	4 631	-	1 103 224
Time and notice	4 223 486	524 045	2 253 712	1 426 707	8 427 950
Certificates of deposit	280 058	12 518	2 445	71 938	366 959
Total	**7 909 391**	**1 400 080**	**3 016 696**	**1 671 491**	**13 997 658**

- Deposits placed by the Government of Jordan and the Jordanian public sector amounted to JD 452.9 million, or 3% of total costumer deposits of 31 December 2011 (JD286.6 million, or 2% of total customer deposits as of 31 December 2010).

- Non-interest bearing deposits amounted to JD 3839.9 million, or 26.2% of total customers' deposits as at December 31, 2011, (JD 3433.9 million, or 24.5% of total customers' deposits as at December 31 , 2010)

- Blocked deposits amounted to JD 34.2 million, or 0.2% of total customers' deposits as at December 31, 2011, (JD 10.2 million or 0.07% of total customers' deposits as at December 31, 2010).

- Dormant deposits amounted to JD 78.2 million, or 0.5% of total customers' deposits as at December 31, 2011,(JD 71.2 million or 0.5% of total customers' deposits as at December 31, 2010).

21. Cash Margin

The details of this item are as follows:

JD '000

	December 31,	
	2011	**2010**
Against direct credit facilities	1 731 419	1 871 438
Against indirect credit facilities	283 504	288 486
Against margin trading	5 170	772
Other cash margins	1 599	1 494
Total	**2 021 692**	**2 162 190**

22. Borrowed Funds

The details of this item are as follows:

JD '000

	December 31,	
	2011	**2010**
From foreign banks and financial institutions *	358 155	358 155
Total	**358 155**	**358 155**

* In 2007, the Bank issued a USD 500 million syndicated term loan to its favor through the external banking unit in Bahrain with a tenure of five years and paying LIBOR + 25 basis points.

- During the year 2010, the Bank borrowed USD 5 million from the American Overseas Private Investment Corporation for a term of 25 years and paying fixed interest of 5.015%.

Analysis of borrowed funds according to interest payments is as follows:

JD '000

	December 31,	
	2011	**2010**
Floating rate	354 610	354 610
Fixed rate	3 545	3 545
Total	**358 155**	**358 155**

23. Provision for Income Tax

The details of this item are as follows:

JD '000

	2011	2010
Balance at the beginning of the year	101 846	96 322
Income tax expense for the year	72 459	76 677
Income tax paid	(76 698)	(71 153)
Balance at the end of the year	**97 607**	**101 846**

- Income tax expense charged to the statement of income consists of the following:

JD '000

	2011	2010
Income tax expense for the year	72 459	76 677
Effect of deferred tax assets	(1 376)	(3 003)
Total	**71 083**	**73 674**

In Jordan, banks are subject to corporate income tax at a rate of 30%, moreover, the tax rate in the countries where the bank has branches and subsidiaries is ranging between 0 to 40%.

24. Other Provisions

The details of this item are as follows:

JD '000

	2011					
	Balance at the beginning of the year	Additions	Utilized / Transferred	Returned to income	Translation adjustments	Balance at the end of the year
End-of-service indemnity	61 688	8 640	(2 918)	(974)	-	66 436
Legal cases	4 854	516	-	(208)	-	5 162
Other	3 503	709	(78)	(97)	(23)	4 014
Total	**70 045**	**9 865**	**(2 996)**	**(1 279)**	**(23)**	**75 612**

JD '000

	2010					
	Balance at the beginning of the year	Additions	Utilized / Transferred	Returned to income	Translation adjustments	Balance at the end of the year
End-of-service indemnity	58 604	7 036	(3 698)	(65)	(189)	61 688
Legal cases	2 767	2 942	(180)	(673)	(2)	4 854
Other	4 213	-	(655)	(73)	18	3 503
Total	**65 584**	**9 978**	**(4 533)**	**(811)**	**(173)**	**70 045**

25. Other Liabilities

The details of this item are as follows:

JD '000

	December 31, 2011	2010
Accrued interest payable	63 193	55 913
Notes payable	108 903	74 938
Interest and commission received in advance	78 346	52 161
Accrued expenses	23 145	19 016
Other miscellaneous liabilities	71 194	71 316
Total	**344 781**	**273 344**

26. Deferred Tax Liabilities

Items attributable to deferred tax liabilities are as follows:

JD '000

2011	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments during the year	Balance at the End of the Year	De-ferred Tax
Investement revaluation reserve / cumulative change in fair value of available-for-sale financial assets	32 471	9 702	(20 858)	10 532	31 847	9 556
Other	1 087	1 847	-	-	2 934	732
Total	**33 558**	**11 549**	**(20 858)**	**10 532**	**34 781**	**10 288**

JD '000

2010	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Balance at the End of the Year	Deferred Tax
Cumulative change in fair value of available - for - sale financial assets	36 025	17 356	(20 910)	32 471	10 994
Other	1 597	-	(510)	1 087	216
Total	**37 622**	**17 356**	**(21 420)**	**33 558**	**11 210**

- **The details of movement on deferred tax liabilities are as follows:**

JD '000

	2011	2010
Balance at the beginning of the year	11 210	12 292
Effect of adoption of IFRS9	2 357	-
Additions during the year	3 373	1 318
Amortized during the year	(6 652)	(2 400)
Balance at the end of the year	**10 288**	**11 210**

27. Share Capital

A. The subscribed and paid-up capital amounted to JD 534 million as at December 31, 2011 and 2010, divided into 534 million shares, at a nominal value of JD 1.0 each.

B. Share premium amounted to JD 859.626 million as at December 31, 2011 (JD 859.626 million as at December 31, 2010).

28. Statutory Reserve

- The statutory reserve amounted to JD 340.744 million as at December 31, 2011 (JD 307.336 million as at December 31, 2010). This reserve cannot be distributed to shareholders

29. Voluntary Reserve

- The voluntary reserve amounted to JD 614.920 million as at December 31, 2011 (JD 614.920 million as at December 31, 2010). This reserve is used for the purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

30. General Banking Risk Reserve

- The general banking risk reserve amounted to JD 200.468 million as at December 31, 2011 (JD 200.468 million as at December 31, 2010) and it is available for use in accordance with certain procedures, including the approval of the Central Bank of Jordan and the General Assembly, only when the amount of that reserve exceeds the minimum amount set or required according to the instructions of the relevant banking authorities.

31. Investment revaluation reserve/Available-for-sale financial assets revaluation reserve

The details of this item are as follows:

JD '000

	2011		
	Shares	Bonds	Total
Balance at the beginning of the year	26 627	(44 937)	(18 310)
Effect of early adoption of IFRS9	6 289	44 937	51 226
Change in fair value during the year	(72 801)	-	(72 801)
Net realized losses transferred to retained earnings	488	-	488
Balance at the end of the year *	**(39 397)**	**-**	**(39 397)**

JD '000

	2010		
	Shares	Bonds	Total
Balance at the beginning of the year	45 866	(77 373)	(31 507)
Change in fair value during the year	7 269	5 642	12 911
Net realized (gains) losses	(28 401)	26 218	(2 183)
Impairment loss charged to income statement	1 000	-	1 000
Translation adjustments	893	576	1 469
Balance at the end of the year *	**26 627**	**(44 937)**	**(18 310)**

* Investments revaluation reserve is stated net of deferred tax liabilities in the amount of JD 9.6 million as at December 31, 2011 (JD 10.9 million as at December 31, 2010).

32. Retained Earnings

The details of this item are as follows:

JD '000

	2011	2010
Balance at the beginning of the year	142 332	125 909
Effect of adoption of IFRS 9	(70 624)	-
Adjusted balance at the beginning of the year	**71 708**	**125 909**
Profit for the year	263 001	145 085
Transfer from investment revaluation reserve to retained earnings	(488)	-
Dividends paid	(106 800)	(106 800)
Appropriation to reserves	(33 408)	(21 862)
Balance at the end of the year *	**194 013**	**142 332**

* Restricted retained earnings that cannot be distributed or otherwise utilized except under certain circumstances amounted to JD 1.1 million as at December 31, 2011 as a result from the adoption of certain International Financial Reporting Standards (JD 929 thousands as at December 31, 2010).

33. Proposed Dividends

- Proposed dividends to be distributed to the shareholders for the year 2011 amounted 25% of the nominal value, equivalent to JD 133.5 million, subject to the approval of the General Assembly (20% of the nominal value for the year 2010 equivalent to JD 106.8 million).

34. Interest Income

The details of this item are as follows:

JD '000

	2011	2010
Direct credit facilities at amortized cost *	530 824	508 669
Central Banks	52 937	55 600
Banks and financial institutions	26 378	24 092
Financial assets at FVTPL	10 713	-
Other financial assets at amortized cost	226 479	-
Financial assets at fair value through profit or loss - held for trading and designated	-	3 104
Financial assets - available for sale	-	150 768
Financial assets - held to maturity	-	64 313
Total	**847 331**	**806 546**

* The details of interest income earned on direct credit facilities at amortized cost are as follows:

JD '000

2011						
	Retail	Corporates		Banks and financial institutions	Government and public sector	Total
		Small and medium	Large			
Discounted bills	2 975	5 494	8 148	377	18	17 012
Overdrafts	2 937	22 292	105 645	-	13 382	144 256
Loans and advances	65 772	17 808	213 195	5 977	21 026	323 778
Real – estate loans	35 177	119	66	-	-	35 362
Credit cards	10 416	-	-	-	-	10 416
Total	**117 277**	**45 713**	**327 054**	**6 354**	**34 426**	**530 824**

JD '000

2010						
	Retail	Corporates		Banks and financial institutions	Government and public sector	Total
		Small and medium	Large			
Discounted bills	3 823	4 046	9 407	643	-	17 919
Overdrafts	3 217	21 661	97 408	-	10 184	132 470
Loans and advances	63 727	20 320	204 842	6 536	18 854	314 279
Real – estate loans	34 387	87	97	-	-	34 571
Credit cards	9 430	-	-	-	-	9 430
Total	**114 584**	**46 114**	**311 754**	**7 179**	**29 038**	**508 669**

35. Interest Expense

The details of this item are as follows:

JD '000

	2011	2010
Customer deposits *	260 705	243 219
Banks and financial institutions	33 239	28 380
Cash margins	34 105	32 171
Borrowed funds	1 946	2 059
Deposit insurance fees	11 433	10 202
Total	**341 428**	**316 031**

* Interest expense charged to income on customer deposits is as follows:

JD '000

2011

	Retail	Corporates		Government and public sector	Total
		Small and medium	Large		
Current and demand	2 447	840	5 435	711	9 433
Savings	16 165	119	20	-	16 304
Time and notice	115 232	16 438	50 625	25 482	207 777
Certificates of deposit	22 346	599	378	3 868	27 191
Total	**156 190**	**17 996**	**56 458**	**30 061**	**260 705**

JD '000

2010

	Retail	Corporates		Government and public sector	Total
		Small and medium	Large		
Current and demand	1 299	785	7 071	717	9 872
Savings	14 701	83	44	-	14 828
Time and notice	109 062	16 657	51 804	15 227	192 750
Certificates of deposit	18 136	1 062	709	5 862	25 769
Total	**143 198**	**18 587**	**59 628**	**21 806**	**243 219**

36. Net Commissions Income

The details of this item are as follows:

JD '000

Commission income:	2011	2010
Direct credit facilities	42 998	31 318
Indirect credit facilities	84 707	79 275
Other	35 103	38 157
Less: commission expense	(8 867)	(7 312)
Net Commissions Income	**153 941**	**141 438**

37. (Loss) from financial assets at fair value through profit or loss

The details of this item are as follows:

JD '000

	2011			
	Realized gains	Unrealized gains (losses)	Dividends	Total
Treasury bills and bonds	4 428	1 980	-	6 408
Corporate and Mutual fund shares	1 470	(9 461)	309	(7 682)
Total	**5 898**	**(7 481)**	**309**	**(1 274)**

38. Gain (Loss) From Investments

The details of this item are as follows:

A- (Loss) from financial assets at fair value through profit or loss - held for trading

JD '000

	2010			
	Realized gains	Unrealized gains (losses)	Dividends	Total
Treasury bills and bonds	23	(262)	-	(239)
Corporate shares	18	140	15	173
Total	**41**	**(122)**	**15**	**(66)**

B- (Loss) from financial assets at fair value through profit or loss - designated

JD '000

	2010			
	Realized gains	Unrealized (Losses)	Dividends	Total
Treasury bills and bonds	38	(480)	-	(442)
Total	**38**	**(480)**	**-**	**(442)**

JD '000

C- Gain from Financial Assets - Available for Sale	2010
Gain from sale of financial assets	39 035
Dividend revenue	4 777
Less: impairment losses	(1 428)
Total	**42 384**

39. Bank's share of dividends from subsidiaries and associates

The details of this item are as follows:

JD '000

	2011	2010
Dividends from subsidiaries	17 262	16 578
Dividends from associates	53 674	43 638
Total	**70 936**	**60 216**

40. Other Revenue

The details of this item are as follows:

JD '000

	2011	2010
Revenue from customer services	10 102	9 063
Safe box rent	1 075	1 064
(loss) Gain from derivatives	(1 694)	1 402
Miscellaneous revenue	13 010	18 568
Total	**22 493**	**30 097**

41. Employees' Expenses

The details of this item are as follows:

JD '000

	2011	2010
Salaries and benefits	139 379	125 748
Social security	6 442	5 899
Savings fund	1 583	1 524
Indemnity compensation	5 289	3 317
Medical	4 779	4 664
Training	635	568
Allowances	21 072	19 437
Other	4 305	3 872
Total	**183 484**	**165 029**

42. Other Expenses

The details of this item are as follows:

JD '000

	2011	2010
Occupancy	28 454	26 518
Office	32 149	30 650
Services	48 997	44 566
Fees	4 732	5 592
Information technology	12 761	12 296
Other administrative expenses	29 883	32 016
Total	**156 976**	**151 638**

43. Financial Derivatives

JD '000

The details of this item are as follows:

	December 31,	
	2011	**2010**
Interest rate swaps	527 180	498 281
Foreign currency forward contracts	3 796 453	4 196 288
Total	**4 323 633**	**4 694 569**

- The details of financial derivatives are as follows:

December 31, 2011

JD '000

	Positive fair value	Negative fair value	Total notional amount	Notional amounts by maturity			
				Within 3 months	From 3 months to 1 year	From 1 year to 3 years	More than 3 years
Interest rate swaps	2 827	3 346	294 971	-	3 545	233 905	57 521
Currency forward contracts	1 930	1 708	3 635 992	992 572	2 606 805	10 281	26 334
Derivatives held for trading	**4 757**	**5 054**	**3 930 963**	**992 572**	**2 610 350**	**244 186**	**83 855**
Interest rate swaps	(3 682)	279	196 760	20 106	3 121	81 560	91 973
Currency forward contracts	-	-	-	-	-	-	-
Derivatives held for fair value hedge	**(3 682)**	**279**	**196 760**	**20 106**	**3 121**	**81 560**	**91 973**
Interest rate swaps	-		35 449	-	-	35 449	-
Currency forward contracts	282	257	160 461	160 461	-	-	-
Derivatives held for cash flow hedge	**282**	**257**	**195 910**	**160 461**	**-**	**35 449**	**-**
Total	**1 357**	**5 590**	**4 323 633**	**1 173 139**	**2 613 471**	**361 195**	**175 828**

JD '000

	December 31, 2010						
				Notional amounts by maturity			
	Positive fair value	Negative fair value	Total notional amount	Within 3 months	From 3 months to 1 year	From 1 year to 3 years	More than 3 years
Interest rate swaps	19 045	19 196	274 822	8 525	657	262 094	3 546
Currency forward contracts	912	2 008	3 248 489	3 200 182	10 391	37 916	-
Derivatives held for trading	**19 957**	**21 204**	**3 523 311**	**3 208 707**	**11 048**	**300 010**	**3 546**
Interest rate swaps	(935)	1 251	188 010	50 627	-	137 383	-
Currency forward contracts	-	-	-	-	-	-	-
Derivatives held for fair value hedge	**(935)**	**1 251**	**188 010**	**50 627**	**-**	**137 383**	**-**
Interest rate swaps	-	-	35 449	-	-	35 449	-
Currency forward contracts	2 404	2 281	947 799	947 799	-	-	-
Derivatives held for cash flow hedge	**2 404**	**2 281**	**983 248**	**947 799**	**-**	**35 449**	**-**
Total	**21 426**	**24 736**	**4 694 569**	**4 207 133**	**11 048**	**472 842**	**3 546**

The notional amount represents the value of the transactions at year-end and does not refer to market risk or credit risk.

44 . Geographical Distribution of Assets and Revenue

The table below shows the geographical distribution of assets and revenue inside and outside th Hashemite Kingdom of Jordan:

JD '000

	December 31,	
	2011	**2010**
Assets		
Inside Jordan	6 877 894	6 707 898
Outside Jordan	17 043 591	16 611 510
Total	**23 921 485**	**23 319 408**

JD '000

	2011	**2010**
Revenue		
Inside Jordan	215 319	220 608
Outside Jordan	576 884	576 847
Total	**792 203**	**797 455**

45. Business Segments

a. Description of Segments' Activities

The Bank has an integrated group of products and services dedicated to serve the Bank's customers and constantly developed in response to the ongoing changes in the banking business environment.

The following is a summary of these groups' activities stating their business nature and future plans:

1. Corporate and Investment Banking

This group provides banking services and finances the following: corporate sector, private projects, foreign trading, small and medium sized projects, and banks and financial institutions.

2. Treasury Group

This group is considered a source of financing for the Bank, in general, and for the strategic business units in particular. It steers the financing of the Bank, and manages both the Bank's liquidity and market risks.

Moreover, this group is responsible for the management of the Bank's assets and liabilities within the framework set by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal transfer prices within the Bank's departments, in addition to being a central unit for the financial organization and main dealing in connection with the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money market instruments.
- Certificates of deposits.
- Interest rate swaps.
- Other various derivatives.
- Stocks.

3. Elite

During the year 2009, the Bank consolidated its services provided to high-networth customers with those provided to the Elite within the retail domain in order to enhance the Bank's onshore services and products offered to customers in the countries where it operates. At the same time, the Bank transfers ownership of the offshore activities to Arab Bank (Switzerland) Ltd.

The most significant objective of the ultimate work model is to reinforce the Bank's ability to benefit from the distribution channels relating to the Elite and retail activities in a more efficient manner so as to fulfill the needs of all types of clients of the Bank. This will be through transferring the Bank's offshore activities to Arab Bank (Switzerland) Ltd as it is the arm dedicated to dealing with all requirements of the external activities of the Bank's high-networth clients.

4. Retail Banking Group

This group provides banking services to retail, and endeavors to meet their financial services needs using the best methods, through effective distribution channels, and a variety of product services. Moreover, this group is in direct and close contact with the customers in order to provide them with timely and continuous services through different electronic channels, such as direct phone calls, the internet, and text messaging via cellular phones.

Information about the Bank's Business Segments

JD '000

	2011					
	Corporate banking	Treasury	Elite	Retail banking	Other	Total
Total income	407 800	297 105	(89 732)	78 593	98 437	792 203
Net inter-segment interest income	(65 504)	(121 054)	122 902	63 656	-	-
Provision for impairment - direct credit facilities	71 535	-	899	10 918	-	83 352
Other provisions	850	150	29	2 175	5 382	8 586
Direct administrative expenses	56 559	10 184	6 573	67 479	-	140 795
Result of operations of segment	**213 352**	**165 717**	**25 669**	**61 677**	**93 055**	**559 470**
Indirect expenses on segments	99 174	39 132	9 936	77 144	-	225 386
Profit for the year before income tax	**114 178**	**126 585**	**15 733**	**(15 467)**	**93 055**	**334 084**
Income tax expense	29 887	31 462	5 003	(1 782)	6 513	71 083
Profit (loss) for the year	**84 291**	**95 123**	**10 730**	**(13 685)**	**86 542**	**263 001**
Depreciation and amortization	6 362	1 835	846	16 678	-	25 721
Other information						
Segment assets	9 060 769	11 805 915	262 262	1 249 686	482 657	22 861 289
Inter - segment assets	-	867 245	4 859 893	2 353 090	2 494 337	-
Investments in Subsidiaries and Associates	-	-	-	-	1 060 196	1 060 196
TOTAL ASSETS	**9 060 769**	**12 673 160**	**5 122 155**	**3 602 776**	**4 037 190**	**23 921 485**
Segment liabilities	8 193 524	2 965 840	5 122 155	3 602 776	223 666	20 107 961
Capital and reserves	-	-	-	-	3 813 524	3 813 524
Inter - segment liabilities	867 245	9 707 320	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9 060 769**	**12 673 160**	**5 122 155**	**3 602 776**	**4 037 190**	**23 921 485**

Information about the Bank's Operating Segments

JD '000

	2010					
	Corporate banking	Treasury	Elite	Retail banking	Other	Total
Total income	394 150	282 564	(88 343)	86 277	122 807	797 455
Net inter-segment interest income	(52 950)	(141 554)	129 317	65 187	-	-
Provision for impairment - direct credit facilities	214 528	-	5	10 236	-	224 769
Other provisions	5 862	144	44	1 684	4 265	11 999
Direct administrative expenses	52 623	10 648	6 737	69 280	-	139 288
Result of operations of segment	**68 187**	**130 218**	**34 188**	**70 264**	**118 542**	**421 399**
Indirect expenses on segments	82 871	26 507	8 872	72 616	11 773	202 640
Profit for the year before income tax	**(14 684)**	**103 711**	**25 316**	**(2 352)**	**106 769**	**218 759**
Income tax expense	28 302	25 211	9 198	1 094	9 868	73 674
Profit (loss) for the year	**(42 986)**	**78 499**	**16 117**	**(3 446)**	**96 901**	**145 085**
Depreciation and amortization	6 267	1 642	785	16 567	-	25 261
Other information						
Segment assets	9 261 133	10 948 268	211 964	1 195 619	442 869	22 059 853
Inter - segment assets	-	1 147 014	4 761 383	2 051 077	2 137 148	-
Investments in Subsidiaries and Associates	-	-	-	-	1 259 555	1 259 555
TOTAL ASSETS	**9 261 133**	**12 095 282**	**4 973 347**	**3 246 696**	**3 839 572**	**23 319 408**
Segment liabilities	8 114 119	3 145 674	4 973 347	3 246 696	52 977	19 532 813
Capital and reserves	-	-	-	-	3 786 595	3 786 595
Inter - segment liabilities	1 147 014	8 949 608	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9 261 133**	**12 095 282**	**4 973 347**	**3 246 696**	**3 839 572**	**23 319 408**

46. Banking Risk Management

The Bank manages its various risks by several methods within a comprehensive strategy that defines the risks and the related methods to meet them and mitigate them. Risk management is exercised at several levels including the Board of Directors, Chief Executive Officer, Asset and Liability Management Committee (ALCO), Group Chief Financial Officer, Global Treasury, Head of Departments, Group Risk Management, Group Internal Audit, the Strategic Business Units and other supporting units and committees at different managerial levels.

1. Credit Risk Management

Credit risk refers to the risk that the customer / counterparty will default on its contractual obligation resulting in financial insolvency or/and loss to the Bank. Credit risks arise in the course of the normal activities of the Bank.

In pursuit of improving the size of businesses and increasing the loans and facilities portfolio, the Bank always cares to adopt the highest credit standards and best methods and techniques on credit management, thus maintaining the high quality of the credit portfolio.

Moreover, the Bank enforces the corporate framework that governs credit management through continuously developing and upgrading the related policies and procedures.

- Credit Concentration

  The Bank's credit concentration is subject to specific limits set by the Central Bank of Jordan, which requires that credit concentration should not exceed 25% of regulatory capital.

- Criteria for Credit Ratings

  1. Borrowers' Strength

  The borrowers' strength is measured based on the nature of the economic sector, competitiveness, operating performance, cash flow, financial position and management.

  2. Credit Risk Classification

  Credit risk classification is measured on the basis of guarantees, structure of the loan, duration and collateral.

- Risk Management Mitigations

  The Bank offers the appropriate facilities structure, monitors and follows up on the utilization of the facilities and obtains proper collaterals (as a second source of payment) to mitigate credit risks.

- Credit Facilities Analysis

  The Bank has independent managerial units in charge of studying, monitoring and following up on credit utilization and repayment of facilities. These units are the credit relationships development unit, analysis unit, execution unit and monitoring unit.

2. Geographic Concentrations Risk

The Bank reduces the geographic concentration risk through distributing its operations over various sectors and various geographic locations inside and outside the Kingdom.

Note (47-E) shows the details of the geographical distribution of assets.

3. Interest Rate Risk

Interest rate risk arises from the potential changes in interest rates. The Bank has several committees, with duties to mitigate these risks to a minimum. Note (49) shows the details of the interest gap sensitivity of the Bank.

4. Liquidity Risk

Liquidity risk is defined as the inability to raise adequate funds to meet the Bank's either short-term or long-term obligations. The Bank has several managerial levels, with duties to review and manage assets, liabilities and liquidity. Note (50) shows the maturities of the assets and liabilities of the Bank.

5. Foreign Currencies Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The major part of income from foreign currency exchange differences comes from dealing with the Bank's customers. Moreover, the Bank follows studied policies in managing its foreign currencies risks. Note (51) shows the net positions of foreign currencies.

6. Market Risk

Market risk is defined as the potential loss in the value of financial instruments. The Bank manages this risk through several units that supervise, monitor, and manage these risks.

The Bank continuously follows up on developments and changes in the global financial markets, and implements procedures designed to mitigate those risks through applying several methods, such as entering into hedges and swaps when needed. Note (48) shows the details of market risk sensitivity analysis.

7. Operational Risk

Operational risk is defined as the loss incurred by the Bank due to disorder in work policies or procedures, personnel, automated systems, technological infrastructure, in addition to external accidents. Such risk is measured through statistical methodologies compatible with the Bank's operations.

47 Credit Risk

A. Gross exposure to credit risk (net of impairment provision and prior to other risk collaterals)

JD '000

	December 31,	
Credit risk exposures relating to assets:	**2011**	**2010**
Balances with central banks	3 767 181	4 437 838
Balances with banks and financial institutions	3 415 545	2 613 031
Deposits with banks and financial institutions	361 490	379 328
Financial assets at fair value through profit or loss	186 514	-
Financial assets at fair value through profit or loss - held for trading	-	43 686
Financial assets at fair value through profit or loss - designated	-	95 382
Financial derivatives - positive fair value	1 357	21 426
Direct credit facilities at amortized cost	**10 003 554**	**10 061 711**
Retail	1 386 246	1 357 170
Corporates (small and medium)	600 260	590 760
Corporate (large)	7 040 651	6 840 197
Banks and financial institutions	278 772	495 948
Government and public sector	697 625	777 636
Financial assets - available for sale	-	3 084 213
Other Financial assets at amortized cost	4 032 873	-
Financial assets - held to maturity	-	443 568
Other assets	160 401	148 891
Credit risk exposures relating to items off the statement of financial position:		
Letters of credit	1 228 429	1 080 582
Acceptances	424 393	277 361
Letters of guarantee	7 460 544	7 102 326
Unused credit facilities	1 613 034	1 723 090
Total	**32 655 315**	**31 512 433**

B. Classification of Direct Credit Facilities at amortized cost based on Credit Risk

The table below shows the amount of direct credit facilities for each internal credit scoring:

JD '000

	December 31, 2011					
	Retail	Corporates - Small and medium	Corporates - Large	Banks and financial institutions	Government and public sector	Total
Low risk	**308 014**	**115 180**	**690 841**	**133 122**	**480 607**	**1 727 764**
Acceptable risk	**1 073 339**	**456 165**	**6 067 880**	**139 729**	**218 394**	**7 955 507**
Due:	12 197	6 514	169 734	-	-	188 445
- Up to 30 days	10 970	4 612	147 641	-	-	163 223
- 31- 60 days	1 227	1 902	22 093	-	-	25 222
Watch list	**9 907**	**15 569**	**182 586**	**9 331**	**-**	**217 393**
Non-performing:	**87 694**	**126 352**	**617 599**	**-**	**352**	**831 997**
- Substandard	9 967	3 779	19 958	-	-	33 704
- Doubtful	7 124	11 435	416 646	-	-	435 205
- Problematic	70 603	111 138	180 995	-	352	363 088
Total	**1 478 954**	**713 266**	**7 558 906**	**282 182**	**699 353**	**10 732 661**
Less: interest and commission in suspense	21 539	58 721	69 077	1 077	-	150 414
Less: provision for impairment	71 169	54 285	449 178	2 333	1 728	578 693
Net	**1 386 246**	**600 260**	**7 040 651**	**278 772**	**697 625**	**10 003 554**

JD '000

	December 31, 2010					
	Retail	Corporates - Small and medium	Corporates - Large	Banks and financial institutions	Government and public sector	Total
Low risk	**300 792**	**153 125**	**771 748**	**248 277**	**282 624**	**1 756 566**
Acceptable risk	**1 042 231**	**404 520**	**5 687 278**	**248 209**	**496 515**	**7 878 753**
Due:	12 902	4 478	22 526	-	11 637	51 543
- Up to 30 days	8 506	3 818	16 100	-	11 637	40 061
- 31- 60 days	4 396	660	6 426	-	-	11 482
Watch list	**5 394**	**18 199**	**193 418**	**-**	**-**	**217 011**
Non-performing:	**84 225**	**131 443**	**618 270**	**78**	**395**	**834 411**
- Substandard	13 280	1 922	29 862	-	-	45 064
- Doubtful	12 829	15 262	434 233	-	-	462 324
- Problematic	58 116	114 259	154 175	78	395	327 023
Total	**1 432 642**	**707 287**	**7 270 714**	**496 564**	**779 534**	**10 686 741**
Less: interest and commission in suspense	15 074	58 544	44 559	616	-	118 793
Less: provision for impairment	60 398	57 983	385 958	-	1 898	506 237
Net	**1 357 170**	**590 760**	**6 840 197**	**495 948**	**777 636**	**10 061 711**

C. **Fair Value of Collaterals Obtained Against Credit Facilities at Amortized Cost :**

JD '000

	December 31, 2011					
	Retail	Corporates		Banks and financial institu-tions	Govern-ment and public sector	Total
		Small and medium	Large			
Collaterals against credit facilities of						
Performing / Low risk	**103 392**	**151 858**	**624 773**	**-**	**125 427**	**1 005 450**
Performing / Acceptable risk	**462 815**	**293 143**	**2 850 660**	**-**	**6 935**	**3 613 553**
Watch list	**12 097**	**19 261**	**189 595**	**-**	**-**	**220 953**
Non-performing:	**16 905**	**35 244**	**63 308**	**-**	**10**	**115 467**
- Substandard	5 404	2 580	-	-	-	7 984
- Doubtful	2 612	4 845	15 975	-	-	23 432
- Problematic	8 889	27 819	47 333	-	10	84 051
Total	**595 209**	**499 506**	**3 728 336**	**-**	**132 372**	**4 955 423**
Of which :						
Cash margin	108 512	162 475	684 561	-	27 973	983 521
Accepted letters of guarantees	1 146	33 332	162 192	-	-	196 670
Real estate properties	31 953	135 615	1 365 905	-	-	1 533 473
Listed securities	32 213	6 322	93 959	-	-	132 494
Vehicles and equipment	18 950	10 616	357 302	-	-	386 868
Other	402 435	151 146	1 064 417	-	104 399	1 722 397
Total	**595 209**	**499 506**	**3 728 336**	**-**	**132 372**	**4 955 423**

JD '000

	December 31, 2010					
	Retail	Corporates		Banks and financial institutions	Govern-ment and public sector	Total
		Small and medium	Large			
Collaterals against credit facilities of						
Low risk	**114 500**	**110 698**	**626 161**	**-**	**97 581**	**948 940**
Acceptable risk	**391 991**	**265 698**	**2 171 073**	**-**	**2 321**	**2 831 083**
Watch list	**1 270**	**6 050**	**10 224**	**-**	**-**	**17 544**
Non-performing:	**23 284**	**12 360**	**104 660**	**-**	**11**	**140 315**
- Substandard	8 887	447	5 356	-	-	14 690
- Doubtful	6 285	3 093	19 145	-	-	28 523
- Problematic	8 112	8 820	80 159	-	11	97 102
Total	**531 045**	**394 806**	**2 912 118**	**-**	**99 913**	**3 937 882**
Of which :						
Cash margin	113 068	100 508	662 778	-	18 930	895 284
Accepted letters of guarantees	1 175	12 506	129 953	-	-	143 634
Real estate properties	24 004	137 916	1 371 209	-	-	1 533 129
Listed securities	127	3 914	80 753	-	-	84 794
Vehicles and equipment	15 949	14 578	359 592	-	-	390 119
Other	376 722	125 384	307 833	-	80 983	890 922
Total	**531 045**	**394 806**	**2 912 118**	**-**	**99 913**	**3 937 882**

D. Classification of debt securities based on credit risk

The table below analyzes the credit exposure of the debt securities using the rating by global credit rating agencies:

JD '000

Credit rating	December 31, 2011 Financial assets at fair value through profit or loss	Other financial assets at amortized cost	Total
Private sector:			
AAA to A-	57 509	271 406	328 915
BBB+ to B-	-	123 600	123 600
Below B-	-	9 859	9 859
Unrated	57 998	45 004	103 002
Government and public sector	71 007	3 583 004	3 654 011
Total	**186 514**	**4 032 873**	**4 219 387**

JD '000

Credit rating	December 31, 2010 Financial assets at fair value through profit or loss - held for trading	Financial assets at fair value through profit or loss - designated	Financial assets - available for sale	Financial assets - held to maturity	Total
Private sector:					
AAA to A-	43 686	73 461	257 522	-	374 669
BBB+ to B-	-	3 688	437 314	4 993	445 995
Below B-	-	-	-	-	-
Unrated	-	-	69 395	7 403	76 798
Government and public sector	-	18 233	2 319 982	431 172	2 769 387
Total	**43 686**	**95 382**	**3 084 213**	**443 568**	**3 666 849**

E. Credit Exposure Categorized by Geographical Region

JD '000

	December 31, 2011					
	Jordan	Other Arab countries	Asia *	Europe	America	Total
Balances with central banks	2 565 963	1 200 985	233	-	-	3 767 181
Balances and deposits with banks and financial institutions	84 889	1 172 317	157 318	2 108 773	253 738	3 777 035
Financial assets at fair value through profit or loss	-	179 484	-	7 030	-	186 514
Direct credit facilities at amortized cost	2 593 884	7 063 396	210 527	135 747	-	10 003 554
Other Financial assets at amortized cost	1 484 581	2 045 660	39 150	141 893	321 589	4 032 873
Other assets	63 466	71 631	25 158	1 454	49	161 758
Total	**6 792 783**	**11 733 473**	**432 386**	**2 394 897**	**575 376**	**21 928 915**

* Excluding Arab Countries.

JD '000

	December 31, 2010					
	Jordan	Other Arab countries	Asia *	Europe	America	Total
Balances with central banks	2 819 402	1 618 296	140	-	-	4 437 838
Balances and deposits with banks and financial institutions	172 923	737 517	159 698	1 878 501	43 720	2 992 359
Financial assets at fair value through profit or loss - held for trading	-	-	-	43 686	-	43 686
Financial assets at fair value through profit or loss - designated	-	65 992	29 390	-	-	95 382
Direct credit facilities	2 429 490	6 677 372	258 755	695 832	262	10 061 711
Financial assets - available for sale	1 004 293	1 390 404	68 438	210 084	410 994	3 084 213
Financial assets - held to maturity	61 820	377 617	4 131	-	-	443 568
Other assets	50 422	116 648	2 332	598	317	170 317
Total	**6 538 350**	**10 983 846**	**522 884**	**2 828 701**	**455 293**	**21 329 074**

* Excluding Arab Countries.

NOTES TO THE FINANCIAL STATEMENTS

F. Credit Exposure Categorized by Economic Sector

	Retail	Corporates		
		Industry and mining	Construc-tions	Real - estate
Balances with Central Banks	-	-	-	-
Balances and deposits with banks and financial institutions	-	-	-	-
Financial assets at fair value through profit or loss	-	16 350	-	34 957
Direct credit facilities at amortized cost	1 386 246	2 321 741	864 656	839 392
Other financial assets at amortized cost	-	30 093	17 761	4 212
Other Assets	11 944	4 947	1 359	1 415
Total	**1 398 190**	**2 373 131**	**883 776**	**879 976**

	Retail	Corporates		
		Industry and mining	Construc-tions	Real - estate
Balances with Central Banks	-	-	-	-
Balances and deposits with banks and financial institutions	-	-	-	-
Financial assets at fair value through profit or loss - held for trading	-	-	-	-
Financial assets at fair value through profit or loss - designated	-	5 548	-	-
Direct credit facilities	1 357 170	1 718 816	897 288	1 015 570
Financial assets - available for sale	-	28	-	10 340
Financial assets - held to maturity	-	-	-	5 570
Other Assets	13 556	17 224	9 532	10 303
Total	**1 370 726**	**1 741 616**	**906 820**	**1 041 783**

JD '000

December 31, 2011

Corporates: Trade	Corporates: Agriculture	Corporates: Tourism and hotels	Corporates: Transportation	Corporates: General Services	Banks and financial institutions	Government and public sector	Total
-	-	-	-	-	3 767 181	-	3 767 181
-	-	-	-	-	3 777 035	-	3 777 035
-	-	-	18 785	-	45 415	71 007	186 514
1 394 723	65 791	340 087	597 093	1 217 428	278 772	697 625	10 003 554
-	-	-	-	23 956	373 847	3 583 004	4 032 873
6 984	164	1 619	871	17 128	51 558	63 769	161 758
1 401 707	**65 955**	**341 706**	**616 749**	**1 258 512**	**8 293 808**	**4 415 405**	**21 928 915**

JD '000

December 31, 2010

Corporates: Trade	Corporates: Agriculture	Corporates: Tourism and hotels	Corporates: Transportation	Corporates: General Services	Banks and financial institutions	Government and public sector	Total
-	-	-	-	-	4 437 838	-	4 437 838
-	-	-	-	-	2 992 359	-	2 992 359
-	-	-	-	-	43 686	-	43 686
-	-	-	-	40 017	31 584	18 233	95 382
1 451 629	53 306	279 325	551 194	1 463 829	495 948	777 636	10 061 711
10 651	-	-	-	85 538	657 674	2 319 982	3 084 213
-	-	-	-	-	6 826	431 172	443 568
14 606	532	2 790	5 506	15 876	80 392	-	170 317
1 476 886	**53 838**	**282 115**	**556 700**	**1 605 260**	**8 746 307**	**3 547 023**	**21 329 074**

48. Market Risk

Market Risk Sensitivity

Assuming market prices as at December 31, 2011 and 2010 change by 5%, the impact on statement of income and shareholders' equity will be as follows:

JD '000

	December 31, 2011			December 31, 2010		
	Statement of income	Shareholders' equity	Total	Statement of income	Shareholders' equity	Total
Interest rate sensitivity	19 429	-	19 429	14 100	3 585	17 685
Foreign exchange rate	631	33 385	34 016	2 568	42 936	45 504
Share prices	1 865	17 877	19 742	56	10 833	10 889
Total	**21 925**	**51 262**	**73 187**	**16 724**	**57 354**	**74 078**

49. Interest Rate Risk

A. Exposure to Interest Rate Volatility as at December 31, 2011 (classification is based on interest rate repricing or maturity date, whichever is nearer).

JD '000

Assets	Within 3 months	After 3 months and before 6 months	After 6 months and before 1 year	After 1 year and before 3 years	After 3 years	Not tied to interest rate risk	Total
Cash at vaults	-	-	-	-	-	197 701	197 701
Mandatory cash reserve with Central Bank	-	-	-	-	-	750 312	750 312
Balances with central banks	2 747 477	54 492	14 617	45 428	-	154 855	3 016 869
Balances and deposits with banks and financial institutions	2 845 363	174 697	165 549	-	-	591 426	3 777 035
Financial assets at fair value through profit or loss	186 514	-	-	-	-	37 294	223 808
Direct credit facilities at amortized cost	5 133 331	1 266 209	1 417 472	613 344	1 573 198	-	10 003 554
Financial assets at fair value through OCI	-	-	-	-	-	357 532	357 532
Other financial assets at amortized cost	1 087 918	822 137	735 460	1 033 712	353 646	-	4 032 873
Investment in subsidiaries and associates	-	-	-	-	-	1 060 196	1 060 196
Fixed assets	-	-	-	-	-	210 637	210 637
Other assets	46 600	39 723	14 235	-	2 775	169 393	272 726
Deferred tax assets	-	-	-	-	-	18 242	18 242
Total assets	**12 047 203**	**2 357 258**	**2 347 333**	**1 692 484**	**1 929 619**	**3 547 588**	**23 921 485**
Liabilities and shareholders' equity							
Banks' and financial institutions' deposits	2 105 887	134 691	38 567	15 290	-	217 775	2 512 210
Customer deposits	7 651 419	1 766 661	1 077 940	311 609	34 522	3 839 875	14 682 026
Cash margin	979 318	897 104	67 319	20 050	3 066	54 835	2 021 692
Borrowed funds	354 610	-	-	-	3 545	-	358 155
Other Provisions	-	-	-	-	-	75 612	75 612
Provision for income tax	-	-	-	-	-	97 607	97 607
Other liabilities	64 901	-	-	2 775	521	282 174	350 371
Deferred tax liabilities	-	-	-	-	-	10 288	10 288
Shareholders' equity	-	-	-	-	-	3 813 524	3 813 524
Total liabilities and shareholders' equity	**11 156 135**	**2 798 456**	**1 183 826**	**349 724**	**41 654**	**8 391 690**	**23 921 485**
Gap	891 068	(441 198)	1 163 507	1 342 760	1 887 965	(4 844 102)	-
Accumulated gap	**891 068**	**449 870**	**1 613 377**	**2 956 137**	**4 844 102**	**-**	**-**

B. Exposure to Interest Rate Volatility as at December 31, 2010
(classification is based on interest rate repricing or maturity date, whichever is nearer).

JD '000

Assets	Within 3 months	After 3 months and before 6 months	After 6 months and before 1 year	After 1 year and before 3 years	After 3 years	Not tied to interest rate risk	Total
Cash at vaults	-	-	-	-	-	211 718	211 718
Mandatory cash reserve with Central Bank	-	-	-	-	-	753 638	753 638
Balances with central banks	3 391 397	13 514	5 914	102 835	21 277	149 263	3 684 200
Balances and deposits with banks and financial institutions	2 332 525	191 018	131 382	-	-	337 434	2 992 359
Financial assets at fair value through profit or loss - held for trading	43 686	-	-	-	-	1 119	44 805
Financial assets at fair value through profit or loss - designated	65 875	18 369	7 450	-	3 688	-	95 382
Direct credit facilities	4 213 355	1 224 137	1 050 544	1 040 809	2 532 866	-	10 061 711
Financial assets - available for sale	1 217 924	417 286	271 703	787 951	389 349	216 662	3 300 875
Financial assets - held to maturity	325 526	23 002	85 588	5 728	3 724	-	443 568
Investment in subsidiaries and associates	-	-	-	-	-	1 259 555	1 259 555
Fixed assets	-	-	-	-	-	220 775	220 775
Other assets	-	-	-	-	-	233 403	233 403
Deferred tax assets	-	-	-	-	-	17 419	17 419
Total assets	**11 590 288**	**1 887 326**	**1 552 581**	**1 937 323**	**2 950 904**	**3 400 986**	**23 319 408**
Liabilities and shareholders' equity							
Banks' and financial institutions' deposits	2 008 557	183 328	34 519	14 184	-	293 041	2 533 629
Customer deposits	8 366 434	880 753	868 805	427 553	20 150	3 433 963	13 997 658
Cash margin	910 054	1 108 965	91 821	974	-	50 376	2 162 190
Borrowed funds	354 610	-	-	-	3 545	-	358 155
Other Provisions	-	-	-	-	-	70 045	70 045
Provision for income tax	-	-	-	-	-	101 846	101 846
Other liabilities	-	-	-	-	-	298 080	298 080
Deferred tax liabilities	-	-	-	-	-	11 210	11 210
Shareholders' equity	-	-	-	-	-	3 786 595	3 786 595
Total liabilities and shareholders' equity	**11 639 655**	**2 173 046**	**995 145**	**442 711**	**23 695**	**8 045 156**	**23 319 408**
Gap	(49 367)	(285 720)	557 436	1 494 612	2 927 209	(4 644 170)	-
Accumulated gap	**(49 367)**	**(335 087)**	**222 349**	**1 716 961**	**4 644 170**	**-**	**-**

50. Liquidity Risk

The details of this item are as follows:

A. The details of the Maturity of Assets and Liabilities as at December 31, 2011:

JD '000

Assets	Within 1 month	After 1 month and before 3 months	After 3 months and before 6 months	After 6 months and before 1 year	After 1 year and before 3 years	After 3 years	Not Tied to a Specific Maturity	Total
Cash at vaults	-	-	-	-	-	-	197 701	197 701
Mandatory cash reserve with Central Banks	-	-	-	-	-	-	750 312	750 312
Balances with central banks	2 747 477	54 492	14 617	45 428	-	-	154 855	3 016 869
Balances and deposits with banks and financial institutions	1 787 613	1 036 506	174 697	165 549	21 244	-	591 426	3 777 035
Financial assets at fair value through profit or loss	5 398	68 662	69 315	30 711	9 128	3 300	37 294	223 808
Direct credit facilities at amortized cost	2 110 532	1 508 353	642 006	1 095 284	1 642 900	3 004 479	-	10 003 554
Financial assets at fair value through OCI	-	-	-	-	-	-	357 532	357 532
Other financial assets at amortized cost	473 375	611 784	825 512	715 876	1 057 499	348 827	-	4 032 873
Investment in subsidiaries and associates	-	-	-	-	-	-	1 060 196	1 060 196
Fixed assets	-	-	-	-	-	-	210 637	210 637
Other assets	12 159	34 717	39 723	14 235	2 775	-	169 117	272 726
Deferred tax assets	-	-	-	-	-	-	18 242	18 242
Total assets	**7 136 554**	**3 314 514**	**1 765 870**	**2 067 083**	**2 733 546**	**3 356 606**	**3 547 312**	**23 921 485**
Liabilities and shareholders' equity								
Banks' and financial institutions' deposits	1 222 863	883 024	134 691	38 567	15 290	-	217 775	2 512 210
Customer deposits	4 711 855	2 072 917	1 766 661	1 077 940	311 609	34 522	4 706 522	14 682 026
Cash margin	874 717	96 961	903 376	68 565	20 172	3 066	54 835	2 021 692
Borrowed funds	-	-	-	354 610	-	3 545	-	358 155
Other Provisions	-	-	-	-	-	-	75 612	75 612
Provision for income tax	-	97 607	-	-	-	-	-	97 607
Other liabilities	47 043	17 858	-	-	2 775	521	282 174	350 371
Deferred tax liabilities	-	-	-	-	-	-	10 288	10 288
Shareholders' equity	-	-	-	-	-	-	3 813 524	3 813 524
Total liabilities and shareholders' equity	**6 856 478**	**3 168 367**	**2 804 728**	**1 539 682**	**349 846**	**41 654**	**9 160 730**	**23 921 485**
Gap	280 076	146 147	(1 038 858)	527 401	2 383 700	3 314 952	(5 613 418)	-
Accumulated gap	**280 076**	**426 223**	**(612 635)**	**(85 234)**	**2 298 466**	**5 613 418**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

B. The details of the Maturity of Assets and Liabilities as at December 31, 2010:

JD '000

Assets	Within 1 month	After 1 month and before 3 months	After 3 months and before 6 months	After 6 months and before 1 year	After 1 year and before 3 years	After 3 years	Not Tied to a Specific Maturity	Total
Cash at vaults	-	-	-	-	-	-	211 718	211 718
Mandatory cash reserve with Central Banks	-	-	-	-	-	-	753 638	753 638
Balances with central banks	3 370 344	21 053	13 514	5 914	102 835	21 277	149 263	3 684 200
Balances and deposits with banks and financial institutions	1 698 110	577 487	191 018	131 382	56 928	-	337 434	2 992 359
Financial assets at fair value through profit or loss - held for trading	-	32 927	-	-	-	10 759	1 119	44 805
Financial assets at fair value through profit or loss - designated	-	3 572	60 465	27 657	-	3 688	-	95 382
Direct credit facilities	2 065 603	2 147 752	1 224 137	1 050 544	1 040 809	2 532 866	-	10 061 711
Financial assets - available for sale	167 041	808 993	420 124	265 753	985 928	436 374	216 662	3 300 875
Financial assets - held to maturity	134 293	191 233	23 002	85 588	5 728	3 724	-	443 568
Investment in subsidiaries and associates	-	-	-	-	-	-	1 259 555	1 259 555
Fixed assets	-	-	-	-	-	-	220 775	220 775
Other assets	5 331	6 624	8 504	-	-	-	212 944	233 403
Deferred tax assets	-	-	-	-	-	-	17 419	17 419
Total assets	**7 440 722**	**3 789 641**	**1 940 764**	**1 566 838**	**2 192 228**	**3 008 688**	**3 380 527**	**23 319 408**
Liabilities and shareholders' equity								
Banks' and financial institutions' deposits	711 021	1 297 536	183 328	34 519	14 184	-	293 041	2 533 629
Customer deposits	6 419 854	1 281 018	880 753	868 805	427 553	20 150	4 099 525	13 997 658
Cash margin	808 660	101 394	1 108 965	91 821	974	-	50 376	2 162 190
Borrowed funds	-	-	-	-	354 610	3 545	-	358 155
Other Provisions	-	-	-	-	-	-	70 045	70 045
Provision for income tax	-	101 846	-	-	-	-	-	101 846
Other liabilities	55 222	25 283	15 611	9	-	-	201 955	298 080
Deferred tax liabilities	-	-	-	-	-	-	11 210	11 210
Shareholders' equity	-	-	-	-	-	-	3 786 595	3 786 595
Total liabilities and shareholders' equity	**7 994 757**	**2 807 077**	**2 188 657**	**995 154**	**797 321**	**23 695**	**8 512 747**	**23 319 408**
Gap	(554 035)	982 564	(247 893)	571 684	1 394 907	2 984 993	(5 132 220)	-
Accumulated gap	**(554 035)**	**428 529**	**180 636**	**752 320**	**2 147 227**	**5 132 220**	**-**	**-**

51. Net Foreign Currency Positions

The details of this item are as follows:

	December 31, 2011		December 31, 2010	
	Base Currency in Thousand	Equivalent in JD '000	Base Currency in Thousand	Equivalent in JD '000
USD	197 974	140 407	275 170	195 156
GBP	698	765	-	-
EUR	3 488	4 508	28 168	26 430
JPY	73 083	665	4 716 664	41 070
Other currencies *		6 675		(24 891)
Total		**153 020**		**237 765**

* Various foreign currencies translated to Jordanian Dinars.

52. Fair Value of Financial Assets and Financial Liabilities

A. Financial assets and financial liabilities not stated at fair value. JD '000

	December 31, 2011		December 31, 2010	
	Book value	Fair value	Book value	Fair value
ASSETS				
Cash and balances with central banks	3 964 882	3 966 258	4 649 556	4 650 533
Balances and deposits with banks and financial institutions	3 777 035	3 782 256	2 992 359	2 998 372
Other financial assets at amortized cost	4 032 873	4 066 402	-	-
Financial assets - held to maturity	-	-	443 568	447 261
Direct credit facilities at amortized cost	10 003 554	10 038 742	10 061 711	10 094 653
LIABILITIES				
Banks' and financial institutions' deposits	2 512 210	2 517 854	2 533 629	2 537 553
Customer deposits	14 682 026	14 731 089	13 997 658	14 040 130
Cash margins	2 021 692	2 027 690	2 162 190	2 168 328
Borrowed funds	358 155	358 155	358 155	358 155

B. Financial assets and financial liabilities stated at fair value

The table below analyzes financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (not adjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (not observable inputs).

The details of this item are as follows:

JD '000

	December 31, 2011			
ASSETS	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	205 022	18 786	-	223 808
Financial derivatives - positive fair value	767	590	-	1 357
Financial assets at fair value through OCI	265 207	92 325	-	357 532
TOTAL ASSETS	**470 996**	**111 701**	**-**	**582 697**
LIABILITIES				
Financial derivatives - negative fair value	5 281	309	-	5 590
TOTAL LIABILITIES	**5 281**	**309**	**-**	**5 590**

JD '000

	December 31, 2010			
ASSETS	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - held for trading	44 805	-	-	44 805
Financial assets at fair value through profit or loss - designated	95 382	-	-	95 382
Financial derivatives - positive fair value	-	21 426	-	21 426
Financial assets - available for sale	1 644 800	-	-	1 644 800
TOTAL ASSETS	**1 784 987**	**21 426**	**-**	**1 806 413**
LIABILITIES				
Financial derivatives - negative fair value	-	24 736	-	24 736
TOTAL LIABILITIES	**-**	**24 736**	**-**	**24 736**

53. Contractual Maturity of the Contingent Accounts

The table below details the maturity of expected liabilities and commitments on the basis of contractual maturity:

	December 31, 2011			
	Within 1 year	After 1 year and before 5 years	After 5 years	Total
Letters of credit	1 208 421	20 008	-	1 228 429
Acceptances	370 555	53 838	-	424 393
Letters of guarantees:				
- Payment guarantees	345 946	102 143	2 879	450 968
- Performance guarantees	1 222 952	1 123 681	10 662	2 357 295
- Other guarantees	2 810 833	1 742 461	98 987	4 652 281
Unutilized credit facilities	1 458 261	142 263	12 510	1 613 034
Total	**7 416 968**	**3 184 394**	**125 038**	**10 726 400**
Constructions projects contracts	65	-	-	65
Procurement contracts	2 351	325	-	2 676
Rent contracts	-	63	7 392	7 455
Total	**2 416**	**388**	**7 392**	**10 196**

JD '000

	December 31, 2010			
	Within 1 year	After 1 year and before 5 years	After 5 years	Total
Letters of credit	985 485	95 097	-	1 080 582
Acceptances	272 410	4 951	-	277 361
Letters of guarantees:				
- Payment guarantees	376 853	25 505	8 869	411 227
- Performance guarantees	1 348 094	897 980	26 099	2 272 173
- Other guarantees	2 966 058	1 431 050	21 818	4 418 926
Unutilized credit facilities	1 458 602	107 194	157 294	1 723 090
Total	**7 407 502**	**2 561 777**	**214 080**	**10 183 359**
Constructions projects contracts	1 750	-	-	1 750
Procurement contracts	2 766	1 097	-	3 863
Rent contracts	24	-	11 530	11 554
Total	**4 541**	**1 097**	**11 530**	**17 167**

54. Capital Management

The Bank manages its capital to safeguard its ability to continue as a going concern while maximizing the return to shareholders. The composition of the regulatory capital as defined by Basel Committee is as follows:

JD '000

	December 31,	
A. CORE CAPITAL	**2011**	**2010**
Share capital	534 000	534 000
Statutory reserve	340 744	307 336
Voluntary reserve	614 920	614 920
Share premium	859 626	859 626
General reserve	1 066 674	1 066 674
Retained earnings*	41 150	17 184
Foreclosed properties	(7 992)	-
Total core capital	**3 449 122**	**3 399 740**
B. SUPPLEMENTARY CAPITAL		
Foreign currency translation reserve	42 476	79 549
Investment revaluation reserve	(39 397)	(18 310)
General banking risk reserve	167 545	165 140
Total supplementary capital	**170 624**	**226 379**
C. INVESTMENTS	**1 340 088**	**1 478 742**
Regulatory capital (A+B-C)	2 279 658	2 147 377
Risk-weighted assets	15 107 029	14 910 467
Regulatory capital / risk-weighted assets	15.09%	14.40%
Core capital / risk-weighted assets	15.09%	14.40%

* Net after deducting deffered tax assets.

- The Board of Directors performs an overall review of the capital structure of the Bank on quarterly basis. As part of such review, the Board takes into consideration matters such as cost and risks of capital as integral factors in managing capital through setting dividend policies and capitalization of reserves.
- The minimum level of the capital adequacy ratio as defined by Basel Committee is 8% and 12% as per the instructions of the Central Bank of Jordan. The capital adequacy ratio of the Bank as at December 31, 2011 was 15.09% (14.40% as at December 31, 2010).

55. Transactions with Related Parties

The details of this item are as follows:

JD '000

	December 31, 2011			
	Deposits owed from Related Parties	Direct Credit Facilities	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
Sister and Subsidiary companies	1 769 505	138 554	743 457	202 314
Associates	101 013	-	91 266	2 163
Major shareholders and Members of the Board of Directors	-	264 739	294 678	57 211
Total	**1 870 518**	**403 293**	**1 129 401**	**261 688**

JD '000

	December 31, 2010			
	Deposits owed from Related Parties	Direct Credit Facilities	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
Sister and Subsidiary companies	1 534 962	230 765	939 578	140 827
Associates	28 736	-	25 341	33 664
Major shareholders and Members of the Board of Directors	-	351 645	241 532	107 528
Total	**1 563 698**	**582 410**	**1 206 451**	**282 019**

All facilities granted to related parties are performing loans in accordance with the credit rating of the Bank. No provisions for the year have been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

JD '000

	2011	
	Interest Income	Interest Expense
Subsidiaries and Sister companies	16 664	14 860
Associates	218	47
	16 882	**14 907**

JD '000

	2010	
	Interest Income	Interest Expense
Subsidiaries and Sister companies	15 687	15 592
Associates	198	248
	15 885	**15 840**

- Interest on facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.
- The salaries and other fringe benefits of the Bank's key management personnel, inside and outside Jordan, amounted to JD 22.7million in 2011 (JD 18.4 million in 2010).

56. Cash and Cash Equivalent

The details of this item are as follows:

JD '000

	December 31,	
	2011	**2010**
Cash and balances with central banks maturing within 3 months	3 850 345	4 506 016
Add: balances with banks and financial institutions maturing within 3 months	3 415 545	2 613 031
Less: banks and financial institutions deposits maturing within 3 months	2 323 662	2 301 598
Total	**4 942 228**	**4 817 449**

57. Legal Cases

a. Lawsuits have been filed against Arab Bank Plc in which it was alleged that Arab Bank has, through its New York branch, channeled funds to parties described as "terrorists" and "terrorist organizations in Palestine", and has aided and abetted acts of terrorism which led to the death or the injury of family members of the claimants. The claimants in the said lawsuits are requesting compensation for the damages that have befallen them as a result of the alleged acts of the Bank. The lawsuits are currently in the pre-litigation phase and the appellate court is considering appeals submitted by the adversaries in the lawsuits in connection with procedural ruling.

Arab Bank, in the opinion of its management, has been and is still fully respectful of and compliant with all anti-terrorism legislation in all countries in which it operates.

In 2005, The Bank in New York has entered into an agreement with the Office of the controller of Currency pursuant to which the branch was converted into a Federal Agency with limited operations in compliance with the provisions of the US Federal Banking Act. It was also agreed that the Federal Agency shall be allowed to maintain financial assets in the amount of USD 420 million.

b. There are other lawsuits filed against the Bank totaling JD 129.6 million as of 31 December 2011 (JD 129.2 million as of 31 December 2010). In the opinion of the management and the lawyers representing the Bank in the litigation at issue, the Bank will not be held liable for any amount in excess of the amount of provisions taken in connection with the lawsuits totaling JD 5.2 million as of 31 December 2011 in comparison to JD 4.9 million as of 31 December 2010.

Deloitte.

Deloitte & Touche (M.E.) - Jordan
Jabal Amman, 5th Circle
190 Zahran Street
P.O.Box 248
Amman 11118, Jordan

Tel : +962 (0) 6 5502200
Fax : +962 (0) 6 5502210
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

AM / 218

To the Shareholders
Arab Bank plc
Amman – Jordan

We have audited the accompanying financial statements of Arab Bank plc (a Public Shareholding Company), which comprise the statement of financial position as at 31 December 2011, and the statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Deloitte.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arab Bank plc as of December 31, 2011, and its financial performance and its 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 financial statements are in agreement therewith and with the financial statements presented in the Board of Directors' report. We recommend that the General Assembly of Shareholders to approve these financial statements.

Amman – Jordan
January 26, 2012

Deloitte & Touche (M.E.) – Jordan

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

The Board of Directors confirms that there are no significant issues that may affect the continued operations of the bank during the financial year 2012.

Abdel Hamid A. M. Shoman
Chairman

Sabih Taher d. Al-Masri
Deputy Chairman

Saleh Saad A. Al-Muhanna
Representing
The Ministry of Finance and Economy,
Saudi Arabia

Nazik Odah Al-Hariri

Samir Farhan K. Kawar

Ibrahim Youssouf I. Izziddin
Representing
The Social Security Corporation,

Mohammed Ahmed M. Hariri

Riad Burhan T. Kamal

Wahbeh Abdullah W. Tamari

Khaled Anis Moh'd (Zand Irani)
Representing
Abdul Hamid Shoman Foundation

Dina Abdel Hamid A. M. Shoman

The Board of Directors confirms its responsibility for the preparation of the financial statements, and for implementing an effective internal control system in line with international standards.

Abdel Hamid A. M. Shoman
Chairman

Sabih Taher d. Al-Masri
Deputy Chairman

Saleh Saad A. Al-Muhanna
Representing
The Ministry of Finance and Economy,
Saudi Arabia

Samir Farhan K. Kawar

Ibrahim Youssouf I. Izziddin
Representing
The Social Security Corporation,

Mohammed Ahmed M. Hariri

Riad Burhan T. Kamal

Wahbeh Abdullah W. Tamari

Khaled Anis Moh'd (Zand Irani)
Representing
Abdul Hamid Shoman Foundation

Dina Abdel Hamid A. M. Shoman

The Chairman / Chief Executive Officer and the Group Chief Financial Officer attest to the accuracy and completeness of the financial statements and the financial information of this report as at 31 December 2011.

Abdel Hamid A. M. Shoman
Chairman

GHASSAN HANNA S. TARAZI
Group Chief Financial Officer

Introduction

Arab Bank attaches considerable importance to the good corporate governance practices and is committed to applying the highest standards of professional competence in all its activities. The Bank follows the guidelines of the Central Bank of Jordan, which are based on Basel Committee recommendations on corporate governance. It also observes the regulatory requirements of other countries in which it operates.

Arab Bank pioneered corporate governance practices in the Middle East. In early 1996 the Audit Committee was established, and in 2002, a special committee for corporate governance was created. In 2006, the Selection and Remuneration Committee was formed, and in year 2007 the Risk Management Committee and the Corporate Strategy Committee were established. The Board, with all its members in attendance, holds regular and extraordinary meetings to discuss the strategic direction of the Bank and the changes in the key indicators affecting the general strategy of the Bank.

This Corporate Governance of the Bank is based on the Code of Corporate Governance for Banks in Jordan issued by the Central Bank of Jordan. It is in alignment with the current Jordanian Banking Law, the current Jordanian Corporations Law and the Articles of Association and Memorandum of Association of the Bank.

This Code will be kept under review, and will be developed and amended as required from time to time to meet the changing needs and expectations of the Bank and the marketplace.

The Pillars of the Code:

1) Commitment to Corporate Governance

The Bank has a well established framework for good corporate governance which provides a solid basis for an effective relationship between the Bank, its Board of Directors, its shareholders and other interest groups. The general framework for corporate governance ensures equitable treatment for all shareholders, and recognizes the established legal rights of both minority and foreign shareholders. It also guarantees the availability of timely and precise information in all material matters concerning the Bank along with the accountability of the Board to the Bank and the shareholders.

The Bank has prepared this Code in compliance with the requirements of the Code of Corporate Governance for Banks in Jordan issued by the Central Bank of Jordan. This Code also reflects the needs and policies of the Bank. This Code has been approved by the Board in its meeting on 30/12/2007 and an up-to-date version of the Code is available to the public on request and is also posted on the Bank's website.

The Bank publicly reports its compliance with the Code on an annual basis, where necessary detailing how each provision of the Code has been implemented and, where relevant, where and why the Bank's executive management has adopted procedures that are different from those recommended by the Code.

2) **The Board of Directors**

a) **General principles**

i) The primary responsibility of the Board is to protect and maximize the interests of the shareholders in the long term. For this purpose the Board bears the full responsibility for corporate governance, including setting the strategy of the Bank and the goals of the executive management and overseeing the implementation to achieve those goals.

ii) The Board of Directors has overall responsibility for the operations and the financial soundness of the Bank. It aims to ensure that the interests of shareholders, depositors, creditors, employees, and other stakeholders, including the Central Bank of Jordan, are met. The Board ensures that the Bank is managed prudently, within the framework of laws and regulations and the Bank's own policies.

The Bank affirms that the obligations of each Director are owed to the Bank as a whole, and not to any particular shareholder.

iv) The Board sets the Bank's strategic goals, as well as overseeing the executive management of the Bank. The day-to-day operations of the Bank are the responsibility of executive management, but the Board as a whole ensures and certifies that internal control systems are effective and that the Bank's activities comply with strategy, policies and procedures approved by the Board or as required by law or regulation. As a critical element of these internal controls, the Board ensures that all dimensions of the Bank's risk are managed properly.

b) **The Chairman / General Manager**

i) The position of Chairman of the Board is separated from that of General Manager. In addition, there is no family relationship up to the third degree between the Chairman and the General Manager. The division of responsibilities is to be set in writing and to be approved by the Board and is subject to review and from time to time as necessary.

ii) If the Chairman is also an executive, then the Bank will consider appointing an independent member of the Board as a Deputy Chairman to act as an independent resource and conduit for shareholders. The Chairman is an executive if he is a full-time employee and has an operational position in the Bank.

iii) The status of the Chairman (whether executive or non-executive) should be publicly disclosed.

c) **The role of the Chairman of the Board**

i) The Chairman promotes a constructive relationship between the Board and the Bank's executive management, and between the executive Directors and the non-executive Directors.

ii) The Chairman promotes a culture in the boardroom that encourages constructive criticism and presentation of alternative views on certain issues under consideration, and encourages discussion and voting on those issues.

iii) The Chairman ensures that both Directors and the Bank's shareholders receive adequate and timely information.

iv) The Chairman ensures high standards of corporate governance by the Bank.

d) Composition of the Board

i) The Board shall be comprised of eleven members. It shall be elected by the Annual General Assembly for a term of four years. The Chairman shall be elected by the members of the Board.

ii) The composition of the Board should attempt to obtain the optimal mix of skills and experience that enable each of them to participate in the Board discussions with full independence. The Board shall include the General Manager and non-executive members (members who do not occupy operational position in the Bank).

iii) To foster the Board's independence, the Bank's policy is that the Board should have at least three independent Directors.

iv) An 'independent' Director (whether a natural person or representing legal entity) is one whose directorship constitutes his/her only connection to the Bank, and whose judgment is therefore unlikely to be influenced by external considerations. Minimum standards for an 'independent' Director include:

(1) A person who has not been employed by the Bank for the preceding three years;

(2) Is not a relative (up to the second degree) of an executive of the Bank;

(3) Is not receiving payment or compensation from the Bank (other than as a Director);

(4) Is not a director or owner of a company with which the Bank does business (other than business relationships made in the ordinary course of business of the Bank and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated parties);

(5) Is not, nor in the past three years has been, affiliated with or employed by a present or former external auditor of the Bank; and

(6) Is neither a shareholder with an effective interest in the capital of the Bank nor affiliated with one.

e) Board practices

i) In order to ensure that a full range of topics is considered, the Bank's Board meetings take place at least six times a year.

ii) The executive management is to schedule a specific topic(s) to be highlighted at each meeting.

The topics at each meeting shall be discussed comprehensively.

iv) The Bank's policy is that the Board should include independent element in order that it can exercise objective judgment and to maintain a level of checks and balances to balance the influence of all parties, including executive management and significant shareholders, and ensures that decisions are taken in the Bank's best interest.

v) The Bank should provide adequate information to Directors sufficiently in advance of meetings to enable them to reach informed decisions.

vi) The Board Secretary shall record the discussions at all Board meetings.

The responsibilities of the Board are clearly identified in accordance with relevant legislation. Each Director of the Bank is provided with a formal appointment letter upon his/her election, in which he/she is advised about his/her rights, responsibilities and duties.

viii) All banking transactions that require Board approval are clearly defined in writing, including:

The authority of the Board to approve loans larger than a set amount.

The authority of the Board to deal with related parties.

ix) Directors will keep themselves informed of developments within the Bank, and in the banking industry as a whole, both local and international. The Bank shall provide the Directors with appropriate briefings regarding its activities.

x) Communication between Directors and committees of the Board with executive management should be facilitated.

xi) The Bank has drawn up an organizational chart, showing lines of reporting and authority including Board committees and executive management. The portion of the chart showing the more senior levels is made public.

xii) In addition to the arrangement of Board meetings and the taking of meeting minutes, the Board Secretary shall ensure that Board procedures are followed, and that information is conveyed between the members of the Board, the members of the Board Committees, and the executive management. The function and duties of the Board Secretary are formally defined in writing and, in accordance with this level of responsibility, and the Board Secretary's appointment as well as his/her removal is taken by the unanimous decision of the Board.

f) Board activities: appointments, succession and development

i) The Board's policy is to appoint a General Manager with proven integrity, technical competence, and experience in banking.

ii) The Board is required to approve the appointment of some senior executives such as the Chief Financial Officer and the Head of Internal Audit, and to ensure that they have the requisite skills.

iii) The Board shall, with respect to appointment, succession and development, ensure:

- The existence of a regulation for occupational levels and grading and another for salary and benefit based on classification and evaluation methodology.
- The existence of career path plans, succession plan, performance management plan, and succession plans for executive managers, which list requirements and competences.
- That the Bank regularly reviews the staff regulations, instruction and benefits, to ensure maximizing the competitiveness of the Bank in response to the latest global trends in Human Resource for the purpose of attracting and retaining high effective personnel.
- That the Bank focuses on providing high level professional qualification programs in areas of expertise needed by the Bank, especially in the fields of compliance, risk management, information security systems and bank secrecy, and that it offers employees the opportunity to gain those qualifications.

g) Board activities: self-assessment and the General Manager performance appraisal

i) The Board assesses, at least once a year, its own performance as a Board, as well as the standards of accuracy and fairness of the financial statements of the Bank and the extent of compliance with the regulations, using specific and approved evaluation methods. The evaluation method shall be objective and comparable to those used by other similar banks and financial institutions.

ii) There should be a formal annual evaluation of the General Manager by the Board.

h) Board activities: planning, controls, code of conduct, conflict of interest policy

i) The Board establishes the Bank's business objectives, and draws up and approves the business strategy for achieving those objectives. Through a planning process, involving input from the Bank's various departments, the executive management draws up business plans that are consistent with these strategies. The Board is required to approve the strategy, and the business plans, and review the Bank's performance against the plan, ensuring that corrective action is taken as needed. The Bank's budgeting process is part of the short-term planning and performance measurement.

ii) The Board ensures that the Bank maintains a high degree of integrity in its operations. Formal policies, including a code of conduct, and definitions and controls on conflicts of interest and insider dealing, have been established and published. All employees and Directors are required to give their assent to these. The policies include the following:

(1) Rules and procedures for related party transactions between the Bank and its employees or Directors or their companies, or other related parties, including lending and share trading transactions. Furthermore bank loans extended to Directors and/or their companies are made at market rates and not on preferential terms and the Directors involved in any such transaction do not participate in discussions, nor vote on them. Related party transactions are subject to individual approval by those Directors of the Bank who are unrelated to the transaction, and they are disclosed in the Bank's annual report. The Bank's internal controls ensure that all related party transactions are handled in accordance with this policy.

(2) Clear controls preventing Directors or employees benefiting from the use of insider information are in place.

iii) The Bank has written policies covering all significant bank activities. Such policies are regularly reviewed to ensure that they conform to any changes in laws and regulations, the economic environment and other circumstances affecting the Bank.

iv) The Bank as part of its lending and credit approval process, assesses the quality of corporate governance in its corporate borrowers, especially public shareholding companies, including the strength or weakness of their corporate governance practice.

3) Board Committees

a) General principles

i) The Board is ultimately responsible for the conduct of the Bank's affairs, but for greater efficiency, Board Committees have been set up with formally delegated objectives, authorities, responsibilities and tenure. The Board Committees regularly report to the full Board and do not substitute for the Board and its' responsibilities.

ii) There is a formal and transparent process for appointments to the Board Committees. The membership of Board Committees, together with summaries of their responsibilities and duties, are disclosed in the Bank's annual report.

iii) The Board may decide to combine the functions of several Committees if appropriate or if administratively more convenient.

b) The Corporate Governance Committee

i) The corporate governance committee consists of the Chairman and three non-executive members.

ii) The committee oversees corporate governance practices within the Bank and ensures that all aspects of corporate governance are complied with.

iii) The Committee assumes the responsibility of updating and implementation of this Code.

c) The Audit Committee

i) The Bank has an Audit Committee that comprises at least three non-executive Directors. Membership of the Audit Committee is disclosed in the Bank's annual report.

ii) The Bank's policy is that at least two members of the Audit Committee should have relevant financial management qualifications and/or expertise and at least two members of the Audit Committee are independent Directors.

iii) The Audit Committee has all the duties and responsibilities required by the Banking Law and other relevant laws and regulations, including the duties to review:

(1) the scope, results and adequacy of the Bank's internal and external audits,

(2) the accounting judgments that are intrinsic to the financial statements; and

(3) the Bank's internal controls.

iv) The Audit Committee recommends to the Board the appointment or the removal, the remuneration, and other contractual terms of the external auditors, in addition to assessing the objectivity of the external auditors, including the consideration of any other non-audit work performed by the external auditors.

v) The Audit Committee has the ability to obtain any information from executive management, and the ability to call any executive or Director to attend its meetings.

vi) The Audit Committee meets each of the Bank's external auditors, its internal auditors and its compliance officers, without the presence of the executive management, at least once a year.

vii) The Bank recognizes that the Audit Committee does not substitute for the responsibilities of the Board or the Bank's executive management for the supervision and adequacy of the Bank's internal control systems.

viii) The Audit Committee approves the annual audit plan and oversees its implementation. It also reviews audit reports and is responsible to oversee the Internal Audit Department.

d) The Selection and Remuneration Committee

i) The Selection and Remuneration Committee consists of a minimum of three non-executive Directors, the majority of which (including the Committee chairman) are independent.

ii) The Committee determines whether a Director is 'independent' based on the minimum standards for independence set out in this Code.
iii) It is responsible for providing background briefing material for Directors as requested, as well as ensuring that they are kept up to date on relevant banking topics. The Bank encourages Directors to attend seminars and events that allow them meet local and international organizations, entities and companies.
iv) The Selection and Remuneration Committee recommends to the Board the remuneration (including monthly salary and other benefits) of the General Manager. It also reviews the remuneration (including salaries) of other members of the executive management.
v) The Committee ensures that the Bank has a remuneration policy, which is sufficient to attract and retain qualified individuals, and is in line with the Bank's peers in the market.
vi) A summary of the Bank's remuneration policy is disclosed in the Annual Report. In particular, the remuneration of individual Directors and the highest paid non-Director executives is disclosed, including salary and benefits in kind.
vii) Nothing prevents the Selection and Remuneration Committee from nominating members of the Board for a new term according to the Companies Law, taking into consideration their attendance, quality and extent of their participation in the Board meetings. In accordance with the Companies Law, the tenure of the Board expires every four years from the date of election, and each Director may submit himself/herself for re-election at the Annual General Assembly.

e) The Risk Management Committee

i) The Risk Management Committee is comprised of three Directors and the Chairman/General Manager. It also includes three members of the executive management.
ii) The Board reviews and approves the risk management strategies and policies of the Bank. Executive management is responsible for implementing the strategies that have been approved by the Board, and for developing the policies and procedures for managing the various types of risks.
iii) The structure and development of a coherent and comprehensive risk management department within the Bank is to be proposed by executive management, reviewed by the Risk Management Committee, and approved by the Board.
iv) The Bank considers that, owing to the rapid development and increasing complexity of risk management, the Risk Management Committee should keep itself fully informed of developments in the Bank's risk management. Accordingly, the Committee makes regular reports of this to the Board.

v) The Board ensures that the Bank has an effective control system and is responsible to oversee its effectiveness. The Board also approves risk management policies and defines their framework.

F) The Corporate Strategy Committee

i) The Corporate Strategy Committee comprises three Directors as well as the Chairman/General Manager, it also includes as members; the Chief Financial Officer and the Assistant General Manager.

ii) The Corporate Strategy Committee has the following duties:

(1) Oversees all issues related to the Strategy of the Bank and formulates general policies to effectively implement that strategies.

(2) Approves strategic decisions and oversees the work of the executive management and management team with regard to;

- Strategy, business plans and performance for all divisions and business lines,
- Succession planning for executive managers, and
- Corporate Actions.

(3) Reviews and approves any new investments, acquisitions, mergers and expansion in new markets, and selling of assets of the Bank or of its subsidiary or affiliate companies.

4) Control Environment

a) Internal controls

i) The Bank's structure of internal controls is reviewed at least once a year by internal and external auditors.

ii) The Board provides a statement in each annual report on the adequacy of the Bank's internal controls on its financial reporting, it contains:

(1) A statement of executive management's responsibility for establishing and maintaining adequate internal control over financial reporting for the Bank;

(2) A statement identifying the framework used by executive management to evaluate the effectiveness of the Bank's internal controls;

(3) The executive management's assessment of the effectiveness of internal control up to the date of the financial statements included in the annual report;

(4) Disclosure of any material weaknesses in the internal controls (i.e. a significant deficiency or combination of significant deficiencies that result in the possibility that a material misstatement will not be prevented or detected);

(5) A statement that the Bank's external auditor has issued an attestation on the executive management's assessment of the effectiveness of internal controls.

iii) The Bank has established arrangements that allow staff to confidentially raise concerns about possible irregularities, and that allow for such concerns to be independently investigated and followed up. Such arrangements are overseen and monitored by the Audit Committee.

b) Internal audit

i) The Bank's policy requires the Internal Audit function of the Bank to be adequately resourced, trained and remunerated. It is to be provided full access to Bank records and staff members and should be given sufficient standing and authority within the Bank to adequately carry out its task. The functions, powers and responsibilities of Internal Audit are documented within the Internal Audit Charter which is approved by the Board and published within the Bank.

ii) Internal Audit function reports primarily to the Chairman of the Audit Committee.

To promote independence, internal audit staff do not also have operational responsibilities. The internal audit function is responsible for proposing the structure and scope of the audit schedule, and any potential conflicts of interest are to be reported to the Audit Committee.

iv) The internal audit function's reports may be discussed with the departments and operational units being reviewed, but it is allowed to operate and make a full and honest report without outside influence or interference.

v) The primary responsibility of the internal audit function and for conducting risk focused audits, is at least the review of:

(1) The Bank's financial reporting, ensuring that significant financial, managerial, and operating information is accurate, reliable and timely; and

(2) Compliance with internal policies, international standards and procedures, and applicable laws and regulations.

c) External audit

i) The Bank requires the regular rotation of the external audit between auditing firms. Should this no longer be practical, then the Bank will at a minimum require the regular rotation of the principal partner in charge of the external audit.

ii) The external auditors' report is submitted to both the Audit Committee and the Annual General Assembly. The external auditors meet with the Audit Committee, without executive management present, at least once a year.

d) Risk Management

i) The Risk Management department within the Bank reports to the Risk Management Committee of the Board, and on a day-to-day operational basis it reports to the General Manager.

ii) The responsibilities of the Bank's Risk Management department include:
   (1) Analysis of all risks including credit risk, market risk, liquidity risk and operational risk;
   (2) Development of methodologies for the measurement and control of each risk;
   (3) Recommendation of limits to Risk Management Committee, and the approval, reporting and recording of exceptions to policy;
   (4) Provision of information on risk metrics and on the Bank's risk profile to senior management and to the Board which reviews the risk statistics of the Bank, both qualitative and quantitative, at each regular Board meeting; and
   (5) Provision of risk information for use in the Bank's public statements and reporting.

iii) The functions of the Risk Management department are assisted by a network of properly constituted, authorized, and documented committees such as credit committees, assets and liabilities/treasury committees, and operational risk committees.

iv) The structure, operation, and ongoing development of the Bank's Risk Management Department are discussed and explained in the Bank's public documents, primarily in its annual report.

e) Compliance

i) The Bank's policy is that it has an independent compliance function which is adequately resourced, trained and remunerated in accordance with the Central Bank's instructions in this regard.

ii) The compliance function establishes effective mechanisms to ensure that the Bank complies with all applicable laws and regulations, and any non-statutory guidelines and codes. The powers and responsibilities of the compliance function are documented and published within the Bank.

iii) The compliance function is responsible for developing the compliance policy of the Bank and ensuring its implementation throughout the Bank. The Board is responsible for approving the compliance policy and overseeing its implementation.

iv) The compliance function reports on operational compliance within the Bank to the Chairman or a committee of the Board, copying the General Manager on each report, in accordance with the Central Bank's instructions in this regard.

5) Treatment of Shareholders

i) The Bank takes proactive steps to encourage shareholders, in particular minority shareholders, to participate in the Annual General Assembly, and also to vote either in person or in their absence by proxy.

ii) The Bank's policy is that the chairmen of all Board Committees should be present at the Annual General Assembly, and are invited to address relevant questions from shareholders.

iii) Representatives from the external auditors are present at the Annual General Assembly to answer questions about the audit and their auditors' report.

iv) The Bank's policy requires voting on each separate issue that is raised at the Annual General Assembly.

v) As required by the Companies Law, Directors submit themselves for election or re-election at the Annual General Assembly, as provided by the Memorandum of Association of the Bank, and the Bank's external auditors are elected at the Annual General Assembly.

vi) Notes, minutes, and a report of the proceedings of the Annual General Assembly, including the results of voting, and the questions from shareholders and executive management's responses, are prepared and made available to shareholders after the Annual General Assembly.

6) Transparency and Disclosure

i) The Bank is required to disclose in accordance with the International Financial Reporting Standards (IFRS), the Banking Law and instructions issued pursuant thereto, and other relevant legislation. Furthermore, the Bank acknowledges that financial reporting practices and the level of transparency required of financial institutions is changing rapidly. The Bank's executive management reports on these developments to the Board, and makes recommendations for the regular enhancement of the Bank's own disclosure practices, beyond those required by the Central Bank of Jordan.

ii) The Bank recognizes its obligation to provide meaningful information on its activities to shareholders, depositors, financial market counterparts, regulators and the public in general. It also has a duty to address shareholder concerns. The Bank's disclosure of such information on a timely basis should be available to all.

iii) The Board accepts responsibility for the Bank's financial statements and the contents of the Annual Report, for their accuracy, and for their completeness.

iv) The Bank commits to maintaining the following information channels with its shareholders, depositors, financial market counterparts, regulators and the public in general:

(1) A professionally-staffed investor relations function that provides comprehensive, objective, and up-to-date information on the Bank, its financial condition and performance, and its activities;

(2) The Annual Report, produced after the end of the financial year;

(3) Quarterly reports, providing quarterly financial information and the Board's report on the Bank's stocks trading and financial condition during the year;

(4) Regular meetings between senior executives of the Bank and investors and shareholders;

(5) Regular briefings by senior executives of the Bank, especially the General Manager and the Chief Financial Officer, for shareholders, financial market analysts, and financial journalists; and

(6) Information provided through the Bank's annual report, or its quarterly reports, and the text of any public presentations given by executives, is made available to interested parties both in writing through the Bank's investor relations function, and in a timely manner on the Bank's website, in both Arabic and English.

v) In its annual reports and quarterly reports, the Bank's executive management includes 'Management Discussion and Analysis' (MD&A) which enables investors to understand current and future operating results and the financial condition of the Bank, including the possible impacts of known trends and events and uncertainties. The Bank commits to ensuring that such commentary is reliable, complete, fair and balanced, and understandable, and is grounded in the Bank's financial statements as reported.

vi) As part of its commitment to transparency and full disclosure, the Bank includes the following information in its annual report:

(1) Its Corporate Governance Code, and annual details of its compliance,

(2) Information on each individual Director: qualifications and experience, shareholding in the Bank, whether an independent, non-executive, or executive Director, the membership of Board Committees, dates of appointment to the Board, other directorships, attendance at Board and Board Committee meetings, remuneration, loans from the Bank and other transactions between the Bank and the Director or his companies or other related parties;

(3) Summary organization chart;

(4) Summaries of the terms of reference of Board Committees, and any authorities delegated by the Board to Board Committees;

(5) The frequency of Board and Board Committee meetings;

(6) Summary of the remuneration policy including remuneration of highest paid members of the executive management;

(7) Statement by the Board of the adequacy of internal controls;

(8) A description of the structure and activities of the risk management department;

(9) A list of the largest shareholders of the Bank (for example, individual or related parties holding or controlling more than 10% of shares), identifying the ultimate beneficiaries of such interests, if this is needed for explanation.

The Arab Bank confirms its commitment to the application of the provisions and terms contained in the Guide to Corporate Governance adopted by the Board of Directors on 30/12/2007.

Disclose the extent of obligation to apply the guidelines of the Corporate Governance Guide for listed companies in the Amman Stock Exchange.

Company name : Arab bank
Fiscal year : 2011
Chairman of the Board of directors: Abdel Hamid A.M Shoman.
Chief Executive Officer : Nemeh Sabbagh

The company is committed to all the rules, as it is committed to the rules guiding in line with the nature and type of activity / business banking and in accordance with the provisions and laws in force and applicable, and that the rules guiding the company fails it is set out, consequently, and pointing towards them justification for non-compliance by:

No.	Rule	Cause
1-	Members of the board will be elected in accordance with the cumulative method of voting by the company's general assembly and in secret ballot. **(Indicative Rule)**	What is happening to the Companies Control Department and in accordance with the provisions of the Companies Act is the election to all candidates or for some candidates or to one not exceeding the number of the company's board In accordance with the article of the association of the company.
2-	Board of Directors sends invitations to each shareholder to attend the meeting of the General assembly by e-mail, before 21 days of the due date for the meeting, to be set up arrangements and appropriate procedures for the convening of the meeting, including choosing the place and time. **(Indicative Rule)**	The company is committed to send the invitations to the shareholders to attend the meeting of the General Assembly in accordance with the provisions of Article (144) of the Companies law.
3-	The date and venue of the General Assembly meeting will be announced in three local daily newspapers and at least twice on the company's website. (Indicative Rule)	The company commits to announce the date and venue of the meeting of the General Assembly in accordance with the provisions of Article (145) of the Companies law.
4-	Distribute the annual dividends of the company within thirty days after the decision has been taken in the general assembly meeting **(Indicative & Obligated Rule)**	The company commits to distribute dividends within 45 days from the date of issuance of the decision, and distributed in accordance with the provisions of the Article (191 / c) of the Companies Act.

Agenda of the 82^{nd} Ordinary General Assembly:

1- Reciting the minutes of the previous ordinary meeting of the 81st General Assembly.

2- Discussion and approval of the report of the Board of Directors for the fiscal year 2011 and the future plan of the company for 2012.

3- Presentation of the auditors' report on the financial statements of the Bank for the fiscal year 2011.

4- Discussion and approval of the financial statements and the balance sheet of the Bank for the fiscal year 2011, and adoption of the recommendation of the Board of Directors to pay dividends to shareholders at the rate of JOD 0.250 per share, i.e. 25% of the nominal value of the share being JOD 1.0.

5- Release of the members of the Board of Directors from liability for the fiscal year 2011.

6- Election of the Bank's auditors for the fiscal year 2012 and deciding on their remuneration.

7- Other matters which the General Assembly proposes to include in the agenda and are within the work scope of the General Assembly in its ordinary meeting provided that such proposal is approved by shareholders representing not less than 10% of the shares represented in the meeting.

Agenda of the Extraordinary General Assembly:

Obtaining the approval of the General Assembly to buy treasury stock in accordance with the requirements of Article (5) of the Instruction of Share Buyback by Public Shareholding Companies "Treasury Stock" issued pursuant to Articles (12/Q) and (123/B) of the Securities Law No. (76) for the Year 2002 which provides:

The Company's share buyback shall be subject to the following conditions:

A- The purchased shares shall not exceed 5% of the Company's subscribed shares. However, subject to the approval of the Commission, this percentage may reach up to 10%.

B- The allocated sum for buyback of the Company's shares shall not exceed the total of deferred profits and voluntary reserves of the Company.

Main Head Office Address and Address of Each Branch

Country	Address	
Jordan	General Management PO BOX 950545 Amman 11195 Jordan	Tel. 00962 (6) 5600000 00962 (6) 5660140 Fax. 00962 (6) 5606793 00962 (6) 5606830
	King Faisal St. PO Box 144186 Amman 11814 Jordan	Tel. 00962 (6) 4638161/9 Fax. 00962 (6) 4637082
	Shmeisani PO Box 144186 Amman 11814 Jordan	Tel. 00962 (6) 5000013 Fax. 00962 (6) 5670564
Palestine	PO Box 1476, Grand Park Hotel Street Al Masyoon - Ramallah Palestine	Tel. 00970 (2) 2978100 Fax. 00970 (2) 2982444
Bahrain	PO Box 813, Building 540, Road 1706 - Block 317, Diplomatic Area Kingdom of Bahrain	Tel. 00973 17549000 Fax. 00973 17541116
United Arab Emirates	Abu Dhabi: PO Box 875 Naser St. SH. Tahnoon Bin Moh'd Bldg.	Tel. 00971 (2) 6392225 Fax. 00971 (2) 6212370
	Dubai: PO Box 11364 Al-Ittihad St. Port Saeed Area	Tel. 00971 (4) 2950845 Fax. 00971 (4) 2955974
Lebanon	PO Box 11-1015 Riad El Solh Banks Street Commercial Buildings Co. Bldg. Beirut -Lebanon	Tel. 00961 (1) 980246/9 Fax. 00961 (1) 980299 00961 (1) 980803

Country	Address	
Egypt	PO Box 68 Al- Mohandesseen Geziret Al-Arab St., Building No. 50 Cairo – Egypt	Tel. 0020 (2) 33029069/71 Fax. 0020 (2) 33029068
Yemen	PO Box 475 & 1301 Zubairi Sana'a	Tel. 00967 (1) 276585/93 Fax. 00967 (1) 276583
Morocco	PO Box 13810 174 BD MED Casablanca	Tel. 00212 (5) 2222 3152 Fax. 00212 (5) 22200233
Qatar	PO Box 172 Grand Hammed Area Avenue no. 119 Doha – Qatar	Tel. 00974 44387777 Fax. 00974 44410774
Algeria	15 Boulevard du bon- heur residence Chaabani Val D'Hydra Alger - Algeria	Tel: ++ 213 (21) 60 87 25 Fax: ++213 (21) 60 87 07
Singapore	80 Raffles Place UOB Plaza 2 # 32-20 Singapore 048624	Tel. 0065 65330055 Fax. 0065 65322150
United States of America (New York Agency)	520 Madison Avenue New York, NY 10022-4237	Tel. 001 (212) 715-9700 Fax. 001 (212) 593-4632
China (Representative Office)	Unit 1803, Shanghai Trade Square 188 Si Ping Road, Shanghai 200086, China	Tel. 0086 (21) 65077737/38 Fax. 0086 (21) 65072776
South Korea (Representative Office)	Samwha Bldg., 4th Floor 21 Sogong-Dong, Chung-ku Seoul 100-070 Korea	Tel. 0082 (2) 775 4290 Fax. 0082 (2) 775 4294
Europe Arab Bank plc United Kingdom	13-15 Moorgate, EC2R 6AD London	Tel. 0044 (20) 7315 8500 Fax. 0044 (20) 7600 7620
France	PO Box 319 75365 Paris Cedex 08 26 Avenue des Champs Elysees 75008 Paris	Tel. 0033 (1) 4561 6000 Fax. 0033 (1) 4289 0978

Country	Address	
Italy	Corso Matteotti 1A 20121 Milan	Tel. 0039 (2) 7639 8521 Fax. 0039 (2) 78 2172
Spain	Paseo de la Castellana 31, planta baja, 28046 Madrid	Tel. 0034 (91) 308 4290 Fax. 0034 (91) 308 6484
Germany	Bockenheimer Landstrasse 24 60323 Frankfurt am Main	Tel. 0049 (69) 242 590 Fax. 0049 (69) 235 471
Austria	Mahlerstrasse 7 Top 15+16 1010 Vienna	Tel. 00431 513 4240 Fax. 00431 5134 2409
Arab Bank Australia Ltd.	PO Box N 645 Grosvenor Place NSW 1220 Level 9, 200 George Street Sydney NSW 2000	Tel. 0061 (2) 9377 8900 Fax. 0061 (2) 9221 5428
Turkland Bank A.S	19 Mayis Mah. 19 Mayis Cad. Sisli Plaza, A Block No. 7 Sisli 34360 Istanbul – Turkey	Tel. 0090 (212) 368 3434 Fax. 0090 (212) 368 3535
Arab Bank (Switzerland)Ltd.	Zurich Claridenstrasse 26 PO Box 2023 CH – 8022 Zurich	Tel. 0041 (44) 2657111 Fax. 0041 (44) 2657330
Finance Accountancy Mohassaba	Geneva Place Longemalle 10-12 PO Box 3575 CH – 1211 Geneva 3	Tel . 0041 (22) 7151211 Fax. 0041 (22) 7151311
	24 Rue Neuve - du - Molard PO Box 3155 CH – 1211 Geneva 3	Tel . 0041 (22) 9083000 Fax. 0041 (22) 7387229
Al Nisr Al Arabi Insurance Co.	PO Box 9194 Amman 11191 Amman Commercial Center Abdali / Amman - Jordan	Tel. 00962 (6) 5685171 Fax. 00962 (6) 5685890
Arab Bank - Syria	Al Mahdi Bin Barka St. Abu Rummana / Damascus – Syria	Tel. 00963 (11) 9421 Fax. .00963 (11) 334 9844

Country	Address	
Islamic International Arab Bank plc.	Wasfi Al-Tal st.(Gardens) PO Box 925802 Amman 11190 Jordan	Tel. 00962 (6) 5694901 Fax. 00962 (6) 5694914
Arab Investment Bank S.A.L	PO Box 11 -7000 Riad El- Solh - Banks St. Commercial Buildings Co. Bldg. Beirut-Lebanon	Tel./Fax. 00961 (1) 985111 00961 (1) 985222 00961 (1) 987333
Al- Arabi Investment Group Co.	PO Box 143156 11814 Al- Rabia Abdullah Bin Rawahah St, Bldg No (1) Amman – Jordan	Tel. 00962 (6) 5526491 Fax. 00962 (6) 5526492
Arab Tunisian Bank	9 Rue Hedi Nouira P.O. Box 520 Tunis 1001	Tel.: 00216 (71) 351155 Fax: 00216 (71) 347270
Oman Arab Bank S.A.O	P.O. Box 2010 Ruwi MBD Area Postal Code No. 112 Sultanate Of Oman	Tel : 00968 24706265 Fax : 00968 24797736
Arab National Bank	P.O. Box 56921 King Faisal Street North Murabba Riyadh 11564	Tel. : 00966 (1) 4029000 Fax.: 00966 (1) 4027747
Arabia Insurance Co.	P.O. Box 11-2172 Phiniqia Street Beirut - Lebanon	Tel: 00966 (1) 363610 Fax: 00966 (1) 363659
Al - Wahda Bank	PO Box 1320 Benghazi Libya	Tel: 00218 (61) 2231315 Fax: 00218 (61) 2224122
Arab Sudanese Bank	PO Box955 Khartoum East Block IDE ,Bldg .no7 . Khartoum-Sudan	Tel: 00249156550001 Fax: 00249 156550004
Al Arabi Investment Group Co / .Palestine	PO Box1476 Ramallah ,Palestine	Tel : 00970 (2) 2980240 Fax : 00970 (2) 2980249